REGISTRATION DOCUMENT

2017

KLEPIERRE

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KLEPIERRE

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

2017

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the Financial Markets Authority (AMF) on March 15, 2018, in accordance with article 212-13 of the AMF General Regulations. It may be used in support of a financial transaction only if supplemented by a transaction memorandum that has received approval from the AMF. This document has been established by the issuer and is binding upon its signatories.

The English language version of this registration document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. In all matters of interpretation, however views or opinion expressed in the original language version of the document in French take precedence over the translation.

1

GROUP OVERVIEW

1.1 Klépierre's strategy at a glance

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

A leading, pan-European platform

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

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

> in large catchment areas whose average size reaches 1,150,000 inhabitants; [(1)]

> in wealthy regions whose GDP per capita is 22% above the European average; [(2)]

> in growing cities, as the demographic growth of its catchment areas by 2025 [(3)] is projected to be 5.7%, 330 bps above the European average. [(4)]

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

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

Shop. Meet. Connect.™

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

> **Shop,** because Klépierre is convinced that the type of physical retail it offers will continue to expand and flourish. Shoppers like going to Klépierre's shopping centers because they are places where new products are best showcased and brand loyalty is actually built and strengthened.

> **Meet,** because customers are looking for more than just shopping when they come to a mall. They are looking to have an experience.

> **Connect,** because Klépierre's shopping centers are not only part of the retail becoming phygital, by integrating the retailers' omnichannel platforms and offering digital services, they are also at the center of local ecosystems where multiple and diverse communities interact.

Customer-centric mall management

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

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

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

Retail First

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

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

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

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

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

Let's Play®

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

Clubstore®

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

Corporate and social responsibility policy: Act for Good®

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

Targeted development and strict financial discipline

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

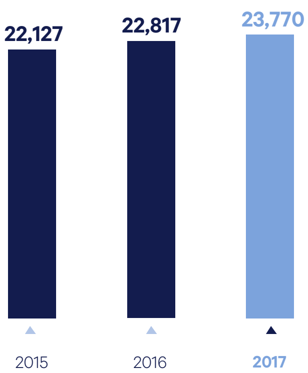
Klépierre also works to constantly improve its debt conditions and its financial profile. Since April 2014, the Group has enjoyed a A- credit rating from Standard & Poor's, placing it among the world's top three real estate companies. This financial strength is further buttressed by robust operating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

1.2 Key figures

1.2.1 Activity indicators

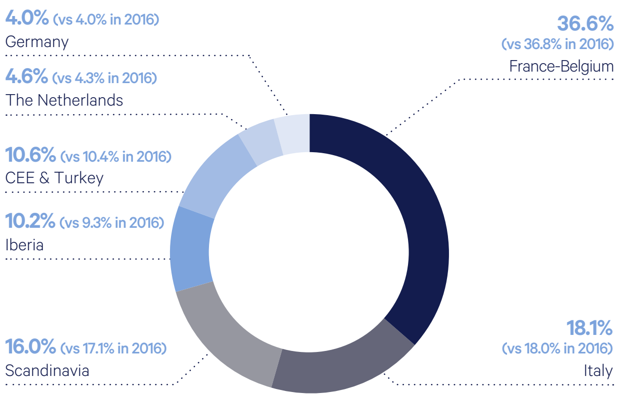
▸ VALUATION OF THE PROPERTY PORTFOLIO

(in €m, total share, excluding transfer taxes)



▸ GEOGRAPHICAL BREAKDOWN OF THE SHOPPING CENTER PROPERTY PORTFOLIO

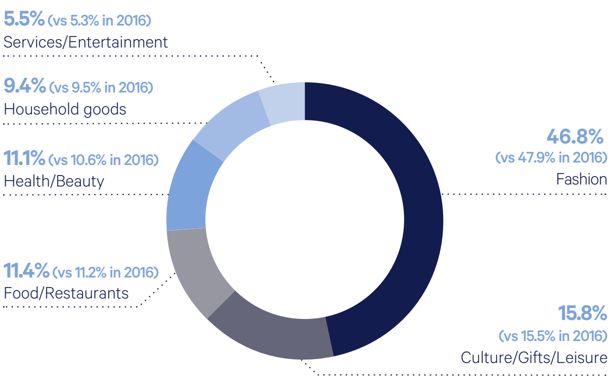
(in % of net rental income, total share)



KLÉPIERRE'S PROPERTY PORTFOLIO INCLUDES **155 SHOPPING CENTERS IN 16 COUNTRIES IN CONTINENTAL EUROPE** VALUED AT **€23.8 BILLION**(1) AS OF DECEMBER 31, 2017. KLÉPIERRE SHOPPING CENTERS WELCOMED **1.1 BILLION VISITORS** IN 2017(2).

▸ MERCHANDIZING MIX

(as a % of rents)



▸ TOP 10 TENANTS (11.8% OF RENTS)(3)

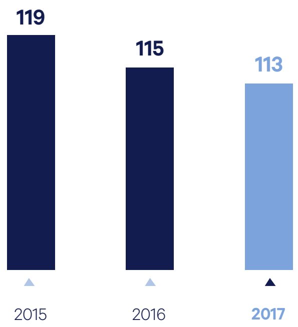
1	**H&M**	6	**Celio**
2	**Zara**	7	**C&A**
3	**Sephora**	8	**McDonald's**
4	**Media World**	9	**Bershka**
5	**Primark**	10	**Fnac**

(1) *Valuation excluding transfer taxes, including retail assets.*
(2) *Stable compared to 2016.*
(3) *Top 10 tenants represented 11.8% of rents in 2016 and 11.2% in 2015.*

1.2.2 Social, societal and environmental key performance indicators

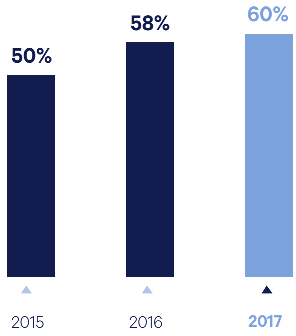
▸ ENERGY EFFICIENCY IN KWH/VISIT

2017/13 like-for-like basis (75% coverage): 105 shopping centers and 3 702 432 sq.m



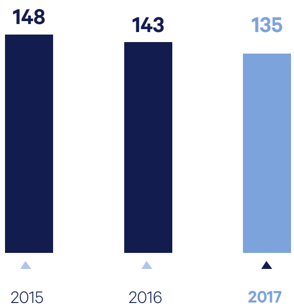
▸ PROPORTION OF ELECTRICITY USAGE FROM RENEWABLE SOURCES

2017 current basis (98% coverage): 138 shopping centers and 5 027 646 sq.m



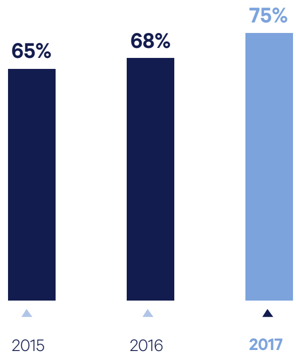
▸ GREENHOUSE GAS EMISSIONS IN gCO_2e/VISIT « LOCATION-BASED »

2017/2013 like-for-like basis (75% coverage): 105 shopping centers and 3 702 432 sq.m



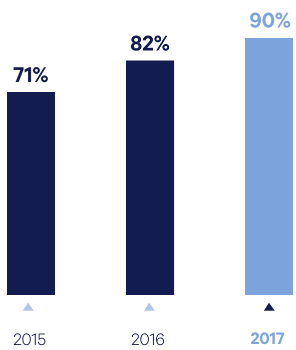
▸ PERCENTAGE OF CERTIFIED PROPERTIES

2017 current basis (98% coverage): 138 shopping centers and 5 027 646 sq.m



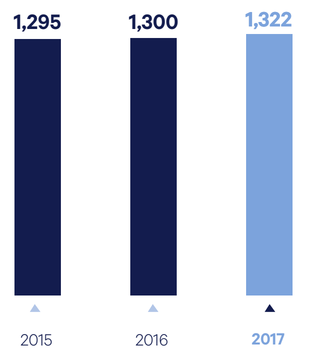
▸ TRAINING ACCESS RATE FOR KLÉPIERRE EMPLOYEES

Share of employees that took at least one training over the year

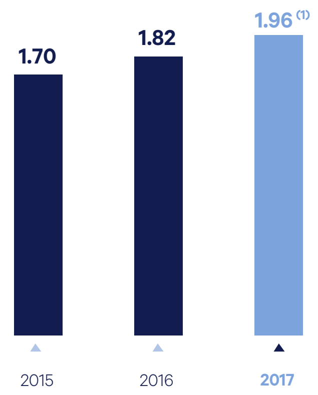


1.2.3 Financial key performance indicators

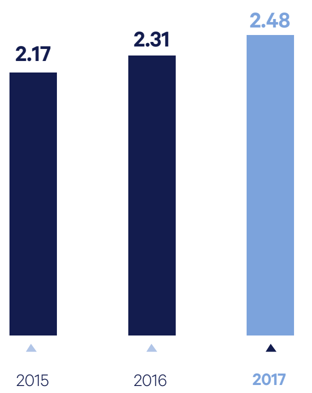
► **REVENUES**
(in €m, total share)



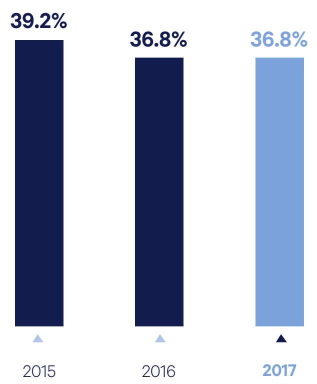
► **DIVIDEND PER SHARE**[1]
(in € per share)



► **NET CURRENT CASH FLOW**
(in € per share)[2]



► **LOAN-TO-VALUE**
(net indebtedness divided by valuation of the property portfolio, total share, including taxes, as a %)



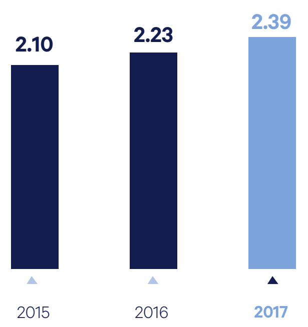
(1) *Submitted to a vote of the shareholders at their April 24, 2018 Meeting.*
(2) *In the second half of 2016, Klépierre elected to apply the fair value method (IAS 40) for the recognition of its investment properties. 2015 figures were restated for this change in accounting principles.*

1.2.4 Sectorial key performance indicators (EPRA format)

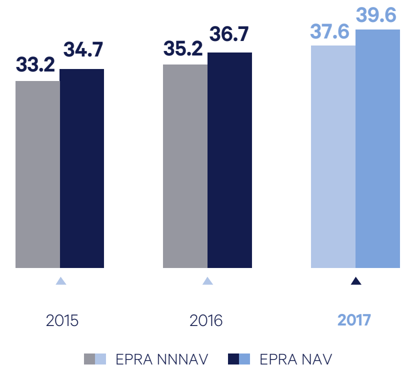
The following performance indicators have been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices recommendations guide. This updated guide is available on the EPRA website: www.epra.com.

For more information on the definitions, methodology and calculations of the below sectorial key performance indicators, please refer to section 2.8 of this registration document titled "EPRA performance indicators".

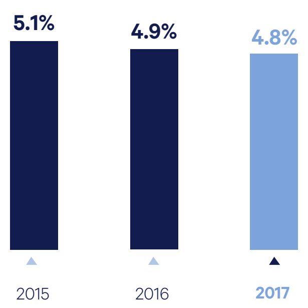
EPRA EARNINGS
(in € per share) [(1)]



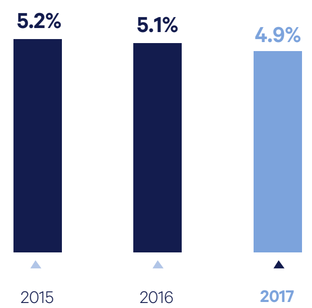
EPRA NAV & NNNAV
(in € per share)



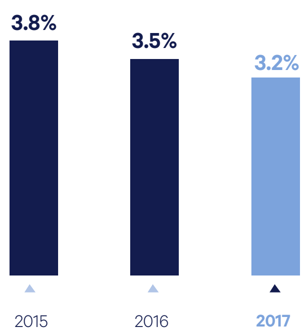
EPRA NET INITIAL YIELD
(shopping centers)



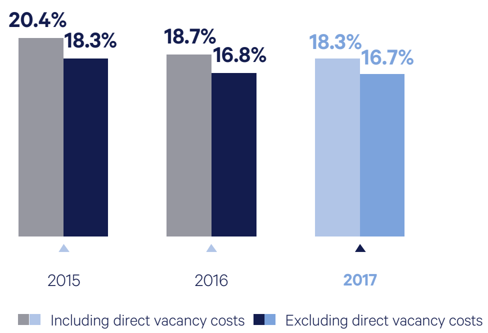
EPRA "TOPPED-UP" NET INITIAL YIELD
(shopping centers)



EPRA VACANCY RATE
(shopping centers)



EPRA COST RATIO



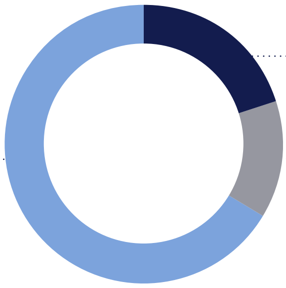
(1) *In the second half of 2016, Klépierre elected to apply the fair value method (IAS 40) for the recognition of its investment properties. 2015 figures were restated for this change in accounting principles.*

1.3 Stock market and shareholder base

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

Shareholder base

Klépierre's largest shareholders are Simon Property Group, American group and world leader in the shopping center industry and APG, a Netherlands-based pension fund firm. More than two-thirds are free-float, mainly held by institutional investors.



Data as of December 31, 2017.

Stock information

ISIN code	FR0000121964
Mnemonic code	LI
Trading market	Euronext Paris – Compartment A
Number of shares	314,356,063
Indexes	SBF80, EURONEXT 100, S.I.I.C. FRANCE, CAC ALL SHARES, CAC FINANCIALS, CAC REAL ESTATE, DJ STOXX 600, EPRA Eurozone, GPR 250 Index, CAC Next 20
Sustainable development indexes	FTSE4Good, DJSI Europe & World index, STOXX® Global ESG Leaders, Euronext Vigeo France 20, Europe 120 & World 120, Ethibel Sustainability Index Excellence Europe and Global, CDP's A List

	2012	2013	2014	2015	2016	2017
Close price *(in €)*	30.020	33.685	35.730	40.990	37.345	36.665
Market capitalization *(in €bn)*	6.0	6.7	7.1	12.9	11.7	11.5
Year-on-year change	+36.2%	+12.2%	+6.1%	+14.7%	-8.9%	-1.8%
% change in CAC 40 index	+15.2%	+18.0%	-0.5%	+8.5%	+4.9%	9.30%
% change in EPRA Eurozone index	+21.8%	+1.8%	+18.1%	+13.3%	+1.0%	13.2%

Source: Bloomberg.

For more information, please refer to section 6 of this registration document, "Capital, Shareholding, General Meeting of Shareholders".

1.4 Background

Klépierre inception

- **1990:** Klépierre was formed from the demerger of Locabail-Immobilier and its portfolio of operating leases. Since then, Klépierre has owned, managed and developed shopping centers in France and Continental Europe.
- **1998:** First international acquisition (Italy) and strengthening of the Company's position resulting from the merger of its 51% shareholder, Compagnie Bancaire Group, with Paribas.
- **2000:** Signature of an agreement with Carrefour to acquire 160 retail galleries adjoining its hypermarkets accompanied by property management and development partnerships.
- **2002:** Klépierre strengthens its position in Italy by acquiring 11 retail galleries in partnership with Finim and concluding an agreement with Finiper to acquire a 40% stake in IGC in conjunction with a partnership for the joint development of new centers.

Growth with the option for SIIC status in 2003, a major acquisition with Steen & Strøm

- **2003:** Acquisition of 28 shopping centers in France, Spain, Italy, Greece and Portugal and its first investment in the Czech Republic (Nový Smíchov, Prague); option of the tax status available to French REITs (sociétés d'investissement immobilier cotées or SIIC).
- **2004-2006:** Continued development of shopping centers, acquisitions in Hungary, Poland and first investment in Belgium.
- **2008:** A major historic acquisition by Klépierre with the support of its majority shareholder BNP Paribas: 56.1% of Steen & Strøm (shopping center real estate company with operations in Norway, Sweden and Denmark) in partnership with the Netherlands-based APG Pension Fund (43.9%).
- **2011:** Ongoing development including among other things the opening of the Millénaire (Paris region) and the acquisition of Roques (Toulouse, France).

Since 2012: 100% retail real estate strategy and creation of the leading European pure play shopping center specialist

- **2012-2013:** Consolidation of the strategy as a pure player in shopping centers in Continental Europe: disposal program of mature assets and start of divestment from the office property segment for nearly €1.3 billion, and delivery of landmark development projects including Saint-Lazare Paris (France) and Emporia (Malmö, Sweden). Early 2012: Simon Property Group, an American group and a world leader in the shopping center industry, acquires a 28% equity stake in Klépierre. BNP Paribas becomes the second largest shareholder with a 22% equity stake.
- **2014:** Klépierre focuses on its best-performing shopping centers: sale of 126 retail galleries in France, in Spain and in Italy in April, five shopping centers in Sweden in July, and the remaining assets of its Paris office portfolio during the first half. In all, nearly €3 billion in non-core assets were sold in 2013 and 2014. As a result of the improvement of the Company's profile, its financial structure continued to strengthen, which led Standard & Poor's to raise Klépierre's credit rating to A, placing it among the world's top four rated real estate companies. In October 2014, Klépierre launched a public exchange offer for 100% of the ordinary shares of Corio, a Dutch real estate company specialized in shopping centers, in order to create the leading pure player in shopping centers in Continental Europe, with a unique platform of assets located in regions offering the greatest potential in terms of economic and demographic growth. The proposed exchange ratio values Corio at €7.2 billion. This transaction was welcomed by the shareholders of both groups: 93.6% of Corio shareholders tendered their shares in the public exchange offer that closed in January 2015. This acquisition was followed by the cross-border merger of Klépierre and Corio on March 31, 2015. The value of the property portfolio of the new group was over €21 billion. Following this share-based transaction, Klépierre had three main shareholders: Simon Property Group with 18%, BNP Paribas and APG with 13.5% each.
- **2015:** Acquisition of two top-tier assets for €720 million: Plenilunio, a dominant shopping center in Madrid and Oslo City, a leading shopping center located in the heart of Norway's capital. Klépierre continued to sell off non-core assets including, for example, a portfolio of nine convenience shopping centers in the Netherlands for €730 million. BNP Paribas, Klépierre's historic shareholder, sells off its remaining shares on the market. As a result, Klépierre's free-float exceeded 65% and, in December 2015, Klépierre joined the CAC 40, the main index of the Paris stock exchange.
- **2016:** Klépierre continues to ride on the waves of success after the integration of Corio and synergies at various levels through investments in its pipeline of development projects (in France: Val d'Europe in the Paris region, Prado in Marseille and in the Netherlands with Hoog Catharijne) with a focus on extensions offering more visibility. Through the disposal of close to €600 million in assets, Klépierre keeps on improving the average quality of its portfolio.
- **2017:** saw two emblematic openings of extension projects of Klepierre. In April, 17 years after its establishment, Val d'Europe was extended over another 17,000 m², welcoming 30 new brands, including Primark, Uniqlo, Nike and NYX. In addition, the first phase of Hoog Catharijne redevelopment's opening has confirmed its leading position as the most visited shopping center in the Netherlands (with 26 million visitors in 2017, up 10,5%). In May, Klépierre reinforced its position in Spain with the acquisition of Nueva Condomina, the leading shopping center in Murcia region. At the same time, Klepierre disposed a total of €263 million assets, mostly in Scandinavia, Spain and France.

1.5 Property portfolio as of December 31, 2017

1.5.1 Shopping centers

Klepierre's portfolio is made up of **155 shopping centers located in 16 countries in Continental Europe**, at the end of 2017. The shopping centers represent a GLA [1] **of 5,956,309 sq.m (vs 5,849,175 sq.m in 2016)** included **4,405,133 sq.m (vs 4,307,323 sq.m in 2016)** of Rentable floor Area (RFA)[2].

France-Belgique

46 shopping centers
€9,188 million in valuation total share excluding duties
€394.9 million in net rental income total share

Région	City, center	Dpt	Opening	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Auvergne – Rhône-Alpes	Annecy, Courier	74	2001		2001	Monoprix, H&M, Zara, Fnac, 40 units	19,271	19,271	0.0%	58.4%
	Clermont-Ferrand, Jaude	63	1980	R 1990 R/E 2008 R/E 2013	1990	Fnac, Zara, H&M, 134 units	41,113	41,113	1.1%	100.0%
	Écully, Grand Ouest	69	1972	R/E 1997 + R (parking) 2009	2001	Carrefour, Zara, 77 units	39,968	13,452	0.0%	83.0%
	Givors, 2 Vallées	69	1976	R 1997 R 2016	2001	Carrefour, Castorama, 38 units	32,528	19,565	0.1%	83.0%
	Grenoble, Grand'Place	38	1976	R/E 2002	2015	Carrefour, H&M, Zara, Fnac, 117 units	80,573	54,893	10.6%	100.0%
	Riom, Riom Sud	63	1992	R/E 2012	2012	Carrefour, 63 units & retail park 4 units	34,613	15,333	6.5%	50.0%
	Saint-Étienne, Centre 2	42	1979		2015	Auchan, H&M, C&A, 86 units	33,741	28,180	7.6%	100.0%
	Valence, Victor Hugo	26	1994	R 2007	2007	Fnac, H&M, Zara, 38 unités	10,434	10,434	7.8%	100.0%
Britanny	Rennes, Colombia	35	1986	E 2010 R 2016	2005	Monoprix, Fnac, H&M, 71 units	21,291	16,467	0.6%	100.0%
Burgundy – Franche-Comté	Besançon, Les Passages Pasteur	25	2015		2015	Monoprix, H&M, Mango, 22 units	14,341	14,341	1.8%	100.0%
Centre – Val de Loire	Chartres, La Madeleine	28	1967		2001	Carrefour, 20 units	22,239	7,115	0.0%	83.0%
Grand Est	Metz, Saint-Jacques	57	1975	R 2015	2015	Simply Market, H&M, 98 units	19,000	16,894	20.7%	100.0%
Hauts-de-France	Valenciennes, Place d'Armes	59	2006		2006	Carrefour Market, H&M, Zara, 54 units	15,740	15,740	0.8%	100.0%

(1) Total sales area (including the hypermarket if there is one), plus storage area and not including aisles and shared tenant space.
(2) Gross leasable area owned by Klépierre and on which Klépierre collects rents.

Région	City, center	Dpt	Opening	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Île-de-France	Aubervilliers, Le Millénaire	93	2011		2011	Carrefour, H&M, Tati, Toys"R"Us, Zara, 142 units	58,058	58,058	18.4%	50.0%
	Boulogne-Billancourt, Passages	92	2001	R 2013	2001	Monoprix, Fnac, Zara, Mango, 63 units	23,163	23,163	0.7%	50.0%
	Claye-Souilly, Les Sentiers de Claye-Souilly	77	1992	E 2012	2001	Carrefour, H&M, Zara, Darty 125 units	50,739	33,757	2.7%	55.0%
	Créteil, Créteil Soleil	94	1974	R/E 2000	1991	Carrefour, H&M, Primark, Zara, 233 units	123,536	91,912	3.4%	80.0%
	Drancy, Avenir	93	1995		2008	Carrefour, 56 units	23,332	12,533	24.0%	100.0%
	Marne-la-Vallée – Serris, Val d'Europe	77	2000	E 2003 E 2009 R/E 2017	2000	Auchan, Primark, H&M, Zara, Uniqlo 190 units	103,498	82,498	1.1%	55.0%
	Noisy-le-Grand, Arcades	93	1978	R 1992 R/E 2009	1995	Carrefour, H&M, Zara, 147 units	57,560	42,699	3.5%	53.6%
	Paris, Saint-Lazare Paris	75	2012		2012	Carrefour City, Esprit, Mango, 89 units	12,275	12,275	1.2%	100.0%
	Pontault-Combault	77	1978	R/E 1993	2001	Carrefour, Darty, 61 units + 6 retail park units	45,827	31,335	3.6%	83.0%
	Sevran, Beau Sevran	93	1973		2003	Carrefour, Tati, 85 units	39,056	24,531	13.2%	83.0%
	Villiers-en-Bière	77	1971	E 1971 R 2016	2001	Carrefour, Darty, Decathlon, Zara, 82 units + 4 retail park units	55,645	30,645	7.3%	83.0%
Normandy	Caen, Côte de Nacre	14	1970		2015	Carrefour, 41 units	29,817	29,817	3.5%	100.0%
	Le Havre, Espace Coty	76	1999		2000	Fnac, Monoprix, 79 units	26,585	20,191	3.4%	50.0%
	Mondeville, Mondeville 2	14	1995		2015	Carrefour, H&M, Mango, Tati, Toys"R"Us, 85 units	37,217	17,727	0.4%	100.0%
	Tourville-la-Rivière	76	1990	R 2008/ 2011	2007	Carrefour, 58 units	17,931	7,231	0.0%	85.0%
Nouvelle Aquitaine	Angoulême, Champ de Mars	16	2007		2007	H&M, Zara, JD Sport, 44 units	16,096	16,096	11.0%	100.0%
	Bègles, Rives d'Arcins	33	1995	2010 R/E 2013	1996	Carrefour, H&M, Zara, 134 units	52,271	29,471	0.7%	52.0%
	Bègles, Rives d'Arcins, Les Arches de l'Estey	33	2010			Retail park, 20 units	34,804	34,804	0.0%	52.0%
	Bordeaux, Saint-Christoly	33	1985	R 1999/ 2004	1995	Monoprix, 32 units	8,670	8,670	19.2%	100.0%

Région	City, center	Dpt	Opening	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Occitanie	Blagnac	31	1993	R/E 2009	2004	E. Leclerc, H&M, Uniqlo, Zara, 129 units	72,878	72,878	0.1%	53.6%
	Lattes, Grand Sud	34	1986	R/E 1993	2002	Carrefour, 71 units	26,051	14,251	0.0%	83.0%
	Montpellier, Odysseum	34	2009		2009	Géant Casino, H&M, Zara, 97 units + pôle ludique, 29 units	72,324	52,324	0.9%	100.0%
	Nailloux Outlet Village	31	2011		2015	Galeries Lafayette Outlet, Nike, 114 units	23,312	23,312	22.2%	75.0%
	Portet-sur-Garonne, Grand Portet	31	1972	R/E 1990	2001	Carrefour, Mango, 111 units	42,709	24,709	4.1%	83.0%
	Roques-sur-Garonne	31	1995	R/E 2008-2009	2011	E. Leclerc, Zara, H&M, New Yorker, Tati, 95 units & retail park	50,700	38,200	7.8%	100.0%
	Saint-Orens	31	1991	R/E 2008	2004	E. Leclerc, Gulli Park, Zara, 103 units	38,793	38,793	9.0%	53.6%
Pays de la Loire	Cholet La Seguiniere Outlet	49	2005		2015	Galeries Lafayette Outlet, Guess Outlet, 38 units	8,275	8,275	15.0%	100.0%
Provence-Alpes-Côte d'Azur	Marseille, Bourse	13	1977	R 1991/ R 1997/ E 2015/ R 2016	1990	Galeries Lafayette, Fnac, 77 units	45,325	22,205	15.1%	50.0%
	Marseille, Grand Littoral	13	1996	R 2013	2015	Carrefour, H&M, Primark, Zara, 185 units	94,828	58,682	11.3%	100.0%
	Marseille, Le Merlan	13	1976	R 2006	2003	Carrefour, 54 units	20,295	8,124	12.3%	100.0%
	Nice, Nice TNL	06	1981	R 2005	2015	Carrefour, 64 units	21,266	11,166	7.0%	100.0%
	Toulon, Centre Mayol	83	1990		2015	Carrefour, Fnac, Zara, 99 units	32,454	19,188	3.2%	40.0%
	Vitrolles, Grand Vitrolles	13	1970	R 2008	2001	Carrefour, 80 units	44,872	24,347	0.0%	83.0%
TOTAL FRANCE							**1,795,014**	**1,296,665**	**3.5%**	

► BELGIUM

Region	City, center	Opening	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Walloon Brabant	Louvain-la-Neuve, L'esplanade	2005		2005	Delhaize, Fnac, H&M, Zara, 155 units	55,905	55,905	0.2%	100.0%
TOTAL BELGIUM						**55,905**	**55,905**	**0.2%**	
TOTAL FRANCE-BELGIUM						**1,850,919**	**1,352,570**	**3.3%**	

▸ MISCELLANEOUS ASSETS

Region	City, center	Dpt	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Britanny	Vannes Nouvelle Coutume	56	Mim, Pimkie, MS Mode	1,325	1,325	0.0%	100.0%
Burgundy – Franche-Comté	Marzy (Nevers)	58	Jouet Land, 3 restaurants	2,084	2,084	0.0%	100.0%
Hauts-de-France	Creil (Beauvais)	60	Cora Shopping center (Géant + 36 units) excluding retail park	17,567	4,067	0.0%	100.0%
	Creil, Forum Rebecca	60	9 units	8,865	8,865	2.7%	70.0%
Île-de-France	Orgeval, Capteor	78	5 units	8,857	8,857	0.0%	100.0%
Normandy	Dieppe	76	Belvédère Shopping center	5,729	5,729	2.8%	20.0%
Nouvelle Aquitaine	Mérignac	33	Darty, Flunch, McDonald's	7,591	7,591	0.0%	83.0%
Occitanie	Carcassonne	11	Salvaza Shopping center	11,563	4,963	5.6%	37.0%
	Carcassonne	11	McDonald's	1,662	1,662	0.0%	37.0%
	Sète Balaruc	34	Carrefour Shopping center	16,620	3,901	0.0%	38.0%
TOTAL MISCELLANEOUS ASSETS				**81,863**	**49,044**		

Italy

36 shopping centers
€3,940 million in valuation total share excluding duties
€195.2 million in net rental income total share

Region	City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Abruzzo	Citta S. Angelo, Pescara Nord	1995	R/E 2010	2002	IPER, 76 units	33,974	19,401	1.0%	83.0%
	Colonnella (Teramo), Val Vibrata	2000	R/E 2007	2002	IPER, 60 units	28,673	15,819	4.0%	100.0%
Basilicata	Matera	1999		2003	Ipercoop, 7 units	10,024	1,573	0.0%	100.0%
Campania	Naples, Campania	2007	E 2014	2015	Carrefour, Zara, H&M, 225 units	87,230	72,230	0.9%	100.0%
Emilia-Romagna	Bologne, Shopville Gran Reno	1993		2015	Carrefour, 80 units	38,838	13,994	0.4%	100.0%
	Modena, Grand Emilia	1996		2015	Ipercoop, 89 units	39,815	19,815	0.0%	100.0%
	Savignano s. Rubicone (Rimini), Romagna Center	1992	R/E 2014	2002	IPER, H&M, Zara, 79 units	45,798	20,816	0.6%	100.0%
	Savignano s. Rubicone (Rimini), Parco Romagna	2004		2011	Retail park, Decathlon, 22 units	30,498	30,498	0.0%	100.0%
Friuli Venezia Giulia	Udine, Citta Fiera	1992	E 2015	2015	IPER, H&M, Mango, Zara, 200 units	105,048	47,665	4.7%	49.0%
Lazio	Rome, Porta di Roma	2007	R 2013/ 2016	2015	Auchan, Decathlon, H&M, Zara, 274 units	93,251	73,251	0.6%	50.0%
	Rome, La Romanina	1992	R/E 2009	2002	Carrefour, H&M, 115 units	31,832	19,582	4.5%	83.0%
	Rome, Tor Vergata	2004		2005	Carrefour, Zara, 64 units	25,708	11,619	3.4%	100.0%

Region	City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Lombardy	Assago (Milan), Milanofiori	1988	E 2004/2005 R 2017/2018	2005	Carrefour, Zara, 95 units	49,901	24,757	1.4%	100.0%
	Bergamo, Brembate	1977	R 2002	2002	IPER, 23 units	13,003	2,190	0.0%	100.0%
	Bergamo, Seriate, Alle Valli	1990	R/E 2001 & 2008	2002	IPER, 55 units	32,375	10,861	0.0%	100.0%
	Como, Grandate	1999		2002	IPER, 16 units	11,037	2,239	0.0%	100.0%
	Cremona (Gadesco), Cremona Due	1985		2002	IPER, H&M, 63 units	31,647	6,145	0.0%	100.0%
	Lonato, Il Leone di Lonato	2007		2008	IPER, H&M, Zara, 129 units	47,753	30,225	0.0%	50.0%
	Milan, Globo I-II-III	1993, 2001, 2004	E 2006	2015	IPER, H&M, Zara, 140 units	58,491	30,472	2.7%	100.0%
	Novate Milanese, Metropoli	1999	R 2011/ 2012	1999	Ipercoop, 87 units	30,619	16,619	0.9%	95.0%
	Pavia, Montebello della Battaglia, Montebello	1974	E 2005	2002	IPER, H&M, Zara, 61 units + retail park 13 units	65,250	43,677	0.0%	100.0%
	Roncadelle (Brescia), Le Rondinelle	1996	R 2016	1998	Auchan, 75 units	36,787	13,561	7.2%	95.0%
	Settimo Milanese, Settimo	1995	E 2003	1999	Coop, 27 units	9,725	9,725	3.9%	95.0%
	Solbiate Olona, Le Betulle	2002	R 2006	2005	IPER, 28 units	17,412	4,351	0.0%	100.0%
	Varese, Belforte	1988	E 2006/ E 2012	2002	IPER, H&M, 41 units	26,567	10,029	0.0%	100.0%
	Vignate (Milan), Acquario center	2002		2003	Ipercoop, 58 units	40,762	20,054	1.4%	95.0%
	Vittuone, Il Destriero	2009		2009	IPER, H&M, 66 units	31,274	16,142	0.0%	50.0%
Marche	Senigallia, Il Maestrale	1999	R 2011	2015	Ipercoop, 39 units	19,788	7,388	0.0%	100.0%
	Pesaro, Rossini Center	2000	R 2008	2002	IPER, 36 units	19,814	8,601	1.0%	100.0%
Piedmont	Collegno (Turin), La Certosa	2003		2003	Carrefour, 39 units	19,951	6,360	4.1%	100.0%
	Moncalieri (Turin)	1998	R/E 2000 R 2009	2002	Carrefour, 27 units	12,756	5,816	3.3%	83.0%
	Serravalle Scrivia, Serravalle	2003		2004	IPER, 33 units	23,908	7,972	4.6%	100.0%
	Turin, Shopville Le Gru	1994	R 2013	2015	Carrefour, Zara, 222 units	78,500	49,177	0.4%	100.0%
	Lecce, Cavallino	2001		2005	Conad, 27 units	18,821	5,805	0.1%	100.0%
Sardinia	Cagliari, Le Vele & Millennium	1998	R 2013	2015	Carrefour, 83 units	44,194	32,194	1.6%	100.0%
Veneto	Venise, Nave de Vero	2014		2015	Coop, Zara, 139 units	38,529	38,529	0.0%	100.0%
	Vérone, Le Corti Venete	2006		2008	IPER, H&M, Zara, 76 units	31,258	16,391	0.7%	50.0%
TOTAL ITALY						**1,380,811**	**765,543**	**1.2%**	

Scandinavia

18 shopping centers
€3,892 million in valuation total share excluding duties
€172.6 million in net rental income total share

▶ NORWAY

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Ås, Vinterbro Senter	1996	1999 R 2013	2008	Coop, H&M, Elkjøp, 83 units	40,834	40,834	1.5%	56.1%
Drammen, Gulskogen Senter	1985	1986, 2000, 2008, 2009, 2010	2008	XXL, Meny, Lefdahl, G-Sport, H&M, 118 units	38,713	38,713	0.8%	56.1%
Hamar, Maxi Storsenter	1986	1988, 1992, 2000, 2006	2008	Meny, H&M, G-Max, 74 units	20,750	20,750	3.6%	56.1%
Haugesund, Amanda	1997	1997	2008	H&M, Cubus, Kappahl, 68 units	24,850	14,850	1.2%	56.1%
Larvik, Nordbyen	1991	2006	2008	Meny, H&M, Clas Ohlson, 58 units	15,748	15,748	2.6%	28.1%
Lørenskog, Metro Senter	1988	2007, 2008, 2009	2008	Coop, H&M, Jernia, 116 units	51,954	51,954	4.1%	28.1%
Stavanger, Arkaden Torgterrassen	1993	2005, 2010	2008	H&M, Cubus, New Yorker, 54 units	22,310	20,077	8.0%	56.1%
Tønsberg, Farmandstredet	1997	2002, 2006, 2008	2008	H&M, Meny, Clas Ohlson, 96 units	36,856	32,606	1.8%	56.1%
Tromsø, Nerstranda	1998		2008	H&M, KappAhl, Vinmonopolet, 47 units	11,659	11,659	2.4%	56.1%
Oslo, Oslo City	1988		2015	H&M, Meny, KappAhl, Cubus, 87 units	22,887	22,887	1.1%	56.1%
TOTAL NORWAY					**286,561**	**270,078**	**2.2%**	

▶ SWEDEN

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Borlänge, Kupolen	1989	1995, 2005	2008	ICA, H&M, KappAhl, Lindex, New Yorker, Stadium, 101 units	44,600	44,600	4,6%	56,10%
Malmö, Emporia	2012		2008	ICA, Willys, Hollister, Apple, H&M, KappAhl, Lindex, New Yorker, Stadium, Zara, 186 units	67,200	67,200	2,9%	56,10%
Örebro, Marieberg	1988	2009	2008	H&M, Jula, Clas Ohlson, Cubus, KappAhl, Lindex, Stadium, 102 units	32,800	32,800	1,9%	56,10%
Partille, Allum	2006		2008	ICA, Willys, H&M, Clas Ohlsson, Stadium, Lindex, KappAhl, 112 units	42,600	42,600	0,0%	56,10%
Kristianstad, Galleria Boulevard	2013	2015	2013	Coop, Stadium, Clas Ohson, 51 units	20,139	20,139	26,0%	56,10%
TOTAL SWEDEN					**207,339**	**207,339**	**3,7%**	

► **DENMARK**

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Aarhus, Bruun's Galleri	2003		2008	H&M, 100 units	33,800	33,800	1.9%	56.1%
Copenhague, Field's	2004	E 2015	2008	Bilka, H&M, Toys"R"Us, Zara, 140 units	89,396	89,396	4.0%	56.1%
Viejle, Bryggen	2008		2008	H&M, 70 units	23,298	23,298	12.7%	56.1%
TOTAL DENMARK					**146,494**	**146,494**	**4.0%**	
TOTAL SCANDINAVIA					**640,394**	**623,911**	**3.1%**	

Iberia

19 shopping centers
€2,259 million in valuation total share excluding duties
€110.0 million in net rental income total share

► **SPAIN**

Region	City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Andalusia	Jaén, La Loma	1991	E 1994	2015	Carrefour, H&M, Zara, 51 units	29,616	11,747	1.4%	100.00%
Asturias	Oviedo, Los Prados	2002		2003	Carrefour, Dreamfit, Cortefiel, Yelmo cinema, 94 units	39,716	24,699	13.6%	83.00%
Canary Islands	Santa Cruz de Tenerife, Meridiano	2003	R 2015	2003	Carrefour, C&A, Primark, H&M, Yelmo Cineplex, Zara, 109 units	42,944	27,361	0.1%	83.00%
Catalonia	Barcelona, Maremagnum	1995	R 2012	2015	H&M, Lefties, Victoria's Secret, 154 units	22,542	22,542	0.0%	100.00%
Madrid	Parla, El Ferial	1995	R 2012	2015	Carrefour, Sprinter, Cortefiel, 64 units	21,809	8,608	17.2%	100.00%
	Madrid, Gran Via de Hortaleza	1992	E 2001	2015	Carrefour, Toys"R"Us express, Burger King, 69 units	20,317	6,317	8.1%	100.00%
	Madrid Vallecas, La Gavia	2008	R 2012-2013	2008	Carrefour, IKEA, Primark, Zara, H&M, Fnac, Cinesa, 196 units	86,356	50,191	0.6%	100.00%
	Madrid, Plenilunio	2006	E 2007 R 2017	2015	Mercadona, Primark, Zara, H&M, O2 Wellness, Yelmo Cines, Sprinter, Mango, 192 units	70,563	70,563	1.5%	100.00%
	Madrid, Principe Pio	2004		2015	H&M, Mango, Zara, Cinema, 115 units	28,976	28,976	1.4%	100.00%
Murcia	Murcie, Nueva Condomina	2006	R 2014	2017	Leroy Merlin, Cinesa, Primark, Media Markt, Fnac, H&M, Zara, Apple, 201 units	110,222	110,222	7.7%	100.00%
Valencia	Valence, Gran Turia	1993	R 2008	2015	Carrefour, Dreamfit, Sprinter, Cortefiel, 91 units	58,259	20,574	26.5%	100.00%
	Vinaroz	2003		2003	Carrefour, 15 units	24,318	870	5.9%	83.00%
TOTAL SPAIN						**555,638**	**382,670**	**3.1%**	

► PORTUGAL

Region	City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Lisbon	Lisbon, Telheiras	1990		2003	Continente, Worten, Aki, Toys"R"Us, 33 units	31,838	15,297	3.1%	100.0%
	Loures, Loures	2002		2002	Continente, AKI, Decathlon, Worten, 71 units	36,003	17,370	8.3%	100.0%
North	Braga, Minho Center	1997	R 2011	2006	Continente, Worten, Sport Zone, Toys"R"Us, 65 units	22,424	9,602	9.6%	100.0%
	Gondomar (Porto), Parque Nascente	2003		2003	Jumbo, Leroy Merlin, Zara, Mediamarkt, Primark, 135 units	63,569	49,751	6.1%	100.0%
	Vila Nova de Gaia (Porto), Gaia Jardim	1990	R 2011	2003	Continente, Worten, 36 units	21,909	5,189	27.1%	100.0%
	Guimarães, Espaço Guimarães	2009		2015	Jumbo, H&M, Zara, 150 units	48,712	32,882	12.0%	100.0%
South	Portimão, Aqua Portimão	2011		2011	Jumbo, Primark, H&M, 118 units	35,056	23,328	4.9%	50.0%
TOTAL PORTUGAL						**259,511**	**153,419**	**7.6%**	
TOTAL IBERIA						**815,149**	**536,089**	**4.2%**	

Central Europe and Turkey

26 shopping centers
€1,741 million in valuation total share excluding duties
€113.8 million in net rental income total share

► POLAND

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Lublin, Lublin Plaza	2007		2007	TK Maxx, H&M, Stokrotka, Cinema City, Reserved, 97 units	25,669	25,669	2.5%	100.0%
Poznan, Poznan Plaza	2005	R 2015	2005	Cinema City, IMAX, Zara, H&M, Piotr i Paweł, Komputronik, Reserved, Smyk, Go Sport, 126 units	29,416	29,416	0.0%	100.0%
Ruda Slaska, Ruda Slaska Plaza	2001	R 2008	2005	Carrefour, Reserved, CCC, H&M, 44 units	14,780	14,780	1.4%	100.0%
Rybnik, Rybnik Plaza	2007		2007	Cinema City, H&M, CCC, Reserved, RTV EURO AGD, 58 units	18,453	18,453	1.5%	100.0%
Sosnowiec, Sosnowiec Plaza	2007		2007	Stokrotka, Cinema City, Reserved, Empik, 57 units	13,121	13,121	7.4%	100.0%
Warsaw, Sadyba Best Mall	2000		2005	Carrefour Market, Cinema City, H&M, 101 units	26,329	26,329	0.0%	100.0%
TOTAL POLAND					**127,768**	**127,768**	**1.1%**	

▶ HUNGARY

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Budapest, Corvin	2010		2009	CBA, Libri, H&M, Müller, Reserved, Decathlon, CCC, 92 units	34,490	34,490	4.2%	100.0%
Budapest, Duna Plaza	1996	R 2002	2004	Cinema City, Media Saturn, CBA, H&M, Reserved, Libri, 147 units	47,159	47,159	4.1%	100.0%
Gyor, Gyor Plaza	1998	R 2008	2004	Cinema City, CBA, Euronics, 61 units	15,199	15,199	0.0%	100.0%
Miskolc, Miskolc Plaza	2000		2004	Cinema City, C&A, H&M, Reserved, Euronics, 85 units	14,726	14,726	0.7%	100.0%
Nyiregyhaza, Nyir Plaza	2000		2004	Cinema City, H&M, CCC, 63 units	13,997	13,997	4.1%	100.0%
Székesfehérvar, Alba Plaza	1999		2004	Cinema City, C&A, H&M, Hervis, 63 units	15,080	15,080	0.0%	100.0%
TOTAL HUNGARY					**140,651**	**140,651**	**2.4%**	

▶ CZECH REPUBLIC

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Plzeň, Plzeň Plaza	2007		2008	Cinema City, H&M, Supermarket Albert, 99 units	19,583	19,583	4.2%	100.0%
Prague, Novodvorská Plaza	2006		2006	Tesco, Datart, Lindex, Sportisimo, H&M, 109 units	26,926	26,926	1.8%	100.0%
Prague, Nový Smíchov	2001	R 2011	2001	Tesco, C&A, Cinema City, H&M, Zara, M&S, 170 units	57,205	38,477	0.6%	100.0%
TOTAL CZECH REPUBLIC					**103,714**	**84,986**	**1.2%**	

▶ TURKEY

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Adapazari, Adacenter	2007		2015	Carrefour, Tekzen, LCW, Playland, 72 units	25,302	25,302	11.4%	100.0%
Ankara, 365	2008		2015	Migros, Koçtaş, LCW, Joker, 112 units	27,706	23,759	9.8%	100.0%
Bursa, Anatolium	2010		2015	IKEA, Carrefour, Koçtaş, Mediamarkt, H&M, Kahve Dünyası, Koton, LCW, 156 units	83,343	83,343	10.2%	100.0%
Denizli, Teras Park	2007	2009	2015	Carrefour, Mediamarkt, Joypark, Koton, Avsar, 113 units	50,590	50,590	12.0%	51.0%
Istanbul, Akmerkez	1993	2010	2015	Wepublic, Macrocenter, Zara, Papermoon, 166 units	34,430	33,242	4.9%	46.9%
Tarsus, Tarsu	2012		2015	Kipa, Koton, LCW, Teknosa, Nike 83 units	27,625	27,625	12.3%	100.0%
Tekirdağ, Tekira	2008	2017	2015	Carrefour, Teknosa, Boyner, LCW, Defacto, Koton, 86 units	34,649	34,649	2.1%	100.0%
TOTAL TURKEY					**283,646**	**278,510**	**7.3%**	

▶ GREECE

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Patras	2002		2003	Sklavenitis, Kotsovolos, Intersport, 26 units	17,495	8,736	5.7%	83.0%
Thessalonique, Efkarpia	1995	R 2014	2003	Sklavenitis, 14 units	20,859	996	6.7%	83.0%
Thessalonique, Makedonia	2000	R 2005-2012	2001	Sklavenitis, Ster cinemas, Orchestra, 37 units	34,797	14,984	11.0%	83.0%
TOTAL GREECE					**73,151**	**24,716**	**8.7%**	

▶ SLOVAKIA

City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Bratislava, Danubia	2000		2000	Carrefour, Nay, McDonald's, 43 units	26,089	12,289	4.4%	100.0%
TOTAL SLOVAKIA					**26,089**	**12,289**	**4.4%**	
TOTAL CENTRAL & EASTERN EUROPE AND TURKEY					**755,019**	**668,920**	**3.9%**	

THE NETHERLANDS

5 shopping centers
€1,330 million in valuation total share excluding duties
€49.3 million in net rental income total share

Region	City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Zuid-Holland	Rotterdam, Alexandrium	1984	R 2001	2015	Albert Heijn, H&M, HEMA, Zara, 129 shops	46,885	45,456	4.7%	100.0%
	Rotterdam, Markthal	2014		2015	Albert Heijn, Gall and Gall, Etos, 68 shops	11,680	11,680	10.4%	100.0%
Utrecht	Utrecht, Hoog Catharijne	1973	R/E 2015	2015	Media Markt, H&M, C&A, Zara, 108 shops	85,703	57,993	0.0%	100.0%
Noord-Holland	Amsterdam, Villa Arena	2001	R 2008	2015	Goossens Wonen, Piet Klerkx, Perry Sport, 51 shops	79,310	54,781	14.3%	100.0%
Flevoland	t Circus Almere	2009	R 2012	2015	Primark, Van Haren, Amazing Oriental, 76 shops	29,831	27,581	3.4%	100.0%
TOTAL THE NETHERLANDS						**253,408**	**197,490**	**6.0%**	

GERMANY

5 shopping centers
€1,066 million in valuation total share excluding duties
€42.8 million in net rental income total share

Region	City, center	Creation	Renovation/ extension	Acquired by Klépierre	Composition	Gross leasable area	Rentable floor area	EPRA vacancy rate	Klépierre equity interest
Berlin	Berlin, Boulevard Berlin	2013	R/E 2013	2015	Karstadt, Saturn, H&M, Zara, 148 units	87,258	87,258	5.1%	95.0%
Niedersachsen	Arneken Galerie Hildesheim	2012	R/E 2012	2015	Saturn, H&M, DM, 92 units	27,613	27,613	12.7%	95.0%
Nordrhein Westfalen	Duisburg, Forum Duisburg	2008	R/E 2008	2015	Karstadt, Saturn, C&A, 82 units	59,209	59,209	1.0%	95.0%
	Duisburg, Königsgalerie	2011	R/E 2011	2015	H&M, Intersport, Mango, 61 units	18,616	18,616	20.0%	95.0%
Sachsen	Dresden, Centrum Galerie	2009	R/E 2012	2015	Primark, Zara, Karstadt Sports, Mango, 98 units	67,915	67,915	5.3%	95.0%
TOTAL GERMANY						**260,609**	**260,609**	**5.9%**	

1.5.2 Retail assets

Portfolio	Region/City	Composition	Gross leaseable area
Buffalo Grill	Throughout France	102 restaurants	58,026
Vivarte	Throughout France	43 store premises of which: - 33 store premises operated by La Halle - 10 store premises operated by La Halle aux Chaussures	43,366
King Jouet	Throughout France	20 stores	17,414
Défi Mode	Throughout France	25 stores	24,488
Sephora	Metz	1 store premises operated by Sephora	717
Diversified assets	Throughout France	28 store premises of which: - 4 store premises operated by Action - 3 Leader Price supermarkets - 2 stores operated by Delbard	38,809
Other assets	Throughout France	27 store premises	24,757
TOTAL RETAIL ASSETS	**THROUGHOUT FRANCE**	**247 ASSETS**	**207,577**

1.5.3 Overview of valuation reports prepared by Klépierre's independent external appraisers

General context of the valuation

Context and instructions

In accordance with Klépierre's ("the Company") instructions as detailed in the signed valuation contracts between Klépierre and the valuers, we have valued the assets held by the Company, taking account of their ownership (freehold, ground lease, etc.). This Summary Report has been prepared for inclusion in the Company's registration document.

The valuations were undertaken by our valuation teams in each of the various countries and have been reviewed by the Pan European valuation teams. In order to estimate the market value for each asset, we have not only taken into consideration domestic retail investment transactions but have also considered transactions on a European level. We confirm that our valuations have been prepared in a similar way to other valuations undertaken in Europe, in order to maintain a consistent approach and to take into consideration all the market transactions and information available.

The valuations are based on the discounted cash flow method and the capitalization method, which are regularly used for these types of assets.

Our valuations were performed as of December 31, 2017.

Reference documents and general principles

We confirm that our valuations were performed in accordance with the appropriate sections of the 9th Edition of the RICS Valuation Standards (the "Red Book"). This is an internationally accepted valuation basis. Our valuations are compliant with the IFRS accounting standards and IVSC guidance. The valuations have also been prepared on the basis of the AMF recommendations on the presentation of valuations of real estate assets owned by listed companies, published on February 8, 2010. Furthermore, they take into account the recommendations of the Barthès de Ruyter report on valuation of real estate owned by listed companies, published in February 2000.

We confirm that we have prepared our valuations as external and independent valuers as defined by the Red Book standards published by RICS. We confirm that the appraisal has been performed in accordance with the principles of IFRS 13: we have appraised the highest and best use of each asset.

The Market Value defined below generally matches the Fair Value defined in IFRS Standards, and particularly in IFRS 13.

Basis of valuation

Our valuations correspond to the market value and are reported to the Company as both net values (market value after deduction of transfer duties and costs) and gross values (market value before deduction of transfer duties and costs).

Valuation considerations and assumptions

Information

The Company's management were asked to confirm that the information provided relating to the assets and tenants is complete and accurate in all material respects. Consequently, we have assumed that all relevant information known by Company employees that could impact value has been made available to us and that this information is up to date in all material respects. This includes running costs, works undertaken, financial elements, including doubtful debt, turnover rents, lettings signed or in the process of being signed and rental incentives, in addition to the list of let and vacant units.

Floor areas

We have not measured the assets and have therefore based our valuations on the floor areas that were provided to us.

Environmental analysis and ground conditions

We have not been asked to undertake a study of ground conditions nor an environmental analysis. We have not investigated past events in order to determine if the ground or buildings have been contaminated. Unless provided with information to the contrary, we have worked on the assumption that the assets are not and should not be affected by ground pollution and that the state of the land will not affect their current or future usage.

Urban planning

We have not studied planning consents or other permits and have assumed that the assets have been built and are occupied and used in conformity with all necessary authorizations and that any outstanding legal issues have been resolved. We have assumed that the layout of assets conforms to legal requirements and town planning regulations, concerning among other things the structural materials, fire safety and health and safety. We have also assumed that any extensions in progress are being undertaken in line with town planning rules and that all necessary authorizations have been obtained.

Title deeds and tenancy schedules

We have relied upon the tenancy schedules, summaries of additional revenues, non recoverable charges, capital projects and the business plans which were provided to us. We have assumed, with the exception of what may be mentioned in our individual asset reports, that the assets are not inhibited by any restriction which could impede a sale and that they are free from any restrictions or charges. We have not read the title deeds and have taken as correct the rental, occupational and all other pertinent information that has been provided to us by the Company.

Condition of the assets

We have taken note of the general condition of each asset during our inspection. Our engagement does not include a building or structural survey but we have indicated in our report, where applicable, any maintenance problems which were immediately apparent during our inspection. The assets have been valued based on the information provided by the Company according to which no deleterious material was used in their construction.

Taxation

Our valuations were performed without taking into account potential sales or legal fees or taxes which would come into effect in the case of a transfer. The rental and market values produced are net of VAT.

Confidentiality and disclosure

Finally, and in accordance with our standard practice we confirm that our valuation reports are confidential and are addressed solely to the Company. We accept no liability to third parties. Neither the whole reports, nor any extracts may be published in a document, declaration, memorandum or statement with any third party without our written consent as regards the form and context in which this information may appear. In signing this Summary Report, the valuation firms accept no liability for the valuations carried out by the other firms.

Jean-Philippe CARMARANS
Head of Valuation France
Cushman & Wakefield

Jean-Claude DUBOIS
Chairman
BNP Paribas Real Estate Valuation France

Gareth SELLARS
Chairman
Jones Lang LaSalle Expertises

Anne DIGARD
President Valuation
CBRE

1.6 Simplified organization chart as of December 31, 2017

Shopping centers

France	Klécar France **83**	Progest **100**	Real estate business	Klécar Europe Sud **83**			
	Klépierre Management **100**	Klépierre Brand Ventures **100**	Klépierre Gift Cards **100**	Klépierre Procurement International **100**	Klépierre Finance **100**	Financière Corio **100**	
Belgium	Real estate business **100**						
	Klépierre Management Belgique **100**	Klépierre Finance Belgique **100**					
Spain	Real estate business **> 80**	Klépierre Molina **100**					
	Klépierre Management Espana **100**						
Italy	Klécar Italia **83**	Fonds K2 **95**	Clivia SPA **50**	Corio Italia **100**	Real estate business **100**	ISCI **50**	Kléfin Italia **100**
	Klépierre Management Italia **100**	Klépierre Finance Italia **100**					
Portugal	Real estate business **100**						
	Klépierre Management Portugal **100**						
Luxembourg	Holding Klégé **50**						
	Reluxco **100**						
Greece	Real estate business **100**						
	Klépierre Management Hellas **100**						
The Netherlands	Capucine B.V. **100**	Klépierre Nordica B.V. **100**	Klépierre Nederland B.V. **100**	Real estate business **100**			
	Klépierre Management Nederland B.V. **100**						
Turkey	Real estate business						
Germany	Real estate business						
	Klépierre Management Deutschland **100**						
Poland	Real estate business **100**						
	Klépierre Management Polska **100**						
Hungary	Real estate business **100**						
	Klépierre Management Magyarorszag **100**	Klépierre Finance Hungary **100**					
Czech Republic	Real estate business **100**						
	Klépierre Management Ceska Republika **100**						
Slovakia	Real estate business **100**						
	Klépierre Management Slovensko **100**						
*** Norway Sweden Denmark**	Steen & Strøm AS **56.1**	Real estate business					
	Management Companies						

Legend

- **%** Direct or indirect control of Klépierre SA at 12/31/17
- Real estate business
- Service business
- * Subsidiary (Steen & Strøm) covering the Nordic countries owned at 56.1% with Storm ABP

Other activities

France	Klémurs **100**
	Klépierre Conseil **100**

1.7 Competitive position

Below are the main financial data of Klépierre's competitors in Continental Europe :

▸ MAIN COMPETITORS OF KLÉPIERRE

In €m	Klépierre	Unibail-Rodamco	Eurocommercial Properties	Mercialys	Carmila
Market capitalization as of December 31, 2017	11,526	20,967	1,800	1,698	3,135
Value of the property portfolio (including duties) as of December 31, 2017	24,419	43,057	3,710	3,737	5,806

▸ BREAKDOWN OF CONSOLIDATED NET RENTAL INCOME PER COUNTRY/REGION

In €m	Klépierre		Unibail-Rodamco		Eurocommercial Properties[a]		Mercialys		Carmila	
France Belgium	421.9	38.2%	828.4	52.4%	53.7	35.3%	172.2	100.0%	197.7	71.4%
Italy	195.2	17.7%	–	–	80.0	52.6%	–	–	18.8	6.8%
Scandinavia	172.6	15.6%	158.2	10.0%	29.3	19.3%	–	–	–	–
Ibéria	110.0	9.9%	161.0	10.2%	–	–	–	–	60.2	21.7%
CEE & Turquie	113.8	10.3%	280.5	17.7%	–	–	–	–	–	–
The Netherlands	49.3	4.5%	61.7	3.9%	–	–	–	–	–	–
Germany	42.8	3.9%	92.6	5.9%	–	–	–	–	–	–
Other					-10.8[b]	-7.1%				
NET RENTAL INCOME	**1,105.6**	**100.0%**	**1,582.4**	**100.0%**	**152.3**	**100.0%**	**172.2**	**100.0%**	**276.7**	**100.0%**

(a) Over 12 month as of June 30, 2017. Source: Company disclosures.
(b) Adjustments related to joint-ventures.

▸ BREAKDOWN OF CONSOLIDATED NET RENTAL INCOME PER ACTIVITY

In €m	Klépierre		Unibail-Rodamco		Eurocommercial Properties[a]		Mercialys		Carmila	
Shopping centers and/or retail assets	1,105.6	100.0%	1,346.5	85.0%	152.3	100.0%	172.2	100.0%	276.7	100.0%
Offices	–	–	140.9	9.0%	–	–	–	–	–	–
Other activities	–	–	95.0	6.0%	–	–	–	–	–	–
NET RENTAL INCOME	**1,105.6**	**100.0%**	**1,582.4**	**100.0%**	**152.3**	**100.0%**	**172.2**	**100.0%**	**276.7**	**100.0%**

(a) Over 12 month as of June 30, 2017. Source: Company disclosures.

1.8 Main risk factors

Klépierre conducted a review of its risks. With the exception of the risks presented thereafter, Klépierre has not identified any risks that could have a materially adverse impact on its business.

However, other risks and uncertainties partially or entirely unknown by Klépierre, considered non-material or whose occurrence was not foreseen as at the filing date of this document, may also have an adverse effect on its business. Should any of the risks described thereafter materialize, Klépierre's business, financial position, results at operations or prospects could be affected.

The relevant management control procedures and management tools used by the Group are described in the following section on internal control and risk management.

1.8.1 Risks related to Klépierre's strategy and activities

1.8.1.1 Risks related to the economic environment

Since the majority of the Klépierre real estate asset portfolio comprises shopping centers, changes in the key macroeconomic indicators of the countries in which Klépierre operates are likely to impact its lease income and real estate portfolio value, as well as shape its investment and new asset development policy, and therefore its growth prospects.

The key factors likely to affect Klépierre's business are as follows:

> the economic environment is likely to encourage or depress demand for new retail space and therefore affect the growth prospects of Klépierre's shopping center portfolio (in terms of construction of new centers, extension of existing centers and acquisition or disposal transactions). It may also have a long-term impact on occupancy rates and the ability of tenants to pay their rent;

> a downward trend or slower growth in the indices against which most rents payable under Klépierre leases are indexed may also compromise Klépierre's rental income, as could any change in the indices used for this purpose. The overall impact on all the leases in the Klépierre portfolio could be reduced by the fact that indexation is country specific (usually against national inflation indices or, in the case of France, indices specific to commercial leases);

> the ability of Klépierre to increase rents—or even to maintain them at current levels—depends, at the point of lease renewal, principally on its tenants' current and forecast revenue levels, which in turn depend in part on the state of the economy. Tenants' revenue trends also impact on the variable element of rents;

> any prolonged worsening of the macroeconomic situation of countries in which Klépierre's portfolio is located, which would have a negative effect on Klépierre's lease income and operating income as a result of the loss of lease income and the increase in non-rebillable expenses (where vacant premises require repairs and renewals before they can be re-let, these costs cannot be passed on to tenants);

> the profitability of Klépierre's real estate letting activities depends on the solvency of its tenants. During periods of difficulty in the economy, tenants may delay payment of rent, fail to pay rent at all, or encounter financial problems that would cause Klépierre to review tenancy conditions downwards.

1.8.1.2 Risks related to the real estate market

Klépierre may not always execute its investments and divestments at the most opportune time or at favorable financial conditions due to the fluctuation that the real estate market may face. In overall terms, a downturn in the commercial real estate market, mainly characterized by a widespread decline in asset prices or rent levels, could have a negative effect on Klépierre's investment and disposal policy, as well as on the development of new assets, the value of its asset portfolio, the conduct of its business, its financial position, its operating income and its future prospects.

More specifically, a downturn in the real estate market could have a significant negative effect on the conditions applying to Klépierre financing, and therefore on the business itself. In particular:

> Klépierre covers part of its financing needs by selling existing real estate assets. In unfavorable market conditions, these assets could take longer to sell and achieve lower prices than expected, which could limit the flexibility of Klépierre in the way it implements its development strategy;

> certain covenants related to loan agreements signed by Klépierre and its subsidiary companies depend, among other things, on the asset value. Unfavorable market conditions could reduce the value of Group assets, making it more difficult for Klépierre to comply with the financial ratios stipulated under loan agreements. If Klépierre were to find itself unable to maintain these ratios, it could be obliged to sell assets or raise funds by issuing equity securities in order to repay the debt or ask lenders to amend certain loan agreement provisions. At December 31, 2017, the Loan-to-Value ratio referred to in the loan agreements was 36.8%, giving Klépierre substantial room for maneuver given the maximum limit of 60% set in said agreements. Assuming the level of debt remains the same, the value of the property portfolio would have to decline by more than 39% to reach this limit.

1.8.1.3 Risks related to the international operations of Klépierre's business

Klépierre owns and operates shopping centers in 16 countries in continental Europe. Some of these countries may have risk profiles higher than those of Klépierre's major markets (France, Scandinavia, Italy). The economic and political context of these countries may be less stable, their regulatory frameworks and entry barriers may be less favorable and business conducted in local currencies that may prove more volatile than the euro. The risks posed by individual countries, combined with a failure to manage those risks effectively, may have an adverse impact on the operating income and financial position of Klépierre. The breakdown of Klépierre's business and performance by country is presented in chapter 2 "Business of the year", section 2.1 of the registration document.

1.8.1.4 Risks related to the competitive environment

Klépierre's rental activities are highly competitive. Competition may arise as a result of current or future developments in the same market segment, other shopping centers, mail order, hard discount stores, e-commerce or the attraction exerted by certain retail chains located in competitor centers.

More particularly, the development by competitors of new shopping centers located close to existing Klépierre centers and renovations or extensions to competitor shopping centers may have an adverse impact on Klépierre's ability to let its retail premises, and therefore on the rent levels it can charge and its forecast financial results.

As part of its business, Klépierre competes with many other players, some of which may have greater financial resources and larger portfolios. Having the financial leverage and ability to undertake large-scale development projects from their own resources gives the larger market players the opportunity to bid for development projects or asset acquisitions offering high profitability potential at prices that do not necessarily meet the investment criteria and acquisition objectives set by Klépierre, which may raise uncertainty on Klépierre's business forecasts.

1.8.1.5 Risks related to subsidiaries and partners' agreements

In the context of partnerships relating to real estate investments, Klépierre has entered into agreements that provide for Klépierre or its partners to have pre-emption and exit rights at Klépierre's benefit that could generate acquisition costs or the disposal of jointly owned assets. The main partners' agreements that Klépierre is party to are disclosed in note 9.4 to its consolidated financial statements.

One of those partners' agreements concerns Steen & Strøm which is 43.9% owned by ABP Pension Fund and 56.1% by Klépierre. The equity percentage, together with certain provisions contained in the shareholders' agreement between the two shareholders, gives ABP Pension Fund significant influence in certain areas of strategic decision-making, such as major investment and divestment transactions involving Steen & Strøm. Under the terms of the agreement, certain decisions may be made on the basis of an 85% qualified majority vote, the effect of which is to give ABP Pension Fund an effective veto right over these decisions. For certain Steen & Strøm development decisions, the interests of ABP Pension Fund may diverge from those of Klépierre. The successful growth of Steen & Strøm's business therefore depends to a certain extent on good relations between its shareholders. The possibility of some divergence of approach occurring between the shareholders cannot be excluded, which could disrupt the operation of Steen & Strøm, with a negative impact on the results of operations, financial position and prospects of Klépierre.

1.8.1.6 Risks related to the acquisition and disposal of assets

The acquisition of real estate assets or companies owning such assets is part of Klépierre's growth strategy.

This policy poses in particular the following significant risks:

- Klépierre could overestimate the expected yield from these assets, and therefore acquire them at a price too high compared with the financing put in place for such acquisitions, or be unable to acquire them under satisfactory conditions, especially where the acquisitions are made via an open bid process or in a period of significant economic volatility or uncertainty;
- where an acquisition is financed by the disposal of other assets, unfavorable market conditions or deadlines could delay or compromise the ability of Klépierre to complete said acquisition;
- the assets acquired could contain hidden defects, such as subletting, violations by tenants of applicable regulations (and particularly environmental regulations) or failure to comply with the construction plans which would not be covered by the guarantees contained in the sale and purchase agreement.

Prior to the acquisition of assets, Klépierre conducts audits with the assistance of external, specialized firms to mitigate the abovementioned risks. Acquisitions may nevertheless not yield the expected benefits; in particular, the cost reductions and positive effects expected at operational level might be lower than current expectations or achieved less rapidly than those originally contemplated. In the event that the announced amount of the synergies was not achieved, or was not achieved within the anticipated timeframe, this could have an adverse impact on the Group's business, results of operations, financial position, prospects or image.

1.8.1.7 Risks related to the estimation of asset values

On December 31 and June 30 of each year, Klépierre updates the fair market value of its real estate assets. The independently appraised market value depends on the relationship between supply and demand in the market, interest rates, the economic environment and many other factors likely to vary significantly in the event of poor shopping center performance and/or a downturn in the economy.

The form and frequency of the expert appraisals conducted are described in chapter 2 "Business of the year", section 2.6 of the registration document; the valuation method is described in the note 5.2 to the consolidated financial statements.

The value of Klépierre's property portfolio is sensitive to a rise or a fall in the main applicable assumptions used by the appraisers.

1.8.1.8 Risks related to the development of new assets

Klépierre is involved in real estate development on its own account. This business poses in particular the following significant risks:

- the cost of construction of the assets may turn out to be higher than initially estimated: the construction phase may take longer than expected, technical difficulties or completion delays may be encountered due to the complexity of some projects and the price of construction materials may change adversely;
- Klépierre's investments (in new projects, renovations and extensions) are subject to obtaining the necessary regulatory approvals, which may be granted to Klépierre and/or its partners later than anticipated or even refused;
- Klépierre may require the consent of third parties, such as anchor tenants, lenders or the associates involved in partnership developments, and these consents may not be given;
- Klépierre may fail to obtain satisfactory funding for these projects;
- up-front costs (e.g., the costs of studies) cannot normally be deferred or canceled in the event of projects being delayed or abandoned.

These risks may result in investment projects being delayed, canceled or completed at a cost above that initially estimated in the budgets prepared by Klépierre, which could in turn affect its financial results.

1.8.1.9 Risks related to the leasing of assets

Klépierre is responsible for leasing the shopping centers it develops and other real estate assets it acquires, and therefore bears the risk of any leasing failures. Klépierre may encounter difficulties in securing retailers that are both attractive to consumers and prepared to accept the level and structure of rents that it offers. The retail real estate sector in which Klépierre operates is a rapidly-evolving business environment in which change is driven by customer demand. Klépierre risks being unable to let its centers with enough retailers to ensure high occupancy rates, or with retailers attractive enough to achieve high rental yields. This could in turn affect Klépierre's business volumes and operating income.

Similarly, when existing leases expire, Klépierre could find itself unable to let or re-let vacant units within an acceptable period and/or under conditions as favorable as those offered by its current leases. Klépierre might not be able to attract a sufficient number of tenants or high-profile retailers into its shopping centers, and may not be successful in maintaining occupancy rates and lease income at satisfactory levels. This could in turn have an adverse impact on Klépierre's revenues, operating income and profitability.

1.8.1.10 Risks related to the departure or closure of flagship chains

Klépierre's shopping centers are often supported by one or more "anchor tenants" with high levels of customer appeal. A decline in the attractiveness of such retailers, any slowdown or cessation in their businesses (particularly as a result of an unusually depressed economy), any failure to renew their leases, any termination of their leases and any delay in re-letting the vacated premises could result in a decline in attractiveness of the shopping centers concerned. The resulting decline in footfall could trigger lower sales volumes for other stores, which would thus have a significant negative effect on the total rental yield from certain centers, and Klépierre's financial position and growth prospects. This risk is all the more serious that the failing anchor tenant may be the hypermarket, which, in many cases, belong to the shopping center co-owner.

1.8.1.11 Risks related to human resources

Klépierre works in a highly competitive and changing industry that requires its employees at every level to be major players in implementing Group strategy. This is why human resource-related risks are strategic risks for Klépierre:

> A decline in the Group's appeal as an employer or reduced ability to retain talented employees, especially in key positions; this risk exists in particular as result of the relatively small scale of the Klépierre organisation and individuals' high employability

> Mismatch between employees' skills and the Group's requirements or failure to adapt employees to operating challenges resulting in particular from changes in consumption

> Deterioration of health at work as result among others of requirements of the competitive market on which Klépierre operates.

1.8.2 Risks related to Klépierre's financing policy and financial activities

The exposure of Klépierre to the range of financial risks and the policy it applies to manage and hedge against those risks are described in greater detail in note 8 to the consolidated financial statements and section 1.9 on internal control and risk management of the current chapter.

1.8.2.1 Liquidity risk

Klépierre's strategy depends on its ability to raise financial resources in the form of loans or equity for the purpose of funding its investments and acquisitions and refinancing maturing debts. Klépierre is committed to distributing a significant proportion of its profits to its shareholders in order to qualify for SIIC status. It therefore relies significantly on debt to fund its growth. This method of funding may not be available under advantageous conditions. This situation could occur, among other things, in the event of a crisis in capital markets or debt markets, the ocurrence of events impacting on the real estate sector, a reduction in the rating of Klépierre debt, restrictions imposed by covenants included as part of loan contracts, or any other change to the business, financial position or shareholding profile of Klépierre capable of influencing the perception that investors or lenders have of its creditworthiness or the attractiveness of investing in the Group.

Klépierre is also exposed to the general risks associated with all types of borrowing, and particularly the risk of operating cash flows falling to a level at which the debt could not be served. If such a shortfall were to occur, the result could be an acceleration or early repayment and the calling in of any security given, with the possibility of the assets concerned being seized.

The Group's debt maturity schedule and the management of liquidity risk are treated in further detail in the notes to the consolidated financial statements (notes 5.11 and 8.2).

Taking the matters described above into account, Klépierre is in a position to deal with all its future maturing finance. In particular, its liquidity position as of December 31, 2017 covers its refinancing needs for the next two years as forecasted as of the same date.

Risks related to the covenants contained in certain loan agreements

In addition to the usual covenants, the loan agreements entered into by Klépierre also contain covenants obliging Klépierre to comply with specific financial ratios, as detailed in chapter 2 "Business of the year", section 2.8, of the registration document. If Klépierre were to breach one of its covenants and be unable to remedy that failure within the time contractually allowed, the lenders could demand early repayment of the loan or seize the assets concerned where the loan is secured. Some loan agreements also contain cross default clauses allowing lenders to demand early repayment of outstanding amounts in the event that Klépierre fails to meet the covenants contained in other loan agreements (unless any shortcoming is regularized within the period allowed). Consequently, any failure to meet its financial commitments could have an adverse impact on Klépierre's financial position, its earnings, its flexibility in conducting its business and pursuing growth (for example, by impeding or preventing certain acquisitions), its ability to meet its obligations, and its share price. At the date of this report, Klépierre has satisfied all its obligations arising from the financial commitments described above.

Risks related to any downgrading of the Klépierre credit rating

Klépierre's existing credit rating is periodically reviewed by the rating agency Standard & Poor's. As at the date of this report, and since April 2009, its long-term credit is rated "A-, stable outlook" and its short-term credit as "A-2, stable outlook." These ratings depend on Klépierre's ability to repay its debts, as well as on its liquidity, key financial ratios, operational profile and general financial position, and other factors considered by the rating agency significant in respect of Klépierre's business sector and the economic outlook more generally.

Any downgrading of Klépierre's credit rating could increase the cost of refinancing its existing loans and could adversely impact the ability of the Group to fund its acquisitions or develop its projects under acceptable conditions. Any increase in interest charges would compromise Klépierre's earnings from operations and the return on development projects. If funding were not available under satisfactory conditions, Klépierre's ability to grow its business through acquisitions and development would be reduced.

1.8.2.2 Interest-rate risk

Klépierre's significant debt exposes it to risks due to interest rate variations:

> the interest charges paid by Klépierre on its variable-rate debt could therefore increase significantly;

> a significant increase in interest rates would impact negatively on the value of Klépierre's holdings inasmuch as the yield rates applied by real estate appraisers to the rents of commercial buildings are determined partly on the basis of interest rates;

> Klépierre uses derivative instruments such as swaps to hedge against interest rate risks which enable it to pay a fixed or variable rate, respectively, on a variable or fixed rate debt.

Developing an interest rate risk management strategy is a complex task, and no strategy can protect Klépierre fully against the risk posed by interest rate fluctuations. The valuation of derivatives also varies depending on interest rate levels. This is reflected in Klépierre's balance sheet, and there may also be an impact on its income statement if hedging relationships are not sufficiently justified by documentation or if the existing hedges are only partly effective.

The use made by Klépierre of interest rate hedge instruments could expose Klépierre to additional risks, and particularly the risk of failure of the counterparties to such instruments, which could in turn result in payment delays or defaults that would adversely impact on the results of Klépierre.

Quantified illustrations of the effects of interest rate fluctuations before and after hedging are given in note 8.1 to the consolidated financial statements.

1.8.2.3 Currency risk

Klépierre conducts its activities in certain countries that have not joined the Eurozone (currently Denmark, Hungary, Norway, Poland, Czech Republic, Sweden and Turkey). In these countries, Klépierre's exposure to currency risks derives from the following elements:

> local currencies could depreciate between the invoicing of rents in euros and the payment of the aforesaid rents by the tenants, which would create currency losses for Klépierre. Moreover, some leases are not invoiced in euros, but in dollars (Central Europe, Turkey) or in local currencies (particularly in Scandinavia), which creates an additional risk related to the rent amount effectively recovered in euros;

> fluctuations in local currencies also impact the level at which local financial statements are translated into euros and integrated into Klépierre's consolidated financial statements;

> since a proportion of subsidiary's expenses are denominated in the local currency, although their incomes (fees) are denominated in euros, any appreciation in the local currency may reduce operating profit;

> since rent bills are usually denominated in euros (apart from Scandinavia and Turkey) tenants may have difficulty in paying their rent if their local currency depreciates significantly. Any resulting deterioration in their solvency could have a negative impact on Klépierre's rental income.

For details of the measures taken by the Group to reduce currency risks, please refer to note 8.3 to the consolidated financial statements.

Taking into account the measures described in the note mentioned above, the currency risk has been significantly reduced and remains below 0.5% of the net asset value for a 10% depreciation against the euro of the currencies of all the countries in which the group operates. This level of exposure to the currency risk is deemed not significant at the level of the Group.

1.8.2.4 Counterparty risk

When Klépierre uses derivatives, such as swaps, to hedge against a financial risk, its counterparty may be liable to Klépierre for certain payments throughout the term of the instrument. Insolvency of said counterparty may lead to delay or default in such payments, which would have an adverse impact on Klépierre's results of operations.

Klépierre has also received confirmed financing commitments from banks in the form of revolving credit facilities. Accordingly, Klépierre is exposed to counterparty risk, since the inability of the relevant banks to honor their commitments may prevent the Group from honoring its own financial commitments.

Klépierre is also exposed to counterparty risks in respect of its short-term investments; since these investments are made in small amounts, simple forms and for a short term, this risk is, however, immaterial on the Group scale. The risk monitoring policy and control system implemented by Klépierre are presented in note 8.4 to the consolidated financial statements.

Taking into account the nature of the risks described in the note mentioned above, and the measures taken to mitigate them, those risks are not considered significant at Group level.

1.8.3 Legal, tax and regulatory risks

Risks related to applicable regulations

As an owner and manager of real estate assets, Klépierre must comply with a number of regulations in force in all countries where it operates. These rules include laws and regulations on urban planning, building construction, commercial licenses, health and safety, environement, leases, corporate matters, labor and personal data protection.

Changes in the legal and regulatory framework, as well as the loss of rights attached to an authorization, may require Klépierre to make changes to its business, assets or strategy. Klépierre may also suffer financially should one or more tenants in one of its shopping centers fail to comply with the applicable standards which, for instance, could take the form of a loss of rent following a store closure or a loss of marketability of the asset. The regulatory risks described in this paragraph could impose additional costs on Klépierre which could have an adverse effect on its business, results of operations, financial position, and/or the value of the Klépierre asset portfolio.

The specific risk associated with laws and regulations governing leases

In certain countries in which Klépierre has operations and especially France, the contractual conditions applying to lease periods, lease voidance, lease renewal and rent indexation may be considered to be a matter of public policy. More specifically, some legal provisions in France limit the conditions under which property owners may increase rents to align them with market levels or maximize rental income. In France, certain types of lease must be entered into for minimum periods, and the process of evicting tenants in the event of non-payment may be lengthy.

Any change to the regulations applying to commercial leases, and particularly their term, the indexation and capping of rents or the way in which eviction penalties are calculated, could have a negative effect on the value of Klépierre's asset portfolio, as well as Klépierre's operating income and financial position.

Litigation risks

In the normal operation of its business, the Group may be involved in legal proceedings or subject to audits by tax or regulatory authorities. Such events may entail a financial risk and a risk to its reputation and/or to its image. To Klépierre's knowledge, as at the filing date of this document, there was no material litigation with respect to the Group's balance sheet that is not reflected in the financial statements. Information about provisions for liabilities and litigation is disclosed in note 5.8 to the consolidated financial statements. No provisions considered individually represent a material amount.

No governmental or legal proceeding or arbitration of which Klépierre is aware to date, which is pending or threatened, is likely to have or has had a material impact on the financial position or profitability of Klépierre and/or Group in the past twelve months.

Risks relating to the SIIC tax rules

Since Klépierre benefits from the French "SIIC status" (or its equivalent in some countries where it operates), it is subject to special tax rules, referred to as the "SIIC rules." As such, and subject to certain conditions, Klépierre is exempt from paying corporate income tax. Although there are significant benefits involved in adopting the SIIC status, the rules are complex and pose certain risks for Klépierre and its shareholders:

> the requirement for Klépierre to distribute a significant portion of the profits earned in each fiscal year, which could, for example, affect its financial position and liquidity;

> Klépierre is exposed to the risk of future changes to the SIIC rules, and certain changes could have a significant negative impact on Klépierre's business, financial position and results of operations;

> Klépierre is also exposed to the risk posed by future interpretation of the SIIC rule provisions by the French tax and accounting authorities.

1.8.4 Safety and security risks

As buildings open to the public, Klépierre's shopping centers are exposed to security risks whose materialization may adversely affect the image, business or performance of said centers, or of Klépierre as a whole. Such security risks mainly include:

> a terrorist attack, given the evolution of the terrorist threat in Europe as described by Europol, the European Union's law enforcement agency. Even if the agency does not mention shopping centers as specific targets of terrorist attacks, it does indicate that some terrorists' modus operandi aim at groups or gatherings of people with the intent of causing numerous casualties;

> an abrupt or severe deterioration of public order in the perimeter of a shopping center that would lead customers or tenants to consider themselves no longer safe in the area.

Klépierre's shopping centers are also exposed to safety risks. The two main safety risks that may adversely affect the image, the business or the performance of said centers are a building collapse and a fire. More generally, any failure to comply with safety measures or control procedures imposed by the law could result in an official shutdown of the site, with local consequences for the future of the business and image of the center concerned.

1.8.5 Environmental risks

1.8.5.1 Risks related to the environment and the visitors' health

In all the countries in which it operates, Klépierre complies with environmental protection laws applying to the presence or use of hazardous or toxic substances, and the use of facilities capable of generating pollution and impacting public health.

The families of risks identified could have a range of different consequences:

> a health incident resulting, for example, from internal pollution could produce a hazard to users and neighbors. A failure of this kind would have immediate local consequences in terms of footfall, reduced revenues for retailers and the loss of rent for Klépierre on the site concerned, as well as a negative impact on the Group's reputation;

> an environmental incident caused by human error could also reflect badly on the Group's reputation and expose its management to liability;

> under current environmental laws and regulations, Klépierre, as the current or previous owner and/or operator of an asset, may be liable for identifying hazardous or toxic substances affecting an asset or a neighboring asset, and removing and cleaning up any such contamination found.

1.8.5.2 Risks related to climate change

Klépierre closely monitors and anticipates both climate change and the potential economic impact, with four major risks having been identified:

> the physical risk of deterioration to properties in the portfolio: Klépierre prioritizes the safety and security of individuals and goods and performs regular organizational audits across its shopping centers to mitigate the impact of extreme climate events but also to be in a position to properly anticipate how its assets need to be adapted;

> the risk of lower returns from shopping centers: for example, as a result of regulatory or tax changes, something Klépierre closely monitors through the industry bodies of which it is a member. Returns on its assets may also decline as a result of a possible increase in energy costs.;

> the risk of a "valuation haircut" in the valuation of assets, resulting from use changes by Klépierre clients. The impact of climate change will over the medium-term give rise to significant changes in visit profiles and modes of transport used which could, ultimately, significantly reduce footfall at certain shopping centers. To mitigate this risk, Klépierre has a strategy to optimize its asset portfolio that incorporates public transport connections for all new projects. Klépierre is also looking to support these use changes by adding electric mobility infrastructure at its shopping centers;

> finally, reputational risk and the potential impacts in terms of opinion and customer satisfaction should not be overlooked. That is why Klépierre has a pro-active sustainable development approach, backed up by ambitious goals, primarily in terms of the Company's low-carbon strategy.

1.8.5.3 Risks related to the procurement of natural resources

The operational management of Klépierre portfolio assets requires the use of a non-negligible amount of natural resources to ensure the proper functioning of installations but also the safety and comfort of shopping center visitors. Such usage exposes the Company to two risks: that of the increasing scarcity of resources and that of the volatility of supply costs.

1.8.5.4 Compliance and image risks

Klépierre's non-financial performance is playing an increasing role in its image vis-à-vis all its stakeholders (shareholders, customers, employees, partners, etc.). As a result, a lawsuit for non-compliance with an environmental regulation, an environment scandal or a major under-achievement would be likely to have an adverse effect on Klépierre's ability to attract investors, sell, develop or lease all or part of its portfolio but also to hire new employees.

Klépierre ensures complete compliance with applicable mechanisms, at all levels, through ongoing environmental monitoring but also through its participation in a range of specialist industry bodies (EPRA, ICSC, CNCC, etc.). The Company then allocates all the budgets for measures required to both comply with applicable regulations but also to keep improving its overall environmental performance.

1.8.6 Insurance risks

Klépierre and its subsidiaries (including Steen & Strøm) are covered by Group-wide international insurance programs underwritten by prime insurers allowing:

> identical replacement cost and loss of rent cover for all assets, irrespective of their location, by appropriate property damage and terrorism insurance programs. Replacement cost is determined by means of assessments carried out by independent appraisers at five-year intervals;

> cover of the consequences arising from Group companies' third-party general liability in relation to their business activities or professional misconduct, including the mandatory cover for French subsidiaries falling within the scope of the Hoguet law on professional licensing requirements.

The amount of insurance cover was determined on the basis of a range of factors (size of the Group, business, geographic footprint, stock market listing, portfolio, etc.). The premiums reflect the Group's actual claims history. Insurance contracts are put out to tender by Klépierre on a regular basis.

The Group's construction activities are covered by specific construction policies (property and general liability), in compliance with the legal requirements in force in the countries in which the Group operates and more specifically in France with the requirement to carry Dommages Ouvrage policies.

Depending on the type of risk, the Group is reliant on the financial strength of insurers and may have to contend with the limitations of the insurance market and thus may no longer be fully or even totally covered against certain risks.

It is also possible that insurers may become insolvent, or insurers may experience financial difficulties impairing their insurance capabilities and thus no longer be able to settle the claims covered by the Group's insurance policies.

The occurrence of exceptional and/or a very high frequency of losses may have an impact on the amount of insurance cover available to the Group. The possibility of an increase in the cost of insurance arising from market conditions cannot be discounted.

Even though the Group is covered by appropriate insurance programs, certain losses may not be covered or may be only partially covered which could lead to a full or partial loss of rent and of the capital invested in the asset concerned, even where the non-covered risks are residual or originate in a deliberate action of the insured.

The expert appraisers conducting replacement cost assessments may have underestimated the value insured, causing claim settlements to fall short of the losses incurred or, conversely, may have overstated the value insured, causing the Group to pay unduly high insurance premiums.

In connection with its investments, Klépierre may encounter situations where third parties have arranged insurance insufficient to cover losses or even have no insurance in certain cases; it being specified that, as far as possible, Klépierre takes steps to establish additional policies to prevent the risk of insufficient insurance coverage.

1.8.7 Risks related to information systems

The Klépierre Group's core business activities are managed by an ERP system that is implemented in most countries. This centralized structure strengthens the information system control framework but exposes Klépierre to the risk of a wide-scale system outage, which could generate significant costs associated with the potential loss of business and the recovery of data.

The data managed in Klépierre's information systems may also be the subject of internal or external attacks, with financial (misappropriation of funds, fines, etc.), reputational (disclosure of confidential and/or strategic information about Klépierre, a partner or customer) and legal consequences (disclosure of insider information). Risks associated with "internal malicious acts" are managed by the system via authorization profiles (permitted transactions are automatically linked to a user profile). Risks associated with external malicious acts are monitored by auditing and threat prevention systems.

Awareness is raised amongst all Group employees, in the Code of Professional Conduct and the Chart of Group IT Resources, regarding the importance of complying with the key mechanisms for securing data (confidentiality and changing of passwords, recording sensitive data in databases that are automatically backed up, etc.).

1.9 Internal control and risk management

The Klépierre Group's internal control framework is predicated on the general risk management and internal control principles laid down in the reference framework published by the Financial Markets Authority (AMF) in July 2010.

1.9.1 Objectives and principles

Internal control is the organization of processes, procedures and controls implemented by management for the ultimate purpose of ensuring overall control of risks and providing reasonable assurance that strategic goals will be achieved. In particular, this organization is predicated on:

> applying instructions and guidelines laid down by the Executive Board;
> making operations as efficient as possible and ensuring the Group's internal processes work smoothly;
> the reliability of internal and external information;
> complying with the laws and regulations.

Every manager is required to implement effective controls over the activities for which such manager is responsible.

Every Klépierre Group employee contributes to the internal control framework in an environment in which:

> the description of the Group's governance and organization of its business lines and functions provides the general framework for achieving its objectives;
> there is a repository of guidelines laying down and circulating the internal rules and procedures to be followed while systematically incorporating instructions about the controls to be carried out;
> the principle of delegation represents the cornerstone of the system. It is reflected in the use of correspondents who are responsible for consistent implementation of the Group's policies;
> duties are segregated by keeping the operational roles separate from supervisory roles;
> compliance with the laws and regulations is assured by the introduction of professional conduct rules for employees, especially in relation to data confidentiality, a Good Practice Code for relationships with third parties and the use of information system resources.

The internal control framework applies to all the (operational and corporate) entities in the Klépierre Group.

The internal control framework designed to meet the various objectives outlined above does not, however, provide any certainty that the objectives set will be achieved owing to the inherent limitations of all procedures. Even so, it aims to make a major contribution towards attaining them.

1.9.2 Organization of risk management and internal control

1.9.2.1 Management of the framework

The Group's risk management and internal control framework is overseen by the Internal Audit & Control Department. It reports to the Executive Board and encompasses the risk management, periodic control and ethics & compliance functions.

The role of the Internal Audit & Control Department is to coordinate a framework in which operational staff plays the leading role. To this end:

> it raises their awareness and trains them in the principles of internal control;
> it coordinates the measures they take;
> it ensures that first and second-level control plans exist and are integrated within formally defined procedures.

The Internal Audit & Control Department is ultimately responsible for ensuring the consistency and efficiency of internal control. Within the business lines and foreign subsidiaries, it has direct access to the risk and internal control liaison officers, who form a functional network reporting to it. It is responsible for implementing risk monitoring and mitigation tools and systems, such as risk mapping and an incident database. Lastly, it handles reporting to the Executive Board and the Audit Committee.

The Klépierre Group aims to anticipate and manage the major risks likely to affect attainment of its objectives and compromise the compliance with the laws and regulations. Risks are cataloged as part of a risk mapping process conducted by means of business processes and support functions and updated periodically. During each update, the Internal Audit & Control Department ensures that the following objectives are achieved:

> identify and assess the risks from strategic to operational level to protect the value, assets and reputation of the Group covering both the inherent risks and the "controllable risks";

> guarantee the existence of an owner for each risk identified, a risk treatment policy, and a treatment plan to achieve the target;

> evaluate the oversight in place: risk indicators, risk reassessments at an appropriate frequency, advancement of treatment actions;

> learn lessons from incidents and risks that have arisen and continuously improve the internal control framework.

The periodic control function is handled by the Internal Audit & Control Department, which is responsible for assessing the operation of the risk management and internal control frameworks, regularly monitoring and making recommendations to enhance them. It plays a part in raising awareness and training managers in internal control, but is not involved in introducing the framework or implementing it on a daily basis. Its analyses and observations help to guide the work of the permanent control function and to identify areas for improvement and strengthen procedures.

The periodic control function's scope of action encompasses all the Group's activities and risks across all of its units, including the activities of subsidiaries and those outsourced contractually. In addition, the identification of a risk automatically justifies the use of the periodic control function's power to launch any investigation it deems necessary. In 2017, the Internal Audit & Control Department carried out or oversaw 32 shopping center audits and one corporate function audits.

The Ethics & Compliance function ensures that the Group complies with ethical and professional standards, prevents insider trading and controls the anti-money-laundering and corruption measures taken. The Group introduced the Business Whistleblowing framework under which all employees can raise questions about the risk of compliance breaches that may be encountered by them. The Internal Audit & Control Department also ensured that the Group complies with both the French "Sapin 2" Act and the Fourth Anti-Money Laundering European Directive.

1.9.2.2 Oversight and monitoring of the framework

Under the supervision of the Supervisory Board, the Executive Board is responsible for the Group's overall internal control framework. The Executive Board's role is to lay down the general principles for the internal control framework, design and implement the appropriate internal control system and the corresponding roles and responsibilities and make sure that it works smoothly, improving it where necessary.

At least once every year, it reports to the Audit Committee on the Group's internal control framework, any changes in it and the findings of the work performed by the various framework participants. A presentation was given to the Audit Committee on the 2017 business activities and the 2018 roadmap.

Supervision also makes use of the comments and recommendations made by the Statutory Auditors and by the regulatory/supervisory bodies. Implementation of remedial action plans is monitored centrally by the Internal Audit & Control Department and the Accounting Department.

1.9.3 Risk assessment methodology

1.9.3.1 Identification and evaluation of the risks at corporate level

Klépierre's risks are identified and evaluated on the basis of risk mapping, done jointly with the various Group functions and business lines.

This mapping is updated on a regular basis. Each update involves the following steps:

> identification of the activities of the operational departments and support functions;

> identification of the risks associated with each activity;

> evaluation of the gross risk (prior to controls and measures) on the basis of three impact criteria (image, financial and legal) and the frequency of occurrence of the risk;

> identification of controls and containment measures for the risks described by the operational teams and evaluation of these controls and measures in terms of effectiveness and completeness;

> evaluation of residual risks after taking account of controls and measures;

> preparation of action plans to be implemented, including the first and second level controls as well as the procedures.

A total of 125 individual risks, of which 37 are considered as main risks, have been mapped. They are categorized into 10 families of risks which are the following:

> security and safety of individuals and assets;

> financing policy;

> investments and valuation;

> regulatory, tax, insurance;

> marketing and rental management;

> management, process and tools;

> asset development and real estate management;

> communication and reputation;

> procurement;

> human resources management.

1.9.3.2 Identification and evaluation of the risks in the shopping centers

Our teams in the centers prioritize both risk identification and analysis. They are identified using the risk matrix, which comprises the following risks, among other things:

> risks threatening the safety of visitors and buildings, structural risks in particular;

> natural risks: extreme climate patterns (drought, snowfall, heat waves and cold spells, storms), earthquakes, sea flooding, river flooding, fire prevention, etc.;

> technological risks: proximity to specific installations;

> risks related to materials and chemical products: asbestos, lead, paints, cleaning products, etc.;

> soil and water pollution: waste water quality, drainage systems, oil separators, etc.;

> health risks: legionella, bacterial and virus infections, etc.;

> noise and odor pollution.

In addition, the software solution developed by the Group's Maintenance Department on building and technical aspects (see the following section) is being upgraded to include an add-in to assess and monitor the risks.

1.9.4 Control measures addressing major risks

Please refer to the section 1.8 "Main risk factors" for the risks the group is exposed to. Measures taken to control those mentioned risks are described below.

1.9.4.1 Investments

All proposals to acquire, develop or sell assets are studied at a special committee meeting with the Investment Director or the Development Director. For transactions of less than €8 million, the decision is made by the Executive Board. Transactions in excess of €8 million are authorized by the Supervisory Board after they have been reviewed by the Investment Committee composed of certain members of the Supervisory Board.

To identify risks during the due diligence process, it calls on the services of a large number of specialized and highly reputed advisers (lawyers, civil-law notaries, technical experts, real estate or financial advisers, etc.). The Legal Department reviews compliance of the transaction with laws and regulations.

For development operations, to adequately control the costs, a technical team dedicated to supporting the project leader jointly determines the budget with the assistance of highly skilled principal contractors. The project's progress and use of the budgeted funds are tracked on a weekly basis by the operational team, which reports regularly to the Development Department and on a quarterly basis to the Corporate Management Team.

All Klépierre's assets are valued by external firms twice a year. The asset managers in each area are tasked with providing checked data to the real estate experts. The appraisal figures duly verified by expert assessments are then controlled and analyzed by the Investment Department.

1.9.4.2 Leasing

The performance and returns on Klépierre's portfolio as a whole are monitored regularly. The Group has performance indicators covering its portfolio, revenues, footfall, etc., which are produced automatically. In the event of an abrupt or severe deterioration, meetings are held and an action plan is then defined.

The Investment Committee convenes monthly to approve the leasing of development projects. As for the leasing of the standing portfolio, a leasing budget is submitted for approval to the Executive Board every year; this budget includes five-year revenue projections and is updated twice during the year.

1.9.4.3 Human resources

The Group's human resources strategy has been developed to support Klépierre activity and aims to optimise its appeal as an employer as well as its ability to retain talented employees, ensure a continuous match with employees' skills and maintain a high quality of life at work. The strategy focuses primarily on:

- The search for excellence in recruitment with enhanced presence for leading business and engineering schools and a dynamic approach to managing interns
- A talent review conducted at relevant levels of the organisation to identify and support the development of staff members who may occupy key positions in the Group
- A considered mobility policy included in the commitment to personalised support of talented employees
- A long-term investment in training open to all employees to assist their employability, share know-how, efficiently integrate new arrivals and a collective ability to manage new operating challenges effectively, and
- Tools promoting a quality work environment such as training on health at work, measures to ensure the right balance between career and personal life and widespread initiatives for well-being at work.

The Group human resources strategy is outlined in section 4.4.3 "employees" of this registration document.

The human resources director, who reports directly to the Executive board, is a member of the Corporate Management Team, the CSR committee and the sustainable development committee of the supervisory board and ensures steering of these matters at the highest levels in the organisation.

1.9.4.4 Financing and treasury

Klépierre identifies and assesses on a regular basis its exposure to the various sources of risk (interest rate, liquidity, currency and counterparty). The interest-rate hedging strategy is outlined in section 2.7.2 of this registration document, including the quantitative results of interest-rate sensitivity tests.

Financial risk management and in particular the Group's financial position, financing requirements and interest-rate risk hedging are handled by the Financing and Treasury Department. From a financing standpoint, a specialized tool has been rolled out across Europe to record and value financing and derivative products. The Financing and Treasury Department also has a system monitoring the capital markets in real time.

The Financing and Treasury Department reports to the Deputy CEO in charge of Finance (Executive Board member), bearing in mind that all major financing and hedging transactions are validated in advance by the Supervisory Board. The Supervisory Board validates the projected financing plan, which lays down the major guidelines in terms of determining the size and type of borrowings and hedging interest-rate risk.

During the year, the principal decisions in terms of financial transactions are submitted individually for approval to the Supervisory Board, and a report on these transactions is given to it once they have been completed. Trends in the covenant situation (financial ratios) are monitored on a semi-annual basis and in particular when new transactions are arranged.

Treasury is managed by the Financing and Treasury Department, which coordinates the reporting and monitoring of the subsidiaries' cash projections, supporting a cash pooling system for the Group. Reporting takes place on a monthly basis.

The Financing and Treasury Department also drafts internal procedures stating the roles of the Group's various participants in relation to cash management and the implementation of Klépierre's share buyback programs. In addition, it validates the choice of banks and financial terms every time the Group requests the opening of, changes to or closing of bank accounts for the whole Group.

1.9.4.5 Legal and regulatory matters

The Group Legal Department, which reports to the Executive Board and has functional responsibility for the legal departments in each country, ensures that legal risks arising from the business lines and functions are managed properly in line with the integrated risk management process. To take into account the growing complexity of all legal fields, Klepierre has organized its Legal Department in units of expertise consisting of specialists in the following areas: corporate law, property law, contract and lease law. Cases requiring expertise in labor or tax law are handled by the Human Resources Department and the Tax Department, respectively, in coordination with the Legal Department. The regulatory watch is carried out in constant liaison with specialized external firms.

The Group Legal Department, supported by the relevant functions, works in partnership with outside counsel to ensure that information regarding new laws and regulations that could have a material impact on the Group's financial position and future growth is gathered, processed and disseminated throughout the Group. This intelligence gathering process extends to legislation and regulations in every country in which the Group has equity interests.

The Group Legal Department has developed a reporting procedure covering disputes. It works closely with the relevant legal departments to defend the Group's interests. Accordingly, it helps to curb and to manage the legal risks to which the Group is exposed owing in particular to its owner/manager status.

It drafts and verifies the contractual undertakings given by the Group and ensures that they comply with the provisions of the law and the regulations. The Group Legal Department is working together with the legal departments in various countries to harmonize legal practices and establish unified positions vis-à-vis international retail chains.

The Group Legal Department assists operational staff with the arrangement of specific contracts and generally speaking with any out-of-the-ordinary requests to ensure that the applicable regulations are complied with, irrespective of the country in which the Group is operating.

The Group Legal Department is also in charge of arranging delegations of authority governing the actions of all the Group's employees. It also ensures compliance with the selection procedures for the Group's corporate officers. Finally, as a listed company, Klépierre also has to abide by the rules concerning publications (see the Financial Reporting section below), corporate governance (see the first part of this report) and insider trading. To prevent the risk of insider trading, Klépierre has adopted a Stock Market Compliance Charter governing, among other things, the transactions in its shares, which is updated regularly. Accordingly, permanent insiders are authorized to carry out transactions in Klépierre's shares only during clearly defined periods. Moreover, an Inside Information Committee was set up in 2017 consisting of the Executive Board members, the Chief Legal Officer and the Group Head of Internal Audit & Control. This committee decides whether to classify an information as "inside information" or not, to monitor potential inside information not classified as such, and to draw up the list of the insiders with respect to the information concerned so as to remind them of their obligations.

1.9.4.6 Security and safety of individuals and assets

The safety and security of individuals and assets across its entire property portfolio is a top priority for the Klépierre Group.

In 2017, a software solution was rolled out, with the help of a specialized consultant, to improve knowledge of the Klépierre property portfolio, as regards building and technical aspects. This solution harmonizes the existing process of technical reviews of assets and improves measurement and benchmarking opportunities. Before and during its roll-out, 180 staff were trained to use it, 80 of whom during in-person training sessions.

The Group's Maintenance Department, as part of its partnership with its insurer's engineering unit, and through audits and prevention plans prepared across an array of sites annually, defined and rolled out the list of minimum operational requirements (building aspects, technical aspects, human aspects). These requirements minimize risks by applying best practices, possibly exceeding legal obligations.

Finally, on a periodic basis, the Internal Audit & Control Department audits the shopping centers regarding compliance with the regulations and internal procedures in connection with the safety and security of individuals and assets in compliance in particular with the regulations applicable to facilities open to the general public.

Safety

To mitigate safety risks, owners of clearly identified risks put in place appropriate controls documented in the procedures and specifications. Control compliance is tested on an ongoing basis by the operational teams (center management, operational departments, country-specific departments).

Systems that report incidents daily are in place in the shopping centers to better monitor the risks associated with the safety and security of individuals and assets.

Internal dashboards track these controls and an annual report is presented to the Executive Board and to the Supervisory Board. A high level of security is also provided every day by having dedicated teams and security guards permanently on site. The new parking facilities all incorporate better design in terms of traffic management and specific spaces for the disabled and for families with young children.

Centers and cooling equipment in particular are also continuously monitored for preventing legionella contaminations and bacterial and/or viral propagation.

Identifying incidents in the shopping centers means that proper risk control can be measured. These incidents are reported uniformly across Europe using common incident classification, thereby providing greater insight and understanding. An analysis report of all incidents within the Group is sent quarterly to the Executive Board and to all country-specific departments.

Security

In order to handle security risks, the group has developed a comprehensive strategy which has been translated into an ambitious three-part action plan.

The first part entailed rapidly adapting the installations to the new threats that appeared in 2016-2017, by protecting all of the group's Shopping Centers from "ram-car" style attacks.

The second part, expected to extend over 24 months, has been launched to "toughen" the shopping centers and prepare them to deal with terrorist risks and the possibility of a sudden and brutal disruption of public peace. The Group is strengthening sensitive equipment rooms, management offices, security and safety Command Posts, improving video surveillance systems, and is implementing the appropriate procedures for communicating with all lessors on site and for handling a security crisis. The group's computer-assisted threat analysis and reporting tools that have proven their effectiveness will be rolled out in all countries where the Group is present.

The third part, supposed to extend over much longer periods, but which is already producing positive effects, develops a holistic approach to security where training for the Group's employees, close relations at each management level with institutional security contributors, innovation and technological watch, benchmarking and cooperation with the security departments of other groups in different industries, participation in the security works of the representative bodies of the profession (CNCC and ICSC), should help to increase the general level of resilience by placing Shopping Centers at the heart of a genuine "security ecosystem."

Emergency situations

To guarantee the efficient handling of emergency situations that may evolve into a crisis, the Group has improved its crisis reporting processes, based on redundant communication systems and a standardized crisis assessment approach. This should facilitate the immediate apprehension at the highest management levels, anytime, anywhere, of the true nature of the crisis that could develop.

The organization of the crisis management system has been improved, the crisis units supposed to monitor and/or manage events at each management level are clearly identified and tailored to the different types of crisis. A permanent watch system allows standardized and efficient response right from the very early stages of the crisis. The Group has become more resilient and has improved the implementation of its business continuity plans.

The crisis management system is tested as part of full-scale exercises. These tests, which measure team responsiveness, are run at least once or twice a year and may be done when customers are present or outside of opening hours depending on the country.

1.9.4.7 Business continuity

Under its risk management policy, Klépierre has to:

> identify its business continuity requirements;

> prepare the corresponding action plans;

> perform regular tests to measure the efficiency of this plan;

> define and implement a specific crisis management framework.

The Group updated and tested its Business Continuity Plan (BCP) following the relocation of the Group's head office in September 2009. The framework is predicated on a set of organizational and functional procedures geared to the possible types of incident. The following scenarios are covered:

> a central building is damaged, partially or totally inaccessible, which totally or partially affects employees' activity;

> the Group's server room is damaged, resulting in long-term unavailability of computing resources, thus blocking any use of IT tools such as messaging and applications;

> an external crisis situation (pandemic, instructions from public authorities restricting travel and/or closing schools, etc.) is declared, making it impossible for employees to go to their places of work (central buildings and shopping centers, etc.).

The BCP is fleshed out by individual departments and divisions: each manager defines the activities covered, the relevant staff and requirements for ensuring continuity of business. If a central building is affected, teams are transferred to a failover site.

In the event of a crisis, a crisis unit is responsible for coordinating the overall response to the situation that has occurred, ensuring the safety of the Group's entire staff and business continuity. It also has to make sure that its response to the crisis helps to create confidence in the Group and to reduce the public's potential concerns.

During periods of crisis, the crisis unit makes any decision necessary for the smooth operation of the Group, until the situation reverts to normal.

1.9.4.8 Environment

The Company has developed a comprehensive methodology to evaluate environmental risks as part of its due diligence process for all new acquisitions and developments. Klépierre thus does environmental impact studies and examines all approaches adopted by the promoter and/or the previous owner (such as environmental certifications). Environmental risks are included in the risk mapping at asset level and are closely incorporated into technical risk monitoring. Studies of natural risks (earthquakes, mud slides, flooding and decontamination) and technological risks are undertaken before any investment decision is taken. Major environmental risks are factored into acquisition and disposal decisions.

Regulations on the control and maintenance of wastewater networks, domestic supply water stations and distribution networks, and hydrocarbon evacuation and storage facilities exist in many countries. In addition, internal measures have been implemented to cover certain risks that are not always covered by regulatory obligations.

These good practices include building structure audits, energy audits, analyses to control presence of legionnaire's disease, and thermal checks on electrical installations.

For more than five years Klepierre has had an ambitious environmental performance program designed to reduce natural resource consumption (operational energy efficiency, reduction of carbon emissions, limited use of drinking water, renovation, etc.) and to continually improve supply quality.

A series of initiatives have also been put in place to limit Klepierre's dependence on increasingly scarce fossil-based natural resources through the increased use of renewable resources (self-generation of renewable energy, purchase of green electricity, promotion of "green" modes of transport, etc.)

Moreover, the Company has an ambitious certification approach for its development activities and has set itself the goal of obtaining at least BREEAM Excellent for all new developments and major expansions.

Klepierre has an active and ambitious approach to operational excellence designed in particular to optimize asset management so as to continually reduce heating and/or air conditioning needs and thereby manage potential temperature variations without excess consumption. This excellence approach can also be seen in the development of new projects with a broad goal of continually reducing greenhouse gas emissions and thereby reducing Klepierre's dependence on fossil fuel in order to protect it from fluctuations in energy cost.

The following processes have thus been put in place for these environmental risks: identification of roles and responsibilities within each country, review of procedures, documents and modus operandi, identification of possible emergencies but also permanent and periodic controls with the goal of reducing the occurrence of such risks.

In addition, regular meetings are organized with all the correspondents in charge of the environmental approach within the 16 countries where Klépierre operates, in order to ensure permanent consistency between the Group's issues and processes and the operational and effective implementation of these policies.

In addition to the general liability insurance cover taken out to hedge against the risk of accidental pollution, Klepierre also subscribed to a further specific policy increasing its coverage for environmental damage, and in particular to cover Klepierre's liability in respect of damage resulting from gradual pollution.

1.9.4.9 Information system

Klépierre oversees its entire information system for all European subsidiaries of the Group centrally from the Group's headquarters in Paris.

This information system is mainly based on an SAP Core Model supplemented by satellite tools that meet specific operational needs.

Klépierre's IT strategy is based on three pillars:

> oversight of new projects to improve functional coverage of the information system;

> facilitate Klépierre's expansion by means of the IT integration of new subsidiaries (shared network, shared desktop environment, standardized processes and systems);

> making operations in countries currently in production more reliable.

Consolidated reporting at Group scale on the basis of a common language allows for reliable, coherent and efficient financial communications.

The data managed in Klépierre's information systems may also be the subject of internal or external attacks. These are monitored both by means of strict authorization procedures as well as auditing, screening and security systems.

All information system data is hosted in a Tier 3 data center. The daily data backup is sent to a second Tier 3 data center and then externalized. Disaster scenarios are played out twice a year and thereby ensure the recovery of data in the event of a failure.

To ensure the optimal management of this risk, the Information Systems Department elected to relocate the Group's server room and to set up a backup server room that could be activated in the event of a disaster. All data is backed up daily.

1.9.5 Preparation and processing of financial and accounting data

The reliability of financial and accounting data, as well as compliance with the regulations in force and internal instructions form the principal internal control objectives of the accounting production process.

To ensure adequate coverage of the major accounting risks, Accounting Internal Control is predicated on knowledge of the operational processes and their translation in the financial statements, on the definition of the responsibilities of the various participants in the process and on information system security.

1.9.5.1 Accounting organization and management control

Accounting tasks are carried out by the Finance Department in each country in which The Klépierre Group operates. The preparation of the corporate and consolidated financial statements is the responsibility of the Finance Department.

The deployment of an ERP system (SAP) across the Group makes it possible to record day-to-day transactions and enter accounting data in an integrated and automated manner. To provide reliable and consistent information both internally and externally, all processes are designed and established according to a single standard and common rules, which ensures the reliability of all data and the uniform quality of accounting information and its traceability. Automation and restrictions on manual entries help to enhance the quality of the data in the system.

All the processes used to prepare accounting data are subject to accounting control programs at various levels, including validation rules, authorizations and instructions concerning supporting evidence for and documentation of accounting tasks. The "Accounting Internal Control" unit, which reports directly to the Deputy CFO, is in charge of defining and circulating the accounting control rules and ensuring the smooth operation of the internal control environment.

The Klépierre Group's internal financial data is certified using the Finance Accounting Control Tool (FACT). Through this process, those involved in the evaluation of accounting controls formally certify the reliability of the data provided and the proper functioning of the fundamental controls necessary to ensure the accuracy of the financial data for which they are responsible.

This process contributes to the overall monitoring of the functioning of internal accounting controls within the Group and keeps the Finance Department, which is responsible for the preparation and quality of the Klépierre Group's consolidated financial statements, informed about the preparation of financial statements in each subsidiary.

The content of the certificates is determined by the Group's accounting internal control function, after approval by the Deputy CFO.

Accounting internal control also has a role to play in the Group-level payment process, in particular as regards the definition of segregation of duties, authorizations in tools, the establishment of signatories, and the validation of sensitive data of third-party payment beneficiaries.

In addition, to limit the risk of fraud, the Group has put in place secure payment methods. To this end, a Group banking platform was set up in 2016 (Kyriba) and rolled out to almost the entire Group. Most payments are made automatically from SAP to Kyriba. A double signature principle is always complied with for all payments to third parties.

Finally, through the implementation of prevention and detection controls and constantly making employees aware of the risks of fraud (periodic reports that identify various cases of fraud and procedures to follow if necessary), the accounting internal control function is the foundation of anti-fraud processes.

The quarterly reporting system for Management Control (in place at head office and the subsidiaries) uses a standard model to track trends in the principal key performance indicators by country and by asset and to ensure that these are properly geared to the objectives laid down in the annual budget approved by Management. Reports prepared at regional level are reviewed for a second time by the Group Management Control Department. In addition, a full reconciliation is carried out by Group Management Control to ensure the consistency of the accounting results with the consolidated management results.

1.9.5.2 Account closing process and consolidation

The accounts are consolidated by the Consolidation Department for the entire scope of the Group. Data for the consolidation system used at almost all Klépierre's main subsidiaries is provided by the Finance Department in each country via interfaces with the local accounts. Off-balance sheet commitments are also held centrally in it by consolidated unit.

The consolidated financial statements are prepared using a process laid down in instructions and predicated on a detailed schedule circulated to all the Finance Departments to ensure that deadlines are met and that the data provided complies with the Group's accounting standards.

The principal accounting controls carried out at each quarterly close in the consolidation process are:

> controls on changes in the scope of consolidation;

> analysis of and supporting evidence for all consolidation adjustments;

> analysis of and explanations for all deviations from budgets and forecasts.

At each quarterly close, the Accounting Department coordinates an internal certification process for the accounting data reported by country, as well as the controls performed, in which the CFO for each country certifies:

> the reliability and compliance of the accounting data provided compared to the regulations in force and Group standards;

> smooth operation of the accounting internal control system, safeguarding the quality of the accounting data;

> significant events that occurred after the close of the accounts and their financial impact on the consolidated financial statements.

Compliance with the tax obligations under the various SIIC/SOCIMI regimes in the countries in which the Group operates is audited by the Group Tax Department in cooperation with the local Finance Departments.

The clarity of financial reporting and the pertinence of accounting methods are overseen by the Audit Committee, in tandem with the Statutory Auditors. Financial reporting and accounting data is then presented to and commented on by the Supervisory Board.

1.9.5.3 Financial communication

The Group Communications Department directly reports to the Executive Board and is responsible for the Group's financial reporting obligations vis-à-vis the market authorities. It is tasked with producing, drafting and distributing the financial reporting documents published with a view to presenting the Group's various activities to shareholders, institutional investors and financial analysts, explaining its results and outlining its expansion strategy.

The financial reporting team continuously monitors the reporting obligations, with the support of the Legal Department. The disclosure of information to the financial markets takes place according to a precise schedule that is circulated internally. With support from various units, the team designs the financial press releases, and the earnings and theme-based presentations. It coordinates the preparation of all the various parts of the financial report (registration document) and ensures that it is distributed. In conjunction with the Legal Department, it makes sure that information is provided in line with the required deadlines and in compliance with the relevant laws and regulations.


Emporia

2

BUSINESS FOR THE YEAR

2.1 Business overview

2.1.1 Economic environment

The Eurozone economy has improved since the beginning of 2017, with Gross Domestic Product (GDP) growth expected to reach 2.4% for the entire year, compared to 1.8% in 2016[(1)]. Solid economic improvement from the Eurozone's larger economies contributed to this growth, with economic confidence rising to its highest level in 17 years[(2)]. Labor market conditions continued to improve, with unemployment declining in virtually all countries (9.1% in 2017, vs. 10.0% in 2016). Private consumption remained resilient (+1.8% in 2017, vs. +1.9% in 2016), while inflation accelerated to 1.5%, from 0.2% in 2016.

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

▶ 2017 AND 2018 MACROECONOMIC FORECASTS BY COUNTRY

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

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

2.1.2 Retailer sales

On a like-for-like basis[(3)], total retailer sales at Klépierre's malls rose by 2.1% for the last 12 months (1.3% excluding extensions). Over the first 11 months of the year, they outperformed aggregated national retailer sales indices by 120 basis points[(4)]. In addition to a better economic climate and improved consumer confidence, releasing transactions and marketing initiatives, such as the Black Friday campaign rolled out at 113 malls in 12 countries, contributed to this performance.

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

(1) Except indicated otherwise, all macroeconomic data in chapters 5 and 6 of this document are extracted from the OECD Economic Outlook, December 2017.

(2) As measured by the economic sentiment indicator (ESI) of the European Commission as of December 2017.

(3) Like-for-like change is on a same-center basis and excludes the impact of asset sales and acquisitions.

(4) Compound index based on the following national retailer indices weighted by the share of each country in Klépierre's total NRI. France: CNCC, Italy: ISTAT, Spain: INE, Portugal: INE, Norway: Kvarud, Sweden: HUI, Denmark: Danmarks statistik, Poland: PRCH, Hungary: KSH, Czech Republic: CZSO, the Netherlands: CBS; Turkey: AYD.

▶ LAST 12-MONTH RETAILER SALES LIKE-FOR-LIKE CHANGE BY COUNTRY

Year-on-year retail sales change through full-year 2017

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

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

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

▶ LAST 12-MONTH RETAILER SALES CHANGE BY SEGMENT

	FY 2017 Like-for-like change	Share in total Reported retailer sales
Fashion	2.6%	40%
Culture, Gifts & Leisure	1.6%	18%
Health & Beauty	3.5%	12%
Food & Restaurants	3.3%	11%
Household equipment	-1.6%	12%
Others	2.3%	8%
TOTAL	**2.1%**	**100%**

2.1.3 Gross rental income

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

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

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

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

2.1.4 Net rental income

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

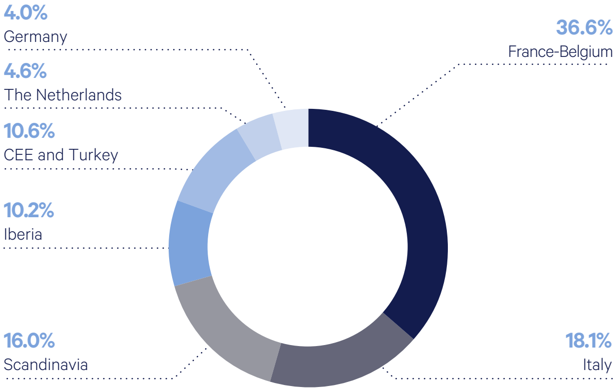
In €m	12/31/2017	12/31/2016	Current change	Like-for-like change	Index-linked rental adjustments
France-Belgium	394.9	388.0	1.8%	2.5%	0.1%
Italy	195.2	189.8	2.8%	2.9%	0.3%
Scandinavia	172.6	180.3	-4.3%	4.6%	2.4%
Iberia	110.0	98.4	11.8%	6.8%	1.1%
CEE and Turkey	113.8	110.1	3.4%	3.1%	1.1%
The Netherlands	49.3	45.5	8.4%	2.1%	1.0%
Germany	42.8	42.0	2.1%	0.1%	0.0%
TOTAL SHOPPING CENTERS	**1,078.6**	**1,054.1**	**2.3%**	**3.3%**	**0.7%**
Other retail properties	27.1	29.3	-7.5%		
TOTAL	**1,105.6**	**1,083.4**	**2.1%**		

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

- a €32.5 million increase on a like-for-like basis (+3.3%);
- a negative scope effect of €8.0 million, with the impact of disposals more than offsetting that of acquisitions and development.

On a like-for-like portfolio basis[2], shopping center NRI was up by 3.3%, outperforming by 260 bps index-linked rental adjustments of +0.7%.

▸ SHOPPING CENTER NRI BREAKDOWN BY REGION FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2017 (ON A TOTAL-SHARE BASIS)



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

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

▶ FOREIGN EXCHANGE IMPACT ON LIKE-FOR-LIKE NRI OVER THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2017

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

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

2.1.5 Contribution of assets consolidated under the equity method

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

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

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

▶ CONTRIBUTION OF ASSETS CONSOLIDATED UNDER THE EQUITY METHOD

GROSS RENTAL INCOME – TOTAL SHARE

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

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

NET RENTAL INCOME – TOTAL SHARE

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

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

NET CURRENT CASH FLOW – TOTAL SHARE

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

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

NET INCOME – TOTAL SHARE

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

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

2.1.6 Shopping center business summary

2.1.6.1 Leasing highlights

▶ **KEY PERFORMANCE INDICATORS**

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

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

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

- 1,864 deals were signed, which represents an 8% increase[(1)];
- €126.5 million in minimum guaranteed rents (MGR) were renegotiated (+7%; renewal or re-let), with a high 12.9% reversion;
- €35 million in additional annual MGR, up 20% compared to 2016.

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

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

In addition, Klépierre has estimated that in 2017 retailers were committed to invest ca. €344 million (vs. €318 million in 2016) in the renovation of their stores at Klépierre shopping malls[(2)].

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

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

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

(1) In 2017, Klépierre discontinued the separate counting of storage unit leases in Scandinavia for harmonization purposes; 2016 figures have been restated accordingly.
(2) Estimated amount based on a representative sample of leases signed in 2017 and extrapolated for the entire portfolio. Investment may be spread-out over several years.

2.1.6.2 Lease expiry schedule

► **SHOPPING CENTER LEASE EXPIRY SCHEDULE**

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

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

2.2 Business activity by region

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

► **NRI & EPRA VACANCY RATE IN FRANCE-BELGIUM**

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

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

In 2017, Klépierre's **retailer sales** were up by 2.4% on a like-for-like basis (+0.9% excluding the extension of Val d'Europe), corroborating the improved consumption environment in France (+0.2% in 2016). For the first 11 months of 2017, retailer sales at Klépierre malls outpaced the national index by 370 basis points[(1)], compared to a 150 basis-point outperformance in 2016. In the last quarter, retailer sales were particularly strong, boosted by the successful Black Friday campaign (+19% over three days).

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

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

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

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

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

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

2.2.2 Italy (17.7% of net rental income)

▸ NRI & EPRA VACANCY RATE IN ITALY

	Current-porfolio NRI			Like-for-like portfolio NRI			EPRA vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
ITALY	195.2	189.8	2.8%	181.6	176.5	2.9%	1.2%	1.7%

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

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

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

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

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

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

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

2.2.3 Scandinavia (15.6% of net rental income)

► **NRI & EPRA VACANCY RATE IN SCANDINAVIA**

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

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

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

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

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

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

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

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

Leasing activity remained robust, with 279 leases[(1)] signed in 2017 with a high level of reversion (+12.4% on renewals and relets), while EPRA vacancy continued to decrease (from 3.5% at the end of 2016 to 3.1% in 2017):

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

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

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

(1) *Number restated to take into account a new way to account storage unit in Scandinavia.*

2.2.4 Iberia (9.9% of net rental income)

▶ NRI & EPRA VACANCY RATE IN IBERIA

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

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

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

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

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

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

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

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

▶ NRI & EPRA VACANCY RATE IN CEE & TURKEY

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

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

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

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

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

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

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

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

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

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

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

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

2.2.6 The Netherlands (4.5% of net rental income)

► NRI & EPRA VACANCY RATE IN THE NETHERLANDS

	Current-porfolio NRI			Like-for-like portfolio NRI			EPRA vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
THE NETHERLANDS	49.3	45.5	8.4%	26.1	25.5	2.1%	6.0%	5.6%

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

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

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

2.2.7 Germany (3.9% of net rental income)

▶ **NRI & EPRA VACANCY RATE IN GERMANY**

	Current-porfolio NRI			Like-for-like portfolio NRI			EPRA vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
GERMANY	42.8	42.0	2.1%	42.1	42.0	0.1%	5.9%	6.4%

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

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

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

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

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

▶ **NRI & EPRA VACANCY RATE OF OTHER RETAIL PROPERTIES**

	Current-porfolio NRI			Like-for-like portfolio NRI			EPRA vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
OTHER RETAIL PROPERTIES	27.1	29.3	-7.5%	26.0	25.9	0.2%	5.2%	2.6%

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

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

2.3 Consolidated earnings and cash flow

2.3.1 Consolidated earnings

▶ CONSOLIDATED EARNINGS

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

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

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

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

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

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

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

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

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

Corporate income tax for the period was €219.2 million:

- tax payable was €18.3 million;
- deferred tax increased by €201 million, due to the uplift in the fair market value of the Group’s real estate assets.

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

2.3.2 Change in net current cash flow

▶ NET CURRENT CASH FLOW & EPRA EARNINGS

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

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

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

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

2.4 Investments, development, and disposals

2.4.1 Investment market

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

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

2.4.2 Capital expenditure

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

> €285.6 million were dedicated to **acquisitions:**

- **Nueva Condomina:** in May 2017, Klépierre acquired Nueva Condomina, the leading retail hub in the region of Murcia, Spain. Covering approximately 110,000 sq.m. (encompassing a 73,000-sq.m. shopping center and a 37,000-sq.m. retail park), Nueva Condomina boasts an exceptional mix of 178 shops. In 2016, it attracted nearly 11 million visitors and generated €257 million in retailer sales(1). Based on annualized net rental income (NRI) of €12.5 million at the time of the acquisition, the EPRA Net Initial Yield stood at 5.4%.

  Since the acquisition, Klépierre has been implementing asset management and leasing initiatives to reduce vacancy, which stood at 15% in May 2017. The vacancy rate having already been lowered to 7.7% at the end of December 2017, Klépierre is confident in its ability to generate an 18% uplift in annualized NRI by 2019, as announced last May(2);
- **Nový Smíchov (Prague, Czech Republic):** Klépierre acquired from Tesco circa 7,000 sq.m. (for a total amount of €28.6 million), with the latter downsizing its hypermarket. This acquisition will allow Klépierre to rightsize Zara (over 3,000 sq.m.) or Sephora (1,000 sq.m.);
- **Blagnac (Toulouse, France):** an additional €35.5 million was dedicated to the acquisition of retail units surrounding Blagnac shopping center in order to secure neighboring real estate ownership for potential future asset management and development operations on this powerful retail hub;

> €187.6 million were devoted to the **development** of the shopping center portfolio. This concerns three main projects aimed at strengthening the Group's positions in the most dynamic regions of Continental Europe: Hoog Catharijne (Utrecht, The Netherlands), Prado (Marseille; France), and Val d'Europe in France (see the following "Development pipeline" section for more information on projects);

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

2.4.3 Development pipeline

2.4.3.1 Development pipeline overview

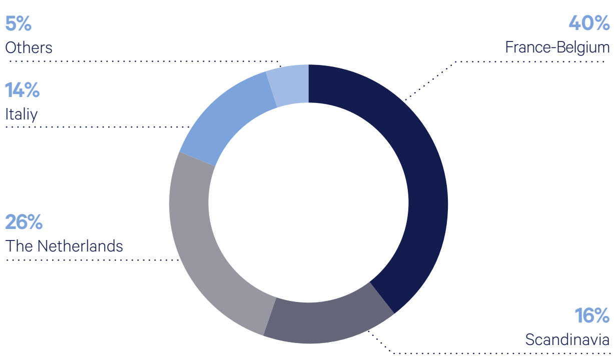
The Group's development pipeline represented €3.1 billion worth of potential investments (compared to €3.3 billion at the end of December 2016), including €0.8 billion worth of committed projects(3) with an average expected yield of 6.3%, €1.0 billion worth of controlled projects(4), and €1.4 billion of identified projects(5). On a Group-Share basis, the total pipeline represented €2.6 billion: €0.7 billion committed, €0.7 billion controlled, and €1.2 billion identified.

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

> 76% of committed and controlled projects are extension-refurbishment schemes aimed both at capitalizing on shopping destinations that have demonstrated their leadership and at accelerating the retail offer transformation;

> 24% of committed and controlled projects are greenfield projects located in some of the most dynamic cities of Europe and integrated into large urban development programs supported by efficient transportation networks and residential building projects.

▶ **GEOGRAPHIC BREAKDOWN OF THE ESTIMATED COST OF COMMITTED AND CONTROLLED DEVELOPMENT PROJECTS (ON A TOTAL-SHARE BASIS)**



(1) *Including sales estimates for Apple, Primark, Cinesa and Leroy Merlin.*
(2) *2019 targeted NRI vs. current annualized NRI as of April 30, 2017.*
(3) *Projects that are in the process of completion, for which Klépierre controls the land and has obtained the necessary administrative approvals and permits.*
(4) *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).*
(5) *Projects that are in the process of being defined and negotiated.*

► **DEVELOPMENT PIPELINE AS OF DECEMBER 31, 2017 (ON A TOTAL-SHARE BASIS)**

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

(a) Estimated cost as of December 31, 2017 including fitting-out (when applicable) and excluding step-up rents (when applicable), internal development fees, and financial costs.
(b) Targeted yield on cost as of December 31, 2017, based on targeted NRI with full occupancy and excluding all lease incentives (when applicable), divided by the estimated cost price as defined above.
(c) Assets consolidated under the equity method. For these projects, the estimated cost and cost to date are reported for Klépierre's share of equity. Floor areas are the total area of the projects.

2.4.3.2 Hoog Catharijne's redevelopment

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

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

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

2.4.3.3 Prado's new scheme

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

Prado is scheduled to open in April 2018.

2.4.3.4 Créteil Soleil's extension and refurbishment

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

The 11,500-sq.m. extension is located at the main entrance of the shopping center, which welcomes 35% of the 20.3 million footfall. Spread over three floors, it will create an outstanding connection between the subway station and the heart of the center. The program consists of creating 18 new retail premises, 15 restaurants, and six additional screens to the existing 12-screen cinema, growing the capacity to 3,650 seats. The shopping experience will be greatly improved, together with a perfect synergy between the food court and the cinema.

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

2.4.4 Disposals

▶ **DISPOSALS COMPLETED SINCE JANUARY 1, 2017**

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

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

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

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

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

2.4.5 Financial investments

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

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

2.5 Parent company earnings and distribution

2.5.1 Summary earnings statement for the parent company Klépierre SA

▶ **EARNINGS STATEMENT FOR KLÉPIERRE SA**

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

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

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

> a 349.3-million euros reversal of provisions for the impairment of shares following the merger of two subsidiaries;

> a 157.8-million euros merger surplus following the merger into Klépierre SA of a Dutch subsidiary.

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

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

2.5.2 Distribution

The Executive Board will recommend that the shareholders present or represented at the Annual General Meeting on April 24, 2018, approve the payment of a cash dividend in respect of fiscal year 2017 of €1.96 per share, versus €1.82 in respect of fiscal year 2016 (+7.7%). This should represent a maximum amount of €616.1 million[(1)]. This amount is consistent with Klépierre's pay-out policy to distribute 80% of its net current cash flow on a Group-Share basis. As part of the proposed €1.96 dividend amount per share, €0.68 stems from the SIIC-related activity of the Group; as such, it will not be eligible for the 40% tax rebate provided for in Article 158-3-2 of the French General Tax Code. The proposed payment date is April 30, 2018 (ex-date: April 26, 2018).

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

2.6 Portfolio valuation

2.6.1 Property portfolio valuation methodology

2.6.1.1 Scope of the portfolio appraised by external appraisers

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

> assets acquired less than six months prior to the end of the reporting period, which are valued at their acquisition cost;

> some projects under development which are carried at cost[(3)];

> other non-appraised assets consisting mainly of assets held for sale, which are valued at the agreed transaction price, land which is valued at cost, and some development projects internally valued at fair value[(4)].

► BREAKDOWN OF THE PROPERTY PORTFOLIO VALUE BY TYPE OF VALUATION (ON A TOTAL-SHARE BASIS)

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

(1) *Including treasury shares.*

(2) *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.*

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

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

2.6.1.2 Methodology used by external appraisers

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

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

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

► BREAKDOWN BY APPRAISER OF THE APPRAISED PROPERTY PORTFOLIO AS OF DECEMBER 31, 2017

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

All appraisals are conducted in accordance with the professional standards applicable in France ("Charte de l'Expertise en Évaluation Immobilière"), the recommendations of the French stock exchange authority AMF dated February 8, 2010, and the RICS (Royal Institute of Chartered Surveyors) standards. The fees payable to appraisers are agreed upon when the three-year assignment is signed, on a lump sum basis depending on the number and size of the assets to be appraised. The appraisal documents are reviewed by the Group's auditors and the Audit Committee. As of December 31, 2017, 98% of Klépierre's portfolio was appraised. The fair market value of standing assets is appraised using the discounted cash flow (DCF) method, which measures the value of an asset by the present value of its future cash flows. DCFs are run on a 10-year period. Appraisers are provided with all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.) and make their own assessment of the future cash flows to be generated by the property. They factor in their own leasing assumptions (ERV, vacancy, incentives, etc.) as well as future capital expenditures and non-recoverable operating expenses. The discount rate varies from one property to another as it is a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities. The terminal value is calculated based on the net rental income for the tenth year, capitalized by an exit yield.

► ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO'S VALUATION[(a)]

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

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

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

2.6.2 Valuation

2.6.2.1 Property portfolio valuation

Excluding transfer taxes[1], the value of the property portfolio as of December 31, 2017 was €23,770 million on a Total-Share basis and €20,259 million on a Group-Share basis[2]. Including transfer taxes, this value was €24,419 million on a Total-Share basis (€20,822 million on a Group-Share basis). On a Total-Share basis (excluding transfer taxes), shopping centers accounted for 98.5% of the portfolio and other retail properties for 1.5%[3].

▶ **VALUATION OF THE PROPERTY PORTFOLIO (ON A TOTAL-SHARE BASIS, EXCLUDING TRANSFER TAXES)**

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

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

(1) *Please refer to the "EPRA Net Asset Value and Triple Net Asset Value" section of this document for transfer tax calculation methodology.*

(2) *As of December 31, 2017, assets consolidated under the equity method were valued at €1,389 million (€1,310 million on a Group-Share basis), compared to €1,425 million as of December 31, 2016. These assets include: Espace Coty (Le Havre), Le Millénaire (Paris), Passages (Paris), Centre Mayol (Toulon), Porta di Roma (Rome), Il Corti Venete (Verona), Il Leone di Lonato (Lonato), Il Destriero (Vittuone), Udine (Città Fiera), Økernsenteret (Oslo), Metro Senter (Oslo region), Nordbyen (Larvik), Aqua Portimão (Portimão) and Akmerkez (Istanbul).*

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

▶ VALUATION OF THE PROPERTY PORTFOLIO (ON A GROUP-SHARE BASIS, EXCLUDING TRANSFER TAXES)

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

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

▶ VALUATION RECONCILIATION WITH THE BALANCE SHEET FIGURE (ON A TOTAL-SHARE BASIS)

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

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

2.6.2.1.1 Shopping center portfolio valuation

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

This change is mostly attributable to the like-for-like[(1)] increase in the portfolio valuation for 4.0% (+3.9% in Group share), with the largest contributors to growth on a regional basis being Iberia (+8.5%), Italy (+6.8%), and Scandinavia (+4.3%).

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

▶ 12-MONTH SHOPPING CENTER PORTFOLIO VALUATION BRIDGE (ON A GROUP-SHARE BASIS, EXCLUDING TRANSFER TAXES)

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

As of December 31, 2017, the average EPRA NIY rate[(2)] of the portfolio[(3)] stood at 4.8% (including transfer taxes), down by 10 basis points over 12 months.

(1) Excluding foreign exchange impacts, assets disposed of during the period (mainly consisting of five retail galleries in Spain and stakes in four Scandinavian shopping centers), investment properties under construction (including Prado), acquisitions (Nueva Condomina, Blagnac additional spaces), and works expensed during the period as well as other capitalized costs (financial interests, fees, eviction indemnities). Regarding investments in assets consolidated under the equity method, effects other than those related to property value changes are excluded.

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

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

▸ **CHANGE IN THE EPRA NET INITIAL YIELD OF THE SHOPPING CENTER PORTFOLIO[1] (ON A GROUP-SHARE BASIS, INCLUDING TRANSFER TAXES)**

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

(a) Excluding offices, retail parks, and boxes attached to shopping centers.

2.6.2.1.2 Other retail properties

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

2.6.2.2 Management service activity

On December 31, 2017, the fair market value of the Klépierre Group management businesses stood at €353.7 million (Group share) compared to €326.6 million as of December 31, 2016[2].

2.7 Financial policy

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

2.7.1 Financial resources

2.7.1.1 Change in net debt

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

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

> cash outflows in relation to investments and acquisitions for €582 million (including €296 million of maintenance capex and development expenses, mainly on Hoog Catharijne (Utrecht, The Netherlands), Val d'Europe (Paris), and Prado (Marseille, France), and acquisitions for a total amount of €286 million);

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

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

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

(1) Excluding offices, retail parks, and boxes attached to shopping centers.
(2) Management service activity are valued by an external consultant, Accuracy, using a DCF methodology.

2.7.1.2 Loan-to-Value ratio

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

▶ LOAN-TO-VALUE CALCULATION AS OF DECEMBER 31, 2017 (AS PER COVENANT DEFINITIONS)

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

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

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

2.7.1.3 Available resources

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

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

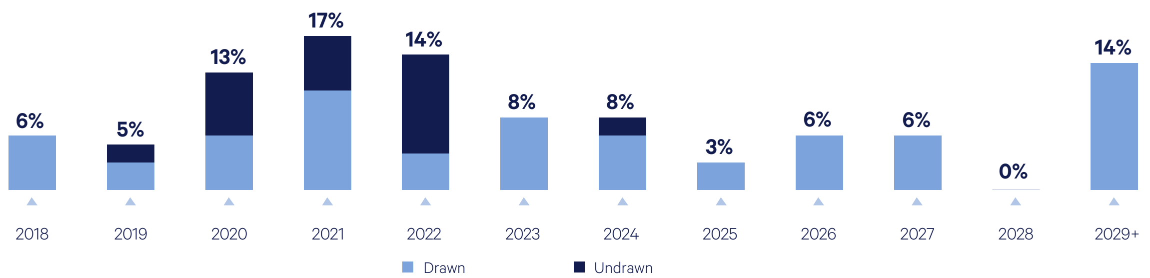
> in December, Klépierre issued €500 million worth of new 15-year notes with a record low spread over mid-swaps of 50 bps translating into a 1.625% coupon. The proceeds of the issuance covered the refinancing of the bond maturing in January 2018 for €291 million. Simultaneously, Klépierre repurchased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

> in Scandinavia, Steen & Strøm capitalized on its new A- credit rating assigned by Standard & Poor's in August 2017 to raise 750 million NOK of five-year notes in September 2017 and 500 million SEK of five-year notes in December 2017.

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

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

▶ DEBT MATURITY SCHEDULE AS OF DECEMBER 31, 2017 *(% of authorized debt)*

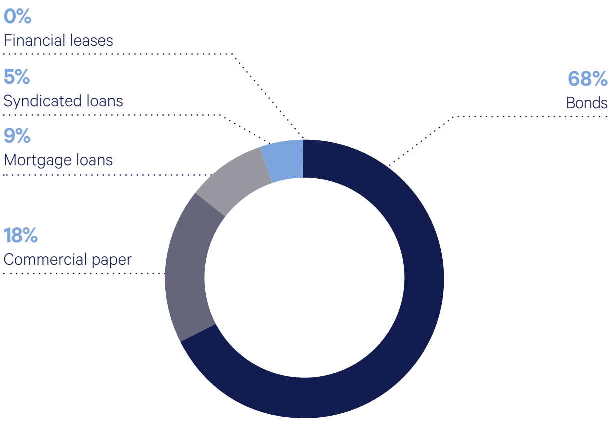


2.7.1.4 Debt structure

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

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

▶ **FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF DECEMBER 31, 2017 (UTILIZATIONS)**



▶ **FINANCING BREAKDOWN BY CURRENCY AS OF DECEMBER 31, 2017 (UTILIZATIONS)**

2.7.2 Interest rate hedging

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

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

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

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

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

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

2.7.3 Cost of debt

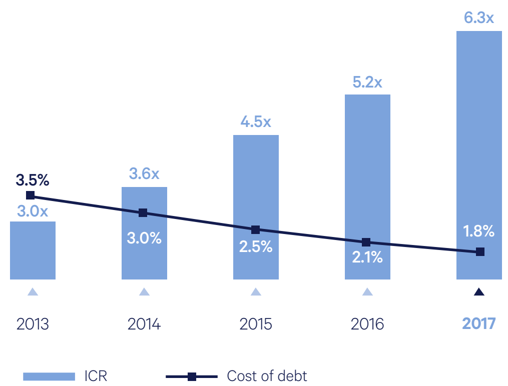
The average Group cost of debt fell below 2% during the course of 2017, to reach 1.8% as of December 31, 2017. This figure reflects the low level of short-term interest rates, the impact of the financing cost synergies following the merger of Corio into Klépierre, and the favorable funding conditions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

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

▶ **COST OF DEBT CALCULATION**

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

▶ **INTEREST COVERAGE RATIO (ICR) AND COST OF DEBT**



2.7.4 Financial ratios and rating

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

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

▸ COVENANTS

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

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

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

2.8 EPRA Performance Indicators

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

2.8.1 EPRA Earnings

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

▸ EPRA EARNINGS

In €m, Group share	12/31/2017	12/31/2016
Earnings per IFRS income statement	**1,228.6**	**1,191.2**
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	825.9	828.8
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	6.9	23,5
(iii) Profit or losses on sales of trading properties including impairment charges in respect of trading properties	-	-
(iv) Tax on profits or losses on disposals	-	-
(v) Negative goodwill/goodwill impairment	-1.7	-
(vi) Changes in fair value of financial instruments and associated close-out costs	-29.2	-28.3
(vii) Acquisition costs on share deals and non-controlling joint venture interests	-0.6	-
(viii) Deferred tax in respect of EPRA adjustements	-190.9	-199.0
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	22.9	28.5
(x) Non-controlling interests in respect of the above	-137.1	-156.8
EPRA EARNINGS	**732.4**	**694.4**
Number of shares[a]	*306,084,849*	*311,736,861*
EPRA EARNINGS PER SHARE *(in €)*	**2.39**	**2.23**
Company-specific adjustments		
Employee benefits, stock-options expenses and non-current operating expenses	13.8	7.9
Amortization allowances and provisions for contingencies and losses	14.4	18.8
Net current cash flow	**760.6**	**721.1**
Number of shares[a]	*306,084,849*	*311,736,861*
Net current cash flow per share *(in €)*	**2.48**	**2.31**

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

2.8.2 EPRA Net Asset Value and Triple Net Asset Value

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

2.8.2.1 Methodology

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

2.8.2.2 Goodwill

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

2.8.2.3 Unrealized capital gains on management companies

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

2.8.2.4 Fair value of financial instruments

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

2.8.2.5 Deferred taxes on asset values

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

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

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

2.8.2.6 Transfer taxes optimization

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

2.8.2.7 EPRA NAV and NNNAV calculation

▶ **EPRA NAV & NNNAV**

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

▶ **EPRA NAV 12-MONTH BRIDGE PER SHARE**

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

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

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

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

▶ **EPRA NET INITIAL YIELDS**

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

2.8.4 EPRA Vacancy rate

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

▶ **EPRA VACANCY RATE**[(a)]

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

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

2.8.5 EPRA Cost ratio

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

► EPRA COST RATIO

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

2.8.6 EPRA Capital expenditure

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

► EPRA CAPITAL EXPENDITURE[a]

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

(a) Inclusive of expenses charged to tenants.

2.8.6.1 Acquisitions

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

2.8.6.2 Development

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

2.8.6.3 Like-for-like portfolio

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

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

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

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

2.8.6.4 Other capital expenditure

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

2.9 Events subsequent to the accounting cut-off date

2.9.1 Interest rate hedging operations

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

2.9.2 Share buyback program

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

2.9.3 Disposals

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

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

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

- Grand Vitrolles (Klépierre equity interest 83%; CNP 17%), located near Marseille (France), is a 24,400-sq.m. gallery with 80 retail units adjacent to a Carrefour hypermarket of 21,900 sq.m.;
- Gran Via de Hortaleza, fully owned by Klépierre and located in Madrid in Spain, is a 6,300-sq.m. gallery with 70 retail units (Carrefour hypermarket of 14,000 sq.m.).

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

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

2.10 Outlook

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

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

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

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

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

Recent debt management operations will help further reduce financial expenses.

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

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

3

FINANCIAL STATEMENTS

3.1 Consolidated financial statements as of December 31, 2017

3.1.1 Consolidated statements of comprehensive income

In €m	Notes	12/31/2017 Fair value	12/31/2016 Fair value
Gross rental income	6.1	1,236.0	1,214.0
Land expenses (real estate)	6.2	-16.0	-14.9
Non-recovered rental expenses	6.3	-72.4	-73.9
Building expenses (owner)	6.4	-42.0	-41.9
Net rental income		**1,105.6**	**1,083.4**
Management, administrative and related income		85.6	86.5
Other operating revenues	6.5	10.5	18.4
Survey and research costs		-1.0	-2.8
Payroll expenses	10.1	-124.9	-131.4
Other general expenses		-63.6	-63.4
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	6.6	-15.2	-14.8
Provisions		-0.6	-5.2
Change in value of investment properties	6.7	825.9	828.8
Proceeds from disposal of investment properties and equity investments	6.8	243.0	416.1
Net book value of investment properties and equity investments sold	6.8	-236.1	-392.5
Income from the disposal of investment properties and equity investments		**6.8**	**23.5**
Goodwill impairment		-1.7	
Operating income		**1,827.5**	**1,822.8**
Net dividends and provisions on non-consolidated investments		0.0	0.1
Financial income		80.8	109.0
Financial expenses		-250.6	-306.7
Net cost of debt	**6.9**	**-169.8**	**-197.7**
Change in the fair value of financial instruments		-15.1	-12.1
Share in earnings of equity method investments	5.5	74.4	89.5
Profit before tax		**1,717.0**	**1,702.5**
Corporate income tax	7	-219.2	-225.6
Net income of consolidated entity		**1,497.8**	**1,476.9**
Of which			
> *Group share*		*1,228.6*	*1,191.3*
> *Non-controlling interests*		*269.2*	*285.7*
Undiluted average number of shares		**306,084,849**	**311,736,861**
Undiluted net income per share *(in €)* **– Group share**		**4.0**	**3.8**
Diluted average number of shares		**306,084,849**	**311,736,861**
Diluted net income per share *(in €)* **– Group share**		**4.0**	**3.8**

In €m	12/31/2017 Fair value	12/31/2016 Fair value
Net income of consolidated entity	**1,497.8**	**1,476.9**
Other comprehensive income items recognized directly as equity	**-58.6**	**-87.7**
> Effective portion of profits and losses on cash flow hedging instruments	67.0	23.2
> Translation profits and losses	-117.7	-95.1
> Tax on other comprehensive income items	-14.1	-16.0
Items that will be reclassified subsequently to profit or loss	**-64.8**	**-87.9**
> Result from sales of treasury shares	4.7	-0.1
> Actuarial gains	1.4	0.3
Items that will not be reclassified subsequently to profit or loss	**6.2**	**0.2**
Share of other comprehensive income items of equity method investees		
Total comprehensive income	**1,439.1**	**1,389.2**
Of which		
> *Group share*	*1,205.8*	*1,098.7*
> *Non-controlling interests*	*233.3*	*290.5*
Undiluted comprehensive income per share *(in €)* **– Group share**	**3.9**	**3.5**
Diluted comprehensive income per share *(in €)* **– Group share**	**3.9**	**3.5**

3.1.2 Consolidated statements of financial position

In €m	Notes	12/31/2017 Fair value	12/31/2016 Fair value
Goodwill	5.1	655.2	648.4
Intangible assets	5.2	39.3	45.2
Property, plant and equipment	5.3	14.1	16.0
Investment properties at fair value	5.4	21,494.2	20,390.2
Investment properties at cost	5.4	123.1	282.6
Equity method investments	5.5	1,074.1	1,067.5
Other non-current assets	5.6	319.3	350.8
Non-current derivatives	5.12	41.0	74.0
Deferred tax assets	7	24.5	40.7
Non-current assets		**23,784.6**	**22,915.4**
Fair value of properties held for sale	5.4	295.6	284.4
Trade accounts and notes receivable	5.7	144.5	152.6
Other receivables	5.8	346.6	401.1
> Tax receivables		137.5	180.4
> Other debtors		209.1	220.7
Current derivatives	5.12	9.9	4.8
Cash and cash equivalents	5.9	564.5	578.8
Current assets		**1,361.2**	**1,421.7**
TOTAL ASSETS		**25,145.8**	**24,337.1**
Share capital		440.1	440.1
Additional paid-in capital		5,818.1	5,818.1
Legal reserves		44.0	44.0
Consolidated reserves		2,865.8	2,613.1
> Treasury shares		-419.2	-67.0
> Hedging reserves		-50.2	-99.2
> Other consolidated reserves		3,335.2	2,779.4
Consolidated earnings		1,228.6	1,191.3
Shareholders' equity, Group share		10,396.6	10,106.6
Non-controlling interests		2,563.8	2,429.7
Shareholders' equity	**5.10**	**12,960.4**	**12,536.2**
Non-current financial liabilities	5.11	7,368.2	6,745.6
Non-current provisions	5.13	26.9	23.5
Pension commitments	10.3	13.4	13.2
Non-current derivatives	5.12	23.1	65.3
Security deposits and guarantees		145.3	141.0
Deferred tax liabilities	7	1,547.7	1,375.7
Non-current liabilities		**9,124.6**	**8,364.4**
Current financial liabilities	5.11	2,217.2	2,562.1
Bank overdrafts	5.9	130.0	110.9
Trade payables		205.1	220.8
Payables to fixed asset suppliers		16.2	7.9
Other liabilities	5.14	312.4	317.5
Current derivatives	5.12	7.4	27.4
Social and tax liabilities	5.14	172.5	189.9
Current liabilities		**3,060.7**	**3,436.5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**25,145.8**	**24,337.1**

3.1.3 Consolidated cash flow statements

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

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

3.1.4 Statements of changes in consolidated equity

In €m	Capital	Capital related reserves	Treasury stock	Hedging reserves	Consolidated reserves and earnings	Equity, Group share	Equity, non-controlling interests	Total equity
Equity at 12/31/2015 – 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							-13.1	-13.1
Share-based payments								
Treasury share transactions			11.4			11.4		11.4
Dividends					-530.0	-530.0	-48.2	-578.2
Net income for the period					**1,191.3**	**1,191.3**	**285.7**	**1,476.9**
Gains and losses recognized directly in equity								
> Income from sales of treasury shares					-0.1	-0.1		-0.1
> Income from cash flow hedging				20.0		20.0	3.1	23.2
> Translation profits and losses					-97.7	-97.7	2.6	-95.1
> Actuarial gains					0.3	0.3		0.3
> Tax on other comprehensive income items				-15.1		-15.1	-0.9	-16.0
Other comprehensive income items				**4.9**	**-97.4**	**-92.6**	**4.9**	**-87.7**
Changes in the scope of consolidation					0.6	0.6	0.2	0.8
Other movements				-0.0	-0.5	-0.5	-2.7	-3.2
Equity at 12/31/2016 – 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			-352.2			-352.2		-352.2
Dividends					-562.0	-562.0	-47.6	-609.6
Net income for the period					**1,228.6**	**1,228.6**	**269.2**	**1,497.8**
Gains and losses recognized directly in equity								
> Income from sales of treasury shares					4.7	4.7		4.7
> Income from cash flow hedging				62.1		62.1	4.9	67.0
> Translation profits and losses					-78.0	-78.0	-39.7	-117.7
> Actuarial gain or loss					1.4	1.4		1.4
> Tax on other comprehensive income items				-13.1		-13.1	-1.0	-14.1
Other comprehensive income items				**49.0**	**-71.8**	**-22.8**	**-35.9**	**-58.6**
Changes in the scope of consolidation					-1.7	-1.7	-7.2	-8.9
Other movements					0.0	0.0	-44.4	-44.4
Equity at 12/31/2017 – Fair value	**440.1**	**5,862.1**	**-419.2**	**-50.2**	**4,563.8**	**10,396.6**	**2,563.8**	**12,960.4**

3.1.5 Appendices

Note 1 Significant events of the fiscal year 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 including duties.

On December 19, 2017, Klépierre purchased a new unit of the Nový Smichov shopping center in Prague for a property value of €28.6 million including duties.

The other main investments realized during the period concern ongoing projects in The Netherlands (mainly Hoog Catharijne, €78.0 million), in France Prado (€59.2 million) and Val d'Europe extension (€43.8 million), Shopville Gran Reno extension in Bologne Italy (€16.2 million), and the acquisition of additional leaseholds and extensions in Blagnac, France (€15.2 million).

1.2 Main disposals

During the year 2017, the Group completed the following disposals:

> the Lillestrøm Torv shopping center in Norway (on January 23);

> the Charras shopping center in France (on January 31);

> the Vigie Strasbourg shopping center in France (on March 2);

> the office part of the Emporia shopping center in Sweden (on March 31);

> two shopping centers in Spain: Alicante and Augusta (on February 20 and May 31);

> a newly constructed hotel shell located in Utrecht in the Netherlands (on July 12);

> the Val Saint-Clair shopping center in France (on October 13);

> the shares of company holding a land in Bulgaria (on December 28).

Moreover, a set of 16 retail units, a warehouse in Clamart and a land were disposed in France over the period.

1.3 Dividend

On April 18, 2017, the shareholders' meeting approved the payout of a €1.82 per share dividend in respect of the 2016 fiscal year, and proposed a cash payment. Cash dividend paid by Klépierre totaled €562 million (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. As of December 31, 2017, the Group repurchased 9,761,424 shares for a total amount of €350 million.

1.5 Debt

Klépierre raised circa €1.4 billion worth of new financing in both the bond and the banking markets. These transactions mainly aimed at both replacing former debts which fell due during 2017 and financing future development needs. They are detailed below:

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. This issuance allowed to cover the repayment of €615 million of 4% notes maturing in April 2017.

In April, Klépierre signed two revolving credit facilities (five years) for an aggregate amount of €200 million. Simultaneously, €200 million of more expensive and shorter line was cancelled. In the meantime, agreements were found with two banks in order to extend €175 million of undrawn facilities to 2022.

At the end of June, Klépierre received banking syndicate approval to extend the €850 million syndicated revolving credit facility signed last year for an additional year. The new final maturity on this line is now July 2022.

In December, Klépierre issued €500 million worth of new 15-year notes. The coupon was set at 1.625%. The proceeds of the issuance covered the refinancing of the bond maturing in January 2018 for €291 million.

Simultaneously, Klépierre repurchased three existing notes which matured respectively in September 2019, February 2021 and March 2021 for a total amount of €97 million.

In Scandinavia, Klépierre has been active on the market by issuing 900 million Norwegian Kronor and 500 million Swedish Kronor in bonds in order to refinance existing loans.

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

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

2.2 Application of IFRS

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

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

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

The consolidated financial statements to December 31, 2017 are presented in the form of complete accounts including all the information required by the IFRS.

The document also includes 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 consolidated financial statements are presented in €m, 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 December 31, 2017 are identical to those used in the consolidated financial statements as of December 31, 2016, with the exception of the following new standard and interpretations, for which application is mandatory for the Group:

> Amendment to IAS 7: Disclosure Initiative: Statement of Cash Flows

> Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

> Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4

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:

> Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;

> Annual improvements of IFRS: Cycle 2014-2016;

> Annual improvements of IFRS: Cycle 2015-2017;

> Amendment to IAS 40: Transfer of Investment Property;

> IFRIC 22: Foreign Currency Transactions and Advance Consideration;

> IFRIC 23: Uncertainty over Income Tax Treatments;

> Amendment to IAS 28: Long Term Interests in Associate and Joint Venture;

> IFRS 17: Insurance Contracts.

The following standards and amendments have been adopted by the European Union as of December 31, 2017 but with a later effective date of application:

> IFRS 15: Revenue from Contracts with Customers including amendments and clarifications to IFRS 15;

> IFRS 16: Leases;

> IFRS 9: Financial Instruments;

> Amendment to IFRS 9: Prepayment Features with Negative Compensation and Modifications of Financial Liabilities.

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

IFRS 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 May 8, 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. Following the review and analysis of the existing financial instruments and contracts, no significant impacts has 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:

Measurement of goodwill

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

Investment property

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

Financial instruments

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

2.4 Translation of foreign currencies

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

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

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

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

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

2.5 Distinction between liabilities and equity

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

2.6 Net earnings per share

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

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

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

Note 3 Segment information

Accounting policies

Segment information

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

3.1 Segment earnings

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

These seven operating segments are structured as follows:

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

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

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

The sector "Scandinavia" includes all the legal entities of the Steen & Strøm Group in which the minority shareholder owns 43.9% of the interests. The share of the minority shareholder in the equity of the Scandinavian sector at Fair Value amounts to €933.4 million as of December 31, 2017, compared to €890.5 million as of December 31, 2016. As of December 31, 2017, the share of the Scandinavian portfolio in the non-current assets using the Fair Value model equals to €3,849.2 million, in current assets €169.4 million, in non-current liabilities €1,466.4 million and in current liabilities €555.5 million.

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

(a) *Shopping centers and other retail properties.*

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

3.2 Investment properties detailed by operating segment

In €m	Value of investment properties 12/31/2017[a]	Value of investment properties 12/31/2016[a]
France-Belgium[b]	8,755.8	8,522.9
Scandinavia	3,628.9	3,606.5
Italy	3,300.6	3,069.7
Iberia	2,115.3	1,772.2
The Netherlands	1,325.4	1,233.6
Germany	928.1	939.6
CEE & Turkey	1,563.2	1,528.3
TOTAL	**21,617.3**	**20,672.8**

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

3.3 New investments over the period by operating segment

In €m	Investment properties at fair value	Investment properties at cost	Investments 12/31/2017[a]
Shopping centers	**510.6**	**76.0**	**586.6**
France-Belgium[b]	112.0	59.7	171.7
Scandinavia	21.6	0.0	21.6
Italy	9.2	16.3	25.5
Iberia	248.8		248.8
The Netherlands	79.4		79.4
Germany	5.7		5.7
CEE & Turkey	33.9		33.9
TOTAL	**510.6**	**76.0**	**586.6**

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

The main investments of the period in France-Belgium concern the Prado project for €59.2 million, Val d'Europe extension for €43.8 million, the acquisition of additional leaseholds in Blagnac for €15.2 million and the acquisition of new retail units in Riom, for €4.4 million.

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

In Spain, the main investments concerned the acquisition of Nueva Condomina and in the CEE & Turkey operational segment, the change of the period is related to the acquisition of an additional retail unit in the Nový Smíchov shopping center in the Czech Republic.

Note 4 Scope of consolidation

Accounting policies

Scope of consolidation

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

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

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

Consolidation method

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

> exclusive control: full consolidation. Control is presumed to exist when Klépierre directly or indirectly holds more than half of the Company's voting rights. Control is also presumed to exist where the parent company has the power to direct the financial and operational policies of the Company and appoint, dismiss or convene the majority of the members of the Board of Directors or equivalent management body;

> joint control and significant influence: consolidation using the equity method. Joint control exists where operational, strategic and financial decisions require unanimous agreement between the associates. The agreement is contractual: subject to bylaws and shareholder agreements. Influence is defined as the power to contribute to a Company's financial and operating policy decisions, rather than to exercise sole or joint control over those policies. Significant influence is presumed where the Group directly or indirectly holds 20% or more of an entity's voting rights. Investments in associates are initially recognized in the balance sheet at acquisition cost, and are subsequently adjusted by the share of the net cash generated after the acquisition and the changes in fair value;

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

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 (see note 9.4).

Main changes in scope of consolidation of the year 2017 are as follows:

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

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

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

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

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

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

Note 5 Notes to the financial statements: Balance Sheet

5.1 Goodwill

Accounting policies

Accounting for business combination

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

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

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

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

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

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

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

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

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

Goodwill subsequent measurement and impairment

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

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

Goodwill corresponding to optimized value of deferred taxes

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

Goodwill of management activities

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

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

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

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

The impairment test done at least annually 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 2018-2023 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 2023 of 1%.

In €m	12/31/2016	Change in scope	Disposals, retirement of assets	Impairment	Other movements	12/31/2017
Goodwill management activities	**260.7**	**-**	**-**	**-1.7**	**-0.8**	**258.2**
France	117.7					117.7
Italy	53.7					53.7
Spain	32.0					32.0
Portugal	7.4					7.4
The Netherlands	18.3			-1.7		16.6
Germany	14.8					14.8
Turkey	3.1					3.1
Scandinavia	10.4				-0.8	9.6
Hungary	3.4					3.4
Deferred taxes goodwill	**387.6**	**12.3**	**-**	**-**	**-2.9**	**397.0**
Ex-Corio assets	307.3					307.3
Plenilunio	1.4					1.4
IGC	35.7					35.7
Oslo City	38.4				-2.9	35.5
Nueva Condo Murcia		12.3				12.3
Other	4.9					4.9
NET GOODWILL	**648.4**	**12.3**	**-**	**-1.7**	**-3.7**	**655.2**

At December 31, 2017, goodwill totaled €655.2 million, compared to €648.4 million at December 31, 2016. The change in scope is related to the Nueva Condomina acquisition (see note 4). The goodwill recognized on the 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.

Impairment tests

The goodwill was subject to impairment test as of December 2017. As the testing identified a difference between the recoverable value of the goodwill and its carrying amount related to the Dutch management activities, €1.7 million impairment was recognized on this CGU.

A sensitivity analysis of the impairment test has been conducted for the goodwill of the management activities to measure the impact of the new criteria used for calculation. If the discount rate decreased by -0.5%, the value of the management activities would increase by €25.2 million without any impact on the book value of goodwill. If the discount rate increased by +0.5%, the total value of the management activities would decrease by €21.8 million, however the impact on the book value of goodwill would be limited to €2.5 million.

5.2 Intangible assets

Accounting policies

Intangible assets

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

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

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

Impairment of intangible assets

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

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

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

In €m	12/31/2016	Acquisitions and capitalized expenses	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in the scope of consolidation	Reclassification	12/31/2017
Leasehold right	2.8							2.8
Goodwill	4.2							4.2
Software	86.3	6.8	-1.7		-1.5		0.2	90.1
Concessions, patents and similar rights	1.7				0.1			1.8
Other intangible assets	5.4						-0.2	5.2
Total gross value	**100.4**	**6.8**	**-1.7**		**-1.4**			**104.1**
Leasehold right	-0.9			-0.1				-1.0
Goodwill	-2.5							-2.5
Software	-46.4		1.0	-10.9	0.8			-55.5
Concessions, patents and similar rights	-1.2			-0.1				-1.3
Other intangible assets	-4.2			-0.2				-4.4
Total depreciation and amortization	**-55.2**		**1.0**	**-11.3**	**0.8**			**-64.8**
INTANGIBLE ASSETS – NET VALUE	**45.2**	**6.8**	**-0.7**	**-11.3**	**-0.6**	**-**	**-**	**39.3**

5.3 Property, plant and equipment

Accounting policies

Property, plant and equipment

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

In €m	12/31/2016	Acquisitions and capitalized expenses	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in the scope of consolidation	Reclassification	12/31/2017
Non-depreciable assets								
Depreciable assets and work in progress	40.0	2.1	-0.2		-1.1		0.3	41.1
Total gross value	**40.0**	**2.1**	**-0.2**	**-**	**-1.1**	**-**	**0.3**	**41.1**
Depreciable assets	-24.0		0.2	-3.8	0.6			-27.0
Total depreciation and amortization	**-24.0**	**-**	**0.2**	**-3.8**	**0.6**	**-**	**-**	**-27.0**
Impairment								
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE	**16.0**	**2.1**	**-**	**-3.8**	**-0.5**	**-**	**0.3**	**14.1**

5.4 Investment properties

Accounting policies

Investment properties (IAS 40 & IFRS 13)

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

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

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

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

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

> the stage of completion;

> the level of reliability of cash inflows after completion;

> the development risk specific to the property.

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

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

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

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

Borrowing costs

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

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

Fair value of investment property

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

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 four assets in Turkey;

> CBRE appraises 10 French assets, all Portuguese and Spanish assets, 12 Italian assets and three Dutch assets;

> BNP Paribas Real Estate appraises all German assets;

> Colliers appraises the Italian assets of the K2 fund;

> Cushman & Wakefield appraises a part of French portfolio, all Danish, Swedish, and Norwegian assets, all the Eastern European assets (Poland, Hungary, Czech Republic and Slovakia), three Dutch assets and three 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 Évaluation Immobilière*, AMF recommendations of February 8, 2010 and Royal Institution of Chartered Surveyors standards. The fees paid to appraisers, agreed prior to their appraisal of the properties concerned, are fixed on a lump sum basis to reflect the number and complexity of the assets appraised. The fee is entirely unrelated to the appraised value of the assets concerned.

In €k	**FY 2017 appraisal fees**
Cushman & Wakefield	307.9
CBRE	241.0
Jones Lang Lasalle	283.4
BNP Paribas Real Estate	122.8
Colliers	14.1
TOTAL	**969.1**

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 and extension potential and comparability with recent transactions in the market.

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

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

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

5.4.1 Investment properties at fair value

In €m	
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2016	**20,390.2**
Entries in the scope of consolidation	261.6
Investments	243.2
Capitalized interests	5.8
Disposals and exits from the scope of consolidation	-59.8
Other movements, reclassifications	0.4
Currency fluctuations	-147.1
Fair value variations	799.9
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2017	**21,494.2**

The line "Entries in the scope of consolidation" is related to the first consolidation of the Nueva Condomina shopping center in Spain and the acquisition of an additional retail unit in Nový Smíchov in Czech Republic (see notes 1.1 and 4).

The investments for €243.2 million realized during the period mainly concern the investments on Hoog Catharijne for €78.0 million, Val d'Europe extension for €43.8 million, the acquisition of additional leaseholds in Blagnac for €15.2 million and the acquisition of new retail units in Riom, in France, for €4.4 million.

The "Other movements, reclassifications" item mainly represents the net balance arising from the reclassification of "Investment properties at fair value" to the "Investment properties held for sale" item and from the "Investment properties at cost" item.

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

Shopping centers (weighted average)	12/31/2017			
	Annual rent in € per sq.m.[(a)]	Discount rate[(b)]	Exit rate[(c)]	CAGR of NRI[(d)]
France/Belgium	389	6.0%	4.6%	3.0%
Italy	399	7.0%	5.6%	1.8%
Scandinavia	288	7.0%	4.8%	2.7%
The Netherlands	226	6.4%	6.2%	2.5%
Iberia	273	7.7%	5.8%	3.7%
Germany	228	5.2%	4.5%	0.9%
CEE & Turkey	228	8.9%	7.1%	3.1%
TOTAL GROUP	**321**	**6.7%**	**5.2%**	**2.7%**

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

(a) average annual rent (minimum guaranteed rent + sales based rent) per asset per sq. m.;

(b) rate used to calculate the net present value of future cash flows;

(c) rate used to capitalize the exit rent to determine the exit value of an asset;

(d) compounded Annual Growth Rate of NRI determined by the appraiser at 10 years.

As of December 31, 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 €386 million change in the portfolio valuation (Group share).

5.4.2 Investment properties at cost

In €m	
INVESTMENT PROPERTIES AT COST MODEL – NET VALUE AS OF 12/31/2016	**282.6**
Investments	72.4
Capitalized interests	3.6
Disposals and exits from the scope of consolidation	-3.7
Other movements, reclassifications	-221.1
Currency fluctuations	-0.3
Impairments and reversals	-10.4
INVESTMENT PROPERTIES AT COST MODEL – NET VALUE AS OF 12/31/2017	**123.1**

Main investment properties at cost as of December 31, 2017 are:

- in Scandinavia: a project under construction in Kristianstad and a land in Odense;
- in Belgium: building rights attached to Louvain-la-Neuve development project;
- in Italy: the extension of the shopping center Shopville Gran Reno.

The investments for €72.4 million realized during the period mainly concern the investments on the Prado and Gran Reno projects.

The “Other movements, reclassifications” item is mainly related to the transfer of a building in Köln from “Investment properties at cost” to “Investment properties held for sale” and the transfer of the Prado project from “Investment properties at cost” to “Investment properties at fair value”.

5.4.3 Investment properties held for sale

Accounting policies

Investment properties held for sale

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

The accounting impacts are as follows:

- reclassification as held for sale at the lower of its carrying amount and fair value less costs to sell;
- presentation on a separate line as current assets.

In €m	
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	175.2
Currency fluctuations	-0.4
Fair value variations	36.4
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 12/31/2017	**295.6**

During the year 2017, the main assets disposed (€200 million) were:

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

The amount of transfer from or to “Investments properties held for sale” for €175 million mainly concerns two shopping centers in Vitrolles (France) and Madrid (Spain), a building in Köln (Germany) and four retail units in France.

5.4.4 Investment property portfolio reconciliation

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

	12/31/2017			
In €m	Investment properties held by fully consolidated companies	Investment in equity method companies[(a)]	Optimization of tax duties	Total Portfolio valuation
Investment properties at fair value	21,494.2	1,388.6	433.1	23,315.8
Investment properties at cost	123.1			123.1
Investment properties held for sale	295.6			295.6
> Ground leases	27.3			27.3
> Operating lease incentives	8.4			8.4
TOTAL	**21,948.5**	**1,388.6**	**433.1**	**23,770.2**

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

5.5 Equity method investments

In €m	12/31/2016 Group share	Share in net income 2017	Dividends received	Capital increases and reductions	Currency fluctuations	Changes in scope of consolidation and other movements	12/31/2017 Group share
Investments in jointly-controlled companies	838.8	84.6	-1.6	-7.6	-13.0	-0.8	900.5
Investments in companies under significant influence	228.7	-10.2	-11.3		-34.0	0.4	173.7
EQUITY METHOD INVESTMENTS	**1,067.5**	**74.4**	**-12.9**	**-7.6**	**-46.9**	**-0.4**	**1,074.1**

34 companies are consolidated under the equity method as of December 31, 2017, of which 26 are jointly controlled and eight 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):

	12/31/2017		12/31/2016	
In €m	100%	Group share	100%	Group share
Non-current assets	2,583.5	1,276.9	2,466.4	1,216.2
Current assets	91.7	45.3	83.2	41.3
Cash and cash equivalents	78.5	37.8	114.3	56.2
Non-current external financial liabilities	-108.7	-51.8	-138.4	-66.6
Non-current financial liabilities Group and partners	-557.2	-278.6	-616.2	-308.2
Non-current liabilities	-235.1	-120.5	-165.7	-86.1
Current external financial liabilities	-12.9	-6.3	-12.3	-6.1
Current liabilities	-4.2	-2.3	-13.5	-7.7
NET ASSETS	**1,835.8**	**900.5**	**1,717.8**	**838.8**

	12/31/2017		12/31/2016	
In €m	100%	Group share	100%	Group share
Revenues from ordinary activities	143.0	70.9	158.2	78.2
Operating expenses	-26.4	-13.2	-32.9	-16.3
Change in value of investment properties	127.7	65.9	75.8	37.4
Financial income	-22.5	-11.2	-23.5	-11.7
Profit before tax	221.8	112.4	177.6	87.6
Tax	-55.6	-27.8	-48.2	-24.1
NET INCOME	**166.2**	**84.6**	**129.4**	**63.5**

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted by cash and cash equivalent) of its jointly-controlled companies amounts to €20.3 million as of December 31, 2017, compared to €16.5 million as of December 31, 2016.

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

	12/31/2017		12/31/2016	
In €m	100%	Group share	100%	Group share
Non-current assets	394.1	174.4	487.3	225.6
Current assets	2.2	0.9	7.0	3.1
Cash and cash equivalents	7.4	3.3	7.8	3.6
Non-current external financial liabilities	-0.8	-0.3	-4.1	-1.9
Non-current financial liabilities Group and partners	-0.5	-0.1	-0.7	-0.3
Non-current liabilities	-1.8	-0.7	-1.5	-0.6
Current external financial liabilities			-0.1	-0.0
Current liabilities	-8.2	-3.8	-1.5	-0.7
NET ASSETS	**392.3**	**173.7**	**494.2**	**228.7**

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

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

In €m	12/31/2017		12/31/2016	
	100%	Group share	100%	Group share
Revenues from ordinary activities	27.1	11.9	40.1	17.9
Operating expenses	-9.2	-4.1	-14.3	-6.5
Change in value of investment properties	-40.0	-18.4	30.1	14.2
Financial income	1.0	0.5	0.9	0.4
Profit before tax	-21.0	-10.2	56.8	26.0
Tax			–	–
NET INCOME	**-21.0**	**-10.2**	**56.8**	**26.0**

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 €m	12/31/2016	Change in scope	Increases	Reductions	Other	12/31/2017
Other long-term investments	0.1			-0.3	0.4	0.1
Loans and advances to non-consolidated companies and companies consolidated using the equity method	335.3		24.8	-57.0	-0.8	302.3
Loans	0.2		1.8	-1.9		0.1
Deposits	14.0	2.3	2.3	-2.8	-0.0	15.7
Other long-term financial investments	1.3			-0.1	-0.1	1.1
TOTAL	**350.8**	**2.3**	**28.9**	**-62.1**	**-0.5**	**319.3**

5.7 Trade accounts and notes receivable

Accounting policies

Trade and other receivable

Trade receivables are recognized and measured at invoice face value minus accruals for non-recoverable amounts.

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 €m	12/31/2017	12/31/2016
Trade receivables	182.3	200.3
Stepped rents and rent-free periods of leases	31.9	24.3
Gross value	**214.1**	**224.6**
Provisions on bad debts	-69.6	-72.1
NET VALUE	**144.5**	**152.6**

5.8 Other receivables

	12/31/2017			12/31/2016
In €m	Total	Less than one year	More than one year	Total
Tax receivables	**137.5**	**137.5**		**180.4**
Corporate income tax	54.9	54.9		76.0
VAT	63.4	63.4		95.5
Other tax receivable	19.1	19.1		8.9
Other receivables	**209.1**	**168.6**	**40.5**	**220.7**
Service charges due	11.1	11.1		1.6
Down payments to suppliers	57.4	57.1	0.2	57.8
Prepaid expenses	39.6	12.3	27.3	49.1
Funds from principals	83.3	83.3		85.2
Other	17.8	4.8	13.0	27.0
TOTAL	**346.6**	**306.1**	**40.5**	**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 €27.3 million.

Funds managed by Klépierre Management on behalf of its principals stand at €83.3 million as of December 31, 2017 compared to €85.2 million 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 €m	12/31/2017	12/31/2016
Cash equivalents	*3.9*	*7.1*
Treasury and certificates of deposit	0.1	1.0
Money market investments	3.8	6.1
Cash	*560.6*	*571.7*
Gross cash and cash equivalents	**564.5**	**578.8**
Bank overdrafts	**-130.0**	**-110.9**
NET CASH AND CASH EQUIVALENTS	**434.5**	**467.9**

Cash equivalents are composed of French UCITS-type monetary funds for €3.8 million and Italian treasury bills for €0.1 million.

5.10 Shareholders' equity

5.10.1 Share Capital and additional paid-in capital

At December 31, 2017, the capital is composed of 314,356,063 shares each of €1.40 par value. The capital is fully paid up. Shares are either registered or bearer.

In €	Number of shares	Capital	Issue premiums	Merger premiums	Other premiums
As of January 1, 2017	314,356,063	440,098,488	4,906,584,902	310,095,156	601,384,000
Issuing of new shares over the 2017 year					
AS OF DECEMBER 31, 2017	**314,356,063**	**440,098,488**	**4,906,584,902**	**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.

	12/31/2017					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	506,631	872,091	231,347	885,195	9,761,424	634,801	852,625	155,831	885,195
> *of which allocated*	*324,401*	*872,091*				*426,498*	*852,625*		
Acquisition value *(in €m)*	14.3	28.6	7.9	18.3	350.0	17.9	25.4	5.4	18.3
Income from sale *(in €m)*	1.9					-5.0		-1.7	

On March 13, 2017, Klépierre announced a share buyback program of up to €500 million. As of December 31, 2017, the Group repurchased 9,761,424 shares for an aggregated amount of €350.0 million.

5.10.3 Other consolidated reserves

The increase of other consolidated reserves is mainly due to the allocation of the profits of fiscal year 2016 for €1,191.3 million (before distribution) and the deduction of the dividend distribution related to 2016 for €562 million.

5.10.4 Non-controlling interests

Non-controlling interests increased by €134.1 million during the fiscal year 2017. This change reflects the net income of the period of non-controlling interests (€269.2 million) and the payment of dividends (-€47.6 million).

5.11 Current and non-current financial liabilities

5.11.1 Change in indebtedness

Accounting policies

Financial liabilities

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

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 as of December 31, 2017.

Net indebtedness totaled €8,978 million, compared to €8,613 million at December 31, 2016. Net indebtedness is the difference between financial liabilities (excluding both fair value hedge and market value adjustment of Corio's debts recorded at the acquisition date) plus bank overdrafts minus available cash and marketable securities.

The €365 million increase is mainly explained by:

- the 2016 dividend payment in April 2017, for €562 million and the purchase of 9,761,424 of own shares for an aggregate amount of €350 million;
- total investments amounted to €582 million including €296 million of development expenses and capex mainly on Hoog Catharijne, Val d'Europe and Marseille Prado and other acquisitions made during the year for an amount of €286 million. In the meantime, Klépierre received €263 million related to asset disposals in France, Scandinavia and 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 €802 million;
- the appreciation of the euro against the Scandinavian currencies generated €64 million of negative foreign-exchange impact on debt.

In €m	12/31/2017	12/31/2016
Non-current		
Bonds net costs/premiums	**5,952.3**	**5,196.6**
> of which revaluation due to fair value hedge	28.8	41.9
Loans and borrowings from credit institutions – more than one year	**1,240.2**	**1,289.2**
Fair value adjustment of debt[(a)]	**60.4**	**94.7**
Other loans and borrowings	**115.4**	**165.1**
> Advance payments to the Group and associates	107.9	106.9
> Leasehold (finance lease)		58.2
> Other Loan	7.5	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,368.2**	**6,745.6**
Current		
Bonds net costs/premiums	**331.9**	**894.7**
> of which revaluation due to fair value hedge		4.9
Loans and borrowings from credit institutions – less than one year	**76.9**	**130.6**
Accrued interest	**95.1**	**108.3**
> on bonds	87.2	100.7
> on loans from credit institutions	6.1	5.5
> on advance payments to the Group and associates	1.8	2.1
Commercial paper	**1,711.6**	**1,420.5**
Other loans and borrowings	**1.6**	**8.0**
> Advance payments to the Group and associates	1.6	8.0
TOTAL CURRENT FINANCIAL LIABILITIES	**2,217.2**	**2,562.1**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,585.4**	**9,307.7**

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

5.11.2 Principal sources of financing

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

During 2017, Klépierre redeemed two bonds at maturity in April and June respectively for €615 million and €50 million. These financings were replaced by a new long-term bond (€600 million).

In December 2017, Klépierre issued €500 million worth of new 15 year notes. The coupon was set at 1.625%. The proceeds of the issuance covered the refinancing of the bond maturing in January 2018 for €291 million.

Simultaneously, Klépierre repurchased three existing notes which matured respectively in September 2019, February 2021 and March 2021 for a total amount of €97 million.

In €m	Borrower	Issue currency	Reference rate	Maturity date	Repayment profile	Maximum amount	Amount used as at 12/31/2017
	Group's financing						
Bonds						**5,024**	**5,024**
	Klépierre SA	EUR	2.750%	09/17/2019	In fine	275	275
	Klépierre SA	EUR	4.625%	04/14/2020	In fine	300	300
	Klépierre SA	EUR	4.750%	03/14/2021	In fine	564	564
	Klépierre SA	EUR	1.000%	04/17/2023	In fine	750	750
	Klépierre SA	EUR	1.750%	11/06/2024	In fine	630	630
	Klépierre SA	EUR	2.125%	10/22/2025	In fine	255	255
	Klépierre SA	EUR	1.875%	02/19/2026	In fine	500	500
	Klépierre SA	EUR	1.375%	02/16/2027	In fine	600	600
	Klépierre SA	EUR	4.230%	05/21/2027	In fine	50	50
	Klépierre SA	EUR	1.250%	09/29/2031	In fine	600	600
	Klépierre SA	EUR	1.625%	12/13/2032	In fine	500	500
						925	**925**
	Klépierre (ex-Corio)	EUR	4.625%	01/22/2018	In fine	291	291
	Klépierre (ex-Corio)	EUR	5.448%	08/10/2020	In fine	250	250
	Klépierre (ex-Corio)	EUR	3.250%	02/26/2021	In fine	299	299
	Klépierre (ex-Corio)	EUR	3.516%	12/13/2022	In fine	85	85
						345	**345**
	Steen & Strom	NOK	NIBOR	02/21/2018	In fine	41	41
	Steen & Strom	NOK	NIBOR	02/21/2019	In fine	30	30
	Steen & Strom	NOK	2.620%	06/08/2022	In fine	46	46
	Steen & Strom	NOK	NIBOR	09/14/2022	In fine	76	76
	Steen & Strom	NOK	NIBOR	03/23/2023	In fine	51	51
	Steen & Strom	NOK	2.400%	11/07/2023	In fine	51	51
	Steen & Strom	SEK	1.093%	12/08/2022	In fine	51	51
Bank loans						**3,400**	**433**
	Klépierre	EUR	Euribor	11/17/2019	In fine	125	
	Klépierre	EUR	Euribor	06/04/2020	In fine	750	
	Klépierre	EUR	Euribor	11/17/2021	In fine	400	
	Klépierre	EUR	Euribor	07/07/2022	In fine	850	83
	Klépierre	EUR	Euribor		In fine	925	
	Klépierre Nederland	EUR	Euribor	01/14/2021	In fine	350	350
Mortgage loans						**897**	**861**
	K2	EUR	E3m	01/15/2023	Amortized	23	23
	Massalia Shopping Mall[d]	EUR	Euribor	06/23/2026	In fine	134	97
	Steen & Strom[c]	SEK	STIBOR			315	315
	Steen & Strom[c]	DKK	CIBOR/Fixed[b]			425	425
Property finance leases						**30**	**30**
Short-term lines and bank overdrafts						**262**	
Commercial papers						**1,718**	**1,712**
	Klépierre	EUR	-	-	In fine	1,500	1,493
	Steen & Strom	NOK			In fine	218	218
TOTAL FOR THE GROUP[a]						**11,102**	**9,331**

(a) Totals are calculated excluding the backup lines of funding since the maximum amount of the "commercial paper" line includes that of the backup line.
(b) Of which fixed rate debt for €91 million.
(c) Steen & Strom has several loans in SEK and DKK.
(d) Including €3 million of VAT financing credit with a shorter maturity.

5.11.3 Financial covenants relating to financing and rating

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

As of December 31, 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 €m	Total	Less than one year	One to five years	More than five years
NON-CURRENT				
Bonds net costs/premiums	**5,952.3**		**1,965.6**	**3,986.6**
> of which revaluation due to fair value hedge	28.8		28.8	
Loans and borrowings from credit institutions – more than one year	**1,240.2**		**602.8**	**637.5**
Fair value adjustment of debt[(a)]	**60.4**		**60.4**	
Other loans and borrowings	**115.4**		**107.9**	**7.5**
> Advance payments to the Group and associates	107.9		107.9	
> Leasehold				
> Other loans	7.5			7.5
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,368.2**		**2,736.7**	**4,631.5**
CURRENT				
Bonds net costs/premiums	**331.9**	**331.9**		
> of which revaluation due to fair value hedge				
Loans and borrowings from credit institutions – less than one year	**76.9**	**76.9**		
Accrued interest	**95.1**	**95.1**		
> on bonds	87.2	87.2		
> on loans from credit institutions	6.1	6.1		
> on advance payments to the Group and associates	1.8	1.8		
Commercial paper	**1,711.6**	**1,711.6**		
Other loans and borrowings	**1.6**	**1.6**		
> Advance payments to the Group and associates	1.6	1.6		
TOTAL CURRENT FINANCIAL LIABILITIES	**2,217.2**	**2,217.2**		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,585.4**	**2,217.2**	**2,736.7**	**4,631.5**

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

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

Repayment year *In €m*	2018	2019	2020	2021	2022	2023	2024	2025	2026 and after	Total
Principal	2,117	345	590	1,258	395	894	713	293	2,725	9,331
Interest	149	149	131	92	80	67	62	51	158	940
TOTAL FOR THE GROUP (PRINCIPAL + INTERESTS)	**2,266**	**494**	**722**	**1,350**	**475**	**961**	**775**	**344**	**2,884**	**10,271**

All commercial papers in euros will mature during 2018 (€1,493 million). Commercial paper is essentially short term resources used on a rollover basis. They are fully covered by back-up lines. In Scandinavian currencies, 2,150 million Norwegian Kroner of commercial papers (€218 million) and several loans or bonds in NOK and SEK (€76 million) will mature in 2018.

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

Repayment year *In €m*	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 and after**	**Total**
Principal	2,441	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 95% as of December 31, 2017.

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

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

The "trading" category includes a portfolio of caps (€1.34 billion of notional), a portfolio of €1.26 billion of payer swaps and one receiver swap maturing in 2020 for €400 million.

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

In €m	**Hedging relationship**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Swaps	Cash-flow hedge	2	1	-0	-0	-0	-0	-1	-1	-1			0
Swaps	Fair value hedge	-17	-16	-7	-1								-42
Swaps/cap	Trading	-6	-8	16	-0								2
EUR-denominated derivatives		**-21**	**-23**	**8**	**-1**	**-0**	**-0**	**-1**	**-1**	**-1**			**-40**
NOK-denominated derivatives		**2**	**0**	**-0**	**-0**	**-0**	**-0**						**2**
SEK-denominated derivatives		**5**	**4**	**3**	**1**	**0**							**14**
DKK-denominated derivatives		**2**	**2**	**1**	**1**	**0**							**6**
TOTAL FOR THE GROUP		**-12**	**-17**	**13**	**1**	**-0**	**-1**	**-1**	**-1**	**-1**			**-18**

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 €m*	Derivatives of Klépierre Group 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 €m	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 €m	Fair value net of accrued interest as of 12/31/2017	Change in fair value during 2017	Counterparty
Cash-flow hedge	-21.7	39.1	Shareholders' equity
Fair value hedge	28.8	-18.1	Borrowings
Trading	2.3	11.3	Earnings
TOTAL	**9.5**	**32.3**	

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) against euro. 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 €m	Fair value net of accrued interest as of 12/31/2017	Change in fair value during 2017	Counterparty
Trading (net investment hedge)	1.5	17.4	Shareholders' equity
Trading (FX)	-1.6	-3.6	Borrowings/Earnings
TOTAL	**-0.1**	**13.9**	

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 €26.9 million as of December 31, 2017 compared to €23.5 million as of December 31, 2016, dedicated mainly to cover risks related to tax and business-related litigations in different countries where Klépierre operates.

5.14 Social and tax liabilities and other liabilities

In €m	12/31/2017	12/31/2016
Social and tax liabilities	**172.5**	**189.9**
Staff and related accounts	36.6	37.1
Social security and other bodies	14.1	14.9
Tax payables		
> Corporate income tax	48.1	32.7
> VAT	33.7	65.3
Other taxes and duties	40.1	40.0
Other liabilities	**312.4**	**317.5**
Creditor customers	18.4	20.8
Prepaid income	47.3	50.4
Other liabilities	246.7	246.3

The €18.4 million of advance payments received from tenants related to call of charges is recognized in "Creditor customers".

The "Other" item also includes funds representing the management accounts of Klépierre Management's principals, balanced by an equal amount in "Other receivables" on the asset side of the balance sheet. These funds totaled €83.3 million at December 31, 2017, compared to €85.2 million at December 31, 2016.

Note 6 Notes to the financial statements: Comprehensive Income Statement

6.1 Gross rental income

Accounting policies

Leases

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

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

Recognition of stepped rents and rent-free periods

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

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

The reference period adopted is the first firm lease term.

Entry fees

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

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

Early termination indemnities

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

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

Gross rental income includes:

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

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

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

6.2 Land expenses (real estate)

Accounting policies

Building leases: IAS 40 and IAS 17

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

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

6.3 Non-recovered rental expenses

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

6.4 Owners' building expenses

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

6.5 Other operating revenue

Other operating revenue includes:

- building works re-invoiced to tenants;
- other income.

6.6 Depreciation and impairment allowance on tangible and intangible assets

As of December 31, 2017, the depreciation and impairment allowance on tangible and intangible assets amounts to €15.2 million, an increase of €0.4 million compared to December 31, 2016.

6.7 Change in value of investment properties

In €m	12/31/2017	12/31/2016
Change in value of investment properties at fair value	836.3	843.8
Change in value of investment properties at cost	-10.4	-15.0
TOTAL	**825.9**	**828.8**

6.8 Income from disposals of investment properties and equity investments

Income from disposals totaled €6.8 million and mainly resulted from the disposal of:

- the shares of the shopping center Lillestrøm Torv in Norway and the company holding the offices of the Emporia shopping mall in Sweden;
- the two shopping centers Puerta de Alicante and Augusta in Spain;
- a newly constructed hotel shell located in Utrecht in the Netherlands;
- the shares of company holding a land in Bulgaria;
- 16 retail units, a warehouse in Clamart and three shopping centers: Courbevoie Charras, Vigie Strasbourg and Val Saint Clair Herouville 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 €169.8 million, compared to €197.7 million at December 31, 2016.

The decrease in net cost of debt comes from debt restructuring (new bonds refinancing, swaps unwinding and repayment that was implemented in 2017).

In €m	12/31/2017	12/31/2016
Financial income	**80.8**	**109.0**
Income from sale of securities	-0.0	0.1
Interest income on swaps	41.2	57.9
Deferral of payments on swaps	0.8	0.3
Capitalized interest	9.2	9.2
Interest on associates' advances	11.1	12.2
Sundry interest received	5.6	3.0
Other revenue and financial income	6.6	8.6
Currency translation gains	6.3	17.7
Financial expenses	**-250.6**	**-306.7**
Expenses from sale of securities		
Interest on bonds	-159.8	-179.4
Interest on loans from credit institutions	-16.7	-23.3
Interest expense on swaps	-29.1	-45.6
Deferral of payments on swaps	-36.7	-29.5
Interest on associates' advances	-3.0	-1.9
Sundry interest paid	-2.1	-1.6
Other financial expenses[a]	-37.7	-69.0
Currency translation losses	-5.1	-15.0
Transfer of financial expenses	5.2	5.1
Amortization of the fair value of debt[b]	34.3	53.6
NET COST OF DEBT	**-169.8**	**-197.7**

(a) Including all cost related to earlier redemption of bond tendered (€12,6 million).
(b) Corresponds to the amortization of the market value adjustment of Corio's debt at the acquisition date.

Note 7 Taxes

Accounting policies

The tax status of Sociétés d'Investissement Immobilier Cotées (SIIC)

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

General features of the SIIC tax status

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

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

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

Discounting of exit tax liability

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

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

Corporate income tax on companies not eligible for SIIC status

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

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

Tax regime of Dutch companies (FBI)

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

Tax regime of Spanish SOCIMI entities

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

Real estate income for SOCIMIs is taxed at a zero corporation tax (CIT) rate (instead of the general rate of 25 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 25%, Greece 29%, Portugal 22.5%, Poland 19%, Hungary 9%, Czech Republic 19%, Slovakia 21%, Sweden 22%, Norway 23%, Luxembourg 26.01%, The Netherlands 25%, Denmark 22%, Turkey 22%, Germany 34.03%.

In €m	12/31/2017	12/31/2016
Current tax	-18.3	-29.0
Deferred tax	-201.0	-196.6
TOTAL	**-219.2**	**-225.6**

The Group's tax expense that is mainly related to deferred taxes, stands at €219.2 million at December 31, 2017, compared to €225.6 million at December 31, 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			
In €m	SIIC sector	Common law	Foreign companies	Total
Pre-tax earnings and earnings from equity-method companies	557.4	0.5	1,084.8	1,642.7
Theoretical tax expense at 34.43%	**-191.9**	**-0.2**	**-373.5**	**-565.6**
Exonerated earnings of the SIIC and SOCIMI tax regimes	**189.5**		**41.7**	**231.2**
Taxable sectors				
Impact of permanent time lags	-2.6	-0.3	-0.9	-3.8
Untaxed consolidation restatements	3.5	-0.6	25.3	28.2
Impact of non-capitalized losses	-0.6	-0.2	-6.7	-7.5
Assignment of non-capitalized losses	0.1	0.1	4.3	4.6
Change of tax regime				
Discounting of deferred tax following restructuring				
Discounting of tax rates and other taxes	6.6	1.9	-12.4	-3.9
Rate differences			97.5	97.5
Actual tax expense	**4.7**	**0.7**	**-224.6**	**-219.2**

Deferred taxes are composed of:

In €m	12/31/2016	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	12/31/2017
Investment properties	-1,418.8	2.8	-193.0		0.2	24.1	-1,584.8
Derivatives	7.1			-2.2		-0.2	4.7
Losses carried forward	45.9		-12.5		-0.0	-1.3	32.0
Other items	-10.0	-0.0	10.3		0.3	-0.3	0.3
Total for entities in a net liability position	**-1,375.7**	**2.8**	**-195.7**	**-2.2**	**-1.9**	**25.1**	**-1,547.7**
Investment properties	0.9		-1.1		-0.2	1.5	1.2
Derivatives	23.3			-11.8			11.5
Losses carried forward	15.1		-0.5		-0.0	-0.9	13.8
Other items	1.4		-4.2		-0.3	1.1	-2.0
Total for entities in a net asset position	**40.7**		**-5.3**	**-11.8**	**1.9**	**-1.0**	**24.5**
NET POSITIONS	**-1,334.9**	**2.8**	**-201.0**	**-14.1**		**24.0**	**-1,523.2**

The deferred tax in the income statement shows a charge of €201.0 million and is mainly comprised of:

- a €194.1 million expense resulting from the variation of deferred taxes on temporary differences arising from the changes in the fair market value and the tax value of investment properties;
- a €13.0 million expense, resulting from the use of losses carried forward partially offset by the activation of losses of the period;
- a €6.1 million 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 €259.6 million at December 31, 2017 compared to €255.1 million 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 €24.0 million, mainly records the effect of currency fluctuations.

Country	Tax rate	Inventory of ordinary losses at 12/31/2016	Inventory of ordinary losses at 12/31/2017	Change in ordinary losses in 2017	Capitalized deferred tax at 12/31/2016	Deferred tax capitalizable at 12/31/2017	Change in capitalized amounts	Deferred tax capitalized at 12/31/2017	Deferred tax not capitalized at 12/31/2017	Comments
Belgium	25.00%	-42,878	-44,228	-1,350	5,226	13,083	-5,226		13,083	Unlimited deferral of ordinary losses
Denmark	22.00%	-18,101	-5,901	12,201	3,982	1,298	-2,684	1,298		Unlimited deferral of ordinary losses Taxable income up to DKK 8,025,000 for 2017 can always be eliminated by tax losses carried forward, whereas taxable income exceeding DKK 8,025,000 can merely be reduced by 60% as a result of tax losses carried forward
Spain	25.00%	-109,852	-96,853	12,999	20,215	24,213	-12,347	7,868	16,345	Unlimited deferral of ordinary losses. > If net turnover is less than €20 million, tax loss carryforward may be offset up to 70% of the tax base prior to the capitalisation reserve and their offset > If net turnover is at least €20 million but less than €60 million, tax loss carryforward may be offset up to 50% of the tax base prior to the capitalisation reserve and their offset > If net turnover is at least €60 million, tax loss carryforward may be offset up to 25% of the tax base prior to the capitalisation reserve and their offset In any event, tax losses for an amount of up to €1 million may be offset
France	34.43% 33.00% 19.00%	-486,419	-535,930	-49,511		122,658			122,658	Unlimited deferral of ordinary losses Use of losses carried forward limited to 50% of taxable income (beyond €1 million)
Greece	29.00%	-7,755	-9,197	-1,442		2,667			2,667	Losses can be deferred for five years
Hungary	9.00%	-181,847	-180,149	1,699		16,213			16,213	> If the tax loss was generated before the tax year starting in 2014 losses can be offset until the year including December 31, 2025 > If the tax loss was generated during the tax year starting in 2014 losses can be offset until the tax year including December 31, 2025 > If the tax loss was generated after 2014 losses can be offset during the following five tax years Use of losses carried forward limited to 50% of taxable income
Italy	24.00% or 27.90%	-74,398	-72,386	2,012	9,867	19,683		9,867	9,816	Unlimited deferral of ordinary losses No limitation for the losses for the first three years After three years use of losses carried forward limited to 80% of taxable income
Luxembourg	26.01%	-91,098	-82,192	8,906		21,378			21,378	Losses generated as of January 1, 2017 will only be able to be carried forward for a maximum period of 17 years. Losses that arose before January 1, 2017 are not affected by this limitation
Norway	23.00%	-70,555	-86,705	-16,150	9,039	19,942	3,917	12,956	6,986	Unlimited deferral of ordinary losses
Netherlands	25.00%	-7,502	-22,583	-15,081		5,646	3,892	3,892	1,754	Losses can be deferred for nine years
Poland	19.00%	-43,264	-34,249	9,015	-4	6,507	4		6,507	Losses can be deferred for five years Maximum 50% of the losses carried forward can be use in a fiscal year
Portugal	22.50%	-6,764	-5,930	834		1,334			1,334	Tax losses generated in tax years starting on or after January 1, 2017 can be carried forward for five years. Use of losses carried forward limited to 70% of taxable income
Czech Republic	19.00%									Losses can be deferred for five years
Turkey	22.00%	-57,321	-51,909	5,411		11,420			11,420	Losses can be deferred for five years
Germany	34.03%	-25,775	-38,498	-12,723		13,101			13,101	Unlimited deferral of ordinary losses Use of losses carried forward limited to 60% of taxable income (beyond €1 million)
Bulgaria	10.00%	-674		674						Losses can be deferred for five years
Sweden	22.00%	-153,435	-119,322	34,113	12,682	26,251	-2,729	9,953	16,298	Unlimited deferral of ordinary losses
TOTAL		**-1,377,638**	**-1,386,031**	**-8,393**	**61,007**	**305,395**	**-15,173**	**45,834**	**259,560**	

Note 8 Exposure to risk and hedging strategy

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

8.1 Interests rate risk

8.1.1 Interest rate risk – exposure to variable-rate debt

Recurrence of variable-rate financing requirement

Floating debt represents 34% of the Group's borrowings at December 31, 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).

Interest rate position after hedging *In €m*	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position before hedging (floating rate debt)	**3,143.4**	**31.4**
> Net hedge	-2,694.3	-15.4
Gross position after hedging	**449.1**	**16.0**
> Marketable securities	-3.9	-0.0
NET POSITION AFTER HEDGING	**445.2**	**16.0**

Fair value of cash-flow hedge *In €m*	Notional	Fair value net of accrued interest	Change in shareholders' equity caused by a 1% increase in interest rates
Cash-flow hedge swaps at 12/31/2017			
> Euro-denominated portfolio	463.5	-0.4	19.5
> Steen & Strøm portfolio	479.2	-21.3	11.0
CASH-FLOW HEDGE SWAPS AT 12/31/2017	**942.7**	**-21.7**	**30.5**

Break down of financial borrowings after interest rate hedging:

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

(a) Including the spreading of issue costs premium.

The average all-in cost of debt as calculated December 31, 2017 does not constitute a forecast over the coming period.

Hedging strategy

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross borrowings. On December 31, 2017 the hedging rate is above the objective and reached 95%.

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

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

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

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

8.1.2 Interest rate risk – exposure to fixed-rate debt

Description of fixed-rate borrowing

The majority of Klépierre's fixed-rate borrowing currently consists of bonds (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 December 31, 2017, fixed rate debt totaled €6,187 million before hedging.

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

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

8.1.3 Marketable securities

At December 31, 2017, Klépierre held €3.9 million of marketable securities.

Cash equivalents refer only to amounts invested in French open-ended money market funds (€3.8 million) and Italian treasury bills (€0.1 million).

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

8.1.4 Fair value of financial assets and liabilities

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

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

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

	12/31/2017			12/31/2016		
In €m	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate[a]	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate[a]
Fixed-rate bonds	6,096.4	6,420.8	-276.7	5,725.8	6,005.1	-281.7
Fixed-rate bank loans	90.8	91.6	-0.7	117.6	118.6	-0.7
Other variable-rate loans	3,143.4	3,143.4		3,086.2	3,086.2	
TOTAL	**9,330.6**	**9,655.7**	**-277.4**	**8,929.7**	**9,209.9**	**-282.4**

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

Derivatives are recognized in the balance sheet at their fair value. At December 31, 2017, a 100 basis point rise in rates would have resulted in a €37.5 million 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 December 31, 2017 was 6.3 years, with borrowings spread between different markets (the bond market and commercial papers represent 86%, 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 December 31, 2017, Klépierre has unused credit lines (including bank overdrafts) totaling €1,770 million and €434 million available on its bank accounts. These resources are sufficient to absorb the main refinancing scheduled for the next two years.

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

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

Some of Klépierre SA bonds (€5,949 million) include a bearer put option, providing the possibility of requesting early repayment in the event of a change of control generating a change of Klépierre's rating to "non-investment grade". Apart from this clause, no other financial covenant refers to Standard & Poor's rating for Klépierre.

The main financial covenants are detailed in the financial report.

8.3 Currency risk

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

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

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

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

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

In Turkey, the leases are denominated either in 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 December 31, 2017, Klépierre holds no equities shares quoted on an exchange market other than its own shares (12,256,688 shares at December 31, 2017), which are recognized in equity at their historical cost.

Note 9 Finance and guarantee commitments

9.1 Commitments given

In €m	12/31/2017	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	**861.0**	**1,170.3**
Financial guarantees given	861.0	1,170.3
Commitments related to the Group's operating activities	**93.7**	**97.8**
Commitments under conditions precedent	11.9	7.5
Work completion commitments	41.9	59.6
Rental guarantees and deposits	7.7	4.1
Other commitments given	32.3	26.7
TOTAL	**957.7**	**1,271.1**

9.1.1 Commitments related to the Group's consolidated scope

Purchase commitments

At December 31, 2017, this item includes a possible earn-out payment related to the acquisition of a project in France, contractually limited to €3 million excluding duties.

9.1.2 Commitments related to Group financing

Financial guarantees given

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

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

In €m	Loan amount as of 12/31/2017	Mortgage and pledges amount as of 12/31/2017
France[(a)]	97.3	156.1
Italy	23.0	90.0
Norway	-	68.1
Sweden	315.3	364.0
Denmark	425.4	533.3
Spain	-	-
TOTAL	**861.0**	**1,211.4**

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

9.1.3 Commitments related to the Group's operating activities

Commitments under conditions precedent

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

Work completion commitments

The work completion commitments concerned amounts to be paid on works not yet realized in connection with Klépierre development pipeline. The decrease by €17.7 million compared to 2016 relates to the Val d'Europe extension completion compensated partially by new commitment given for Gran Reno project.

Rental guarantees and deposits

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

Other commitments given

Other commitments given mainly include payment guarantees given to Tax Authorities in several countries (€23.0 million).

Other commitments given related to lease contracts

The construction of the St.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 €153.4 million and are related to financial warranties given to contractors mainly on Hoog Catharijne in The Netherlands (€145.5 million) and the Prado shopping center (€7.9 million). Reciprocally, Klépierre received financial warranties to complete the works from contractors.

9.3 Commitments received

In €m	12/31/2017	12/31/2016
Commitments related to Group financing	**1,509.8**	**1,855.4**
Financing agreements obtained and not used	1509.8	1,855.4
Commitments related to the Group's operating activities	**482.4**	**380.9**
Sale commitments	96.8	13.5
Financial warranty received in connection with management activity (Loi Hoguet)	190.0	190.0
Financial warranties received from tenants	195.6	177.4
TOTAL	**1,992.2**	**2,236.3**

9.3.1 Commitments related to Group financing

Financing agreements obtained and not used

At December 31, 2017, Klépierre has €1,510 million of committed and undrawn credit lines on bilateral and syndicated loans.

An additional amount of €165 million is also available in the form of an uncommitted overdraft with several banks, as of December 31, 2017. Steen & Strøm has €97 million available credit lines as overdrafts.

9.3.2 Commitments related to the Group's operating activities

Sale commitments

The sale commitments are related to a building in Köln in Germany, four retail units and 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 as of December 31, 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

Companies (countries)	Partners	Date of the agreement or last amendment	% of group control	Type of control	Comments
Bègles Arcins SCS (France)	Assurécureuil Pierre 3 SC	09/02/2003	52.00%	Exclusive Control	The agreement contains provisions relating to the governance of the Company, and contains the usual protections found in proposed share sales, as well as a dispute resolution clause.
Secovalde SCI, Valdebac SCI (France)	Vendôme Commerces SCI	11/23/2010	55.00%	Exclusive Control	The agreement provides the usual protections in the event of a proposed sale of equity shares to a third party (first refusal and total joint exit rights) and change of control of a partner.
Portes de Claye SCI (France)	Cardif Assurances vie	04/16/2012	55.00%	Exclusive Control	The agreement contains provisions governing relations between Company partners. It provides the usual protections in the event of proposed sale of equity shares to third parties: reciprocal pre-emption right, reciprocal total joint exit right, total joint exit obligation by non-controlling partner in the event the majority partner plans to sell its full equity stake. It also gives minority partner a right of first offer in the event of a sale of assets by the Company.
Massalia Invest SCI, Massalia Shopping Mall SCI (France)	Lacydon SA	09/27/2017	60.00%	Exclusive Control	The agreement contains provisions governing relationships between partners of the above companies, particularly the corporate governance apparatus of Massalia Invest and Massalia Shopping Mall SCI, the terms of assignment and liquidity of investment of partners in Massalia Invest (right of first refusal, tag-along right, a change of control clause, option to purchase) and the terms and main methods of funding of Massalia Invest and Massalia Shopping Mall SCI. The last amendement is modifing the functionning rules (voting rules) of the executive committee when it comes to decisions related to the «grande surface alimentaire» of the shopping center.
Nordica Holdco AB, Storm Holding Norway AS et Steen & Strøm AS (Sweden & Norway)	Stichting Pensioenfonds ABP, Storm ABP Holding B.V. et PG Strategic Real Estate Pool N.V., Stichting Depositary APG Real Estate Pool	10/07/2008	56.10%	Exclusive Control	The agreement includes the usual provisions to protect non-controlling interests: qualified majority voting for certain decisions, purchase option in the event of deadlock and joint exit rights, as well as the following provisions: > a one-year inalienability period applied to Steen & Strøm shares from the date of acquisition; > each party has a right of first offer on any shares which the other party wishes to transfer to a third party, subject to the provision that if shares are transferred by one party (other than Klépierre or one of its affiliates) to a Klépierre competitor (as defined in the agreement), the shares concerned will be subject to a right of first refusal and not a right of first offer; > from the sixth year following acquisition, either party may request a meeting of shareholders to approve, subject to a two-thirds majority, the disposal of all the shares or assets of Steen & Strøm, or a market flotation of the Company. The Group has the right to appoint three members to the Board of Directors including the Chairman, whereas the partner can appoint two members. This latter has protective rights pursuant to the shareholders' agreement and following the analysis of the decisions reserved for the partner.
Kleprim's SC (France)	Holdprim's SAS	11/30/2016	50.00%	Joint Control	The agreement gives Kléprojet 1 exit rights if the conditions precedent are unmet as well as the usual protections in the event of a proposed sale of equity shares to a third party (first refusal and total joint exit rights), change of control of a partner and other circumstances affecting the relationship between partners.
Cecobil SCS (France)	Vendôme Commerces SCI	10/25/2007	50.00%	Joint Control	The agreement provides the usual protections in the event of a proposed sale of equity shares to a third party (first refusal and total joint exit rights) and change of control of a partner.

Companies (countries)	Partners	Date of the agreement or last amendment	% of group control	Type of control	Comments
Du Bassin Nord SCI (France)	Icade SA	NA	50.00%	Joint Control	The company Bassin Nord is jointly held by Klépierre SA and its partner Icade SA and is jointly managed. The co-managing directors compensation is approved by collective decision of the shareholders, and these latter can only withdraw themselves totally or partially when unanimously authorized by the other associates.
Holding Klege Sarl (Luxembourg – Portugal)	Torelli SARL	11/24/2008	50.00%	Joint Control	The agreement includes the usual provisions governing share capital transactions, decision-making and the right to information. Both parties enjoy preemption rights in the event of planned disposals of shares in the Company to a third party. Each partner has the right to appoint the same number of members to the Board of Directors. The Chairman is appointed for a period of twelve continuous months on an alternating basis with the partner. All decisions are adopted on simple majority.
Italian Shopping Centre Investment SRL (Italie)	Allianz Lebenversicherungs-Aktiengesellschaft	08/05/2016	50.00%	Joint Control	The agreement contains provisions governing the relationship between partners, including decisions for which approval must be compulsorily submitted to the partners' agreement. It includes a right of first offer and a clause of dispute resolution process ("deadlock").
Clivia SpA, Il Destriero SpA (Italy)	Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper et Cedro 99	12/14/2007 Tacitly renewed on 12/14/2017 for a new 10-years period	50.00%	Joint Control	The agreement contains provisions governing the relationship between partners, including a pre-emptive right in the event of the sale of shares to third parties, as well as a tag-along right. The agreement also contains provisions relating to the governance of the Company, and to the required majority regarding the approval of certain decisions.
Akmerkez Gayrimenkul Yatirim Ortakligi AS (Turkey)	Several persons	2005	46.92%	Significant Influence	The agreement includes circumstances affecting the relationship between partners including the composition of the Board of Directors, including the number of representatives of each shareholder in this Board. It includes circumstances related to the majority requirements for the adoption of decisions which must be compulsorily submitted to the Board of Directors approval.

9.5 Commitments under operating leases – Lessors

The main clauses contained in the lessor's lease agreement are described below.

Rental periods vary in different countries. The terms governing the fixing and indexing of rents are set out in the agreement.

Indexation enables the review of the Minimum Guaranteed Rent. The indices used vary from country to country.

Indexation specific to each country

France indexes its leases to the French commercial rents index (ILC) or cost of construction index (ICC). The ILC is a compound index derived from the French consumer price index (IPC), retail trade sales value index (ICAV) and cost of construction index (ICC). Leases are modified in line with the index on January 1, each year. Most leases are indexed to the ILC for the second quarter, which is published in October and applicable from 1st of January of the following year.

In Belgium, the index used is the Health index (the value of this index is determined by removing a number of products from the consumer price index product basket, in particular alcoholic beverages, tobacco products and motor fuels except for LPG). Leases are indexed every year on the effective date of the lease.

In Spain, the consumer price index (CPI) is recorded annually every January 1.

In Italy, the system is based on the consumer price indices (excluding tobacco) for working class and junior management (ISTAT), but is more complex in its implementation. Depending on the lease, either the ISTAT is applied at 75% ("locazione" regulated leases) or the full reference segment index is applied.

In Portugal, the index used is the consumer price index (CPI), excluding properties.

In Greece, the consumer price index (CPI) is applied.

The Eurostat IPCH Eurozone index used in Central Europe is based on consumer prices in the EMU countries.

In Norway, leases are usually written for periods of five or ten years. Unless agreed otherwise, either party may request an annual rent review based on the trend in the Norwegian consumer price index.

In Sweden, if a lease is signed for a period of more than three years, an annual indexation based on the Swedish consumer price index is usually included in the lease contract.

In Denmark, in most cases the rent is reviewed annually on the basis of the trend in the Danish consumer price index. Under the terms of commercial lease legislation, either party may request that the rent is adjusted to reflect the market rate every four years. This provision applies unless the parties agree otherwise.

In the Netherlands, in most cases the rent is reviewed annually on the basis of the change in the monthly Dutch consumer price index (CPI). Furthermore under the terms of Dutch lease legislation for commercial spaces, either party may request the rent to be adjusted to reflect the market rate after the end of the first lease period, or in all other cases, every five years after a new rent has been determined by the parties.

In Germany in most cases the index used is the consumer price index (CPI), however some tenants might contractually have an agreed minimum rate of indexation, different from the CPI.

In Turkey, rents are determined in advance for each year, with a large majority of tenants indexed by +3% per year. Leases are generally concluded for a five-year period with a right to the lessee to renew the contract duration every year, for maximum period of 10 years. In case that the lessee uses option in relation to renew the leasing period, at the first renewal year 5% rental price increase and other years 3% rental increase shall be made.

Minimum guaranteed rent and variable rent

Appraised on a year-by-year basis, the rent payable is equivalent to a percentage of the revenues generated by the lessee during the calendar year concerned. The rate applied differs depending on business type. The total amount of this two-part rent (a fixed part + a variable part) can never be less than the Minimum Guaranteed Rent (MGR).

The MGR is reviewed annually by application of the index according to the terms specified above. The variable part of the rent is equivalent to the difference between the revenue percentage contained in the lease and the minimum guaranteed rent after indexation.

Wherever possible, all or part of the variable rent is consolidated into the MGR at the point of lease renewal. In this way, the variable part of the rent is usually reduced to zero at the end of the lease. Every year, it is mechanically deducted from the indexation rise in MGR.

The total amount of conditional rents recognized in income

The conditional rent is that portion of the total rent which is not a fixed amount, but is a variable amount based on a factor other than time (e.g. percentage of revenues, degree of use, price indices, market interest rates, etc.).

Minimum payments made under the lease are those payments which the lessee is, or may be, required to make during the term of the lease, excluding the conditional rent, the cost of services and taxes to be paid or refunded to the lessor.

Future minimum rents receivable

At December 31, 2017, the total future minimum rents receivable under non-cancelable operating leases were as follows:

In €m	12/31/2017
Less than one year	958.3
Between one and five years	1,759.1
More than five years	627.0
TOTAL	**3,344.4**

Note 10 Employee compensation and benefits

10.1 Payroll expenses

At December 31, 2017 total payroll expenses amounted to €124.7 million.

Fixed and variable salaries and wages plus incentives and profit sharing totaled €91.4 million, pension-related expenses, retirement expenses and other staff benefits were €30.4 million, taxes and similar compensation-related payments were €3.0 million.

10.2 Employees

At December 31, 2017 the Group had in average 1,200 employees: 730 work outside France, including 147 in the Scandinavian real estate company Steen & Strøm. The average headcount of the Klépierre Group at December 31, 2017 breaks down as follows:

	12/31/2017	12/31/2016
France-Belgium	470	476
Scandinavia	147	165
Italy	176	173
Iberia	116	122
The Netherlands	65	64
Germany	57	60
CEE & Turkey	169	173
TOTAL	**1,200**	**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 independent third-party company. The model adopted complies with the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of the options concerned.

10.3.1 Defined contribution pension plans

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

10.3.2 Defined benefit pension plans

The provisions recognized for defined benefit pension plans totaled €13.4 million at December 31, 2017.

In €m	12/31/2016	Allowances for the period	Write-backs (provision used)	Write-backs (provision unused)	Other movements	Changes in the scope of consolidation	12/31/2017
Provisions for employee benefit commitments							
> Defined benefit schemes	11.1	1.4		-0.7	-1.4		10.4
> Other long term benefits	2.1	0.9					3.0
TOTAL	**13.2**	**2.3**		**-0.7**	**-1.4**		**13.4**

The defined benefit plans in place **in France** are subject to independent actuarial appraisal, which uses the projected unit credit method to calculate the expense relating to rights acquired by employees and the outstanding benefits to be paid to pre-retirees and retirees. The demographic and financial assumptions used when estimating the discounted value of the plan obligations and financed schemes' assets reflect the economic conditions specific to the monetary zone concerned.

Klépierre has set up supplementary pension plans under a corporate agreement. Under these supplementary plans, employee beneficiaries will, on retirement, receive additional income over and above their national state pensions (where applicable) in accordance with the type of plan they are entitled to.

Group employees also benefit from agreed or contractual personal protection plans in various forms, such as retirement gratuities.

In Italy, Klépierre Management Italia operates a "Trattamento di Fine Rapporto" (TFR) plan. The amount payable by the employer on termination of the employment contract (as a result of resignation, dismissal or retirement) is calculated by applying an annual coefficient for each year worked. The final amount is capped. Since the liability is known, it can be recognized under other liabilities and not as a provision for contingencies.

Until December 31, 2014, **Scandinavia** had both public and supplemental pension plans. Both required annual contributions to pension funds. In addition to these plans, Steen & Strøm had put in place a private plan for some employees in Norway. According to IAS 19R, this system enters the definition a defined benefit pension plan. As of December 31, 2015, the subsidiaries **in Norway** has terminated their defined benefit plan and started with a defined contribution pension plan. Under defined contribution plans the entity's obligation is now limited to the amount that it agrees to contribute to the fund who'll assume the payment of the obligation.

In Spain, a provision for retirement commitments may be recognized where specific provision is made in the collective agreement, but this does not affect the staff working in the Spanish subsidiaries of the Klépierre Group. The existing commitments for post-employment medical assistance plans are measured on the basis of assumed rises in medical costs. These assumptions, based on historical observations, take into account the estimated future changes in the cost of medical services resulting both from the cost of medical benefits and inflation.

Components of net obligation (five-year comparison of actuarial liabilities)

In €m	2017	2016	2015	2014	2013
Surplus of obligations over the assets of financed schemes					
Gross discounted value of obligations fully or partially financed by assets	**11.1**	**11.3**	**14.3**	**19.2**	**16.6**
Fair value of the schemes' assets	-0.2	-0.1	-0.1	-5.8	-5.9
Discounted value of non-financed obligations	**11.0**	**11.2**	**14.1**	**13.4**	**10.7**
Costs not yet recognized in accordance with the provisions of IAS 19					
Cost of past services	1.2	1.1	1.2		
Net actuarial losses or gains	-1.4	-0.3	-1.8		
Acquisition/Disposal	-0.1	-0.6	-2.1		
Matured rights	-0.2	-0.4	-0.3	0.7	0.7
NET OBLIGATION RECOGNIZED IN THE BALANCE SHEET FOR DEFINED BENEFIT PLANS	**10.4**	**11.1**	**11.1**	**14.1**	**11.5**

Change in net obligation

In €m	12/31/2017
Net obligation at the beginning of the period	**11.0**
Retirement expense recognized in income of the period	1.2
Contributions paid by Klépierre recognized in income of the period	
Acquisition/Disposal	-0.1
Benefits paid to recipients of non-financed benefits unfunded	-0.2
Actuarial gains or losses, and other rights modifications	-1.4
Currency effects	
NET OBLIGATION AT THE END OF THE PERIOD	**10.4**

Components of retirement expenses

In €m	12/31/2017
Cost of services rendered during the year	1.0
Financial cost	0.1
Forecasted yield of the scheme's assets	
Amortization of actuarial gains and losses	
Amortization of past services	
Effects of reduction or liquidation of the scheme	
Currency effect	
TOTAL RECOGNIZED IN "PAYROLL EXPENSES"	**1.2**

Main actuarial assumptions used for balance sheet calculations

	12/31/2017	12/31/2016
Discount rate	1.45%	1.29%
Forecasted yield rate of the scheme's assets	1.45%	1.29%
Forecasted yield rate of redemption rights	NA	NA
FUTURE SALARY INCREASE RATE	**0,50%-2,25%**	**0,50%-2,25%**

The discount rate for the euro zone is taken from the yield on AA bonds (iBoxx index) with a 10-years maturity.

The effect of the actuarial gain or loss variation for -€1.4 million is explained by the change in turnover and the evolution of the discount rate over the period, and is booked in equity.

10.4 Stock-options

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

10.4.1 Summary data

	Plan No. 3	
	Without performance conditions	With performance conditions
Date of the General Meeting of Shareholders	04/07/2006	04/07/2006
Date of the Executive Board meeting	04/06/2009	04/06/2009
Start date for exercising options	04/06/2013	04/06/2013
Expiration date	04/05/2017	04/05/2017
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 December 31, 2017	53,500	10,312
Stock purchase options exercised at December 31, 2017	324,250	92,938
Outstanding stock purchase options at December 31, 2017	0	0

	Plan No. 4		Plan No. 5	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Date of the General Meeting of Shareholders	04/09/2009	04/09/2009	04/09/2009	04/09/2009
Date of the Executive Board meeting	06/21/2010	06/21/2010	05/27/2011	05/27/2011
Start date for exercising options	06/21/2014	06/21/2014	05/27/2015	05/27/2015
Expiration date	06/20/2018	06/20/2018	05/26/2019	05/26/2019
Subscription or purchase price	22.31	Between 22.31 and 26.77	27.94	Between 27.94 and 33.53
Stock purchase options originally granted	403,000	90,000	492,000	114,000
Stock purchase options canceled or obsolete at December 31, 2017	69,000		124,500	6,000
Stock purchase options exercised at December 31, 2017	292,375	58,300	195,924	28,500
Outstanding stock purchase options at December 31, 2017	41,625	31,700	171,576	79,500

Plans 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.

10.5 Performance shares

There are currently five performance share 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	
Plan authorized in 2013	France	Foreign countries
Date of the General Meeting of Shareholders	04/12/2012	04/12/2012
Date of the Executive Board meeting	02/25/2013	02/25/2013
End of acquisition period	02/25/2016	02/25/2017
End of conservation period	02/25/2018	-
Shares originally granted	230,000	25,000
Shares canceled at December 31, 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 December 31, 2017	0	0

Plan authorized in 2014	Plan No. 3	
	France	Foreign countries
Date of the General Meeting of Shareholders	04/12/2012	04/12/2012
Date of the Executive Board meeting	03/10/2014	03/10/2014
End of acquisition period	03/10/2017	03/10/2018
End of conservation period	03/10/2019	-
Shares originally granted	208,000	47,500
Reduction of shares with performance in 2017	196,065	34,268
Shares canceled at December 31, 2017	2,000	11,500
Shares definitively acquired in 2017	9,935	0
Outstanding shares at December 31, 2017	0	1,732

Plan authorized in 2015	Plan No. 4	
	France	Foreign countries
Date of the General Meeting of Shareholders	04/14/2015	04/14/2015
Date of the Executive Board meeting	05/04/2015	05/04/2015
End of acquisition period	05/04/2018	05/04/2019
End of conservation period	05/04/2021	-
Shares originally granted	235,059	54,900
Additional shares granted	0	0
Shares canceled at December 31, 2017	12,000	11,500
Outstanding shares at December 31, 2017	223,059	43,400

Plan authorized in 2016	Plan No. 5	
	France	Foreign countries
Date of the General Meeting of Shareholders	04/19/2016	04/19/2016
Date of the Executive Board meeting	05/02/2016	05/02/2016
End of acquisition period	05/02/2019	05/02/2020
End of conservation period	05/02/2021	-
Shares originally granted	240,500	84,000
Additional shares granted	0	0
Shares canceled at December 31, 2017	12,000	9,500
Outstanding shares at December 31, 2017	228,500	74,500

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

Plan authorized in 2017	Plan No. 6	
	France	Foreign countries
Date of the General Meeting of Shareholders	04/18/2017	04/18/2017
Date of the Executive Board meeting	04/18/2017	04/18/2017
End of acquisition period	04/18/2020	04/18/2021
End of conservation period	04/18/2022	-
Shares originally granted	216,300	94,600
Additional shares granted	0	0
Shares canceled at December 31, 2017	4,000	6,000
Outstanding shares at December 31, 2017	212,300	88,600

The total expense recognized for the period for all performance share plans amounts to €4.1 million and takes into account an estimate of the population of beneficiary at the end of each vesting period, as a beneficiary may lose his or her entitlements should he or she leave the Klépierre Group during this period.

10.5.2 Other information

The following tables present the assumptions used for valuation of the free share plans and charges booked over the period.

	Plan No. 2	
	With performance conditions	
Plan authorized in 2013	**France**	**Foreign countries**
Share price on the date of allocation Average of the 20 opening quotations preceeding February 25, 2013	€29.54	€29.54
Volatility for Klépierre share quotes: Historical volatility over eight years, as calculated as of February 25, 2013 based on daily variation	34,9% Klépierre share; 23,2% FTSE EPRA Eurozone; correlation: 0,82	
Dividend per share	€1.50	€1.50
Share value	€14.19	€13.65
Expense for the period	-	€0.0 million

	Plan No. 3	
	With performance conditions	
Plan authorized in 2014	**France**	**Foreign countries**
Share price on the date of allocation Average of the 20 opening quotations preceeding March 10, 2014	€33.19	€33.19
Volatility for Klépierre share quotes: Historical volatility over eight years, as calculated as of March 10, 2014 based on daily variation	23,68% Klépierre share and FTSE EPRA Eurozone; correlation: 0,66	
Dividend per share	€1.55	€1.55
Share value	€15.67	€15.06
Expense for the period	€0.2 million	€0.2 million

	Plan No. 4	
	With performance conditions	
Plan authorized in 2015	**France**	**Foreign countries**
Share price on the date of allocation Average of the 40 opening quotations preceeding May 4, 2015	€45.12	€45.12
Volatility for Klépierre share quotes: Historical volatility over three years, as calculated as of May 4, 2015 based on daily variation	20% Klépierre share and 13,50% FTSE EPRA Eurozone; correlation: 0,82	
Dividend per share	€1.60	€1.60
Share value	€17.00	€16.20
Expense for the period	€1 million	€0.2 million

	Plan No. 5	
	With performance conditions	
Plan authorized in 2016	**France**	**Foreign countries**
Share price on the date of allocation Average of the 40 opening quotations preceeding May 2, 2016	€41.19	€41.19
Volatility for Klépierre share quotes: Historical volatility over three years, as calculated as of May 2, 2016 based on daily variation	22% Klépierre share and 18% FTSE EPRA Eurozone; correlation: 0,8	
Dividend per share	€1.70	€1.70
Share value	€17.52	€16.81
Expense for the period	€1.3 million	€0.3 million

	Plan No. 6	
	With performance conditions	
Plan authorized in 2017	**France**	**Foreign countries**
Share price on the date of allocation Average of the 40 opening quotations preceeding April 18, 2016	€36.02	€36.02
Volatility for Klépierre share quotes: Historical volatility over three years, as calculated as of May 2, 2016 based on daily variation	21.5% Klépierre share and 15% FTSE EPRA Eurozone; correlation: 0,88	
Dividend per share	€1.82	€1.82
Share value	€18.39	€17.64
Expense for the period	€0.8 million	€0.1 million

Note 11 Additional Information

11.1 Transactions with related parties

11.1.1 Transactions with the Simon Property Group

At Company's knowledge and including treasury shares, the Simon Property Group holds a 20.33% equity stake in Klépierre SA as of December 31, 2017.

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

11.1.2 Transactions with the APG Group

At Company's knowledge and including treasury shares, the APG Group holds a 13.49% equity stake in Klépierre SA as of December 31, 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 11.8 "List of consolidated entities".

Balance sheet positions with related parties at period-end

In €m	12/31/2017 Companies consolidated under equity method	12/31/2016 Companies consolidated under equity method
Loans and advances to companies consolidated using the equity method	278.7	308.5
Non-current assets	**278.7**	**308.5**
Trade accounts and notes receivable	5.3	5.3
Other receivables	7.0	3.7
Current assets	**12.3**	**9.0**
TOTAL ASSETS	**291.0**	**317.5**
Loans and advances from companies consolidated using the equity method	1.4	7.7
Non-current liabilities	**1.4**	**7.7**
Trade payables	0.4	0.2
Other liabilities	0.1	0.3
Current liabilities	**0.5**	**0.5**
TOTAL LIABILITIES	**1.9**	**8.2**

"Income" items related to transactions with related parties

In €m	12/31/2017 Companies consolidated under equity method	12/31/2016 Companies consolidated under equity method
Management, administrative and related income	6.6	8.0
Operating income	**6.6**	**8.0**
Net cost of debt	10.9	11.6
Profit before tax	**17.5**	**19.6**
NET INCOME OF THE CONSOLIDATED ENTITY	**17.5**	**19.6**

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

11.2 Post-employment benefit plans

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

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

11.3 Compensation for Executive Board and Executive Committee

Klépierre SA, the parent company of the Klépierre Group, is a French corporation (Société Anonyme) whose governance structure comprises an Executive Board and a Supervisory Board.

The amount of directors' fees granted to the members of the Supervisory Board for the fiscal year 2017 totaled €665,989, including €100,161 paid to the Chairman of the Supervisory Board.

Compensation for the Executive Committee breaks down as follows:

In €k	12/31/2017
Short-term benefits excluding employer's contribution	4,097.7
Short-term benefits: employer's contribution	2,194.3
Post-employment benefits	1,135.5
Other long term benefits	537.6
Share-based payment[(a)]	2,179.2

(a) As posted in the profit and loss account related to long term incentives (performance share plans).

11.4 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.

11.5 Subsequent events

On January 5, 2018, Klépierre completed the disposal of a building in the city center of Köln, Germany.

Klépierre continues its share buy-back program in 2018, and as of January 29 the Group repurchased 761,867 shares for an amount of €27.25 million.

In January 2018, €700 million of caps denominated in Euro were bought with an average maturity of three years. These transactions aimed at rolling part of the caps portfolio maturing in 2018 (€700 million).

11.6 Statutory Auditors' fees

	Deloitte				Ernst & Young Audit			
In €m (excluding VAT)	2017	2016	2017	2016	2017	2016	2017	2016
Audit services	**1.2**	**1.3**	**100%**	**100%**	**1.2**	**1.1**	**100%**	**100%**
Auditing, certification and review of individual and consolidated financial statements								
> Issuer	0.2	0.2	20%	17%	0.2	0.2	17%	18%
> Fully-consolidated subsidiaries	0.9	0.9	76%	68%	0.9	0.8	73%	78%
Other diligences and services directly related to the Statutory Auditors engagement								
> Issuer	0.0	0.1	2%	5%	0.0	0.0	3%	1%
> Fully-consolidated subsidiaries	0.0	0.1	3%	10%	0.1	0.0	6%	4%
Other services provided by statutory auditors to fully-integrated subsidiaries	**0.0**	**0.0**			**-**	**-**		
> Legal, tax, employment-related and other services	0.0	0.0	0%	0%			0%	0%
TOTAL	**1.3**	**1.4**	**100%**	**100%**	**1.2**	**1.1**	**100%**	**100%**

11.7 Identity of the consolidating companies

At December 31, 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 equity of Klépierre (including treasury shares).

11.8 List of consolidated entities

List of consolidated companies Full consolidated companies	Country	% of interest 12/31/2017	12/31/2016	Change	% of control 12/31/2017	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%	-
Klépierre Créteil SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Albert 31 SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Galeries Drancéennes SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Portes de Claye SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Klecab SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
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%

List of consolidated companies Full consolidated companies	Country	% of interest 12/31/2017	12/31/2016	Change	% of control 12/31/2017	12/31/2016	Change
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 Échirolles 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%	-
Klépierre Grand Littoral SASU	France	100.00%	100.00%	-	100.00%	100.00%	-
SERVICE PROVIDERS – FRANCE							
Klépierre Management SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Conseil SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Brand Ventures SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Gift Cards SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Financière Corio SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Procurement International SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS – INTERNATIONAL							
Klépierre Management Deutschland GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Duisburg Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg Leasing II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Dresden Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg II GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Dresden GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre 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%	-
Klépierre Hildesheim Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt A GmbH & CoKG	Germany	94.90%	94.90%	-	94.90%	94.90%	-
Projekt A Vermietung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Berlin GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Berlin Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Coimbra SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Les Cinémas de l'Esplanade SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Foncière de Louvain-la-Neuve SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Holding AS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Bryggen, Vejle A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Bruun's Galleri ApS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Copenhagen I/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Viva, Odense A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Eier I ApS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Eier II A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm CenterUdvikling VI A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klecar Foncier Iberica SL	Spain	83.06%	83.06%	-	100.00%	100.00%	-
Klecar Foncier España SL	Spain	100.00%	83.06%	16.94%	100.00%	100.00%	-
Klépierre Vallecas SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Molina SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plenilunio Socimi SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Principe Pio Gestion SA	Spain	100.00%	95.00%	5.00%	100.00%	95.00%	5.00%
Corio Torrelodones Office Suite SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Real Estate España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
SC Nueva Condo Murcia SLU	Spain	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%
Klépierre Nea Efkarpia AE	Greece	83.00%	83.00%	-	100.00%	100.00%	-
Klépierre Foncier Makedonia AE	Greece	83.01%	83.01%	-	100.00%	100.00%	-

List of consolidated companies Full consolidated companies	Country	% of interest 12/31/2017	12/31/2016	Change	% of control 12/31/2017	12/31/2016	Change
Klépierre Athinon AE	Greece	83.00%	83.00%	-	100.00%	100.00%	-
Klépierre 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%	-
Immobiliare Gallerie Commerciali S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klecar Italia S.p.A	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Klefin Italia S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Di Collegno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Serravalle S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Assago S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Klépierre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Cavallino S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Solbiate S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
K2	Italy	95.06%	95.06%	-	95.06%	95.06%	-
Klépierre Matera S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Caserta S.r.l	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Shopville Le Gru S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Grandemilia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Shopville Gran Reno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Il Maestrale S.p.A.	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Comes – Commercio e Sviluppo S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globodue S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globotre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Generalcostruzioni S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
B.L.O. S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Corio Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Reluxco International SA	Luxembourg	100.00%	100.00%	-	100.00%	100.00%	-
Storm Holding Norway AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strom AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Slagenveien 2 AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Amanda Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Farmandstredet Eiendom AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Nerstranda AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Hamar Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Stavanger Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Vinterbro Senter DA	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Mediapartner Norge AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Oslo City Kjopesenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
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%	-
Klépierre 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%	-
Klépierre 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%	-
Klépierre 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%	-
Klépierre Participaties I B.V.	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre 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%	-

List of consolidated companies		% of interest			% of control		
Full consolidated companies	**Country**	**12/31/2017**	**12/31/2016**	**Change**	**12/31/2017**	**12/31/2016**	**Change**
Klépierre Kraków Sp. z o.o. w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Poznań SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Ruda Śląska sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Pologne Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Rybnik SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sosnowiec Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Movement SKA w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Kraków sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Poznań Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Ruda Śląska Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Investment Poland Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Rybnik Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Lublin Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
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%	-
Klépierre 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%	-
Nový Smíchov First Floor S.R.O.	Czech Republic	100.00%	0.00%	100.00%	100.00%	0.00%	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%	-
Klépierre Gayrimenkul Yönetimi ve Yatirim Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Miratur Turizm Insaat ve Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Tan Gayrimenkul Yatirim Insaat Turizm Pazarlama ve Ticaret AS	Turkey	51.00%	51.00%	-	51.00%	51.00%	-
SERVICE PROVIDERS – INTERNATIONAL							
Klépierre Mall Management II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies Full consolidated companies	Country	% of interest 12/31/2017	12/31/2016	Change	% of control 12/31/2017	12/31/2016	Change
Klépierre Mall Management I GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm CenterService A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Danemark A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Management Espana SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Hellas AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Magyarorszag KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
KFI Hungary KFT	Hungary	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%
Klépierre Trading KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Italia S.r.l	Italy	100.00%	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%	-
Klépierre Vastgoed Ontwikkeling B.V.	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Portugal SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Ceska Républika S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Energy CZ S.R.O.	Czech Republic	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%
Klépierre 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 Equity method companies: jointly controlled	Country	% of interest 12/31/2017	12/31/2016	Change	% of control 12/31/2017	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%	-
Girardin SCI	France	33.40%	33.40%	-	33.40%	33.40%	-
Société Immobilière de la Pommeraie SC	France	50.00%	50.00%	-	50.00%	50.00%	-
Parc de Coquelles SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Kleprim's SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Celsius Le Murier SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Celsius Haven SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Clivia S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale Il Destriero S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
CCDF S.p.A	Italy	49.00%	49.00%	-	49.00%	49.00%	-
Galleria Commerciale Porta di Roma S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale 9 S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Italian Shopping Centre Investment S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Holding Klege S.r.l	Luxembourg	50.00%	50.00%	-	50.00%	50.00%	-
Nordbyen Senter 2 AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Senter ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Eiendom ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Shopping AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Nordbyen Senter DA	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Nordal ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Klege Portugal SA	Portugal	50.00%	50.00%	-	50.00%	50.00%	-

List of consolidated companies Equity method companies: significant influence	Country	% of interest 12/31/2017	12/31/2016	Change	% of control 12/31/2017	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	24.46%	0.00%	24.46%	24.46%	0.00%	24.46%
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46.92%	46.92%	-	46.92%	46.92%	-

List of deconsolidated companies at 12/31/2017	Country	% of interest 12/31/2017	12/31/2016	% of control 12/31/2017	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
Steen & Strøm CenterDrift A/S	Denmark	0.00%	56.10%	0.00%	100.00%	Liquidation
La Plaine du Moulin à Vent SCI	France	0.00%	50.00%	0.00%	50.00%	Liquidation
Pivoines SCI	France	0.00%	33.33%	0.00%	33.33%	Liquidation
Corio Lulin EOOD	Bulgaria	0.00%	100.00%	0.00%	100.00%	Disposed

3.2 Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Klépierre,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Klépierre for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017, to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of investment properties

Risk identified	Our response
As at December 31, 2017, the Group's carrying amount of investment properties accounted at fair value amounted to €21,494 million (in respect of €20,390 million as at December 31, 2016) with a change in fair value recognised in net profit for €836 million. In addition, the fair value of investment properties held by joint ventures and associates, which are accounted for using the equity method, amounted to €1,389 million (in respect of €1,425 million as at December 31, 2016) as mentioned in Note 5.4.4 to the consolidated financial statements. The Group's investment property portfolio is composed of shopping centers across sixteen countries, mainly in Europe. The determination of the fair value of investment properties requires significant judgement, due to a large number of assumptions/estimates such as market rent levels, expected capital expenditures, as well as prevailing market yields and market transactions. For development assets, other factors such as projected costs to complete, leasing status and risks until completion are also considered. The valuations retained by management are carried out by third-party appraisers at six-month intervals. Accordingly, the valuation of investment properties is considered to be a key audit matter due to the significance of the item in the financial statements as a whole, combined with the level of judgement exercised for determining the fair value. Refer to Note 5.4. to the consolidated financial statements.	We assessed management's controls over data used for the valuation of investment properties and controls over management's analysis of the variances in values in comparison with prior periods. The audit team, including our real estate valuation specialists, attended meetings with the appraisers to understand the methodology applied, the main assumptions underlying their valuations and more particularly, amongst other inputs, market trends, recent market transactions, and market yields. We assessed the competence, independence and integrity of the third-party appraisers. We performed procedures to reconcile the valuations concluded by appraisers with the consolidated financial statements. We performed analytical procedures comparing assumptions and fair values on a year-on-year basis. We benchmarked the latest assumptions used to relevant market information. We performed specific procedures on the largest properties in the portfolio, where the valuation and variances were significant, and those where the assumptions used and/or year-on-year movement in values suggested a possible outlier versus market data for the relevant sector. When required, we planned further discussions with management. For assets not subject to appraisal managed at the head office, under our instruction, we involved component auditors in the performance of similar procedures. Additionally, assessed the appropriateness of the disclosures in the consolidated financial statements in respect of investment properties.

Presentation and measurement of derivative financial instruments

Risk identified	Our response
Klépierre has entered into various derivatives, mainly interest rate swaps and caps and cross-currency swaps, to decrease its exposure to movements in interest and currency exchange rates. These derivatives, including those used in hedge accounting, are carried at fair value for amounts on the balance sheet of €50.9 million (assets) and €30.5 million (liabilities). Hedge accounting is applied for most of the derivatives held by Klépierre; some derivatives negotiated in order to mitigate interest rate risks do not meet the hedge accounting criteria and are therefore accounted for as trading instruments. Hedge accounting requires comprehensive documentation in compliance with accounting standards, in particular designation of hedged items and hedging instruments, hedged risk, prospective and retrospective measurement of hedge effectiveness. The risk for the consolidated financial statements consists in incorrect measurement and accounting treatment of derivatives due to the fact that the valuation is dependent on market assumptions and on the criteria to meet hedge accounting. As such, it is considered as a key audit matter. Refer to Note 5.11 to the consolidated financial statements.	We obtained an understanding of management's controls over the valuation of derivatives and involved our internal specialists. We obtained an understanding of the valuation performed by management and recalculated, independently, the fair value for a sample of derivatives. We assessed the hedging relationship documentation, effectiveness tests and accounting treatment. We considered the appropriateness of the disclosures in the consolidated financial statements in respect of financial derivatives and hedge accounting.

Verification of the information pertaining to the Group presented in the management report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Executive Board's management report.

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

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Klépierre by your Annual General Meeting held on June 28, 2006 for Deloitte & Associés and held on April 19, 2016 for Ernst & Young Audit.

As at December 31, 2017, Deloitte & Associés **was in the 12th year of total uninterrupted engagement** and Ernst & Young Audit in the 2nd year.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Board.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

> identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

> obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 7, 2018

The Statutory Auditors

French original signed by

Deloitte & Associés		Ernst & Young Audit
Joël ASSAYAH	José-Luis GARCIA	Bernard HELLER

3.3 Corporate financial statements as of December 31, 2017

3.3.1 Income statement

In €k	Notes		12/31/2017	12/31/2016
OPERATING REVENUE				
Lease income			35,069	25,529
> Rents			27,111	20,934
> Re-invoiced charges to tenants			7,958	4,595
Write-back of provisions (and depreciation and amortization) & expense transfers			8,456	10,171
Other income			1,415	1,217
		TOTAL I	**44,941**	**36,917**
OPERATING EXPENSES				
Purchases and external expenses			-21,741	-17,872
Taxes and related			-3,957	-761
Salaries and wages			-2,613	-2,804
Social benefits charges			-2,854	-6,686
Allowances for amortizations and provisions				
> On fixed assets and deferred expenses: allowances for amortizations			-8,714	-6,472
> On fixed assets: allowances for depreciation			-2,567	-923
> On current assets: allowances for depreciation			-748	-408
> For contingencies and losses: allowances for provisions			-2,043	-4,014
Other expenses			-1,020	-968
		TOTAL II	**-46,257**	**-40,907**
OPERATING INCOME (I+II)	5.1		**-1,317**	**-3,990**
SHARE OF INCOME FROM JOINT OPERATIONS	**5.2**			
Profits applied or losses transferred		III	**123,481**	**125,680**
Losses borne or profits transferred		IV	**-10,906**	**-47,975**
FINANCIAL INCOME	**5.3.1**			
From Investments			269,797	452,806
From other marketable securities and receivables from fixed assets			0	0
Other interests and financial income			8,285	11,635
Reversal of provisions and transfer of charges			266,266	520,883
Foreign exchange gain			580	4,060
Net income from disposal of marketable securities			0	35
		TOTAL V	**544,928**	**989,420**
FINANCIAL EXPENSES	**5.3.2**			
Allowance for amortizations and depreciations			-179,086	-244,393
Interest and similar expenses			-202,497	-243,398
Foreign exchange loss			-12,559	-52
Net expenses from disposal of marketable securities			-8	0
		TOTAL VI	**-394,150**	**-487,842**
NET FINANCIAL INCOME (V+VI)			**150,778**	**501,578**
NET INCOME FROM ORDINARY OPERATIONS BEFORE TAX (I+II+III+IV+V+VI)			**262,036**	**575,294**
NON-RECURRING INCOME				
On management transactions			0	0
On capital transactions			22,087	436,869
Write-back of provisions and transfer of expenses			18,842	882
		TOTAL VII	**40,929**	**437,751**
NON-RECURRING EXPENSES				
On management transactions			0	0
On capital transactions			-51,359	-436,764
Allowances for depreciation and provisions			0	0
		TOTAL VIII	**-51,359**	**-436,764**
NON-RECURRING INCOME (VII-VIII)	5.4		**-10,430**	**987**
EMPLOYEE PROFIT-SHARING (IX)		IX	**0**	**0**
CORPORATE INCOME TAX (X)	**5.5**	X	**18,143**	**-729**
TOTAL REVENUE (I+III+V+VII)			**754,278**	**1,589,768**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)			**-484,529**	**-1,014,217**
NET INCOME			**269,749**	**575,552**

3.3.2 Balance sheet

3.3.2.1 Assets

In €k	Notes	12/31/2017 Gross	12/31/2017 Depreciation and provisions	12/31/2017 Net	12/31/2016 Net
FIXED ASSETS					
Intangible assets	**3.1**	**206,220**	**206,220**	**0**	**0**
Set-up costs		-	-	-	-
Research and development costs		-	-	-	-
Concessions, patents and similar rights		18,304	18,304	0	0
Goodwill		184,564	184,564	0	0
Intangible assets in progress		3,352	3,352	-	-
Tangible assets	**3.1**	**435,864**	**121,550**	**314,314**	**233,379**
Land		85,035	14,889	70,146	50,911
Buildings and fixtures		263,835	102,113	161,722	132,202
> Structures		140,829	49,086	91,743	80,041
> Facades, cladding and roofing		35,419	14,242	21,177	16,002
> General and technical installations		60,187	26,844	33,343	26,824
> Fittings		27,400	11,941	15,459	9,336
Technical installations, plant and equipment		19	19	1	1
Other		83,346	4,529	78,817	47,816
Tangible assets in progress		3,628	-	3,628	2,449
Advances and prepayments		-	-	-	-
Financial assets	**3.2**	**15,517,954**	**656,183**	**14,861,771**	**14,255,669**
Investments	3.2.1	9,781,364	579,581	9,201,784	8,258,627
Loans to subsidiaries and related companies	3.2.2	5,339,818	76,424	5,263,394	5,951,873
Other long-term investments		179	179	-	-
Loans	3.3.1	28,160	-	28,160	26,821
Other	3.3.2	368,433	-	368,433	18,348
TOTAL I		**16,160,038**	**983,954**	**15,176,084**	**14,489,047**
CURRENT ASSETS					
Advances and prepayments on orders		**13,624**	**-**	**13,624**	**7,766**
Receivables	**3.4**	**33,188**	**4,034**	**29,154**	**116,097**
Trade accounts and notes receivable		10,543	4,034	6,508	8,856
Other		22,646	-	22,646	107,241
Marketable securities	**3.5**	**204,580**	**-**	**204,580**	**54,780**
Treasury shares		50,812	-	50,812	48,697
Other securities		153,768	-	153,768	6,083
Cash & cash equivalents		**91,934**	**-**	**91,934**	**215,079**
Prepaid expenses	**3.6**	**53,216**	**-**	**53,216**	**65,254**
TOTAL II		**396,542**	**4,034**	**392,508**	**458,977**
Deferred expenses (III)	3.6	21,731	-	21,731	22,433
Loan issue premiums (IV)	3.6	18,474	-	18,474	15,051
Currency translation adjustment - assets (V)	3.7	2,584	-	2,584	8,045
GRAND TOTAL (I+II+III+IV+V)		**16,599,369**	**987,988**	**15,611,382**	**14,993,552**

3.3.2.2 Liabilities

In €k	Notes	12/31/2017	12/31/2016
SHAREHOLDERS' EQUITY	**4.1**		
Share capital (of which paid-in 440,098)		440,098	440,098
Additional paid-in capital (from share issues, mergers and contributions)		5,650,010	5,650,010
Positive merger variance		197,952	197,952
Positive canceled share variance		18,557	18,557
Revaluation variances		-	-
Legal reserve		44,010	44,010
Other reserves		168,055	168,055
Retained earnings		104,971	91,393
NET INCOME		**269,749**	**575,552**
Investment subsidies		-	-
Regulated provisions		-	-
TOTAL I		**6,893,402**	**7,185,626**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**4.2**	**44,021**	**82,589**
Provision for contingencies		43,660	82,308
Provision for losses		361	281
TOTAL II		**44,021**	**82,589**
DEBTS			
FINANCIAL DEBTS	**4.3**	**8,570,571**	**7,662,130**
Other bonds		6,036,234	5,739,563
Loans and borrowings and debts from credit institutions		133,718	25,403
Other loans and borrowings		2,400,619	1,897,164
TRADE ACCOUNTS AND NOTES RECEIVABLE		**279**	**166**
TRADE PAYABLES		**32,936**	**28,889**
Trade payables and related accounts	4.4	28,643	26,505
Social and tax liabilities	4.5	4,293	2,384
OTHER PAYABLES		**29,619**	**9,032**
Payables to fixed asset suppliers		167	3,482
Other	4.6	29,451	5,550
PREPAID INCOME	**4.7**	**16,214**	**22,805**
TOTAL III		**8,649,618**	**7,723,022**
Currency translation adjustment - liabilities (IV)	4.8	24,341	2,315
GRAND TOTAL (I+II+III+IV)		**15,611,382**	**14,993,552**

3.3.3 Notes to the corporate financial statements

Note 1 Significant events

1.1 Changes in debt

Klépierre raised circa €1.4 billion 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 half and financing future development needs. They are detailed below:

In February 2017, 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. This issuance allowed to cover the repayment of €615 million of 4% notes maturing in April 2017.

In April 2017, Klépierre signed two revolving credit facilities (five years) for an aggregate amount of €200 million. Simultaneously, €200 million of more expensive and shorter lines was cancelled. In the meantime, agreements were found with two banks in order to extend €175 million 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 for an additional year. The new final maturity on this line is now July 2022.

In December 2017, Klépierre issued €500 million in new 15-year bonds. The coupon was set at 1.625%. This issue covers the refinancing of the bond issue maturing in January 2018 for €291 million.

Klépierre also partially repurchased three existing bonds maturing in September 2019, February 2021 and March 2021 for a total of €97 million.

1.2 Internal restructuring

On March 13, 2017, Klépierre SA completed the merger with Corio SAS, in order to enhance Group legal structure.

The merger was carried out on the basis of net book values with retroactive accounting and tax effects as of January 1, 2017.

From tax perspective, this merger was completed under the preferential treatment for mergers provided in Articles 208-C and 210-A of the French General Tax Code (corporate income tax).

A technical loss of €557.8 million was recognized following the Corio SAS merger. This amount corresponds to the difference between the transferred carrying net asset value of Corio SAS of €197.4 million and the net book value of Corio SAS equities in the records of Klépierre SA canceled for €755.2 million. This technical loss, justified by unrealized capital gains, was allocated in long-term financial investments for an amount of €526.7 million and in the accounts to tangible assets for an amount of €31.0 million.

1.3 Payment of dividends

On April 18, 2017, the shareholders' meeting approved the payout of a €1.82 per share dividend in respect of the 2016 fiscal year, and proposed a cash payment. Cash dividend paid by Klépierre in 2017 totaled €562 million (excluding dividends for treasury shares).

1.4 Disposal of Charras real estate assets in Courbevoie

The Charras shopping centre located in Courbevoie was sold on January 31, 2017 for a sale price of €13.7 million.

1.5 Share buyback program

On March 13, 2017, Klépierre announced a share buy-back program of its shares up to an aggregate amount of €500 million. All repurchased shares will be cancelled. At December 31, 2017, the number of shares repurchased was 9,761,424 for €350.0 million excluding fees and taxes.

1.6 Acquisition of equity investments

On May 22, 2017, Klépierre acquired the shares of Nueva Condo Murcia, a company holding the assets of Nueva Condomina for €124.1 million.

On December 2017, Klépierre acquired the shares of Principe Pio Gestion SA held by Corio Real Estate SL for €180 million and the shares of Klécar Foncier España SLU held by Klécar Foncier Iberica SLU for €192.7 million.

Note 2 Accounting principles and measurement methods

2.1 Application of accounting conventions

The corporate financial statements for the period ended December 31, 2017, have been prepared in accordance with the general chart of accounts.

General accounting conventions have been applied in compliance with the following principles:

> prudence;

> independence of fiscal years;

> compliance with the general rules applying to the preparation and presentation of corporate financial statements, and on the basis of going concern.

No changes were made to methods or estimations during the fiscal year, except for the first application of the new rules for the recognition on financial instruments and hedge transactions (see notes 2.7 and 2.8 below).

2.2 Measurement methods

2.2.1 Fixed assets

Property, plant and equipment and intangible assets are recognized as assets when all the following conditions are met:

> it is probable that future economic benefit associated with the item will flow to the entity;

> their cost or value can be measured reliably.

At the recognition date, asset values are measured either at their cost of acquisition or their cost of construction.

Financial interest relating specifically to development of fixed assets is included in their acquisition cost.

2.2.2 Mergers goodwill (technical loss) accounting principles

Recognized as a result of mergers or transfers of all assets and liabilities measured at their book value, a technical, or "false", loss arises when the net value of the acquired company's shares as stated in the assets of the acquiring company exceeds the net book asset contributed.

To determine whether the merger loss is "true" or "false", it must be compared to the unrealized capital gains on assets recognized or not in the accounts of the acquired company less liabilities not recognized in the accounts of the acquired company where recognition is not mandatory (e.g., pensions accruals, deferred tax liabilities) (Article 745-4 of the French General Accounting Code).

Technical losses were presented under "Goodwill" until December 31, 2015.

Merger losses are accounted in accordance with the Regulation 2015-06 (approved as of December 4, 2015).

Allocation of technical losses

Pursuant to Article 745-5 of the French General Accounting Code, as of transaction date, the entity allocates the technical losses to the relevant transferred assets and recognized in the accounts of the acquired entity:

> firstly, to the identifiable assets transferred when the unrealized capital gain can be reliably estimated;

> the remainder (if any) is allocated to the goodwill related to the acquired company.

The underlying assets transferred may be comprised of intangible assets, property, plant and equipment, financial assets or current assets.

Amortization of technical losses

Technical losses follow the same accounting treatment as the underlying asset to which they are allocated (Article 745-7 of the French General Accounting Code). As a result:

> if the asset is amortized: the allocated technical losses must be depreciated at the same rate, namely over the remaining useful life of this asset starting the merger date;

> on the other hand, if the asset is not amortized: no amortization charge is recorded for the allocated technical losses.

Impairment of technical losses

As the technical losses are allocated for accounting purposes to the underlying assets transferred:

> they must be included in the net book value of these assets for impairment testing;

> they must be impaired when the present value of the underlying asset falls below its net book value, plus the share of the losses allocated. The impairment is set against the technical losses first.

2.2.3 Property, plant and equipment

Definition and recognition of components

Based on Fédération des Sociétés Immobilières et Foncières (French Federation of Property Companies) recommendations concerning components and useful life, the component method is applied as follows:

> for properties developed by the companies themselves, assets are classified by component type and measured at their realizable value;

> where investment properties are held in the portfolio (sometimes for long periods), components were identified depending the type of assets: business premises, shopping centers, offices and residential properties.

Four components have been identified for each of these asset types (in addition to land):

> structures;

> facades, cladding and roofing;

> general and technical installations (GTI);

> fittings.

When applying regulations 2004-06 and 2002-10, investment properties has been split by components using the following percentages (according to FSIF template):

Components	Shopping centers properties	Depreciable life (Straight Line)
Structures	50%	35 to 50 years
Facades	15%	25 years
GTI	25%	20 years
Fittings	10%	10 to 15 years

All component figures are based on assumed "as new" values. The Company has therefore calculated the proportions of the fittings, technical installations and facade components on the basis of the periods shown in the table applied since the date of construction or most recent major renovation of the property asset concerned. The proportion for structures is calculated on the basis of the proportions previously identified for the other components.

In accordance with the recommendations of the Fédération des Sociétés Immobilières et Foncières (French Federation of Property Companies), the depreciable lives have been determined in such a way as to obtain a zero residual value on maturity of the depreciation schedule.

Depreciation is calculated on the basis of the useful lifespan of each component.

The maintenance expenses involved in multi-year capital repairs programs or major refurbishments governed by legislation, regulations or the standard practices of the entity concerned must be recognized from the outset as distinct asset components, unless a provision has been recognized for capital repairs or major refurbishments. This convention is intended to cover those maintenance expenses whose sole purpose is to verify the condition and serviceability of installations and to carry out maintenance to such installations without extending their working life beyond that initially intended, subject to compliance with the applicable accounting recognition conditions.

Principles of asset impairment

At each balance sheet and interim reporting date, the Company carries out an appraisal to determine any indication that an asset could have suffered a significant loss in value (Article 214-16 of the French General Accounting Code).

An asset is impaired when its actual value falls below its net book value. The actual value is the market value (appraised value excluding taxes on the balance sheet date) or the value in use (Article 214-1 of the French General Accounting Code), whichever is the higher.

The market value of the asset is determined by independent appraisers, with the exception of those assets acquired less than six months earlier, whose market value is estimated as the cost of acquisition.

However, 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.

Assets covered by a contract of sale (mandat de vente) are appraised at their selling price net of exit expenses.

2.2.4 Long-term financial investments

Equity investments are recognized at their cost of acquisition.

At year end, provisions for impairment of investments are booked when inventory value is less than their carrying net value. The inventory value of equities is equivalent to their value of utility, as calculated to take into account the net asset value and the future cash flows.

The net asset value of real estate companies is estimated on the basis of external appraisals conducted by independent real estate appraisers except for the assets under promise.

Management Company shares are valued at each fiscal year end by an independent appraiser.

Treasury shares acquired for the purpose of transfer to a vendor as part of an external growth transaction are depreciated if the average stock market price for the last month of the fiscal year is lower than the acquisition value.

2.2.5 Acquisition cost of fixed assets

Transfer duties, fees, commissions and legal expenses are included in the capitalized cost of the intangible and tangible assets (Articles 213-8 and 213-22 of the French General Accounting Code).

The Company has exercised the option of recognizing the acquisition cost of long-term financial investments as expenses.

2.2.6 Eviction costs

When a lessor terminates a lease prior to the expiration date, he must pay eviction compensation to the lessee.

Where eviction compensation is paid as a result of major renovation or reconstruction work on a property requiring the prior removal of tenants, the cost is included in total renovation costs.

Expenditure that does not meet the combined criteria applying to the definition and recognition of assets and which cannot be allocated to acquisition or production costs is recognized as an expense: eviction costs paid to tenants during commercial restructuring is recognized as an expense for the fiscal year.

2.2.7 Marketing expenses

Marketing, re-marketing and renewal fees are recognized as expenses for the fiscal year.

2.3 Mergers and similar transactions

CNC recommendation 2004-01 of March 25, 2004, as approved on May 4, 2004, by the Comité de réglementation comptable (CRC), relating to the treatment of mergers and similar transactions states the rule regarding positive or negative variances in respect of canceled shares. The accounting treatment for technical merger losses was changed by Regulation 2015-06 (approved by order of December 4, 2015).

Negative variance

A negative variance arising from these transactions must be treated in the same way as a negative merger goodwill:

- recognition of technical losses on the basis of the nature of the underlying asset in a special account: intangible asset, property, plant and equipment, financial asset, current asset;
- recognition of the balance of the negative variance in financial expenses.

Positive variance

The positive variance from these transactions must be treated in the same way as a positive merger variance. Any positive variance in the percentage of earnings accumulated by the merged entity (since the acquisition of the acquired company's equity by the acquiring company) remaining undistributed must be shown in the financial income of the acquiring company. Any residual balance is recognized as shareholders' equity.

2.4 Receivables, debts and cash and cash equivalents

Receivables, debts and cash and cash equivalents have been measured at par value.

Trade receivables are estimated individually at each balance sheet date and interim reporting date, and a provision entered wherever there is a perceived risk of non-recovery.

2.5 Marketable securities

Marketable securities are recognized at their cost of acquisition net of provisions.

Provisions for impairment of treasury shares are taken when their inventory value based on the average stock market price for the last month of the fiscal year is lower than their existing book value.

Provisions are made under liabilities for stocks granted to employees as soon as it becomes probable that the stock options will be exercised (continued service and performance conditions met and stocks likely to be exercised). The provision is recognized if the average purchase price exceeds the purchase price offered to employees.

2.6 Deferred expenses: loan issue costs

Expenditure that does not meet the combined criteria applying to the definition and recognition of assets must be recognized as an expense. It is no longer possible to amortize these costs over several periods.

CNC recommendation 2004-15 on assets dated June 23, 2004 does not apply to financial instruments and related expenditure, such as loan issue costs, insurance premiums and loan repayment premiums.

Bond insurance costs and the commissions and fees relating to bank loans are spread over the full loan period.

2.7 New recognition rules for forward financial instruments and hedge transactions

The principles of hedge accounting are stated by the French Chart of Accounts, the PCG (Art. 628-6 to 628-17 newly introduced by ANC regulation No. 2015-05 relating to forward financial instruments and hedge transactions). They apply to all hedges regardless of their nature.

The application of ANC regulation No. 2015-05 is required for all financial years started on or after January 1, 2017.

According to the PCG (Art. 628-6), a hedge transaction entails bringing together a hedged element and a hedging instrument for the purpose of reducing the risk of the unfavorable impact of the hedge exposure on the entity's income, cash flows or shareholders' equity.

Hedge accounting is not optional (PCG, art. 628-11 and presentation note of ANC regulation 2015-05 §2.3).

Any transaction identified as a management hedge must be qualified as an accounting hedge, unless the qualification criteria of this Regulation are not met.

A transaction that does not (or no longer) qualify for hedge accounting follows the accounting treatment of an unhedged transaction, i. e. an isolated open position.

If a hedging transaction has a notional amount greater than that of the hedged item, the hedging surplus is dequalified prospectively from the date on which this over-hedging is confirmed.

The transactions for which the Company cannot fulfill the hedging criteria defined above are considered as isolated open positions (Art. 628-18).

Impacts of the first-time application of the regulation on forward financial instruments

The new rules must be applied retrospectively, i. e. as if they had always been applied. However, undertakings are authorised to limit their retrospective amendments only to transactions existing on the date of first application of the Regulation.

Concerning existing transactions, only hedging relationships through which three conditions are fulfilled on the date of the first-time application are restated:

> the hedged element still exists;

> the hedge instrument still exists;

> the hedging relationship can be documented.

Accounting treatment of hedge transactions

Losses and gains realized on hedge transactions are recognized in profit or loss to match the recognition method of gains and expenses on this element.

Expenses and gains on forward financial instruments (swaps) entered into for the purpose of hedging the Company's risk exposure to interest rate fluctuations are recognized in profit or loss at the same rate as the interest expense on the hedged debt.

Fluctuations in the balance sheet value of unrealized gains and losses on hedge transactions are not recognized in the balance sheet unless the recognition of these fluctuations allows a matching treatment with the hedged element.

Unrealized losses and gains on the hedge instruments arising as a result of the difference between the market value of agreements estimated at the end of the year and their par value are not recognized.

The hedge result follows the same classification as that of the hedged element and is therefore presented (PCG Art. 628-11):

> in the same item as that of the hedged element;

> or otherwise sub-accounts are created for this purpose in the same income statement heading (operating, finance).

Hedging costs (options premiums, upfront fees and other) are recognized at the choice of the Company, by either staggering them in the income statement over the hedge period, or deferring and recording them as matching entries to the result of the hedged element.

The value in use of a foreign investment is classified as hedging at the equivalent of its carrying amount in foreign currency.

Hedging effects are taken into account in the calculation of impairment losses on securities.

In the context of the first-time application of the new rules at January 1, 2017, relating to forward financial instruments on hedge transactions, the Company opted for the following elements:

> classification in income in the heading in the sub-accounts created for this purpose;

> the hedging costs are staggered in the income statement over the period of the hedged element;

> expenses or income on foreign exchange derivatives arranged in connection with the hedging of foreign currency loans are staggered over the hedging period to match the hedged element.

As part of the implementation of the new hedge accounting rules, the value in use of the Turkish centers held by the foreign subsidiary Akmerkez was classified as a hedged item.

The value in use, measured in dollars, is hedged by currency swaps in the same currency, and the positive exchange rate effect of €15.5 million was recorded in account 4787 "Valuation differences on cash instruments - Liabilities", which has been taken into account in the calculation of the impairment loss on Akmerkez' investments.

Accounting treatment of transactions in isolated open position

Unwound losses and gains are the losses and gains realized at maturity of the contract or while unwinding the Company's position on the market. They are definitively acquired by the Company and are immediately booked:

> losses realized on account 666 "Financial exchange losses" (PCG, Art. 946-66);

> losses realized on account 766 "Financial exchange gains" (PCG, Art. 947-76).

Unrealized gains and losses correspond to fluctuations of the instrument's value. They are not definitively acquired, as the Company remains exposed to a trend reversal on the market for as long as the position is not unwound.

Value fluctuations are recorded in the balance sheet against the following transitory accounts:

> under balance sheet assets for fluctuations that correspond to an unrealized loss, in account 4786 "Evaluation difference on cash instruments – Asset";

> under balance sheet liabilities for fluctuations that correspond to an unrealized gain, in account 4787 "Evaluation difference on cash instruments – Liability";

> the counter entry is recorded in account 52 "Cash instruments".

By application of the prudence principle, unrealized gains are not recognized in income (PCG Art. 628-18), regardless of the market on which the instrument is traded.

Unrealized losses lead to the establishment of a provision in financial income to cover the amount of this unrealized capital loss in accounts 1516 "Provisions for losses on contracts" by debiting account 6865 "Allowances to financial provisions".

In the context of the first-time application of the new rules at January 1, 2017 relating to forward financial instruments on transactions in isolated open positions, the Company has therefore reviewed the portfolio of financial instruments with a view to their qualification.

The application of these new rules on financial impacts has no impact on shareholders' equity due to a change of method.

The over-hedging on foreign exchange swaps covering the Turkish centers qualifies as an isolated open position, the foreign exchange gain was recognised in profit or loss in account 766.

2.8 Translation adjustment (assets and liabilities)

Receivables and debts in foreign currencies are translated and recognized in local currency based on the Banque de France's last exchange rate.

When the application of the translation rate on the balance sheet date causes the amounts in local currency previously recognized to be modified, the translation differences are recorded under translation difference – assets, and translation difference – liabilities.

Unrealized gains are not recognized in income but are recorded under balance sheet liabilities. In contrast, a provision for risks is recognized for unrealized losses.

The regulations related to these receivables and debts are compared with the original historical values and result in the recognition of foreign exchange gains and losses without set-off.

The new rules on the financial instruments of transactions in isolated open positions have led to the presentation of changes in unrealized gains and losses presented to accounts 4786 "Evaluation difference on cash instruments – Asset" and 4787 "Evaluation difference on cash instruments – Liability" (see note 2.7).

2.9 Operating income and expenses

Rental income is recognized on a straight-line basis over the full duration of the lease agreement, building expenses are re-billed to clients on payment, and interest is entered on receipt or payment. At the end of the fiscal year, gains and expenses are adjusted by the addition of accrued amounts not yet due and the subtraction of pre-posted non-accrued amounts.

Accruals for building expenses are recognized as payables in "Suppliers – invoices to be received".

2.9.1 Leases

Rental income is recognized on a straight-line basis throughout the full period of the lease.

Stepped rents and rent-free periods are recognized every fiscal year by spreading the resulting increase or decrease in rental income over the reference period.

The reference period adopted is the first firm lease term.

2.9.2 Early termination indemnities

Tenants who terminate their leases prior to the contractual expiration date are liable to pay early termination penalties. This revenue is allocated to the terminated lease and credited to income for the period in which it is recognized.

2.10 Employee benefits

There are two types of plans:

> defined contribution pension plans;

> defined benefit pension plans grouping long-term benefits and post-employment benefits.

In accordance with Recommendation No. 2013-02 of November 7, 2013 the pension commitments have been provisioned in full (preferred method) in order to comply with the new disposals of the revised IAS 19 standard.

Under this method commitments are valued according to the same disposals as recommended by the revised IAS 19 standard.

2.11 The tax credit for competitiveness and employment (CICE)

The 3rd Amending Finance Law 2012 set up the CICE starting January 1, 2013, with the following main characteristics:

> a 4% (6% for 2014) tax credit calculated per calendar year based on compensation less than or equal to 2.5 SMIC paid starting January 1, 2013;

> unless it is applied to taxes due, the credit will be reimbursable within three years.

The French 2017 Finance Law No. 2016-1917 Art. 72 set the rate at 7% for fiscal year 2017.

The CICE is recognized as an employee expense deduction.

Klépierre benefits from the competitiveness tax credit stemming from its tax transparent subsidiary Klépierre management.

2.12 Tax regime adopted by the Company

Following its option to apply the regime provided for by Article 11 of the Finance Law of December 30, 2002, Klépierre SA is exempted from corporate income tax and hence shall follow the three following distribution requirements:

> distribution of 95% of profits from building lease transactions prior to the end of the financial year following the year in which they were made;

> distribution of 60% of capital gains made on disposals of buildings, equity investments in companies covered by the provisions of Article 8 of the French Tax Code (tax transparency) which purpose is identical to the one of a SIIC or stocks in subsidiaries subject to corporate income tax, where such companies have elected to the SIIC regime prior to the end of the second financial year following the year in which the gains were made;

> distribution of all dividends received from subsidiaries electing to the SIIC regime during the fiscal year following the year in which the dividends were received.

Taxable and exempted income are determined in accordance with current and applicable legislation:

> direct allocation of expenses and income, wherever possible;

> allocation of general expenses pro rata to the income of both sectors;

> allocation of financial expenses pro rata to the gross fixed assets of both sectors.

Note 3 Notes to the financial statements: balance sheet assets

3.1 Intangible assets and property, plant and equipment

3.1.1 Gross fixed assets

In €k	Gross values at 12/31/2016	Acquisitions, new businesses and contributions	Reductions by disposals, retirement of assets	Inter-item transfers	Merger	Gross values at 12/31/2017
INTANGIBLE ASSETS						
Set-up costs	**-**	**-**	**-**	-	-	**-**
Other intangible assets	**206,220**	**-**	**-**	**-**	**-**	**206,220**
> Technical loss (goodwill)	184,564	-	-	-	-	184,564
> Other	21,656	-	-	-	-	21,656
Total	**206,220**	**-**	**-**	**-**	**-**	**206,220**
TANGIBLE ASSETS - NET VALUE						
Land	**53,338**	**-**	**-5,775**	**-**	**37,472**	**85,035**
Structures	**107,933**	**-**	**-8,434**	**-1,465**	**42,794**	**140,828**
Facades, cladding and roofing	**22,883**	**-**	**-2,782**	**14**	**15,304**	**35,419**
General and Technical Installations	**39,380**	**-**	**-5,978**	**-448**	**27,233**	**60,187**
Fittings	**15,173**	**-**	**-2,283**	**4,697**	**9,814**	**27,401**
Construction and fittings in progress	**2,449**	**3,978**	-	**-2,798**	**-**	**3,629**
Other property, plant and equipment	**52,319**	**-**	**-**	**-**	**31,046**	**83,365**
> Goodwill on land	47,800	-	-	-	28,647	76,447
> Goodwill on structures	-	-	-	-	2,399	2,399
> Other	4,519	-	-	-	-	4,519
Total	**293,475**	**3,978**	**-25,252**	**-**	**163,663**	**435,864**
TOTAL GROSS FIXED ASSETS	**499,695**	**3,978**	**-25,252**	**-**	**163,663**	**642 084**

Details of goodwill on land and structures

Transactions	Date	Underlying assets transferred in the merger or transfer of assets and liabilities	Gross value	Allowances	Write-backs	Net value
Merger Centre Jaude	06/08/2015	Real estate asset (Centre Jaude shopping center)	46,342			46,342
Merger Carré Jaude 2	07/31/2015	Real estate asset (Carré Jaude 2 shopping center)	1,459			1,459
Merger Corio SAS	03/13/2017	Real estate asset (Caen Côte de Nacre shopping center)	27,083			27,083
Merger Corio SAS	03/13/2017	Real estate asset (Saint-Étienne – Centre Deux shopping center)	3,963			3,963
TOTAL			**78,847**	**-**	**-**	**78,847**

The other intangible fixed assets correspond mainly to the unallocated part of the technical loss from the merger of Corio NV for a gross book value of €184.6 million. This technical loss was fully impaired at the end of fiscal year 2015.

The change in tangible assets related to merger corresponds to the transfer of assets from CORIO SAS. Now Klépierre SA directly holds the following assets:

> Orgeval;

> Caen Côte de Nacre;

> Lot in Saint-Étienne – Centre Deux;

> Courbevoie Charras;

> Marseille Grand Littoral;

> Lots in Metz Saint-Jacques.

Furthermore, the technical loss from this merger was allocated, according to the rules indicated in note 2.2.2, in "Other property, plant and equipment" to the following assets:

> €27.1 million to real estate asset Caen Côte de Nacre;

> €4 million to real estate asset Saint-Étienne – Centre Deux.

Decreases through disposals mainly correspond to the disposal of the Charras building for €24 million and the disposal of a plot of land situated at Vannes for €1.2 million.

The "Construction and fittings in progress" item mainly corresponds to investment expenses linked to the renovation of the Jaude center.

3.1.2 Depreciations and amortizations

In €k	Amortizations at 12/31/2016	Allowances	Disposals	Other movements	Merger	Amortizations at 12/31/2017
INTANGIBLE ASSETS						
Set-up costs	**-**	**-**	**-**	**-**	**-**	**-**
Other intangible assets	**206,220**	**-**	**-**	**-**	**-**	**206,220**
> Technical loss (goodwill)	184,564	-	-	-	-	184,564
> Other	21,656	-	-	-	-	21,656
Total	**206,220**	**-**	**-**	**-**	**-**	**206,220**
TANGIBLE ASSETS - NET VALUE						
Structures	**27,893**	**2,981**	**-1,506**	**-**	**15,650**	**45,018**
Facades, cladding and roofing	**6,881**	**1,270**	**-1,058**	**-**	**7,149**	**14,242**
General and technical Installations	**12,556**	**2,528**	**-2,547**	**-**	**14,307**	**26,844**
Fittings	**5,837**	**1,590**	**-1,189**	**-**	**5,704**	**11,942**
Other property, plant and equipment	**4,504**	**44**	**-**	**-**	**-**	**4,548**
> Goodwill on land	-	-	-	-	-	-
> Goodwill on structures	-	44	-	-	-	44
> Other	4,504	-	-	-	-	4,504
Total	**57,670**	**8,413**	**-6,300**	**-**	**42,810**	**102,594**
TOTAL AMORTIZATIONS	**263,890**	**8,413**	**-6,300**	**-**	**42,810**	**308,814**

In €k	Depreciations at 12/31/2016	Allowances	Disposals	Other movements	Merger	Depreciations at 12/31/2017
TANGIBLE ASSETS						
Land	2,427	401	-6,747	-	18,808	14,889
Structures	-	2,166	-40	-	1,941	4,067
TOTAL DEPRECIATIONS	**2,427**	**2,567**	**-6,787**	**-**	**20,749**	**18,956**
TOTAL AMORTIZATIONS AND DEPRECIATIONS	**266,317**	**10,980**	**-13,087**	**-**	**63,559**	**327,770**

In 2017, the changes in depreciations are mainly explained by the additional impairments of Metz Saint-Jacques buildings for €2.2 million and Vannes for €0.4 million, as well as a disposal of €4.2 million on the Charras building following its disposal.

The change in the year related to the merger column corresponds to the depreciation of buildings resulting from the Corio SAS merger.

3.1.3 Net fixed assets

In €k	Net values at 12/31/2016	Net increases in allowances	Net reduction in write-backs	Inter-item transfers	Merger	Net values at 12/31/2017
INTANGIBLE ASSETS						
Set-up costs	-	-	-	-	-	-
Other intangible assets	**-**	-	-	-	-	**-**
> Technical loss (goodwill)	-	-	-	-	-	-
> Other	-	-	-	-	-	-
Total	-	-	-	-	-	-
TANGIBLE ASSETS - NET VALUE						
Land	**50,911**	**-401**	**972**	**-**	**18,664**	**70,146**
Structures	**80,040**	**-5,147**	**-6,888**	**-1,465**	**25,203**	**91,743**
Facades, cladding and roofing	**16,002**	**-1,270**	**-1,724**	**14**	**8,155**	**21,177**
General and Technical Installations	**26,824**	**-2,528**	**-3,431**	**-448**	**12,926**	**33,343**
Fittings	**9,336**	**-1,590**	**-1,094**	**4,697**	**4,110**	**15,459**
Construction and fittings in progress	**2,449**	**3,978**	**-**	**-2,798**	**-**	**3,629**
Other property, plant and equipment	**47,815**	**-44**	**-**	**-**	**31,046**	**78,817**
> Goodwill on land	47,800	-	-	-	28,647	76,447
> Goodwill on structures	-	-44	-	-	2,399	2,355
> Other	15	-	-	-	-	15
Total	**233,377**	**-7,002**	**-12,165**	**-**	**100,104**	**314,314**
TOTAL NET FIXED ASSETS	**233,377**	**-7,002**	**-12,165**	**-**	**100,104**	**314,314**

3.2 Financial assets

3.2.1 Equity investments

In €k	
Gross equity investments on opening	8,843,536
Acquisitions of equities	**1,193,673**
> received in payment for contributions of buildings or shares to subsidiaries	-
> purchases, capital increase and contributions	1,193,673
Decrease in equities	**-27,353**
> Decreases, capital reductions and contributions	-27,353
Disposals and transfers of equities	**-755,225**
> retirement of shares	-755,221
> sales of shares	-4
Allocation of technical losses	**526,733**
Gross equity investments on closing	9,781,364

The "Acquisitions of equities" item mainly includes:

- €281.6 million accounting book value of equities acquired through Corio SAS merger;
- acquisitions of the following securities:
  - Klécar Foncier España S.L.U for €192.7 million,
  - Principe Pio SA for €180 million,
  - SC Nueva Condo Murcia S.L.U for €124 million;
- the recapitalization of subsidiaries mainly performed through the offsetting of advances receivables on the following companies:
  - Klépierre Nordica BV for €317.6 million by contribution in kind of advances held on Storm Holding Norway AS,
  - SC Nueva Condo Murcia S.L.U for €50 million,
  - Corio Italia Srl for €24.7 million,
  - Corio Real Estate RL for €22.7 million.

The "Decrease in equities" item mainly includes:

- the premium distributions and capital reductions of the following companies:
  - La Plaine du Moulin à Vent SCI for €21.9 million,
  - Portes de Claye SCI for €5.5 million.

The "Disposals and transfers of equities" item mainly includes:

- the cancellation of equities following the merger into Klépierre SA of Corio SAS for €755.2 million;
- the cancellation of equities following the liquidation of La Plaine du Moulin à Vent SCI for €0.05 million.

The merger loss has been allocated to the underlying assets on the basis of the existing reliable capital gains as at January 1, 2017. The technical loss from the Corio SAS merger has been allocated to the equities of former Corio SAS companies for €526.7 million in the "Allocation of technical losses" item.

Provisions

In €k	Provisions at 12/31/2016	Allowances	Write-backs	Mergers	Provisions at 12/31/2017
Financial assets					
Investments	584,909	95,502	-211,643	110,813	579,581
TOTAL PROVISIONS	584,909	95,502	-211,643	110,813	579,581

Changes in the item "Provisions for investments" are mainly due to:

- impairment of shares of:
  - Akmerkez Gayrimenkul for €37.6 million,
  - Klépierre Grand Littoral SAS for €25.8 million,
  - Klé Projet 1 SAS for €7.4 million,
  - Centre Bourse SNC for €7.0 million,
  - Klépierre Berlin for €6.2 million;
- write-backs ovf impaired shares of:
  - Klépierre Nederland BV for €178.7 million,
  - Corio Real Estate for €25.4 million,
  - Klépierre Management Espagne for €3.4 million,
  - Klépierre Koln Holding for €2.2 million,
  - Klépierre Creteil SA for €1.9 million.

Financial information on subsidiaries and investments

Financial information on subsidiaries and investments *In €k*	Share capital	Shareholders equity other than share capital & net income	% of interest	Net income at year end	Pre-tax revenues	Gross book value	Net book value	Guarantees and sureties given	Loans and advances granted	Dividends received
1. SUBSIDIARIES OWNED BY MORE THAN 50%										
Ayam SNC	3	-	90	491	-	8,029	8,029	-	1,957	-
Bègles d'Arcins SCS	26,679	18,820	52	9,035	21,204	44,991	44,991	-	45,108	-
Bègles Papin SNC	765	6,871	100	707	1,494	7,636	7,636	-	3,483	-
Bresta I BV	23	20,885	100	3	-	21,088	20,911	-	-	-
Caetoile SNC	3	60,865	90	6,028	10,347	152,582	152,582	-	5,539	5,614
Capucine BV	39,494	256,421	100	78,462	-	503,979	503,979	-	174,786	-
Cécoville SAS	3,286	256,105	100	11,662	37,332	256,588	256,588	-	20,000	7,896
Centre Bourse SNC	3,813	-	100	338	3,963	47,419	32,068	-	20,586	-
Centre Deux SNC	3	31,675	90	2,859	7,842	82,913	82,229	-	-	2,967
Combault SNC	778	6,984	100	922	1,949	7,762	7,762	-	2,425	-
Corio et Cie	503	10,128	100	1,469	-	40,205	40,205	-	-	1,469
Corio Belegingen I BV	18	2,325	100	-16	-	2,348	2,327	-	-	-
Corio Italia SRL	62,390	-15,451	100	-15,148	-	986,800	986,800	-	754,176	-
Corio Real Estate SL	54,437	-124,665	100	133,252	20,460	262,059	191,299	-	104,282	-
Dense SNC	3	19,284	90	1,653	6,348	83,010	83,010	-	14,572	2,176
Financière Corio SAS	3	-	100	-489	-	1,200	-	-	40,675	2,697
Foncière de Louvain-la-Neuve SA	12,062	-28,734	100	2,615	-	12,061	12,061	-	49,460	-
Galerie du Livre SAS	76	1,986	100	102	166	6,309	6,309	-	-	173
Galeria Commerciale Klépierre SRL	1,560	39,301	100	1,164	4,678	41,052	41,052	-	2,800	-
Galeries Drancéennes SNC	4	600	100	1,501	3,753	58,341	28,698	-	9,239	-
Havre Colbert SNC	80	9,947	100	645	1,464	10,026	10,026	-	3,011	-
Holding Gondomar 1 SAS	5,085	24,358	100	2,446	6,117	64,739	64,739	-	5,903	1,642
Holding Gondomar 3 SAS	835	6,432	100	541	-	8,021	8,021	-	-	496
KLE 1 SAS	8,248	20,625	100	9,489	171	82,154	82,154	-	-	10,016
Klecab SCI	450	1,350	100	107	440	1,800	1,800	-	1,492	-
Klé Projet 1 SAS	3,754	25,163	100	-5,070	2,389	37,201	29,785	-	12,681	-
Kleber Odysseum SCI	743	77,273	100	4,275	-	78,016	78,016	-	39,910	-
Klécar Europe Sud SCS	292,107	-214	83	-2,147	-	242,449	242,449	-	-	-
Klécar foncier Espana	250	57,709	100	4,599	12,228	192,735	192,735	8,760	-	-
Klécar France SNC	465,820	-	83	44,365	2,555	565,229	565,229	-	-	-
Klécar Participations Italie SAS	20,456	2,058	83	4,122	-	17,587	17,587	-	50,850	1,045
Kléfin Italia SPA	15,450	74,206	100	-7,157	-	125,625	125,625	-	285,549	-
Klémurs SCA	139,333	166,404	100	23,274	31,992	327,259	327,259	-	-	9,335
Klépierre Alpes SAS	153	46,026	100	8,067	20,444	232,597	232,597	-	78,591	8,480
Klépierre Berlin GmbH	25	143,207	95	2,571	16,126	122,199	116,047	-	200,327	-
Klépierre Berlin leasing GbmH	25	-1,144	100	-5,257	1,252	4,447	-	-	13,644	-
Klépierre Conseil SAS	1,108	5,214	100	330	1,163	7,934	7,934	-	1,276	-
Klépierre Créteil SCI	21,073	17,768	100	1,931	5,330	75,624	43,705	-	25,072	-
Klépierre Échirolles SNC	3	-641	100	-909	248	6,566	6,566	-	8,374	-
Klépierre Grand Littoral SAS	8,427	-3,165	100	-70,829	19,704	130,008	-	-	36,882	-
Klépierre Finance SAS	38	4	100	-12	187	38	-	-	-	482
Klépierre Management Ceska Republica SRO	117	185	100	470	3,141	10,500	10,500	-	-	604
Klépierre Management Deutschland GmbH	25	-12,212	100	74	9,853	25	-	-	-	-
Klépierre Management España SL	472	1,361	100	1,118	11,805	37,862	37,862	582	-	-
Klépierre Management Hellas SA	24	-7	100	-336	72	1,504	-	-	-	-
Klépierre Management Magyarorszag KFT	10	324	100	143	2,193	7,900	7,900	-	-	646
Klépierre Management Polska SPZOO	12	1,143	100	457	3,636	10,900	10,900	-	-	264
Klépierre Management Portugal SPA	200	676	100	486	3,013	16,965	10,955	-	-	-
Klépierre Management SNC	1,682	11,131	100	-4,744	99,157	136,473	136,473	1,895	-	-
Klépierre Massalia SAS	10,864	-199	100	-71	-	13,208	10,829	-	1,364	-

Financial information on subsidiaries and investments *In €k*	**Share capital**	**Shareholders equity other than share capital & net income**	**% of interest**	**Net income at year end**	**Pre-tax revenues**	**Gross book value**	**Net book value**	**Guarantees and sureties given**	**Loans and advances granted**	**Dividends received**
Klépierre Nederland BV	136,182	1,463,693	100	-5,590	130	1,888,564	1,806,274	350,000	273,941	-
Klépierre Nordica BV	377,640	297,175	100	-685	-	675,657	675,657	-	19,950	-
Klépierre Plenilunio Socimi SA	5,000	-26,432	100	4,642	21,533	169,985	169,985	-	142,870	-
Klépierre Procurement International SNC	10	-	100	2,596	6,346	10	10	-	3,615	-
Klépierre Trading KFT	161	1,044	100	180	422	199	199	-	-	969
Klépierre Vallecas	60	2,590	100	9,502	21,561	181,900	181,900	-	173,200	9,036
Klé Start SAS	5	-	100	-50	-	5	5	-	400	-
Les Portes de Chevreuse SNC	2	-17,081	99	-293	-	-	-	-	16,639	-
LP 7 SAS	45	-30	100	-15	-	261	261	-	7	-
Maya SNC	3	0	90	1,662	-	33,596	33,596	-	3,267	-
Mob	0	-1,350	100	-21	116	4,104	4,104	-	-	-
Nancy Bonsecours SCI	3,054	3,053	100	-81	-	6,565	5,816	-	1,835	-
Newton SNC	3	-17,090	100	12,090	49	3	-	-	5,540	-
Nueva Condo Murcia SLU	6,949	106,381	100	4,513	15,983	174,068	174,068	-	45,645	-
Paris Immobilier SAS	8	23	100	178	8	351	209	-	-	14
Pasteur SCI	227	1,738	100	1,638	3,128	2,091	2,091	-	34,100	-
Portes de Claye SCI	58,553	177,027	55	8,436	17,825	129,569	129,569	-	-	-
Principe Pio	7,212	35,070	100	5,536	15,134	180,000	178,577	-	-	-
Progest SAS	7,703	25,463	100	8,645	868	116,055	116,055	-	27,525	6,830
Reluxco International SA	730	6,938	100	9,328	-	122,080	9,975	-	152,818	-
Sagep SAS	329	19,531	100	-2,679	3,472	28,004	18,784	-	50,394	-
Saint-Maximin Construction SCI	2	-	55	39	45	524	203	-	-	-
Sanoux Sci	14	-11,941	75	116	7,551	-	-	-	-	-
SCOO SC	25,215	341,270	54	25,459	56,116	207,856	207,856	-	-	-
Sécovalde SCI	12,189	115,929	55	23,005	47,052	92,482	92,482	-	64,608	-
Soaval SCS	4,501	33,343	99	6,399	24,841	42,046	42,046	-	67,633	-
Sodévac SNC	2,918	26,245	100	2,676	6,183	29,163	29,163	-	4,568	-
TOTAL I				**366,812**	**622,579**	**9,279,103**	**8,765,115**	**361,238**	**3,102,567**	**72,852**

Financial information on subsidiaries and investments *In €k*	**Share capital**	**Shareholders equity other than share capital & net income**	**% of interest**	**Net income at year end**	**Pre-tax revenues**	**Gross book value**	**Net book value**	**Guarantees and sureties given**	**Loans and advances granted**	**Dividends received**
2. INVESTMENTS OF BETWEEN 10% AND 50%										
Akmerkez Gayrimenkul Yatirim Ortakligi AS	3,846	12,236	47	7,165	-	234,605	171,525	-	3,846	7,778
Bassin Nord SCI	103,889	41,634	50	-10,795	14,767	72,762	72,762	-	15,953	-
Cecobil SCS	5,122	10,164	50	8,939	18,023	7,642	7,642	-	15,085	-
Forving SARL	11	-19	26	-2	-	668	-	-	345	-
Klépierre Brand Venture SNC	330	-	49	2,434	12,855	490	153	-	-	-
Klépierre Koln Holding GmbH	25	3,100	10	-107	-1	2,703	2,147	-	-	
Klépierre Management Slovensko SRO	7	2	15	29	252	4	4	-	-	3
Le Havre Lafayette SNC	525	9	50	4,542	7,386	1,702	1,702	-	7,604	-
Le Havre Vauban SNC	300	5	50	174	1,411	463	463	-	2,801	-
Odysseum Place de France SNC	97,712	-	50	8,462	20,981	49,004	49,004	-	44,681	-
Plateau des Haies SNC	3	-	12	2,194	2,816	3,253	3,253	-	1,028	-
Solorec SC	4,869	2,768	49	29,728	46,927	124,104	124,104	-	11,361	
Ucgen Bakim Ve Yonetim Hizmetleri A			10	-	-	16	-	-	-	-
Total II				**52,763**	**125,416**	**497,415**	**432,759**	**-**	**102,704**	**7,781**
GRAND TOTAL I + II				**419,575**	**747,995**	**9,776,518**	**9,197,874**	**361,238**	**3,205,270**	**80,633**

3.2.2 Loans to subsidiaries and related companies

In €k	12/31/2017	12/31/2016
Advances on equity securities	5,110,878	5,745,482
Accrued Interest on advances	114,466	95,416
Share of net income	114,473	110,975
Impairment of receivables from equity investments	-76,423	-
TOTAL	**5,263,394**	**5,951,873**

Changes to the "Advances on equity securities" item are mainly due to:

- increase in advances for the following companies:
  - Nueva Condo Murcia for €45.7 million,
  - Klépierre Vastgoed Ontwikkeling B.V. for €42.1 million,
  - Klépierre CZSRO for €26 million,
  - Cécoville for €20 million;
- decrease of the following advances:
  - Corio Italia for €305.1 million,
  - Reluxco International SA for €89 million,
  - Les Portes de Chevreuse for €65.4 million,
  - Corio Real Estate for €22.7 million,
  - Bassin Nord for €21 million,
  - Storm Holding Norway for of €17.9 million,
  - Capucine BV for €13.7 million,
  - Klépierre Plenilunio SOCIMI SA for €10.5 million,
  - Pasteur SCI for €8.7 million;
- transfer of several shareholder current accounts and cash pooling balances to advances for €264.38 million of which:
  - Klépierre Duisburg II GmbH for €70.7 million,
  - Unter Goldschmied Köln for €69.4 million,
  - Projekt Arnekenstrasse GmbH for €48.2 million,
  - Klépierre Hildesheim Holding GmbH for €16.4 million,
  - Klépierre Dresden Leasing GmbH for €15 million,
  - Klépierre Berlin Leasing GmbH for €13.6 million;
- the cancellation of the advance following the merger in Klépierre SA of Corio SAS for €428.3 million;
- an in-kind contribution of €317.6 million from the advances of Storm Holding Norway to Klépierre Nordica;
- advances on equity securities recorded following the merger with Corio SAS and related to Les Portes de Chevreuse for €82 million, Klépierre Alpes SAS for €78 million, Sagep SAS for €50 million, Klépierre Grand Littoral for €36.7 million.

The item Impairment of receivables from equity investments corresponds mainly to provisions for Klépierre Grand Littoral for €36.5 million, Les Portes de Chevreuse for €16.9 million and Klépierre Deutschland for €10.2 million.

3.3 Other fixed assets

3.3.1 Other Loans

Loan corresponds to the equity loan in favor of Klépierre Plenilunio acquired with the purchase of Orion Columba Socimi shares on March 26, 2015: €24.4 million reaching maturity on May 1, 2018.

The interest accrued on this loan amounted to €3.7 million at December 31, 2017.

3.3.2 Other long-term financial assets

In €k	12/31/2017	12/31/2016
Treasury shares	368,433	18,348
TOTAL	**368,433**	**18,348**

The Company's treasury shares, acquired to be transferred to the vendor as part of an external growth transaction, totaled €18.3 million.

The buyback of shares for cancellation amounted to €350 million at December 31, 2017.

3.4 Trade and other receivables

Receivables amounted to €29.2 million, of which 6.5 million were trade receivables and €22.7 million miscellaneous receivables. Most trade receivables have a term to maturity of less than one year.

The breakdown of other receivables is presented as follows:

In €k	12/31/2017	12/31/2016
Tax receivables	**18,931**	**18,025**
> VAT	1,190	6,103
> Other taxes and duties	17,741	11,922
Other receivables	**3,715**	**89,216**
> Currents accounts	-	88,637
> Other	3,715	579
TOTAL	**22,646**	**107,241**

Tax receivables relate mainly to a refund of €16.3 million relating to the 3% tax on dividends and to CICE research credits for 2014, 2015, 2016 and 2017 unused for an amount of €1.3 million.

Other receivables mainly correspond to works remaining to be charged back to tenants for the renovation of Centre Jaude.

The Other receivables due date details

In €k	Total	Less than one year	One to five years	More than five years
Tax receivables	**18,931**	**17,675**	**1,256**	**-**
> VAT	1,190	1,190	-	-
> Other taxes and duties	17,741	16,485	1,256	-
Other receivables	**3,715**	**1,248**	**2,467**	**-**
> Currents accounts	-	-	-	-
> Other	3,715	1,248	2,467	-
TOTAL	**22,646**	**18,923**	**3,723**	**-**

3.5 Marketable securities and treasury shares

Marketable securities amounted to €204.6 million of which:

> 50.8 million of treasury shares held in connection with the share buyback program and stock option plans;

> 150 million in respect of term deposits;

> 3.8 million in short-term cash investments.

Information on treasury shares

At December 31, 2017, the total number of treasury shares is 12,256,688 shares (3.90% of all shares issued), with a net value of €419.2 million (see notes 3.3.2 and 3.5).

These treasury shares are allocated as follows:

- account 5020000000 treasury shares:
  - 231,347 shares as part of the market liquidity agreement for regulating the share price,
  - 182,230 shares for the future stock options plan;
- account 5021000000 treasury shares/stock options:
  - 73,325 shares for the 2010 stock options plan,
  - 251,076 shares for the 2011 stock options plan,
  - 1,732 shares for the 2014 bonus share plan,
  - 266,459 shares for the 2015 bonus share plan,
  - 303,000 shares for the 2016 bonus share plan,
  - 300,900 bonus shares allocated on April 18, 2017 as part of the Klépierre 2017 plan;
- 885,195 shares to cover external growth transactions were recognized in financial assets;
- 9,761,424 shares to the buyback of shares for cancellation;
- 1,240,425 treasury shares as part of the market liquidity agreement were sold during the 2017 fiscal year. These transactions resulted in a net loss of €2.4 million.

3.6 Prepaid expenses and deferred expenses

In €k	12/31/2017	12/31/2016
Prepaid expenses	**53,216**	**65,254**
> Deferral of payment on swaps	52,794	64,836
> Other	422	418
Deferred expenses	**21,731**	**22,433**
> Bond costs	14,063	12,117
> Lender loan issue costs	7,668	10,316
Bond premiums	**18,474**	**15,051**
TOTAL	**93,421**	**102,738**

The increase in bond costs can be explained mainly by the costs of new bonds issued in 2017.

3.7 Translation adjustment for assets

Translation adjustment for assets correspond to the revaluation of the USD draw-down from the 2015 syndicated loan for €1.5 million, USD commercial paper for €0.4 million, and the negative valuation of a swap in an isolated open position for €0.8 million.

Note 4 Notes to the financial statements: balance sheet liabilities

4.1 Shareholders' equity

In €k	12/31/2016	Allocation of profit	Distribution	Others	12/31/2017
Share capital[(a)]	**440,098**	-	-	-	**440,098**
Additional paid-in capital from issues, contributions and merger premiums					
> Issue premiums	4,906,585	-	-	-	4,906,585
> EOC issue premiums	174,012	-	-	-	174,012
> Contribution premiums	259,318	-	-	-	259,318
> Merger premiums	310,095	-	-	-	310,095
Positive merger variance	197,952	-	-	-	197,952
Positive canceled share variance	18,557	-	-	-	18,557
Statutory reserve	44,010	-	-	-	44,010
Other reserves					
> Regulated reserves	-	-	-	-	-
> Other reserves	168,055	-	-	-	168,055
Retained earnings	**91,393**	**575,552**	**-572,128**	**10,155[(b)]**	**104,971**
Net income/loss for the year	**575,552**	**-575,552**	-	**269,749**	**269,749**
TOTAL	**7,185,626**	**-**	**-572,128**	**279,904**	**6,893,402**
(a) Composition of share capital					
Ordinary shares	*314,356,063*				*314,356,063*
Par value (in €)	*1.40*				*1.40*

(b) The increase in retained earnings refers to the +€10.155 thousand of dividends relating to allocated treasury shares.

In accordance with shareholders' meeting resolution as of April 18, 2017, the profit for the financial year 2016 was distributed for €572.1 million. 10.2 million dividend related to treasury shares was allocated to retained earnings.

4.2 Provisions for contingencies and losses

In €k	12/31/2017	Allowance	Write-backs	Mergers	12/31/2016
Other provisions for contingencies and losses	44,021	22,750	-67,014	5,697	82,589
TOTAL	**44,021**	**22,750**	**-67,014**	**5,697**	**82,589**

The allowances mainly correspond to a provision for risk on stock options and free shares for €10.2 million, and a allowance for contingencies on equity investments in Klépierre Grand Littoral for €9.4 million and in Sanoux for €2.5 million.

Write-backs of provisions mainly correspond to a reversal provision for:

> reversal of provision for losses on FX swaps for €15.9 million;

> reversal of provision for risks on Corio Lulin's equity for €13.7 million and on Klépierre Management Deutschland's equity investments for €9.8 million;

> reversal of provision for risks on swaps in isolated open position for €10.9 million;

> reversal of provision on stock options and free shares for €7.5 million;

> reversal of provision for foreign exchange loss on the SEK loan for €5.7 million.

4.3 Loans and borrowings

In €k	12/31/2017	12/31/2016
Other bonds	**6,036,234**	**5,739,563**
> Principal debt	5,949,051	5,626,772
> Accrued interest[(a)]	87,183	100,726
> Principal debt intra-group (Poland)	-	11,717
> Accrued interest intra-group (Poland)	-	349
Loans and borrowings from credit institutions	**133,718**	**25,403**
> Credit facilities	83,382	-
> Interest accrued on credit facilities	1,213	968
> Bank overdrafts	46,284	18,528
> Accrued interest on swaps	2,839	5,907
Other loans and borrowings	**2,400,619**	**1,897,164**
> Security deposits and guarantees received	4,964	3,537
> Cash-pooling	891,050	556,580
> Commercial paper	1,493,129	1,288,406
> Interest accrued on commercial paper	569	-
> Debts on equity investments	-	-
> Share of net income	10,906	48,640
TOTAL	**8,570,571**	**7,662,130**

(a) Coupon payable annually depending on the maturity date of the loan.

At December 31, 2017, the main sources of borrowing were as follows:

- bonds for a total amount of €5,949 million, including €1,100 million issued in 2017;
- €1,493.1 million from a commercial paper line (guaranteed by a €1,500 million back-up line);
- a syndicated loan opened in 2015 with €83.4 million used (maximum authorized contract of €850 million).

The maturity dates of borrowings at December 31, 2017 were as follows:

In €k	Total	Less than one year	One to five years	More than five years
Other bonds	**6,036,234**	**378,423**	**1,772,811**	**3,885,000**
> Principal debt	5,949,051	291,240[(a)]	1,772,811[(b)]	3,885,000[(c)]
> Accrued interest[(a)]	87,183	87,183	-	-
> Principal debt intra-group (Poland)	-	-	-	-
> Accrued interest intra-group (Poland)	-	-	-	-
Loans and borrowings from credit institutions	**133,718**	**133,718**	**-**	**-**
> Credit facilities	83,382	83,382	-	-
> Interest accrued on credit facilities	1,213	1,213	-	-
> Bank overdrafts	46,284	46,284	-	-
> Interest accrued on swaps	2,839	2,839	-	-
Other loans and borrowings	**2,400,619**	**2,395,655**	**-**	**4,964**
> Security deposits and guarantees received	4,964	-	-	4,964
> Cash-pooling	891,050	891,050	-	-
> Commercial paper	1,493,129	1,493,129	-	-
> Interest accrued on commercial paper	569	569	-	-
> Debts on equity investments	-	-	-	-
> Share of net income	10,906	10,906	-	-
TOTAL	**8,570,571**	**2,907,796**	**1,772,811**	**3,889,964**

(a) January 2018: €291,240,000.
(b) September 2019: €274,600,000, April 2020: €300,000,000, August 2020: €250,000,000, February 2021: €298,811,000, March 2021: €564,400,000, December 2022: €85,000,000.
(c) April 2023: €750,000,000, November 2024: €630,000,000, October 2025: €255,000,000, February 2026: €500,000,000, February 2027: €600,000,000, May 2027: €50,000,000, September 2031: €600,000,000, December 2032: €500,000,000.

4.4 Trade and other payables

On average, suppliers are paid approximately 40 days from the invoice receipt date.

4.5 Social and tax liabilities

In €k	12/31/2017	12/31/2016
Personnel and related accounts	1,474	851
Other taxes	2,819	1,533
TOTAL	**4,293**	**2,384**

In 2017, the "Other taxes" mainly corresponds to accruals for payroll taxes for an amount of €1.3 million and to the outstanding output VAT for €1.1 million.

4.6 Other liabilities

In €k	12/31/2017	12/31/2016
Clients – Discounts(1)	30	249
Other(1)	29,421	5,301
TOTAL	**29,451**	**5,550**

(1) Less than one year.

The item "Other" mainly includes the current account with Bresta I to €23.4 million;

4.7 Prepaid income

In €k	12/31/2017	12/31/2016
Prepaid income	**16,214**	**22,805**
> Deferral of payment on swaps	279	4,796
> Deferral of bond issue premiums	12,233	16,460
> Entry fees	267	104
> Other	3,435	1,445
TOTAL	**16,214**	**22,805**

The issuance premium of bonds is straight-lined over the term of bonds.

Entry fees are straight-lined over the initial minimum period of the lease. The balance at December 31, 2017 stand to €0.3 million, profit and loss impact of the period stand to €0.1 million.

Other prepaid income mainly corresponds to the outstanding balance to straight-line of the interest income on commercial paper for €1.3 million as well as of the income from capital expenditure invoiced to tenants for €1.4 million. The latest is straight-lined during the firm lease term period for the amounts exceeding 0.4 million per building.

4.8 Currency translation adjustment – liabilities

Currency translation adjustment for liabilities correspond to the revaluation of the hedge for the draw-down from the 2015 USD syndicated loan for €1.5 million, and USD commercial paper for €0.4 million and differences in the evaluation of swaps in isolated open position for €5.5 million, and an amount of €15.5 million corresponding to the foreign exchange realized on currency swaps hedging the USD exposure related to Akmerkez's Turkish assets.

Note 5 Notes to the financial statements: income statement

5.1 Operating income

Operating income at December 31, 2017 was -€1.3 million, an increase of €2.7 million compared to December 31, 2016.

The change in operating revenue is explained by an increase in revenue of €9.5 million, mainly from the rental income from the Caen, Saint-Étienne, Marseille and Metz centers transferred to Klépierre SA following the merger with Corio SAS.

5.2 Share of income from joint operations

This item amounted to €112.6 million at December 31, 2017 and mainly included:

- €15.5 million dividends related to 2016 income received from the limited partnerships Cecobil, Soaval and Bègles Arcins;
- the Company's share in the 2017 profit of SNC Klécar France for €36.8 million, SC SCOO for €13.7 million, SCI Solorec for €14.7 million and SCI Secovalde for €12.7 million;
- the Company's share in the 2017 loss of SCI Bassin Nord for €5.4 million and SNC Klépierre Management for €4.7 million.

5.3 Net financial income

The Company recorded a net financial profit of €150.8 million at December 31, 2017 compared with €501.6 million profit at December 31, 2016.

5.3.1 Financial income

In €k	12/31/2017	12/31/2016
Income from sale of securities	-	35
Income from interest rate swaps[a]	-	1,329
Income from equity investments	80,633	80,099
Positive variance from merger and canceled shares	-	157,823
Interest on associates' advances	189,164	214,884
Interest on current accounts and deposits[a]	1,233	4,200
Other revenue and financial income	7,052	6,106
Reversal of financial provisions	261,508	515,813
Transferred financial expenses	4,758	5,071
Foreign exchange gain	580	4,060
TOTAL FINANCIAL INCOME	**544,928**	**989,420**

(a) Income and expenses on swaps, borrowings and cash pools are netted.

Income from equity investments correspond mainly to dividends related to 2016 income and received during the period from the subsidiaries: KLE 1, Klémurs, Cécoville, Klépierre Vallecas, Klépierre Alpes, Akmerkez Gayrimenkul and others (see note 3.2.1).

Other revenue and financial income stand at €7.1 million and mainly include the spread of share premiums received on bonds for €4.3 million and guarantee fees for €1.9 million.

Reversals of financial provisions correspond to:

> write-backs of impairments of equity investments for €208.2 million;

> write-backs of impairments of technical loss related to equity investments for €3.4 million;

> reversals of provisions for risks relating to equity investments for €11.8 million;

> reversal of the provision for exchange losses on currency swaps for €16 million;

> reversals of provisions for contingencies on swaps in isolated open position for €11 million;

> reversal of the provision for exchange loss on the SEK advance of €5.7 million;

> reversal of provisions on treasury shares for €5.4 million.

Transferred financial expenses on December 31, 2017 are composed mainly of bank commissions on bilateral loans and bond issues purchased during the year.

5.3.2 Financial expenses

In €k	12/31/2017	12/31/2016
Interest on bonds	149,339	166,438
Interest on Polish bonds	14	2,051
Interest on associates' advances	-	154
Interest on loans from credit institutions[a]	913	5,096
Other bank interest	-	1,977
Swap-related expenses[a]	34,701	-
Interest on current accounts and deposits	1,704	9
Other financial expenses	15,834	67,673
Amortization allowance on bond premiums	2,267	2,941
Amortization allowance on loan issue fees	5,902	7,382
Allowances for financial provisions	170,917	234,070
Foreign exchange loss	12,559	52
TOTAL FINANCIAL EXPENSES	**394,150**	**487,842**

(a) Income and expenses on swaps, borrowings and cash pools are netted.

The €19.1 million change in interest on bonds, including Polish bonds, was due to:

> the increase in interest, due to the full-year effect, following the transactions carried out in 2016 (Repayment and issuance of loans, bond redemptions) in the amount of €2.2 million;

> the increase in interest following two new debt issuances in the amount of €7.6 million;

> the decrease in interest following the repayment of the loan that matured and the partial redemption of bonds in the amount of €26.9 million;

> the decrease in interest on the Polish bonds in the amount of €2 million following the redemption of certain bonds.

The €4.1 million change in the "Interest on loans from credit institutions" item was due to:

> a €1.3 million increase interest on credit lines;
> an €0.8 million decrease in interest on commercial paper;
> and €4.6 million decrease following the repayment of the mortgage loan in 2016.

At December 31, 2017, net income on interest rate swaps corresponds to:

> €15.6 million from interest rate swaps qualifying as hedges;
> the spread of swap contracts with a net charge of €50.3 million.

Interest on current accounts and deposits corresponds mainly to interest from the automatic cash pooling with Klépierre Finance for a net amount of €1.6 million.

Allocations to financial provisions mainly include:

> €94.7 million for provision of impairment of securities;
> €12.4 million for provision for risks on swaps for trading;
> €54.7 million for impairment of receivables related to investments;
> €8.3 million for provision of treasury shares.

Exchange losses correspond mainly to the exchange loss on the SEK advance of €7.4 million and the net loss on swaps of €3.5 million (loss of €5.4 million on foreign exchange swaps and net result of interest rate swaps in isolated open position for €1.9 million), as well as the revaluation of bank accounts in foreign currency of €1.7 million.

5.4 Non-recurring income

In €k	12/31/2017	12/31/2016
Income from disposal of investments properties	-5,575	6,416
Income from disposal of equity investments	-13,003	-1,350
Income from disposal of treasury shares	1,926	-4,960
Income from disposal of bond buybacks	-12,620	-
Other non-recurring income and expenses	-	-
Write-back of provisions and transfer of expenses	18,842	881
TOTAL	**-10,430**	**987**

The "Income from disposal of investment properties" item mainly includes the disposal losses from the sale of a plot of land situated in Vannes (56) for €1.1 million and the disposal of the building Charras in Courbevoie (92) for €4.5 million.

The "Income from disposal of investment properties" item mainly includes disposal loss from the disposal of equities and the current account of Corio Lulin on December 28, 2017.

These disposal losses have been compensated by the reversals of the previously booked related impairments. Consequently "Write-back of provisions and impairments" item corresponds to the write-back for impairment of Corio Lulin equities for €13.7 million and the write-backs for impairment of the Vannes assets for €1 million and Charras for €4.2 million.

5.5 Corporate income tax

In €k	12/31/2017	12/31/2016
Corporate income tax and contributions	18,143	-729
TOTAL	**18,143**	**-729**

The "Corporate income tax and contributions" item mainly includes tax refunds receivable on the 3% contributions on dividends paid for €12 million and the late interest and default interest following a refund of €6.1 million obtained in 2016 as settlement for a tax dispute.

Note 6 Notes to the financial statements: off-balance sheet commitments

6.1 Mutual commitments relating to interest rate hedging instruments

As of December 31, 2017, Klépierre SA holds a portfolio of interest rate hedging instruments intended to hedge a proportion of current debt and future debt on the basis of the total funding requirements and corresponding terms set out in the Group financial policy.

The unrealized capital loss on interest rate hedging instruments at December 31, 2017 rises to €2.6 million (excluding accrued interest) in which a part relates to swaps registered for €0.8 million (excluding accrued interest).

Firm Deals

Firm deals *In €k*	12/31/2017	12/31/2016
Fixed-rate payer Klépierre – Variable-rate payer BNP Paribas and others	-	200,000
Fixed-rate payer BNP Paribas and others – Variable-rate payer Klépierre	344,070	935,000
Trading hedging instrument – Extendable fixed-rate payer Klépierre	1,260,000	700,000
Trading hedging instrument – Cap – Cap-rate buyer Klépierre	1,200,000	1,000,000

Firm deals in currency *In thousands*	12/31/2017	12/31/2016
Fx forward USD	375,000	370,500

Impact on income

Impact on income (reference capital 1-10 years) *In €k*	12/31/2017	
	Income	Expenses
Fixed-rate payer Klépierre – Variable-rate payer BNP Paribas and others	8,902	10,026
Fixed-rate payer BNP Paribas and others – Variable-rate payer Klépierre	22,835	5,608

In €k	12/31/2017	12/31/2016
Commitments given		
Commitments on purchases of securities and malls	-	-
Commitments on sale promissory agreement	-	-
Funding commitments given to credit institutions	372,080	447,931
Other commitments given	17,001	11,406
TOTAL	**389,081**	**459,337**
Commitments received		
Deposits received from tenants	1,020	854
Funding commitments received from credit institutions	1,473,489	1,761,595
Commitments to buy securities	-	-
Commitments on sale on buildings	-	-
Other commitments received	-	8,500
TOTAL	**1,474,509**	**1,770,949**

6.2 Others Commitments

Partners' agreements in respect of Bègles Arcins

This agreement, which was entered into between Klépierre and Assurécureuil Pierre 3 on September 2, 2003, contains provisions relating to the governance of the company, and contains the usual protections found in proposed share sales, as well as a dispute resolution clause.

Partners' agreement between Klépierre and SCI Vendôme Commerces in respect of SCS Cecobil

Signed on October 25, 2007 following the transition of Cecobil to a limited partnerships, this agreement provides for the usual protections regarding the sales project of equity shares to a third party (first refusal and total joint exit rights) and change of control of a partner.

Klépierre succeeded to the rights and obligations of the company SNC Kléber La Pérouse in respect of this agreement following the transfer of all the latter's assets and liabilities to Klépierre on July 4, 2012.

Partners' agreement between Klépierre and SCI Vendôme Commerces in respect of SCI Secovalde and SCI Valdebac

Signed on October 25, 2007, this agreement provides for the usual protections regarding sales project of equity shares to a third party (first refusal and total joint exit rights) and change of control of a partner.

This partners' agreement amended on December 29, 2008 and November 23, 2010, also includes SCI Valdebac since December 8, 2010. For instance, in December 8, 2010 more than 99.99% of the shares were transferred from SNC Kléber La Pérouse and SCI Vendôme Commerces to SCI Secovalde. As a consequence, the partners' agreement that only concerns SCI Valdebac, signed by SNC Kléber La Pérouse and SCI Vendôme on June 21, 2010, was terminated on December 8, 2010.

Klépierre succeeded to the rights and obligations of the company SNC Kléber La Pérouse in respect of this agreement following the transfer of all the latter's assets and liabilities to Klépierre on July 4, 2012.

Partners' agreements between Klépierre, Klefin Italia, Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper and Cedro 99 in respect of Clivia

With regard to Clivia, the pact dated December 14, 2007 initially concluded for a period of 10 years was tacitly renewed for a further period of 10 years. In particular, this agreement provides for a right of first refusal in the event of transfer of shares to third parties, as well as a right of joint exit, provisions relating to governance and majorities required for the making of certain social decisions.

Partners' agreements between Klépierre and Stichting Pensioenfonds ABP in respect of the Swedish company Nordica Holdco AB, and the Norwegian companies Storm Holding Norway AS and Steen & Strøm

The shares in Steen & Strøm were acquired via Storm Holding Norway AS, a company registered in Norway and wholly-owned by Nordica Holdco AB, a company registered in Sweden.

This agreement was made on July 25, 2008 and an amendment made on October 7, 2008. It includes the usual provisions to protect non-controlling interests: qualified majority voting for certain decisions, purchase option in the event of deadlock and joint exit rights, as well as the following provisions:

> a one-year inalienability period applied to Steen & Strøm shares from the date of acquisition;

> each party has a right of first offer on any shares which the other party wishes to transfer to a third party, subject to the proviso that where shares are transferred by one party (other than Klépierre or one of its affiliates) to a Klépierre competitor (as defined in the agreement), the shares concerned will be subject to a right of first refusal and not a right of first offer;

> from the sixth year following acquisition, either party may request a meeting of shareholders to approve, subject to a two-thirds majority, the disposal of all the shares or assets of Steen & Strøm, or a market flotation of the Company.

Through deeds of adherence dated December 23, 2009, Storm ABP Holding B.V. and APG Strategic Real Estate Pool N.V. adhered to this partners' agreement;

Through a deed of adherence dated September 30, 2011, Stichting Depositary APG Real Estate Pool adhered to this partners' agreement.

Shareholders' agreement signed by Klépierre and Cardif Assurance Vie regarding SCI Portes de Claye

This agreement, signed on April 16, 2012, contains provisions governing relations between company shareholders.

It provides the usual protection in the event of sales project of company shares to third parties:

> reciprocal pre-emption right;

> reciprocal total joint exit right;

> total joint exit obligation in the event of majority shareholder plans to sell its full equity stake.

It also contains minority shareholders' right of first offer in the event of a sale of assets by the Company.

The company Klécar France SNC succeeded to the rights and obligations of the company KC 2 SNC in respect of this agreement following the transfer of all the latter's assets and liabilities to Klécar France SNC on June 5, 2012.

Furthermore, Klépierre succeeded to the rights and obligations of the company Klécar France SNC in respect of this agreement following the transfer by the latter of its stake in SCI Portes de Claye to Klépierre.

Partnership agreement between Klépierre, Klépierre Massalia and Lacydon SA relating to Massalia Invest and Massalia Shopping Mall SCI

This agreement, signed on November 14, 2014, contains provisions governing relationships between partners of the above companies, particularly the corporate governance apparatus of Massalia Invest and Massalia Shopping Mall SCI, the terms of assignment and liquidity of investment of partners in Massalia Invest (right of first refusal, tag-along right, a change of control clause, option to purchase) and the terms and main methods of funding of Massalia Invest and Massalia Shopping Mall SCI.

A amendment signed on September 27, 2017 provides for the adjustment of the management committee's operating rules (vote) on the occasion of decisions concerning the shopping center's food superstore.

Partners' agreement signed by the Klépierre group with the main shareholders of Akmerkez (listed company in Turkey)

This agreement signed in 2005 contains provisions regulating the relationship between partners, the composition of the Board of Directors and in particular the number of representatives of each shareholder on the Board. It also includes provisions regarding the majority requirements applicable to adopt decisions that must be submitted for the approval of the Board of Directors.

Note 7 Items concerning related companies

In €k	**Amounts**
Advances and pre-payments on fixed assets	-
Net equity investments	7,779,844
Loan to subsidiaries and related companies	5,145,878
Loans	28,159
Advances and pre-payments to suppliers (current assets)	-
Trade accounts and notes receivables	3,458
Other receivables	339
Accruals	-
Subscribed capital called but not paid	-
Convertible bonds	-
Other bonds	-
Loans and borrowings from credit institutions	-
Other loans and borrowings	897,117
Advances and pre-payments received	-
Trade and other payables	8,928
Other liabilities	21,235
Operating income	334
Operating expenses	6,762
Financial income	484,017
Financial expenses	137,060

Note 8 Other disclosures

8.1 Automatic cash centralization

On November 30, 2000, Klépierre SA joined a cash pool managed by Klépierre Finance SAS. The latter was the subject of a new agreement dated April 5, 2017.

At December 31, 2017, Klépierre SA owed €891.1 million to Klépierre Finance SAS.

8.2 Employees

At December 31, 2017, the staff includes the two members of the Executive Board and two employee. The Company is managed and administered by Klépierre Management SNC.

8.3 Loans and guarantees granted and set up for corporate officers and Supervisory Board members

None.

8.4 Compensations paid to corporate officers and to Supervisory Board members

Klépierre SA, the parent company of the Klépierre group, is a French corporation whose governance structure comprises an Executive Board and a Supervisory Board.

The amount of the gross remuneration paid to the corporate officers for 2017 is €1,887,157.

The amount of directors' fees granted to the members of the Supervisory Board for the fiscal year 2017 totaled €665,989. The annual allowance granted to the Chairman of the Supervisory Board for the fiscal year 2017 totaled €100,161.

8.5 Post-balance sheet date events

In January 2018, Klépierre adjusted its fixed-rate position by setting up a portfolio of interest rate hedges (caps) of €700 million. In addition, under the share buyback program, 761,867 shares were repurchased for an amount of €27.3 million.

Note 9 Consolidation information

The Klépierre SA corporate financial statements are fully consolidated in the Klépierre group.

At December 31, 2017, the Klépierre group is consolidated under the equity method by Simon Property Group and APG which held respectively a 20.33% and a 13.49% stake in the equity of Klépierre (including treasury shares).

3.4 Statutory Auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Klépierre,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Klépierre, for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017, to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

We draw attention to Note 2.7 to the financial statements which sets out the change in accounting principles related to the mandatory application, as of January 1, 2017, of the provisions relating to forward financial instruments and hedging options, in compliance with ANC Regulation no. 2015-05. Our opinion is not modified in respect of this matter.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity investments

Risk identified	Our response
As at December 31, 2017, Klépierre held equity investments for the amount of €9,781 million, mainly in companies owning shopping centers, such amount being considered as a significant item in the balance sheet. As detailed in Note 2.2.4 to the financial statements, impairment tests for the equity investments are based on the net asset value and the future cash-flows of the equity investments, where the net asset value is estimated mainly on the basis of the appraisal value of the underlying investment properties. Determining the fair value of investment properties requires significant judgement due to the large number of assumptions/estimates of the underlying investment properties such as market rent levels, expected capital expenditures, as well as prevailing market yields and market transactions. For development assets, other factors such as projected costs to complete for developments, leasing status and risks until completion are also considered. The valuations retained by management are carried out by third-party appraisers at six-month intervals. Accordingly, the valuation of equity investments is considered to be a key audit matter due to the significance of the item in the financial statements as a whole, combined with the judgement exercised for determining the net asset value.	We obtained an understanding of management's controls over data used for the valuation of investment properties underlying net asset values and controls over management's analysis of the variances in values in comparison with prior periods. The audit team, including our real estate valuation specialists, attended meetings with the external appraisers to understand the methodology applied, the main assumptions underlying their valuations of the investment properties and more particularly amongst other inputs, market trends, recent market transactions and market yields. We assessed the competence, independence and integrity of the third-party appraisers. We performed analytical procedures comparing assumptions and fair values on a year-on-year basis of the investment properties underlying the net asset value. We benchmarked the latest assumptions used to relevant market information. We performed specific procedures on the largest properties in the portfolio, where the valuation and variances were significant, and those where the assumptions used and movement in values suggested a possible outlier versus market data for the relevant sector. When required, we planned further discussions with management. We recomputed the net asset values based on the valuation of the underlying investment properties taking into account the related transfer taxes. We assessed the need of recognition of impairment of equity investments by recalculating and comparing the carrying amount of the equity investments to their net asset value.

Verification of the management report and of the other documents provided to shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the other Documents provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Executive Board's management report and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Report on Corporate Governance

We confirm the existence in the Supervisory Board's Report on Corporate Governance of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the members of the Executive Board and of the Supervisory Board and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Regarding the information on factors that your Company considered could have a potential incidence in case of public takeover or swap bid, given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified they are in accordance with the underlying documentation provided to us. Based on this work, we have no matter to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Klépierre by your Annual General Meeting held on June 28, 2006 for Deloitte & Associés and held on April 19, 2016 for Ernst & Young Audit.

As at December 31, 2017, Deloitte & Associés was in the 12th year of total uninterrupted engagement and Ernst & Young Audit in the 2nd year.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Executive Board.

Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 7, 2018

The Statutory Auditors

French original signed by

Deloitte & Associés

Joël ASSAYAH

José-Luis GARCIA

Ernst & Young Audit

Bernard HELLER

3.5 Other information

3.5.1 Financial summary for the past five fiscal years (data provided under the terms of Article R. 225-102 of the French Commercial Code)

In €	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
TOPIC NAMES					
Capital at year-end					
Share capital	440,098,488	440,098,488	440,098,488[a]	279,258,476	279,258,476
Number of existing ordinary shares	314,356,063	314,356,063	314,356,063[a]	199,470,340	199,470,340
Transaction and income for the fiscal years					
Pre-tax revenues	35,069,108	25,530,355	28,481,734	4,355,802	13,883,756
Earnings before tax, employee profit-sharing, amortization and provisions	158,692,858	311,977,949	706,703,461	669,668,321	151,277,480
Corporate income tax	-18,142,909	729,300	-127,285	3,752,869	598,278
Earnings after tax, employee profit-sharing, amortization and provisions	269,749,180	575,552,047	-110,885,971	717,904,333	75,526,032
Dividends paid	616,137,883[b]	572,128,035	534,405,307	398,423,694	309,179,027
Earnings per share					
Earnings before tax, employee profit-sharing, amortization and provisions	0.50	0.99	2.25	3.36	0.76
Earnings after tax, employee profit-sharing, amortization and provisions	0.86	1.83	-0.35	3.60	0.38
Net dividend per share	1.96[b]	1.82	1.70	1.60	1.55
Personnel					
Average labor force employed during the fiscal year	3.75	3.0	0.5	Nil	Nil
Total payroll and employee benefits	1,887,157	2,435,419	25,601	-	-

(a) Capital increase following the exchange offer of January 8 and 16, 2015 made by Klépierre on Corio NV, followed by the crossborder merger of Corio NV by Klépierre d ated March 31, 2015.
(b) Subject to shareholder approval at a general meeting April 24, 2018.

3.5.2 Acquisition of equity holdings and movements in equity securities impacting the corporate financial statements of Klépierre SA

On May 22, 2017, Klépierre acquired the shares of Nueva Condo Murcia, a company holding the assets of Nueva Condomina for €124.1 million.

On December 2017, Klépierre acquired the shares of Principe Pio Gestion SA held by Corio Real Estate SL for €180 million and the shares of Klécar Foncier España SLU held by Klécar Foncier Iberica SLU for €192.7 million.

3.5.3 Average supplier payment period (data provided under the term of Article L. 441-6-1 of the French Commercial Code)

On average, suppliers are paid approximately 40 days from the receipt date.

As at December 31, 2017, Klépierre's suppliers balances stand at €9.8 million to be paid no later than February 9, 2018.

▶ UNPAID INVOICES RECEIVED AND ISSUED AT THE BALANCE SHEET DATE FOR THE YEAR IN WHICH THE TERM HAS EXPIRED

	Article D. 441-I.-1°: Invoices received but not paid at the closing date of the fiscal year for which the term has expired						**Article D. 441-I.-2°: Unpaid invoices issued at the closing date of the fiscal year for which the term has expired**					
	0 day *(optional)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total** *(1 day and more)*	**0 day** *(optional)*	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total** *(1 day and more)*
(A) Late payment instalments												
Number of invoices concerned	0					144	0					1,200
Total amount of invoices concerned *(including VAT)*	-	2,823	6,997	20,418	1,639,961	1,670,198	0	201,791	38,441	28,869	6,038,268	6,307,369
Percentage of total purchases for the year *(including VAT)*	0%	0%	0%	0%	7%	7%						
Percentage of sales for the financial year *(including VAT)*							0.00%	0.46%	0.09%	0.07%	13.79%	14.41%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and receivables												
Number of invoices excluded	5						0					
Total amount of invoices excluded *(including VAT)*	5,256						0					
(C) Reference payment terms used (contractual or legal term - Article L. 441-6 or Article L. 443-1 of the Commercial Code												
Payment terms used to calculate payment delays	* *Contractual deadlines: 45 days*						* *Contractual deadlines: 45 days*					

3.5.4 Outcome of the share buyback program (data provided pursuant to Article L. 225-211 of the French Commercial Code)

		Existing stock-options plans							
In number of treasury shares	**Liquidity**	**Plan 2009**	**Plan 2010**	**Plan 2011**	**Future Stock options**	**Bonus shares**	**Acquisitions**	**Buyback program**	**Total**
Position at December 31, 2016	**155,831**	**26,620**	**109,405**	**290,291**	**208,485**	**852,625**	**885,195**	**0**	**2,528,452**
Stock option plan adjustments[(a)]		-10,312		-3,000	-26,255	39,567			0
Options exercised during the year		-16,308	-36,080	-36,215		-20,101			-108,704
Purchases	1,315,941							9,761,424	11,077,365
Sales	-1,240,425								-1,240,425
Position at December 31, 2017	**231,347**	**0**	**73,325**	**251,076**	**182,230**	**872,091**	**885,195**	**9,761,424**	**12,256,688**

(a) *Updating of the number of beneficiaries to reflect employee turnover.*

During 2017 as whole, 11,077,365 shares were bought back at an average price per share of 35.78€ and 1,240,425 shares were sold at an average price per share of 35.40 euros. At December 31, 2017, Klépierre held 12,256,688 of its own shares (directly or indirectly) representing a total value of 419.20 million euros based on book value and 17.16 millions at par value.

4

SUSTAINABLE DEVELOPMENT

4.1 Strategy and organization

4.1.1 Issues and stakeholders

Klépierre has long believed in the link between economic performance and social environmental excellence. In 2002, the Group began to report non-financial data and information with its financial results.

Since then, Klépierre has developed its corporate social responsibility (CSR) in accordance with two principles: transparency and rooting in operations management.

The requirement of transparency is continually being toughened as Klépierre's property portfolio expands geographically. The Group thus made every effort to consistently monitor as rapidly as possible its non-financial performance across the 16 European countries in which it currently operates, and the information published provides identical data on all its operations and shopping centers.

The rooting in operations management serves as a guarantee of the effectiveness of Klépierre's CSR policy. Previously known as "Good Choices," this policy, which has been renamed "Act for Good® with Klépierre," is one of four pillars of the Group's operating strategy, along with Let's Play®, Clubstore®, and Retail First®.

The content of Klépierre's new CSR strategy is outlined below in section 4.1.2.

Engage in constructive dialog with stakeholders

Klépierre is convinced that the value created through the management of its shopping centers benefits all its stakeholders and that it will play a part in the sustainable development of regions across Europe. The shopping centers designed, owned and managed by the Group serve as veritable catalysts for their urban environments. They help change and stimulate these areas. They are economic engines, places for sharing time, sources of jobs and financial flows. This positive impact is inextricably linked to meeting the expectations of all Group stakeholders.

Commercial real estate is a capital-intensive sector given the amount of investment needed to purchase or develop shopping centers. The contribution of shareholders and financial partners, and consideration for their expectations, are therefore also fundamental to the Group's growth.

In addition, Klépierre works with other players in the shopping center sector. This cooperation helps to promote shared practices and raise awareness of and add value to the Group's businesses.

Finally, the people who make up Klépierre are the number one Group resource for enacting its commitments. Driven by the HR management processes, Klépierre's teams also enjoy, through Klépierre University, dedicated training programs to allow them to continually adapt to the changing environment and to anticipate new operational requirements.

The ecosystem of major stakeholders connected with the Group's activities is detailed below:

(1) *Based on the average of 2016 planned operational budgets for Group centers in 10 countries. Excludes marketing budgets, taxes, management fees.*

Update of the materiality matrix

The Group's broader goal to maximize its value creation requires it to be as targeted as possible with its actions. This ambition to achieve value motivates Klépierre to identify all environmental, societal and social issues and to focus on the most important ones; it also enables it to bring its actions in line with the recommendations of the French Grenelle 2 environmental law, the G4 guidelines of the Global Reporting Initiative (GRI), and the sustainability best practices recommendations by the European Public Real Estate Association (EPRA).

In 2013, Klépierre had undertaken an initial "materiality analysis" – a commonly used tool to identify and rank non-financial issues within an organization – which had brought to light the 20 environmental, societal and social issues that have a material impact on the Group's performance.

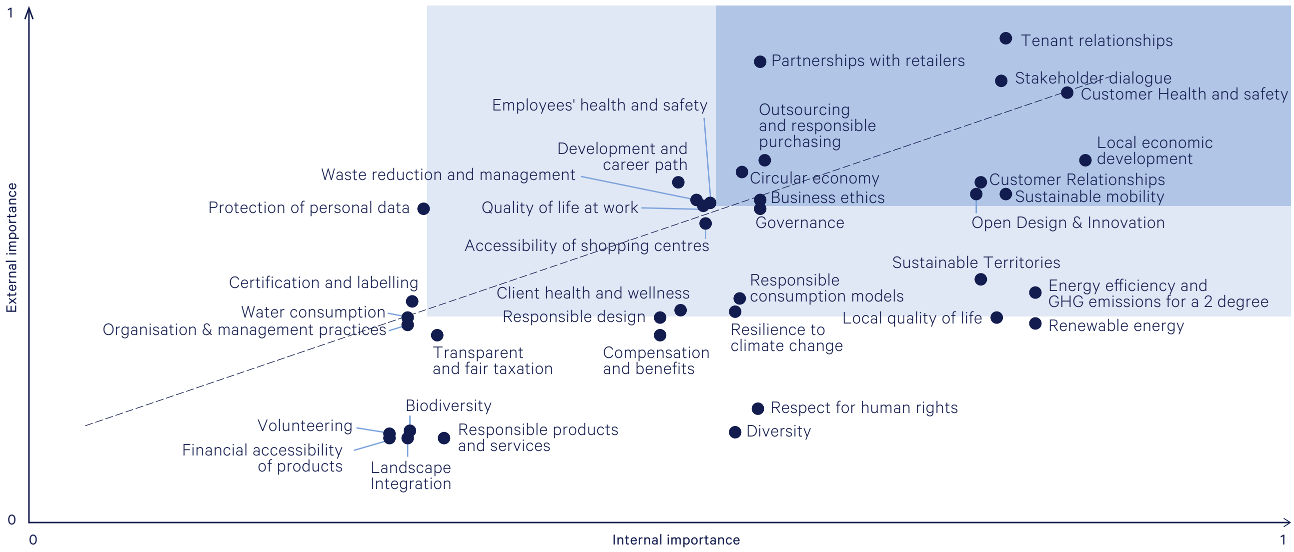
Four years on, evolving issues, the speed of societal change but also the Group's growing ambition, led Klépierre to repeat the exercise. Thus, in 2017, the Group worked on updating its materiality analysis.

This process was, for the first time, done collaboratively through a panel of internal and external stakeholders, which put together the materiality matrix presented below. The 20-member panel was comprised of representatives of Klépierre's main stakeholders: retailers, investors, human resources or CSR experts, scientists, NGOs, local public authorities, etc. It also included Group representatives: members of the Executive Board, the Chief Operating Officer, two operational staff, and the team in charge of CSR.

Methodology

The internal and external stakeholders in the panel were given a questionnaire covering 38 pre-identified issues to assess the materiality of these issues. The methodology used comprises two components: the importance of the issue and its classification as a risk or an opportunity for the Company; these two components are combined to produce the final rating for each issue. To this end, participants rated the importance of the issues as follows: "very important,» «important,» «moderately important,» or «not very important» (this accounted for 75% of the rating), and they ranked the top ten issues in terms of risks or opportunities for Klépierre (this represented 25% of the rating).

The main risks and opportunities are represented in the materiality matrix below. This allows Klépierre to rank its issues and to think in terms of priorities:



Results

The CSR Panel identified the following as priorities for Klépierre:

Issues comprising major risks	Issues offering the greatest opportunities
Business ethics	Local economic development
Respect for human rights	Partnership with retailers
Customer health and safety	Dialog with stakeholders
Outsourcing and responsible purchasing	Renewable energy
Governance	Circular economy

The Group's commitments will be detailed throughout section 4 along with the operational implementation of measures designed to manage these risks and to take advantage of these top opportunities.

4.1.2 Act for Good® with Klépierre: a new CSR Strategy

Four years after Good Choices®, the Group's first structured CSR plan, Klépierre launched its new strategy in late 2017: *Act for Good® with Klépierre*.

A jointly developed strategy

Once the materiality matrix had been updated, the Group continued the process of dialog by asking the panel of stakeholders to jointly develop the new CSR strategy.

The goals were as follows: meet the expectations of stakeholders, which are sometimes new; make CSR ever more pragmatic and more positively correlated with financial performance; structure the initiative and focus efforts on the key areas of impact; and put the spotlight on the Group's approach and its countries and make it more meaningful for employees.

The panel met in August 2017 at the Group's head office in Paris for a one-day discussion and brainstorming event. The discussions took place in two phases: a first one in which the Group representatives listened to the stakeholders' perceptions of the Group's CSR actions, followed by a second one during which the Group submitted an outline for a new CSR strategy.

Klépierre's Executive Board participated in these discussions and in the joint development of the Act for Good® strategy, in particular by sharing its vision and goals for Klépierre as well as by outlining its commitment to developing and rolling out the new strategy.

This collaboration made it possible to highlight four key themes for Klépierre, which naturally comprise the major commitments underpinning Act for Good®: climate change, sustainable construction, health and well-being, and local value creation.

The draft new strategy was then discussed with all Country Directors, the representatives of the functions that are most directly affected as well as the internal CSR Committee, before being signed off by the Group's expanded Executive Committee.

The prior consultation of stakeholders was key to ranking the issues, committing to long-term change and deepening future cooperation.

Strategic goals for 2030, specific commitments for 2022

The Act for Good® with Klépierre strategy rests on three pillars:

> Act for the Planet;
> Act for Territories;
> Act for People.

The first pillar, "Act for the Planet," comprises the major environmental issues that Klépierre faces in carrying out its business activities. The Group's positive contribution to environmental matters, which has been acknowledged for many years, encouraged the Group to set its goals even higher. Over the last few years, Klépierre has achieved promising environmental results it can draw on in order to speed up environmental innovation and differentiation across its industry.

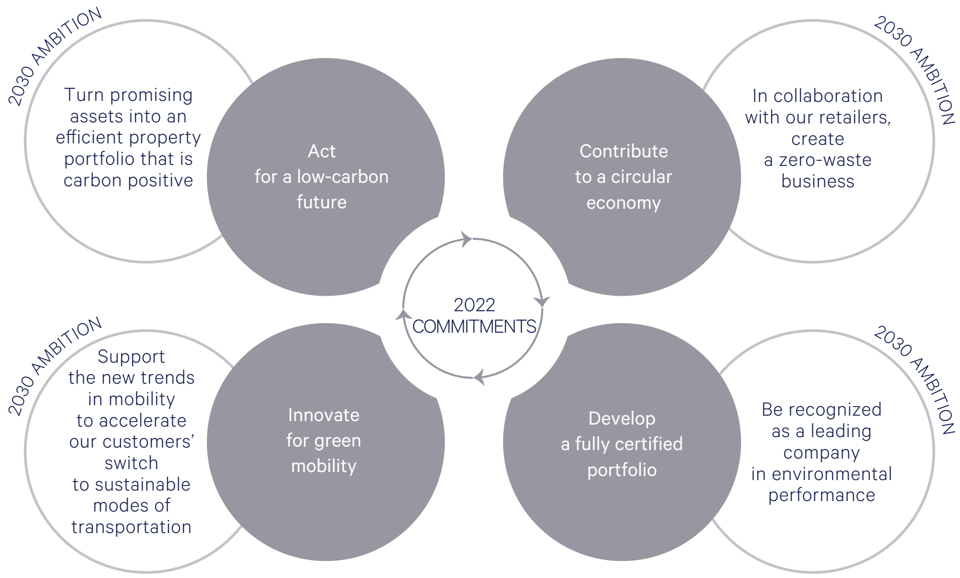
The second pillar shows the importance of the Group's local footprint, in the form of the shopping centers that it owns and manages in 16 countries. Various local initiatives already existed; this pillar structures them in order to give them visibility can become a source of progress and ever higher goals. The "Act for Territories" pillar unifies and makes it possible to fit local actions into the bigger picture.

Finally, the third pillar, "Act for People," is focused on visitors, customers, employees and Klépierre's clients' employees. This human-focused pillar is directed at all the communities with which the Group interacts, with the aim of placing value creation for all at the center of its efforts.

Each of the three pillars is broken down into specific quantified commitments, with a five-year timeframe (2022) supplemented by medium-term goals (2030).

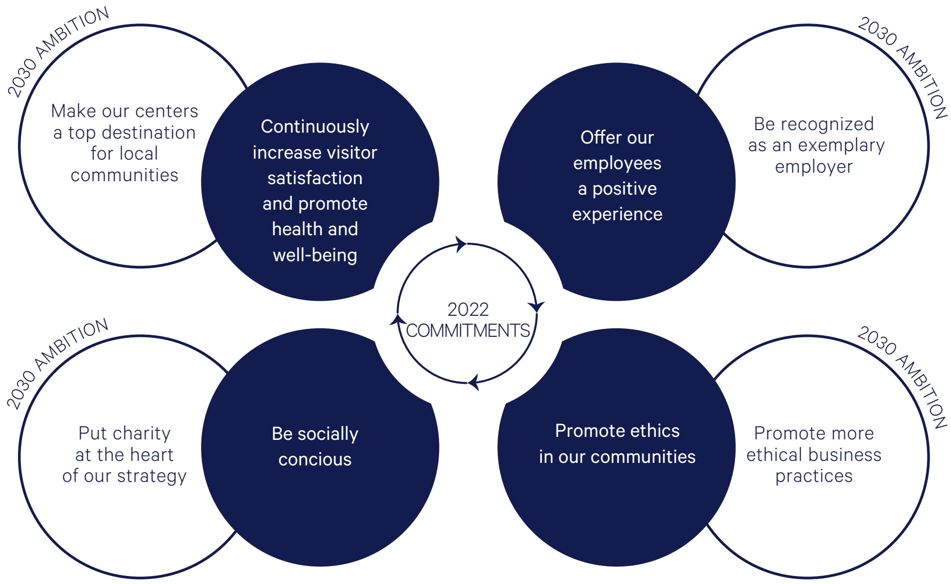
ACT FOR GOOD®
WITH KLÉPIERRE

Act for the Planet



Act for Territories

Act for People



Details of the five-year commitments can be found in section 4.1.6 "2022 Strategic Plan" Their operational implementation is outlined topic by topic in this section. Internal governance, the related tools, and the main performance drivers are also included.

4.1.3 Governance

Klépierre's CSR commitments are firmly rooted in the Group's organization. They are implemented across all countries and supported by the roll-out of dedicated tools. They are also applied in the various external initiatives in which the Group participates.

Organization

Klépierre's sustainable development governance is well established. It is organized according to the principle of becoming rooted in the operations, and it reaches all the way to the highest level of the organization.

Implementing strategic direction and monitoring progress

> Within the Supervisory Board, the **Sustainable Development Committee** reviews the CSR process, discusses its developments and is informed of the Group's results in these areas; it reports to the Supervisory Board. It is composed of three members of the Board, as well as members of the Executive Board, the Director of the Legal Department and Human Resources, the Communication Director and the Director of Engineering and Sustainability. It is chaired by Steven Fivel, General Counsel and Corporate Secretary of Simon Property Group, Klépierre's leading shareholder. It met three times in 2017.

> Within the Management Committee of Klépierre, the **CSR Committee** suggests to the Executive Board the elements of the Group's CSR strategy, in particular the list of commitments and action plans; it reports to the Board on the results achieved. The CSR Committee brings together members of the Management Board, the Engineering and Sustainability, Human Resources and Communication Departments, as well as representatives of the other relevant directorates (operation of the shopping centers, development, etc.). It met five times in 2017.

Create momentum, define Group goals, tools and processes

> The **Engineering and Sustainability Department,** established in 2016, brings together employees responsible for technical engineering in the centers, operational investments and sustainable development. Within this department there is a Sustainability team comprised of three employees.

Encompassing all the technical challenges facing the shopping centers and reporting to the Chief Operating Officer, it initiates and develops the Group's environmental and societal policy. It also ensures it is implemented and circulated throughout Europe.

> The **Human Resources Department** is central to the Company's strategy contributing to its talent, skills and performance challenges in line with the Group's values and social commitments.

> The **Group's Communication Department** coordinates the CSR process, with the Engineering and Sustainability Department as well as the Human Resources Department, which then relies on the Country Departments so that the implementation of the environmental, societal and social actions is completely effective.

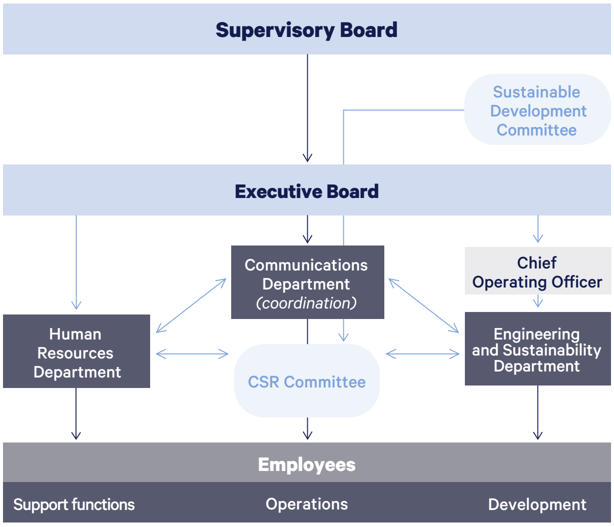
Break down goals and implement actions

> In the 16 countries, management and the operational departments break down Group goals and implement the policies that are appropriate to their local environments. Each country then determines its annual action plan – in terms of investment and management – for all the technical and sustainable development issues regarding its performance level and targets, by applying the best practices guide for energy, waste, water and certification management. These action plans are then discussed at a special annual meeting that brings together the whole European network, before being presented to the Group's Chief Operating Officer.

> A network of some 30 correspondents covering all the local areas in which we operate is in charge of carrying out local actions and reporting on best practices. These correspondents work in close contact with the teams at the head office.

Accordingly, since 2016, the Engineering and Sustainability Department has been holding monthly meetings with each country and a joint meeting with the representatives of the 16 countries.

These new regular meetings have made it possible to accelerate action taking, increase information-sharing and build stronger cross-functional teams. In addition to these monthly meetings, all representatives meet in person twice a year for two days of discussions, strategy setting and inter-country collaborative work.



Finally, the Group's Act for Good® approach is systematically addressed in all communications intended for all employees. The Group's Executive Board thus shares its vision, its ambition and its requirements in these areas in a clear and decisive manner.

Since 2017, the implementation of the Act for Good® approach has been part of the individual objectives of managers in all countries. Moreover, the key Act for Good® commitments have been incorporated into the performance share allocation plans criteria for the Group's main managers.

Awareness-raising efforts on sustainable development topics, especially environmental ones, were focused in 2017 on developing the new strategy, raising employee and stakeholder awareness regarding CSR issues facing Klépierre, and the tools and approaches in place to improve the operational performance of the shopping centers in the portfolio.

The operational roll-out of the new strategy across all departments as well as the implementation of the Act for Good® communications plan are scheduled for the opening months of 2018.

Training modules for the operational teams are also scheduled for the coming year. The goal is to remind trainees about the Group's CSR issues that are directly linked to the daily operation of a shopping center and to stakeholder engagement.

Innovate and re-examine the business

The Act for Good® approach aspires to be innovative. The issues addressed change quickly, as do available technologies and solutions; that is why Klépierre has connected Act for Good® to its Klépierre ID open innovation platform. This platform, which was created in 2016, has been redesigned, enhanced and introduced at the top of the organizational tree.

Klépierre ID was used to define nine strategic priorities for Klépierre in the area of innovation, all of which include initiatives and suggestions connected with Act for Good® (mobility, new services, new working methods) and one more specifically dealing with enabling the communities around the shopping centers.

Each theme is coordinated by a cross-country multi-expertise team, and sponsored by a member of the Group's Executive Committee. Operational pilots are up and running, in cooperation with selected partners (namely, start-ups and entrepreneurs).

Industry initiatives and charters supported by Klépierre

The Group's environmental, societal and social commitments are expressed via various associations and initiatives.

Klépierre is an active member of the following national and international trade associations. The Group considers them strategic for its business; in several of them, it holds a position on the governance body and/or sits on their key committees, including those dealing with sustainable development issues.

International Council of Shopping Centers (ICSC)

The International Council of Shopping Centers has more than 60,000 members in over 90 countries, fostering the promotion and the development of shopping centers.

European Public Real Estate Association (EPRA)

An organization that includes more than 200 real estate companies that are listed in Europe, EPRA publishes recommendations intended to ensure that the financial and non-financial disclosures of publicly traded real estate companies are more detailed and more standardized.

French Council of Shopping Centers (CNCC)

French trade organization uniting all players involved in the promotion and development of shopping centers. Klépierre is involved among other things in the Sustainable Development Commission, tasked with the oversight, sharing of best practice and the coordination of industry players.

French Real Estate Association (FSIF)

The mission of the FSIF is to examine, promote and represent the shared business interests of French real estate companies.

Moreover, Klépierre endorses other significant environmental, societal and social charters and initiatives. These commitments reflect the priorities the Group has set for itself in terms of corporate responsibility.

Global Real Estate Sustainability Benchmark (GRESB)

GRESB's primary purpose is to assess the environmental and social performance of companies specializing in the real estate sector. Klépierre has participated in this benchmark since its beginning and is also a member.

United Nations Global Compact

A signatory to the United Nations Global Compact since 2012, each year Klépierre reiterates its backing for this voluntary international CSR initiative, and its commitment to the improvement process on the 10 universal principles promoted by the Global Compact (in terms of human rights, labor standards, the environment and the fight against corruption). In 2017, the Group reached the "advanced" level in this improvement process, thus affirming the maturity of its commitment and accomplishments.

Charter for energy efficiency of tertiary buildings

Launched at the end of 2013, it provides players in the real estate sector with a framework for improving energy efficiency in their property portfolios and for anticipating future regulatory obligations related to tertiary buildings' energy performance. The Group has been a signatory of this Charter since November 2013 and signed up again in 2017 upon publication of the new version of the charter.

Diversity Charter

A corporate Initiative launched in late 2004, this Charter expresses the desire of companies to take steps to better reflect, in their workforces, the diversity of the French people and to also express their commitment to non-discrimination, equal opportunity and improvement of their performance. The Group signed it on July 31, 2010.

Charter for Parenthood

Enacted by the French Monitoring Agency for Parenthood in the Workplace (OPE), this Charter promotes better work-life balance and has three objectives: move forward parenthood representations, create a favorable environment for working parents and respect the principle of non-discrimination in career development for such employees. The Group has been a signatory since April 29, 2009.

The Palladio Foundation

Klépierre is a founding member of the Palladio Foundation.

The Palladio Foundation was created in 2008, under the aegis of Fondation de France, to tackle the major issue of the 21st century, namely, how to build cities and living areas. It is a unique organization that energizes and brings together all sectors involved in addressing urban and real estate problems: public authorities, voluntary sector, researchers and the media. With a view to making cities as human, livable and value-additive as possible, it works directly with those contributing at present or in the future to developing cities, by creating the necessary support tools for taking stock (Palladio Institute), preparing the transition (Avenir Palladio Center) and forecasting (Palladio Research Center). By means of exchanges between managers and experts, students and trades, doctoral students and operational teams, each action the Foundation takes helps foster a process of re-examination, open-mindedness and mutual enrichment.

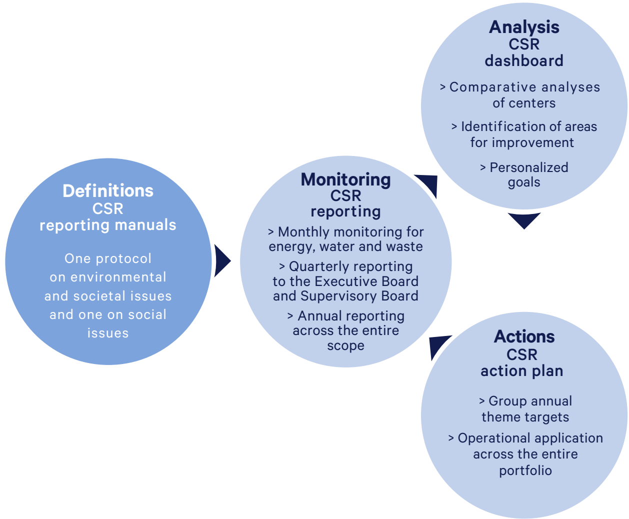
Association pour le développement du Bâtiment Bas Carbone (BBCA)

The goal of the Association pour le développement du Bâtiment Bas Carbone (BBCA) is to raise awareness of the urgency of reducing the carbon footprint of buildings and of promoting approaches that help develop low carbon buildings. It is in particular working on BBCA certification, which went live in 2016.

4.1.4 Management system and tools

The Group uses tools and processes to handle environmental and societal issues, in order to make the CSR approach fully operational.

These tools are identical across Europe and are organized into four groups for greater clarity internally: definitions, monitoring, analysis and actions.



Definitions: CSR reporting manuals

The set of indicators identified in environmental, societal and social matters and the data of which they are made up are clearly defined and communicated to the teams. These definitions are identical across all 16 countries in which the Group operates and all shopping centers.

These definitions are grouped into two reporting protocols:

> one on the social aspects, sent to the Human Resources managers in each country, which includes both quantitative and qualitative data;

> the other on environmental and societal aspects communicated to each country and to each Group asset, which contains close to 120 data collected for each shopping center in the portfolio.

These documents are updated every year to reflect developments in the business activities and in the regulations.

Monitoring: CSR reporting

Monitoring at Group level has intensified in recent years. Internal reporting in each country of environmental, societal and social performance increases year-on-year, more heavily involving the departments and operational teams.

Environmental and societal issues

> Within the shopping center: monitoring has become even more frequent. The teams working at each asset (center managers and technical managers) monitor utilities consumption (energy and water) and waste production at least once a month. 64% of centers are also equipped with energy measurement systems that enable real-time control. There has been increasing use of such tools over recent years.

> At Group level: an environmental and societal report on each asset is presented to the Executive Board and to the Supervisory Board's Sustainable Development Committee: annually for all CSR reporting indicators and quarterly for the energy, water and waste performance indicators. For this second set of indicators, reporting no longer applies only to the Group's 70 largest assets, but to the entire property portfolio.

In 2017, an environmental and societal monitoring tool for the centers was rolled out across the entire property portfolio. It is designed to collect information on all centers in the property portfolio, to where possible automate reporting (by directly hooking up utility suppliers for example) and to automatically generate real-time analyses of the actual sustainable development performance of assets.

Social issues

Social data are processed in an information system shared with all Group human resources players, thereby enabling standardized and structured management of the data, based on a single repository.

This information along with the qualitative data are compiled every quarter by the Group Human Resources Department in order to monitor social indicators, providing oversight of the performance and well-being of employees as well as monitoring Klépierre's human resources policy. The strategic indicators regarding the social aspects of the CSR approach are presented annually to the Executive Board and to the Sustainable Development Committee of Klépierre's Supervisory Board.

Analysis: CSR dashboard

The shopping center, country and Group performance dashboards provide a clear view of the environmental and societal impact, make it possible to identify areas for improvement, identify best practices and thereby improve operational oversight. The performance dashboards are presented and discussed annually with all the Country Departments.

Work that was started in 2016 to improve the monitoring dashboards for each shopping center continued in 2017. The new dashboards now consolidate the main technical and sustainable development management indicators of the center on a monthly basis.

In addition, these dashboards now include a comparative energy and water consumption and waste performance analysis for each center:

> in comparison to the center itself, against the previous month;

> in comparison to other centers in its benchmark category (grouping of shopping centers that are comparable from a technical perspective).

These two performance analyses are based on statistical models that allow external impact data (weather, architectural, technical and business) to be restated in order to assess the real performance of each center and therefore be able to set realistic and individual goals for each center.

These dashboards have recently been automated and digitalized within the environmental and societal tool developed in 2017.

Actions: CSR action plan

The detailed performance analysis described above makes it possible for the Engineering and Sustainability Department to identify areas for improvement at all levels and to identify at the beginning of the year:

- shared Group goals for the priorities for the year. Each country then implements them within its own organization, in line with the most suitable local processes and regularly reports on them during the year;
- proposed individual goals, by shopping center, for the largest areas of impact (energy, water, waste). These goals are discussed with each Country Department for possible readjustment in light of local conditions. Once jointly approved, these goals are implemented in each center. Progress is monitored monthly.

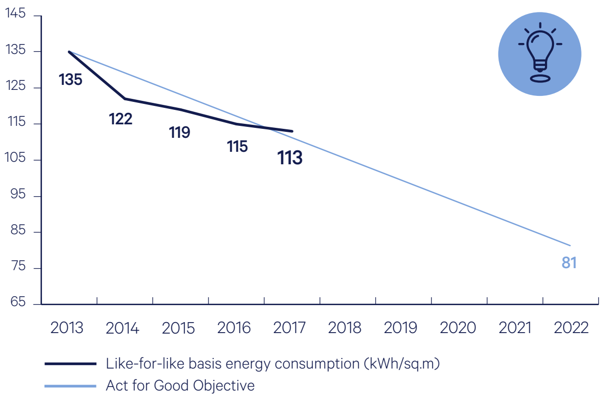
All these goals are first approved by the internal CSR Committee chaired by the Executive Board.

In support of these action plans 2017, the share of maintenance works dedicated to sustainable development investments was analyzed for the first time: 61% of the provisional budget for 2018 involved this type of investment.

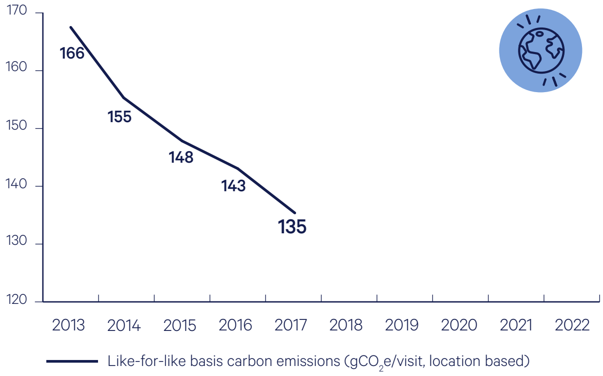
4.1.5 Main achievements in 2017

Change in the main environmental, societal and social KPIs

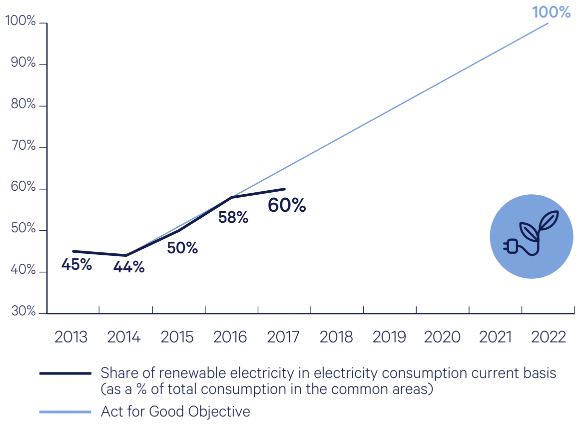
▶ IMPROVING THE ENERGY EFFICIENCY OF THE PORTFOLIO (-40% BY 2022 VS. 2013)



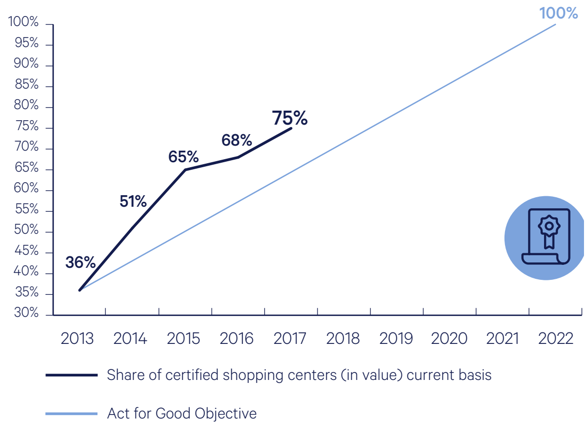
▶ ACTING IN FAVOR OF A LOW-CARBON FUTURE



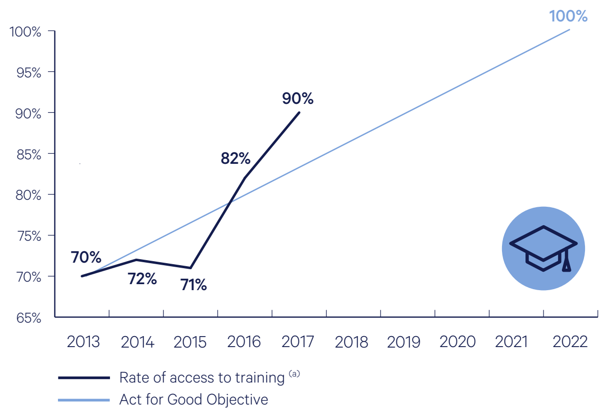
▶ INCREASING THE SHARE OF RENEWABLE ELECTRICITY IN ELECTRICITY CONSUMPTION



▶ DEVELOPING A 100% CERTIFIED ASSET PORTFOLIO

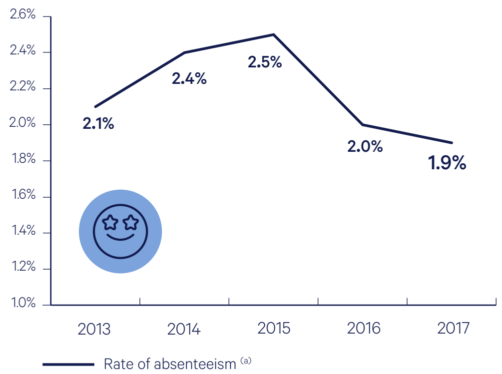


▶ **ENSURING ACCESS TO TRAINING FOR ALL EMPLOYEES**



(a) For employees who have completed at least half a day of training during the year.

▶ **PROMOTING WELL-BEING IN THE WORKPLACE**



(a) Total number of days off work due to illness, workplace accidents and unjustified absences, divided by the average monthly workforce, in turn multiplied by 365. Long-term illnesses similar to a suspension of the employment contract are excluded.

Leadership reaffirmed and lauded

Transparency is a key component of the Group's sustainable development approach. To this end, Klépierre fosters ongoing relationships with the non-financial rating agencies, as well as with SRI (Socially Responsible Investment) analysts and investors, who assess its sustainable development performance.

The indexes to which the Group belongs, the recognition received and the steady improvement in ratings over the past number of years are all proof that the strategy in place and the measures taken have been effective.

In 2017, the Group continued to be part of the major non-financial indexes: DJSI World and Europe, FTSE4Good Europe and Global Index Series, STOXX® Global ESG Leaders, Euronext Vigeo France 20, Eurozone 120 and World 120.

In addition, Klépierre's CSR performance won numerous awards in 2017:

> Klépierre is the only European real estate operator on CDP's (formerly known as the Carbon Disclosure Project) "A list," which comprises global companies leading the fight against climate change;

> Klépierre was voted the top environmental performer of all listed European real estate operators, according to the ranking published by RobecoSAM 2017;

> Klépierre was awarded "Green Star" by the industry rating firm GRESB;

> EPRA gave Klépierre a "Gold Award" in recognition of the strength of the Group's 2016 non-financial reporting;

> The Group received the "Happy Trainees" certification in 2017, from Choosemycompany in recognition of "management excellence and motivation of interns and work-study trainees";

> The "Responsible Leader – GREEN category" award was won by the Group's Head of Sustainable Development at the 2017 Trophées Les Échos Business.

4.1.6 2022 strategic plan

	Act for Good® commitments	2022 target
ACT FOR THE PLANET	**ACT FOR A LOW-CARBON FUTURE**	
	> Reduced energy consumption in the common areas (vs. 2013)	-40%
	> Percentage of renewable energy in the electricity consumption of the common areas	100%
	> Number of shopping centers in the portfolio that are carbon positive	Top 5
	> Certification of the Group's climate strategy by the Science Based Targets Initiative	Certification obtained
	STRIVE FOR A CIRCULAR ECONOMY	
	> Percentage of waste diverted from landfill	100%
	> Percentage of shopping centers having engaged retailers in a circular economy approach	100%
	DEVELOP A FULLY-CERTIFIED PORTFOLIO	
	> Percentage of centers with sustainable development certification	100%
	> Percentage of new developments with BREEAM Construction certification (at least "Excellent")	100%
	> Percentage of new developments using wood from a certified forest during construction	100%
	INNOVATE TOWARDS GREEN MOBILITY	
	> Percentage of shopping centers accessible by public transportation and equipped with charging stations for electric vehicles	100%
ACT FOR TERRITORIES	**INCREASE LOCAL EMPLOYMENT AROUND OUR CENTERS**	
	> Percentage of local service suppliers for the daily operations of our centers (local = regional and/or within 300 km)	100%
	> Percentage of centers having facilitated local employment	100%
	TAKE PART IN LOCAL LIFE	
	> Percentage of centers having offered free of charge a space for use by a local initiative (at least once a year)	100%
	PURSUE A CORPORATE CITIZENSHIP INITIATIVE	
	> Percentage of centers having organized a clothing/toys/furniture drive for a local charity	100%
	> Percentage of centers having supported an in-house solidarity event organized by a retailer	100%
	INVOLVE LOCAL STAKEHOLDERS IN DESIGNING NEW DEVELOPMENTS	
	> Percentage of development projects having included a locally agreed participatory initiative	100%
	> Percentage of development projects having suppliers sign a "sustainability charter" covering both procurement and construction site management	100%
	> Percentage of development projects having implemented a biodiversity action plan	100%
ACT FOR PEOPLE	**CONTINUOUSLY INCREASE VISITOR SATISFACTION**	
	> Increase in Group's Net Promoter Score (NPS)	+3 points vs. 2018
	> Percentage of customers' questions posted on social networks responded to in less than one hour	100%
	PROMOTE HEALTH AND WELL-BEING IN THE CENTERS	
	> Percentage of shopping centers promoting health and well-being	100%
	> Percentage of shopping centers offering dedicated services to the employees of their retailers	100%
	OFFER GROUP EMPLOYEES A POSITIVE EXPERIENCE	
	> Rate of access to training for Klépierre employees	100%
	> Percentage of Klépierre employees covered by work-life balance measures	100%
	> Percentage of young graduates receiving personalized career guidance	100%
	> Percentage of employees contributing to co-building the Company's future	100%
	SPREAD ETHICS IN OUR COMMUNITIES	
	> Promotion of business ethics among 100% of employees and stakeholders	100%
	> Percentage of service providers selected based on CSR criteria	100%
	BE SOCIALLY CONSCIOUS	
	> Percentage of Klépierre employees who been given the opportunity to participate to a charity program	100%
	> Signing of Group partnerships with NGOs dedicated to employability and/or family	

4.2 Act for the Planet

4.2.1 Energy performance

Energy efficiency remains a priority for the Group. It is a major indicator of the strength of the Group's operational management and plays a major part in controlling costs both for the Group and for the retailers operating in its centers. The reasons that motivate Klépierre to improve in this area are therefore both environmental and economic. By optimizing its consumption, both in terms of volume and sources of energy, Klépierre limits its environmental footprint and its exposure to energy price volatility.

The Group consumed approximately 492 GWh in 2017 on a current basis. The Group's energy bill was around 45 million euros. Close to two thirds of this energy is used in three regions: France-Belgium, Italy and Scandinavia.

▶ ENERGY CONSUMPTION IN MWH AND ENERGY EFFICIENCY IN KWH/SQ.M AND KWH/VISIT

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m
EPRA: Elec-Abs – DH&C-Abs – Fuels-Abs – Energy-Int

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
MWh	2015	109,675	103,902	87,514	53,832	84,625	16,815	27,144	483,508	98%
	2016	95,526	101,516	88,716	46,261	77,587	15,574	25,358	450,538	97%
	2017	**123,616**	**118,791**	**81,537**	**44,432**	**87,465**	**11,981**	**24,423**	**492,245**	98%
kWh/sq.m	2015	121	147	105	150	122	107	99	123	98%
	2016	109	144	108	147	115	101	92	118	97%
	2017	**106**	**150**	**121**	**126**	**125**	**125**	**88**	**121**	98%

(a) *Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).*

Usage down 17% since 2013 on a like-for-like basis

Energy use on a like-for-like basis was down from 431 to 359 GWh between 2013 and 2017. This drop is found in all the Group's regions, thereby illustrating the significant efforts of the last four years to improve the energy efficiency of assets. The goal for 2022 with the Act for Good® strategy is to reduce energy consumption in the common areas by 40% compared with the 2013 baseline year. The 17% reduction over the past four years, which represents a cumulated total of 72 GWh over that period, reaffirms the Group's approach and encourages it to continue its efforts.

▶ ENERGY CONSUMPTION IN MWH AND ENERGY EFFICIENCY IN KWH/SQ.M

2017/13 like-for-like basis (75% coverage): 105 shopping centers and 3,702,432 sq.m
EPRA: Elec-LfL – DH&C-LfL – Fuels-LfL – Energy-Int.

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
MWh	2013	103,653	95,625	72,585	32,467	88,601	12,040	25,685	430,657	
	2014	89,932	87,792	65,508	30,829	78,298	10,437	24,542	387,338	
	2015	87,674	86,657	60,930	30,192	77,919	9,016	24,444	376,830	
	2016	77,850	85,129	62,309	29,981	74,366	9,106	22,677	361,416	
	2017	79,084	86,566	60,992	27,882	72,339	10,162	21,612	358,636	
	2017/16	**2%**	**2%**	**-2%**	**-7%**	**-3%**	**12%**	**-5%**	**-1%**	
	2017/13	**-24%**	**-9%**	**-16%**	**-14%**	**-18%**	**-16%**	**-16%**	**-17%**	75%
kWh/sq.m	2013	137	159	120	146	137	125	101	135	
	2014	119	147	109	138	121	108	96	122	
	2015	116	146	100	135	121	94	96	119	
	2016	106	143	102	135	115	95	89	115	
	2017	108	146	100	122	112	106	84	113	
	2017/16	**1%**	**2%**	**-1%**	**-10%**	**-3%**	**12%**	**-6%**	**-1%**	
	2017/13	**-21%**	**-9%**	**-16%**	**-16%**	**-18%**	**-16%**	**-17%**	**-16%**	

(a) *Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).*

Goal 100% renewable electricity

The Group is continuing its move to less carbon-intensive energy. 49% of final energy currently used by the Group is from renewable sources.

Electricity from renewable sources now accounts for 60% of total electricity usage, representing close to 215 GWh.

Klépierre undertakes to have 100% of the electricity used in common areas of these centers come from renewable sources by 2022.

France commits itself in turn!

After Italy in 2016, France has renegotiated its electricity supply contracts to gradually switch, in the course of 2018, all electricity supply contracts to 100% green electricity.

▶ PROPORTION OF ENERGY AND ELECTRICITY USAGE FROM RENEWABLE SOURCES

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
Renewable energy									
2015	11%	36%	78%	77%	30%	75%	21%	42%	98%
2016	12%	64%	75%	74%	23%	79%	22%	48%	97%
2017	**19%**	**63%**	**78%**	**80%**	**32%**	**86%**	**19%**	**49%**	**98%**
Renewable electricity									
2015	10%	44%	89%	86%	40%	100%	31%	50%	98%
2016	10%	78%	88%	85%	32%	100%	33%	58%	97%
2017	**14%**	**75%**	**88%**	**85%**	**45%**	**99%**	**71%**	**60%**	**98%**

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

▶ ENERGY MIX ON A CURRENT BASIS

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m
EPRA: Elec-Abs – DH&C-Abs – Fuels-Abs

	Group	
	MWh	*%*
Electricity from renewable sources	215,691	43.9%
Electricity from non-renewable sources	145,294	29.6%
Subtotal electricity	**360,985**	**73.5%**
District heating/Energy from renewable sources		
District heating/Recovered energy		
District heating/Energy from fossil fuels	55,520	11.3%
District cooling	15,407	3.1%
Subtotal networks	**70,927**	**14.4%**
Gas	58,711	11.9%
Fuel oil	431	0.1%
Bio-fuel	397	0.1%
Subtotal fuels	**59,539**	**12.1%**
TOTAL ENERGIES	**491,451**	**100%**
Group coverage rate	98%	

▶ **ENERGY MIX ON A LIKE-FOR-LIKE BASIS**

2017/15 like-for-like basis (75% coverage): 105 shopping centers and 3,702,432 sq.m
EPRA: Elec-LfL – DH&C-LfL – Fuels-LfL

	2017		2016		2015		2017/16	2017/15
	MWh	*%*	*MWh*	*%*	*MWh*	*%*	*%*	*%*
Electricity	**261,643**	**73.0%**	**278,014**	**76.9%**	**290,750**	**77.2%**	**-5.9%**	**-10%**
District heating	39,916	11.1%	32,919	9.1%	33,133	8.8%	21.3%	20.5%
District cooling	10,480	2.9%	9,360	2.6%	9,371	2.5%	12.0%	11.8%
Subtotal district networks	**50,396**	**14.1%**	**42,279**	**11.7%**	**42,504**	**11.3%**	**19.2%**	**18.6%**
Gas	45,792	12.8%	39,708	11.0%	41,352	11.0%	15.3%	10.7%
Fuel oil	409	0.1%	1,071	0.3%	1,666	0.4%	-61.8%	-75.4%
Bio-fuel	397	0.1%	325	0.1%	539	0.1%	22.3%	-26.3%
Subtotal fuels	**46,598**	**13.0%**	**41,105**	**11.4%**	**43,557**	**11.6%**	**13.4%**	**7.0%**
TOTAL ENERGIES	**358,636**	**100%**	**361,416**	**100%**	**376,830**	**100%**	**-0.8%**	**-4.8%**
Group coverage rate					75%			

Ongoing decline in energy usage despite variable climate conditions

The energy performance presented in this report is not adjusted for climate factors. Presenting unadjusted results, also facilitate a clearer reading of the financial and environmental real benefits.

In 2016, a new stage in measuring the energy performance of the centers was undertaken. First, consumption was restated for temperature fluctuations. The restatements can be used to compare a center to its own performance over the years in order to identify the best performing centers that could potentially provide new good practices, but also to act and give particular attention to centers when their energy performance begins to worsen. A further improvement was undertaken in 2017 thanks to a multi-correlation analysis of external energy performance factors. This analysis made it possible to develop a new environmental tool in which consumption data will be restated from meteorological data other than the temperature (luminosity, humidity etc.) and activity data of the shopping centers (footfall, area, opening hours etc.). These features are currently being installed on the environmental tool.

Mechanisms used to control usage

In order to reduce its energy usage, Klépierre has four major mechanisms that are operated in parallel.

Accurate metering of consumptions

> Roll-out of real-time, usage by usage, equipment by equipment metering systems across 64% of the property portfolio in value at end-2017. These systems are made up of tens of meters per site and the information is automatically reported to the centers, the Country teams and the Group. Roll-out of such equipment has continued in 2017 over all the Group countries with a 6% increase compared to 2016.

> Increased monitoring at Group level with quarterly reporting to the Executive Board and to the Supervisory Board.

Energy conservation in the management

> Constant vigilance as to the operating hours: schedules of regular visits to the shopping centers at night to check how the equipment has been programmed were intensified in 2017.

> Adjustment of temperature settings to better reflect outside temperatures.

> Sharing of best practices: a manual of the best operational practices was produced in collaboration with all the countries and shared within the Group in 2016; it continued to be enhanced and applied in 2017. These good practices are divided into the two categories of management and investment and cover four concerns: energy, waste, water, and certifications. Klépierre wants to share these best practices with its partners to help them control their usage as closely as possible.

> Development of real time energy management: in partnership with expert partners, the teams at the centers track and analyze usage at centers in real time to cut response times at the building and thereby improve its performance.

Improvement of technical equipment

> Replacement of the most energy-intensive equipment: cooling towers, mechanical linkages, ventilation pumps, etc.

> Replacement of energy-consuming bulbs with LED wherever relevant, lower-wattage bulbs, national directories of quality product suppliers. The replacement of lights jumped significantly in 2017.

> CO_2 sensors: continued roll-out to reduce the airflow and optimize air treatment plants.

Construction investments

> In the course of development: attention to building insulation and its compactness to improve thermal inertia, with particular focus on roofs, which account for the majority of energy loss.

> When renovating during operation: overhauling of thermal exchanges and recouping of heating or cooling, etc. In 2017, a "renovation" checklist was drawn up, including all Klépierre standards pertaining to technical equipment. These specifications mean that it is possible to, even before work begins, take on board the requirements that will ensure the simple and effective management of the future building.

▶ PROPORTION IN VALUE OF CENTERS EQUIPPED WITH REAL-TIME ENERGY MEASUREMENT SYSTEMS

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
2015	53%	25%	95%	64%	43%	100%	0%	55%	98%
2016	55%	31%	100%	55%	41%	100%	0%	58%	98%
2017	**63%**	**30%**	**100%**	**97%**	**69%**	**23%**	**28%**	**64%**	**98%**

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

▶ MORE THAN 30.6 MILLION EUROS IN CUMULATED SAVINGS SINCE 2013

The Group's consolidated energy bill in 2017 was 32 million euros. The energy efficiency steps taken have a positive effect on the energy budgets, generating savings of close to 30.6 million euros over the past four years on a like-for-like basis, given that the energy rates are constantly increasing.

Central Europe and Turkey recorded a 34% fall since 2013 in energy budgets.

In Italy, cumulative savings totaled 8 million euros since 2013; this Group region has a more expensive average kWh price. All the regions have seen their energy budgets fall by at least 20% in the last four years.

In France and Belgium, cumulative savings were over 38% for the same period.

▶ SAVINGS FROM CHANGES IN ENERGY USAGE AND ENERGY COSTS

2017/13 like-for-like basis (75% coverage): 105 shopping centers and 3,702,432 sq.m

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands	Germany	Group	Group coverage rate
MWh	2013	103,653	95,625	72,585	32,467	88,601	12,040	25,685	430,657	
	2015	87,674	86,657	60,930	30,192	77,919	9,016	24,444	376,830	
	2016	77,850	85,129	62,309	29,981	74,366	9,106	22,677	361,416	
	2017	79,084	86,566	60,992	27,882	72,339	10,162	21,612	358,636	
	2017/13	**-24%**	**-9%**	**-16%**	**-14%**	**-18%**	**-16%**	**-16%**	**-17%**	
€ excl. VAT/ MWh	2013	77	144	107	112	89	91	138	106	
	2015	85	142	105	111	86	96	136	107	
	2016	84	134	104	105	80	99	146	104	
	2017	63	119	102	102	72	73	86	90	75%
	2017/13	**-19%**	**-17%**	**-4%**	**-9%**	**-19%**	**-19%**	**-38%**	**-15%**	
€ excl. VAT	2013	8,010,572	13,732,640	7,770,556	3,632,962	7,868,557	1,091,627	3,534,298	45,641,212	
	2015	7,448,257	12,266,483	6,401,276	3,337,290	6,731,259	863,172	3,316,797	40,364,535	
	2016	6,557,778	11,404,353	6,480,208	3,151,757	5,930,582	901,337	3,308,190	37,734,205	
	2017	4,980,326	10,279,100	6,242,740	2,839,577	5,180,549	741,771	1,857,117	32,121,180	
	2017/13	**-38%**	**-25%**	**-20%**	**-22%**	**-34%**	**-32%**	**-47%**	**-30%**	
CUMULATIVE SAVINGS IN € EXCL. VAT		**5,632,730**	**8,057,598**	**5,078,973**	**1,718,422**	**6,815,042**	**882,727**	**2,399,039**	**30,584,531**	

In 2017, the Group undertook a strategic study of its energy supplies across all the countries in which it operates. The study identified areas for significant improvement, country by country, that will make it possible to improve the quality of supply but also to generate substantial savings. These initiatives started being implemented in a number of countries in 2017 and will be broadened in 2018.

Overall energy performance of the buildings, including tenants, assessed over 52 centers

An environmental appendix is incorporated into new leases all over Europe. In addition, Klépierre already has access to information on the whole building energy usage, including tenants, at 52 centers, representing 36% of the property portfolio in value.

▶ ENERGY CONSUMPTION IN MWH AND ENERGY EFFICIENCY IN KWH/SQ.M AND KWH/VISIT FOR THE WHOLE BUILDING

Energy consumption in MWh and energy efficiency in kWh/sq.m and kWh/visit for the whole building on a current basis
2017 current basis (36% coverage): 52 shopping centers and 1,827,910 sq.m

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands [(a)]	Germany	Group	Group coverage rate
Number of centers		8	3	13	3	23	2	0	52	36%
Shared equipment	MWh	16,311	10,634	51,909	9,402	87,465	10,321	0	186,042	
	%	71%	75%	43%	93%	41%	66%	N/A	47%	
Tenant equipment	MWh	6,578	3,582	68,383	711	125,131	5,404	0	209,790	
	%	29%	25%	57%	7%	59%	34%	N/A	53%	
Whole building	MWh	22,889	14,216	120,292	10,114	212,596	15,725	0	395,832	
	kWh/sq.m	14	16	151	20	264	113	N/A	79	

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

The Group is working on a number of ways to further increase cooperation with retailers, especially on environmental and energy matters. In the centers where full usage information is available, specific communication and awareness-raising measures are put in place. These measures may take different forms and in any case require a good understanding of the technical and business characteristics of each retailer.

More broadly, the vast majority of centers have already established dialog with some or all of their tenants on environmental matters through dedicated meetings (at 58% of properties in the portfolio) and written communication (80% of properties in the portfolio), particularly on their energy consumption.

4.2.2 Climate change

Klépierre's efforts to fight climate change are based on ongoing efforts to reduce its greenhouse gas emissions and active planning on how its assets will need to be adapted.

Accurate measurement of CO_2 emissions under Scopes 1 and 2 of the GHG Protocol[(1)] give Klépierre an accurate picture of its direct and indirect contribution to greenhouse gas emissions, as well as of its dependence on fossil fuels.

In addition to the assessment using the location-based method of the GHG Protocol, Klépierre is also publishing the same information according to the market-based methods in order to improve the transparency of the performance indicators.

Quantifying CO_2 emissions under Scope 3 gives a better idea of Klépierre's broader carbon footprint and the effects of the activities of its stakeholders (retailers, visitors and providers in particular).

In 2017, the emphasis has been on a better quantification of Scope 3. A carbon study was conducted so that the Group could better understand its footprint on the different scales included in the enlarged Scope 3 in order to define relevant actions to reduce emissions but also to anticipate the effects of climate change and carbon emissions on Klépierre's business.

The Group's total energy usage plus leaks from the use of refrigerant gases resulted in the emission of 113,507 metric tons of CO_2e in 2017. A decline of 4,532 metric tons of CO_2e was recorded compared to 2016.

Year-on-year changes on a current basis are mainly due to the various disposals and acquisitions made by the Group over the past four years.

▸ GREENHOUSE GAS EMISSIONS IN TCO_{2E} FROM ENERGY USAGE IN COMMON AREAS AND THE USE OF REFRIGERANT GASES (SCOPES 1 AND 2) AND ENERGY USAGE IN TENANT AREAS (SCOPE 3)

2017 current basis (96% coverage): 138 shopping centers and 4,988,828 sq.m
EPRA: GHG-Dir-Abs – GHG-Indir-Abs – GHG-Int

	2017								2016
	France-Belgium	**Italy**	**Scandinavia**	**Iberia**	**Central Europe & Turkey**	**The Netherlands**	**Germany**	**Group**	**Group**
Gas	2,908	4,088	105	559	2,845	0	0	10,505	8,323
Fuel oil/Biofuel	6	290	106	0	0	0	0	401	270
Refrigerant gas	2,147	3,466	66	1,739	1,173	0	0	8,590	7,861
Direct emissions SCOPE 1	**5,060**	**7,843**	**277**	**2,298**	**4,018**	**0**	**0**	**19,496**	**16,453**
Electricity	4,185	32,661	2,041	12,624	23,691	4,873	5,020	85,094	93,889
Heating	1,435	0	1,676	0	4,003	312	1,060	8,485	7,268
Cold	259	0	64	0	0	13	96	431	427
Indirect emissions SCOPE 2	**5,878**	**32,661**	**3,781**	**12,624**	**27,694**	**5,198**	**6,176**	**94,011**	**101,585**
EMISSIONS SCOPE 1 + 2	**10,938**	**40,504**	**4,058**	**14,922**	**31,712**	**5,198**	**6,176**	**113,507**	**118,039**
Group coverage rate								**96%**	**97%**
Tenant areas electricity	18,523	57,350	8,631	31,757	74,776	8,206	25,452	224,695	69,186
Tenant area gas	336	44	57	88	1,267	173	0	1,966	1,048
RELEVANT KNOWN EMISSIONS FROM SCOPE 3[(a)]	**18,859**	**57,394**	**8,688**	**31,845**	**76,043**	**8,379**	**25,452**	**226,661**	**70,234**
Group coverage rate								**36%**	**19%**

(a) 2017 data are not comparable with the 2016 data considering the broader Scope 3.

	2017								2016
	France-Belgium	**Italy**	**Scandinavia**	**Iberia**	**Central Europe & Turkey**	**The Netherlands**	**Germany**	**Group**	**Group**
Gas	2,908	4,088	105	559	2,845	0	0	10,505	8,323
Fuel oil/Biofuel	6	290	106	0	0	0	0	401	270
Refrigerant gas	2,147	3,466	66	1,739	1,173	0	0	8,590	7,861
Direct emissions SCOPE 1	**5,060**	**7,843**	**277**	**2,298**	**4,018**	**0**	**0**	**19,496**	**16,453**
Electricity	2,810	16,728	4,145	8,254	20,243	0	4,460	56,640	59,076
Heating	1,435	0	1,676	0	4,003	312	1,060	8,485	7,268
Cold	259	0	64	0	0	13	96	431	427
Indirect emissions SCOPE 2	**4,504**	**16,728**	**5,885**	**8,254**	**24,246**	**325**	**5,616**	**65,557**	**66,772**
EMISSIONS SCOPE 1 + 2	**9,564**	**24,571**	**6,162**	**10,552**	**28,264**	**325**	**5,616**	**85,053**	**83,225**
Group coverage rate								**96%**	**97%**
Tenant areas electricity	21,386	77,245	49,429	38,161	76,517	8,991	38,154	309,884	69,186
Tenant area gas	336	44	57	88	1,267	173	0	1,966	1,048
RELEVANT KNOWN EMISSIONS FROM SCOPE 3[(a)]	**21,723**	**77,289**	**49,486**	**38,250**	**77,784**	**9,164**	**38,154**	**311,850**	**70,234**
Group coverage rate								**36%**	**19%**

(a) 2017 data are not comparable with the 2016 data considering the broader Scope 3.

The calculation of emissions included in Scope 2 of the first table complies with the "location-based" method in the GHG Protocol. The emission factors used vary substantially from one Group country to another[(1)]. Central Europe and Italy thus generate close to two thirds of greenhouse gas emissions on a current basis. Klépierre pays close attention to the emission factors of the various energy sources and favors the cleanest energies.

According to the "location-based method," electricity from renewable sources (even though it represents 60% of the Group's total electricity usage) cannot be accounted at a zero emission factor. The ongoing decline in CO_2 emissions on a like-for-like basis thus reflects real energy saving measures, and is not artificially increased by purchasing so-called "green" electricity.

To be able to illustrate the efforts undertaken to supply electricity from renewable sources, Klépierre has widened its Group reporting to also calculate emissions according to the market-based method that consists in applying emission factors from each of the energy suppliers.

(1) The emission factors used for electricity vary substantially from one country to another. For example, they are 60 times higher in Poland compared to Norway. Source: CO_2 Emissions from Fuel Combustion (2013 Edition), IEA, Paris. CO_2 emissions per kWh from electricity generation.

► **GREENHOUSE GAS EMISSIONS IN TCO_2E AND CARBON INTENSITY IN $KGCO_2E$/SQ.M AND GCO_2E/VISIT FROM ENERGY USAGE IN COMMON AREAS AND SHARED EQUIPMENT, ON A CURRENT BASIS**

2017 current basis (96% coverage): 138 shopping centers and 4,988,828 sq.m
EPRA: GHG-Dir-Abs – GHG-Indir-Abs – GHG-Int

Location-based		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
tCO_2e	2015	8,761	37,932	5,289	15,121	37,686	5,485	7,459	117,733	98%
	2016	7,438	36,799	5,748	13,136	34,845	5,221	6,990	110,178	97%
	2017	**10,938**	**40,504**	**4,058**	**14,922**	**31,712**	**5,198**	**6,176**	**113,507**	**96%**
$kgCO_2e$/sq.m	2015	10	54	6	42	54	35	27	30	98%
	2016	9	52	7	42	52	34	25	29	97%
	2017	**9**	**48**	**6**	**40**	**54**	**74**	**22**	**28**	**96%**
gCO_2e/visit	2015	34	243	61	144	292	130	213	142	96%
	2016	30	248	62	131	279	125	201	139	97%
	2017	**36**	**235**	**47**	**141**	**247**	**317**	**181**	**134**	**96%**

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

Market based		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
tCO_2e	2016	4,913	20,536	6,463	7,649	29,148	552	6,104	75,364	97%
	2017	**9,564**	**24,571**	**6,162**	**10,552**	**28,264**	**325**	**5,616**	**85,053**	**96%**
$kgCO_2e$/sq.m	2016	6	29	8	24	43	4	22	20	97%
	2017	**8**	**29**	**10**	**28**	**48**	**5**	**20**	**21**	**96%**
gCO_2e/visit	2016	20	140	70	77	233	13	175	95	92%
	2017	**31**	**142**	**71**	**99**	**220**	**20**	**164**	**100**	**96%**

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

The Act for Good® strategy raises the ambition with the commitment, in 2022, to have the five bigger shopping centers of the portfolio being carbon positive. These centers are Field's (Copenhagen, Denmark), Créteil Soleil (Paris area, France), Val d'Europe (Paris area, France), Porta di Roma (Roma, Italy) and Emporia (Malmö, Sweden). These five centers are considered as innovation pilots, positive results obtained are meant to be replicated on the other shopping centers to aim the carbon neutrality of the entire portfolio.

A 19% decline in emissions on a like-for-like basis since 2013

On a pro forma like-for-like basis, emissions from energy usage in the common areas and shared equipment in buildings have fallen 19% since 2013, representing a reduction of 21,165 metric tons of CO_2e in four years. There was a 19% decline in gCO_2e/visit at Group level.

▶ **GREENHOUSE GAS EMISSIONS IN TCO_2E AND CARBON INTENSITY IN $KGCO_2E$/SQ.M AND GCO_2E/VISIT FROM ENERGY USAGE IN COMMON AREAS AND SHARED EQUIPMENT**

2017/13 like-for-like basis (75% coverage): 105 shopping centers and 3,705,432 sq. m

EPRA: GHG-Dir-LfL – GHG-Indir-LfL – GHG-Int

Location-based		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands	Germany	Group	Group coverage rate
tCO_2e	2013	9,092	34,079	7,166	9,362	37,883	4,393	6,822	108,797	75%
	2015	7,045	31,628	4,626	8,672	34,686	3,083	6,696	96,435	
	2016	6,081	30,869	4,820	8,658	32,927	3,122	6,259	92,735	
	2017	6,931	28,819	3,301	8,957	29,830	4,308	5,486	87,632	
	2017/16	**14%**	**-7%**	**-32%**	**3%**	**-9%**	**38%**	**-12%**	**-6%**	
	2017/13	**-24%**	**-15%**	**-54%**	**-4%**	**-21%**	**-2%**	**-20%**	**-19%**	
$kgCO_2e$/sq.m	2013	12	57	12	42	59	46	27	34	75%
	2015	9	53	8	39	54	32	26	30	
	2016	8	52	8	39	51	32	25	29	
	2017	8	52	6	43	52	45	21	29	
	2017/16	**1%**	**0%**	**-21%**	**10%**	**1%**	**38%**	**-14%**	**0%**	
	2017/13	**-30%**	**-9%**	**-48%**	**2%**	**-12%**	**-2%**	**-21%**	**-14%**	
gCO_2e/visit	2013	42	254	113	127	338	432	222	166	75%
	2015	32	239	73	115	292	330	207	148	
	2016	28	237	75	112	277	346	196	143	
	2017	32	227	52	113	244	482	175	135	
	2017/15	**12%**	**-4%**	**-30%**	**1%**	**-12%**	**39%**	**-11%**	**-6%**	
	2017/13	**-24%**	**-10%**	**-54%**	**-11%**	**-28%**	**12%**	**-21%**	**-19%**	

Market based		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands	Germany	Group	Group coverage rate
tCO_2e	2016	3,693	18,312	5,807	5,150	27,376	318	5,491	66,147	75%
	2017	5,446	20,765	5,553	5,162	26,447	325	5,008	68,706	
	2017/16	**47%**	**13%**	**-4%**	**0%**	**-3%**	**2%**	**-9%**	**4%**	
$kgCO_2e$/sq.m	2016	5.1	30.9	9.5	23.2	42.4	3.3	21.6	21	
	2017	6.6	37.4	10.5	24.7	45.9	3.4	19.4	23	
	2017/16	**30%**	**21%**	**10%**	**6%**	**8%**	**2%**	**-10%**	**10%**	
gCO_2e/visit	2016	17	146	90	66	230	35	172	103	
	2017	25	164	88	65	216	36	159	106	
	2017/16	**44%**	**12%**	**-2%**	**-2%**	**-6%**	**3%**	**-7%**	**2%**	

Develop awareness of the broader carbon footprint beyond the scope of direct responsibility

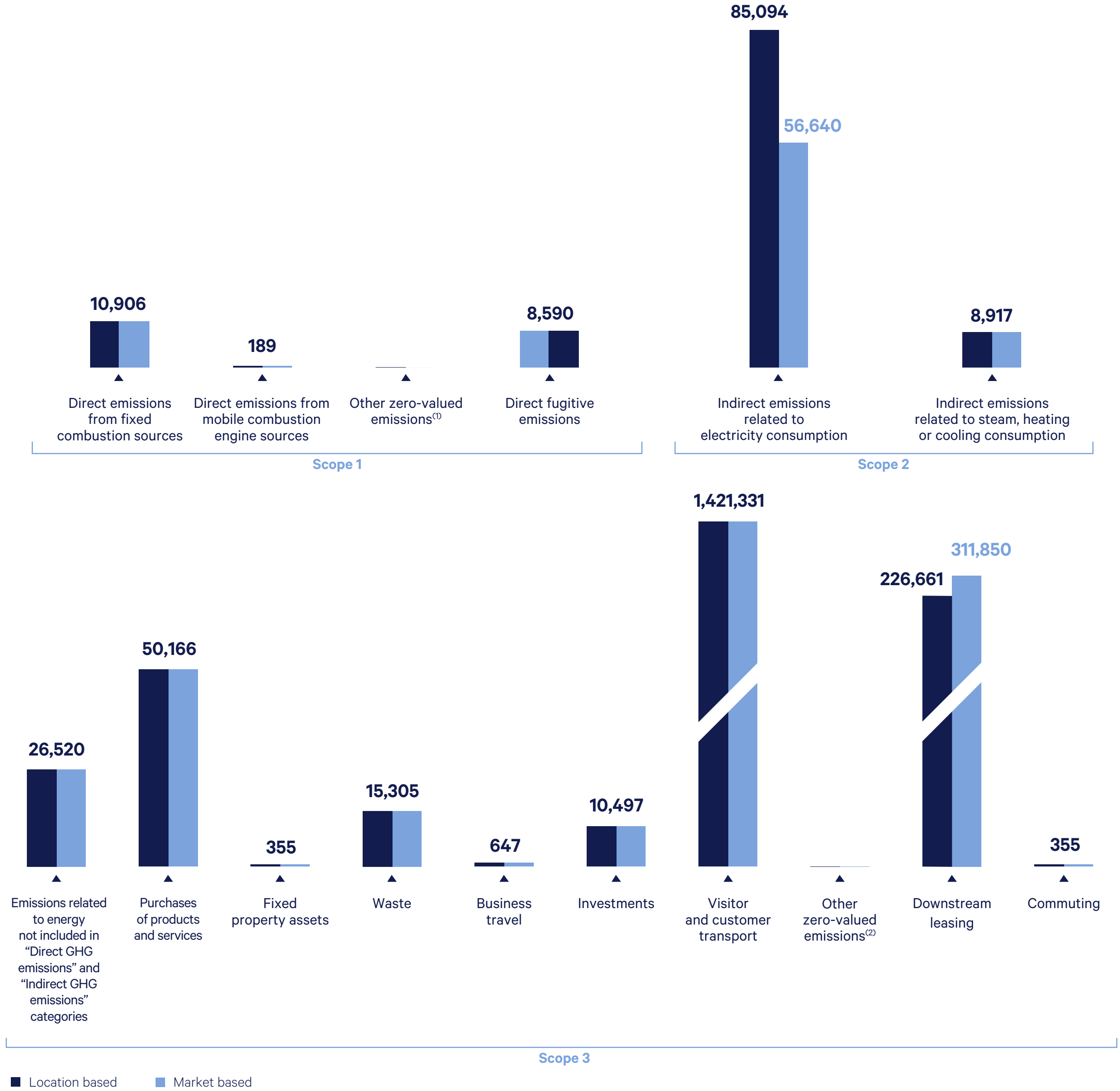
Klépierre's awareness of its impact in terms of greenhouse gas emissions is not limited to the scope of the Group's direct responsibility. The consumption of the retailers and the journeys made by visitors to the shopping centers are the largest line items in the Group's Scope 3 and are therefore presented below in Klépierre's broader carbon footprint[1].

(1) *Journeys by visitors were estimated asset-by-asset using an average distance of 10 to 22 km for a round trip journey depending on the type of asset and applying an emission factor specific to each mode of transportation according to the breakdown of visits. Emissions from retailer energy usage were estimated by extrapolating the CO_2 impact of energy usage for centers for which we have usage information on tenants across the entire property portfolio. Head office emissions include energy usage associated with French head office buildings.*

▶ BROADER CARBON FOOTPRINT IN tCO_2E – SCOPES 1 TO 3

2017 current basis (96% coverage) : 138 shopping centers and 4 988 828 sq.m.

EPRA: 6.5

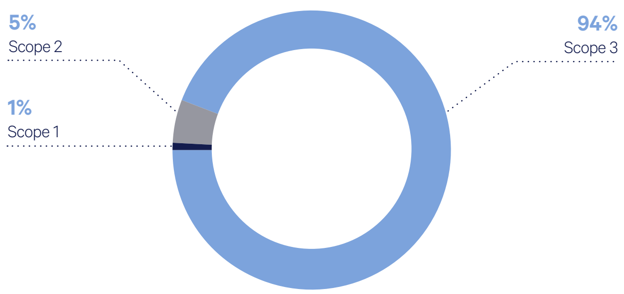


(1) *Other Scope 1 zero-valued emissions: direct emissions from processes excluding energy; direct emissions from biomass (soil and forestry).*

(2) *Other Scope 3 zero-valued emissions: upstream goods transport; upstream leasing assets; downstream goods transport; use of products sold; end of life of products sold; downstream franchise; other indirect emissions.*

▶ PROPORTION OF EACH SCOPE IN THE TOTAL OF EMISSIONS

Location-based



Concrete actions to limit the impacts linked to Scope 3 have already been implemented (see section 4.2.1 "Energy Performance").

The Group communicates with the retailers on environmental issues at over 87% of its property portfolio in value.

In addition, 98% of Klépierre shopping centers are accessible by public transportation and, in 2017, 47% of visitors went to the centers by public transportation or by green modes of transportation (walking or cycling).

To assess the indirvect emissions precisely, a carbon study was conducted in 2016 to assess certain major items of Scope 3, particularly visitor journeys and the upstream portion of retailers' activity (product manufacture and upstream freight). With the same goal of precision for the Group's carbon accounting, in 2017, Klépierre added some initially missing items (admittedly immaterial, but useful in achieving a comprehensive overall assessment of the various items) to its overall carbon footprint.

Anticipating the adaptation required due to the effects of climate change

Adapting to the effects of climate change presents some challenges for the Group.

> The main impacts of this adaptation are financial. The actions mentioned above all limit the consequences. They are designed to reduce Klépierre's dependence on fossil fuels and will enable the Group to guard against overly large fluctuations in energy costs.

> The physical impacts are more limited, as Klépierre's assets are located in the major cities in Europe.

Anticipating them involves dynamic risk management (see section 1.9.4 "Control measures addressing major risks"). Structural audits are systematically performed to warn of the impacts of extreme weather events (storms, heavy rainfall or snowfall, etc.) and the Group's energy saving efforts will help it to protect itself against changes in average temperatures and higher heating or air conditioning requirements. Finally, the Group's property portfolio is not really affected by drought (see next section 4.2.3 "Circular economy").

> Possible regulatory changes associated with combating climate change are mainly examined by the dedicated working groups within the professional organizations to which the Group belongs.

4.2.3 Circular economy

Waste management

Klépierre aims for effective waste management by offering tailored sorting solutions for tenants and visitors, and then ensuring, with the service providers responsible for removing and processing the waste, that it reaches the proper destination.

The operation of the Group's shopping centers generated over 70,182 metric tons of waste. 99% of this waste was deemed non-hazardous. Bulbs, fluorescent tubes, electronic waste, electrical appliances and paint constitute the bulk of the hazardous waste. They are separated from other types of waste on site and processed through special recovery channels.

Klépierre is targeting food waste at its centers!

In 2017, Klepierre signed a Europe-wide partnership with the start-up Too Good To Go.

Using its mobile app, Too Good To Go, restaurant chains can sell the unsold food of the day. The unsold food is sold at rock-bottom prices, enhancing the affordability of products for shopping center visitors.

A dozen centers in five countries have already committed and proposed this option to their tenants.

Increasing the number of sorting solutions

The Group is endeavoring to increase the number of sorting solutions in order to grow the proportion of waste sorted on site and thereby reduce the overall processing cost. Over 30 different types of waste can thus be sorted at the best-performing centers.

The measures taken at the centers are designed to emphasize the environmental and financial benefits of on-site separation. They involve raising awareness among employees and working closely with retailers. The Group has great expertise available in this matter, for example in Scandinavia or in Germany where 100% recycling rates have been achieved thanks to highly sophisticated collection and separation systems.

Klépierre is ensuring it capitalizes on these experiences: the Group best practices manual contains 12 operational illustrations of exemplary practices in waste management.

On average in Europe, 42% of waste is sorted directly at the centers, representing more than 29,000 metric tons in 2017.

▸ WASTE SORTED AT THE CENTERS BY TYPE IN METRIC TONS

2017 current basis (93% coverage): 126 shopping centers and 4,714,794 sq.m
EPRA: Waste-Abs

2017 – Group		In metric tons	As %
1.	Cardboard	14,447	20.6%
2.	Paper	4,401	6.3%
3.	Glass	672	1.0%
4.	Hangers	37	0.1%
5.	Plastic	917	1.3%
6.	Metals	216	0.3%
7.	WEEE	48	0.1%
8.	Pallets	21	0.0%
9.	Food and organic waste	7,553	10.8%
10.	Wood	522	0.7%
11.	Batteries	9	0.0%
12.	Bulbs and fluorescent tubes	4	0.0%
13.	Other waste sorted	706	1.0%
Subtotal Waste sorted on site		**29,553**	**42.1%**
Unsorted waste		**40,630**	**57.9%**
TOTAL		**70,182**	**100%**
Group coverage rate		93%	

The percentage of waste recycled and recovered has risen since 2012. Klépierre will continue its actions to further limit the disposal of waste generated by the activities of the shopping centers and to increase recycling efforts.

The Act for Good® Action Plan provides that by 2022, 100% of waste will be diverted from landfill, meaning that it will be recovered.

Klépierre wants to give a new lease of life to waste and involve each retailer in a circular economy approach. The goal is to go beyond mere waste recycling, and instead turn it into a resource and give it a new lease of life. Cooperation with centers and retailers is thus essential to achieving this circular economy goal.

Most of the properties in the portfolio are equipped with multi-compartment bins in the common areas, also making it possible to raise awareness about selective sorting among center visitors. Tenants are also made aware and ever-more frequent training on sorting waste is being given by technical directors of the centers.

▶ PROPORTION OF WASTE RECYCLED AND RECOVERED[1]

2017 current basis (92% coverage): 102 shopping centers and 4,009,731 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[a]	Germany	Group	Group coverage rate
RECYCLED									
2015	33%	39%	52%	32%	30%	0	0	37%	86%
2016	33%	42%	52%	33%	39%	37%	67%	39%	86%
2017	**28%**	**38%**	**52%**	**38%**	**36%**	**65%**	**67%**	**42%**	92%
RECOVERED									
2015	80%	48%	100%	60%	62%	1	1	75%	86%
2016	80%	48%	99%	59%	66%	99%	100%	75%	86%
2017	**78%**	**68%**	**100%**	**59%**	**44%**	**97%**	**99%**	**75%**	92%

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

▶ BREAKDOWN OF WASTE BY DESTINATION

2017 current basi (94% coverage) s: 129 shopping centers and 4,740,614 sq.m
EPRA: Waste-Abs

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[a]	Germany	Group	Group coverage rate
Recycled	a	5,381	3,223	3,269	3,848	2,514	1,809	293	20,336	
Reused	b	245	1,196	0	0	309	0	0	1,750	
Composted	c	79	584	670	1,610	118	48	27	3,135	
Subtotal recycled	**a+b+c**	**5,704**	**5,004**	**3,938**	**5,458**	**2,941**	**1,857**	**320**	**25,221**	
Incinerated	e	5,642	0	4,559	470	865	845	148	12,530	94%
Any other form of recovery	f	970	3,513	898	0	129	0	100	5,611	
Subtotal recovered	**a+b+c+e+f**	**12,317**	**8,516**	**9,395**	**5,929**	**3,935**	**2,702**	**568**	**43,562**	
Landfill + incinerated not recovered	g	10,417	6,154	369	4,281	5,171	70	358	26,820	
TOTAL IN METRIC TONS		**22,734**	**14,671**	**9,765**	**10,209**	**9,106**	**2,772**	**926**	**70,182**	

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

▶ CHANGE IN BREAKDOWN OF WASTE BY DESTINATION

2017/15 like-for-like basis (71% coverage): 96 shopping centers and 3,510,408 sq.m
EPRA: Waste-LfL

		2017		2016		2015		
		Group		Group		Group		Group coverage rate
		In metric tons	*As a %*	*In metric tons*	*As a %*	*In metric tons*	*As a %*	
Recycled	a	14,640	30%	16,856	36%	15,998	35%	
Reused	b	1,582	3%	37	0%	222	0%	
Composted	c	2,771	6%	1,398	3%	605	1%	
Subtotal recycled	**a+b+c**	**18,993**	**39%**	**18,291**	**39%**	**16,824**	**37%**	
Incinerated	e	9,651	20%	8,207	17%	6,916	15%	71%
Any other form of recovery	f	5,138	11%	8,810	19%	10,245	23%	
Subtotal recovered	**a+b+c+e+f**	**33,781**	**69%**	**35,309**	**75%**	**33,985**	**75%**	
Landfill + incinerated not recovered	g	18,111	31%	11,909	25%	11,458	25%	
TOTAL		**51,892**	**100%**	**47,218**	**100%**	**45,443**	**100%**	

In 2017, significant work leading to higher precision in waste reporting was conducted over the entire scope for greater transparency regarding the destination of waste collected (which explains the trends in the tables above).

Waste management at a center involves a large number of parties, and this is the main reason the Group wanted to involve its partners in the search for innovative solutions:

> Klépierre signed a partnership with Veolia, a recognized player in waste management, to make the Val d'Europe center an innovation test bed. Lasting some six months, this pilot was intended to combine Klépierre's expertise in running shopping centers with Veolia's expertise in waste management in order to jointly develop the solutions of the future.

> Another pilot on optimized waste management was also launched at the Claye Souilly center.

> In addition to managing final waste, the Group also wants to promote and develop initiatives to breathe new life into it by involving each tenant in a circular economy approach. The goal is to go beyond mere waste recycling, and instead turn it into a resource and give it a new use. Cooperation between the Klépierre teams and the retailers is thus essential to achieving this circular economy goal.

(1) The authorities are responsible for the collection of waste on certain sites in Italy, France, and Turkey. These sites are not included in the reporting because the Group does not have control over the final destination of the waste and does not receive any reports from the provider, which explains the 86% coverage rate..

Water consumption

The Group's shopping centers used 3.6 million m^3 of water in 2017. This figure includes tenant consumption because the Group knows the usage of all buildings throughout Europe.

The most significant variable in the water price is the cost of treating waste water. The Group focuses its efforts on two areas: limiting the amount of water used and monitoring the quality of wastewater.

▸ WATER CONSUMPTION IN M³ AND WATER CONSUMPTION INTENSITY IN M³/SQ.M AND L/VISIT

2017 current basis (93% coverage): 136 shopping centers and 4,918,367 sq.m
EPRA: Water-Abs – Water-Int

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[a]	Germany	Group	Group coverage rate
m^3	2015	871,834	1,321,695	373,200	310,059	685,390	22,055	125,856	3,710,089	85%
	2016	846,199	1,281,014	391,130	220,780	657,244	58,726	126,798	3,581,890	90%
	2017	**949,813**	**1,101,426**	**358,163**	**337,018**	**665,408**	**26,345**	**118,636**	**3,556,809**	93%
m^3/sq.m	**2017**	**0.59**	**1.23**	**0.45**	**0.68**	**0.83**	**0.19**	**0.42**	**0.71**	93%
L/visit	**2017**	**4.26**	**7.85**	**5.68**	**4.27**	**6.66**	**2.17**	**4.89**	**4.16**	93%

(a) *Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).*

Very low risk of water stress

The Group's property portfolio is not very exposed to water stress. Over 95% of centers (in value) are not affected by this situation. Only eight centers are exposed in four countries (three in Turkey, one in Hungary, two in Italy and two in Spain). The other countries are not subject to this stress. For exposed centers, Klépierre has implemented special measures: the Group's best practices guide provides recommendations for centers with a high risk of water stress.

For the rest of the Group's portfolio, the reduction of water consumption is still an operational objective for sites and is monitored.

▸ PROPORTION OF CENTERS NOT EXPOSED TO WATER STRESS RISK IN 2017 (% IN VALUE)

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands	Germany	Group	Group coverage rate
Unexposed	**100%**	**88%**	**100%**	**91%**	**78%**	**100%**	**100%**	**95%**	98%
Exposed *(% in value)*	0%	12%	0%	9%	22%	0%	0%	5%	
Exposed *(in number of centers)*	0	2	0	2	4	0	0	8	

Source: "Aqueduct" project of the World Resources Institute, Aqueduct's global water risk mapping, overall risk.

0.75 m^3/sq.m, 10% down over the past four years on a like-for-like basis

The Group's usage is down 10% over the past four years on a like-for-like basis.

The three largest usages in a shopping center (excluding tenant areas) are as follows:

> air conditioning equipment, in particular cooling towers;
> toilets;
> cleaning.

Major efforts have been made over the past number of years to improve the measurement of usage, in particular through the installation of many individual meters in order to have a more detailed analysis by store and by usage.

The Group is also gradually rolling out automatic instantaneous measurement systems for water usage.

The use of water-saving materials, better management of green spaces with less water-hungry species or the recovery and reuse of rainwater are the main options explored for Klépierre's buildings.

Best practice air-cooling towers in Warsaw

> In line with the Group's best practices, the center at Sadyba, which had to replace its air-cooling towers, switched to adiabatic cooling towers, improving safety (no more risk of legionella) as well as energy gains of over 60%, and water of over 80%.
> The return on investment horizon calculated at the outset of the project of 3.5 years, was measured in real operating conditions at less than 2 years.

▶ WATER CONSUMPTION IN M³ AND WATER CONSUMPTION INTENSITY IN M³/SQ.M AND L/VISIT

2017/13 like-for-like basis (74% coverage): 88 shopping centers and 2,922,794 sq.m
EPRA: Water- LfL – Water-Int.

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands	Germany	Group	Group coverage rate
m^3	2013	837,053	604,471	244,375	184,201	648,555	8,066	81,438	2,608,160	74%
	2015	781,427	583,871	251,438	185,016	642,698	10,276	91,202	2,545,928	
	2016	723,543	532,260	271,090	177,826	628,556	10,616	94,402	2,438,294	
	2017	692,008	509,613	261,037	177,402	576,165	9,940	92,239	2,318,404	
	2017/16	**-4%**	**-4%**	**-4%**	**0%**	**-8%**	**-6%**	**-2%**	**-5%**	
	2017/13	**-17%**	**-16%**	**7%**	**-4%**	**-11%**	**23%**	**13%**	**-11%**	
m^3/sq.m	2013	0.87	1.64	0.39	1.00	0.90	0.09	0.46	0.84	72%
	2015	0.82	1.60	0.39	1.00	0.90	0.12	0.52	0.82	
	2016	0.76	1.46	0.42	0.96	0.88	0.12	0.54	0.78	
	2017	0.72	1.32	0.41	0.84	0.80	0.09	0.41	0.75	
	2017/16	**-6%**	**-10%**	**-3%**	**-13%**	**-8%**	**-25%**	**-24%**	**-4%**	
	2017/13	**-17%**	**-20%**	**5%**	**-15%**	**-11%**	**-1%**	**-12%**	**-10%**	
L/visit	2013	3.84	7.84	3.86	5.65	5.53	9.53	3.66	4.90	74%
	2015	3.65	7.38	3.94	5.31	5.19	11.20	4.09	4.71	
	2016	3.41	6.83	4.20	5.02	5.09	11.13	4.28	4.54	
	2017	3.71	6.48	4.13	4.84	4.71	10.55	4.15	4.51	
	2017/16	**9%**	**-5%**	**-2%**	**-4%**	**-8%**	**-5%**	**-3%**	**-1%**	
	2017/13	**-3%**	**-17%**	**7%**	**-14%**	**-15%**	**11%**	**13%**	**-8%**	

Monitoring the quality of waste water

Lastly, close attention is paid to the quality of waste water. The drainage systems are cleaned on a regular basis, and almost all of the parking lots managed by the Group are equipped with oil separators in order to treat run-off before it reaches the public networks. On-site infiltration of rainwater may also be encouraged, in compliance with the authorized levels, in order to limit soil sealing.

Natural resources

Strict and limited use of natural resources

The use of natural resources (apart from fossil fuels and water) is primarily concentrated in the building development phase.

The Group takes specific measures to limit their use. It works closely with leading real estate developers that have structured environmental approaches. The use of natural resources is managed and verified by means of well-established certifications, in particular the BREEAM certification with the Group targeting at least an "Excellent" rating for all new development projects.

This management consists for instance of:

> paying special attention to "green building site" policies implemented by the developers;

> implementing strict environmental impact monitoring during the construction phase;

> systematically considering the use of environmentally-friendly materials;

> examining the origin of raw materials used, in particular wood for which companies must prove that it is legally sourced. Klépierre favors certification under the PEFC™ or FSC® programs.

The Act for Good® strategy provides that by 2020, 100% of development projects will source certified wood during the construction phase.

At the Prado, which will open in Marseille in 2018, Klépierre is going even further by drawing on the Cradle to Cradle™ philosophy. It will thus become the first shopping center in France to apply this methodology, which aims to encourage the use of recyclable or reusable materials while considering their future processing from the outset.

In addition to the materials, this approach rewards the integration of environmental and social issues into the center's design. The canopy roof therefore allows for internal air to be renewed and for optimal penetration of daylight. Hundreds of square meters of living walls, terraces and beehives will house a diverse flora and fauna, and educational pathways will also be created. A carpooling system will be implemented for the center's employees. The center will be powered by energy from the heating loop created from the water treatment plant in the eco-district, therefore reducing the carbon impact and purchasing costs.

During the building operation phase, the teams are made aware of the products and materials used. These criteria are used when selecting suppliers. A list of the least environmentally harmful products and materials is also appended to the cleaning framework agreement.

Biodiversity and health quality

Respecting local biodiversity and the health quality Klépierre is obliged to provide at its centers both require greater consideration of the natural environment and its desire to limit its environmental impact. These concerns are incorporated into the Group's development projects and are also monitored throughout the life of its centers.

Biodiversity studied as part of all developments

Ecologists are routinely involved in development projects for new assets or extensions of existing buildings. The ecologists' reports are useful for a greater understanding of the surrounding natural environment and make it possible to better identify and preserve local flora and fauna. Their advice guides the architects and developers to help them take into account existing ecosystems and select the most appropriate plant species.

Taking these aspects into account forms part of the BREEAM New Construction certification, especially the credits granted toward the "Land Use and Ecology" target.

Green roofs are among the preferred options. The Emporia shopping center in Malmö, Sweden, has a publicly accessible green roof covering over 27,000 sq.m. When renovating the roof of the Alexandrium center in Rotterdam (the Netherlands), over 22,000 sq.m. of sedums were planted. Finally, the Prado project in Marseille will have a green roof under a glass canopy covering 4,200 sq.m. Local species are preferred on these surfaces, and the use of invasive species is prohibited.

Initiatives to encourage biodiversity at a majority of centers

The Act for Good® action plan provides that by 2022, 100% of development projects will implement a biodiversity action plan.

Klépierre's impact on biodiversity is systematically considered for new projects. It is also incorporated for existing shopping centers.

In 2017, 94% of centers took at least one action in favor of biodiversity:

> shelters to house bird nests;

> Partnership with a school to raise awareness about biodiversity efforts;

> development of green areas:

> presence of hives.

▸ INITIATIVES TO PROMOTE BIODIVERSITY
2017 current basis (98% coverage):
138 shopping centers and 5,027,646 sq.m

	Number of centers	% in value	Group coverage rate
Environmental-friendly management of green spaces	24	17%	
Partnership with an association and/or a school	5	4%	98%
Biodiversity action plan	3	2%	
Wildlife shelters	12	9%	
Other initiatives	86	62%	
At least one action	130	94%	

4.2.4 Building certification

The environmental certifications favored by Klépierre are well-known in the real estate sector. They attest to the effectiveness of the measures taken, both during the building development phase and operational phase.

Making the most of the complementarity of BREEAM and ISO 14001

The Group currently favors three standards: BREEAM New Construction, BREEAM In Use and ISO 14001 during operation.

These certifications give the Group a real complementary approach. Each standard has its own special features, making it possible to respond more closely to the needs expressed at Group level.

> The ISO 14001 standard helps to really structure the environmental approach implemented at each asset. It drives the teams to become part of a continual improvement process, to monitor the progress made, and to implement action plans to achieve the stated goals.

> The BREEAM New Construction or In Use frameworks have the advantage of exhaustively mapping the environmental performances of a building (under development or in use).

Goal: 100% of assets with sustainable development certifications

In 2017, over 75% of the Group's portfolio was certified in value, mainly through the BREEAM and ISO 14001 certifications.

Since 2016, the La Gavia center in Madrid (Spain) also has ISO 50001 certification which provides a more precise assessment of energy management. In 2017, a second Spanish center was awarded certification: the Plenilunio center (Madrid, Spain).

The Group now wants to consolidate this level while renewing its current certifications. The objective of the Act for Good® plan for 2022 is twofold: to obtain at least a "sustainable development" certification for existing centers and to guarantee that 100% of development projects will be certified at least BREEAM "Excellent" by 2022.

The priority remains to have the centers BREEAM In Use certified; however, for very small centers for which BREEAM certification is less relevant, we are working on deploying an internal "sustainable development" certification.

▸ PROPORTION OF CENTERS CERTIFIED
2017 current basis (98% coverage):
138 shopping centers and 5,027,646 sq.m

	Group	Group coverage rate
2015	64.6%	100%
2016	67.9%	100%
2017	**75.4%**	**98%**

First Cradle to Cradle™ certification in a shopping center!

Klépierre will open a brand new shopping center in Marseille in Spring 2018. All the materials and products used during construction were selected and used in accordance with the requirements imposed by the Cradle to CradleTM label; a first for a commercial tertiary building!

This label, which was established in 2010, deals with reusable products and ensures the proper use of materials, energy, water and labor.

▶ PROPORTION OF CENTERS CERTIFIED BY TYPE OF CERTIFICATION (% IN VALUE)[1]

2017 current basis (98% coverage):
138 shopping centers and 5,027,646 sq.m
EPRA: Cert-Tot

	Number of centers	Rentable floor area certified	% in value	Group coverage rate
ISO 14001	48	2,018,359	36.3%	
ISO 50001	2	140,702	4.0%	
Breeam in Use	34	1,355,285	35.2%	
Other certifications	1	72,766	1.2%	
AT LEAST ONE OPERATIONAL CERTIFICATION	**76**	**3,150,199**	**68.9%**	98%
BREEAM NEW CONSTRUCTION	**10**	**527,406**	**13.4%**	
At least one certification	**82**	**3,490,828**	**75.4%**	

4.2.5 Sustainable mobility

Developing transportation accessibility to centers and encouraging green forms of transportation

The proximity and accessibility to modes of transportation at shopping centers are an integral part of Klépierre's strategy.

Location, urban density and transportation offerings are key criteria in selecting an investment. And the Group is also taking steps to increase and diversify the transportation solutions at existing centers.

45% of visitors either walk or take public transportation to the Klépierre centers. 26% of visitors use public transportation, reflecting the strategic repositioning undertaken over the past number of years toward more central and better connected assets as well as the ongoing efforts regarding transportation options.

As part of its latest customer satisfaction survey (see section 4.4.1 "Visitor satisfaction"), Klépierre integrated questionnaires on the accessibility of the centers in order to refine its data on journeys by visitors. Based on the 26,466 responses obtained (all centers combined), Klépierre was able to assess, among other things, the car occupancy rate, which is 2.43 persons per vehicle on average. The more detailed data will be used to refine the calculation of CO_2 emissions related to the greatest item in the Group's carbon footprint, namely visitors' journeys.

▶ BREAKDOWN OF VISITS BY TRANSPORTATION METHOD

2017 current basis (84% coverage): 125 shopping centers and 4,563,416 sq.m
EPRA: 6.4

		France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
Motorized transportation	2015	57%	90%	53%	64%	40%	0	0	59%	92%
	2016	58%	91%	46%	62%	43%	22%	36%	59%	98%
	2017	**58%**	**90%**	**54%**	**64%**	**42%**	**41%**	**34%**	**55%**	84%
Public transportation	2015	21%	6%	26%	20%	42%	0	0	24%	92%
	2016	21%	5%	31%	21%	39%	46%	45%	24%	98%
	2017	**21%**	**6%**	**26%**	**18%**	**32%**	**33%**	**46%**	**26%**	84%
Green transportation	2015	22%	4%	21%	16%	18%	0	0	17%	92%
	2016	22%	4%	24%	17%	17%	32%	19%	17%	98%
	2017	**21%**	**4%**	**20%**	**18%**	**26%**	**26%**	**20%**	**19%**	84%

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

This desire to increase and diversify the transportation solutions available at Klépierre's centers can be seen in the initial design stages, with very early contact with the public authorities, and continues throughout the operation of the building.

96% of the Group's centers in value are accessible by public transportation, with at least one stop located less than 500 meters from an entrance and services at least every 20 minutes. All the sites developed, extended or renovated since 2012 are accessible by public transportation.

Other modes of transportation, namely green or alternative are also among the solutions considered. High-value added specialized facilities are put in place whenever Klépierre's analysis of the catchment area reveals an opportunity.

95% of shopping centers in value are bike-friendly, and in particular all the Scandinavian, German and Dutch centers. In Utrecht, in the Netherlands, the world's largest indoor bike park with over 12,500 spaces is being built in tandem with the renovation of the Hoog Catharijne center. Similarly, charging stations for electric bikes and/or service areas for cyclists have become more common in Scandinavia.

(1) This includes all centers certified during the year or whose certification was still valid in the reporting year (including those with certification undergoing administrative formalities).

Electric cars are also a major area of interest. 55% of parking facilities at the Klépierre centers are adapted for such vehicles and equipped with chargers for them, versus 28% in 2012. This number reflects highly varied maturity levels across countries. In Scandinavia and the Netherlands, where electric car usage has exploded, 98% of the centers are equipped. In the other regions, Klépierre is anticipating demand while monitoring the market at a strategic level together with the main players, and it plays a leading role in the national charging station network at its largest assets. Several of the Group's centers can also be accessed via electric car sharing programs, such as Autolib' in the Greater Paris area.

Through Act for Good®, Klépierre commits to encouraging its visitors to switch to more sustainable modes of transportation. The Group thus projects that by 2022, 100% of its shopping centers will be accessible by public transportation and equipped with charging stations for electric vehicles.

In 2016, Klépierre partnered with Blue Solutions, a Groupe Bolloré subsidiary, to equip its shopping centers with 100% electric utility vehicles. 22 vehicles were made available to safety and security personnel and therefore provide logistical support in 18 Klépierre centers in France. Manufactured in France, the Blue Utility is equipped with a globally unique technology, the LMP (Lithium Metal Polymer) battery, which allows it to travel 250 km without being recharged.

In 2017, the Le Gru shopping center in Turin signed a partnership with Car2go. This company has a car-sharing offering built around short-term hire. A Car2go station was thus installed in the shopping center's car park, thereby allowing customers to rent a car right from the facility.

Finally, to facilitate the arrival of visitors in vehicles and to enable traffic to move more freely in centers, parking lots are increasingly being equipped with guidance systems. Some 69,284 spaces in Europe had such systems at end-2016.

European cooperation with Tesla!

Klépierre and Tesla have set the basis for their future cooperation in the form of a European framework agreement. In 2018, three pilot French centers installed a "fast charging" station in their parking lots, allowing users of Tesla vehicles to recharge them in less than 30 minutes.

Other pilots are being considered elsewhere in Europe.

▸ PUBLIC TRANSPORTATION AND ALTERNATIVE SOLUTIONS
2017 current basis (94% coverage): 133 shopping centers and 4,801,655 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[a]	Germany	Group	Group coverage rate
Proportion in value of centers accessible by public transportation									
2015	97%	86%	100%	100%	100%	100%	100%	97%	94%
2016	100%	86%	100%	100%	100%	100%	100%	98%	94%
2017	**100%**	**86%**	**100%**	**100%**	**100%**	**100%**	**100%**	**96%**	**94%**
Proportion in value of centers with spaces reserved for cyclists									
2015	93%	88%	100%	67%	97%	N/A	N/A	92%	94%
2016	95%	88%	100%	90%	100%	100%	100%	95%	94%
2017	**95%**	**88%**	**100%**	**90%**	**100%**	**100%**	**100%**	**95%**	**94%**
Proportion in value of centers equipped with charging terminals for electric vehicles									
2015	33%	24%	99%	40%	32%	N/A	N/A	47%	94%
2016	47%	24%	99%	41%	37%	96%	27%	54%	94%
2017	**52%**	**32%**	**98%**	**60%**	**35%**	**92%**	**28%**	**55%**	**94%**

(a) *Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).*

4.3 Act for Territories

Klépierre is convinced that the value created through its assets will generate a positive impact for all its stakeholders and that it will play a part in the sustainable development of regions across Europe. The shopping centers designed, owned and managed by the Group serve as veritable catalysts for their urban environments. They help change and stimulate these areas. They are economic engines, places for sharing time, sources of jobs and financial flows. This positive impact is inextricably linked to meeting the expectations of all Group stakeholders.

The success of a shopping center is based on two key players: the retailers, i.e., Klépierre's direct clients, and the visitors to the shopping centers, i.e., the retailers' customers and the driving force behind the performance of the assets.

It also involves significant dialog with a range of local players:

> public authorities: they are present early in the development of a shopping center, and afterward throughout its operation, to create conditions conducive to business activities that are in the collective interest. 93% of centers met their local authorities in 2017;

> voluntary associations: to create a stronger bond between the center and its local area;

> the economic partners heavily involved in the life of centers: these include project managers, consultants or other partners during the development and construction phase, or service providers providing site cleaning, maintenance and security services day-in day-out.

4.3.1 Local employment and economic momentum

Economic impact

Shopping centers are an integral part of urban planning and fully contribute to the growth of their local areas. With over several million visitors per year, shopping centers underpin the urban fabric and create new focal points. The economic and local impact can be directly felt daily at the centers. The Group aims to advance them in order to reaffirm its role as a major player in city life.

Significant local economic impact

> Klépierre's shopping centers generate close to 80,000 jobs[1], mostly at the retailers which operate in its centers or at the service providers retained by the Group. The development of the Group's shopping centers thus provides major job creation opportunities.

> The operating budgets of the centers total around 346 million euros[2]. These funds are mostly redistributed locally to center service providers responsible for cleaning, safety and security and maintenance.

> The Group also paid 78.6 million euros in local taxes in 2018 across all its sites in Europe, with nearly half in France.

A leading role locally in terms of job creation

The Klépierre centers play a major role in terms of job creation throughout their life.

During the development of new assets, the teams foster close relations with recruitment agencies to promote local recruitment. Retailers at the centers are encouraged to hire employees locally through a number of programs developed with public authorities and/or local associations.

As part of the Act for Good® strategy, Klépierre aims to promote its centers as a benchmark in terms of local value creation. The Group seeks to further promote local employment around its shopping centers. Klépierre is committed to using 100% local services providers by 2022 (a local provider is a regional provider and/or one that is located within a maximum radius of 300 km for the daily operations of the center).

These relationships continue throughout the life of the center and may take different forms. Consideration is also given to the use of outsourcing and service providers. Most of the jobs created as a result of the purchase of services at shopping centers are created locally (see the "Purchasing" section).

In 2017, 24% of centers undertook at least one local employment initiative (more than 50% in France). Many centers republished job offers placed by the retailers, by means of physical display in the email, or via a dedicated website.

Many job fairs were also held at the centers.

The Villa Arena center (Amsterdam, The Netherlands) teamed up with the local town hall to provide year-round support for actions and projects designed to encourage local employment.

Klépierre aims to replicate these initiatives across all its centers in Europe, primarily by means of sharing of best practices.

The Group commits to ensuring that 100% of shopping centers will contribute to local employment by 2022: through the organization of a jobs fair, partnerships with local training and employment centers for example.

4.3.2 Taking part in local life and corporate citizenship

Aware of its broad footprint, Klépierre wants to be active in the local life surrounding all its sites. Its centers welcome thousands of visitors daily and are a perfect vehicle for raising the profile of local projects or associations. The Group encourages its centers and retailers to be good corporate citizens and makes every effort to remove barriers to achieving that goal at the centers.

In 2017, almost 60% of centers provided space free of charge for use by a local initiative at least once during the year. This represents 92 centers in total. 81% are in France.

Close to three fourths of the centers in questions offered space in their email to a charity such as Red Cross, Unicef, Amnesty International or Food Bank.

Local associations also got access to these free spots. The centers thus hosted sports clubs, student bodies, and arts associations.

The Group is involved in a variety of original initiatives such as hosting a local start-up incubator, or an organic market with local producer stands.

In the Netherlands, a "BookSpot" was installed at the Hoog Catharijne center (Utrecht) in partnership with the Books4Life foundation. It collects unsold books or former library books and makes them available to the "BookSpots". Center visitors can thus take these books free of charge and participate by giving books in turn.

The Act for Good® action plan provides that by 2022, 100% of centers will provide space for use by a local initiative free of charge.

Klépierre contributes to the circular economy and looks to give a new lease of life to products that are sold in its centers. The Group encourages the centers to launch such initiatives in cooperation with local organizations and associations. Its wants to make its visitors and partners more aware of more responsible consumption patterns.

Accordingly, in 2017, 44% of centers did at least one collection for a charitable organization. Millions of corks, eyeglass frames and items of clothing were collected during the year.

(1) *Number of jobs estimated by extrapolating the employment intensity per sq.m by type of store. Source: Panorama Tradedimension, le Guide 2014 de la distribution, September 2013.*
(2) *Excludes marketing budgets, taxes, management fees.*

In Italy, for example, the Le Corti Venete center (Verona) even partnered up with a local charity (Progetto Casa di Martino) to collect basic necessities and food every Monday. They collected eight metric tons of goods in 2017.

The Act for Good® action plan provides that by 2022, 100% of centers will organize a clothing/toys/furniture drive for a local charity.

It is important for Klépierre to support the corporate citizenship efforts of its tenants and to offer them the support and visibility they need for their actions. Cooperation with the retailers is a win-win for all because it makes it possible to jointly develop new initiatives and amplify the impact of actions.

In 2017, 37% of centers supported a community initiative organized by a retailer.

For example, in Portugal, the Parque Nascente center (Porto) organized an event entitled "Combating poverty and social exclusion" in cooperation with the Jumbo retail chain. The center provided logistical support for this event, which lasted a week.

The Act for Good® action plan provides that by 2022, 100% of centers will support a community event organized by a retailer in their center.

4.3.3 Involvement of stakeholders in development projects

Klépierre puts particular emphasis on development projects. Through the deployment of its strategy, the Group wants to involve its stakeholders from the outset of the project to co-build the shopping centers of tomorrow. This is a unique opportunity to re-engineer the processes, innovate and build in a CSR approach before carrying out the project.

The Act for Good® action plan provides that by 2022, 100% of development projects will plan a participatory approach.

The Act for Good® action plan provides that by 2022, 100% of development projects will have suppliers sign a "sustainability charter" covering both procurement and construction site management.

There were no major developments launched in 2017. Klépierre teams only had few opportunities to involve stakeholders in development projects.

4.4 Act for People

4.4.1 Visitor satisfaction

Klépierre would like to offer each visitor a shopping center experience that is suited to his or her needs. Convenience, accessibility, retail mix, friendliness and safety are key concepts in meeting the expectations of a public whose expectations are constantly evolving.

Customer satisfaction is a key factor in measuring the attractiveness of a shopping center and customer satisfaction surveys are thus indispensable tools for ensuring that the appropriate measures have been taken to meet visitor expectations.

The Group's Marketing Department therefore focused on creating targeted customer questionnaires. Visitors were surveyed directly in the shopping centers: 26 studies were thus carried out in 2017, each comprising a panel of more than 1,000 visitors meaning that a total of over 26,000 people were surveyed across Europe. The survey questionnaires were also harmonized throughout Europe, in order to obtain the most usable answers possible in all the countries in which Klépierre operates.

The satisfaction surveys had a number of aims:

- to measure center attractiveness;
- to define visitor profiles;
- to identify visitor loyalty and the competitiveness of rivals;
- to measure visitor loyalty;
- to learn their mode of transportation to the centers;
- to ask about their expectations about services and events and their retailer preferences.

Questionnaires were also sent by e-mail to the Group's customer database. There were 93 of these surveys in 2017. Their aims were similar to those of the paper surveys: to measure customer satisfaction and the attractiveness of the centers.

68% of French centers conducted visitor satisfaction surveys in 2017 and 65% set specific improvement goals for the results of visitor satisfaction surveys. Klépierre places great importance on feedback from its visitors in order to continually improve customer experience. At least one satisfaction survey has been carried out at 81% of shopping centers in value over the past two years.

In parallel, Klépierre is gradually developing tenant satisfaction surveys (20.4% of centers did such surveys in 2017).

▸ **VISITOR SATISFACTION SURVEYS**
2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands[(a)]	Germany	Group	Group coverage rate
PROPORTION IN VALUE OF CENTERS WHICH HAVE CARRIED OUT AT LEAST ONE SATISFACTION SURVEY DURING THE LAST 24 MONTHS									
2016 & 2017	**68%**	**98%**	**81%**	**100%**	**68%**	**100%**	**87%**	**81%**	**98%**
NUMBER OF CUSTOMERS SURVEYED									
2015	9,015	4,965	7,902	12,419	3,600	1,866	0	39,767	98%
2016	3,338	5,417	3,000	9,976	5,232	2,886	3,321	33,170	98%
2017	**9,965**	**34,246**	**7,550**	**15,208**	**7,848**	**1,624**	**3,321**	**79,762**	**98%**

(a) Because of the major work underway in 2017, Hoog Catharijne was excluded from the reporting (the values, which are overly impacted, add noise to the country's annual trends).

The Clubstore® Charter

Clubstore® is one of the Group's four operational pillars. It is a process of improving the customer's journey at each of the 15 stages identified by Klépierre. For these stages, which make up so many points of contact with visitors, the Group has defined quality standards for construction, equipment and behavior that constitute the Clubstore® charter applied in the Group's shopping centers. All Klépierre employees in direct contact with visitors have been trained in this approach, representing over 300 people.

The Clubstore® charter was developed on the basis of feedback from those employees and an internal platform was launched at the end of 2017 to continue the sharing of best practices between employees to nurture and optimize visitor hospitality standards.

By 2022, the Group has set for itself the goal of increasing the average Net Promoter Score (NPS) of its centers by 3 points vs. 2018.

The #JustAsk service

The penetration rate of social networks has reached 49% in Europe and Klépierre's Facebook community has close to 4 million subscribers. As 55% of visitors to the Group's centers say that Facebook Messenger is their preferred means of getting in touch with its shopping centers, Klépierre has chosen to focus its efforts on that social network.

Its goal is to increase the overall satisfaction of its visitors by offering them a way to stay connected with the shopping center even when they are not visiting.

The Group is committed to responding to its visitors via Facebook Messenger in less than one hour during opening hours. A pilot for this service was launched in November 2016 in three shopping centers and subsequently extended to 40 European centers. It is meant to be deployed in 90 centers by April 2018.

The results are very encouraging and have pushed the Group to extend this approach. The number of questions asked on Facebook has increased by 46% and a survey shows that 86% of internet users believe that getting a response via Facebook 24/7 facilitates their consumption experience.

This service, called #JustAsk, has given visitors:

> better information about their shopping center (opening hours, special opening hours, events, etc.);

> better knowledge of the products available in the center (brands, flagship products, current promotions, etc.); and

> personalized support (lost and found, complaints, etc.).

#JustAsk has also allowed Klépierre to take visitor comments into account to study ways to optimize their experience in centers, and they can also give their opinions or ask questions via the "Contact us" section of all center websites.

In March 2018, a robot will be available 24/7 to answer all the practical questions of Internet users concerning general information about shopping centers such as opening hours, the various services available, promotions, etc.

in the longer term, Klépierre plans to roll out a global and personalized shopping assistant in 2019.

The Act for Good® action plan provides that by 2022, 100% of customers' questions will be responded to in less than one hour.

4.4.2 Health and well-being at the centers

Several hundred million people visit Klépierre's shopping centers each year. These are also places where tens of thousands of people work every day. This is why the Group seeks to offer everyone a safe and healthy environment and thus has an active policy in terms of healthcare and well-being.

First of all, shopping centers must have impeccable health quality. Klépierre has identified three major components in this respect:

> health quality: 92% of the cleaning suppliers are certified, most of them under ISO 14001, and their specifications include products favored for improved health quality. The monitoring and maintenance of ventilation ducts are also highly regulated in Europe;

> the quality of the materials, coverings, facades, furniture: the Group strives to use healthy materials with low emissions of volatile organic compounds, and with low content of harmful substances. Asbestos and the monitoring of technical facilities are also covered by the Group's risk management policy;

- air and water quality: the Group ensures that air inlets are free of major sources of pollution, and that a satisfactory amount of fresh air constantly comes into the centers. The risk of Legionnaires' disease is controlled via regular tests on the technical equipment.

Secondly, Klépierre runs healthcare and well-being promotional campaigns in its shopping centers. In 2017, 32% of its shopping centers ran at least one campaign in this area. Initiatives have varied according to centers and countries. They relate both to the promotion of regular sporting activity (information on competitions or local sports events) and to meetings with healthcare or nutrition professionals.

Many centers have hosted blood donation campaigns. A well-being week was organized in the Campania center in Naples, Italy.

As part of its Act for Good® strategy, Klépierre is aiming for all shopping centers to be promoting healthcare and well-being by 2022.

Klépierre also involves its retail tenants in this approach by ensuring that they have the visibility and resources necessary for conducting campaigns in this area. In 2017, 88% of centers ran at least one sustainable development awareness campaign for their tenants. In the vast majority of cases, these campaigns were disseminated using newsletters sent to the tenants. Several centers also ran water recycling awareness campaigns.

Lastly, the well-being of visitors to centers also involves a sense of security. Center safety and security is an absolute priority for Klépierre.

2017 was marked by an increased level of security, with the installation of perimeter protection at all centers. The teams were fully mobilized, allowing the shopping centers to continue welcoming the public against a backdrop of increased security measures.

In 2017, 96% of French centers were equipped with CSMS systems (computer-based safety management systems). This system ensures correct implementation of preventive actions and effective management of incidents through traceability and information sharing (with the police, etc.).

This responsiveness and level of security are the direct result of the steps taken over the past number of years to analyze risks more closely and better control them across all countries in which the Group operates. The steps taken by the Group to ensure a high level of safety and security in its centers are described in section 1.9.4 "Control measures addressing major risks" of this registration document.

4.4.3 Employees

Klépierre provides its employees with a high-quality and stimulating working environment to encourage their involvement and the continuous improvement of practices, both of which are essential for the Group's long-term success. In its new Act for Good® strategy, Klépierre is more generally committed to offering its employees a positive experience, with the same ambition as the one that governs the optimization of the visitor experience.

A working environment that promotes communication and agility

Long-term and direct social dialog

The Group believes that the quality of social dialog contributes to its collective performance, its agility and the success of transformations. The review of the materiality matrix strengthened this objective, which was already firmly embedded in the Group's practices, by making social dialog with stakeholders (including employees) a strong priority.

Social dialog is built in the subsidiaries, with staff representatives and company management.

In France, for example, social dialog in 2017 took the form of more than 30 meetings with staff representatives and the negotiation of four collective bargaining agreements, including the collective bargaining agreement on the right to turn off of May 10, 2017 and the agreement on professional gender equality, signed on July 31, 2017. All employees in France can access these agreements from a dedicated page on the HR intranet.

In the Netherlands, 15 meetings were held with the Works Council, dealing in particular with the establishment of a new pension plan.

In each country in which it operates, Klépierre complies with the legal requirements in matters of freedom of association and collective bargaining in order to maintain a constructive dialog with all employees. In 2017, 64% of Group employees were covered by a collective bargaining agreement.

Klépierre goes beyond fulfilling its obligations and structures new forms of social dialog in all countries, facilitating interaction.

The Group is in favor of direct and transparent discussions between executives and employees. In 2017, 83 French employees took part in a closed committee meeting with the Chairman of the Group's Executive Board to discuss the Company's strategy and the future of the sector. These twice-monthly "Let's Chat" meetings are also held in the subsidiaries and attended by the Chairman of the Executive Board or locally with the Country Director. At Group level, a discussion session for the Group's 150 top managers supplemented this with a Convention organized in June 2017, thereby fostering the sharing of the corporate culture and building pride.

These measures are included in the action plan embarked upon by the Group's Management in response to the results of the "You&Klépierre" engagement survey that was carried out in 2016. The three main improvement proposals put forward by employees have been implemented.

Actions implemented following Commitment Survey “You&Klépierre”

Improvement of internal communication channels at Group level	> Group Top 150 Convention > Let’s Chat, twice monthly meetings of employees with the Chairman of the Executive Board in France and various countries > Roll-out of Workplace > Sourcing expeditions and employee innovation approach > Videos about Group businesses to promote the Group’s main sectors of activities both within and outside the Group
Simplifying and streamlining exchanges between the subsidiaries and the head office	> Innovation project incorporating teams that act across the subsidiaries and the head office > Reporting optimization workshop conducted by a member of the Group’s Executive Committee
Acceleration of the talent management policy.	> Mobility newsletter and sharing of employees’ experiences > Talent review > Roll-out of performance reviews, augmenting the assessment interviews

These areas of improvement have been taken up by the subsidiaries as part of their action plan, and local responses such as country newsletters are planned. These are to be supplemented by more specific actions directly linked to the expectations expressed by the teams, such as optimization of social benefits, improvement of the working environment, training and personal development plans.

Quality of life at work for employees

By focusing on the health and well-being of the teams, Klépierre maintains a low level of absenteeism and gives them a high level of attention, encouraging their involvement and a high quality of service to customers.

Quality of life at work is included in the Group CSR materiality matrix as one of the issues that have received a consensus from internal and external stakeholders; the health and safety of employees is also a major priority in the matrix.

To reinforce its policy in favor of health and well-being in the workplace, the Group is committed to ensuring that 100% of its employees benefit from a measure to enhance their work-life balance by 2022. These commitments are made by the Group’s extended Executive Committee.

Ensuring a high-quality working environment requires awareness raising and training for all managers and their employees, as well as regular monitoring of procedures and actions to be taken and initiatives for the well-being of the teams.

The action plan to detect and prevent psychosocial risks continues. Psychosocial risks awareness actions were also conducted among the members of the Group’s Executive Committee and the management of the Spanish subsidiary before the deployment of training for managers in 2018.

This is in line with the actions taken since 2016 with, in particular, the setting up of a dedicated, free and anonymous psychological helpline provided by AXIS MUNDI in France, an independent expert. The same measure has been implemented in Turkey.

The accountability of managers for team health and safety matters is also raised through training courses on employment law, delivered in France to managers in office and a part of the training of any new managers hired or promoted.

This approach is done in cooperation with staff representatives in the countries where they are present. For example, a collective bargaining agreement on the right to turn off has been signed in France with staff representatives. Applicable to all employees, it includes the proper use of digital communication tools.

In Scandinavia, the Work Environment Committee helped draw up a health survey for all employees, which goes hand-in-hand with medical check-ups. 95% of employees participated in this program, which was run by a specialist provider. Additional measures and a follow-up program were put in place, on an anonymous basis, for those for whom risks were identified.

At end-2017, 75% of Group employees were covered by staff committees or representatives, in terms of health and safety at work.

The annual assessment of occupational risks aims to anticipate potential risks, monitor actions and recall procedures in France. A report is made to the Occupational Risks Committee which brings together multidisciplinary teams including internal audit and control and the HR Department.

Local initiatives are deployed to offer greater flexibility to employees. Teleworking and flexible hours are offered under certain conditions, depending on the country.

Developing well-being at work

The tenth “Klécup”, the Group’s sailing race, gathered 48 employees from 13 countries for three days of racing in Brittany.

In France, Klépierre is sponsor of “Foulées de l’Immobilier”, a running event open to all professionals in the sector. In 2017, the Klépierre teams won the first 1st connected race challenge held during that event. A sports training program and yoga classes are ongoing at the Paris head office, and massages are offered to employees in some subsidiaries. Sports initiatives between work colleagues are in place in most countries, at the initiative of both the Company or employees, thereby encouraging setting new standards and team spirit. In some countries, the Company financially supports sporting activities.

At the initiative of a few employees a connected race challenge was launched in early January 2018: the “Let’s Sport Klépierre Challenge 2018”; each employee posts online, on Workplace, his or her race performances, which are added up within a given country.

In addition to sports, regular events are organized to encourage meetings and convivial exchanges between employees: Happy Hours or breakfasts at the head office, twice monthly Let's Chat meetings with the Chairman of the Executive Board, annual evenings for employees in all countries, the Group Convention and seminars in the countries.

These initiatives combine to keep the level of absenteeism and the number of workplace accidents at a low level.

These good results are also linked to:

> the regular monitoring of the indicators at both the local and consolidated levels;

> the rigorous monitoring of action plans (in France);

> the Group's best practices, shared by all subsidiaries and, in particular, the constant monitoring of employee health and safety, with regular internal and external audits, with all employees also benefiting from regular medical check-ups;

> the raising of awareness and the training of teams in health and safety issues and occupational risks, with 2,419 hours allocated in 2017 to internal communications.

▶ RATE OF ABSENTEEISM BY REGION

	2017	2016
France-Belgium	1.9%	2.4%
Italy	1.3%	1.3%
Scandinavia	1.7%	1.3%
The Netherlands	1.8%	2.7%
Iberia	1.4%	2.3%
Germany	5.2%	4.1%
Central Europe and Turkey	1.7%	1.2%
GROUP	**1.9%**	**2.0%**

Note: The absenteeism rate is calculated as follows: total number of days off work due to illness, workplace accidents and unjustified absences, divided by the average monthly workforce, in turn multiplied by 365. Long-term illnesses similar to a suspension of the employment contract are excluded.

▶ SHORT-TERM ABSENTEEISM (<7 DAYS)

	2017		2016	
	Rate	Number of days lost per employee	Rate	Number of days lost per employee
France-Belgium	0.3%	1.2	0.4%	1.3
Italy	0.7%	2.5	0.8%	3.0
Scandinavia	0.3%	1.3	0.4%	1.4
The Netherlands	0.4%	1.4	0.8%	3.1
Iberia	0.2%	0.5	0.1%	0.2
Germany	4.7%	17.2	0.6%	2.0
Central Europe and Turkey	0.4%	1.5	0.6%	2.1
GROUP	**0.6%**	**2.1**	**0.5%**	**1.7**

▶ WORKPLACE ACCIDENTS

	2017	2016
Total number of workplace accidents	**9**	**5**
Workplace accidents resulting in time off work	2	1
Workplace accidents resulting in death	0	0
Days off work due to workplace accidents	**54**	**13**
Frequency rate of workplace accidents	0.87	0.44
Severity rate of workplace accidents	0.02	0.01
Occupational illnesses reported	**0**	**1**

Note: for workplace accidents, accidents while commuting to/from work are excluded.
The frequency rate of workplace accidents is the number of workplace accidents resulting in time off work per million hours worked. The following formula is used: (number of accidents resulting in time off work/(235 x 7.8 hours x annual average workforce + overtime) x 1,000,000).
The severity rate of workplace accidents is the number of days lost through time off work due to workplace accidents per thousand hours worked. The following formula is used: (number of days off work following a workplace accident/(235 x 7.8 hours x annual average workforce + overtime)) x 1,000.

Fostering employee innovation

Fostering employee innovation and promoting their initiatives and achievements internally are top priorities shared by Group management. In addition to the personal development opportunity for each employee, this initiative boosts the quality of talent recruited, helps improve employee experience and contributes to the Group's operational performance.

The Group has set itself a goal that by 2022 100% of employees will be involved in building the future of the business, in particular through innovation programs, multidisciplinary workshops, sourcing or learning expedition programs, and so on.

Initial steps have already been taken in this direction, both at the head office and country levels.

In that sense, there were new developments in the Group's approach in 2017. It is organized around a network of 28 internal ambassadors from 10 subsidiaries and from virtually all of the Group's businesses, who work in workshops on nine issues facing the Group. The innovation and implementation projects proposed by the nine workshops are regularly presented to the Steering Committee, on which members of the Group's Executive Committee sit.

In addition, there are local initiatives, such as in Turkey where an ideas competition involving employees is held annually on themes connected with the Group's operational challenges. In 2017, it was on investment, with the discussions between the teams providing participants with a better understanding of the business.

Sourcing expeditions are undertaken locally (in France in partnership with “Journée de la femme digitale”, as part of the promotion of diversity) and at the Group level (VivaTech fair in Paris). A cross-disciplinary group of female employees with an interest in the innovation approach undertook a sourcing expedition at the 2017 Journée de la femme digitale. They made presentations and took the opportunity to promote the creation of an internal social network, aimed at making it easier to operate as a more agile organization.

This internal social network, Workplace by Facebook, has been rolled out across the Group since June 2017, thereby enriching the digital experience of employees. In just a few months, it has become a space for sharing individual and collective initiatives, experiences, achievements and successes, new ideas, etc., which connect virtually all of the Group’s employees permanently and instantly; in fact, 78% of them have created their own accounts. They also contribute through focus groups dedicated to a Group project, country, business or ambition, such as Destination Food® or Let’s Play®. This is one example of the new collaborative working methods promoted by the Group.

The excellence of every person to benefit collective performance

Klépierre, an employer of choice on the market

Talent recruitment is a key issue for Klépierre in achieving its ambitions, ensuring the baton is passed on and benefiting from the richness of the contributions and ideas of its employees.

In addition to its strengths as a listed pan-European property company with a human size, the Group has had a talent management policy for several years, built around the offering of multi-country cross-disciplinary professional development programs.

To this end, Klépierre relies in particular on recruitment practices tailored to the requirements of recent graduates, local managerial support, offering career development opportunities.

▸ NUMBER OF NEW HIRES

	2017	2016
GROUP	228	216

▸ BREAKDOWN OF NEW HIRES (ALL CONTRACT TYPES BY REGION)

	2017	2016
France-Belgium	70	75
Italy	23	6
Scandinavia	39	30
The Netherlands	15	27
Iberia	16	23
Germany	19	5
Central Europe and Turkey	46	50
GROUP	228	216

International mobility counts as new hires, totaling 4 in 2017.

Permanent employment favored, 83% of new hires on open-ended contracts

The talent recruitment methods used by the Group take into account changes in recruitment practices and, in particular, the intensification of presence on social networks, the development of digital recruitment tools and presence on the school job forums. Klépierre’s LinkedIn page subscribers have increased by 40% since January 1, 2017. The recruitment policy focuses on hiring recent graduates, mainly from leading engineering and business schools. In addition to traditional recruitment approaches, “gamification” was tried through the HEC Business Game, where in 2017, Klépierre sponsored the challenge “Reinventing the customer experience in a shopping center, in 2030.”

The intern recruitment policy, with 84 interns hosted in 2017 in France and Happy Trainees certification in 2017-2018, is a reflection of appreciation among students and in particular the quality of the support provided by the Company and notably by the managers. This certification, based on an anonymous satisfaction questionnaire sent to interns, has been obtained from the first year of participation. 79% of interns responded.

In parallel and in line with the talent policy, which is focused on offering attractive development pathways, the Group is continuing the international work experience volunteer (VIE) recruitment process. In 2017, 100% of the VIEs were hired on open-ended contracts at the end of their assignments.

Training is an effective tool for on-boarding and developing skills, thereby enabling employees joining the Group to acquire core knowledge about the Group’s businesses, build their network and foster teamwork. Tailored on-boarding programs have thus been offered to new arrivals, to help them get up to speed with the Group’s organization and challenges. They include, depending on the country, shopping center visits, meetings with the heads of various departments or managers.

The participation of employees in welcoming new entrants as ambassadors for their lines of business represents one of the elements of recognition and validation.

Fostering employee development

Supporting the professional development of its employees is one of the pillars of Klépierre’s human resources policy, giving everyone the opportunity to evolve and remain highly employable. It is also an effective means of allowing teams to renew themselves and innovate to up their performance. Employee training is one of the keys to the organization's agility, enabling it to rapidly adapt to changes in the market and its competitive environment. Finally, it is one of the means of sharing the Group’s expertise and culture.

The development of employees and career paths was identified as one of the high-risk internal issues in the Group's CSR materiality matrix.

On the strength of this belief, the Group made a commitment to reach a 100% access to training rate for its employees by 2022.

For several years, training has been organized around Klépierre University, the Group's training school, which is international in scope. Klépierre University reports to the Group's Human Resources Department. The team in charge of Klépierre University is in direct contact with the human resources departments of each country. The training needs identified by managers during the annual performance appraisals that they do with their employees are entered into the Group's talent management tool and incorporated into the training plan.

The Group had a 90% rate of access to training in 2017, with an average of 30 hours of training per trained employee.

▶ RATE OF ACCESS TO TRAINING

	2017	2016
GROUP	**90%**	**82%**

▶ ACCESS TO TRAINING BY GENDER

	2017			2016		
	Men	Women	Total	Men	Women	Total
Total number of training hours	16,607	17,987	34,595	14,101	15,940	30,041
Average hours of training per trained employee	33	28	30	29	27	28
Average hours of training per employee	32	24	27	25	21	23
RATE OF ACCESS TO TRAINING	**95%**	**85%**	**90%**	**87%**	**77%**	**82%**

The increase in the rate of access to training in 2017 and in the number of hours is most marked at "Middle Management" and "First Line Management" levels, which account for 32% of the total workforce. 54% of training hours were conducted outside of France, a 37% increase versus 2016.

▶ NUMBER OF HOURS OF TRAINING PER TRAINED EMPLOYEE BY MANAGEMENT LEVEL

	2017	2016
Executive Management	23	20
Top Management	22	29
Middle Management	38	28
First Line Management	36	29
Non Management	28	27
AVERAGE	**30**	**28**

Training is partly carried out in-house by employees, thus accelerating the sharing of best practices and experience, the transmission of Group know-how and culture, through a rewarding process for employees. In 2017, 34,5% of training hours, (11 922 hours) were provided by internal trainers. There has been an "internal trainers" group for a number of years which enjoys dedicated trainings and seminars for its own development. These employees cover a diverse range of training areas including asset management, marketing, system utilization…

Klépierre University's training catalog, which contains a range of 130 courses, changes to keep pace with the Group's challenges and strategy. To meet the operational imperatives, short courses are multiplying and the roll-out of online learning has accelerated (virtual classroom, mobile learning, tutorials, etc.). These new formats make it possible to enhance the satisfaction of learners and their supervisors and to improve the effectiveness of apprenticeships.

In 2017, training programs were rolled out to accelerate the digitization of the various businesses and help improve customer service. A total of 3,495 hours of marketing training were delivered, representing 10% of the total hours provided.

In line with the Group's commitment to offer a high-quality working environment for its employees in terms of health, safety, and well-being in the workplace, employees received 2,419 hours of training on these topics (occupational health, first aid, and fire safety, statutory training such as technical accreditations for teams at the centers).

The training drive and the increased expertise offered by the Group university to the various entities in the countries nevertheless leaves room for creativity at a local level. Accordingly, the teams in Turkey rolled out a training and knowledge-sharing platform.

Staff development requires managerial support.

Identifying high-potential employees, offering development opportunities, and proposing individual career paths are among the main objectives of the Group's human resources policy.

A new system reinforcing managerial support has also been rolled out since the end of 2017 at Group level. The employee assessment process is now divided into two phases: the first is a performance review with a follow-up stage mid-year, and the second is dedicated to employee professional development. This second phase allows managers to more actively support their employee's professional development (mobility, training, etc.). This new process, which is run by the Group's Human Resources Department applies at every level of the organization so that all employees benefit from it. It will give rise to specific training, in addition to the training in the conduct of assessment interviews offered to all managers. During the most recent appraisal interview cycle in 2016-2017, 94% of Group employees, active and with open-ended contracts, had such an interview with their managers.

This initiative is a response to the Group's commitment that 100% of recent graduates will benefit from a personalized career development support between now and 2022.

In support of this policy built around developing employees, in particular through their career opportunities, in 2017 the Group extended the talent review to 250 employees at the highest Company's positions. This process, launched in 2016, aims to identify the employees who stand out by virtue of their development potential and their motivation to grow.

The methodology used, which is the same across the Group, is based on specific criteria. It enables an analysis of each employee's performance, as recorded in the employee's annual assessment interviews, and the employee's potential for development as seen by the employee's supervisor. The process also includes discussions with the Group's top managers to develop a shared vision of the talent within the Company. It ends with a report to the Group's Executive Committee that allows the development of an action plan for the following year. Possible actions include assisting employees toward intra-group mobility.

The deliberate employee career development policy involves geographic or functional mobility, involving some 100 positions in 2017, markedly up on 2016. All recruitment involving open-ended contracts is examined internally by HR managers with regard to mobility opportunities. In this way, Klépierre offers talented recruits the option of growing by developing in-depth expertise, by taking on responsibility, by consolidating their leadership by managing cross-functional projects and by enhancing their ability to grow in a multi-cultural environment. This approach is a preferred route to top management positions within the Group such as general management of an entity. Mobility is widely promoted within the Company, for example in France, through the regular publication of a newsletter detailing all available positions along with interviews with employees promoting their business line. The visibility provided by this system allows the Group HR Department to favor internal candidates over outside recruitment. In 2017, 31% of mobilities and 40% of promotions have benefited to employees under 35 years old.

For example, in 2017, a sales manager for the French subsidiary was promoted following three years with the Group to head of asset management for three Central European countries and the head of asset management for Iberia was promoted CEO of the Dutch subsidiary.

These examples demonstrate the Group's desire to promote talented young employees to high office. Thus, in 2017, the average age of members of the Group Management Team fell two years compared with 2016 to 46.5 years of age.

In general, this wide-scale mobility is underpinned by local policies to support employees through dedicated training, mentoring or indeed coaching.

▸ INTERNAL MOBILITY

	2017	2016
No.	100	85
% of permanent workforce	8%	7%

Compensation – tool for recognizing individual performance

The compensation policy represents a management tool for the Company's strategy. It plays a role in recognizing individual and collective performance, rewarding value creation by employees and driving growth in the Company's results over the long-term.

Within the Group, compensation comprises the following components:

> a base salary, the level of which is adjusted to the local jobs market, balancing a principle of reality and necessary room for improvement for the best-performing employees;

> a variable compensation portion rewarding individual performance;

> collective compensation in France, with profit-sharing and incentive mechanisms, i.e., the sharing of the value created by the Company among employees;

> social benefits adapted to local practices.

In line with the objective of validating performance, to which Klépierre is committed, the salary increase procedure takes place annually following an approach harmonized at the Group level and organized around collective decisions.

In addition, performance shares are awarded to the Group's top managers (9.5% of permanent employees in 2017) to promote an alignment of interests between the Group's shareholders and its main employees.

Moreover, in the context of improving employee experience and reducing paper consumption, pay slips for all French employees have been electronic since 2017.

▶ COMPENSATION

Average gross annual salary by region

In euros	2017	2016
France Belgium	55,633	55,799
Italy	43,235	43,492
Scandinavia	74,093	75,375
Netherlands	73,305	74,917
Iberia	43,839	42,784
Germany	56,123	53,688
Central Europe & Turkey	28,222	26,708

A dynamic human organization

An organization that adapts to the changing challenges facing the Group.

As of December 31, 2017, the Klépierre Group directly employed 1,264 employees, including 97% on open-ended contracts, down 3% from 2016.

▶ BREAKDOWN OF WORKFORCE BY TYPE OF EMPLOYMENT CONTRACT

	2017		2016	
Open-ended contract	1,222	97%	1,257	97%
Fixed-term contract	42	3%	45	3%
TOTAL	1,264	100%	1,302	100%

Moreover, with the jobs market picking up and the Group's reputation growing, Klépierre's employees, known for their professionalism and their training, are increasingly tempted to switch employers.

The 11.7% turnover rate reflects this jobs market trend and the Group's stated HR policy to recruit talented young graduates by offering them development opportunities. 77% of employees hired on open-ended contracts are still with the Company after two years.

▶ BREAKDOWN OF DEPARTURES BY REASON

	2017	2016
Resignations	134	102
Lay-offs	25	39
Negotiated departures	40	57
Retirement	9	13
End of fixed-term contract	41	52
Other reasons	17	41
GROUP	266	304

Note: departures for "other reasons" include contract transfers, end of trial periods and deaths; no death was reported in 2017.

▶ DISTRIBUTION OF WORKFORCE BY REGION

	2017	2016
France-Belgium	39%	39%
Italy	15%	14%
Scandinavia	12%	12%
The Netherlands	5%	5%
Iberia	9%	10%
Germany	5%	5%
Central Europe and Turkey	15%	15%
GROUP	100%	100%

▶ BREAKDOWN OF WORKFORCE BY WORK DURATION

	2017		2016	
Full time	1,163	92%	1,187	91%
Part time	101	8%	115	9%
TOTAL	1,264	100%	1,302	100%

▶ TURNOVER RATE BY REGION

	2017	2016
France-Belgium	8.8%	7.1%
Italy	4.3%	4.4%
Scandinavia	20.8%	13.1%
The Netherlands	25%	20.7%
Iberia	11.2%	5.6%
Germany	20.7%	5.5%
Central Europe and Turkey	13.8%	17.7%
GROUP	11.7%	9.4%

Note: the turnover rate is calculated as follows: ((total number of resignations+retirements+deaths)/ total workforce on open-ended contracts by 31/12/N).

An organization that benefits from the diversity of its teams

The Group, present in 16 countries and their major cities, includes diversity on a daily basis as a key element in understanding its environment and its customers.

For Klépierre, diversity is expressed primarily by the mix and coexistence of generations and nationalities. To enable the Group and each employee to benefit from this source of wealth, a more intense social dialog policy has been implemented. This approach supplements the initiatives put in place by Klépierre University through multi-business and multi-country training events furthering personal and collective improvement.

This focus on diversity is primarily reflected in the professional gender equality, which includes:

> equal pay. In France, for the third consecutive year, there was no situation that justified measures to close any wage gap between men and women with the same position and responsibility. A review of the gender pay gap, at equivalent responsibility and seniority, is done annually across around 80% of the Group's workforce, in order to take remedial measures where necessary;

> balanced gender representation in the Group's main occupations (asset manager/leasing/center director), for which in France an objective of increasing female recruitment has been adopted and incorporated into the agreement on professional gender equality of July 31, 2017.

▶ PROPORTION OF WOMEN WITHIN THE GROUP

	2017	2016
Management	39%	36%
Non Management	72%	71%
GROUP	60%	59%

▸ **PROPORTION OF WOMEN BY MANAGEMENT LEVEL**

	2017	2016
Executive Management	6%	9%
Top Management	26%	29%
Middle Management	32%	28%
First Line Management	44%	40%
Non Management	72%	71%
GROUP	**60%**	**59%**

▸ **RATIO OF AVERAGE SALARY (WOMEN TO MEN) BY MANAGEMENT LEVEL**

	2017	2016
Executive Management	1.17	1.04
Top Management	0.97	0.88
Middle Management	0.70	0.83
First Line Management	0.88	0.87
Non Management	0.83	0.82

Focus on diversity also includes the promotion of equal opportunities and non-discrimination, which has been characterized by the following actions:

> in 2017 in France, the Group made a commitment to Passeport Avenir, whose mission is to help young people from underprivileged backgrounds succeed in their academic and professional lives in order to foster the emergence of a generation of different leaders, mobilizing businesses and higher education institutions. 28 employees provided individual sponsorship and support to young people from underprivileged backgrounds in their post-baccalauréat studies;

> in Scandinavia, a public partnership pilot was launched to offer internships to the long-term unemployed, as part of a work-placement scheme, resulting in 5 internships in 2017.

The promotion of diversity also results in a balanced intergenerational mix:

> in 2017, 12% of employees were under 30 years old, 69% between 30 and 49 years old, inclusive, and 19% were over 50 years old. This breakdown, which reflects a younger age pyramid, illustrates the Group's ability to build a bridge between the younger and older members, and to thereby ensure the transfer of knowledge within the Company;

> transfer of expertise initiatives are in place, in addition to Klépierre University. For example, in Scandinavia, mentoring is provided 6 months before retirement, allowing the most senior employees to share their expertise and experience with a junior employee.

▸ **BREAKDOWN OF WORKFORCE BY AGE BRACKET**

	2017	2016
under 30 years of age	12%	9%
30-39 years of age	35%	37%
40-49 years of age	34%	34%
50 years of age and over	19%	20%

Multiple initiatives have been implemented to support parenting. Depending on the country, employees who are parents are offered days in which they can bring the kids to work, assistance with childcare costs, paid leave when children are sick, paid maternity leave beyond the statutory minimum.

Lastly, varied initiatives for people with disabilities, for example, in Italy, a pilot local partnership was set up to encourage the training and ultimate employment of interns with disabilities. More broadly, various Group subsidiaries use service providers that employ people with disabilities. The share of workers with disabilities as a proportion of the total workforce increased significantly between 2016 and 2017.

▸ **WORKERS WITH DISABILITIES AS A PROPORTION OF TOTAL WORKFORCE**

	2017	2016
Number of workers with disabilities	18	15
% OF TOTAL WORKFORCE	**1.6%**	**1.3%**

4.4.4 Procurement and business ethics

Human rights and ethics

Major focus on respecting fundamental rights

Klépierre operates in 16 countries and, in line with its ethical commitments, the same procedures are systematically applied in all locations and to all Group employees.

In addition, strict national and European Regulations and internal procedures ensure that human rights standards are respected.

All Klépierre employees work in countries that have ratified the eight fundamental conventions of the International Labour Organization (ILO) including the elimination of discrimination in the workplace, respect for freedom of association and the right to collective bargaining, the elimination of any form of forced or compulsory labor, and the abolition of child labor. All the key suppliers and service providers operate in those same countries, this situation is thus also extended to the supply chain.

A signatory to the United Nations Global Compact since 2012, Klépierre renewed this commitment in 2017 and currently conducts a yearly review of the human rights situation, in tandem with correspondents in the countries in which it operates. This assessment which is done on the basis of the analysis tool developed by the Global Compact, shows systematic respect for fundamental rights (in terms of occupational health and safety, working conditions, equal treatment, freedom of association and collective bargaining, non-discrimination, forced labor, etc.). The yearly review which is carried out with all Group human resources correspondents is used to check the relevance of the periodic reporting in place, the consistency and the development of local initiatives. It also serves as a means of reflection on the policies to be implemented across the Group to permanently and uniformly improve its practices.

The code of professional conduct, the basis for employee involvement

The code of professional conduct demonstrates the Group's commitment to ethics and human rights. The objective of this code is to make the Group's commitments more understandable for its employees and its stakeholders and thus ensure better compliance. Training sessions were organized at its launch in most countries. The code is available online at the Klépierre website. In all countries, the Code of Professional Conduct is given to employees upon their arrival in order to raise awareness of the procedures, of the importance of the transparency of practices, and of respect for fundamental rights.

A comprehensive set of rules to ensure compliance with Group commitments

A set of internal procedures and best practices govern the activities in order to ensure respect for regulations and local customs and to prioritize the customers' interests. They supplement and clarify the principles set out in the Code. Thus they define the rules to be followed in order to limit and prevent risk situations related to the following issues:

> conflict of interests;
> confidentiality and observance of professional secrecy;
> financial communication and media;
> privileged information and insider trading;
> fight against money-laundering and the financing of terrorism;
> adherence to rules governing corruption;
> no political funding;
> delegations of authority and signing authority;
> gifts and invitations, received by employees and offered to third parties;
> protection and utilization of Company assets;
> adherence to procedures applicable to invitations to tender;
> whistleblowing;
> health and safety;
> prevention of acts of discrimination and harassment, respect for privacy;
> environmental responsibility.

An improved whistleblowing and fraud-risk monitoring system

A whistleblowing procedure is also in place throughout Europe available to all employees.

This system, outsourced and independent of the Company, is available 24/7 by phone, e-mail, or via a dedicated website. Anonymity is put in place when this is permitted by local regulations. All employees are made aware of this system.

No breach or violation of the ethical rules was reported through this system in 2017.

The Group is regularly subject to external fraud attempts such as CEO fraud and computer hacking attempts. Hacking is now the subject of increased vigilance using audit and protection tools. Internally, access is managed by the system through authorized profiles and employees are made aware of these subjects through ongoing accessible training modules.

Responsible purchasing

The Group's relationships with its service providers and suppliers are governed by the same concern for probity and integrity. Klépierre endeavors to extend its principles of responsibility to its value chain, since it plays a key role in safety issues and in the quality of the shopping experience offered to all of its customers, both retailers and visitors.

A «purchasing» department to structure shopping center procurement

In order to ensure proper management of the operational risks linked to purchasing and to optimize the performance of the Group in this area, a department dedicated to this area was created in the first half of 2014. With a six-strong team, and in cooperation with external providers, its primary responsibilities, in descending order of importance, are to:

> optimize the purchasing processes;
> secure, evaluate, and monitor a specific pool of so-called “approved” suppliers;
> improve the operational margin.

It pays close attention to the responsible and sustainable nature of purchasing. Its areas of activity cover the operating and non-recurring expenses for shopping centers as well as marketing budgets and overheads.

Its activity follows two fundamental principles:

> neutrality, to ensure objective, fair, ethical, and transparent processes;
> consideration of the life-cycle cost of purchased products.

Since the integration of the Corio assets in 2015, the Purchasing Department optimizes purchases in all 16 countries where the Group is present. In order to achieve this, it created the following action plan for 2017:

> implementation of a common Supplier Relationship Management system (SRM) across the countries;
> creation of an international purchasing coordination;
> implementation of dedicated purchasing expertise in the countries.

Operating expenses experience a high level of scrutiny

In 2017, Klépierre purchased around 300 million euros[1] of services and supplies for the operational management of its shopping centers owned and managed in Europe. These operating expenses are especially scrutinized. They are overwhelmingly passed to tenants in rental charges. This is an important responsibility in the Group's dealings with its retailers, and pushes it to continually increase the transparency and effectiveness of its budget management.

Looking to achieve savings is a constant endeavor. For example, in 2017 the French subsidiary provided:

> the roll-out of the framework agreement governing security and safety in the shopping centers, which represents the top expense item;
> The launch of a call for tenders to centralize the waste management service in the shopping centers;
> the carrying out of a national call for tenders for multi-technical maintenance in the centers;
> the renewed roll-out of the gas supply contract for the shopping centers.

The risks related to operating expenses lie in the atomization of the purchasing process (order or supply) at each shopping center and in the identification of the suppliers providing services that can impact the business continuity of the center. These risks are addressed in particular through more stringent selection and approval of service providers and the signing of framework agreements and continuous on-site monitoring.

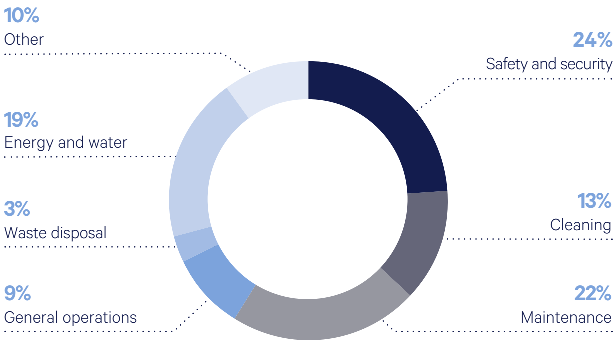
(1) Excludes marketing budgets, taxes, management fees

Local service providers present daily in the centers

On average in Europe, 90% of the Group's operating budgets consist of five major categories of services[1]: fluids (energy and water); general operations; cleaning; maintenance; and security and safety.

A majority of suppliers and service providers involved in cleaning, security, and maintenance have their teams in the shopping centers on a daily basis. These services account for more than 60% of the operating budgets in Europe. This makes the monitoring and control mechanisms easier. Adding in the budgets for energy and water established on markets that are strictly regulated in Europe, Klépierre takes into account that its major purchasing categories are highly controlled.

▶ BREAKDOWN OF OPERATIONAL BUDGETS OF SHOPPING CENTERS AND IDENTIFICATION OF THE MAIN SERVICES PROVIDED



The teams on site are in charge of controlling and auditing the quality of the services provided. The procedures implemented at Group level are used to standardize these controls based on economic, environmental and social criteria.

In 2016, a social and environmental performance analysis of the Group's main suppliers was carried out. This study assessed around 40 suppliers of varying sizes on the following criteria: environment, social, business ethics, and responsible purchasing. The average score of Klépierre suppliers was 5.4 points higher than the average from a benchmark panel of 15,000 suppliers on the platform of the study provider.

In 2017, Klépierre worked on monitoring the performance of its European suppliers in accordance with its new CSR approach, in order to engage its suppliers and subcontractors in a shared responsibility approach.

Same diligence with regard to non-recurring expenses

Klépierre has developed the ClubStore® charter in order to re-examine and map the customer journey and create a commercial environment animated by a spirit of hospitality. At the end of 2015, the Purchasing Department launched a call for tenders to identify the best providers matching this Clubstore® charter from a number of angles: rest area (furniture, lighting, etc.), signage, reception, directory terminals, bathroom facilities, children's areas (games, stickers, etc.).

The chosen solutions meet the Group's requirements in the following areas:

> **control:** products that fully comply with regulations and standards governing facilities open to the general public (ERPs);

> **warranty:** products carry a two-year warranty for parts, labor and call-out;

> **safety and security:** providers "analyzed" in terms of their financial health, compliance with labor law and their level of dependence;

> **negotiation:** prices encompassing all services: fees, intellectual property, licenses, equipment, etc.;

> **sustainable development:** external monitoring of the performance of the European suppliers;

> **maintenance:** the whole life cost aspect is considered with warranty extension and maintenance.

Development of significant additional revenue

Since 2015, the Purchasing Department has helped the countries with their advertising contracts. Following Sweden, Italy, France and now Spain, the operating scope has risen from 300 to 600 digital advertising displays in 52 shopping centers in Europe.

Selection and approval of service providers

The approval of suppliers and providers (sourcing, assessment, and contracting) is standardized. The economic partners are selected through an objective and fair tender process. The contracts signed are not automatically renewed. The selection of accredited providers incorporates increasingly more stringent sustainable development criteria, such as the implementation of machinery and systems that are efficient in their consumption of electricity, water, supplies, or other consumables, or raising awareness among employees about the influence of their behavior on the environment. These criteria have different weightings depending on the kind of service provided.

Accreditation of providers has been strengthened in the main countries concerned and is gradually being centralized. Using fewer providers makes it easier to carry out on-site controls.

A special effort was in particular made in 2014 with regard to Christmas decorations. The selection of three providers in France, Spain and Portugal offers multiple economic (down 12% in costs), environmental (more than one million LED bulbs) and security (easier control of installations) advantages.

(1) *Based on the average of 2016 planned operational budgets for Group centers in 10 countries. Excludes marketing budgets, taxes, management fees.*

Responsible practices

In order to help buyers in their day-to-day work, market leading tools were put in place to monitor and anticipate external partners.

The Group's social and environmental commitments were progressively incorporated into the contracts signed with suppliers and service providers and in particular include the following items:

> economics: financial position, proportion of revenue achieved with the Group (< 25%), business ethics, etc.;

> environment: use of environmentally-sound products and materials, energy efficiency, waste management, establishment of innovative processes, etc.;

> social: measures against undeclared work, forced or child labor, working time and conditions, etc.

Service providers holding a certification are preferred. Klépierre believes that this ensures the implementation of more responsible practices. Across Europe, 81% of the Group's key providers and suppliers have at least one certification, primarily ISO 9001 or 14001. The 80% target has thus been achieved since 2014. Klépierre now wants to at least keep this level of certification.

In addition, the economic dependency rate of Klépierre service providers does not exceed 22% and CSR clauses are included in all tender documentation. They require service providers to "raise awareness among their workforce regarding the environmental impact of their behavior" as well as "employ machinery and systems that are efficient in their consumption of electricity, water, supplies or other consumables".

A declaration regarding the combating of illegal work is also signed by all Klépierre service providers. It contains clauses forbidding all forms of undeclared work.

► PROPORTION OF CERTIFIED KEY PROVIDERS

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m

	Cleaning	Security	Maintenance	Total	Group coverage rate
2015	85%	78%	80%	82%	98%
2016	86%	75%	79%	80%	98%
2017	**92%**	**76%**	**77%**	**81%**	**98%**

The main certifications are ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety).

"Supplier Day", a seminar for a better understanding of Europe in this event's 2017 edition

Three years after creating the Purchasing Department, the Group brought together its major providers with three objectives:

1. Recognition: to review the implementation of common processes and risk management frameworks.
2. Ongoing improvement: "Work better together" (symbolic of the "live my life" role play organized at the centers), with the goal of keeping the Group's strategy aligned with that of its providers in order to play a part in the Group's excellence and results.
3. Launch the proKure® purchasing platform: a comprehensive solution to manage supplier relations for business professionals (real estate managers, retailers), from contractual negotiations to operational management of current expenses.

Managed payment mechanisms

The internal departments that select and approve suppliers and the departments that process payment are completely independent from each other. This strict task allocation was reinforced with the implementation of a new ERP tool. This tool, in place since 2008, is operational across all regions.

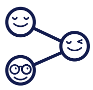
4.4.5 Philanthropy

As places for shopping, meeting, and leisure, shopping centers are the living areas. As such, they are naturally open to partners active in local life, which may thus benefit from the high number of visitors at the centers. The Group's centers all over Europe host a wide range of events organized and supported by social organizations.

94% of centers have thus hosted one or more of these philanthropy initiatives.

On average, 15 hours per center were devoted to philanthropic activities. An average of 17 sq.m per center was devoted to these actions.

With «Act for People,» one of the three pillars of its Act for Good® policy, the Group wished to extend its philanthropic commitment and involve its employees.



Driven by local charitable activities and offered to 42% of the teams, the Group has committed to giving 100% of employees the opportunity to take part in a charitable activity by 2022.

Among the actions already undertaken, for example, in France, the operation "Emballez vos samedis!" ("Wrap Up Your Saturdays") was proposed to all employees at the Paris HQ and 65 of them voluntarily wrapped the gifts of customers in the Île-de-France shopping centers in aid of the CéKeduBonheur charity, which acts for the improvement of the daily lives of children in hospital. This totaled 264 hours of volunteer time. The Company supported this initiative by topping up the funds collected for the benefit of the Association. This initiative also allowed employees at the head office to engage in a shared experience with the teams. In addition, 72 kg of toys were collected in France at the Paris head office in aid of the association Rejoué, which reconditions toys in a rehabilitation workshop for their sale or their gifting.

In Spain, actions are open to all employees. Firstly, once a month, volunteer employees distribute meals to disadvantaged families. The meals are supplied by a food bank and, in 2017, 30 employees helped with the distribution. And, secondly, at Christmas, a luncheon was organized for children of disadvantaged families with gifts from employees being handed out. 100% of employees helped with the collection by either giving gifts or money to buy gift cards. Twenty employees attended the luncheon and helped hand out gifts to the 100 children present.

In Portugal, Klépierre has partnered up with the association Grace and in the course of this partnership organized an action called "Giro." This volunteering, which is open to all employees, helped carry out an action to prevent summer forest fires, a real scourge in Portugal. 30% of employees are involved in this initiative.

In the Czech Republic, 30 employees (i.e., over 80% of the workforce) were invited to participate in a beach volleyball tournament organized by JLL and open to all real estate companies in the country. The total amount of funds raised by this initiative was donated to charitable organizations.

PROPORTION IN VALUE OF CENTERS HAVING LED AT LEAST ONE PHILANTHROPY PARTNERSHIP

2017 current basis (98% coverage): 138 shopping centers and 5,027,646 sq.m

	France-Belgium	Italy	Scandinavia	Iberia	Central Europe & Turkey	The Netherlands	Germany	Group	Group coverage rate
2015	97%	100%	82%	100%	100%			96%	98%
2016	92%	94%	100%	75%	98%	64%	100%	92%	98%
2017	**95%**	**100%**	**100%**	**96%**	**79%**	**70%**	**100%**	**94%**	**98%**

4.5 Methodology, Concordance table and data verification

4.5.1 Methodological note

Rate of coverage and distribution of themes by scope

The environmental, societal and social management system is used to quantify and identify the main environmental, societal and social impacts of the Klépierre Group and its activities.

The fundamental principles underlying this reporting are:

> relevance: the biggest sources of environmental and societal impact for each theme are taken into account;

> representativeness: the selected indicators are representative of the Group's sites and activities;

> consistency: guarantees that the data comparison by region or year by year is pertinent;

> transparency: the assumptions made and the calculation methods used are clearly defined;

> accuracy and reliability: records are kept at site levels and at the various consolidation levels to ensure data traceability.

RATE OF COVERAGE AND DISTRIBUTION OF THEMES BY SCOPE

	Klépierre		Shopping centers "Managed portfolio"	
	Value[(a)]	% Klépierre property portfolio	Value[(a)]	% property portfolio
2015	22,127	100%	18,934	89.4%
2016	22,817	100%	20,664	94.4%
2017	23,013	100%	22,652	98,4%

(a) Value in millions of euros, excluding duties.

Methodological note for environmental and societal indicators

The environmental and societal management system takes into account the recommendations made in the three leading frameworks in Klépierre's industry at the international, European, and national levels, namely:

> Global Reporting Initiative Construction and Real Estate Sector Supplement (GRI 4 and GRI CRESS);

> Best Practices Recommendations on Sustainability Reporting published by the European Public Real Estate Association (EPRA);

> French Council of Shopping Centers (CNCC) – Industry CSR reporting guide.

▸ DETAIL ON UNITS OF MEASUREMENT FOR THE MAIN ENVIRONMENTAL INDICATORS

	Energy	Climate change	Water	Waste
COMMON AREAS AND SHARED EQUIPMENT				
Absolute value	MWh of final energy	tCO_2e		
	Common areas and heating and air conditioning shared equipment			
Intensity by area	kWh/sq.m	$kgCO_2e$/sq.m		
	sq.m common areas + sq.m rentable floor area served by heating and air conditioning shared equipment			
Intensity of use	kWh/visit	$kgCO_2e$/visit		
	Number of visits from the automatic counter systems at the doors			
WHOLE BUILDING				
Absolute value	MWh of final energy	tCO_2e	m^3	metric tons
	Common areas and shared equipment + tenant areas			
Intensity by area	kWh/sq.m	$kgCO_2e$/sq.m	m^3/sq.m	
	sq.m common areas + sq.m occupied rentable floor area			
Intensity of use	kWh/visit	$kgCO_2e$/visit	l/visit	
	Number of visits from the automatic counter systems at the doors			

Definition of scopes

Scopes

The new CSR strategy plan of the Group launched in 2017 (Act For Good®) refocused its actions and its reporting on assets managed by the Group.

Those are in fact the shopping centers in which Klépierre has full control over the impact and over the steps taken.

Accordingly, in this document the Group has moved away from its traditional reporting on the "asset portfolio" and "managed portfolio" scopes and instead has only reported on the "managed portfolio" scope. Moreover, the latter has been expanded, and all the shopping centers managed by Klépierre have been included in the environmental and societal reporting tool that was deployed in 2017.

"Managed Portfolio" scope

This scope, a subset of the previous one, is specific to the shopping center industry for operational reasons.

It covers the centers that the Group managed over the entire reporting period. This scope extends to assets for which a third party managed the property if the following conditions are met: a single third party managed the asset for the entire reporting period, the reporting manual has been deployed, controls and checks of the reported data have been conducted with the same level of rigor as for the assets managed by the Group. If a shopping center has been acquired by the Group and is managed by it, it is included in the scope from the first full year. Real estate development projects are not included in the reporting during development and/or construction, until they are completed and only from the first full year.

Within this scope, the technical details may vary slightly. Depending on the situation, Klépierre may have full management of the electricity, but be charged by a third party (hypermarket, etc.) for its fuel usage. The collection of waste may also be done by a third party such as a local authority on the basis of a subscription, etc. Situations can vary greatly, and may therefore prevent the collection of reliable quantitative data. These methodological choices are guided by the will to communicate on reliable data. Centers for which Klépierre does not have exhaustive data on energy, waste or water are excluded from the reporting. This explains the difference in coverage rate between indicators.

The "Managed Portfolio" scope accounted for 98% of the "Assets Portfolio" scope at December 31, 2017.

Management of the changes in scope

Acquisitions, disposals and developments (extensions and/or developments) may change the reporting scope and influence the analysis of changes in indicators.

A distinction between "current basis" and "like-for-like basis" applies across the board to the indicators in the "Managed Portfolio" scope.

Current basis

The current basis is used to assess the CSR impact of the property portfolio over one year. It shows the effects of management, renovation and arbitrage (sales and acquisitions) policies.

It includes all shopping centers at least 25%-owned by the Group at 12/31/Y, including those which were subject to renovation or extensions during the reporting period, regardless of the GLA created.

Like-for-like basis

The like-for-like basis is used to assess changes in performance across an identical scope over time. It reflects the Group's ability to manage and optimize its asset portfolio.

The like-for-like basis includes all the shopping centers owned and managed for at least 24 months. It is calculated on the basis of the 2013 scope, which is a like-for-like basis scope over four years. It excludes shopping centers acquired or completed as well as those that were not managed for the entire period. Centers that are subject to an extension that adds 20% or more GLA are excluded from the scope.

Reporting periods and estimates

The major factor to be taken into account is that two different reporting periods are used depending on the indicator. This difference is caused by the Group's desire to minimize the use of estimates and to make it possible to collect and consolidate real data.

Some of the usage data for energy, water and waste production is input on the basis of bills received with a certain time lag. In order to reflect actual consumption, the Group decided to use a one-year rolling period for the indicators built on the basis of this data.

For all indicators related to "energy," "waste," "climate change," and "water," and one "transportation" indicator (proportion of visits by mode of transportation), the reporting period is from 10/1/Y-1 to 9/30/Y. The specific scope for these indicators is therefore adjusted to exclude shopping centers which were not owned or managed between 10/1/Y and 12/31/Y.

For water usage, the meter reading can be done a few days before or after the dates defined in the protocol. The dates which are closest to the start and the end of the reporting period will be used. If needed, the data will be adjusted to 365 days through extrapolation.

Coverage rate

The coverage rate gives an indication of the comprehensiveness of published data. The coverage rate is expressed as a percentage of the total value of shopping centers included in the reporting scope.

Definitions and clarifications

Energy efficiency and greenhouse gas emissions of the common areas and shared equipment for heating and air conditioning: the energy intensity indicators expressed in kWh/m^2 and kWh/visit measure exclusively the heating and air conditioning consumptions of the common areas. They do not measure the whole energy usage of the shopping center because of a lack of comprehensive knowledge on the private areas consumption of the tenants.

With respect to urban heating networks, the energy recovery rate generated by waste combustion and from the reuse of industrial heat is calculated for each shopping center.

Intensity of energy and water usage of the whole shopping center: the floor areas used for calculation purposes are the combined common areas plus the combined GLA at December 31 of the reporting year.

Article 225 of the Grenelle II Law: the two topics "land use and water consumption" and "water supply according to local constraints" are not addressed in this Document due to the low impact of the Group on these issues.

Methodological note for social indicators

Period and reporting scope

For all social indicators, the monitoring period used is the period from January 1 to December 31 in year Y.

The scope for collecting the data and reporting covers all Group subsidiaries at December 31, 2017 in which employees have an employment contract with the Group.

Changes in scope are the result of acquiring new entities or disposing of existing entities. The employees of these entities are incorporated into or removed from the Klépierre reporting scope with effect from the month following the transaction date.

Definitions and clarifications

Workforce: total number of employees at December 31, on open-ended and fixed-term contracts, regardless of the type of contract, number of hours worked and period of employment during the year.

Average workforce: average number of employees at the end of each month during the year.

Average gross wages: sum of contractual fixed annual salaries of employees at December 31, based on full-time employment and excluding variable compensation, divided by workforce at December 31, excluding members of the Executive Board.

Turnover (modification of the calculation formula in 2017 as follows): the turnover formula is: ((total number of resignations+retirements+deaths)/ total workforce on open-ended contracts by 31/12/N).

4.5.2 Concordance tables

The tables below propose an analysis of the concordance between the information published by Klépierre in this Document and the main (European and Global) reporting standards for non-financial operations: the Global Reporting Initiative (GRI), the United Nations sustainable development goals and the EPRA Sustainable Best Practices of Reporting.

Global Reporting Initiative G4 (2016)

Name of GRI standard	GRI G4 standard number	Registration document
Economic	200	
Economic performance	201	4.1.4; 4.1.5
Market Presence	202	4.1.1
Indirect Economic Impacts	203	4.3
Procurement Practices	204	4.3
Anti-corruption	205	4.4.4
Anti-competitive Behavior	206	
Environmental	300	
Materials	301	4.2.4
Energy	302	4.2.1
Water	303	4.2.3
Biodiversity	304	4.2.3
Emissions	305	4.2.2
Effluents and Waste	306	4.2.3
Environmental Compliance	307	4.1.2
Supplier Environmental Assessment	308	4.4.4
Social	400	
Employment	401	4.3; 4.4.3
Labor/Management Relations	402	4.4.3
Occupational Health and Safety	403	4.4.2; 4.4.3
Training and Education	404	4.4.3
Diversity and Equal Opportunity	405	4.4.3
Non-discrimination	406	4.4.3
Freedom of Association and Collective Bargaining	407	4.4.3
Child Labor	408	4.4.4
Forced or Compulsory Labor	409	4.4.4
Security Practices	410	4.4.2
Rights of Indigenous Peoples	411	
Human Rights Assessment	412	4.4.4
Local communities	413	4.3
Supplier Social Assessment	414	4.4.4
Public Policy	415	
Customer Health Safety	416	4.4.1
Marketing and Labeling	417	
Customer Privacy	418	
Socioeconomic Compliance	419	

United Nations Sustainable Development Goals

Commitment	Registration document
No poverty	
Zero Hunger	
Good health and well-being	4.3.2; 4.4.3
Quality education	4.3.3; 4.4.3
Gender equality	4.3.3; 4.4.3
Clean water and sanitation	4.2.4
Affordable and clean energy	4.2.1
Decent work an economic growth	4.3; 4.4.3
Industry, Innovation and Infrastructure	4.2.4; 4.3; 4.4.3
Reduced inequalities	4.4.4
Sustainable cities and communities	4.2.5; 4.3
Responsible consumption and production	4.2.3
Climate action	4.2.2
Life below water	
Life on land	4.2.4
Peace, Justice and Strong institutions	
Partnerships for the goals	4.3.2; 4.4.4

EPRA Sustainable Best Practices of Reporting (2017)

Name of standard sBPR	Number of standard sBPR	Registration document
Elec-Abs	302-1	4.2.1
Elec-LfL	302-1	4.2.1
DH&C-Abs	302-1	4.2.1
DH&C-LfL	302-1	4.2.1
Fuels-Abs	302-1	4.2.1
Fuels-LfL	302-1	4.2.1
Energy-Int	CRE1	4.2.1
GHG-Dir-Abs	305-1	4.2.2
GHG-Indirect-Abs	305-2	4.2.2
GHG-Int	305-4	4.2.2
Water-Abs	303-1	4.2.3
Water-LfL	303-1	4.2.3
Water-Int	CRE2	4.2.3
Waste-Abs	306-2	4.2.3
Waste-LfL	306-2	4.2.3
Cert-Tot	CRE8	4.2.4
Diversity-Emp	405-1	4.4.3
Diversity-Pay	405-2	4.4.3
Emp-Training	404-1	4.4.3
Emp-Dev	404-3	4.4.3
Emp-Turnover	401-1	4.4.3
H&S-Emp	403-2	4.4.2; 4.4.3
H&S-Asset	416-1	4.4.2; 4.4.3
H&S-Comp	416-2	4.4.2; 4.4.3
Comty-Eng	413-1	4.3.2; 4.3.3; 4.3.4
Gov-Board	102-22	4.1.3 and elsewhere
Gov-Selec	102-24	4.1.3 and elsewhere
Gov-Col	102-25	4.1.3 et ailleurs

4.5.3 Independent verifier's report on consolidated social, environmental and societal information presented in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC [(1)], under the number n° 3-1050, and as a member of the network of one of the Statutory Auditors of the company Klépierre, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2017, presented in the management report, hereafter referred to as the "CSR Information", pursuant to the provisions of the article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

It is the responsibility of the Management Board to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the Company (hereafter referred to as the "Criteria"), of which a summary is included in the management report and available on request at the Company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

> to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);

> to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria.

It is however not our responsibility to attest the compliance with other applicable legal provisions, in particular those pursuant to law no. 2016-1691 of December 9, 2016, known as Sapin II (anti-corruption law).

Our verification work was undertaken by a team of five people between November 2017 and March 2018 for an estimated duration of seven weeks.

We conducted the work described below in accordance with the professional standards applicables in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000 [(2)].

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the Company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We compared the information presented in the management report with the list provided in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions in article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the article L. 233-1 and the entities which it controls, as aligned with the meaning of the article L. 233-3 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook four interviews with people responsible for the preparation of the CSR Information, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

> Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and legibility, taking into consideration industry standards, especially the sectorial recommendation;

> Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

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(1) Scope available at www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important [(1)]:

- at the level of the consolidating entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites and entities that we selected [(2)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and identify any potential omissions and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represents an average of 10% of the total energy consumption, 18% of the total workforce and 11% of the gross market value of the Group's assets of the 2017 reporting scope.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices formalised in the CSR reporting sectorial Guide of the National Council of Shopping Centre. According to this Guide, the environmental impacts (energy, water and waste) of shopping centres are monitored for the volumes that are managed and procured (i.e. volumes used for common areas and private areas connected to the common network), except those procured directly by tenants.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, of March 5, 2018

French original signed by:

Independent Verifier

ERNST & YOUNG et Associés

Eric DUVAUD	Bruno PERRIN
Partner, Sustainable Development	**Partner**

(1) *KPIs (Environmental, societal and social):*
Quantitative information: *energy consumption and energy efficiency (in kWh/m² and kWh/visit) of common areas and common heating and cooling equipment, the share of energy consumed from renewable sources, gas emissions from greenhouse effect (Scope 1 and 2 as well as Scope 3 assessment), the carbon intensity related to the energy consumed by the common parts and common equipment (in $kgCO_2e/m^2$ and gCO_2e/visit), the proportion of waste sorted on site as well as the share of recycled and recovered waste, water consumption and water consumption intensities (in m^3/m^2 and in l/visit), total workforce, hiring and firing, rate of turnover, absenteeism and absenteeism rates for short-term occupational diseases, women's share by management level, work accident frequency rate, average number of hours training per employee.*
Qualitative information: *general environmental policy (organization, BREEAM assessment and certification procedures, employee training and information actions in the field of environmental protection), the circular economy (prevention, recycling, other forms of recovery and waste disposal), measures to reduce food waste, measures taken to improve energy efficiency and the use of renewable energies, measures taken to preserve or develop biodiversity, territorial impact (direct, indirect and induced jobs), employment (distribution of workforce, remuneration and their evolution by region), health and safety at work, occupational accidents and occupational diseases, training policies implemented, diversity and equality of opportunity and treatment (measures taken on gender equality, employment and integration of persons with disabilities, anti-discrimination policies and actions).*

(2) **Environmental and Societal Indicators:** *eight shopping centers in France (MLV- Serris in Val d'Europe, Arcades in Noisy-le-Grand and Colombia in Rennes), in Hungary (Duna Plaza in Budapest) and in Italy (Shopville LeGru in Turin, Shopville Gran Reno in Bologne, Nave de Vero in Venice and Acquario in Vignate (Milan)).*

5

CORPORATE GOVERNANCE REPORT

Pursuant to Article L. 225-68 of the French Commercial Code, the Supervisory Board has decided to present to the General Meeting of April 24, 2018 this corporate governance report, which includes the information referred to in Articles L. 225-37-3 to L. 225-37-5 of the French Commercial Code, and the Supervisory Board's observations on the report of the Executive Board and the financial statements for the fiscal year. The report is based on the preparatory work and due diligence carried out by the Legal and Human Resources Department. In this context, the Legal and Human Resources Department reviewed the legislation applicable for the drafting of the report and approached the various members of the Supervisory Board and the Executive Board to verify that the information presented herein is comprehensive and accurate.

The table below sets out the information required pursuant to Articles L. 225-37-3 to L. 225-37-5 of the French Commercial Code and specifies the sections of the Company's registration document in which this information is presented. These sections, to which the reader is referred, are incorporated by reference in this report:

Themes	Information required by Articles L. 225-37-3 to L. 225-37-5 of the French Commercial Code	Title of the section of the Company's registration document presenting information required by Articles L. 225-37-3 to L. 225-37-5 of the French Commercial Code	References (Page number of the Company's registration document)
Governance	List of all offices and positions held in any company by each corporate officer during the fiscal year	Section 5.1.1.1 "Composition of the Supervisory Board" Section 5.1.3.1 "Composition of the Executive Board"	218-227 238-239
	List of agreements signed, directly or by proxy, between, on the one hand, one of the corporate officers or one of the shareholders with more than 10% of the voting rights of a company and, on the other, another company, of which the former owns, directly or indirectly, more than half of the capital, with the exception of agreements relating to ordinary transactions concluded under arm's length conditions	Section 6.1.4.3 "Related party agreements"	277-278
	Explanation of the choice of one of the two modes of exercising general management stipulated in Article L. 225-51-1 of the French Commercial Code	Section 5.1 "Management and oversight of the Company"	217
	Composition, conditions of preparation and organization of the work of the Supervisory Board	Section 5.1.1.2 "Operation of the Supervisory Board" Section 5.1.1.3 "Work of the Supervisory Board in fiscal year 2017"	231-234
	Description of the diversity policy applied to members of the Board of Directors with regard to criteria such as age, gender, qualifications and professional experience, and a description of the objectives of this policy, the ways in which it is implemented and the results achieved in the last fiscal year	Section 5.1.1.1 "Composition of the Supervisory Board"	228-231
	Limitations the Supervisory Board may place on the Executive Board's powers	Section 5.1.1.2 "Operation of the Supervisory Board", sub-section "Role of the Supervisory Board"	231-232
	Adherence to a Corporate Governance Code	Section 5.1 "Management and oversight of the Company"	217
	Provisions of the Corporate Governance Code not applied along with the reasons therefore		217
	Location at which the Corporate Governance Code can be consulted		217
	Special arrangements regarding shareholder attendance at the General Meeting	The arrangements regarding attendance of the Company's General Meetings can be found in Title V ("General Meetings") of the Company's bylaws (available online at www.klepierre.com)	216
Compensation	Draft resolutions submitted to the General Meeting of April 24, 2018	Section 6.2 "General Meeting of Shareholders"	286-289
	Information on the compensation policy	Section 5.2.1.1 "Compensation policy for Supervisory Board members" Section 5.2.2.1 "Compensation policy for Executive Board members"	240 241-252
	Information relating to the compensation of corporate officers	Section 5.2.1.2 "Compensation of Supervisory Board members" Section 5.2.2.2 "Compensation of Executive Board members"	240-241 252-262
Other	Table summarizing the delegations in force that have been approved by the General Meeting of Shareholders in the area of capital increases, by application of Articles L. 225-129-1 and L. 225-129-2, and showing the use made of these delegations during the fiscal year	6.1.1.2 "Delegations and authorizations granted to the Klépierre Executive Board"	266
	Information on factors that may have an impact in the event of a takeover bid or public exchange offer	Information about factors that may have an impact in the event of a public offering is mentioned in note 8.2 "Liquidity risk" to the consolidated financial statements and in the "General Information on the capital" section 6.1.1 of this registration document	109 and 266-268
Supervisory Board's observations on the report of the Executive Board and the financial statements for the fiscal year		Section 6.2.3 "Report of the Supervisory Board to the Ordinary and Extraordinary General Meeting"	290-291

5.1 Management and oversight of the Company

The Company has had the corporate form of a société anonyme (joint-stock corporation) with an Executive Board and Supervisory Board since July 21, 1998. This mode of exercising general management was adopted as it provides a clear separation between the management bodies of the Company and the oversight of this management, which is provided by the Supervisory Board. This choice as to form of corporate governance structure has made it possible to retain a proactive and effective structure together with a flexible and rapid mode of operation for the executive bodies, in accordance with the prerogatives of the Supervisory Board, the balanced composition of which safeguards the independence of the control and balance of its powers.

The Company refers to the Corporate Governance Code for listed companies published by the French Association of Private Businesses (AFEP) and the French Employers Association (MEDEF) (the AFEP-MEDEF Code). The AFEP-MEDEF Code may be consulted at the AFEP's website at the following address: www.afep.com.

In accordance with the guidelines of the AFEP-MEDEF Code and in accordance with of Article L. 225-68 of the French Commercial Code, the table below indicates the recommendation of the above Code that is currently not adhered to and the reasons for this:

AFEP-MEDEF Code guidelines	Implementation
Section 17.1 – Composition of the Committee responsible for compensation It is recommended that this Committee be mainly composed of independent Directors.	The Nomination and Compensation Committee has four members, two of whom are independent, i.e., a 50% ratio of independent members. The Committee is chaired by an independent member. In this regard, it should be noted that the French High Committee for Corporate Governance stipulated in its report of October 2014 that a Compensation Committee made up of two members out of four remains compliant with the spirit of the Code as long as it is chaired by an independent member. Lastly, in order to strengthen Klépierre's compliance with the AFEP-MEDEF Code, the Committee's Chairman has been assigned a casting vote in the event of tied votes within the Committee.

5.1.1 Supervisory Board

5.1.1.1 Composition of the Supervisory Board

Provision of the bylaws and internal rules of the Supervisory Board applicable to the composition of the Supervisory Board

The Company's bylaws and the internal rules of the Supervisory Board define the following principles:

> **number of Supervisory Board members:** the Supervisory Board is composed of at least 3 members and no more than 12 members;

> **term of office of members of the Supervisory Board:** the term of office is three years. However, the Ordinary General Meeting of Shareholders may, by exception, elect one or more Supervisory Board members for a term of less than three years for the sole purpose of establishing a system of retirement by rotation such that only a proportion of the Supervisory Board members stands for re-election at any one time;

> **ownership of Klépierre shares:** each member of the Supervisory Board must hold at least 60 shares throughout his/her term of office;

> **chairmanship and vice chairmanship of the Supervisory Board:** the Supervisory Board elects a Chairman and a Vice Chairman from among its members.

Current composition

As of the filing date of this registration document, the Supervisory Board consists of the following nine members:

Name	Main function	Nationality	Age	Gender	Inde-pendence	Other appointments in other listed companies[a]	Committee membership: Invest-ment	Committee membership: Audit	Committee membership: Nomination and Compen-sation	Committee membership: Sustainable develop-ment	Date of first appointment	Term of appointment	Years of Board member-ship[b]
David Simon, Chairman of the Board	Chairman of the Board and Chief Executive Officer of Simon Property Group, Inc.	American	56	M		1	X Chairman				03/14/2012	04/14/2015 2018 GM	6
John Carrafiell	Co-founder of GreenOak Real Estate	American	52	M	X	0		X Chairman			12/11/2014 (with effect from 01/15/2015)	12/11/2014 2018 GM	3
Béatrice de Clermont-Tonnerre	Director Southern Europe, Global Partnerships at Google	French	45	F	X	1				X	04/19/2016	04/19/2016 2019 GM	2
Jeroen Drost	Managing Director of SHV Holdings N.V.	Dutch	56	M		0	X		X		12/11/2014 (with effect from 01/15/2015)	12/11/2014 2018 GM	3
Steven Fivel	General Counsel and Secretary of Simon Property Group, Inc.	American	57	M		0	X		X	X Chairman	03/14/2012	04/14/2015 2018 GM	6
Stanley Shashoua	Senior Vice President of International Development of Simon Property Group, Inc.	American	47	M		0	X	X		X	04/14/2015	04/18/2017 2020 GM	3
Catherine Simoni	Former Director France and Belgium of the European real estate funds of the Carlyle Group	French	53	F	X	0			X	X Chairman	12/20/2012	04/18/2017 2020 GM	5
Rose-Marie Van Lerberghe, Vice Chairman	Senior Advisor of BPI Group	French	71	F	X	2		X	X		04/12/2012	04/19/2016 2019 GM	6
Florence Von Erb	Representative of Afammer (NGO) at the United Nations Organization and former Managing Director of Adair Capital	French	58	F	X	1		X			02/17/2016	04/18/2017 2020 GM	2

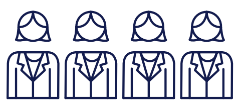
(a) The appointment held in the Company has not been taken into consideration in this calculation.
(b) As of April 24, 2018, the date of the next General Meeting of Shareholders.

55 years

Average age of the members of the Board at 12/31/2017

5

Independent Board members



4

Women members of the Board

5

Foreign members of the Supervisory Board

Biographies of Supervisory Board members

David Simon

Chairman of the Supervisory Board
Chairman of the Investment Committee

56 years old – BS degree from Indiana University and MBA from Columbia University's Graduate School of Business – American nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
David Simon is Chairman of the Board and Chief Executive Officer of Indianapolis-based Simon Property Group, Inc. He joined the organization in 1990. In 1993 he led the efforts to take Simon Property Group public. He became CEO in 1995. Before joining the organization, he was a Vice President of Wasserstein Perella & Co., a Wall Street firm specializing in mergers and acquisitions and leveraged buyouts. He is a former member and former Chairman of the National Association of Real Estate Investment Trusts (NAREIT) Board of Governors and is a former trustee of the International Council of Shopping Centers (ICSC).

Number of Klépierre shares: 62

Current appointments as of December 31, 2017
Klépierre
> Chairman of the Supervisory Board
> Chairman of the Investment Committee

Outside Klépierre
> Director, Chairman of the Board and Chief Executive Officer:
  – Simon Property Group, Inc. (listed company)

Appointments expired during the last five fiscal years
Outside Klépierre
> Director, Chairman of the Board and Chief Executive Officer:
  – Simon Property Group (Delaware), Inc.
  – The Retail Property Trust
  – M.S. Management Associates, Inc.
> Chairman of the Board and Chief Executive Officer:
  – Simon Management Associates, LLC
  – CPG Holdings, LLC

Board attendance rate in 2017	**100%**
Investment Committee attendance rate in 2017	**100%**

John Carrafiell
Chairman of the Audit Committee

52 years old – BA degree from Yale University – American nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
From 1987 to 2009, John Carrafiell was at Morgan Stanley: as Head of Real Estate Europe from 1995, a Managing Director from 1999, Global Co-Head of Real Estate from 2005, member of the Global Investment Banking Division Operating Committee from 2006 to 2007, and Global Co-Head and Co-CEO of Real Estate Investing from 2007. From 2009 to 2010, he was Founder and Managing Partner of Alpha Real Estate Advisors (UK). Since 2010 he has been a Co-Founder and Managing Partner of GreenOak Real Estate, a global real estate investment, management and advisory firm that has raised $8 billion of equity from institutional investors and has acquired (or managed) over $12 billion in real estate assets since 2011.

Number of Klépierre shares: 60

Current appointments as of December 31, 2017
Klépierre
> Chairman of the Audit Committee

Outside Klépierre
> Chairman:
– Chelsea & Westminster Hospital NHS Foundation Trust Development Board (United Kingdom)
– The Anna Freud National Centre for Children and Families Development Board (United Kingdom)
– The Yale University School of Architecture Dean's Council (United States)

Appointments expired during the last five fiscal years
Klépierre
None
Outside Klépierre
> Director:
– Grupo Lar (Spain)
> Supervisory Board Member:
– Corio N.V. (the Netherlands)

Board attendance rate in 2017	**89%**
Audit Committee attendance rate in 2017	**100%**

Béatrice de Clermont-Tonnerre

Member of the Sustainable Development Committee

45 years old – Graduate of Institut d'études politiques de Paris (Public Service Section) and École supérieure des sciences économiques et commerciales (MBA) – French nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
Béatrice de Clermont-Tonnerre was appointed, Southern Europe Director, Global Partnerships of Google in mid 2013. Prior to Google, she was Senior VP, Business Development at Lagardère (2008-2013). She has been Head of Interactive TV and co-Head of Programming at Canalsatellite – Groupe Canal+ (2001-2005). She began her career as a radio journalist before joining the Strategy Department of Lagardère in 1995 as an analyst in the High Technologies division.

Number of Klépierre shares: 60

Current appointments as of December 31, 2017
Klépierre
> Member of the Sustainable Development Committee

Outside Klépierre
> Vice Chairman of the Board of Directors:
  – Hurriyet (a Turkish listed company)

Appointments expired during the last five fiscal years
Klépierre
None
Outside Klépierre
> Board Member of LaCie

Board attendance rate in 2017	**89%**
Sustainable Development Committee attendance rate in 2017	**100%**

Jeroen Drost

Member of the Investment Committee
Member of the Nomination and Compensation Committee

56 years old – Master in Economics and Master of Dutch Law – Dutch nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
In 1986, Jeroen Drost began his career with ABN AMRO in Amsterdam where he held several positions. Particularly from 1992 to 1994, he was the Head of Mergers and Acquisitions of Central and Eastern Europe. From 1995 to 1996, he worked as Head of Corporate Finance of Central and Eastern Europe. In 2000, he was the Director of Investment Banking and special finance of the Dutch division. Finally, from 2006 to 2008, he worked as Chief Executive Officer Asia at ABN AMRO Bank in Hong Kong. From 2008 to 2014, he was the Chief Executive Officer of NIBC Bank N.V. in The Hague. Between February 2015 and April 2016, he was the Chief Executive Officer of NPM Capital N.V. In April 2016, Jeroen Drost was appointed as Member of the Executive Board of SHV Holdings N.V., and, on October 31, 2016, he was appointed as CEO of SHV Holdings N.V.

Number of Klépierre shares: 60

Current appointments as of December 31, 2017
Klépierre
> Member of the Investment Committee
> Member of the Nomination and Compensation Committee

Outside Klépierre
> Chief Executive Officer:
– SHV Holdings N.V. (the Netherlands)
> Supervisory Board Member:
– Nutreco N.V. (the Netherlands)
– Mammoet Holding B.V. (the Netherlands)
– ERIKS N.V. (the Netherlands)
> Non-executive member:
– SHV Interholding AG (Switzerland)

Appointments expired during the last five fiscal years
Klépierre
None
Outside Klépierre
> Managing Director:
– NPM Capital N.V. (the Netherlands)
> Chief Executive Officer:
– NIBC Bank N.V., The Hague, (the Netherlands)
> Director:
– Nederlandse Vereniging van Banken (Dutch Bankers Association), (the Netherlands)
– Nederlandse Participatie Maatschappij N.V. (Belgium)
> Non-executive member of the Executive Board:
– Fidea N.V. (Belgium)
> Supervisory Board Member:
– Dura Vermeer N.V. (the Netherlands)
– AON Groep Nederland B.V. (the Netherlands)
– NL Healthcare (the Netherlands)
– NVDU Acquisition B.V. (the Netherlands)
– Vanderlande Industries Holding B.V. (the Netherlands)
> Member of the Supervisory Committee:
– Vesteda (the Netherlands)

Board attendance rate in 2017	**78%**
Investment Committee attendance rate in 2017	**86%**
Nomination and Compensation Committee attendance rate in 2017	**100%**

Steven Fivel

Chairman of the Sustainable Development Committee
Member of the Nomination and Compensation Committee
Member of the Investment Committee

57 years old – BS degree in Accounting from Indiana University and J.D. from The John Marshall Law School of Chicago – American nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
Steven Fivel began his career as Deputy Attorney General at the Office of the Attorney General of the State of Indiana. In 1988 he handled shopping center finance transactions, real estate development and re-development transactions, joint ventures and corporate transactions as an attorney. In 1997, he joined BrightPoint and occupied the functions of Executive Vice President, General Counsel and Secretary. In March 2011 he joined Simon Property Group as Assistant General Counsel and Assistant Secretary where he is in charge of Development and Operations, the Legal Department, and Operations within the Tax Department. Steven Fivel was appointed General Counsel and Secretary of Simon Property Group Inc. on January 1, 2017.

Number of Klépierre shares: 62

Current appointments as of December 31, 2017
Klépierre
> Chairman of the Sustainable Development Committee
> Member of the Nomination and Compensation Committee
> Member of the Investment Committee

Outside Klépierre
None

Appointments expired during the last five fiscal years
Klépierre
> Chairman of the Supervisory Board of Klémurs

Outside Klépierre
None

Board attendance rate in 2017:	**100%**
Investment Committee attendance rate in 2017:	**100%**
Sustainable Development Committee attendance rate in 2017:	**100%**
Nomination and Compensation Committee attendance rate in 2017:	**100%**

Stanley Shashoua

Member of the Investment Committee
Member of the Audit Committee
Member of the Sustainable Development Committee

47 years old – BA degree in International Relations from Brown University and MBA in Finance from The Wharton School – American nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
Stanley Shashoua is Investments Director at Simon Property Group Inc. Previously, he was Managing Partner with LionArc Capital LLC, a private investment fund, which has invested in and managed on real estate and private equity transactions for a total amount of over 500 million USD since 2007. Prior to joining LionArc Capital LLC, Stanley Shashoua was a Partner with HRO Asset Management LLC where he was in charge of the acquisition and management of properties on behalf of institutional clients (he managed transactions representing over USD 1 billion and comprising 278,700 sq.m). He also worked at Dresdner Kleinwort Wasserstein.

Number of Klépierre shares: 60

Current appointments as of December 31, 2017
Klépierre
- Member of the Investment Committee
- Member of the Audit Committee
- Member of the Sustainable Development Committee

Outside Klépierre
- Director:
  - Simon Canada Management Limited (Canada)
  - Mitsubishi Estate Simon Co. Ltd (Japan)
  - Shinsegae Simon Co. Inc. (South Korea)
  - Genting Simon Sdn Bhd (Malaysia)
  - Premier Outlets de Mexico, S. de RL de CV (Mexico)
  - CPGOM Partners de Mexico, S. de RL de CV (Mexico)
  - Outlet Services HoldCo Ltd (Jersey)
- Managing Partner:
  - Outlet Site JV Sarl (Luxembourg)
  - HBS Global Properties LLC (USA)
  - Aero Opco LLC (USA)

Appointments expired during the last five fiscal years
None

Board attendance rate in 2017	**100%**
Investment Committee attendance rate in 2017	**100%**
Sustainable Development Committee attendance rate in 2017	**100%**
Audit Committee attendance rate in 2017	**67%**

Catherine Simoni

chairman of the Nomination and Compensation Committee
Member of the Sustainable Development Committee

53 years old – Engineering degree from the University of Nice (France) – French nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
For 14 years, Catherine Simoni was Director France and Belgium of the European real estate fund of the Carlyle Group, which she left in December 2014. She was previously a Director at SARI Développement, the Development division of Nexity, where she was responsible for implementing business plans on several major French office developments, including leasing and sale of such developments. Prior to SARI Développement, Catherine Simoni was a Manager at Robert & Finestate, a subsidiary of J.E. Robert Company, where she worked on transactions in real estate and real estate-backed loan portfolios in France, Spain, Belgium and Italy.

Number of Klépierre shares: 60

Current appointments as of December 31, 2017
Klépierre
- Chairman of the Nomination and Compensation Committee
- Member of the Sustainable Development Committee

Outside Klépierre
None

Appointments expired during the last five fiscal years
Klépierre
None
Outside Klépierre
- Managing Director France – The Carlyle Group

Board attendance rate in 2017	**100%**
Nomination and Compensation Committee attendance rate in 2017	**100%**
Sustainable Development Committee attendance rate in 2017	**67%**

Rose-Marie Van Lerberghe
Vice Chairman of the Supervisory Board
Member of the Audit Committee
Member of the Nomination and Compensation Committee

71 years old – Graduate of ENA (École nationale d'administration), of Institut d'études politiques of Paris and of École normale supérieure, graduate teaching in philosophy and undergraduate degree in history – French nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
Rose-Marie Van Lerberghe began her career as an Inspector at IGAS (General Inspectorate, Social Affairs) and then became Assistant Director for the defense and promotion of jobs at the French Labor Ministry. In 1986 she joined the Danone Group, where she was Group Director of Human Resources. In 1996 she became Executive Director in charge of employment and professional training at the French Ministry of Labor and Solidarity. She then became Executive Director of APHP (Public Assistance – Hospitals of Paris). From 2006 to 2011 she was Chairman of the Executive Board of Korian. From January 2010 to January 2014 Rose-Marie Van Lerberghe was a member of Conseil supérieur de la magistrature (the French High Council of the Judiciary). She is currently a member of the Council of the Order of the Legion of Honor.

Number of Klépierre shares: 100

Current appointments as of December 31, 2017
Klépierre
> Vice Chairman of the Supervisory Board
> Member of the Audit Committee
> Member of the Nomination and Compensation Committee

Outside Klépierre
> Director:
  – Bouygues (listed company)
  – CNP Assurances (listed company)
  – Fondation Hôpital Saint-Joseph
> Chairman of the Board of Directors:
  – Champs-Élysées Orchestra led by Philippe Herreweghe

Appointments expired during the last five fiscal years
Klépierre
None
Outside Klépierre
> Chairman of the Board of Directors:
  – Fondation Institut Pasteur
> Director:
  – Air France
  – Casino, Guichard-Perrachon

Board attendance rate in 2017	**89%**
Nomination and Compensation Committee attendance rate in 2017	**100%**
Audit Committee attendance rate in 2017	**100%**

Florence Von Erb

Member of the Audit Committee

58 years old – Graduate of HEC Paris, specializing in finance – French nationality

Business address

26, boulevard des Capucines – 75009 Paris (France)

Career

Florence Von Erb began her finance career working at JP Morgan's Paris, London and New York offices specializing in international securities markets. She held positions in the firm's Treasury Department, Merchant Bank division, Latin America Debt Restructuring Unit and Equity Derivatives Group. In 2000, she joined Adair Capital, a New York-based investment management firm, where she served as Managing Director. She switched her focus to the not-for-profit world in 2004 when she became President and United Nations Representative of Make Mothers Matter International. In 2006, she co-founded Sure We Can Inc. Since 2014, she has been a member of the United Nations NGO Social Development Committee, the Commission on the Status of Women and the UN Family Committee, as well as serving as an Independent Director of Ipsos SA.

Number of Klépierre shares: 150

Current appointments as of December 31, 2017

Klépierre

> Member of the Audit Committee

Outside Klépierre

> Member of the Board of Directors:
  – Ipsos (listed company)
  – Ipsos Foundation

Appointments expired during the last five fiscal years

Klépierre

None

Outside Klépierre

> Chairman:
  – Make Mothers Matter International
> Co-founder:
  – Sure We Can Inc.
> Member of the Board of Directors:
  – Fourpoints

Board attendance rate in 2017	**100%**
Audit Committee attendance rate in 2017	**100%**

Diversity policy

The Board's diversity policy takes into account:

> a balanced representation of independent and non-independent members;

> varied and complementary skills as reflected by the skills matrix presented below;

> gender balance;

> a strong international profile.

Balanced composition

At the date of filing of the Company's registration document, the Supervisory Board is composed of nine members, namely:

> three members appointed upon the proposal of Simon Property Group: David Simon (Chairman of the Supervisory Board), Steven Fivel and Stanley Shashoua;

> one member appointed upon the proposal of APG: Jeroen Drost;

> five independent members (listed below).

The Supervisory Board regularly reflects on the desirable balance of its composition and that of the special committees in order to guarantee shareholders and the market that its duties are carried out with the necessary independence and objectivity. The Supervisory Board therefore ensures, when reviewing its composition and proposals for appointment or re-appointment submitted to the General Meeting, that its members are diverse in terms of qualifications, age, gender, nationality, length of time on the Board and professional experience.

Taking into account the elements set out below and the diversity criteria examined, the Supervisory Board considers that its current composition is satisfactory and that its members are active and assiduous. Nevertheless, it remains attentive to the fact that all possible improvements that could be in the interest of the Company or its development must be considered.

Various complementary skills are represented on the Supervisory Board

The Supervisory Board believes that the skills of the members of the Board are varied and complementary, with some members of the Board having strategic skills and others financial skills or more specific skills (communication, financial, social and legal, knowledge of the real estate or commercial sector, management experience). The diverse and complementary experience and expertise of the members of the Supervisory Board means that they quickly gain a detailed understanding of Klépierre's development challenges and that the Board is able to reach high-quality decisions.

The skills matrix of the various members of the Board as of December 31, 2017 is shown below.

Name	International experience	Real estate sector	Finance	Retail	Managerial experience	Human resources and governance	Digital
David Simon	X	X	X	X	X	X	
John Carrafiell	X	X	X		X	X	
Béatrice de Clermont-Tonnerre	X				X		X
Jeroen Drost	X	X	X		X		
Steven Fivel	X	X	X		X	X	
Stanley Shashoua	X	X	X	X	X		
Catherine Simoni	X	X			X	X	
Rose-Marie Van Lerberghe			X		X	X	
Florence Von Erb	X		X		X		

The diversity of the Board's composition is one of the Board's strengths, and the Board ensures that it composition remains balanced at each renewal. The 2016 assessment of the Supervisory Board revealed that the Board was very satisfied with the diversity of its composition. It concluded, among other things, that its members had complementary professional backgrounds and multiple skills ranging from finance, real estate, retail or digital to human resources and governance.

Gender balance

The Supervisory Board is composed of nine members, four of whom (i.e., 44.45%) are women, a ratio exceeding the minimum 40% stipulated in the French Commercial Code and the guidelines of the AFEP-MEDEF Code.

A strong international profile

With regard to the operation of the corporate bodies, the Company not only looks at the application of the AFEP-MEDEF Code, but also seeks to reflect the international environment in which the Group conducts its business. The Supervisory Board therefore consists of three different nationalities (US, Dutch and French) and has five foreign members (David Simon, Jeroen Drost, John Carrafiell, Steven Fivel and Stanley Shashoua).

Proud of its international composition, the Supervisory Board wished to propose to the General Meeting called to approve the financial statements for fiscal year 2017 the renewal of the terms of office, for a period of three years, of David Simon, John Carrafiell and Steven Fivel, whose professional backgrounds are mainly geared to international business (please refer to the "Changes in the composition of the Supervisory Board during fiscal years 2017 and 2018" section below) and to appoint Robert Fowlds, a British national, to replace Jeroen Drost.

A Board with a majority of independent members

Summary of the procedure for qualifying as an independent member of the Supervisory Board

The Supervisory Board has adopted in full the definition of independence contained in the AFEP-MEDEF Code to determine member independence.

The status as independent member of the Supervisory Board is reviewed annually by the Nomination and Compensation Committee on the basis of an analysis of the responses of the Supervisory Board members to an individual independence questionnaire sent to them in advance. The findings of the Nomination and Compensation Committee's review are then communicated to the Supervisory Board, which then reviews the situation of each member of the Supervisory Board.

The conclusions of the Supervisory Board's review are presented each year to the shareholders in the registration document.

Conclusions of the review concerning the criterion of business relations between Klépierre and the members of the Supervisory Board

The business relationship review consists of two steps. First, the Nomination and Compensation Committee and then the Supervisory Board review whether there is a business relationship. If it is the case, and in order to assess whether this relationship is significant or not, qualitative criteria (context, history and organization of the relationship, respective powers of the parties) and quantitative criteria (materiality of the relationship for the parties) are applied.

At the date of filing of the registration document, the reviews carried out revealed that none of the members of the Supervisory Board had any business relationship with Klépierre.

Conclusions of the review of all the independence criteria

Following the annual review of the independence of the members of the Supervisory Board conducted on February 6, 2018, the Supervisory Board concluded that the following five members of the Supervisory Board, i.e., 55.55%, are independent:

Criteria for independence	John Carrafiell	Béatrice de Clermont-Tonnerre	Catherine Simoni	Rose-Marie Van Lerberghe	Florence Von Erb	Explanation of exception to length-of-term criterion
Not having held a position as employee or corporate officer in the previous five years	Yes	Yes	Yes	Yes	Yes	
Having no simultaneous appointments	Yes	Yes	Yes	Yes	Yes	
Having no business relations	Yes	Yes	Yes	Yes	Yes	
Having no close family ties with an executive	Yes	Yes	Yes	Yes	Yes	
Not having held the position of Statutory Auditor in the previous five years	Yes	Yes	Yes	Yes	Yes	

Following the recommendation made by the AMF, a table showing the list of the Supervisory Board members considered independent, as at the date of this registration document, with regard to the Supervisory Board's evaluation and the AFEP-MEDEF Code is given below.

	Independence of elected Board members with regard to	
	the Supervisory Board's evaluation	the AFEP-MEDEF Code
David Simon	No	No
John Carrafiell	Yes	Yes
Béatrice de Clermont-Tonnerre	Yes	Yes
Jeroen Drost	No	No
Steven Fivel	No	No
Stanley Shashoua	No	No
Catherine Simoni	Yes	Yes
Rose-Marie Van Lerberghe	Yes	Yes
Florence Von Erb	Yes	Yes

With regard to the composition of the special committees the proportion of independent members is as follows:

> 75% for the Audit Committee (including the Chairman);
> 50% for the Nomination and Compensation Committee (in which the Chairman has the casting vote);
> 50% for the Sustainable Development Committee.

Changes in the composition of the Supervisory Board during fiscal years 2017 and 2018

Changes occurred in 2017

	Departures/appointments/renewals occurred during fiscal year 2017
David Simon – Chairman	N/A
John Carrafiell	N/A
Béatrice de Clermont-Tonnerre	N/A
Bertrand de Feydeau	Appointment expired at the end of the General Meeting of Shareholders of April 18, 2017
Jeroen Drost	N/A
Steven Fivel	N/A
Stanley Shashoua	Term of office renewed for a period of three years by the General Meeting of Shareholders of April 18, 2017
Catherine Simoni	Term of office renewed for a period of three years by the General Meeting of Shareholders of April 18, 2017
Rose-Marie Van Lerberghe	N/A
Florence Von Erb	Term of office renewed for a period of three years by the General Meeting of Shareholders of April 18, 2017

Appointment of members of the Supervisory Board expiring in 2018

The following appointments expire at the end of the General Meeting called to deliberate on April 24, 2018:

> the term of office of David Simon, member and Chairman of the Supervisory Board since 2012, also Chairman of the Investment Committee;

> the term of office of John Carrafiell, member of the Supervisory Board since 2014 and Chairman of the Audit Committee;

> the term of office of Jeroen Drost, member of the Supervisory Board since 2014, and member of the Investment Committee and the Nomination and Compensation Committee; and

> the term of office of Steven Fivel, member of the Supervisory Board since 2012, Chairman of the Sustainable Development Committee and member of the Nomination and Compensation Committee.

David Simon, John Carrafiell and Steven Fivel wished to apply for re-appointment. Given their skills and their contribution to the work of the Supervisory Board, the Supervisory Board decided to propose to the General Meeting of April 24, 2018 the renewal of the terms of office of these three members for a period of three years. They are also expected to continue to sit on the special committees of which they are currently members. Jeroen Drost made it known that he would not be applying for re-appointment. APG has nominated Robert Fowlds, whose biography will be provided in the notice of meeting brochure for the Company's General Meeting on April 24, 2018.

The Supervisory Board will appoint the Chairman of the Supervisory Board immediately at the close of the General Meeting called to approve the renewal and appointment of the aforementioned members.

The table below summarizes the changes planned in 2018 to the composition of the Supervisory Board:

Date	Departure	Appointment	Renewal
24 avril 2018	Jeroen Drost	Robert Fowlds	David Simon John Carrafiell Steven Fivel

Subject to the approval by the General Meeting of April 24, 2018 of the renewals and the appointment mentioned above, the Supervisory Board will continue to be composed as follows:

	Composition after the 2018 General Meeting of Shareholders
Percentage of independent members	55.56%
Percentage of female members	44.45%
Percentage of Supervisory Board members of foreign nationalities	55.56%

Conflict of interest – Convictions for fraud

The internal rules of the Supervisory Board of the Company state that the members of the Board must inform the Supervisory Board of any conflict of interest, potential or otherwise, with the Company and abstain from voting on the corresponding deliberations.

Each year, this obligation is supplemented with the submission of a questionnaire setting out multiple possible examples of conflicts of interest and inviting all the members of the Supervisory Board to declare any situations that might represent a conflict of interest, even potential, with respect to Klépierre.

No conflict of interest, even potential, has been brought to the attention of the Supervisory Board. Moreover, the analysis carried out by the Supervisory Board in early 2017 led it to believe that none of the members were in a situation of even potential conflict of interest and that none of its members had direct or indirect business relations with Klépierre.

Members of the Executive Board must seek the opinion of the Supervisory Board before accepting a new appointment in a listed company, it being specified that no individual member of the Executive Board may hold more than two offices in listed companies, including foreign companies, outside the Group.

At the date of the submission of this registration document and to the knowledge of the Company, there is no conflict of interest between the duties toward Klépierre of any member of the Executive Board or of the Supervisory Board and their private interests and/or other duties. Furthermore:

> there are no family ties between members of the Executive Board and/or members of the Supervisory Board;

> none of the members of the Executive Board and/or members of the Supervisory Board have been convicted for fraud in the last five years;

> none of them have been subject to bankruptcy, receivership or liquidation in the last five years;

> no conviction and/or official public sanction has been recorded against any member of the Executive or Supervisory Boards;

> none of them have been prevented by a court from acting as a member of an administrative, executive or supervisory body of an issuing company or from managing or running the affairs of an issuing company in the last five years;

> none of them have been convicted of fraud during the past five years.

Insider trading prevention/Stock market compliance

The Board has taken note of the rules to be applied regarding the prevention of insider trading, in particular those issued under European Market Abuse Regulation 596/2014, which came into force on July 3, 2016, and the recommendations of the French Financial Markets Authority (AMF), particularly in relation to periods during which transactions on Klépierre's shares are prohibited.

Supervisory Board and Executive Board members, individuals with close personal ties to executives and other management personnel, are all required under current regulations to disclose any transactions they make involving securities issued by the Company, and are prohibited from conducting any personal transactions in Klépierre securities during the following periods:

> for 15 calendar days before the publication of the quarterly information with respect to the first and third fiscal quarters;

> for 30 calendar days before the publication of the press release with respect to the annual or half-year financial statements;

> during the period between the date on which Klépierre comes into possession of an item of information which, if it were made public, could have a material impact on the price of the securities and the date on which this information is made public.

Executives are also only authorized to carry out transactions on Klépierre's shares on the day after the publication of the quarterly or half-year information concerned and, with regard to the annual financial statements, three days after their publication.

The above-mentioned ban on trading has been extended to include all employees with ongoing access to insider information. Lastly, employees may be identified as occasional insiders and as such be temporarily covered by the same ban during periods in which transactions may influence Klépierre's share price.

The related policies and procedures are set out in a Stock Market Compliance Charter which is updated on a regular basis by the Business Ethics Department of the Klépierre Group (and specifically in relation to the entry into force of the new EU Market Abuse Regulation).

5.1.1.2 Operation of the Supervisory Board

The Supervisory Board of the Company has internal rules that set forth the rules for its meetings, its powers and the distribution of directors' fees among members. The internal rules of the Supervisory Board may be consulted at the Company's website: www.klepierre.com.

Role of the Supervisory Board

The Supervisory Board exercises permanent oversight over the management of the Company by the Executive Board.

At any time of the year, it may carry out any such audits and controls as it may deem appropriate, and may obtain any such documents as it may deem useful to carry out its duties.

The Supervisory Board:

> appoints and dismisses the members of the Executive Board by a two-thirds majority; it sets their compensation;

> appoints and dismisses the Chairman of the Executive Board and, possibly, appoints among the members of the Executive Board, one or more Managing Directors and terminates, as applicable, their term of office;

> receives a report from the Executive Board on the corporate business each time it deems it necessary and at least once per quarter;

> audits and checks the parent company financial statements and, where applicable, the consolidated financial statements, prepared by the Executive Board and presented by the latter within three months following the fiscal year-end, along with a written report on the Company's position and its business during the past fiscal year;

> presents to the General Meeting called to vote on the parent company financial statements and, where applicable, on the consolidated financial statements, its comments on the Executive Board's report as well as on the financial statements for the fiscal year;

> calls the General Meeting of Shareholders, if necessary, and determines its agenda;

> decides the transfer of the registered office within the same department or a neighboring department, subject to ratification by the next Ordinary General Meeting of Shareholders;

> authorizes related-party agreements, in accordance with Article L. 225-86 of the French Commercial Code;

> authorizes the sale of buildings by nature as well as the full or partial sale of interest and creation of guarantees on the corporate properties. The Supervisory Board may, up to an amount it sets for each of them, authorize the Executive Board to carry out the transactions referred to above; when a transaction exceeds the amount so set, the authorization of the Supervisory Board is required in each case.

The Chairman of the Supervisory Board grants the Executive Board his/her prior consent to the appointment of persons called to exercise the position of permanent representative of the Company at the Board of Directors or Supervisory Board of another French listed company, except as far as companies dependent upon the Klépierre Group are concerned.

It may decide the creation of committees tasked with studying the issues that itself or its Chairman submit to their review for comment.

The Supervisory Board draws up rules of procedure governing the ways in which it exercises its powers and grants authorizations to its Chairman. These include limitations on the Executive Board's powers by means of thresholds, for which advance authorization by the Supervisory Board is required for certain important decisions, pursuant to Article 16 of the bylaws. To this end:

> the Supervisory Board gives to the Executive Board its prior consent on the proposed allocation of the profits or losses for the past fiscal year;

> the following decisions of the Executive Board are subject to the prior authorization of the Supervisory Board:
  - transactions likely to affect the strategy of the Company and its Group, and to modify their financial structure and their scope of activity,
  - the issuances of securities, of any nature whatsoever, likely to entail a modification in the share capital,
  - the following transactions to the extent that they each exceed €8,000,000 or its equivalent in any other currencies:
    - the direct or indirect acquisition or sale of any assets (including buildings by nature or holdings), with the exception of all transactions between Klépierre Group entities,
    - in case of dispute, the signing of any agreements and settlements, and the acceptance of any arrangement.

The Supervisory Board alone has the authority to amend its internal rules.

Meetings of the Supervisory Board

The Supervisory Board meets as often as the interests of the Company require, at least four times a year, either at the head office or in any other location. It is convened by the Chairman and examines any item included in the agenda by the Chairman or by a simple majority of the Supervisory Board.

Meetings may be called by the Secretary of the Board by letter, telegram fax or verbally.

However, the Chairman of the Supervisory Board must call Board meetings on a date that is not more than 15 days later if at least one member of the Executive Board or at least one third of the members of the Supervisory Board present a reasoned request to that effect. If the request goes unaddressed, those who submitted it may call the meeting themselves and determine the agenda.

In practice, the Chairman generally strives to leave a period of seven days between the notice of meeting and the Supervisory Board meetings. The Chairman also strives to take into account the agenda constraints of members of the Supervisory Board so as to ensure the attendance of the largest number of members at each meeting. When a meeting is convened, a folder containing all of the supporting documentation for the agenda is provided to the Board members on a secure platform for electronic Board meeting management. This platform can be accessed via an internet browser or tablet application.

For the Supervisory Board to deliberate validly, at least half of its members must be present.

Members of the Supervisory Board may take part in the Board's resolutions by video link or by any other means of telecommunication that allows them to be identified and ensures that they can participate, except for resolutions involving the verification and control of the annual and consolidated financial statements, for which the physical presence of at least half the members is legally required.

Executives may attend meetings of the Board in an advisory capacity, at the initiative of the Chairman, but no internal provision of the Company mandates the attendance of the members of the Executive Board at meetings of the Supervisory Board. As a result, some meetings are held without the members of the Executive Board in attendance. This is always the case when their compensation or issues related to the composition and operation of the Executive Board are being discussed.

Meetings of the Supervisory Board are held in English and French, with, at the request of any member of the Supervisory Board, a simultaneous translation into French and English by an interpreter.

Decisions are made based on a majority of votes cast by members present or represented. If votes are evenly split, the Chairman of the meeting holds the casting vote.

A register of attendance signed by the members of the Supervisory Board attending the meeting, in their name or for the other members of the Supervisory Board that they represent, is kept at the head office. A Supervisory Board member may give proxy by letter to another member of the Supervisory Board to represent him or her at a meeting of the Board. No member of the Supervisory Board may, during the same meeting, hold more than one proxy thus received. Proxies given by letter, or, as the case may be, by fax, must be attached to the register of attendance.

However, a copy or an extract of the minutes of deliberation will constitute sufficient proof of the number of members of the Supervisory Board in office as well as their attendance or representation at a meeting of the Supervisory Board.

The members of the Supervisory Board, and any person attending the meetings of the Supervisory Board, are bound by confidentiality obligations with regard to the deliberations of the Board with respect to information that is of a confidential nature or presented as such by the Chairman.

Meetings of the Supervisory Board without the executive corporate officers in attendance

The Supervisory Board regularly meets without the executive corporate officers in attendance. This is the case, for example, when they are resolving upon their performance or compensation. Discussions and informal contact between the members of the Supervisory Board, not attended by the Executive Board members, also take place on an ad hoc basis during each fiscal year.

Assessment of the Supervisory Board

The Board periodically assesses its composition, organization and procedures, as well as those of its committees. The Board provides an update once a year in this regard and a formal assessment is carried out at least every three years.

The conclusions of these assessments are reported on in the registration document, so that the shareholders are kept informed each year of the content of the assessments and any follow-up (see the section entitled "Evaluation of the Supervisory Board" below).

Training of Supervisory Board members

Each Supervisory Board member may receive, when appointed and throughout his/her term of office, training on the specific aspects of the Company, its activities and its business lines. Board members are also offered legal training to enable them to clearly identify the general or specific rights and obligations incumbent upon them, including, in particular, those resulting from legal or regulatory texts, bylaws, rules of procedure and any other legally binding text.

During the year, the members of the Supervisory Board are invited to participate, depending on their availability, in visits to one or more property assets (selected from among the most characteristic assets in the property portfolio), accompanied by an operational staff member, in order to better understand the Company's business lines.

Board members also receive a press review containing updates on the Group's news as well as the economic or legal developments likely to impact it. The members also receive specialized documentation presenting the different industry developments specific to Klépierre's environment.

Audit Committee members also receive, on appointment and at their request, information on specific accounting, financial or operational aspects of the Company.

A virtual library of relevant publications on compensation and governance is made available to members of the Nomination and Compensation Committee and is updated regularly. Members thus have easy access to reports and news from the French Financial Markets Authority (AMF), AFEP (the French large companies association) and MEDEF (the French employers' association), the High Committee for Corporate Governance, and the OECD, as well as the voting policies of the main proxies and investors, benchmarks, and various studies by experts and specialists.

Furthermore, a program primarily aimed at new Supervisory Board members (it is being specified that this program is obviously open to other members of the Board, if they wish to participate) is deployed when they take office, with the purpose of meeting the following objectives:

> facilitate their acquisition of knowledge about the Group's data;

> know the Group's specific business lines (such as development, construction, leasing or marketing, etc.);

> know the Group's organization;

> facilitate access to useful information for the smooth exercise of their term of office.

This program primarily entails exchanges with different operational staff. In this context, meetings are organized with a select number of Group executives: members of the Executive Board, the Investment Director, the Deputy CFO, the Development Director, the CEO of France and Belgium Shopping Centers; the Legal and Human Resources Director, one or several country Directors.

The new Board members are also given Diligent Board Books training to allow them to familiarize themselves with the Board's case monitoring tool.

Role of the Chairman of the Supervisory Board

In addition to the duties assigned to him/her by law, the Chairman of the Board oversees the proper operation of the Board. In particular, the Chairman of the Board ensures that there is a culture of openness and transparency within the Board, so that its discussions are clear and well-informed. Specifically, in 2017, as in previous fiscal years, the Chairman of the Board ensured that the Board members received adequate information before each Board meeting so that the discussions and resolutions were effective. Where necessary, the Chairman also ensured that the Board members had appropriate training to enable them to carry out their duties.

The Chairman of the Board also took part in the Group's strategic work, in collaboration with the Executive Board. The Chairman was also called upon to provide his knowledge of the sector, experience and vision in the service of the Board. This results in regular consultation with the Executive Board on strategic and/or sensitive issues, particularly those relating to the Group's orientation and organization, significant external growth projects, major financial transactions or the Group's financial information. Furthermore, if certain decisions require prior authorization by the Board, the Chairman may be called upon to assist the Executive Board in its preparatory work on these various projects.

Lastly, in some circumstances, the Chairman may from time to time be required to represent the Group in contacts with its tenants, major shareholders, stakeholders or partners.

Furthermore, in accordance with the bylaws, in the absence of the Chairman of the Supervisory Board the Vice Chairman of the Supervisory Board chairs the meetings of the Supervisory Board and the General Meetings.

5.1.1.3 Work of the Supervisory Board in fiscal year 2017

The Board met nine times in fiscal year 2017, with an average attendance rate higher than 94%. The attendance rate by Supervisory Board member is presented in the table below:

	Individual attendance rate at Supervisory Board meetings
David Simon, Chairman of the Board	100%
Bertrand de Feydeau	100%*
John Carrafiell	89%
Béatrice de Clermont-Tonnerre	89%
Jeroen Drost	78%
Steven Fivel	100%
Stanley Shashoua	100%
Catherine Simoni	100%
Rose-Marie Van Lerberghe	89%
Florence Von Erb	100%

* *Percentage calculated on the basis of the number of meetings until the position was terminated (at the end of the General Meeting of April 18, 2017).*

The main points debated during these meetings were:

> **the Group's activities and finances:**

- the parent company and consolidated financial statements as of December 31, 2016,
- the June 30, 2017 interim consolidated financial statements,
- the appropriation of profit proposed at the General Meeting of April 18, 2017,
- the management documents used for budgeting and forecasting purposes,
- the Executive Board's quarterly business review,
- the update of the 2017 budget,
- the adoption of the 2018 budget,
- monitoring of the ongoing acquisition, disposal and development projects,
- review of the Group's financial position (revalued net assets, debt);

- **authorizations granted to the Executive Board:**
  - the authorization granted annually to the Executive Board to issue guarantees and endorsements,
  - authorizations for investments and/or developments in France and abroad,
  - authorizations for divestments in France and abroad,
  - related-party agreement authorizations,
  - authorizations regarding financing;
- **corporate governance:**
  - proposal for re-appointment of members of the Supervisory Board,
  - membership of the Board and special committees,
  - update on the procedures of the Board and the special committees,
  - situation and compensation of the Executive Board members, total amount of directors' fees;
- **preparation for the 2017 Annual General Meeting of Shareholders;**
- **the 2017 bonus share allocation plan;**
- **a review of policy on equality in terms of career advancement and pay for all employees and between men and women;**
- **various presentations of Group strategy by geographical area.**

At Board meetings, the Committee Chairmen present the analysis and provide the recommendations from the Committees on topics that fall within their remit.

Evaluation of the Supervisory Board

As previously mentioned, each year, the Board discusses its operation and conducts a formal evaluation of its operation and those of its special committees. As required by the AFEP-MEDEF Code, this involves checking that the agenda for the Board's work covers the scope of its duties, that important questions are prepared and discussed in a satisfactory manner, and evaluating the actual contribution of each member to the Board's work and their involvement in deliberations.

In this regard, Klépierre's Supervisory Board was formally assessed for the two consecutive fiscal years of 2015 and 2016, enabling feedback from the most recently appointed Board members to be analyzed.

These formal assessments were conducted through a questionnaire sent to the members of the Supervisory Board. This questionnaire included 25 questions with a scoring scale and also invited the members to write qualitative comments on different topics. Members were also asked to express an opinion on the composition of the Board and Committees, the number of meetings of these bodies, the preparation and holding of meetings, the role and performance of their tasks by Special Committees, and generally, the quality and effectiveness of debates.

For fiscal year 2016, the evaluation showed that the members of the Supervisory Board had expressed overall satisfaction concerning the operation of the Board and that of its Committees. The Board members noted that the points for improvement mentioned for fiscal year 2015 (the time taken to send documents to Board members and the time spent on strategic subjects or matters related to Group activities) had been taken into account.

In particular, the Board was very satisfied with the diversity of its composition. It believed that its members had complementary profiles and multiple skills spanning finance, real estate, retail, digital, human resources and governance.

The Board also noted that the presence of recently appointed members enabled the Board to benefit from the new perspectives contributed by these members.

As the Board had requested, strategic reports were regularly presented to it, specifically focusing on different geographical areas.

Klépierre's activities in the previous period were systematically reviewed at each Board meeting, as well as its financial policy, and the members particularly welcomed the fact that the presentations were made from a strategic point of view.

Several informal meetings have also been held between the Executive Board and certain Board members, at their request, on technical or one-off matters requiring more detailed explanations, enabling these members to improve their understanding of the Group's activities. Generally speaking, regular communication and exchange was established between the Board members and Executive Board members in order to perfect the information provided to Board members about the Group and its activities.

Regarding the effective contribution of each member to the work of the Board, the Board noted that the discussions were of high quality and took place in the framework of an open, calm dialog that allowed each member to express his/her point of view.

The Board particularly noted the significant contribution of the Chairman to Board proceedings, in terms of his involvement, regular attendance of meetings, expertise and skills in the sector. In particular, the operation of the Board's committees was appreciated, and it was believed that they had played their full part by facilitating the decision-making process within the Board, through their preparatory work and the quality of the reports. The assiduousness of the Supervisory Board's members was also stressed.

The Supervisory Board again asked for a regular presentation of the Group's activity by geographical area by the operational managers of each area. It also asked for certain information sent to the committees to be provided to it (in particular, the benchmarking carried out by external advisors concerning the compensation of the corporate officers).

5.1.2 Special Committees

In order to carry out its tasks, the Supervisory Board has set up special committees, whose reports are sent to the Supervisory Board before its meetings. Similarly, the presence of recently appointed members is likely to allow the Board to benefit from the new insight provided by the latter. Within its area of expertise, each Committee issues proposals, recommendations and opinions, where required, and reports on its duties to the Supervisory Board.

The Committees are:

- the Investment Committee;
- the Audit Committee;
- the Nomination and Compensation Committee;
- the Sustainable Development Committee.

5.1.2.1 Investment Committee

Composition of the Investment Committee

This Committee has at least three and no more than six members chosen by the Supervisory Board from among its members.

The table below shows the composition of the Committee as of the filing date of this registration document as well as the changes with respect to composition that occurred during the fiscal year:

Name	Changes that occurred during the fiscal year
David Simon, Chairman	N/A
Bertrand de Feydeau	Term of office expired at the end of the General Meeting of April 18, 2017
Jeroen Drost	N/A
Steven Fivel	
Stanley Shashoua	

Operation of the Investment Committee

The Committee meets at least twice a year on the understanding that the calendar of its meetings is set by the Board. However, the Committee may meet at the request of at least two of its members.

The members of the Committee may participate in Committee meetings by videoconference or by any other means of telecommunication which allows their identification and guarantees their actual attendance.

For it to be able to deliberate validly, at least half of the Committee's members must be present. One Committee member cannot be represented by another.

Meetings of the Committee are held in English and French, with, at the request of any member of the Committee, a simultaneous translation into French and English by an interpreter.

Work of the Investment Committee

Duties

The role of this Committee is to consider potential investments and disposals proposed to it before they are formally authorized by the Supervisory Board. To this end, it reviews the real estate, commercial, legal and financial aspects of the transactions. In particular, it ensures that these transactions are consistent with the strategy and satisfy the investment criteria of the Klépierre Group. Before issuing a favorable opinion, the Investment Committee may, if needed, ask for additional information about or recommend changes in some or all of the real estate, commercial, legal or financial aspects.

Work of the Investment Committee in 2017

In 2017, the Investment Committee met seven times, with an average attendance rate of 97%.

The main matters addressed related to:

- **Divestments:**
  - France (Strasbourg) – Disposal of La Vigie,
  - France – Disposal of 16 Buffalo Grill restaurants,
  - France (Valence) – Disposal of Victor Hugo,
  - France (Hérouville-Saint-Clair) – Disposal of a real estate complex,
  - Germany (Cologne) – Disposal of Roncalli,
  - Spain (Valencia) – Disposal of Gran Turia,
  - The Netherlands (Utrecht) – Disposal of the Hoog Catharijne hotel,
  - Discussions of potential divestments;
- **Investments:**
  - Spain (Murcia) – Acquisition of the Nueva Condomina shopping center,
  - Spain – Acquisition of the 5% equity investment held by ADIF in Principe Pio Gestion S.A.,
  - Discussions of potential investments;
- **Development/redevelopment:**
  - France (Montpellier) – Odysseum,
  - France (Grenoble) – Grand'Place,
  - France – Créteil Soleil,
  - Discussions of potential developments/redevelopments.

5.1.2.2 Audit Committee

Composition of the Audit Committee

This Committee has at least three and no more than six members chosen by the Supervisory Board from among its members.

The table below shows the composition of the Committee as of the filing date of this registration document as well as the changes with respect to composition that occurred during the fiscal year:

Name	Changes that occurred during the fiscal year
John Carrafiell, Chairman	N/A
Stanley Shashoua	
Rose-Marie Van Lerberghe	
Florence Von Erb	

The proportion of independent members was 75%, including the Chairman.

In accordance with the report of the Working Group of the French Financial Markets Authority (AMF) on the Audit Committee, the Supervisory Board has determined the criteria to be taken into account to determine whether a person has a particular skill in financial and/or accounting matters, particularly with regard to listed companies. To this end, the Board takes into account a person's professional experience and/or academic training.

In light of their professional experience in particular, all members of the Audit Committee are considered by the Board to have particular competence in financial matters.

Operation of the Audit Committee

The Committee meets at least twice a year on the understanding that the calendar of its meetings is set by the Board. However, the Committee may meet at the request of at least two of its members.

The members of the Committee may participate in Committee meetings by videoconference or by any other means of telecommunication which allows their identification and guarantees their actual attendance.

For it to be able to deliberate validly, at least half of the Committee's members must be present. One Committee member cannot be represented by another.

Meetings of the Committee are held in English and French, with, at the request of any member of the Committee, a simultaneous translation into French and English by an interpreter.

Work of the Audit Committee

Duties

The Committee is tasked by the Supervisory Board with:

- reviewing and assessing the financial documents issued by the Company and with monitoring the process of preparing financial information and, where appropriate, issuing recommendations to safeguard its integrity;
- monitoring the effectiveness of:
  - the Company's external audit:
    - by issuing a recommendation to the Supervisory Board on the Statutory Auditors proposed for appointment at Klépierre's Annual General Meeting in accordance with the applicable regulations,
    - by monitoring the performance by the Statutory Auditors of their engagement, in the light of any observations and conclusions stated by the Haut Conseil du Commissariat aux Comptes (French regulatory body for Statutory Auditors) following the controls conducted in accordance with the law, and by reviewing with the Statutory Auditors every year:
      - their work programs,
      - the conclusions they drew on the basis of their work,
      - their recommendations and the follow-up work carried out,
    - by making sure that the Statutory Auditors satisfy the independence requirements applicable to them,
    - by taking the requisite measures pursuant to Article 4-3 of Regulation (EU) 537/2014 and by ensuring that the requirements of Article 6 of said regulation are met. To this end, the Audit Committee will discuss with the Statutory Auditors the evidence supporting their compliance with the requirements in terms of the length of appointments, prohibited services and caps on fees,
    - by approving the provision to the Group, either in France or elsewhere, by the Statutory Auditors or members of their network, of non-statutory audit services as provided for in the applicable internal procedure, and in particular after analyzing the threats to the independence of the Statutory Auditors and the safeguards applied by them,
    - by taking receipt of the supplemental report to the Statutory Auditors' audit report and by discussing with them the issues raised in this report;
  - Klépierre's internal control and risk management systems, and internal audit function concerning procedures for the preparation and processing of accounting and financial information:
    - by evaluating internal control, risk management and internal audit systems with Klépierre's internal control managers,
    - by reviewing with them:
      - the work programs and plans of action in relation to internal controls,
      - the conclusions drawn on the basis of the work performed and actions taken,
      - their recommendations and the follow-up work carried out,
    - by reviewing how the regulatory internal control obligations apply;
- reporting to the Supervisory Board on (i) the conduct of its engagements (ii) the results of the statutory audit engagement, how this engagement contributed to the integrity of the financial information and its role in the process;
- immediately informing the Supervisory Board of any difficulties encountered.

The following people attend the Committee meetings: the Chairman of the Executive Board, the members of the Executive Board (including the Chief Financial Officer), representatives of the Statutory Auditors. The Deputy Chief Financial Officer, the Head of Accounting and the Director of Internal Control also attend the meetings.

The Audit Committee may also, in accordance with its internal rules, hear any person it wishes, including all external experts, ask the Executive Board to conduct any hearing and give it any information that it requests.

Work of the Audit Committee in 2017

The Audit Committee met three times in fiscal year 2017, with an attendance rate of 100%. Its work focused mainly on:

- reviewing the annual and interim parent company and consolidated financial statements, reviewing material subsequent events and their impact and reviewing off-balance sheet commitments and risks;
- reviewing the annual and interim parent company and consolidated financial statements, reviewing material subsequent events and their impact and reviewing off-balance sheet commitments and risks;
- analyzing accounting changes in the context of first-time application of the fair value method;
- monitoring key indicators;
- monitoring financial ratios;
- monitoring expertise and expert methodology;
- conducting a tax review of the Group;
- reviewing the accounting treatment of the share buyback program;
- allocating goodwill from the Corio acquisition;
- the impact of the new IFRS 9 and 15;
- reviewing capital gains on disposals;
- the engagements of the Statutory Auditors and the fee budget proposed for fiscal year 2018;
- reviewing the audit conclusions issued by the Statutory Auditors, their budget for 2017 and their declaration of independence;
- reviewing 2017 actions by internal control (risk management, internal audit, and ethics) and approval of its 2018 action plan;
- reviewing the Sapin 2 Law.

5.1.2.3 The Nomination and Compensation Committee

Composition of the Nomination and Compensation Committee

This Committee has at least two and no more than five members chosen by the Board from among its members.

The table below shows the composition of the Committee as of the filing date of this registration document as well as the changes with respect to composition that occurred during the fiscal year:

Name	Changes that occurred during the fiscal year
Bertrand de Feydeau, Chairman	Term of office expired at the end of the General Meeting of April 18, 2017
Catherine Simoni, Chairman	Catherine Simoni was appointed Chairman of the Nomination and Compensation Committee on April 18, 2017
Jeroen Drost	N/A
Steven Fivel	
Rose-Marie Van Lerberghe	

The proportion of independent members is 50%, including the Chairman, who has the casting vote in the event of a tied vote.

Operation of the Nomination and Compensation Committee

The Committee meets at least once a year on the understanding that the calendar of its meetings is set by the Board. However, the Committee may meet at the request of at least two of its members.

The members of the Committee may participate in Committee meetings by videoconference or by any other means of telecommunication which allows their identification and guarantees their actual attendance.

For it to be able to deliberate validly, at least half of the Committee's members must be present. One Committee member cannot be represented by another.

Meetings of the Committee are held in English and French, with, at the request of any member of the Committee, a simultaneous translation into French and English by an interpreter.

Work of the Nomination and Compensation Committee

Duties

This Committee is tasked by the Supervisory Board to prepare recommendations for the Board concerning the nomination and compensation of Executive Board and Supervisory Board members and the compensation policy of the Chairman and Vice Chairman of the Supervisory Board and the members of the Executive Board (including grants of performance shares or stock subscription or purchase options).

Work of the Nomination and Compensation Committee in 2017

It met six times during fiscal year 2017, with an average attendance rate of 100%.

Its work focused mainly on:

> the governance of the Supervisory Board;

> the renewal of the terms of office of some members of the Supervisory Board;

> the composition of the special committees;

> the evaluation of the Supervisory Board's operation;

> directors' fees;

> the succession plan of the executive corporate officers (review, monitoring);

> the situation of the Executive Board members and determination of their compensation (and, particularly, clarification of the financial consequences of the likely termination of the employment contract of Jean-Michel Gault when his term of office as an Executive Board member ceases, and changes to his employment contract);

> defining the compensation policy;

> the review of a 2017 bonus share allocation plan;

> changing the performance conditions applicable to the bonus shares allocated after 2017;

> establishing a comprehensive schedule of work to be completed in 2018.

As part of its work related to the composition of the Supervisory Board and special committees, the Committee takes account of diversity, independence, skills, equal gender representation, age and years of service on the Board criteria prior to proposing to the Board the renewals of terms of members or the appointments of new members to the Board or its committees.

5.1.2.4 The Sustainable Development Committee

Composition of the Sustainable Development Committee

This Committee has at least two and no more than four members chosen by the Board from among its members.

The table below shows the composition of the Committee as of the filing date of this registration document as well as the changes with respect to composition that occurred during the fiscal year:

Name	Changes that occurred during the fiscal year
Steven Fivel, Chairman	N/A
Béatrice de Clermont-Tonnerre	
Stanley Shashoua	
Catherine Simoni	

The proportion of independent members is 50%.

Operation of the Sustainable Development Committee

The Committee meets at least twice a year on the understanding that the calendar of its meetings is set by the Board. However, the Committee may meet at the request of at least two of its members.

The members of the Committee may participate in Committee meetings by videoconference or by any other means of telecommunication which allows their identification and guarantees their actual attendance.

For it to be able to deliberate validly, at least half of the Committee's members must be present. One Committee member cannot be represented by another.

Meetings of the Committee are held in English and French, with, at the request of any member of the Committee, a simultaneous translation into French and English by an interpreter.

Work of the Sustainable Development Committee

Duties

This Committee is tasked by the Board with:

- cataloging the principal categories of risk to which Klépierre's business is exposed;
- monitoring the plan of action created to contend with these;
- reviewing the Klépierre Group's contribution to sustainable development.

Work of the Sustainable Development Committee in 2017

It met three times during fiscal year 2017, with an average attendance rate of 100%.

Its work focused mainly on:

- the Group's environmental, social and societal performance;
- the presentation of digital initiatives;
- the Group's strategy in relation to security in the shopping centers;
- the results of the main indicators and non-financial rating agencies;
- defining a new CSR strategy.

5.1.3 Executive Board

5.1.3.1 Composition of the Executive Board

As of the filing date of this registration document, the Executive Board consists of two members:

- Jean-Marc Jestin, Chairman of the Executive Board; and
- Jean-Michel Gault, member of the Executive Board and Deputy CEO of Klépierre.

Biographies of Executive Board members[1]

Jean-Marc Jestin
Chairman of the Executive Board

49 years old – A graduate of HEC – French nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
Jean-Marc Jestin has been Chairman of the Klépierre Executive Board since November 7, 2016, after serving as Chief Operating Officer and member of the Klépierre Executive Board since October 18, 2012. Previously, Jean-Marc Jestin held a number of positions in real estate companies. He was Chief Financial Officer and then Chief Operating Officer of the pan-European platform Simon Ivanhoe from 1999 to 2007. He then joined the Unibail-Rodamco International teams, acting as Deputy Chief Investment Officer in charge of acquisitions, sales and M&A transactions. Jean-Marc Jestin started his career in 1991 at Arthur Andersen in an audit role where he contributed to the development of the Real Estate Practice.

- Date of first appointment as member of the Executive Board: October 18, 2012
- Date of first appointment as Chairman of the Executive Board: November 7, 2016
- Start and end dates of appointment: June 22, 2016 – June 21, 2019

Number of Klépierre shares: 63,627

Current appointments as of December 31, 2017
Klépierre
Appointments in several subsidiaries*
Outside Klépierre
None

Appointments expired during the last five fiscal years
None

* *No compensation in the form of directors' fees or other is paid or due under the appointments exercised at the level of the Group's subsidiaries.*

(1) *In accordance with EC Regulation 809/2004 of April 29, 2004, this section does not include Klépierre subsidiary companies in which the corporate officers are also, or have been in the previous five years, a member of a governing, management or supervisory body.*

Jean-Michel Gault
Member of the Executive Board

57 years old – A graduate of École supérieure de commerce de Bordeaux – French nationality

Business address
26, boulevard des Capucines – 75009 Paris (France)

Career
Jean-Michel Gault has served as Deputy CEO of Klépierre since January 1, 2009. He has been a member of the Executive Board since June 1, 2005. Jean-Michel Gault joined Klépierre in 1998 as Chief Financial Officer, after a 10-year career in the Paribas Group. In 2009, his role was expanded to include the Office Property division. In this role, he supervised Klépierre's merger with Compagnie Foncière for which he was acting as Chief Financial Officer within the Real Estate Investment division of Paribas. Previously, he was Head of Financial Services and then appointed Chief Financial Officer at Cogedim, a Paribas subsidiary at that time. Jean-Michel Gault began his career with GTM International (Vinci Group) as a financial controller.

> Date of first appointment: June 1, 2005
> Start and end dates of appointment: June 22, 2016 – June 21, 2019

Number of Klépierre shares: 43,905

Current appointments as of December 31, 2017
Klépierre
Appointments in several subsidiaries*
Outside Klépierre
None

Appointments expired during the last five fiscal years
None

* *No compensation in the form of directors' fees or other is paid or due under the appointments exercised at the level of the Group's subsidiaries.*

5.1.3.2 Operation of the Executive Board

The Executive Board is appointed by the Supervisory Board for three years. The members of the Executive Board may be removed, in accordance with the law and the Company's bylaws, by the Supervisory Board or by the General Meeting of Shareholders.

The Supervisory Board elects one of the Executive Board members as its Chairman. The Chairman carries out his or her duties throughout his or her term as a member of the Executive Board. The Chairman of the Executive Board represents the Company in its relations with third parties.

The Executive Board meets as often as the Company's interests require. These meetings are held at the head office or at any other venue as indicated in the notice of meeting.

At least half of the Executive Board members must be present for proceedings to be considered valid. Decisions are adopted by the majority of votes of members present and represented. The Executive Board is vested with the most extensive powers to act on the Company's behalf in all circumstances. It exercises these powers within the limits of the corporate purpose, subject, however, to those expressly attributed by law and the bylaws to the Supervisory Board or General Meetings of Shareholders.

Under the control of the Supervisory Board, it must, in particular:

> present the Supervisory Board with a report on the Company's business at least once every quarter;

> present the Supervisory Board with the annual financial statements, and where applicable, the consolidated financial statements for audit and control, within three months of each reporting date;

> communicate the management documents used for budgeting and forecasting purposes as well as an analysis report, within eight days of their completion and within four months of the start of the reporting period at the latest.

5.1.4 Management bodies

The Executive Board is backed by a Corporate Management Team which meets every two weeks to prepare the decisions of the Executive Board in the field of operations, finance, information systems, legal, human resources and more generally, any other corporate subject.

The Corporate Management Team comprises the following members:

> the Executive Board;

> the Director of Human Resources and of the Legal Department;

> the Chief Operating Officer;

> the Deputy Chief Financial Officer;

> the Chief Development Officer;

> the Chief Investment Officer;

> the Chief Communications Officer;

> the Group Head of Leasing;

> the Group Head of Marketing;

> the Group Head of Design, Architecture & Mall Conception;

> the France CEO.

Furthermore, in order to strengthen the collaborative participation of the different countries in the Group, the Executive Board also relies on a Group Management Team comprising all members of the Corporate Management Team as well as all country managers. The Group Management Team meets once every quarter to receive from the Executive Board the Group's guidelines in the field of strategy and innovation and to a) share information about the operational performance of the countries and progress made on development projects, b) discuss the organization projects, procedures and tools, and c) share best practices and innovations.

5.2 Compensation and benefits of executive corporate officers

5.2.1 Compensation of Supervisory Board members

5.2.1.1 Compensation policy for Supervisory Board members

This section is subject to the approval of the Ordinary General Meeting of April 24, 2018. Such approval is sought in the context of specific resolutions (resolution 12 in the case of the compensation policy for members of the Supervisory Board).

The remuneration of members of the Supervisory Board consists only of directors' fees paid by Klépierre, the maximum amount of which is voted on by the General Meeting and the distribution of which is decided upon by the Supervisory Board.

In compliance with the AFEP-MEDEF Code, the distribution rules for directors' fees include a fixed portion and a variable portion, which is the major portion, calculated based on actual attendance at the meetings.

In accordance with Article 17, paragraph 1 of the Company's bylaws, the General Meeting sets the total amount of the directors' fees allocated to the Supervisory Board members for their work during the fiscal year. This total amount set by the Ordinary and Extraordinary General Meeting of April 19, 2016 was €700,000. This amount will be maintained for subsequent fiscal years until a General Meeting's decision to the contrary.

Directors' fee payments are made annually and occur after determining the variable portion due to each Supervisory Board member.

Supervisory Board members can also be reimbursed for all reasonable costs and expenses arising from the exercise of their duties, subject to providing the supporting documentation required.

The fiscal year 2018 utilization of the annual total of €700,000 is expected not to exceed €688,000 maximum, taking into account the nine-member size of the Supervisory Board at the end of the General Meeting of April 18, 2017:

> €132,000 to be distributed among the relevant Board members for service as Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board, Chairman of the Audit Committee, Chairman of the Investment Committee, Chairman of the Nomination and Compensation Committee or Chairman of the Sustainable Development Committee, i.e., €22,000, for the fixed portion, per office as Chairman or Vice Chairman;

> €332,000, to be distributed among the Board members for service as Supervisory Board members, of which:
  - €108,000, for the fixed portion, distributed among the Board members,
  - €224,000, for the variable portion, based on the actual attendance of members at Board meetings;

> €224,000, to be distributed among the relevant Board members for service as members of one or more Committees, for the variable portion, based on the actual attendance of members at meetings of the Committees to which they were appointed.

5.2.1.2 Compensation of Supervisory Board members

The total amount of directors' fees for fiscal year 2017 was €688,000 (including €448,000 for the variable portion).

In accordance with the compensation policy for Supervisory Board members described above, the total amount of directors' fees paid for fiscal year 2017 was €665,989.

The compensation of Supervisory Board members was structured as shown in the table below:

TABLE 3 – DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS

	Gross amounts paid in 2016 (for 2015)		Gross amounts paid in 2017 (for 2016)		Gross amounts paid in 2018 (for 2017)	
In €	Directors' fees	Other compensation	Directors' fees	Other compensation	Directors' fees	Other compensation
David Simon	58,614	–	75,071	–	100,161	–
Dominique Aubernon[(a)]	52,089	–	–	–	–	–
John Carrafiell	22,717	–	46,972	–	63,868	–
Béatrice de Clermont-Tonnerre[(b)]	–	–	21,503	–	41,868	–
Bertrand de Feydeau	49,923	–	90,849	–	28,661	–
Jeroen Drost	24,295	–	45,786	–	65,393	–
Steven Fivel	56,233	–	78,643	–	104,343	–
Bertrand Jacquillat[(c)]	42,036	–	15,991	–	–	–
François Kayat[(d)]	11,169	–	–	–	–	–
Stanley Shashoua	25,332	–	45,786	–	70,706	–
Catherine Simoni	23,050	–	31,279	–	71,651	–
Philippe Thel[(e)]	333	–	–	–	–	–
Rose-Marie Van Lerberghe	33,346	–	50,564	–	74,813	–
Florence Von Erb[(f)]	–	–	27,383	–	44,525	–
TOTAL	**399,137**	**–**	**529,827**	**–**	**665,989**	**–**

(a) Resignation with effect from December 11, 2015.
(b) Appointment with effect from April 19, 2016 – no directors' fees for fiscal year 2015.
(c) End of term: April 19, 2016.
(d) End of term: April 14, 2015.
(e) Resignation with effect from January 15, 2015.
(f) Co-optation on February 17, 2016 – ratification by the Klépierre Shareholders' General Meeting of April 19, 2016 – no directors' fees for fiscal year 2015.

5.2.2 Compensation of Executive Board members

In accordance with paragraph 24.1 of the AFEP-MEDEF Code, the compensation policy and all compensation and benefits allocated to each executive corporate officer are determined by the Supervisory Board, acting on the recommendation of the Nomination and Compensation Committee.

To do so, the Nomination and Compensation Committee and then the Supervisory Board take into account all of the various elements that comprise it and the balance between these elements by using transparent and intelligible principles.

The Company fully complies with the AFEP-MEDEF Code guidelines on compensation.

5.2.2.1 Compensation policy for Executive Board members

This section is subject to the approval of the Ordinary General Meeting of April 24, 2018. Such approval is sought in the context of resolutions specific to each Executive Board member (resolution 13 in the case of the Chairman of the Executive Board and resolution 14 in the case of Executive Board members).

Principles and criteria in determining the compensation of Executive Board members

At the start of each year, the Nomination and Compensation Committee performs a general review of the different components of the compensation in order to:

- analyze the level of relevance of annual fixed compensation, taking into account events that affect the Company and other compensation components;
- determine the amount of short-term variable compensation on the basis of performance criteria established at the beginning of the previous year;
- establish the performance criteria and the calculation method for variable compensation for the coming year;
- determine the amount granted for long-term incentives and the attached performance criteria.

The Supervisory Board then determines its compensation policy, on the recommendation of the Nomination and Compensation Committee, taking into account the principles of the AFEP-MEDEF Code: exhaustiveness, balance between the components of the compensation, comparability, consistency, clear rules and moderation.

The Supervisory Board also takes into account whether Executive Board members are entitled to severance pay when establishing its compensation policy for Executive Board members.

In addition, throughout the year the Nomination and Compensation Committee regularly monitors the different performance criteria set for establishing variable compensation and long-term incentive.

The Supervisory Board, on the recommendation of the Nomination and Compensation Committee, also endeavors to ensure that the compensation of Executive Board members respects the criteria stated below.

Summary

Indicative timeline showing the steps required in determining the compensation of Executive Board members

Schedule for one year	From June of year Y-1 to February of year Y	From February of year Y		April of year Y	Post General Meeting of the shareholders of year Y
Leader body	Nomination and Compensation Committee	Supervisory Board	Executive Board	General Meeting of shareholders	Nomination and Compensation Committee
Work completed	Discussion of the compensation of each member of the Executive Board, in particular: 1) General structure: review and assessment of the relevance of the general structure of compensation 2) Fixed annual compensation: analysis of the fixed annual compensation level 3) Annual variable compensation: – determination of the amount of short-term variable compensation due for year Y-1 on the basis of performance criteria established at the beginning of year Y-1 – determination of the applicable performance criteria and the short-term variable compensation for year Y 4) Long-term incentive: – setting the total amount that may be allocated to Executive Board members – determination of the performance criteria to be applied to the current share allocation plan for year Y 5) Benefits in kind 6) Analysis of applicable governance regulations and changes regarding this matter (for example, numerous analyses carried out as part of the introduction, by the Sapin II Law, of the say on pay relating to the compensation policy applied by Klépierre)	Supervisory Board decisions concerning the compensation of each Executive Board member (including in particular the fixed annual compensation, the annual variable compensation and the long-term incentive), on the basis of recommendations by the Nomination and Compensation Committee Observation of performance levels attained for the long-term incentive reaching maturity	With respect of the long-term incentive of the year, effective allocation to the members of the Executive Board, based on the allocation decided by the Supervisory Board	Submission to the General Meeting of the compensation elements paid to each Executive Board member for year Y-1 (as part of the non-binding say on pay) Submission to the shareholders' vote of the compensation policy applied by Klépierre for year Y Submission to the shareholders' vote of other compensation elements (for example, authorization to issue long-term incentive such as stock options or performance shares, or likewise to a vote under the rules applicable to related-party agreements)	Report on the General Meeting of year Y (including analysis of the meaning of the vote on the say on pay resolutions, analysis of comments from investors and proxy advisors)
Goals sought	Retain the talent Define a close link between performance and compensation Arrive at a compensation structure that all stakeholders consider balanced and satisfactory Promote long-term growth and commitment of Group employees, while ensuring a convergence of interests for the shareholders and employees				
Means mobilized	Use of specialized, independent, and prominent experts Study of different panels (for which the Committee regularly ensures relevance) Meeting with investors and the proxy advisors Legal Department Human Resources Department				
Unifying principles	Exhaustiveness, balance between the compensation elements, comparability, consistency, clear rules and moderation				

Compensation must attract and retain people with the best skills

Adequate compensation, both fixed and variable, is essential to attract, retain and motivate the best talent and thus guarantee the growth of the Company. The compensation offered should be in line with market practices for comparable companies. In order to ensure this, in compliance with the benchmark principal recommended by the AFEP-MEDEF Code, the Nomination and Compensation Committee ensures the regular appointment of various specialized and independent experts to undertake studies based on panels of companies of a similar size or companies that operate in the same activity sector as Klépierre and that have a comparable international exposure.

Compensation must be based on performance, in line with the interests of Klépierre and of its shareholders

In its compensation policy and in accordance with paragraph 24.1.2 of the AFEP-MEDEF Code, the Company ensures that executive corporate officer compensation is aligned with the interests of Klépierre and of its shareholders.

The compensation policy is thus primarily designed to reward the performance of executive corporate officers, making it possible to align the interests of executive corporate officers with those of Klépierre and of its shareholders. Accordingly, executive corporate officer compensation is very preponderantly subject to performance conditions, be it for the short-term variable portion or for the allocation of performance shares. These performance conditions make it possible to evaluate how executive corporate officers create value over various time frames.

The performance criteria used to determine the compensation of corporate officers are financial, operational and non-financial. Certain criteria are shared by Executive Board members because they reflect the Company's performance under the leadership of those executives. Other criteria are specific to each Executive Board member, which are determined based on their areas of activity.

These criteria are regularly reviewed by the Nomination and Compensation Committee as well as by the Supervisory Board, in order to check whether they still reflect the Company's strategy and current position, the idea being to avoid retaining obsolete or inefficient criteria while, in parallel, retaining a stability essential to long-term performance assessment.

Compensation takes into account areas of responsibility

In accordance with paragraph 24.1.2 of the AFEP-MEDEF Code, the compensation of executive corporate officers is based on work performed, results obtained, responsibility assumed and the duties entrusted to the executive corporate officers. Changes in the size of the Group and, consequently, areas of responsibility, influence executive compensation and the Company's competitive positioning if they are especially significant, result in structural changes and cause a profound change to the Company.

Compensation takes into account the Group's social, societal and environmental goals

Both the short-term variable portion and the long-term variable portion include non-financial criteria regarding social, societal and environmental issues which are set in line with the Group's goals in order to foster sustainable environmentally friendly development for the long term.

EXECUTIVE BOARD MEMBERS' COMPENSATION STRUCTURE

Presentation of the main elements of Executive Board members' compensation

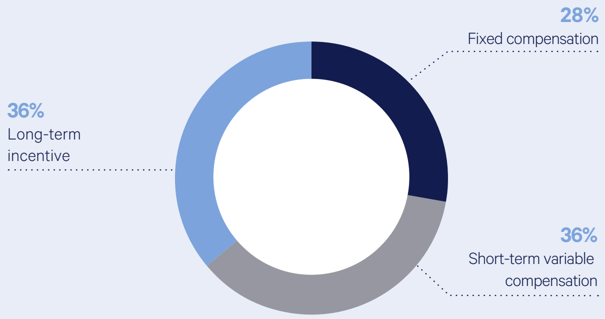
The compensation of each Executive Board member consists of three main elements:

- a fixed component, determined on the basis of the responsibilities assumed by each of the members of the Executive Board, which must be sufficiently competitive to attract and retain the best talent;
- a short-term variable component that links Executive Board members to the Group's short-term performance; and
- a long-term incentive component to best align the interests of the beneficiaries with those of shareholders in order to create value over the long term.

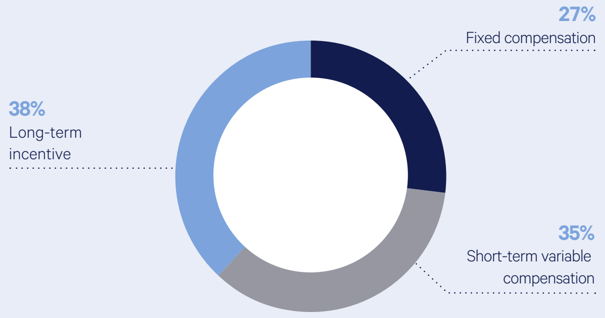
Variable compensation (short-term variable and long-term incentive) play a decisive role in the determination of compensation structure. It represents nearly two thirds of the total compensation (fixed, short-term variable compensation and long-term incentive) of Executive Board members in respect of a year, with fixed compensation representing about one third of the total of such compensation.

For instance, for 2017, the respective weight of each of these elements was as follows:

Jean-Marc Jestin



Jean-Michel Gault



The compensation of each Executive Board member includes the following elements:

a) Annual fixed compensation

The Nomination and Compensation Committee, by applying a benchmark principle from the AFEP-MEDEF Code, decided to study regularly the practice of companies comparable in size and activities to Klépierre to verify (i) the adequacy of Executive Board member compensation with regard to the Group's size and to Board members' experience as well as (ii) the competitiveness of the compensation offered to Executive Board members vis-à-vis comparable companies.

After having recognized the lack of competitiveness of the Klépierre Executive Board members' fixed compensation compared to compensation offered in comparable companies(1), the Nomination and Compensation Committee and the Supervisory Board have, in the last few years, taken steps to restore it to the appropriate level by introducing fixed annual compensation which is appropriate to the experience and scope of responsibilities of Executive Board members as well as consistent with the market.

A gradual approach was decided upon in order to avoid a significant change in fixed compensation between one fiscal year and the next.

The finding of the studies undertaken by Towers Watson in 2017 on the following panels showed that the fixed compensation of Executive Board members remained below the median fixed annual compensation of the corporate officers of the companies in the samples studied (in line with the findings of the benchmarking work done in 2015 and 2016):

- the panel of SBF 120 companies (comprising (i) the 10 CAC 40 companies with the lowest market capitalization, (ii) the 20 Next 20 companies and (iii) the 10 SBF 80 companies with the highest market capitalization), and
- the panel of companies with comparable activities (STOXX® Europe 600 – Real Estate).

It was in particular found that in the case of the fixed compensation of the Chairman of the Executive Board, the difference vis-à-vis the median fixed annual compensation of the corporate officers of the companies in the samples studied is still significant.

As announced in the registration document filed with the French Financial Market Authority (AMF) on March 9, 2017, it has decided to pursue the policy of restoring their fixed annual compensation to the appropriate level. Therefore, the Board of Directors, at the recommendation of the Nomination and Compensation Committee, decided:

- that the fixed compensation level of members of the Executive Board, and more particularly, the fixed compensation of the Chairman of the Executive Board, was not commensurate with the skills and scope of responsibilities of the executive team;
- that the current compensation of members of the Executive Board could not be considered as a key factor for retaining executives;
- that the quality of the executive team and its involvement in the Company's development were key success factors for the Group;
- that it was therefore necessary to make a significant effort to align their compensation with that of the market, and thus find a long-term solution to this situation.

The Supervisory Board, on a recommendation from the Nomination and Compensation Committee, has determined the fixed annual compensation of the Executive Board members for 2018 as follows:

- fixed annual compensation for the Chairman of the Executive Board: raised from €500,000 to €650,000;
- compensation of the Deputy CEO, Executive Board member: raised from €400,000 to €440,000.

The Board's target is to by 2019, when the Executive Board next comes up for reappointment, and subject to the approval of the compensation policy for each of the members of the Supervisory Board by the General Meeting, set the fixed annual compensation of Executive Board members at a level that is considered reasonable and close to the average of the median values for fixed compensation paid to executives in the companies in the two samples studied, namely €750,000 for the Chairman of the Executive Board and €480,000 for the Deputy CEO, Executive Board member. This fixed compensation will then remain unchanged for the full term of the Chairman and of Executive Board members (i.e., until 2022) subject to any major changes within the Group and its environment.

The Supervisory Board will continue to ensure that the fixed compensation of Executive Board members is competitive compared to companies of comparable size or that are involved in the same business, and will regularly check that the panels studied to this end are relevant, while also taking into account each member's experience and their scope of responsibility.

The Board will also continue to ensure, when determining the fixed compensation of Executive Board members, that the compensation package offered to the latter remains relevant and consistent with the median of the aforesaid samples.

If a new Executive Board member is appointed, his/her fixed annual compensation will be determined by the Supervisory Board in compliance with existing market practices for the exercise of duties of the same nature and in line with the Klépierre compensation policy.

b) Short-term variable compensation

Short-term variable compensation rewards executive performance for year Y-1 and aims to establish a link between the interests of executives and the Group's operational strategy over the period in question pursuant to paragraph 24.3.2 of the AFEP-MEDEF Code.

This compensation is determined by the achievement of clear and ambitious targets, which are decided at the beginning of the year by the Supervisory Board on the recommendation of the Nomination and Compensation Committee (details and weighting of the qualitative targets are communicated to Executive Board members at the beginning of the year but are not made public at this stage for confidentiality reasons – they are, however, made public after the fact).

The results are evaluated after the end of the fiscal year on the basis of the consolidated financial statements for that fiscal year and the evaluation of the performance of each member of the Executive Board by the Supervisory Board.

(1) For historical reasons, Executive Board members' compensation was set at relatively low levels, and over time has lost its correlation with Klépierre's size. In effect, Klépierre was, formerly, a BNP Paribas subsidiary, in which the compensation of the Executive Board members was determined in consistency with the compensation policy applicable to BNP Paribas group executives. Following the sale by BNP Paribas of its stake, initiated in March 2012 and ended in November 2015, Klépierre became a non-controlled company, whose strategic positioning has noticeably evolved, as seen in the refocusing of its portfolio on large-scale core assets.

Short-term variable compensation will be determined based on the following two types of components:

Component type	Component weighting	Component description	Justification of component choice
Quantitative component	The quantitative portion of variable compensation is capped at 80% of fixed annual compensation. In addition, a floor has been set at a minimum of 95% of the target. Achieving the target net current cash flow per share that is announced by Klépierre to the market grants entitlement to 55% of the fixed annual compensation.	The quantitative component measures Klépierre's performance in relation to a target net current cash flow per share. The net current cash flow per share target for fiscal year 2018 is €2.59.	The financial indicator chosen is particularly relevant for a real estate company like Klépierre as it enables the following to be measured: > changes in income using internal growth and external growth effects; > efficiency of cost management (operating costs and financial costs), or even; > tax exposure of current transactions. It is one of the main indicators that the Company communicates to the market biannually for each six-month period. The net current cash flow per share growth momentum and the regularity thereof are fundamental parameters for the valuation of the Klépierre stock. At each publication of net current cash flow per share, a reconciliation with the EPRA Earnings per share is also published. The quantitative component is applied identically to the Executive Board members because it measures their performance as an executive team, since the Executive Board is intended to operate as a group of peers.
Qualitative component	The qualitative portion of variable compensation is capped at 50% of fixed annual compensation.	The qualitative portion of variable compensation is measured by applying several criteria, according to the profile of each Executive Board member, and for 2018 is based around the following areas: > development/investments; > management of financial transactions; > social and environmental responsibility*; > the Company's image.	The qualitative component individually measures the performance of each member of the Executive Board on the basis of specific targets, attributed to each of the Executive Board members on the basis of their particular area of involvement for the relevant year. These specific targets are decided by the Supervisory Board for the relevant year according to the priorities set by the Board, on the recommendation of the Nomination and Compensation Committee and are communicated to Executive Board members.

* *With the understanding that the selected criteria applied are different from those applied in the assessment of the condition related to Klépierre's CSR performance for the purpose of the long-term incentive.*

In total, therefore, the short-term variable compensation paid to Executive Board members is capped at 130% of their fixed annual compensation, i.e., at the low end of what was found in the aforementioned Towers Watson study.

In accordance with Article L. 225-82-2 of the French Commercial Code, the variable annual compensation due in respect of fiscal year 2018 will be paid after the Ordinary General Meeting of Klépierre's shareholders held in 2019 to approve the 2018 financial statements, and in the case of each Executive Board member, is contingent upon its approval by that Meeting.

c) Long-term incentive

Since 2012, the Supervisory Board has allocated performance shares to executive corporate officers and the chief executives of the Group, under the authorization granted by the General Meeting. In accordance with the AFEP-MEDEF Code guidelines, performance shares are not reserved solely for executive corporate officers. The general policy for the distribution of performance shares is discussed each year by the Nomination and Compensation Committee, which then makes recommendations to the Supervisory Board.

The purpose of these allocations of performance shares is to encourage the achievement of the Group's operational and financial targets and thus enable an increase in the resulting creation of value for shareholders. They encourage the executive corporate officers and the senior management of the Group to have a long-term view of their shares, thereby engendering loyalty and promoting the alignment of their interests with the corporate interests of the Company and the interests of the shareholders. They involve a large group of beneficiaries (representing around 9.5% of employees).

The performance conditions are established by the Supervisory Board, on the recommendation of the Nomination and Compensation Committee, based on ambitious goals, and they are evaluated at the end of a period of three years after their allocation. These performance conditions apply to all allocations made under these plans.

At the General Meeting held on April 19, 2016, Klépierre was authorized to allocate performance shares, including those benefiting the Executive Board members.

The plan regulations that will be implemented in 2018 will include a three-year vesting period (except for early exercise)(1) and a two-year holding period for French beneficiaries and a four-year vesting period (except for early exercise)(1), with no holding period, for non-French beneficiaries.

In accordance with the AFEP-MEDEF Code guidelines, all final vesting of all performance shares is subject to service and performance conditions for all beneficiaries, assessed over a three-year period (with the level of fulfillment of performance conditions being assessed once at the end of the three-year period).

Beginning in 2018, the vesting of performance shares will be subject to the achievement of four performance criteria comprising financial, non-financial and operational criteria, which will be evaluated over a three-year period.

(1) *Death or disability of the beneficiary, transactions resulting in a change in control, delisting.*

Nature of conditions		Indicator used	Calculation method used	Weighting of conditions in the total vesting	Justification of performance condition choice
Service condition		Service of the beneficiary concerned within the Group until the end of the vesting period Should the beneficiary leave before expiration of the term for evaluating the performance share performance criteria, preservation of the profits for the performance shares is subject to the decision of the Board and is justified. With respect to Executive Board members, the Supervisory Board will only admit a partial lifting of the service condition according to a prorata temporis vesting principle, and performance conditions will continue to apply until the end of the vesting period	N/A	100% of the total allocation	N/A
Performance conditions	***Condition linked to Klépierre's absolute performance***	Total shareholder return (TSR – change in share price + dividend) on Klépierre shares	Calculated from the average of the 40 share prices prior to the anniversary date (as compared with the average of 40 share prices prior to the date of allocation)	10% of the total allocation	This criterion enables assessment of the return for the shareholder based on stock price performance and dividends received. Its weighting must nevertheless be limited insofar as it is mainly linked to Klépierre's share price performance, something that is not solely influenced by the Company's intrinsic operating performance, but by macroeconomic developments that may be unrelated to the Company's business.
	Condition linked to the Klépierre share's relative performance	Comparison with the performance of a panel of peers (Unibail-Rodamco SE, CityCon OYJ, Eurocommercial Properties, Deutsche Euroshop, Wereldhave NV, Mercialys, Vastned Retail NV, Carmila, Immobiliare Grande Dis, Atrium European Real Estate)		30% of the total allocation	This criterion enables the return for the Klépierre shareholder to be compared with the return for shareholders of companies primarily operating shopping centers.
	Condition linked to Klépierre's internal performance	Change over three years in net rental income	Calculation of the average on the basis of the annual trend of the net rental income communicated by the Group in the context of its annual consolidated financial statements over the last three fiscal years preceding the reference date	40% of the total allocation	This criterion is an operational criterion directly linked to the business of the Company, which will measure the Company's performance based on the net rental income trend.
	Condition linked to Klépierre's CSR performance	> GRESB rating: Klépierre must be among the top five and be rated "5 stars" > Level of achievement of certain targets in the CSR road map	Application of a performance grid, found on page 248 of Klépierre's 2017 registration document	20% of the total allocation	This criterion reflects Klépierre's desire to unite its employees and executives in terms of social and environmental concerns in line with Klépierre's five-year CSR road map.

The number of performance shares that may be definitively vested to the beneficiaries concerned is calculated using the following performance grid:

Nature of performance conditions	Performance	% of shares delivered[(a)]	Assessment of the requirements for the chosen performance conditions
Condition linked to Klépierre's absolute performance (10%)	≤16.5%	0%	The percentage of shares allocated is zero when the increase in the TSR is less than or equal to 16.5%. Achievement of the maximum target implies TSR growth of 30% or more. Exceeding 30% threshold does not result in an over-allotment of shares, as the allotment is capped at 10% of the number of shares initially allocated.
	20%	33.3%	
	22.5%	50%	
	25%	66.7%	
	27.5%	83.3%	
	≥30%	100%	
Condition linked to the Klépierre share's relative performance (30%)	Index -1%	0%	Even if the Klépierre share's performance is equal to the index, only 33.33% of the shares will be obtained. To achieve the maximum target, the share must perform at a rate 3% above the index. Exceeding the index threshold by +3% does not result in an over-allotment of shares, as the allotment is capped at 50% of the number of shares initially allocated.
	Index	33.3%	
	Index +1%	50%	
	Index +2%	66.7%	
	Index +3%	100%	
Condition linked to Klépierre's internal performance (40%)	<1%	0%	Even if the growth of the net rental income is equal to 1%, only 30% of the shares will be obtained. To achieve the maximum target, the increase must be above or equal to 3%. Exceeding the threshold by 3% does not result in an over-allotment of shares, as the allotment is capped at 40% of the number of shares initially allocated.
	1%	30%	
	≥3%	100%	
Conditions linked to Klépierre's CSR performance (20%)	GRESB rating: Klépierre must be among the top five and be rated "5 stars"	8%	GRESB (Global Real Estate Sustainable Benchmark) is an organization that evaluates the social and environmental performance of real estate companies. The goal is to rank among the top five companies in its category and to obtain a "5-star" rating. CSR targets are described in more detail in the CSR strategy as described on page 175, which sets targets for each of the adopted themes, a goal to be achieved within a five-year horizon. The targets of the plan in question take into account the progression expected within three years which is part of the overall goal of the five-year CSR strategy (see below). The shares are vested only if the conditions are fulfilled. There is no award if earnings fall below the target.
	Reducing the Group's energy consumption Goal[(c)] 30% reduction	3%	
	Shopping centers with a sustainable development certification Goal[(c)] 80% of shopping centers	3%	
	Shopping centers contributing to local employment Goal[(c)] 70% of shopping centers having taken at least one measure during the year intended to promote local employment[(b)]	3%	
	Employees receiving training Goal[(c)] 94% of employees	3%	

(a) If the result obtained is between two thresholds, the number of performance shares vested is calculated by linear interpolation.
(b) Including: the organization of an employment forum, partnerships with a local employment organization, partnership with an association supporting employment/integration, publication of jobs available at the center on the center's website and/or through posting, etc.
(c) The target goals will be adjusted in future performance action plans based on the goals set in the CSR strategy.

Adjustment to the performance conditions applicable to performance share plans being established from 2018

In June 2017, Klépierre undertook a review for the purpose of revisiting the structure of long-term incentives and overhauling performance conditions, with the assistance of specialist consulting firms. Indeed, the Board wished to introduce innovative criteria linked to Klépierre's CSR performance, considered by the Board as particularly important in the context of the Group's long term strategy, in order to motivate and ensure the involvement of the Group's management in the implementation of this strategy.

Furthermore, these criteria aim at the implementation of measures affecting different professions in the Group which contribute to the performance and, therefore, involve all teams.

In addition, in the context of its thoughts on the introduction of new criteria, the Board concluded that previous plans were no longer satisfactory in terms of long-term compensation goals. It in particular became apparent that the performance criteria of the previous plans did not reflect the actual economic and operational performance of the Group (notably, significant growth of the net current cash flow per share, higher than the initial objectives) and did not serve to motivate, retain and attract talent within the Group, even though the Group's operational performance had improved significantly over the same period.

Based on the work of the Nomination and Compensation Committee, the Supervisory Board felt it was necessary to make evolve the performance conditions for reasons that are set out in more detail below.

In this respect, the Supervisory Board endeavored to identify performance conditions that reflect the Group's policy in terms of long-term compensation, namely:

> conditions primarily based on internal performance indicators, improvements in which depend on the work put in by the management teams and their results, built around an approach designed to create value over the long term;

- understandable and demanding conditions, which are evaluated over a three-year period, in order to avoid windfall effects;
- varied conditions, which differ from those applicable to short-term variable compensation and which are for the most part assessed based on financial and quantitative criteria along with criteria correlated with the environmental or social issues facing the Group.

The following adjustments are accordingly considered:

- a reduction in the weighting accorded to the absolute performance criterion evaluated on the basis of TSR;
- the use of a more appropriate panel, comprising operators in the same sector as Klépierre, for the relative performance criterion;
- an increase in the weighting accorded to the internal performance criterion based on the net rental income trend on a like-for-like basis;
- the introduction of a CSR criterion.

A reduction in the weighting accorded to the absolute performance criterion

Beginning in 2018, the weighting of the absolute performance criterion, based on TSR, will be reduced to 10%.

This change echoes the recommendations made by certain key investors to limit the weighting of the stock market criterion used absolutely insofar as it is primarily influenced by external macroeconomic factors, unconnected with the work of the management teams or their performance.

Use of a more appropriate panel, comprising operators in the same sector as Klépierre, for the relative performance criterion

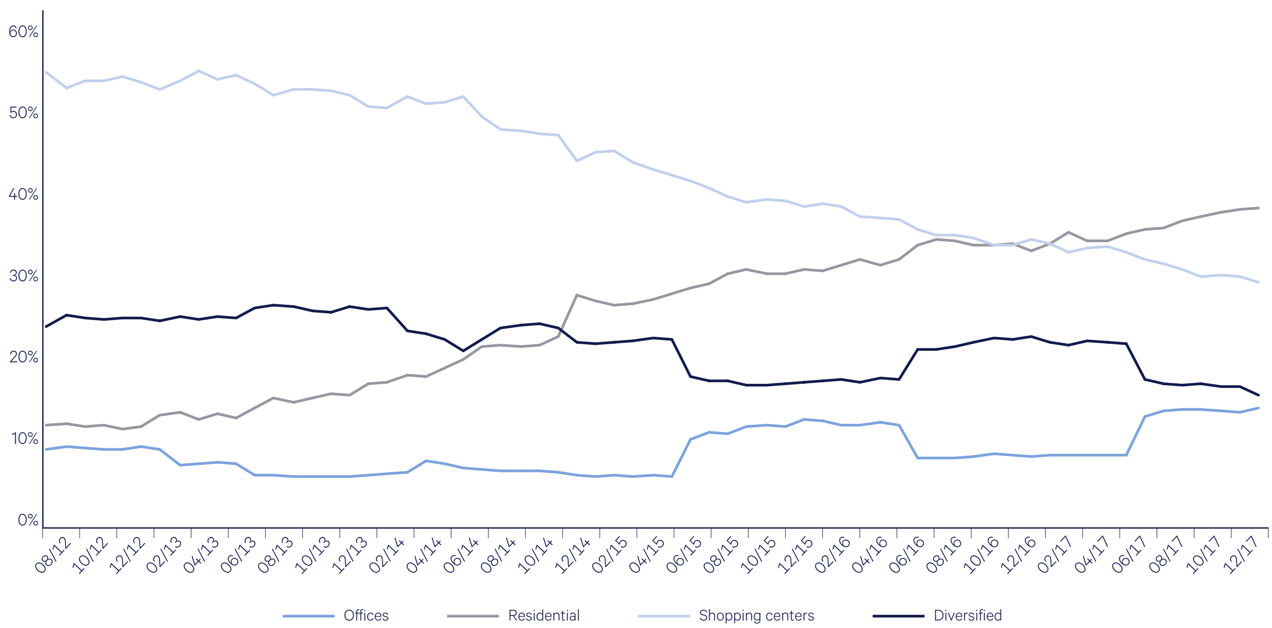
Beginning in 2018, the panel used to test the relative performance condition evaluated on the basis of TSR will be comprised of competitors in the shopping center sector, which are thus faced with comparable issues and business cycles.

Until now, this assessment has been made by comparing the change in the Klépierre share price with that of the FTSE EPRA/NAREIT Eurozone index, an index that tracks all Eurozone real estate listed companies. However, this index is no longer suitable owing to a significant change in its composition.

The weight of shopping center real estate companies in this index has been falling steadily in the last few years. While these companies represented 56% of the index in August 2012, they accounted for no more than 29% in December 2017. At the same time, the weight of other real estate categories such as the residential sector, has kept on rising, from 11% in August 2012 to nearly 40% of the FTSE EPRA/NAREIT Eurozone index now, driven by the significant growth of German residential companies.

Yet the stock market performance of companies specialized in the housing sectors depend on factors that are very different from those at work in the shopping centers sector. The same applies to the office sector (14% of the index in December 2017). Real estate for housing is in fact very dependent on regulatory factors in particular, while offices are more sensitive to the level of employment, and shopping centers to the level of consumption, inflation, and competition from e-commerce retailers.

▶ FTSE EPRA/NAREIT EUROZONE INDEX WEIGHTINGS TRENDS SINCE 2012



This is the reason behind the proposal to now assess Klépierre's stock market performance with respect to the FTSE EPRA/NAREIT Eurozone index limited to companies that can be considered as true Klépierre peers, namely commercial real estate companies. The equi-weighted index would therefore consist of the following securities: Unibail Rodamco SE, CityCon OYJ, Eurocommercial Properties, Deutsche Euroshop, Wereldhave N.V., Mercialys, Vastned Retail N.V., Immobiliare Grande Dis, Atrium European Real Estate and Carmila.

Increase in the weight accorded to the internal performance criterion based on the net rental income trend

The internal criterion weighting, which measures the trend in net rental income over three years, will be increased from 20% to 40%, insofar as this criterion seems particularly good at assessing the Company's business growth and the efforts of the teams to increase rental income (on a like-for-like basis) and thereby maximize returns from the real estate assets within the Group's property portfolio.

Rental income growth on a like-for-like basis includes:

> reversion (increase in guaranteed minimum rent at lease renewal) which reflects the Group's capacity to integrate the best retailers in its centers and to optimize the rental value of available spaces;

> vacancy reduction; and

> optimum management of the expenses of shopping centers.

Net rental income growth on a like-for-like basis should be at least 3% on average over the three years preceding the share allocation date for the criterion to be considered as fully met.

This is actually a very ambitious growth target considering that the Group renews, on average, only 8% of all its leases every year.

The ambitious nature of the target can be measured in the light of past performance, that of Klépierre or of its main competitors.

In fact, based on Klépierre's results since 2005[1], the performance criterion has been met in only five fiscal years, i.e., in one out of every two years for the 2007 to 2016 period (2007 being the first year for calculating three-year averages). If we only take the years after the 2008 crisis into consideration, the criterion has been met in only two fiscal years, i.e., in one out of three for the 2011-2016 period.

By taking account of the results of Klépierre's main competitors since 2012[2], 56% of them have reported average growth of their net rental income[3] on a like-for-like basis exceeding 3% for the 2012-2014 period, 33% for the 2013-2015 period and only 33% for the 2014-2016 period.

Introduction of a CSR criterion

In addition to the three above-mentioned criteria, which make it possible to (i) assess shareholder returns having regard to the stock price performance and dividends received, (ii) compare this return with that of Klépierre's competitors and (iii) evaluate, from an operational perspective, the Company's performance in terms of the trend in net rental income, the Supervisory Board felt that it would be beneficial to factor in the achievement of the Group's CSR commitments in the performance measurement systems in light of the importance of CSR challenges for Klépierre.

In fact, Klépierre defined a new CSR strategy beginning in 2018 and set itself ambitious goals along with a certain number of priorities to achieve as part of a five-year plan. The achievement of these priorities will be assessed annually by an independent third-party organization. In this regard, the Supervisory Board would like to introduce the following fourth performance condition: (i) Klepierre must be among the top five and be rated "5 stars," reserved for the best performers and (ii) the achievement within three years of the priorities of the Group's CSR strategy as set out in the above table.

The goals set out in the 2018 plan are in line with the goals set for the same criteria in the five-year CSR strategy. Thus:

> reducing the Group's energy usage: the 30% goal assessed at the 2018 plan horizon is in line with the five-year 40% target;

> shopping centers obtaining sustainable development certification: the 80% goal assessed at the 2018 plan horizon is in line with the five-year 100% target;

> shopping centers contributing to local employment: the 70% goal assessed at the 2018 plan horizon is in line with the five-year 100% target;

> employees receiving training: the 94% goal assessed at the 2018 plan horizon is in line with the five-year 100% target.

In addition, please see pages 271 and following of this registration document for more information concerning the performance conditions and the applicable achievement level for plans with a vesting date prior to the date of this registration document.

Specific rules applicable to corporate officers

Allocation limits

The General Meeting of April 19, 2016 capped the number of shares that can be awarded at 0.5% of the share capital for a period of 38 months and, within this limit, capped the number of shares that can be awarded to members of the Executive Board at 0.2% of the share capital.

In accordance with the compensation policy approved by the Supervisory Board, annual allocations made to members of the Executive Board may not represent more than 125% of the short-term compensation (fixed annual compensation plus target short-term variable compensation) for the previous year for Executive Board members.

Holding obligation

Pursuant to Article L. 225-197-1 of the French Commercial Code as developed in the AFEP-MEDEF Code, the Supervisory Board set the holding obligation for members of the Executive Board as follows: the members of the Executive Board are required to hold in registered form a number of shares equivalent to 50% of the gain on acquisition net of tax and expenses when the shares are delivered until their appointment ends. The members of the Executive Board are thus encouraged to hold a large and increasing number of shares.

In accordance with the AFEP-MEDEF Code, this amount will be reviewed and set by the Supervisory Board in light of the situation of each executive corporate officer periodically and at least every time they are reappointed. Because of these stringent holding requirements imposed on members of the Executive Board, the Supervisory Board does not require them to buy shares from their own capital at the time the performance shares are delivered.

Other restrictions

In accordance with the AFEP-MEDEF Code, the members of the Executive Board have undertaken not to enter into hedging transactions until the end of the holding period imposed by the performance share plans.

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(1) For the years prior to 2013, the Company calculated like-for-like growth for its rental income on the basis of its gross income only. In addition, for purposes of comparability, the calculations were made over the entire period by retaining just the shopping centers portfolio which represents, since 2013, more than 95% of the value of the property portfolio.

(2) These companies are the real estate companies listed in continental Europe and holders of the property portfolios of the largest shopping centers. Unibail Rodamco, Wereldhave, Eurocommercial, Deutsche Euroshop, Citycon, Mercialys, Vastned, Immobiliare Gran Dis and Atrium. Carmila was excluded from the sample considering its recent market flotation which is an obstacle to obtaining data prior to 2017.

(3) Based on the like-for-like net rental income as published by the companies, by retaining just the portfolio of shopping centers where the data is available.

d) Other elements of compensation

On-boarding package

The awarding of an on-boarding package may be decided, exceptionally, by the Supervisory Board to promote the arrival of a new executive coming from a group outside Klépierre.

The payment of this package, which can take different forms, is designed to offset the loss of benefits to which the executive had been entitled. In compliance with Article 24.3.4 of the AFEP-MEDEF Code, if such a package is granted, it must be explained and the amount will be made public at the time it is set, even in the case of payment by installments or deferred payment.

Severance package

For Jean-Marc Jestin: On February 2, 2017, the Supervisory Board authorized the establishment of a compensation mechanism in the event of Jean-Marc Jestin's forced departure from Klépierre. This mechanism was approved by the General Meeting of April 18, 2017 (5th resolution).

The forced departure cases eligible for the compensation mechanism include all forced departure cases except for forced departure in the event of serious misconduct or gross misconduct and in the event of non-renewal of the Executive Board member's term of office.

In the event of Jean-Marc Jestin's forced departure, he could, pursuant to this mechanism, receive severance payment in an initial amount of one year's annual compensation, calculated by reference to the last fixed and variable compensation paid as at the date of termination; on the understanding that this initial amount will be liable to increase on a linear basis according to Jean-Marc Jestin's length of service as a corporate officer (on a basis of one month per one additional year of service with effect from January 1, 2017), subject to a maximum of two years' compensation, in accordance with the AFEP-MEDEF Code.

In terms of performance conditions, severance payment may only be paid in the event that:

> in at least two of the three full fiscal years preceding the year of termination of his term of office, Jean-Marc Jestin received or is entitled to receive overall variable annual compensation (that is to say quantitative + qualitative) representing a sum equal to at least 90% of his fixed compensation (the maximum being 130%); and

> the quantitative part of the variable annual compensation must, as a minimum, have been paid in an amount equal to the target in the two fiscal years taken into account for the purposes of consideration of the foregoing condition. For information, the net current cash flow per share target for fiscal year 2018 (leading to a qualitative variable compensation of 55%) is €2.59.

Finally, in accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to retirement benefits under a supplementary pension plan, within six months after termination of his functions.

For Jean-Michel Gault: On October 19, 2017, the Supervisory Board amended the currently suspended employment contract of Jean-Michel Gault in order to (i) record the latter's agreement not to claim severance in an amount exceeding two years of the last fixed and variable annual compensation received in his capacity as an Executive Board member (including for the termination of his employment contract) and (ii) establish a non-statutory severance mechanism in the event of Jean-Michel Gault's forced departure. These amendments are subject to the approval of Klépierre's General Meeting of April 24, 2018 (5th resolution).

The forced departure cases eligible for the compensation mechanism include all forced departure cases except for forced departure in the event of serious misconduct or gross misconduct and in the event of non-renewal of the Executive Board member's term of office or resignation.

The amount of the non-statutory severance provided will be limited to two years of the last fixed and variable annual compensation received in his capacity as Executive Board member (less any amount paid for any legally mandated severance or severance due under a collective bargaining agreement that Jean-Michel Gault may otherwise receive under his employment contract). Jean-Michel Gault's agreement not to claim severance in an amount exceeding two years of the last fixed and variable annual compensation received in his capacity as an Executive Board member (including for the termination of his employment contract) allows the Company to contain the indemnification risk linked to any termination of the latter's employment contract, by limiting the indemnification to two years under all circumstances. Note that on the date of this registration document, the amount of severance due under a collective bargaining agreement to which Jean-Michel Gault may be entitled in case of the termination of his employment contract represents €551,395, i.e., 7.3 months of his fixed and variable compensation due for fiscal year 2017.

Signing this amendment did not lead to any payment in favor of Jean-Michel Gault.

The payment of the non-statutory severance will be moreover subject to the achievement of the same performance conditions as applicable to Jean-Marc Jestin.

Finally, in accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to full retirement benefits, within six months after termination of his functions.

Any severance for the termination of the position of a future Chairman or member of the Executive Board will be calculated in accordance with Article L. 225-90-1 of the French Commercial Code and may not exceed two years of the last fixed and variable compensation paid to said corporate officer.

Exceptional compensation

The distribution of exceptional compensation is not part of the general compensation policy except in very specific circumstances, in compliance with Article 24.3.4 of the AFEP-MEDEF Code. In compliance with Article L. 225-82-2 of the French Commercial Code, if it is decided to grant this compensation, its payment will, in any case, be subject to prior approval by the General Meeting.

For 2018, no exceptional compensation will be paid to Executive Board members.

Other benefits

With respect to the benefits of all kinds:

- the members of the Executive Board have a corporate vehicle at their disposal;
- they receive the same provident fund insurance and healthcare benefits plan as other Group employees in France. The amount of annual contributions paid by the Company for this purpose is immaterial and totals €6,348.72 (€3,144.36 for Jean-Marc Jestin and €3,204.36 for Jean-Michel Gault);
- they are insured for loss of employment through the GSC.

Note that no loans or guarantees have been granted to Klépierre corporate officers or Supervisory Board members.

No payment of directors' fees for offices held within the Group

Starting in 2015, the members of the Executive Board no longer receive directors' fees for their participation in various Group companies.

No deferred variable compensation/Long-term variable compensation

Klépierre compensation policy does not include the payment of any deferred variable compensation or long-term variable compensation.

No defined benefit pension plan/No defined contribution pension plan

The members of the Executive Board do not have any defined benefit pension plan nor any defined contribution pension plan. They receive the same AGIRC supplementary pension plan as other Group managers. In addition, as mentioned on page 262 of this registration document, Jean-Michel Gault has a supplementary pension plan for senior executives of Compagnie Bancaire. This plan is capped and has been closed since December 31, 2000.

5.2.2.2 Compensation of Executive Board members

Summary tables based on the AMF recommendations and the AFEP-MEDEF Code guidelines are presented on page 256 and following of this registration document.

a) Determination of the compensation of Jean-Marc Jestin, Chairman of the Executive Board, in accordance with the principles described in paragraph 5.2.2.1

Fixed compensation

For fiscal year 2017, the fixed compensation of Jean-Marc Jestin was €500,000.

The methods for determining the level of the fixed annual compensation for Executive Board members are detailed in section 5.2.2.1 a) of the registration document.

Short-term variable compensation

Jean-Marc Jestin's short-term variable compensation for fiscal year 2017 was set by the Supervisory Board meeting of February 6, 2018, on the proposal of the Nomination and Compensation Committee, after applying the criteria set at the beginning of 2017 and that are shown in the tables below.

It should be noted that, in accordance with the AFEP-MEDEF Code guidelines, Jean-Marc Jestin was not present during the deliberations of the Supervisory Board regarding his compensation.

▸ QUANTITATIVE COMPONENT, CAPPED AT 80% OF FIXED ANNUAL COMPENSATION

(represents 61.5% of the maximum total short-term variable compensation)

Themes that triggered the setting of targets	Target			Achievement for fiscal year 2017
Financial indicator	Net current cash flow per share target	Thresholds reached	The quantitative component is indexed to the target announced to the market in February 2017 of €2.37 per share The minimum has been set at 95% of the target and the cap at 80% of fixed annual compensation	€2.48
		As a % of fixed salary	from 0% to 80%	80%
2017 QUANTITATIVE TOTAL *(as a % of fixed salary)*				**80%**

The 2017 quantitative component corresponds to a year of exceptional performance for Klépierre which significantly outperformed its net current cash flow per share target.

▶ QUALITATIVE COMPONENT, CAPPED AT 50% OF FIXED ANNUAL COMPENSATION

(represents 38.5% of the maximum total short-term variable compensation)

Themes that triggered the setting of targets	Targets	Main achievements	Achievement for fiscal year 2017
Disposals, acquisitions, developments	Conduct of transactions in compliance with the budget Target weight: 30%	> Continuation of the Group's non-core assets disposal strategy: total amount of around €400 million > Acquisition of the Nueva Condomina (Spain) center for €233 million > Delivery of the Val d'Europe extension (17,000 sq.m) > Continuation of developments in line with the budget (Marseille Prado, Hoog Catharijne – these two centers obtained awards for the quality of their design)	After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 100%, corresponding to 15% of Jean-Marc Jestin's fixed compensation
Social and environmental responsibility	Improvement of non-financial rating criteria Target weight: 40%	> Definition of a new CSR strategy, with a five-year action plan encompassing the different aspects (environmental, social, societal), deployed at European level and designed collaboratively (establishment of a panel of external stakeholders from different countries) > Deployment of a range of measures to encourage employee commitment, such as: – Let's chat: informal bimonthly meetings between Group employees in different countries – Workplace: creation of a sharing and working space for Group employees via "Workplace by Facebook", to unify the teams within the Group – streaming of videos of the Group's businesses highlighting the expertise of employees – on-boarding and monitoring program for interns and work-study trainees. Obtaining the 2017 "Happy Trainees" certification of Choosemycompany: excellence in management and motivation of interns and work-study trainees > Expansion of Klépierre's leadership in the main global benchmark non-financial indexes. Klépierre won numerous awards in 2017: – Klépierre ranked on the "A" list of the Carbon Disclosure Project (CDP), which recognizes companies leading the fight against climate change – MAPIC trophies rewarding excellence, innovation and creativity: the Hoog Catharijne center ranked in the category of best urban commercial project and the Prado center ranked in the category of best future commercial center – RobecoSAM 2017 ranking: best environmental performance of listed European companies – GRESB ranking (Global Real Estate Sustainability Benchmark): Klépierre obtained the Green Star Award – EPRA SBPR Gold Award (Sustainability Best Practices Recommendations) recognizing the quality of non-financial reporting	After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 100%, corresponding to 20% of Jean-Marc Jestin's fixed compensation

The Company's image	Deployment of initiatives to contribute to developments in this area
	Target weight: 30%
		> Deployment of several marketing/digital initiatives that have contributed to enhancing the image of Klépierre shopping centers and their footfall:
		– new Let's Play advertising campaign in 117 centers and 14 countries
		– event strategy: 15-20 events by center by year resulting in an average +4% boost to traffic growth. A few examples:
		  – Nickelodeon tour in 22 centers in France, the Netherlands and the Czech Republic
		  – Black Friday deployed in 113 centers and in 13 countries
		  – Back To School - EMOJI license in nine French centers
		– digital platform: deployment of 99 new websites in 11 countries. 2017 web traffic: +4%
		– launch of the "#Just Ask" service available on all digital devices: customer questions from centers are answered in less than one hour
		– enhancement of the open-innovation platform: Microsoft, Orange & Retailers partnerships
			After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 100%, corresponding to 15% of Jean-Marc Jestin's fixed compensation

2017 QUALITATIVE TOTAL *(as a % of fixed salary)*			**50%**
2017 TOTAL *(quantitative + qualitative, as a % of fixed salary)*			**130%**

For fiscal year 2017, the variable compensation of Jean-Marc Jestin amounted to €650,000.

Long-term incentive

In a decision dated February 2, 2017, the Supervisory Board authorized, on the recommendation of the Nomination and Compensation Committee, the allocation of 35,000 shares to Jean-Marc Jestin for the 2017 Plan, which was established by the Executive Board on April 18, 2017.

These shares are fully subject to performance conditions, in accordance with the rules described in section 6.1.3.3.

b) Determination of the compensation of Jean-Michel Gault, Deputy CEO, member of the Executive Board, by application of the principles described in paragraph 5.2.2.1

Fixed compensation

For fiscal year 2017, the fixed compensation of Jean-Michel Gault was €400,000.

The methods for determining the level of the fixed annual compensation for Executive Board members are detailed in section 5.2.2.1 a) of the registration document.

Short-term variable compensation

Jean-Michel Gault's short-term variable compensation for fiscal year 2017 was set by the Supervisory Board meeting of February 6, 2018, on the proposal of the Nomination and Compensation Committee, after applying the criteria set at the beginning of 2017 and that appear in the tables below.

It should be noted that, in accordance with AFEP-MEDEF Code recommendations, Jean-Michel Gault was not present during the deliberations of the Supervisory Board regarding his compensation.

▸ QUANTITATIVE COMPONENT, CAPPED AT 80% OF FIXED ANNUAL COMPENSATION

(represents 61.5% of the maximum total short-term variable compensation)

Themes that triggered the setting of targets	Target			Achievement for fiscal year 2017
Financial indicator	Net current cash flow per share	Thresholds reached	The quantitative component is indexed to the target announced to the market in February 2017 of €2.37 per share The minimum has been set at 95% of the target and the cap at 80% of fixed annual compensation	€2.48
		As a % of fixed salary	from 0% to 80%	80%
2017 QUANTITATIVE TOTAL *(as a % of fixed salary)*				**80%**

The 2017 quantitative component corresponds to a year of exceptional performance for Klépierre which significantly outperformed its net current cash flow per share target.

▸ QUALITATIVE COMPONENT, CAPPED AT 50% OF FIXED ANNUAL COMPENSATION

(represents 38.5% of the maximum total short-term variable compensation)

Themes that triggered the setting of targets	Targets	Main achievements	Achievement for fiscal year 2017
Achievement of the expected synergies and search for efficiencies	Achievement of financial synergies Target weight: 50%	> Extension of the average duration of debt beyond six years (+0.2) while reducing its cost (-30 basis points) and increase in the group's coverage rate (+12 basis points) > The liquidity level remains above two billion and allows the Group to cover its funding requirements for the next three years at a lower cost (-€1 million) > The above achievements were facilitated by the successful completion of several financial transactions: – bonds issued on very favorable terms for the Company – bond redemptions – interest-rate hedge transactions – arrangement of credit lines – arrangement of a (multi-currency) European cash pool > Restructuring of the Spanish portfolio: entry of the Maremagnum and Meridiano centers in the SOCIMI regime (equivalent of the SIIC regime) > Financial restructuring in Scandinavia and in France > Implementation of the share buyback program (9.7 million shares bought back as of 31/12/2017) > Implementation of the risk management tool in shopping centers	After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 100%, corresponding to 25% of Jean-Michel Gault's fixed compensation
The Company's image	Deployment of initiatives to contribute to developments in this area Target weight: 50%	> Maintenance of the company's A- credit rating > EPRA BPR Gold Award (Best Practices Recommendations) recognizing the quality of non-financial reporting > Organization of the agreement covering the Group's top 150 executives > Chairman of the EPRA Audit and Reporting Committee	After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 92%, corresponding to 23% of Jean-Michel Gault's fixed compensation
2017 QUALITATIVE TOTAL *(as a % of fixed salary)*			**48%**
2017 TOTAL *(quantitative + qualitative, as a % of fixed salary)*			**128%**

For fiscal year 2017, the variable compensation of Jean-Michel Gault was €512,000 .

Long-term incentive

In a decision dated February 2, 2017, the Supervisory Board authorized, on the recommendation of the Nomination and Compensation Committee, the allocation of 30,000 shares to Jean-Michel Gault for the 2017 Plan, which was established by the Executive Board on April 18, 2017.

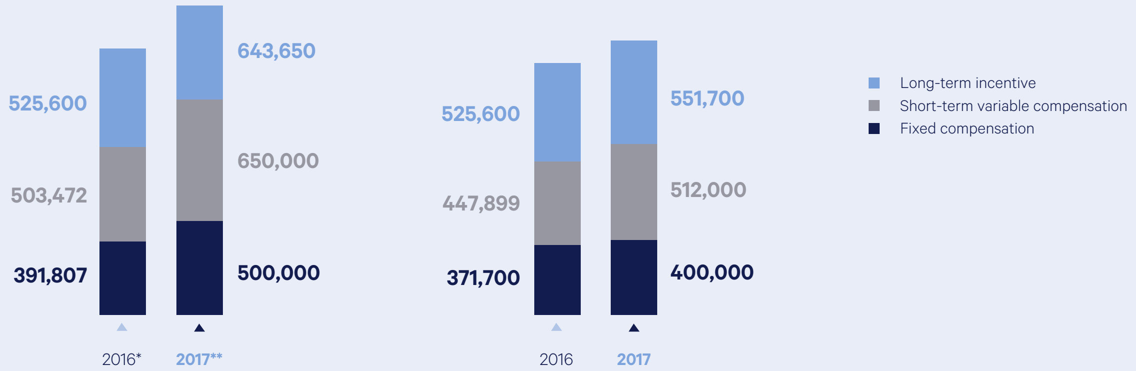
These shares are fully subject to performance conditions, in accordance with the rules described in section 6.1.3.3.

Summary

Changes in total compensation of the Executive Board members

As the graph below demonstrates, the total compensation of the Executive Board members is mainly composed of a portion subject to financial and non-financial performance conditions (short-term variable + long-term incentive).

These conditions are defined in consistency with the Group's desire to promote long-term growth and commitment of Group employees, while ensuring a convergence of interests for the shareholders and employees.



Jean-Marc Jestin,
Chairman of the Executive Board

Jean-Michel Gault,
Member of the Executive Board

* *Jean-Marc Jestin was Chief Operational Officer, member of the Board.*
** *Jean-Marc Jestin became Chairman of the Executive Board on November 7, 2016.*

5.2.3 Summary tables established based on AMF recommendations and the AFEP-MEDEF Code

► TABLE NO. 1 – SUMMARY OF COMPENSATION IN STOCK OPTIONS AND SHARES AWARDED TO EACH EXECUTIVE CORPORATE OFFICER *(in €)*

Jean-Marc Jestin – Chairman of the Executive Board	2016	2017
Compensation due for the fiscal year (itemized in Table 2)	921,882	1,170,178
Value of options granted during the fiscal year	–	–
Value of performance shares granted during the fiscal year	525,600	643,650
TOTAL	**1,447,482**	**1,813,828**

Jean-Michel Gault – Deputy CEO, member of the Executive Board	2016	2017
Compensation due for the fiscal year (itemized in Table 2)	848,779	933,928
Value of options granted during the fiscal year	–	–
Value of performance shares granted during the fiscal year	525,600	551,700
TOTAL	**1,374,379**	**1,485,628**

▶ TABLE NO. 2 – TABLE SUMMARIZING COMPENSATION OF EACH EXECUTIVE CORPORATE OFFICER *(in €)*

	2016		2017	
Jean-Marc Jestin – Chairman of the Executive Board	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	391,807[a]	391,807[a]	500,000	500,000
Short-term variable compensation	503,472[b]	360,675[c]	650,000[d]	503,472
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind[e]	14,031	14,031	20,178	20,178
Others[f]	12,572	12,572	0	0
TOTAL	**921,882**	**779,085**	**1,170,178**	**1,023,678**

(a) *The fixed compensation paid to Jean-Marc Jestin corresponds (i) to the pro rata addition of his fixed annual compensation of €378,000 as Chief Operating Officer and Executive Board member for the period January 1, 2016 to November 7, 2016 (inclusive) and (ii) his fixed annual compensation of €472,000 as Chairman of the Executive Board for the period November 8, 2016 (inclusive) to December 31, 2016.*
(b) *Jean-Marc Jestin's variable compensation for fiscal year 2016 was set by the Supervisory Board, on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on pages 242-243 of the 2016 registration document filed with the French Financial Markets Authority (AMF) under number D.17-0143.*
(c) *Jean-Marc Jestin's variable compensation for fiscal year 2015 was set by the Supervisory Board, on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on pages 81 and 82 of the 2015 registration document filed with the French Financial Markets Authority (AMF) under number D.16-0131.*
(d) *Jean-Marc Jestin's variable compensation for fiscal year 2017 was set by the Supervisory Board, on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on pages 252 and 253 of the 2017 registration document.*
(e) *Corresponds to provision of a Company car, to contributions paid by the Company for Jean-Marc Jestin to remain in the provident fund insurance and healthcare benefits plan for Group employees, and to provision of insurance covering loss of employment via the GSC.*
(f) *Corresponds to employee savings and incentive plans under corporate agreements. The amount due in year Y is an estimate based on the amount paid in year Y for year Y-1. This amount is determined, with regard to the profit-sharing plans, according to the legal formula and, with regard to incentive plans, on the basis of changes in the rents managed by Klépierre. Pursuant to the National Collective Agreement of the Real Estate Industry, Jean-Marc Jestin also received a €188 seniority bonus.*

	2016		2017	
Jean-Michel Gault – Deputy CEO, member of the Executive Board	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	371,700	371,700	400,000	400,000
Short-term variable compensation	447,899[a]	333,900[b]	512,000[c]	447,899
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind[d]	16,231	16,231	21,928	21,928
Others[e]	12,949	12,949	0	0
TOTAL	**848,779**	**734,780**	**933,928**	**869,828**

(a) *Jean-Michel Gault's variable compensation for fiscal year 2016 was set by the Supervisory Board, on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on page 244 of the 2016 registration document filed with the French Financial Markets Authority (AMF) under number D.17-0143.*
(b) *Jean-Michel Gault's variable compensation for fiscal year 2015 was set by the Supervisory Board, on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on page 81 of the 2015 registration document filed with the French Financial Markets Authority (AMF) under number D.16-0131.*
(c) *Jean-Michel Gault's variable compensation for fiscal year 2017 was set by the Supervisory Board, on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on pages 254 and 255 of the 2017 registration document.*
(d) *Corresponds to provision of a Company car, to contributions paid by the Company for Jean-Michel Gault to remain in the provident fund insurance and healthcare benefits plan for Group employees, and to provision of insurance covering loss of employment via the GSC.*
(e) *Corresponds to employee savings and incentive scheme under corporate agreements. The amount due in year Y is an estimate based on the amount paid in year Y for year Y-1. This amount is determined, with regard to the profit-sharing plans, according to the legal formula and, with regard to incentive plans, on the basis of changes in the rents managed by Klépierre. Pursuant to the National Collective Agreement of the Real Estate Industry, Jean-Michel Gault also received a €565 seniority bonus.*

▶ TABLE NO. 3 – DIRECTORS' FEES AND OTHER COMPENSATION

Not applicable.

▶ TABLE NO. 4 – STOCK SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE COMPANY AND BY ALL GROUP COMPANIES

Not applicable.

▶ TABLE NO. 5 – STOCK SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FISCAL YEAR

Only the plans mentioned in the tables below were exercised during the fiscal year:

Jean-Marc Jestin – Chairman of the Executive Board	Number of options exercised during the fiscal year	Exercise price
Plan: N/A	None	N/A

Jean-Michel Gault – Deputy CEO, member of the Executive Board	Number of options exercised during the fiscal year	Exercise price
2010 Plan (with performance condition)	7,500	€22.31

By way of further information, the table below indicates the exercise price of the options granted to Jean-Marc Jestin and Jean-Michel Gault as corporate officers, which have become exercisable during the fiscal year:

Jean-Marc Jestin – Chairman of the Executive Board	Availability date	Number of shares exercisable	Exercise price
Plan: N/A	N/A	None	N/A

Jean-Michel Gault – Deputy CEO, member of the Executive Board	Availability date	Number of shares exercisable	Exercise price
Plan: N/A	N/A	None	N/A

► TABLE NO. 6 – PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER

Beneficiary	Plan date	Number of shares granted during the fiscal year	Value of shares based on method used in the consolidated financial statements	End of vesting period	End of holding period	Performance conditions
Jean-Marc Jestin Chairman of the Executive Board	2017 plan authorized February 2, 2017 by the Supervisory Board and implemented April 18, 2017 by the Executive Board	35,000	€643,650	April 18, 2020	April 18, 2022	These shares are fully subject to performance conditions, in accordance with the rules described in sections 5.2.2.1 and 6.1.3.3. For a description of these performance conditions, see pages 273 and 274 of this registration document.

Beneficiary	Plan date	Number of shares granted during the fiscal year	Value of shares based on method used in the consolidated financial statements	End of vesting period	End of holding period	Performance conditions
Jean-Michel Gault Deputy CEO, member of the Executive Board	2017 plan authorized February 2, 2017 by the Supervisory Board and implemented April 18, 2017 by the Executive Board	30,000	€551,700	April 18, 2020	April 18, 2022	These shares are fully subject to performance conditions, in accordance with the rules described in sections 5.2.2.1 and 6.1.3.3. For a description of these performance conditions, see pages 273 and 274 of this registration document.

► TABLE NO. 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE TO EACH EXECUTIVE CORPORATE OFFICER

Beneficiaries	Plan	Number of shares that became available during the fiscal year	Vesting Conditions
Jean-Marc Jestin	N/A	9,151	Yes
Jean-Michel Gault	N/A	27,454	Yes

Note in addition that senior executives are bound to a holding obligation under Article L. 225-197-1 of the French Commercial Code as specified in the AFEP-MEDEF Code.

For further information, the chart below indicates the number of performance shares granted to the members of the Executive Board as corporate officers, whose vesting period ended during the fiscal year:

Beneficiaries	Plan	Due date of the vesting period	Number of shares definitively granted
Jean-Marc Jestin	2014 Plan	03/10/2017	1,208
Jean-Michel Gault	2014 Plan	03/10/2017	1,208

▶ **TABLE NO. 11**

	Employment agreement		Supplementary pension plan		Compensation or benefits due or conditionally due on termination or change of function		Compensation related to non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Marc Jestin Chairman of the Executive Board Start of term[(a)]: 06/22/2016 End of term[(a)]: 06/21/2019		X		X	X			X
Jean-Michel Gault Deputy CEO Member of the Executive Board Start of term[(a)]: 06/22/2016 End of term[(a)]: 06/21/2019	X[(b)]		X[(c)]			X[(d)]		X

(a) As member of the Executive Board.
(b) Historically, Jean-Michel Gault exercised his corporate office as an Executive Board member for free and received compensation for his employment contract. In order to allow him to fully undertake his assignment as Executive Board member, the Supervisory Board, on the recommendation of the Nomination and Compensation Committee, has decided to suspend his employment contract for the duration of his corporate office, with effect from July 1, 2016.
(c) Jean-Michel Gault is eligible for the supplementary pension plan for executives of the former Compagnie Bancaire, which provides for an additional pension at the time of retirement with a maximum annual amount of €7,122.
(d) The General Meeting is called to approve the provision of such compensation.

5.2.4 Elements of compensation paid or allocated for fiscal year 2017 submitted to the vote of the General Meeting of April 24, 2018

5.2.4.1 Elements of compensation paid or allocated to Jean-Marc Jestin, Chairman of the Executive Board, for the fiscal year ended December 31, 2017

Elements of compensation	Amounts	Comments
Fixed annual compensation	€500,000	In accordance with the compensation policy of the Executive Board's members described in section 5.2.2.1 of this registration document, the 2017 fixed annual compensation of Executive Board members was subject to an increase compared to the 2016 fixed annual compensation[(a)], in order to re-establish its competitiveness, to the extent that it turned out[(b)] that the fixed annual compensation was not in line with that offered to executives of comparable companies. It is important to note that, even after the increase, there is still a significant difference compared to the median fixed annual compensation of corporate officers of the samples analyzed.
Annual variable compensation	€650,000	The Supervisory Board decided that the variable compensation of Jean-Marc Jestin for fiscal year 2017 may vary between 0% and 130% of his fixed annual compensation and will be determined in the following manner: > from 0% to 80% of fixed annual compensation based on net current cash flow per share. This financial indicator, which measures changes in income using internal growth and external growth effects, efficiency of cost management (operating costs and financial costs) and tax exposure of current transactions, is particularly relevant for a real estate company like Klépierre; and > from 0% to 50% of fixed annual compensation, based on the following themes and targets set for 2017: (i) disposals, acquisitions, developments, (ii) social and environmental responsibility, (iii) image of the Company. On the basis of the work of the Nomination and Compensation Committee, the Supervisory Board of February 6, 2018 has set the following: > 80% of the fixed annual compensation the amount of the variable share of 2017 compensation due for achieving the quantitative target; and > 50% of the fixed annual compensation the amount of the variable share of 2017 compensation due for achieving the qualitative targets; corresponding to €650,000. Details of the achievement rate for the quantitative and qualitative criteria are presented on pages 252 and 253. of the Company's registration document. Note that the payment of this compensation is subject to the approval of the General Meeting of April 24, 2018.
Deferred variable compensation	None	No deferred variable compensation
Long-term variable compensation	None	No long-term variable compensation
Exceptional compensation	None	No exceptional compensation

Elements of compensation	Amounts	Comments
Performance shares	€643,650	Allocation of performance shares is discussed in relation to the total annual compensation of an executive corporate officer while ensuring that the interests of shareholders are respected. The shares are allocated as part of annual plans, whose terms are set at pre-determined times. **Summary of the main characteristics of the 2017 Plan** > Plan authorized on February 2, 2017 by the Supervisory Board and implemented April 18, 2017 by the Executive Board. Note that an authorization for this was granted by the General Meeting of April 19, 2016, in the eighteenth resolution. > 35,000 shares granted to Jean-Marc Jestin representing: – €643,650, on the basis of a valuation of performance shares in accordance with IFRS; – 11.25% of the total allocation carried out under this plan for all beneficiaries concerned; – 0.01% of the Company's share capital. > Grant subject to three performance conditions (absolute, relative, and internal), assessed over a three-year period for which the performance grid is shown on page 274 of the Company's registration document: – total shareholder return on Klépierre stock (TSR: change in share price + dividends): for 30% of shares allocated; – performance of Klépierre stock relative to the FTSE EPRA Eurozone index: for 50% of shares allocated; – average change in net rental income, net of indexation, on a like-for-like basis: for 20% of shares allocated. > **Other conditions** – Service condition. – Obligation to hold in registered form a number of shares equivalent to 50% of the gain on vesting net of taxes and charges calculated during the delivery of the shares until his term of office expires.
Stock subscription or purchase options	None	No allocation of stock subscription or purchase options
Directors' fees	None	No directors' fees
Value of benefits of all kinds	€20,178	Provision of Company car Contributions paid by the Company for Jean-Marc Jestin to remain in the provident fund insurance and healthcare benefits plan for Group employees Insurance for loss of employment via the GSC
Severance payment	None	On February 2, 2017, the Supervisory Board authorized the establishment of a compensation mechanism in the event of Jean-Marc Jestin's forced departure from Klépierre. This mechanism was approved by the General Meeting of April 18, 2017 (5th resolution). The forced departure cases eligible for the compensation mechanism include all forced departure cases except for forced departure in the event of serious misconduct or gross misconduct and in the event of non-renewal of the Executive Board member's term of office. In the event of Jean-Marc Jestin's forced departure, he could, pursuant to this mechanism, receive severance in an initial amount of one year's annual compensation, calculated by reference to the last fixed and variable compensation paid as at the date of termination; on the understanding that this initial amount will be liable to increase on a linear basis according to Jean-Marc Jestin's length of service as a corporate officer (on a basis of one month per one additional year of service with effect from 01/01/2017), subject to a maximum of two years' compensation, in accordance with the AFEP-MEDEF Code. In terms of performance conditions, severance may only be paid in the event that: > in at least two of the three full fiscal years preceding the year of termination of his term of office, Jean-Marc Jestin received or is entitled to receive overall variable annual compensation (that is to say quantitative + qualitative) representing a sum equal to at least 90% of his fixed compensation (the maximum being 130%), and > the quantitative part of the variable annual compensation must, as a minimum, have been paid in an amount equal to the target in the two fiscal years taken into account for the purposes of consideration of the foregoing condition. For information, the net current cash flow per share target for fiscal year 2018 is €2.59. Finally, in accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to retirement benefits under a supplementary pension plan, within six months after termination of his functions.
Non-compete benefit	None	No non-compete benefit
Supplementary pension plan	None	Jean-Marc Jestin does not benefit from the supplementary pension plan but is eligible for the same AGIRC supplementary pension plan as other Group managers.
Other	None	

(a) For fiscal year 2016, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, to set the following fixed annual compensation:
— fixed annual compensation for the Chairman of the Executive Board: €472,000;
— fixed annual compensation of the COO, member of the Executive Board: €378,000.

(b) — Panel of SBF 120 companies (comprising (i) the 10 CAC 40 companies with the lowest market capitalization, (ii) the 20 Next 20 companies and (iii) the 10 SBF 80 companies with the highest market capitalization); and
— Panel of companies with comparable activities (STOXX® Europe 600 – Real Estate).

5.2.4.2 Elements of compensation paid or allocated to Jean-Michel Gault, Executive Board member, for the fiscal year ended December 31, 2017

Elements of compensation	Amounts	Comments
Fixed annual compensation	€400,000	In accordance with the compensation policy of the Executive Board's members described in section 5.2.2.1 of this registration document, the 2017 fixed annual compensation of Executive Board members was subject to an increase compared to the 2016 fixed annual compensation[a], in order to re-establish its competitiveness, to the extent that it turned out[b] that their fixed annual compensation wasn't in line with that offered to executives of comparable companies.
Annual variable compensation	€512,000	The Supervisory Board decided that Jean-Michel Gault's variable compensation for fiscal year 2017 may vary between 0% and 130% of his fixed annual compensation and will be determined in the following manner: > from 0% to 80% of fixed annual compensation based on net current cash flow per share. This financial indicator, which measures changes in income using internal growth and external growth effects, efficiency of cost management (operating costs and financial costs) and tax exposure of current transactions, is particularly relevant for a real estate company like Klépierre; and > from 0% to 50% of fixed annual compensation, based on the following themes and targets set for 2017: (i) achievement of synergies expected and search for efficiencies, (ii) image of the Company. On the basis of the work of the Nomination and Compensation Committee, the Supervisory Board of February 6, 2018 has set the following: > 80% of the fixed annual compensation the amount of the variable share of 2017 compensation due for achieving the quantitative target; and > 48% of the fixed annual compensation the amount of the variable share of 2017 compensation due for achieving the qualitative targets; corresponding to €512,000. Details of the achievement rate for the quantitative and qualitative criteria are presented on pages 254 and 255 of the Company's registration document. Note that the payment of this compensation is subject to the approval of the General Meeting of April 24, 2018.
Deferred variable compensation	None	No deferred variable compensation
Long-term variable compensation	None	No long-term variable compensation
Exceptional compensation	None	No exceptional compensation
Performance shares	€551,700	Allocation of performance shares is discussed in relation to the total annual compensation of an executive corporate officer while ensuring that the interests of shareholders are respected. The shares are allocated as part of annual plans, whose terms are set at pre-determined times. **Summary of the main characteristics of the 2017 Plan** > Plan authorized on February 2, 2017 by the Supervisory Board and implemented April 18, 2017 by the Executive Board. Note that an authorization for this was granted by the General Meeting of April 19, 2016, in the eighteenth resolution. > 30,000 shares granted to Jean-Michel Gault representing: – €551,700, on the basis of a valuation of performance shares in accordance with IFRS; – 9.64% of the total allocation carried out under this plan for all beneficiaries concerned; – 0.009% of the Company's share capital. > Grant subject to three performance conditions (absolute, relative, and internal), assessed over a three-year period for which the performance grid is shown on page 274 of the Company's registration document: – total shareholder return on Klépierre stock (TSR: change in share price + dividends): for 30% of shares allocated; – performance of Klépierre stock relative to the FTSE EPRA Eurozone index: for 50% of shares allocated; – average change in net rental income, net of indexation, on a like-for-like basis: for 20% of shares allocated. > **Other conditions** – Service condition. – Obligation to hold in registered form a number of shares equivalent to 50% of the gain on vesting net of taxes and charges calculated during the delivery of the shares until his term of office expires.
Stock subscription or purchase options	None	No allocation of stock subscription or purchase options
Directors' fees	None	No directors' fees
Value of benefits of all kinds	€21,928	Provision of Company car Contributions paid by the Company for Jean-Michel Gault to remain in the provident fund insurance and healthcare benefits plan for Group employees Insurance for loss of employment via the GSC

Elements of compensation	Amounts	Comments
Severance pay	None	On October 19, 2017, the Supervisory Board amended the currently suspended employment contract of Jean-Michel Gault in order to (i) record the latter's agreement not to claim severance in an amount exceeding two years of the last fixed and variable annual compensation received in his capacity as an Executive Board member (including for the termination of his employment contract) and (ii) establish a non-statutory severance mechanism in the event of Jean-Michel Gault's forced departure. These amendments are subject to the approval of Klépierre's General Meeting of April 24, 2018 (5th resolution). The forced departure cases eligible for the compensation mechanism include all forced departure cases except for forced departure in the event of serious misconduct or gross misconduct and in the event of non-renewal of the Executive Board member's term of office or resignation. The amount of the non-statutory severance provided will be limited to two years of the last fixed and variable annual compensation received in his capacity as Executive Board member (less any amount paid for any legally mandated severance or severance due under a collective bargaining agreement that Jean-Michel Gault may receive under his employment contract). Jean-Michel Gault's agreement not to claim severance in an amount exceeding two years of the last fixed and variable annual compensation received in his capacity as an Executive Board member (including for the termination of his employment contract) allows the Company to contain the indemnification risk linked to any termination of the latter's employment contract, by limiting the indemnification to two years under all circumstances. Note that as of the date of this report, the amount of severance due under a collective bargaining agreement to which Jean-Michel Gault may be entitled in case of the termination of his employment contract amounts to €551,395, i.e., 7.3 months of his fixed and variable compensation due for fiscal year 2017. Signing this amendment did not lead to any payment in favor of Jean-Michel Gault. In addition, payment of the non-statutory severance will be subject to achieving performance conditions identical to the conditions applicable to Jean-Marc Jestin, namely: > in at least two of the three full fiscal years preceding the year of termination of his term of office, Jean-Michel Gault must have received or must have been entitled to receive global variable annual compensation (that is to say quantitative + qualitative) representing a sum equal to at least 90% of his fixed compensation (the maximum being 130%), and > the quantitative part of the variable annual compensation should, as a minimum, have been paid in an amount equal to the target in the two fiscal years taken into account for the purposes of consideration of the foregoing condition. Finally, in accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to claim full retirement benefits, within six months after termination of his functions.
Non-compete benefit	None	No non-compete benefit
Supplementary pension plan	€7,122	Jean-Michel Gault has a supplementary defined-benefit pension plan for senior executives of the former Compagnie Bancaire that provides for additional pension with a maximum amount determined on the basis of reference compensation and seniority as of December 31, 2000. This maximum amount is capped (subject to the application of an increase based on the growth rate of the AGIRC's point value) at €7,122, and no increase of the conditional rights can be acquired based on seniority or increase of compensation after December 31, 2000. This plan has been closed since December 31, 2000. Jean-Michel Gault's compensation package takes these benefits into account. Apart from this, Jean-Michel Gault is entitled to the same AGIRC supplementary pension plan as other Group managers.
Other	None	

(a) For fiscal year 2016, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, to set the fixed annual compensation of the Deputy CEO, member of the Executive Board at €371,700.

(b) — Panel of SBF 120 companies (comprising (i) the 10 CAC 40 companies with the lowest market capitalization, (ii) the 20 Next 20 companies and (iii) the 10 SBF 80 companies with the highest market capitalization); and

— Panel of companies with comparable activities (STOXX® Europe 600 – Real Estate).


NEW ARRIVALS

6

SHARE CAPITAL, SHAREHOLDING, GENERAL MEETING OF SHAREHOLDERS

6.1 Share capital and shareholding

6.1.1 General information on the share capital

6.1.1.1 Share capital – Type of shares

As of December 31, 2017, the share capital totaled €440,098,488.20, divided into 314,356,063 fully paid-up shares, each with a par value of €1.40.

In accordance with Article 28 of the Company's bylaws, each share confers a single vote.

The shares may be in registered or bearer form, at the shareholder's discretion. The share capital may be modified under the conditions provided by law.

6.1.1.2 Delegations and authorizations granted to the Klépierre Executive Board

As of the date of this registration document, the Executive Board held the following delegations or authorizations pursuant to various decisions made by the General Meetings of Shareholders on April 19, 2016 and on April 18, 2017:

Delegations or authorizations granted by the General Meeting of Shareholders of April 19, 2016

Purpose of the resolution	Maximum amount	Duration	Utilization during fiscal year 2017
Authorization to issue bonus shares to employees and corporate officers	0.5% of share capital	38 months with effect from April 19, 2016 (18th resolution)	Allocation of 310,900 bonus shares representing 0.09% of the share capital

Delegations or authorizations granted by the General Meeting of Shareholders of April 18, 2017

Purpose of the resolution	Maximum amount	Duration	Utilization during fiscal year 2017
Authorization for the Company to buy back its own shares	Maximum program amount: 10% of capital and €1,728,958,330 Maximum purchase price: €55 per share with par value of €1.40	18 months with effect from April 18, 2017 (15th resolution)	Purchase of 9,761,424 shares during fiscal year 2017
Authorization to reduce share capital by canceling treasury shares	10% of capital in a 24-month period	26 months with effect from April 18, 2017 (16th resolution)	None
Capital increase with preferential subscription rights by issue of shares and/or securities conferring rights to receive shares of the Company or of its subsidiaries and/or securities that confer entitlement to receive allocations of negotiable debt securities(a)	Maximum nominal amount: €90 million and €1.2 billion for negotiable debt securities	26 months with effect from April 18, 2017 (17th resolution)	None
Capital increase without preferential subscription rights by issue of shares and/or securities conferring rights to receive shares of the Company or of its subsidiaries and/or securities that confer entitlement to receive allocations of negotiable debt securities, through a public offering or private placement(a)(b)	Maximum nominal amount: €40 million and €800 million for negotiable debt securities	26 months with effect from April 18, 2017 (18th and 19th resolutions)	None
Increase in the number of securities to be issued in the event of a capital increase with or without preferential subscription rights(a)	At the same price as that chosen for the initial issue, within the periods and limits specified by applicable legislation at the date of the issue(c)	26 months with effect from April 18, 2017 (20th resolution)	None
Capital increase without preferential subscription rights by issue of shares and/or securities conferring rights to receive shares to remunerate contributions in kind granted to the Company in the form of shares and/or securities conferring rights to receive shares(a)	Up to 10% of capital	26 months with effect from April 18, 2017 (21st resolution)	None
Capital increase by incorporation of premiums, reserves, profits or other items(a)	€100 million	26 months with effect from April 18, 2017 (22nd resolution)	None

(a) Maximum overall nominal amount of the share capital increases, whether immediate and/or future, that may be carried out pursuant to the authorizations granted to the Executive Board: €100 million (24th resolution) (to this nominal amount may be added the nominal amount of the additional shares to be issued, to preserve the rights of holders of securities conferring rights to receive shares).
Maximum overall nominal amount of negotiable debt securities: €1.2 billion (24th resolution).

(b) Private placement: issues cannot exceed the limits provided by the regulations applicable at the date of the issue (currently, 20% of the share capital per year, pursuant to Article L. 225-136-3 of the French Commercial Code).

(c) Currently, within 30 days of the close of the subscription period and subject to a maximum of 15% of the initial issue, pursuant to Article R. 225-118 of the French Commercial Code.

6.1.1.3 Dividends

The dividends distributed for the last five fiscal years are as follows:

Fiscal year	2012	2013	2014	2015	2016
Number of shares	199,470,340	199,470,340	(a)	314,356,063	314,356,063
Net dividend	€1.50	€1.55	€1.60	€1.70	€1.82
Net amount distributed	€299,205,510.00	€309,179,027.00	€398,423,693.56	€534,405,307.10	€572,128,034.66

(a) *The dividend of €1.60 consisting of (i) an interim dividend in a total amount of €181,518,009.40, or €0.91 per share (based on a total number of shares of 199,470,340 as at December 31, 2014), the shares going ex-dividend on January 8, 2015 and the interim dividend being paid in cash on January 12, 2015; and (ii) a final dividend to the shareholders representing an additional distribution of €216,905,684.16, or €0.69 per share (on a total number of shares of 314,356,063), the shares going ex-dividend on April 17, 2015 and the final dividend being paid in cash on April 21, 2015.*

Unclaimed dividends must be paid to the French government after a period of five years has elapsed as of the payment date.

Shares held by the Company do not confer entitlement to dividends.

6.1.1.4 Share capital and stock market

Shares

All the Company's capital share stock is traded on the Euronext Paris market (compartment A).

	2013	2014	2015	2016	2017
Market capitalization *(in €m)*(a)	6,719	7,127	12,885	11,740	11,526
Number of shares traded *(daily average)*	174,513	197,549	719,370	623,557	654,615
SHARE PRICE *(in €)*					
> High	34.94	37.75	47.69	43.17	38.13
> Low	28.79	31.09	35.29	34.56	32.24
> Last	33.68	35.73	40.99	37.35	36.67

(a) *Last quotation of the year.*
Source: Bloomberg.

Trading volume over the last 18 months (in number of shares and amount of equity traded)

		High *(in €)*	Low *(in €)*	Number of shares traded	Amount of equity traded *(in €)*
2016	September	42.84	40.10	10,324,825	424,920,285
	October	40.45	37.27	11,592,261	445,047,538
	November	36.91	34.61	14,045,510	497,643,281
	December	37.35	34.56	14,353,135	514,943,648
2017	**January**	**37.60**	**34.81**	**12,713,192**	**455,553,458**
	February	**36.19**	**35.00**	**14,355,407**	**511,825,539**
	March	**36.62**	**34.54**	**22,704,634**	**815,584,541**
	April	**37.53**	**34.60**	**14,149,542**	**517,366,996**
	May	**37.58**	**36.04**	**14,683,288**	**540,645,646**
	June	**38.13**	**35.89**	**13,226,705**	**492,106,017**
	July	**35.69**	**34.38**	**13,276,503**	**467,330,163**
	August	**34.66**	**33.19**	**13,527,202**	**458,259,126**
	September	**34.29**	**32.54**	**11,876,929**	**396,239,991**
	October	**34.15**	**32.24**	**11,497,988**	**380,601,045**
	November	**35.07**	**33.68**	**13,500,479**	**467,165,396**
	December	**36.67**	**34.78**	**14,687,965**	**523,689,898**
2018	January	37.32	35.53	18,736,026	679,821,046
	February	35.79	33.13	17,219,747	585,102,490

Source: Bloomberg.

Dilutive instruments

No dilutive instruments have been issued.

Developments relating to delegated authorities and authorizations granted to the Executive Board appear on page 266 of this registration document.

6.1.1.5 Bonds

Issue date	Due date	Currency	Outstanding nominal	Coupon	ISIN code
Eurobond issues listed on the Paris stock exchange (EMTN)[(a)]					
04/07/2010 – 04/14/2010	04/14/2020	EUR	300,000,000	4.625%	FR0010885582
03/14/2011	03/14/2021	EUR	564,400,000	4.75%	FR0011019397
05/21/2012	05/21/2027	EUR	50,000,000	4.23%	FR0011255280
09/17/2012	09/17/2019	EUR	274,600,000	2.75%	FR0011321405
01/28/2015 – 11/06/2014	11/06/2024	EUR	630,000,000	1.75%	FR0012477206 FR0012283653
04/17/2015	04/17/2023	EUR	750,000,000	1.00%	FR0012674661
10/22/2015	10/22/2025	EUR	255,000,000	2.125%	FR0013030038
02/19/2016	02/19/2026	EUR	500,000,000	1.875%	FR0013121753
09/27/2016 – 09/29/2016	09/29/2031	EUR	600,000,000	1.250%	FR0013203825
02/16/2017 – 02/27/2017	02/16/2027	EUR	600,000,000	1.375%	FR0013238045
12/11/2017	12/13/2032	EUR	500,000,000	1.625%	FR0013300605
Eurobond issues listed on the Amsterdam stock exchange (EMTN)[(a)]					
08/10/2010 – 08/03/2010	08/10/2020	EUR	250,000,000	5.448%	XS0531584984
20/10/2010	22/01/2018	EUR	291,240,000	4.625%	XS0550979842
12/13/2012 – 12/06/2012	12/13/2022	EUR	85,000,000	3.516%	XS0864386825
02/28/2013 – 02/21/2013	02/26/2021	EUR	298,811,000	3.25%	XS0896119384

(a) The EMTN (Euro Medium Term Notes) prospectuses are available on Klépierre's website (www.klepierre.com), "Finance" section.

6.1.2 Change in share capital – Breakdown of share capital and voting rights

6.1.2.1 Five-year change in share capital

Dates	Nature of increase	Number of shares issued	Premium	Share capital
05/21/2012	Payment of dividend in the form of shares	9,822,100	€203,906,796.00	€279,258,476.00
01/15/2015	Share capital increase[(a)]	96,589,672	€3,456,461,412.52	€414,484,016.80
01/19/2015	Share capital increase[(b)]	10,976,874	€420,030,083.61	€429,851,640.40
03/31/2015	Share capital increase[(c)]	7,319,177	€2,913,689,402.20	€440,098,488.20

(a) Issue of ordinary shares of the Company to pay for shares tendered during the initial offer period of the public exchange offer initiated by the Company in respect of shares of Corio, at an exchange rate of 1.14 Klépierre shares for 1 Corio share.
(b) Issue of ordinary shares of the Company to pay for Corio shares tendered during the offer's post-acceptance period, at an exchange rate of 1.14 Klépierre shares for 1 Corio share.
(c) Issue of ordinary shares of the Company to pay for Corio shares tendered in the merger between Klépierre and Corio, at an exchange rate of 1.14 Klépierre shares for 1 Corio share.

6.1.2.2 Changes in share capital breakdown and voting rights over the last three fiscal years

To the Company's knowledge and on the basis of the crossing threshold, the share capital breaks down as follows:

	Position at December 31, 2015				Position at December 31, 2016				Position at December 31, 2017			
	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercisable in GMs	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercisable in GMs	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercisable in GMs
Simon Property Group	63,924,148	20.33%	20.33%	20.52%	63,924,148	20.33%	20.33%	20.50%	63,924,148	20.33%	20.33%	20.99%
APG Group	42,417,173	13.49%	13.49%	13.62%	42,417,173	13.49%	13.49%	13.60%	42,417,173	13.49%	13.49%	13.93%
BlackRock	15,818,671	5.03%	5.03%	5.08%	15,687,310	99%	4.99%	5.03%	15,785,108	5.03%	5.03%	5.18%
Employees	166,751	0.06%	0.06%	0.05%	328,123	0.10%	0.10%	0.11%	348,224	0.11%	0.11%	0.11%
Float	189,130,787	60.17%	60.17%	60.73%	189,470,857	60.29%	60.29%	60.76%	182,119,986	57.93%	57.93%	59.79%
Treasury shares	2,898,533	0.92%	0.92%	–	2,528,452	0.80%	0.80%	–	9,761,424	3.11%	3.11%	–
TOTAL	**314,356,063**	**100%**	**100%**	**100%**	**314,356,063**	**100%**	**100%**	**100%**	**314,356,063**	**100%**	**100%**	**100%**

To the Company's knowledge, there have been no material changes since December 31, 2017 in the share capital or voting rights ownership.

To the Company's knowledge, no other shareholder holds, directly or indirectly, alone or in concert, more than 5% of its share capital or voting rights.

Employee share ownership

There are no agreements entitling the employees to a share of the issuer's capital.

Shareholders' agreements

To the Company's knowledge, no agreement existed as of December 31, 2017, the implementation of which could result in a change of control at a later date.

At the time of the agreement concluded on July 29, 2014 between Klépierre and Corio, Simon Property Group (**"SPG"**), BNP Paribas SA (**"BNPP"**), Klépierre's reference shareholders, and the Dutch foundation (stichting) Stichting Depositary APG Strategic Real Estate Pool, represented by its management company APG Asset Management N.V. (**"APG"**), Corio's reference shareholder, each acting directly or through affiliates (respectively, the "**SPG Group",** the **"BNPP Group"** and the **"APG Group"**, and together, the **"Parties"**), signed a shareholders' agreement (the **"Shareholders' Agreement"**) to organize their relationship as Klépierre shareholders. The agreement was published by the AMF as required by law, in its decision 214C2161 of October 16, 2014.

The Shareholders' Agreement entered into force on January 15, 2015, the date of settlement/delivery of the public exchange offer (the **"Completion Date"**).

To the Company's knowledge, the provisions of the Shareholders' Agreement are no longer applicable to the BNPP Group, since its stake in Klépierre fell below 5% in November 2015.

I – Klépierre's Governance

Representation at the Supervisory Board

The Shareholders' Agreement provides for the SPG and APG Groups to be represented at Klépierre's Supervisory Board pursuant to reciprocal commitments to vote in favor of the representatives presented by each Party at General Meetings and on the Supervisory Board (solely for appointments by way of co-option).

It is agreed that among the Supervisory Board members, three members will be SPG Group representatives (including the Chairman of the Board who will have a casting vote) and one will be an APG Group representative. The Supervisory Board must have at least five independent members within the meaning of the AFEP-MEDEF Code, appointed by Klépierre's General Meeting of Shareholders.

In the event that the SPG Group's stake falls below the lowest of the following three thresholds: 13.6% of the total number of Klépierre shares, or the BNPP Group's or APG Group's stakes in the Company:

(i) the number of representatives of each Party on the Supervisory Board will then be determined pro rata according to their respective stakes in Klépierre; and

(ii) the Chairman of the Board will no longer be appointed on a proposal from the SPG Group.

Representation at the Supervisory Board committees

The Shareholders' Agreement provides that the Supervisory Board will be assisted by the following special-purpose committees: the Audit Committee, the Nomination and Compensation Committee, the Sustainable Development Committee and the Investment Committee.

The Shareholders' Agreement also provides for the composition of the Investment Committee with mutual voting commitments on the part of the SPG Group and APG Group for that purpose: the signatories will each have a right to have their representatives on the Supervisory Board appointed as members of the Investment Committee.

II – Transfers of securities

The Shareholders' Agreement includes the following commitments with regard to transfers of Klépierre securities, which are still in force as of the date of this registration document:

Right of first refusal

After the Completion Date, (i) the APG Group undertook to give the SPG Group, and (ii) the SPG Group undertook to give the APG Group, a right of first refusal that may be exercised in respect of the entirety of the securities offered at the price proposed by the selling entity among the SPG or APG Groups (the **"Seller"**), within a period of five business days from the date of receipt of the notice.

This right of first refusal applies in the event of a transfer of Klépierre securities to a third party, on the understanding that the concept of "transfer" is designed to be wide enough to include any transfer of the right of ownership, immediately or in the future, as well as any division of legal and beneficial ownership, any form of security or trust and any derivative transaction.

However, the following transactions are excluded from the right of first refusal: (i) the tendering of securities in a public takeover bid for the Company; (ii) sales on the market (in the form of block sales, market placements or similar procedures); (iii) derivative contracts providing for settlement in cash; (iv) issues of indexed debt securities; and (v) loans of securities and other transactions for the temporary transfer of ownership (a **"Market Transaction"**).

By way of exception, the right of first refusal will in any event be applicable in the case of Market Transactions referred to in (i), (iii) and (v) above, and in the case of a Market Transaction with an identified third party, provided that the transfer is made to a competitor of SPG, as well as in the case of a Market Transaction (in the form of a placement) representing 7.5% or more of Klépierre's capital and voting rights. In the case of Market Transactions in the form of a sale on the market or of a placement below this threshold, or in the case of Market Transactions referred to in (iv) above, they shall be conducted in good faith in order to avoid the transfer of a substantial part of the stake whose sale is contemplated, to a competitor of SPG.

In the case of Market Transactions in respect of which the right of first refusal is applicable, the period of five days referred to above is reduced to three business days.

Finally, each party undertakes to ensure that sales take place in an orderly fashion so as not to disrupt the market in Klépierre securities.

The Shareholders' Agreement is for a term of 10 years. It may, among other things, be terminated at any time as regards a Party in the event that such Party comes to own less than 5% of Klépierre's share capital and voting rights.

Under the terms of the Shareholders' Agreement, SPG and APG declared that they were not acting in concert as regards Klépierre (within the meaning of Article L. 233-10 of the French Commercial Code), this being a fundamental and decisive condition of signature of the Shareholders' Agreement, and they also undertook not to act in concert.

6.1.2.3 Legal and/or statutory disclosure thresholds

According to Article 7 of the bylaws, any individual or legal entity, acting alone or in concert with others, that acquires at least 2% of the Company's share capital (or any multiple thereof) is required to inform the Company of this fact by means of registered letter with acknowledgment of receipt setting out the number of shares held, and to do so within five trading days of the disclosure threshold trigger date.

If the 10% threshold of the Company's capital is directly or indirectly exceeded (i.e., ownership of 10% or more of the rights to the dividends paid by the Company), any shareholder other than an individual is required to indicate in its disclosure threshold declaration whether or not it is a Taxpaying Shareholder (as defined in Article 31 of the bylaws). Should such shareholder declare that it was not a Taxpaying Shareholder, it would have to substantiate such claim whenever so requested by the Company and provide the Company with a legal opinion from an internationally reputed tax law firm, on the Company's request. Any shareholder other than an individual who informs the Company that it has directly or indirectly exceeded the 10% threshold of the Company's capital must promptly notify the Company of any change in its taxation status that may cause it to acquire or lose the status of Taxpaying Shareholder.

Unless they have been disclosed in accordance with the conditions set out above, the shares exceeding the disclosure threshold subject to the declaration requirement will be stripped of voting rights at General Meetings of Shareholders where the failure to declare is brought to the attention of the Meeting or where one or more shareholders together holding 2% or more of the Company's share capital ask the Meeting to do so. This withdrawal of voting rights will apply to all General Meetings of Shareholders held within two years of the date on which the appropriate declaration is duly made.

All parties are also required to inform the Company, in accordance with the procedures and time schedules set out above, if their shareholding falls below any of the thresholds referred to above.

The table below sums up the legal and/or statutory disclosure threshold declarations, as received by the Company during fiscal year 2017:

	Disclosure threshold trigger date	Number of shares held after disclosure threshold trigger	Date of the letter of notification sent to the Company	Capital disclosure threshold trigger	Voting rights disclosure threshold trigger
BNP Paribas Investment Partners SA[a]	February 15, 2017	6,480,323	February 17, 2017	Up (2.06%)	Up
	September 4, 2017	6,170,135	September 5, 2017	Down (1.96%)	Down
	September 5, 2017	5,209,609	September 6, 2017	Down (1.66%)	Down
BlackRock Inc.[b]	March 6, 2017	15,724,528	March 7, 2017	Up (5.00%)	Up (5.00%)
	March 7, 2017	15,716,080	March 8, 2017	Down (4.99%)	Down (4.99%)
	March 8, 2017	15,727,373	March 9, 2017	Up (5.00%)	Up (5.00%)
	March 9, 2017	15,705,423	March 10, 2017	Down (4.99%)	Down (4.99%)
	April 10, 2017	15,753,145	April 11, 2017	Up (5.01%)	Up (5.01%)
	April 11, 2017	15,594,449	April 12, 2017	Down (4.96%)	Down (4.96%)
	April 26, 2017	15,785,108	April 27, 2017	Up (5.02%)	Up (5.02%)
Standard Life Investments (Holdings) Limited	March 21, 2017	6,248,473	March 24, 2017	Down (1.98%)	Down (1.98%)
Crédit Agricole SA (for Predica, a subsidiary of CA Assurances, itself a subsidiary of Crédit Agricole SA)	August 2, 2017	6,278,258	August 3, 2017	Down (1.99%)	Down (1.99%)
	August 17, 2017	5,904,853	August 18, 2017	Down (1.88%)	Down (1.88%)

(a) Acting on behalf of companies over which it exercises control within the meaning of Article L. 233-3 of the French Commercial Code (with the exception of BNPP IP Argentina, TEB Asset Management and BNPP IP Italia).
(b) Acting on behalf of customers and funds, which it manages.

6.1.2.4 Transactions by corporate officers and similar individuals in Company securities (Article L. 621-18-2 of the French Monetary and Financial Code)

Transactions reported by corporate officers and similar individuals to the French Financial Markets Authority during fiscal year 2017 were as follows:

Declarer	Nature of transaction	Description of securities	Total amount *(in €)*
Jean-Michel Gault	Exercise of stock options	Stock options	167,325
	Sale	Shares	285,170

6.1.3 Stock purchase options and performance shares

6.1.3.1 Option and performance share allocation policy

Options and performance shares allocated to executive corporate officers and employees are a long-term motivating factor that aligns the interests of executives with the interests of shareholders for creation of value in the long term.

Prior to 2012, the Company implemented several stock purchase option plans for the benefit of its executives and some of its employees. However, since 2012, the Company has given preference to performance shares. Since stock purchase options have a lifespan of eight years, the options that were allocated will be exercisable until 2020.

Beneficiaries of allocations

The beneficiaries of these plans are executives, whose allocations are made in accordance with executive corporate officer compensation policy, and other particularly dedicated Group employees, whose loyalty it is necessary to encourage. As a result, the list of beneficiaries changes every year, as does the number of shares allocated to each beneficiary.

Allocation by the Supervisory Board

These allocations are made pursuant to the AFEP-MEDEF recommendations and occur every year during the same calendar periods. The calendar period was changed in 2015 in order to take into account the new number of employees resulting from the merger with the Corio Group and has remained unchanged since that time.

Cap in the number of performance shares offered

Pursuant to the AFEP-MEDEF Code, the Supervisory Board defines the maximum percentage of performance shares that can be allocated to the members of the Executive Board (currently 0.2% of the share capital over a period of 38 months from the General Meeting of Shareholders of April 19, 2016, and this percentage is part of the overall percentage of 0.5% of the share capital authorized by that General Meeting of Shareholders over the same period).

The number of performance shares allocated individually to members of the Executive Board must be previously approved by the Supervisory Board after recommendation by the Nomination and Compensation Committee, and it is determined with regard to the corporate executive officer's total annual compensation.

No hedging arrangements

In accordance with the AFEP-MEDEF Code, the members of the Executive Board have not made any hedging arrangement with regard to the options and performance shares granted to executive corporate officers.

6.1.3.2 Overview of past stock purchase option plans

Stock purchase options have a lifespan of eight years and can be exercised on one or more occasions from the fourth anniversary following their date of allocation, subject to service and performance conditions.

Details of the various plans in effect are listed below:

Conditions common to all plans

Performance condition

The stock option plans implemented prior to 2012 include, since 2009, in addition to a service condition, a performance condition for the members of the Executive Board (100% of their allocation) and for the other members of the Executive Committee (50% of their allocation). The exercise price for the stock purchase options has not been discounted.

The performance condition is based on the performance of the Klépierre share relative to the EPRA Eurozone index (Code no. EPEU) for the first four years of the plan.

The performance condition is measured on four occasions (once at the end of each of the first four years of the plan). Each measurement taken affects a quarter of the stock purchase options in question.

> If Klépierre share performance is lower than the index's by 20% or more, the corresponding stock purchase options lapse automatically.

> Should the Klépierre share underperform by between 0% and 20%, the exercise price of the stock purchase options increases proportionally from 5% to 20%.

> Should the Klépierre share outperform the index, all stock purchase options are allocated, and the exercise price remains the same.

All of these measurements were performed for each of the three plans in effect, and the stock purchase option exercise prices for the various plans are listed in Table 8 on page 272.

Service condition

The exercise of stock purchase options is allowed only for beneficiaries still with the Company at that date, barring exceptional cases of maintenance of rights as described in the rules for the relevant plan.

Number of stock purchase options allocated for each plan in force

2009 Plan

On April 6, 2009, the Executive Board adopted a plan to offer 481,000 stock purchase options to 162 beneficiaries, some of whom were subject (see above) to performance conditions (2009 Plan).

2010 Plan

On June 21, 2010, the Executive Board adopted a plan to offer 493,000 stock purchase options to 170 beneficiaries, some of whom were subject (see above) to performance conditions (2010 Plan).

2011 Plan

On May 27, 2011, the Executive Board adopted a plan to offer 606,000 stock purchase options to 211 beneficiaries, some of whom were subject (see above) to performance conditions (2011 Plan).

▶ TABLE 8 – AMF/AFEP-MEDEF CODE RECOMMENDATIONS – HISTORICAL DATA OF STOCK SUBSCRIPTION OR PURCHASE OPTIONS GRANTED – INFORMATION ON STOCK PURCHASE OPTIONS

	2009 Plan		2010 Plan		2011 Plan	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Executive Board meeting date	April 6, 2009	April 6, 2009	June 21, 2010	June 21, 2010	May 27, 2011	May 27, 2011
Total number of shares that may be subscribed or purchased	377,750	103,250	403,000	90,000	492,000	114,000
o/w shares that may be subscribed or purchased by corporate officers	–	65,000	–	65,000	–	78,000
Jean-Marc Jestin	–	–	–	–	–	–
Jean-Michel Gault	–	30,000	–	30,000	–	36,000
Start date for exercising options	April 6, 2013	April 6, 2013	June 21, 2014	June 21, 2014	May 27, 2015	May 27, 2015
Expiration date	April 5, 2017	April 5, 2017	June 20, 2018	June 20, 2018	May 26, 2019	May 26, 2019
Subscription or purchase price[(a)]	€22.60	Between €22.60 and €27.12[(b)]	€22.31	Between €22.31 and €26.77[(b)]	€27.94	Between €27.94 and €30.73[(b)]
Exercise conditions (for plans that contain more than one tranche)[(c)]	See above	See above	See above	See above	See above	See above
Number of shares subscribed at December 31, 2017	324,250	92,938	292,375	58,300	195,924	28,500
Total number of stock subscription or purchase options canceled or lapsed	53,500	10,312	69,000	0	124,500	6,000
Stock subscription or purchase options outstanding at the fiscal year-end	0	0	41,625	31,700	171,576	79,500

(a) The purchase price corresponds to the round off average of the first prices rated at the 20 trading days preceding the date of allotment.
(b) The purchase price varies depending on the performance of the Klépierre share versus the EPRA Eurozone Index. At each measure, if the performance of the Klépierre share is 20 points lower or more than that of the index, the corresponding options will automatically lapse and it will no longer be possible to exercise them.
(c) The lock-up period for the options granted was set at four years with effect from the date of allotment and their life at eight years.

▶ TABLE 8 BIS – AMF/AFEP-MEDEF CODE RECOMMENDATIONS – OPTIONS TO SUBSCRIBE OR PURCHASE SHARES GRANTED TO THE TOP 10 EMPLOYEES NOT HOLDING CORPORATE OFFICE/OPTIONS VESTED DURING THE YEAR BY THE TOP 10 EMPLOYEES NOT HOLDING CORPORATE OFFICE WHOSE NUMBER OF SHARES BOUGHT IS THE HIGHEST

	Total number of shares granted/Total number of shares bought	Average weighted price	2009 Plan	2010 Plan	2011 Plan
Options granted during the fiscal year to the 10 employees who received the highest number of shares in this manner	–	–	–	–	–
Options exercised during the fiscal year by the 10 employees who purchased the highest number of shares in this manner	56,125	25.1	9,000	24,000	23,125

6.1.3.3 Performance share plans allocated since 2012

Conditions common to all plans adopted prior to December 31, 2017

Share vesting period and holding period

- **Principle applicable to vesting period:** the allocation of shares becomes definitive and delivery is made in the form of Company shares at the end of a vesting period set by the Executive Board. In accordance with the authorization of the General Meeting of Shareholders, the vesting period cannot be less than three years.
- **Principle applicable to the holding period:** following the vesting period, beneficiaries are required to hold said shares for a period of two years. Where the vesting period for all or part of an allocation is at least four years, the Executive Board may not impose any holding period for the relevant shares.
- **Plans established by the Supervisory Board:** on the basis of the above principles, the Executive Board established "3+2" plans (three-year vesting period and two-year holding period) for French tax residents and "4+0" plans (four-year vesting period and no holding period) for those tax residents in other jurisdictions.

Service condition

The vesting of the shares requires the service of the beneficiary within the Group until the end of the vesting period, barring exceptional cases of maintenance of rights under the conditions described in the rules for the relevant plan.

Should the beneficiary leave before expiration of the term for evaluating the performance share performance criteria, preservation of all or part of the profits for the performance shares is subject to the decision of the Supervisory Board and must be substantiated. With respect to the Executive Board members, the Supervisory Board will only admit a partial lifting of the service condition according to a prorata temporis vesting principle.

Performance conditions

Performance conditions are determined by the Executive Board after consultation of the Nomination and Compensation Committee and the Supervisory Board. They are identical for all beneficiaries of performance shares.

The performance conditions for the various plans are based on the following criteria:

- absolute performance of the Klépierre share (total shareholder return: change in share price + dividend) – this condition applies to 30% of the shares;
- performance of the Klépierre share relative to a peer group – this condition applies to 70% of the shares until the 2016 Plan then to 50% since the 2016 Plan;
- applicable since the 2016 Plan, internal performance assessed via an operational criterion directly linked to the business of the Company: the average change over three years of net rental income, net of indexation, on a like-for-like basis – this condition applies to 20% of the shares until the 2018 Plan.

Overview of plans adopted prior to December 31, 2017

2012 Plan

On October 23, 2012, the Executive Board adopted a plan for 260,200 shares for 66 beneficiaries (2012 Plan) representing, on the basis of the Company's share capital at December 31, 2017, a maximum potential dilution of 0.083%, whose main features are as follows:

- allocation is subject to the performance (for 24 beneficiaries) and service (for all beneficiaries) conditions described above;
- beneficiaries are subject to either a three-year vesting period after which the shares must be held for at least two years (France Plan), or to a vesting period of four years with no holding period (International Plan).

The performance condition of the plan was measured on October 23, 2015. Under the absolute performance condition (30% of shares), 100% of shares were vested. Under the relative performance condition (70% of shares), 87.88% of shares were vested.

2013 Plan

On February 25, 2013, the Executive Board adopted a plan for 255,000 shares for 51 beneficiaries (2013 Plan) representing, on the basis of the Company's share capital at December 31, 2017, a maximum potential dilution of 0.081%, whose main features are as follows:

- allocation must be subject to the performance and service conditions described above;
- beneficiaries are subject to either a three-year vesting period after which the shares must be held for at least two years (France Plan), or to a vesting period of four years with no holding period (International Plan).

The performance condition of the plan was measured on February 24, 2016. Under the absolute performance condition (30% of shares), 100% of shares were vested. Under the relative performance condition (70% of shares), 20.32% of shares were vested.

2014 Plan

On March 10, 2014, the Executive Board adopted a plan for 255,500 shares for 61 beneficiaries (2014 Plan) representing, on the basis of the Company's share capital at December 31, 2017, a maximum potential dilution of 0.081%, whose main features are as follows:

- allocation must be subject to the performance and service conditions described above;
- beneficiaries are subject to either a three-year vesting period after which the shares must be held for at least two years (France Plan), or to a vesting period of four years with no holding period (International Plan).

The performance condition of the plan was measured on March 9, 2017. Under the absolute performance condition (30% of shares), 16.11% of shares were vested. Under the relative performance condition (70% of shares), 0% of shares were vested.

2015 Plans

On May 4, 2015, the Executive Board adopted two plans, dated May 4, 2015 and July 6, 2015 (2015 Plans) for, respectively, 287,559 shares for 64 beneficiaries and 2,400 shares for two beneficiaries representing, on the basis of the Company's share capital at December 31, 2017, a maximum potential dilution of 0.092%, whose main features are as follows:

> allocation must be subject to the performance and service conditions described above;

> beneficiaries are subject to either a three-year vesting period after which the shares must be held for at least two years (France Plan), or to a vesting period of four years with no holding period (International Plan);

> performance grid:

Absolute performance: 30% weighting		Relative performance: 70% weighting	
Performance	% of shares delivered	Performance	% of shares delivered
≤ 16.5%	0%	Index -1%	0%
20%	33.3%	Index	33.3%
22.5%	50%	Index +1%	50%
25%	66.70%	Index +2%	66.7%
27.5%	83.30%	Index +3%	100%
≤ 30%	100%		

If the result obtained is between two thresholds, the number of performance shares vested is calculated by linear interpolation.

2016 Plan

On May 2, 2016, the Executive Board adopted a plan for 324,500 shares for 107 beneficiaries (2016 Plan) representing, on the basis of the Company's share capital at December 31, 2017, a maximum potential dilution of 0.10%, whose main features are as follows:

> allocation must be subject to the performance and service conditions described above;

> beneficiaries are subject to either a three-year vesting period after which the shares must be held for at least two years (France Plan), or to a vesting period of four years with no holding period (International Plan);

> performance grid:

Absolute performance: 30% weighting		Relative performance: 50% weighting		Internal performance: 20% weighting	
Performance	% of shares delivered	Performance	% of shares delivered	Performance	% of shares delivered
≤ 16.5%	0%	Index -1%	0%	>1%	0%
20%	33.3%	Index	33.3%	1%	30%
22.5%	50%	Index +1%	50%	≥3%	100%
25%	66.70%	Index +2%	66.7%		
27.5%	83.30%	Index +3%	100%		
≥ 30%	100%				

If the result obtained is between two thresholds, the number of performance shares vested is calculated by linear interpolation.

2017 Plan

On April 18, 2017, the Executive Board adopted a plan for 310,900 shares for 116 beneficiaries (2017 Plan) representing, on the basis of the Company's share capital at December 31, 2017, a maximum potential dilution of 0.09%, whose main features are as follows:

> allocation must be subject to the performance and service conditions described above;

> beneficiaries are subject to either a three-year vesting period after which the shares must be held for at least two years (France Plan), or to a vesting period of four years with no holding period (International Plan);

> performance grid:

Absolute performance: 30% weighting		Relative performance: 50% weighting		Internal performance: 20% weighting	
Performance	% of shares delivered	Performance	% of shares delivered	Performance	% of shares delivered
≤ 16.5%	0%	Index -1%	0%	>1%	0%
20%	33.3%	Index	33.3%	1%	30%
22.5%	50%	Index +1%	50%	≥3%	100%
25%	66.70%	Index +2%	66.7%		
27.5%	83.30%	Index +3%	100%		
≤ 30%	100%				

If the result obtained is between two thresholds, the number of performance shares vested is calculated by linear interpolation.

TABLE 9 – AMF/AFEP-MEDEF CODE RECOMMENDATIONS – HISTORICAL DATA OF BONUS SHARES GRANTED – INFORMATION ON PERFORMANCE SHARES

	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan
Executive Board meeting date	02/25/2013	03/10/2014	05/04/2015	05/02/2016	04/18/2017
Total number of performance shares granted	255,000	255,500	289,959	324,500	310,900
o/w allotted to corporate officers					
> Jean-Marc Jestin	30,000	25,000	32,353	30,000	35,000
> Jean-Michel Gault	30,000	25,000	32,353	30,000	30,000
Vesting date	France Plan: 02/25/2016 International Plan: 02/25/2017	France Plan: 03/10/2017 International Plan: 03/10/2018	France Plan: 05/04/2018 International Plan: 05/04/2019	France Plan: 05/02/2019 International Plan: 05/02/2020	France Plan: 04/18/2020 International Plan: 04/18/2021
End of holding period	France Plan: 02/25/2018 International Plan: 02/25/2017	France Plan: 03/10/2019 International Plan: 03/10/2018	France Plan: 05/04/2020 International Plan: 05/04/2019	France Plan: 05/02/2021 International Plan: 05/02/2020	France Plan: 04/18/2022 International Plan: 04/18/2021
Performance condition	Performance conditions assessed based on two criteria: > Total Shareholder Return (TSR) on the Klépierre shares; > performance of the Klépierre shares relative to the FTSE EPRA Eurozone Index.	Performance conditions assessed based on two criteria: > TSR of the Klépierre share; > performance of the Klépierre shares relative to the FTSE EPRA Eurozone Index.	Performance conditions assessed based on two criteria: > TSR of the Klépierre share; > performance of the Klépierre shares relative to the FTSE EPRA Eurozone Index.	Performance conditions assessed based on three criteria: > TSR of the Klépierre share; > performance of the Klépierre shares relative to the FTSE EPRA Eurozone Index; > internal performance assessed via the average change over three years of net rental income, net of indexation, on a like-for-like basis.	Performance conditions assessed based on three criteria: > TSR of the Klépierre share; > performance of the Klépierre shares relative to the FTSE EPRA Eurozone Index; > internal performance assessed via the average change over three years of net rental income, net of indexation, on a like-for-like basis.
Number of shares vested at 12/31/2017	108,334	9,935	0	0	0
Total number of shares canceled or lapsed	146,666	243,833	23,500	21,500	10,000
Shares outstanding at the fiscal year-end	0	1,732	266,459	303,000	300,900

6.1.4 Significant contracts

6.1.4.1 Significant financing contracts

Year 2016

Credit facility agreement of January 14, 2016

> Purpose: credit facility agreement of up to €350 million.
> Lenders: BECM, BNP Paribas, ING, Société Générale.
> Terms of repayment: in full at maturity on January 14, 2021.
> Interest: interest is indexed to three-month Euribor, plus a fixed margin and a utilization fee.

Mortgage loan agreement of June 23, 2016 (Massalia Shopping Mall)

> Purpose: credit facility agreement of up to €133.5 million.
> Lenders: La Banque Postale, Crédit Agricole Alpes Provence, Crédit Agricole Corporate and Investment Bank, BNP Paribas.
> Terms of repayment: €3 million on September 30, 2018 (VAT credit), then €130.5 million at maturity on June 23, 2026.
> Interest: interest is indexed to three-month Euribor plus a fixed margin.

Credit facility agreement of July 25, 2016

> Purpose: credit facility agreement of up to €100 million.
> Lender: Mizuho Bank Limited (Paris branch).
> Terms of repayment: in full at maturity on July 25, 2021.
> Interest: interest is indexed to three-month Euribor, plus a fixed margin and a utilization fee.

Update of the "Euro Medium Term Notes" issue program

> Purpose: determination of a legal framework to allow the rapid issue of a great variety of bonds.
> Maximum amount: €7 billion.
> Place of listing: Paris.
> Governing Law: French.
> Dealers: BNP Paribas, Banca IMI, Barclays, BBVA, Crédit Agricole CIB, CM-CIC Securities, Deutsche Bank, Den Norske Bank, Goldman Sachs, HSBC, ING, JP Morgan, Merrill Lynch, Morgan Stanley, Natixis, RBS, Société Générale, UBS, Oddo.
> Program rating: A-.

Several euro-denominated fixed-rate issues of varying maturities (10 to 15 years) totaling €1.1 billion were launched in 2016 under this program.

Year 2017

Credit facility agreement of May 1, 2017

> Purpose: credit facility agreement of up to €100 million.
> Lender: ABN AMRO.
> Terms of repayment: in full at maturity on May 1, 2022 in the absence of the exercise of the two extension options of one year each.
> Interest: interest is indexed to three-month Euribor, plus a fixed margin and a utilization fee.

Credit facility agreement of May 5, 2017

> Purpose: credit facility agreement of up to €100 million.
> Lender: HSBC.
> Terms of repayment: in full at maturity on May 5, 2022.
> Interest: interest is indexed to three-month Euribor, plus a fixed margin and a utilization fee.

Renegotiation of credit facility agreement on April 28, 2017

> Purpose: renegotiation of credit facility agreement of up to €75 million.
> Lender: Société Générale.
> Terms of repayment: in full at maturity on April 28, 2022.
> Interest: interest is indexed to three-month Euribor, plus a fixed margin and a utilization fee.

Renegotiation of credit facility agreement on May 9, 2017

> Purpose: credit facility agreement of up to €100 million.
> Lender: Royal Bank of Scotland.
> Terms of repayment: in full at maturity on May 9, 2022 in the absence of the exercise of the two extension options of one year each.
> Interest: interest is indexed to three-month Euribor, plus a fixed margin and a utilization fee.

Update of the "Euro Medium Term Notes" issue program

> Purpose: determination of a legal framework to allow the rapid issue of a great variety of bonds.
> Maximum amount: €7 billion.
> Place of listing: Paris.
> Governing Law: French.

> Dealers: ABN Amro, BNP Paribas, Banca IMI, Barclays, BBVA, BofA Merrill Lynch, Crédit Agricole CIB, Citigroup, CM-CIC Securities, Deutsche Bank, DnB NOR Markets, Goldman Sachs International, HSBC, ING, JP Morgan, Mediobanca, Mizuho Securities, Morgan Stanley, Natixis, NatWest Markets, Société Générale, UBS Investment Bank, Oddo.

> Program rating: A-.

Several euro-denominated fixed-rate issues of varying maturities (10 to 15 years) totaling €1.1 billion were launched in 2017 under this program.

6.1.4.2 Material contracts – Investments and disposals

Only transactions exceeding €100,000,000 are included in this section.

Year 2016

Sale of 100% of the shares in the companies that own the Torp shopping center (Sweden)

Date of agreement: November 7, 2016

> Parties: Steen & Strøm Holding AB (seller) and Thon Retail Properties AB (buyer).

> Purpose: sale of property.

> Amount: share price calculated on the basis of the value of an asset at SEK 1.285 billion (around €131.5 million, exchange rate as of November 30, 2016).

Sale of 100% of the shares in Asane Storsenter DA (Norway), owner of the Asane Center shopping center

Date of agreement: November 7, 2016

> Parties: Steen & Strøm AS (49,9%) and Nordea Liv Norge As (50.1%) (sellers) and Olav Thon Eiendomsselskap ASA and Gardermoen Park AS (buyers).

> Purpose: sale of property.

> Amount: share price calculated on the basis of the value of an asset at NOK 1.928 billion (around €212.9 million, exchange rate as of November 30, 2016).

Year 2017

Purchase of Nueva Condomina

Date of agreement: May 22, 2017

> Parties: Klépierre and BNP.

> Purpose: Purchase of SC Nueva Condomina.

> Amount: €124,100,000.

6.1.4.3 Related-party agreements

Completion by the Supervisory Board of the annual examination of agreements authorized pursuant to Article L. 225-86 of the French Commercial Code which continued to be performed during fiscal year 2017.

In the context of their annual examination of related-party agreements, the members of the Supervisory Board have reviewed the agreements previously authorized which continued to be performed during fiscal year 2017.

The Supervisory Board observed that at its meeting of September 25, 2017, it had authorized the amendment of the three loans which had been granted to Storm Holding Norway AS as follows:

> maturity date of the loans: note that these loans have a maturity period of 15 years, as from their signing;

> and that, considering the insertion of this note, it had been decided that these three loans now constitute standard agreements made under normal market conditions.

Accordingly, at its annual review of the related-party agreements, the Supervisory Board renewed the analysis that it made on September 25, 2017, thus confirming that the three loans mentioned above are standard agreements made under normal market conditions.

► RELATED-PARTY AGREEMENTS PREVIOUSLY AUTHORIZED WHICH CONTINUED TO BE PERFORMED IN 2017

Date of the authorization granted by the Supervisory Board	Regulated agreement		Parties to the agreement
	Date	Purpose	
October 3, 2008	October 6, 2008	Intra-group loan granted as part of the Steen & Strøm transaction	Nordica Holdco AB and Stichting Depositary APG Real Estate Pool assuming the rights of APG Real Estate Pool N.V., the latter itself assuming the rights of Stichting Pensionfonds ABP
November 30, 2015	December 18, 2015	Intra-group loan agreement as part of the Oslo Center acquisition	Klépierre and APG Strategic Real Estate Pool N.V. (parent companies of the shareholders of Nordica Holdco AB) to Nordica Holdco AB
April 19, 2016	April 21, 2016	Designation of Klépierre as tax representative in France of Simon KP I S.à.r.l. and Simon KP II S.à.r.l., with a guarantee payable on first demand and for an unlimited amount in favor of Klépierre granted by Simon Property Group	Simon Property Group, Simon KP I S.à.r.l. and Simon KP II S.à.r.l

▸ RELATED-PARTY AGREEMENTS AUTHORIZED IN 2017

Date of the authorization granted by the Supervisory Board	Related-party agreement		Parties to the agreement
	Date	Purpose	
February 2, 2017	February 2, 2017	Arrangement of a severance payment mechanism in the event of forced departure of Jean-Marc Jestin from Klépierre	Jean-Marc Jestin
October 19, 2017	November 21, 2017	Amendment of the currently suspended work contract of Jean-Michel Gault in order to (i) insert in the contract his decision not to solicit any severance payment exceeding two years of the last fixed and variable compensation received as a member of the Executive Board (including under the termination of his employment contract) and (ii) to set up an extra-legal severance payment mechanism in case of the forced departure of Jean-Michel Gault. These amendments will allow Klépierre to comply with investor expectations and with the AFEP-MEDEF Code, by capping the amount of severance payments that may be due (including under the employment contract) to two years of the gross annual compensation. Such mechanism is described in section 6.2.1, pages 282 and 283 of the 2017 registration document and will be submitted to the vote of the General Meeting to be held on April 24, 2018 (commitments referred to in Article L. 225-90-1 of the French Commercial Code)	Jean-Michel Gault
December 14, 2017	December 28, 2017	Acquisition by Klépierre of 100% of the capital of Klécar Foncier Espana SL (a Klécar Europe Sud subsidiary), which holds the Spanish assets of Meridiano and Oviedo for a price equal to the NAV of the company holding said assets and calculated on the basis of a maximum asset value of €195.3 million (excluding duties, taxes and expenses)	Klépierre – Klécar Foncier Iberica SL, a subsidiary that is 0.36% owned by Klépierre and 99.64% by Klécar Europe Sud, which is owned by Klépierre (83%) and CNP (17%)

6.1.5 Statutory Auditors' report on related party agreements and commitments

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Annual General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying why they benefit the Company, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-58 of the French Commercial Code (*Code de Commerce*) in respect of the performance of the agreements and commitments, already authorized by the Annual General Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. These guidelines require that we verify the consistency of the information provided to us with the relevant source documents.

Agreements and commitments submitted for approval to the Annual General Meeting

Agreements and commitments authorized during the year

Pursuant to Article L. 225-88 of the French Commercial Code, the following agreements and commitments, previously authorized by your Supervisory Board, have been brought to our attention.

1. With Mr. Jean-Michel GAULT, *Executive Board member*

Nature and purpose

Your Supervisory Board, held on October 19, 2017, on the recommendation of the Nomination and Compensation Committee (*Comité des nominations et des rémunérations*), decided to amend the employment contract of Mr. Jean-Michel GAULT, which was currently suspended, to include:

> a waiver on his right to claim any severance payment higher than 2 years of his latest fixed and variable annual compensation as Executive Board member (including as a consequence of the termination of his employment agreement); and

> the principle of an additional termination fee in case of forced departure from the Group (that is to say, in the event of his revocation as member of the Executive Board and the subsequent termination of his employment contract within one year thereafter upon Klépierre's initiative). For the avoidance of doubt, the following would not constitute a forced departure: non-renewal of his office as a member of the Executive Board, departure due to gross or willful misconduct, resignation, or in the event that Mr. Jean-Michel GAULT is entitled to receive full retirement benefits within six months after termination of his functions or keeps some other functions within the Klépierre Groupe.

In addition, it is specified that, having regard to the automatic reactivation of Mr. Jean-Michel GAULT's employment contract in the event of termination of his functions as a corporate officer, he may, in certain circumstances, ask to have his salaried functions terminated within six months of the date of termination of his corporate office.

Terms and conditions

This non-contractual payment would be subject to the achievement of performance conditions identical to those applicable to Mr. Jean-Marc JESTIN (Chairman of the Executive Board), and would only be made in the event that:

> in at least two of the three full fiscal years preceding the year of termination of his term of office, Mr. Jean-Michel GAULT received or was entitled to receive global variable annual remuneration (that is to say quantitative and qualitative) representing a sum equal to at least 90% of his fixed remuneration (the maximum being 130%); and

> the quantitative part of the variable annual representation would have to be paid, as a minimum, in an amount equal to the target in the two fiscal years taken into account for the purposes of consideration of the foregoing condition.

In any event, the amount of the additional termination fee would be limited to two years of his last fixed and variable annual compensation received as a member of the Executive Board (less any amount paid in respect of the legal or contractual compensation to which Mr. Jean-Michel GAULT might otherwise be entitled).

Reasons justifying why the Company benefits from this agreement

Your Supervisory Board gave the following reasons:

> Your Supervisory Board considers that it is in the interest of Klépierre to proceed with the amendment of Mr. Jean-Michel GAULT's employment contract, which was currently suspended, in order (i) to record the waiver on his right to claim any severance payment higher than two years of his latest fixed and variable annual compensation as Executive Board member (including as a consequence of the termination of his employment agreement) and (ii) to put an additional termination fee in place in the event of the forced departure of Mr. Jean-Michel GAULT. These amendments would allow Klépierre to comply with the expectations of investors and with the Afep-Medef Code, by capping the amount of the severance payments liable to be due (including in respect of the employment contract) to two years of gross annual remuneration.

2. With Klécar Europe Sud, *in which Klépierre holds an 83% stake*

Nature and purpose

Your Supervisory Board, held on December 14, 2017, authorized the acquisition of the entire share capital of Klécar Foncier España SL, a subsidiary of Klécar Foncier Iberica SL, itself owned by Klécar Europe Sud. Klécar Foncier España SL owned the Spanish Meridiano and Oviedo assets.

Terms and conditions

The acquisition of Klécar Foncier España SL by Klépierre is authorized at a price equal to the NAV of the Company, calculated on the basis of an asset value of €197,21 million (including duties), €191,4 million of which for Meridiano.

Reasons justifying why the Company benefits from this agreement

Your Supervisory Board gave the following reasons:.

> The Supervisory Board considered that it was in the interest of Klépierre to authorize the acquisition of Klécar Foncier España SL in order to arrange for that company to enter the Socimi regime, which among other things required the company to be wholly owned.

agreements and commitments previously approved by the Annual General Meeting

Pursuant to Article R. 225-57 of the French Commercial Code (*Code de commerce*), we have been informed that the performance of the following agreements and commitments, previously approved by the Annual General Meeting during previous fiscal years, continued during the year.

1. With Mr. Jean-Marc Jestin, *Chairman of the Executive Board*

Nature and purpose

Establishment of a compensatory mechanism in the event of Mr. Jean-Marc JESTIN's forced departure from Klépierre.

Terms and conditions

The amount of termination benefits that would be paid to Mr. Jean-Marc JESTIN will be calculated progressively, based on his seniority as corporate officer of your Company. The initial amount is equal to one year of annual remuneration, calculated by reference to the last fixed and variable remuneration paid on the termination date. This initial amount will increase on a straight-line basis based on Mr. Jean-Marc JESTIN's seniority as a corporate officer of your Company, at the rate of one month per year of additional seniority starting from January 1, 2017. In any event, the amount of termination benefits which would be paid to Mr. Jean-Marc JESTIN in the event of forced departure may not exceed twice his annual gross remuneration (including fixed and variable remuneration) received in respect of his corporate office during the last twelve months,

Moreover, with respect to performance conditions, termination benefits may only be paid if:

> Mr. Jean-Marc JESTIN received or was entitled to receive, during at least two of the last three fiscal years preceding the year in which his corporate office terminates, annual overall variable remuneration (i.e., quantitative and qualitative) representing an amount equal to at least 90% of his fixed remuneration (the maximum being 130%); and

> the quantitative part of the annual variable remuneration has been paid in an amount equal, at the very least, to the objectives set during the last two fiscal years taken into consideration in the previous condition.

In accordance with the Afep-Medef Code, no termination benefits will be owed if the beneficiary has the possibility of receiving retirement benefits under a supplementary pension plan, within six months after termination of his functions.

2. With Nordica Holdco AB, *in which the Klépierre Group indirectly holds a 56.1% stake*

Agreement no 1

Nature and purpose

On October 3, 2008, your Supervisory Board approved the granting of an open-ended inter-group loan to Nordica Holdco AB bearing annual fixed interest of 6.5%. The interest rate was reduced to 4.7% as of January 1, 2014, in accordance with the interest rate adjustment mechanism stipulated in the agreement.

Terms and conditions

This loan was granted on October 6, 2008. As at December 31, 2017, the loan balance totaled €68,952,563.08 and the interest recorded in respect of the fiscal year amounted to €3,565,701.83.

Agreement no 2

Nature and purpose

On November 30, 2015, your Supervisory Board authorized an open-ended intercompany loan, granted by your Company and APG Strategic Real Estate Pool NV to Nordica Holdco AB and bearing annual fixed interest of 3.2%. This interest rate will be adjusted starting from the fifth anniversary date of the signature of the contract.

Terms and conditions

This loan was granted on December 18, 2015. As at December 31, 2017, the loan balance totaled €19,196,911.77 and the interest recorded in the respect of the fiscal year amounted to €636,963.85.

3. With Simon Property Group, *shareholder holding more than 10% of the voting rights of your Company through Simon KP I SARL and Simon KP II SARL*

Nature and purpose

Your Supervisory Board, on April 19, 2016, appointed your Company as the tax representative of Simon KP I SARL and Simon KP II SARL.

Terms and conditions

The tax representative ended on May 12, 2017. In accepting this role as tax representative, your Company did not incur or bear any costs.

Paris-La Défense and Neuilly-sur-Seine, March 7, 2018

The Statutory Auditors

Deloitte & Associés		Ernst & Young Audit
Joël ASSAYAH	José-Luis GARCIA	Bernard HELLER

6.2 General Meeting of Shareholders

6.2.1 Report of the Executive Board to the Ordinary and Extraordinary General Meeting

Dear Shareholders,

We have called this Ordinary and Extraordinary General Meeting to submit the following draft resolutions for your approval:

- Approval of the annual financial statements for the fiscal year ended December 31, 2017.
- Approval of the consolidated financial statements for the fiscal year ended December 31, 2017.
- Appropriation of the profit for the fiscal year ended December 31, 2017 distribution of €1.96 per share by means of distribution of distributable earnings, reserves and merger gains.
- Approval of the transactions and agreements referred to in Article L. 225-86 of the French Commercial Code.
- Approval of the commitments referred to in Articles L. 225-86 and L. 225-90-1 of the French Commercial Code in relation to Jean-Michel Gault.
- Renewal of David Simon's term of office as a member of the Supervisory Board.
- Renewal of John Carrafiell's term of office as a member of the Supervisory Board.
- Renewal of Steven Fivel term of office as a member of the Supervisory Board.
- Appointment of Robert Fowlds as member of Supervisory Board.
- Approval of the element of compensation paid or granted to Jean-Marc Jestin for the fiscal year ended December 31, 2017.
- Approval of the elements of compensation paid or granted to Jean-Michel Gault for the fiscal year ended December 31, 2017.
- Approval of the compensation policy for members of the Supervisory Board.
- Approval of the compensation policy for Chairman of the Executive Board.
- Approval of the compensation policy for members of the Executive Board.
- Delegation of authority to the Executive Board, for a period of 18 months, to trade in the Company's shares.
- Delegation of authority to the Executive Board, for a period of 26 months, to reduce the share capital by canceling treasury shares.
- Powers for formalities.

Resolutions to be submitted to the Ordinary Shareholders' Meeting

Resolutions 1 and 2 – Approval of the parent company and consolidated annual financial statements

Having regard to the management report of the Executive Board and the reports of the Statutory Auditors, the General Meeting is asked to approve the parent company financial statements for fiscal year 2017, showing a profit of €269,749,179.69, and the consolidated financial statements for fiscal year 2017, showing a result of €1,497,787,389.86.

The General Meeting is also asked to record that the parent company financial statements for the fiscal year ended December 31, 2017 do not report any non-deductible expense or charge as defined in Article 39-4 of the French General Tax Code.

Details of the parent company and consolidated financial statements appear in Klépierre's 2017 registration document filed with the French Financial Markets Authority, which is available on Klépierre's website.

Likewise, the Statutory Auditors' Report on those financial statements and the Management Report of the Executive Board appear in Klépierre's 2017 registration document.

We propose that you approve Resolution 1 and Resolution 2 presented to you.

Resolution 3 – Appropriation of the profit for fiscal year 2017 and setting the dividend

The results for fiscal year 2017 represent distributable earnings of €269,749,179.69 and retained earnings of €104,971,191.82 for a total of €374,720,371.51 in distributable earnings.

It is proposed to appropriate the entirety of these distributable earnings and to charge €168,054,580.11 to the "Other reserves" line item and €73,362,931.86 to the "Merger gains" line items and pay a dividend of €1.96 per share.

If the General Meeting accepts this appropriation, shareholders will receive, for each Klépierre share owned:

> €0.68 charged to earnings exempt from corporate income tax (dividend paid under the French real estate investment trust ("SIIC") tax rules);

> €1.28 charged to earnings subject to corporate income tax.

In the event of express, irrevocable and global election for taxation at the progressive income tax rate for all income covered by the flat tax («PFU»), the 40% tax abatement under Article 158-3(2) of the French General Tax Code will apply only to the dividend on earnings subject to corporate income tax.

The dividend must be paid within nine months of the fiscal year-end. The shares will go ex-dividend on April 26, 2018 and the dividend will be paid in cash on April 30, 2018.

If shares are disposed of between the date of the General Meeting and the payment date, the rights to the dividend will vest to the shareholder who owns the shares on the day before the date on which the shares go ex-dividend.

We propose that you approve Resolution 3 presented to you.

Resolutions 4 and 5 – Approval of related-party agreements

The General Meeting is asked to approve each of the agreements referred to in Article L. 225-86 of the French Commercial Code that was duly authorized by the Supervisory Board during fiscal year 2017. The General Meeting is reminded that only the following new agreements, which have been duly authorized by the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code, and which were concluded during the last fiscal year, are submitted to this Meeting:

> With Klécar Europe Sud:

- Klécar Europe Sud is now 83%-owned by Klépierre and 17%-owned by CNP. This company had been used as a vehicle to purchase Spanish and Greek Carrefour shopping centers in 2000. In 2014, most of the Spanish shopping centers owned by Klécar Europe Sud were sold to Carmila.
- Currently, Klécar Europe Sud owns only six assets totaling €215.3 million (gross asset value as of December 2017), including the Méridiano center located close to Tenerife in Spain.
- The related-party agreement pertains to Klépierre's direct purchase of the company that owns the Meridiano center (in which Klépierre already holds indirectly an 83% stake) for €195,300,000, which corresponds to market value.
- This transaction is in Klépierre's corporate interest as it enables Klépierre to request SOCIMI tax status (the Spanish equivalent of SIIC tax status) and take advantage of tax rules that are more conducive to increasing the organization's dividends.
- In the wake of this transaction, Klépierre is expected to acquire all of CNP's stake in the shares owned by Klécar Europe Sud.

> With Jean-Michel Gault:

- In a press release published by Klépierre on April 3, 2017, the Company reminded readers that Jean-Michel Gault did not receive any severance pay for his term of office, and that his employment contract, which was suspended in July 2016, does not entitle him to receive any severance pay other than compensation due under applicable laws and the collective bargaining agreement. In the same press release, the Company specified that "the Nomination and Compensation Committee and the Supervisory Board will be reassessing Jean-Michel Gault's situation regarding potential severance pay in 2017".

  Klépierre carefully analyzed Jean-Michel Gault's situation as part of this commitment made to shareholders, mentioned above. After an in-depth review, the Nomination and Compensation Committee proposed to revise Jean-Michel Gault's current suspended employment contract to include:

  - a waiver by Jean-Michel Gault to request any compensation for more than two years from the last annual fixed and variable compensation received as a member of the Executive Board (including compensation for the termination of his employment contract); and
  - the principle of non-statutory compensation in the event of forced departure from the Group (meaning if he is removed from office as a member of the Executive Board and Klépierre subsequently terminates his employment contract within the year). The amount of this non-statutory compensation will be limited to two years from the last annual fixed and variable compensation received as a member of the Executive Board (less any amount paid for any legally mandated compensation or compensation due under a collective bargaining agreement that Jean-Michel Gault could have otherwise received).

The following events will not qualify as forced departure: non-renewal of term of office as a member of the Executive Board, termination due to gross negligence or willful misconduct, resignation, or the event in which Jean-Michel Gault became eligible to claim full retirement benefits within six months of the termination of his term in office or continued performing other functions within the Group, in accordance with the AFEP-MEDEF Code.

In addition, payment of the non-statutory compensation will be subject to achieving performance conditions identical to the conditions applicable to Jean-Marc Jestin, and could only take place if:

- in at least two of the three full fiscal years preceding the year of termination of his term of office, Jean-Michel Gault received or is entitled to receive total variable annual compensation (that is to say quantitative + qualitative) representing a sum equal to at least 90% of his fixed compensation (the maximum being 130%); and
- the quantitative part of the variable annual compensation must, at minimum, have been paid in an amount equal to the target in the two fiscal years taken into account when reviewing the previous condition.

Note that as of the date of this report, the amount of the statutory severance pay to which Jean-Michel Gault may be entitled in case of termination of his employment contract amounts to €551,395, i.e., 7.3 months of his fixed and variable compensation due for fiscal year 2017. Signing this amendment did not lead to any payment in favor of Jean-Michel Gault.

The Supervisory Board that met on October 19, 2017 found that it was in Klépierre's interest to revise Jean-Michel Gault's employment contract to enable Klépierre to comply with the expectations of investors and the AFEP-MEDEF Code by capping the amount of severance pay to be due (including pay due under the employment contract) to two years of gross annual compensation. As a result, upon a unanimous vote and, in accordance with Articles L. 225-86 and L. 225-90-1 of the French Commercial Code, the Supervisory Board authorized the revision of Jean-Michel Gault's employment contract in accordance with the proposal submitted to the Supervisory Board by the Nomination and Compensation Committee.

The fifth resolution requires this amendment to be submitted to the General Meeting for approval.

We propose that you approve Resolution 4 and Resolution 5 presented to you.

Resolutions 6, 7, 8 and 9 – Terms of office of members of the Supervisory Board

It is proposed that the General Meeting:

> renews David Simon's term of office as a member of the Supervisory Board for a period of three years;

> renews John Carrafiell's term of office as a member of the Supervisory Board for a period of three years;

> renews Steven Fivel's term of office as a member of the Supervisory Board for a period of three years;

> appoints Robert Fowlds as a member of the Supervisory Board for a period of three years.

1. The Supervisory Board at December 31, 2017

The members of Klépierre's Supervisory Board have various skills that improve the quality of the Board's deliberations in the context of the decisions that it is called upon to take.

The Supervisory Board currently comprises the following nine members:

	Main function	Age	Date of first appointment	End of term of office
David Simon	Chairman of the Board of Directors and Chief Executive Officer of Simon Property Group, Inc.	56	2012	2018
John Carrafiell	Founding partner of GreenOak	52	2014 with effect from January 15, 2015	2018
Jeroen Drost	Chief Executive Officer of SHV Holdings NV	56	2014 with effect from January 15, 2015	2018
Béatrice de Clermont-Tonnerre	Director, Southern Europe, Partner Business Solutions at Google	45	2016	2019
Steven Fivel	Assistant General Counsel and Assistant Secretary of Simon Property Group, Inc.	57	2012	2018
Stanley Shashoua	Senior Vice-President of international Development at Simon Property Group, Inc.	47	2015	2020
Catherine Simoni	Former CEO of Carlyle France	53	2012	2020
Rose-Marie Van Lerberghe	Senior Advisor of BPI group	71	2012	2019
Florence Von Erb	Member of various UN committees. Former Managing Director of Adair Capital	58	2016	2020

Supervisory Board member biographies are shown on pages 219 to 227 of this 2017 Klépierre registration document.

2. Renewal and appointment proposals

As of December 31, 2017, the composition of the Supervisory Board was balanced and in line with both regulatory requirements as well as AFEP-MEDEF Code recommendations. The members of the Board are experts in the real estate sector and have complementary skills. In addition, they all have in-depth knowledge of Klépierre and its operations.

With this in mind, Klépierre's Nomination and Compensation Committee and Supervisory Board are in favor of renewing the terms of office of Supervisory Board and Committee members David Simon, John Carrafiell and Steven Fivel for a three-year period that will expire at the end of the Ordinary General Meeting called in 2021 to approve the financial statements for fiscal year 2020.

Renewal of David Simon's term of office

David Simon has been a member and Chairman of the Supervisory Board since 2012. He also chairs the Investment Committee. His knowledge of the real estate sector and his strategic vision are highly valued assets for Klépierre. David Simon does not have any business ties with Klépierre.

Subject to the adoption of Resolution 6, the Board plans to renew David Simon as Chairman of the Supervisory Board at the end of the Ordinary and Extraordinary General Meeting on April 24, 2018.

Renewal of John Carrafiell's term of office

John Carrafiell has been a member of the Supervisory Board since 2014. He is also a member and chairman of the Audit Committee, which enables Klépierre to take maximum advantage of his financial expertise. In addition, John Carrafiell is regarded as independent according to the criteria contained in the AFEP-MEDEF Corporate Governance Code, and he does not have any business ties with Klépierre.

Renewal of Steven Fivel's term of office

Steven Fivel has been a member of the Supervisory Board since 2012, having been appointed on a proposal from Simon Property Group. Steven Fivel is also a member and chair of the Sustainable Development Committee as well as a member of the Investment Committee and of the Nomination and Compensation Committee. His diverse expertise (particularly in terms of governance and management in the real estate sector) has added a great deal of value to the work of these committees. Steven Fivel also does not have any business ties with Klépierre.

Appointment of Robert Fowlds as a member of the Supervisory Board

Jeroen Drost's term of office expires at the end of the General Meeting of April 24, 2018. He chose not to have his term of office renewed.

It is proposed to appoint Robert Fowlds, to replace Jeroen Drost, as a member of the Supervisory Board for a period of three years, expiring at the end of the Ordinary General Meeting called in 2021 to approve the financial statements for fiscal year 2020. This candidate's biography will be included in the notice of meeting brochure published online on Klépierre's website. Robert Fowlds, whose appointment was proposed by APG, is not considered as independent member.

Subject to a positive vote from the General Meeting with regard to the proposed renewals and appointment, it will be noted that among the nine members comprising the Supervisory Board following the General Meeting on April 24, 2018, there will be:

> five independent members, representing 55.56% of the members, in excess of the minimum proportion of 50% recommended by the AFEP-MEDEF Code;

> four women, accounting for 44.45% of the Board, in excess of the requirements of the French Commercial Code (40%);

> five foreign members, with members of US and UK nationalities.

We propose that you approve Resolution 6 through Resolution 9 presented to you.

Resolutions 10 and 11 – Approval of the elements of compensation paid or allocated to members of the Executive Board for fiscal year 2017

We request that you hold an a posteriori vote to decide on the amount or value of the elements of compensation paid or allocated during the last fiscal year ended.

Information relating to the elements of compensation payable or allocated to each member of the Executive Board for the fiscal year ended is set out in section 5.2.4.1 (for Jean-Marc Jestin) and section 5.2.4.2 (for Jean-Michel Gault).

We propose that you approve Resolution 10 and Resolution 11 presented to you.

Resolutions 12, 13 and 14 – Compensation policy for corporate officers

The law of December 9, 2016 relating to transparency, anti-corruption and modernization of the economy, known as the "Sapin 2" Law, introduced an a priori vote on the compensation policy for the current fiscal year applied to members of the Supervisory Board and Executive Board.

The Supervisory Board submits for the approval of the General Meeting the principles and criteria applicable to determining, distributing and allocating the fixed, variable and exceptional items comprising the total compensation and benefits of any kind allocated to the members of the Supervisory Board and of the Executive Board in respect of the performance of their office in 2017, and which constitute the compensation policy concerning them.

1. Compensation policy for members of the Supervisory Board

The compensation of members of the Supervisory Board only consists of directors' fees paid by Klépierre, the maximum amount of which is voted on by the General Meeting and the distribution of which is decided upon by the Supervisory Board. The variable portion of the directors' fees is the major portion, pursuant to the AFEP-MEDEF Code guidelines.

Pursuant to Article 17 paragraph 1 of the Company's bylaws, the General Meeting sets the amount of the overall budget for directors' fees allocated to members of the Supervisory Board for their work during the fiscal year. This overall budget was set at €700,000 by the Ordinary and Extraordinary General Meeting of April 19, 2016.

This policy is presented in detail in the Supervisory Board's report on the compensation policy for the Supervisory Board members prepared pursuant to Article L. 225-82-2 of the French Commercial Code, which appears in section 5.2.1.1 of the 2017 Klépierre registration document.

2. Compensation policy for members of the Executive Board

The compensation of each of the members of the Executive Board consists of three main elements:

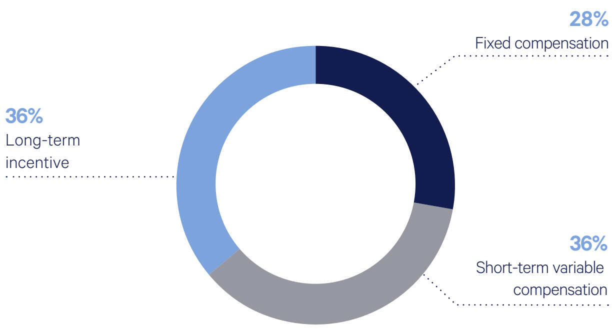
> a fixed component, determined on the basis of the responsibilities assumed by each of the members of the Executive Board, which must be sufficiently competitive to attract and retain the best talents;

> a short-term variable component, intended to tie the members of the Executive Board to the Group's short-term performance; and

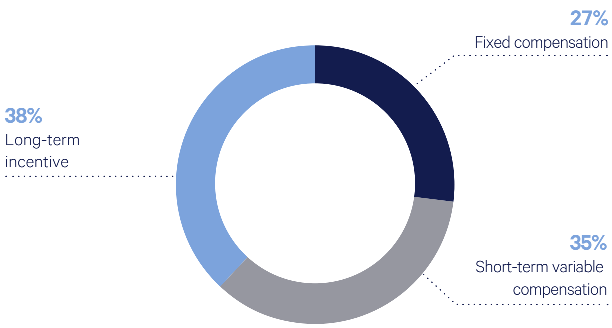
> a long-term component, to align the interests of the beneficiaries as closely as possible to the interests of the shareholders in order to create long-term value.

For information purposes, the respective weighting of each of these elements for fiscal year 2017 was as follows:

Jean-Marc Jestin



Jean-Michel Gault



This policy is presented in detail in the Supervisory Board's report on the compensation policy for Supervisory Board members prepared pursuant to Article L. 225-82-2 of the French Commercial Code, which appears in section 5.2.2.1 of the 2017 Klépierre registration document.

Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from the application of these principles and criteria will be submitted for the approval of the shareholders at the General Meeting called to approve the financial statements for fiscal year 2018.

We propose that you approve Resolution 12 through Resolution 14 presented to you.

Resolution 15 – Authority given to the Company to buy back its own shares

It is proposed that the General Meeting renew the authority given in 2017 for a further period of 18 months taking effect as from this General Meeting, on the understanding that in the event of a public offering made by a third party for the Company's shares, the Executive Board will not be able to use this power during the offer period without the prior authorization of the General Meeting.

This authority will enable the Company to buy back or arrange for the buyback of its shares, for the following purposes:

> to cancel shares up to a maximum of 10% of the capital per 24-month period;

> to cover the commitment to deliver shares, for example in the context of issues of negotiable securities giving access to the capital or to the allocation of share purchase options or existing bonus shares;

> to allocate shares to employees;

> to carry out external growth transactions;

> to implement a liquidity agreement by an investment services provider acting independently; and

> to retain shares or use them to pay or exchange in the context of a merger, spin-off or asset transfer transaction.

These shares may be acquired, sold, exchanged or transferred by any means, on one or more occasions, in particular on the market or over-the-counter, including in whole or in part by acquiring, disposing of, trading or transferring blocks of shares. If necessary, these means shall include the use of any derivatives.

The number of the Company's shares that may be purchased in this way will be subject to the following Caps: on the date of each buyback, the total number of shares purchased by the Company from the start of the buyback program may not exceed 10% of the shares comprising the Company's share capital, and the number of shares that the Company owns at any time may not exceed 10% of the shares comprising the Company's share capital on the relevant date.

The maximum purchase price per share will be €50. As a result, for informational purposes and based on the Company's share capital as of December 31, 2017, the total amount allocated to the share buyback program may not exceed €1,571,780,300.

9,761,424 of the Company's shares have been bought back pursuant to the authority granted by the Company's General Meeting on April 18, 2017.

We propose that you approve Resolution 15 presented to you.

Resolution 16 – Delegation of authority to reduce the share capital by canceling treasury shares

The purpose of this resolution is to authorize the Executive Board, which may sub-delegate under the conditions provided by law, to reduce the share capital on one or more occasions by the cancellation of any quantity of treasury shares within the limits authorized by law.

The Company may cancel shares that it owns in order to achieve various financial objectives, such as, for example, to actively manage its capital, to optimize its balance sheet, or to offset dilution resulting from a capital increase.

The number of the Company's shares that may be canceled will be subject to the Caps indicated below. On the date of each cancellation, the maximum number of shares of the Company canceled during the twenty-four month period preceding such cancellation, including the shares subject to said cancellation, may not exceed 10% of the shares comprising the Company's capital on that date.

This authority is requested for a period of 26 months and will replace the authority conferred at the General Meeting held on April 18, 2017. No capital reduction transaction was carried out in 2017.

We propose that you approve Resolution 16 presented to you.

Resolution 17 – Powers for formalities

The Executive Board asks for the powers necessary to complete all the advertising and filing formalities involved in the holding of this General Meeting.

We propose that you approve Resolution 17 presented to you.

6.2.2 Text of the resolutions proposed to the Ordinary and Extraordinary General Meeting

Resolutions of the Ordinary General Meeting

Resolution 1

(Approval of the financial statements for the fiscal year ended December 31, 2017)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having considered the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, the General Meeting approves, as presented, the annual financial statements for the fiscal year ended December 31, 2017 comprising the balance sheet, income statement and the notes to the financial statements, which show a profit of €269,749,179.69.

It also approves the transactions reflected in those financial statements or summarized in those reports.

It formally notes that the parent company financial statements for the fiscal year ended December 31, 2017 do not report expenses and charges that are non-deductible for tax purposes under Article 39-4 of the French General Tax Code and that there was no add-back of expenses under Article 39-5 of said Code for the fiscal year.

Resolution 2

(Approval of the consolidated financial statements for the fiscal year ended December 31, 2017)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having considered the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, the General Meeting approves, as presented, the annual financial statements for the fiscal year ended December 31, 2017 comprising the balance sheet, the income statement and the notes to the financial statements, which show a profit of €1,497,787,389.86.

It also approves the transactions reflected in those financial statements or summarized in those reports.

Resolution 3

(Appropriation of profit for the fiscal year ended December 31, 2017 and distribution of €1.96 per share by means of distribution of distributable earnings, reserves and merger gains

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, the General Meeting resolves to appropriate the profit for the fiscal year, amounting to €269,749,179.69, as follows:

Profit for the fiscal year	+€269,749,179.69
Plus retained earnings	+€104,971,191.82
Forming distributable earnings of	**+€374,720,371.51**
Plus a charge	
> to the Other reserves line item	+€168,054,580.11
> to the Merger gains line item	+€73,362,931.86
For a total amount to be distributed	**+ €616,137,883.48**
> By way of dividend in respect of exempt activities	-€213,762,122.84
> By way of dividend in respect of activities subject to corporate income tax	-€402,375,760.64
(representing a total dividend distribution of €1.96 per share)	
Balance in Retained earnings	**+€0**
Balance in Other reserves	+€0
Balance in Merger gains	+€143,145,450.74

In the event of express, irrevocable and global election to apply the progressive taxation rate to all income subject to the flat tax rate ("PFU"):

- the amount of €0.68 per share representing the dividend in respect of income from exempt activities will not be eligible for the 40% tax relief mentioned in Article 158-3-2 of the French General Tax Code;
- the balance, namely €1.28 per share, will be eligible for said relief.

In accordance with the provisions of Article L. 225-210 of the French Commercial Code, the General Meeting resolves that the amount corresponding to treasury shares owned on the dividend payment date and any amount that the shareholders might have waived will be appropriated to the "retained earnings" account. The relevant sums will reduce the distribution deducted from the profit from the exempt and taxable activities in the same proportions as indicated above.

The ex-dividend date in respect of the dividend of €1.96 per share will be April 26, 2018, and the dividend will be paid in cash on April 30, 2018.

In accordance with Article 243 bis of the French General Tax Code, dividends in respect of the last three fiscal years were as follows:

Fiscal year *(in €)*	Total dividend paid to shareholders	Net dividend per share	Amount eligible for the tax relief under Article 158-3-2 GTC	Amount not eligible for the tax relief under Article 158-3-2 GTC
2014	398,423,693.56	1.60[a]	0	398,423,693.56
2015	534,405,307.10	1.70	377,227,275.60	157,178,031.50
2016	572,128,034.66	1.82	122,598,864.57	449,529,170.09

(a) *The net dividend of €1.60 corresponds first, to the distribution of an interim dividend paid on January 12, 2015 in an amount of €181,518,009.40, or €0.91 per share (out of a total number of shares of €199,470,340 as at December 31, 2014) and secondly, to an additional distribution of €216,905,684.16, or €0.69 per existing share or per share issued as part of the merger with Corio N.V., paid on April 21, 2015 (i.e., a total number of shares of 314,356,063).*

The General Meeting confers all necessary powers on the Executive Board to determine the overall amount of the dividend and consequently the amount of the balance of distributable earnings to be appropriated to the "retained earnings" account, particularly taking into account the number of shares owned by the Company at the dividend payment date and, where applicable, the number of shares canceled before that date.

Resolution 4

(Approval of the transactions and agreements referred to in Article L. 225-86 of the French Commercial Code)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having noted the special report of the Statutory Auditors on the agreements referred to in Article L. 225-86 of the French Commercial Code and relating to the fiscal year ended December 31, 2017, the General Meeting approves this report in all its provisions and each of the new agreements mentioned therein, in accordance with the provisions of Article L. 225-88 of said Code.

Resolution 5

(Approval of the commitments referred to in Articles L. 225-86 and L. 225-90-1 of the French Commercial Code relating to Jean-Michel Gault)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, the General Meeting notes that it has received the special report provided for by the legal and regulatory provisions in force and referred to in Articles L. 225-86 and L. 225-90-1 of the French Commercial Code relating to the commitments made for Jean-Michel Gault, member of the Executive Board.

It approves those commitments and the report concerning them pursuant to Articles L. 225-86 and L. 225-90-1 of the French Commercial Code.

Resolution 6

(Renewal of David Simon's term of office as a member of the Supervisory Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, the General Meeting, noting that David Simon's term of office as a member of the Supervisory Board expires on the date hereof, renews it for a period of three years expiring at the end of the Ordinary General Meeting called in 2021 to approve the financial statements for fiscal year 2020.

David Simon has indicated that he accepted the renewal of his term of office and that he did not exercise any function and was not subject to any measure that could make him ineligible for office.

Resolution 7

(Renewal of John Carrafiell's term of office as a member of the Supervisory Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, the General Meeting, noting that John Carrafiell's term of office as a member of the Supervisory Board expires on the date hereof, renews it for a period of three years expiring at the end of the Ordinary General Meeting called in 2021 to approve the financial statements for fiscal year 2020.

John Carrafiell has indicated that he accepted the renewal of his term of office and that he did not exercise any function and was not subject to any measure that could make him ineligible for office.

Resolution 8

(Renewal of Steven Fivel's term of office as a member of the Supervisory Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, the General Meeting, noting that Steven Fivel's term of office as a member of the Supervisory Board expires on the date hereof, renews it for a period of three years expiring at the end of the Ordinary General Meeting called in 2021 to approve the financial statements for fiscal year 2020.

Steven Fivel has indicated that he accepted the renewal of his term of office and that he did not exercise any function and was not subject to any measure that could make him ineligible for office.

Resolution 9

(Appointment of Robert Fowlds as a member of the Supervisory Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, the General Meeting has decided to appoint Robert Fowlds as a member of the Supervisory Board for a period of three years expiring at the end of the Ordinary General Meeting called in 2021 to approve the financial statements for fiscal year 2020.

Robert Fowlds has indicated that he accepted his appointment as a member of the Supervisory Board and that he did not exercise any function and was not subject to any measure that could make him ineligible for office.

Resolution 10

(Approval of elements of compensation paid or granted to Jean-Marc Jestin for the fiscal year ended December 31, 2017)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having noted the report provided for in Article L. 225-68 of the French Commercial Code, the General Meeting approves the elements of compensation paid or granted to Jean-Marc Jestin for the fiscal year ended December 31, 2017.

Resolution 11

(Approval of the elements of compensation paid or granted to Jean-Michel Gault for the fiscal year ended December 31, 2017)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having noted the report provided for in Article L. 225-68 of the French Commercial Code, the General Meeting approves the elements of compensation paid or granted to Jean-Michel Gault for the fiscal year ended December 31, 2017.

Resolution 12

(Approval of the compensation policy for members of the Supervisory Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having noted the report prepared in accordance with Article L. 225-68 of the French Commercial Code, the General Meeting approves the principles and criteria applicable to determine, distribute and allocate the fixed, variable and exceptional elements comprising the total compensation and benefits of any kind presented in that report and allocated to the members of the Supervisory Board in respect of the performance of their office.

Resolution 13

(Approval of the compensation policy for the Chairman of the Executive Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having noted the report prepared in accordance with Article L. 225-68 of the French Commercial Code, the General Meeting approves the principles and criteria applicable to determine, distribute and allocate the fixed, variable and exceptional elements comprising the total compensation and benefits of any kind presented in that report and allocated to the Chairman of the Executive Board in respect of the performance of his office.

Resolution 14

(Approval of the compensation policy for members of the Executive Board)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having noted the report prepared in accordance with Article L. 225-68 of the French Commercial Code, the General Meeting approves the principles and criteria applicable to determine, distribute and allocate the fixed, variable and exceptional elements comprising the total compensation and benefits of any kind presented in that report and allocated to the members of the Executive Board in respect of the performance of their office.

Resolution 15

(Delegation of authority to the Executive Board, for a period of 18 months, to trade in the Company's shares)

Pursuant to the quorum and majority requirements applicable to Ordinary General Meetings, and having considered the report of the Executive Board, the General Meeting authorizes the Executive Board, which may sub-delegate under the terms and conditions provided by law and by the Company's bylaws, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code and of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, to purchase or arrange for the purchase of the Company's shares, particularly in order:

> to stimulate the secondary market in or liquidity of Klépierre shares through an investment services provider in the context of a liquidity agreement complying with a Code of Conduct recognized by the French Financial Markets Authority (AMF); or

> to hold the shares purchased and to deliver them subsequently (by way of exchange, payment or otherwise) as part of an acquisition, merger, spin-off or asset transfer transaction; or

> to allocate bonus shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code or of any similar plan; or

> to allocate or transfer shares to employees in relation to employee profit-sharing or of the implementation of any employee savings plan under the terms and conditions provided by law, and in particular Articles L. 3332-1 et seq. of the French Labor Code, by transferring shares purchased in advance by the Company in the context of this resolution or making a provision for a bonus allocation of those shares by way of a Company contribution in the form of securities and/or by replacing the discount; or

> to implement any Company stock option plan under the provisions of Articles L. 225-177 et seq. of the French Commercial Code or of any similar plan; or

> in general, to honor obligations associated with stock option programs or other allocations of shares to employees or corporate officers of the issuer or of a related company; or

> to deliver shares upon the exercise of rights attached to negotiable securities giving access to the share capital by way of repayment, conversion, exchange, presentation of a warrant or in any other way; or

> to cancel all or part of the securities purchased in this way.

This program is also intended to enable the implementation of any market practice that might come to be accepted by the French Financial Markets Authority, and more generally, the completion of any transaction in accordance with the regulations in force. In this event, the Company will inform its shareholders by way of a press release.

Purchases of the Company's shares may relate to a number of shares such that:

> on the date of each purchase, the total number of shares purchased by the Company since the start of the buyback program (including those subject to the said purchase) does not exceed 10% of the shares comprising the Company's share capital, this percentage being applied to the share capital as adjusted to take account of transactions affecting it after this General Meeting, namely, for information purposes, as of December 31, 2017, a buyback Cap of 31,435,606 shares, on the understanding (i) that the number of shares purchased by the Company with a view to their holding and subsequent delivery by way of payment or in exchange as part of a merger, spin-off or asset transfer transaction cannot exceed 5% of the share capital; and (ii) that when the shares are purchased to promote liquidity under the conditions

defined by the General Regulation of the French Financial Markets Authority (AMF), the number of shares taken into account in the calculation of the 10% limit provided above corresponds to the number of shares purchased, after deducting the number of shares re-sold during the period of the authorization;

> the number of shares that the Company may hold at any time whatsoever does not exceed 10% of the shares comprising the Company's share capital at the relevant date.

Purchases, sales or transfers of shares may be carried out on one or more occasions, at any time within the limits authorized by the legal and regulatory provisions in force and those provided for in this resolution (except during tender offer periods in respect of the Company's shares), and by any means, on regulated markets, multi-lateral trading systems, using systematic internalizers or over-the-counter, including by purchasing or selling blocks of securities (without limiting the proportion of the buyback program that can be carried out in this way), by public tender or exchange offers, or by using options or other financial futures, or by delivering shares following the issue of negotiable securities giving access to the Company's share capital by converting, exchanging, repaying, exercising a warrant or in any other way, and whether directly or indirectly through an investment services provider.

The maximum purchase price of the shares under this resolution will be €50 per share (or the exchange value of that amount in any other currency on the same date), excluding purchase expenses. This maximum price only applies to purchases decided upon after the date of this Meeting and not to future transactions made pursuant to an authority given by a previous General Meeting providing for purchases of shares after the date of this Meeting. In the event of transactions affecting the share capital, and in particular share splits or consolidations or the allocation of bonus shares, or of transactions affecting shareholders' equity, the amount indicated above will be adjusted to take account of the impact of the value of such transactions on the value of the shares.

For informational purposes, based on the number of shares in the Company's capital as of December 31, 2017, the total amount allocated to the share buyback program authorized above may not exceed €1,571,780,300.

The General Meeting confers all necessary powers on the Executive Board, which may sub-delegate such powers to implement this authority, to carry out these transactions, to approve the terms and conditions thereof, to sign any agreements and to complete any formalities.

With effect from the date hereof, this authority cancels the unused part of the authority delegated by the fifteenth resolution of the Company's General Meeting on April 19, 2016, as applicable. It is given for a period of 18 months with effect from the date hereof.

Resolutions of the Extraordinary General Meeting

Resolution 16

(Delegation of authority to the Executive Board, for a period of 26 months, to reduce the share capital by canceling treasury shares)

Pursuant to the quorum and majority requirements applicable to Extraordinary General Meetings, and having considered the report of the Executive Board and the special report of the Statutory Auditors, the General Meeting authorizes the Executive Board to reduce the share capital, on one or more occasions, in such proportions and at such times as it shall decide, by canceling any quantity of treasury shares that it shall decide within the limits authorized by law, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code and L. 225-213 of said Code.

On the date of each cancellation, the maximum number of shares canceled by the Company during the 24-month period preceding that cancellation, including the shares canceled on that occasion, may not exceed ten per cent (10%) of the shares comprising the Company's capital on that date, namely, for information purposes, at December 31, 2017, a maximum of 31,435,606 shares, on the understanding that this limit applies to the amount of the Company's share capital as adjusted, where applicable, to take account of transactions affecting the share capital after this General Meeting.

The General Meeting confers all necessary powers to the Executive Board, which may sub-delegate them under the conditions provided by law and by the Company's bylaws, to charge the difference between the book value of the shares canceled and their par value to any reserve or premium accounts, to approve the terms and conditions of cancellation of the shares, to complete any capital cancellation and reduction transaction or transactions that might be carried out pursuant to this authority, to make the consequential amendments to the bylaws, to make any declarations to the French Financial Markets Authority, and to complete any formalities.

With effect from the date hereof, this authority cancels the unused part of the authority delegated by the sixteenth resolution of the Company's General Meeting on April 18, 2017, as applicable. It is given for a period of 26 months with effect from the date hereof.

Resolution 17

(Powers for formalities)

Pursuant to the quorum and majority requirements applicable to Extraordinary General Meetings, the General Meeting confers all necessary powers on the holder of an original, copy or extract of the minutes of its deliberations to file any documents and carry out any formalities required by law.

6.2.3 Report of the Supervisory Board to the Ordinary and Extraordinary General Meeting

Approval of the financial statements for the fiscal year ended December 31, 2017

Dear Shareholders,

Pursuant to the provisions of Article L. 225-68 of the French Commercial Code, we are required to report our observations on the financial statements as approved by the Executive Board and on the Executive Board's report submitted to you.

The Supervisory Board has been kept regularly informed by the Executive Board about the operations and business of the Company and its Group, and has carried out the necessary audits and controls in the performance of its duties. The Supervisory Board is assisted in these duties by its special committees: the Investment Committee, the Audit Committee, the Nomination and Compensation Committee and the Sustainable Development Committee.

We have no particular observations to make as regards the Executive Board's report or the parent company and consolidated financial statements for the fiscal year ended December 31, 2017. We therefore invite you to approve these parent company and consolidated financial statements for the fiscal year ended December 31, 2017 and all of the proposed resolutions.

We wish to thank the Executive Board and all members of staff for their hard work and effort in 2017.

The Supervisory Board

6.2.4 Description of the treasury share buyback program

In compliance with Articles 241-1 et seq. of the General Regulation of the French Financial Markets Authority (AMF), this section presents the share buyback program that will be submitted to a vote at the Ordinary and Extraordinary General Meeting of Shareholders on April 24, 2018 ("the 2018 Share Buyback Program").

1. Date of the General Meeting of Shareholders called to approve the 2018 Share Buyback Program

April 24, 2018.

2. Shares held by the Company as of February 28, 2018

As of February 28, 2018, Klépierre directly or indirectly holds 13,706,590 shares, representing 4.36% of its share capital for an overall amount of 470,513,859.22 (at book value).

This information, and that which follows, takes into account the total number of shares that comprise the share capital of the Company as of February 28, 2018, i.e., 314,356,053 shares.

3. Breakdown by objective of shares held by Klépierre as of February 28, 2018

As of February 28, 2018:

> 2,251,832 shares are allocated to any stock purchase option plans the Company offers and to the award of bonus shares; and

> 267,894 shares are allocated for use in connection with the liquidity agreement signed with Exane BNP Paribas in September 2005, in accordance with market practices accepted by the French Financial Markets Authority (AMF) and the French Association of Investment Firms (AFEI)'s Ethics Charter for such agreements, authorizing their purchase, sale, conversion, disposal, transfer, loan, or making available, among other things, to stimulate trading in the market or counter adverse trends;

> 11,186,864 shares are allocated for cancellation.

4. Objectives of the 2018 Share Buyback Program

The objectives of the 2018 Share Buyback Program are the following:

> to stimulate the secondary market in or liquidity of Klépierre shares through an investment services provider in the context of a liquidity agreement complying with a Code of Conduct recognized by the French Financial Markets Authority; or

> to deliver shares (by way of exchange, payment or otherwise) in the context of acquisition, merger, spin-off or asset transfer transactions; or

> to allocate bonus shares in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; or

> to allocate or sell shares to the employees in relation to employee profit-sharing or the implementation of any employee savings plan under the conditions provided by law, and in particular Articles L. 3332-1 et seq. of the French Labor Code, by selling shares purchased in advance by the Company under the sixteenth resolution presented at the Ordinary General Meeting of April 19, 2016 or by making provision for a bonus allocation of those shares by way of a Company contribution in the form of the Company's securities and/or by way of replacement of the discount; or

> to implement any Company stock purchase option plan in accordance with the provisions of Articles L. 225-177 et seq. of the French Commercial Code, or any similar plan; or

> in general, to honor obligations associated with stock option programs or other allocations of shares to the employees or executive officers of the issuer or of an associated company; or

> to deliver shares upon the exercise of rights attached to negotiable securities giving access to the capital by way of repayment, conversion, exchange, presentation of a warrant or in any other way; or

> to cancel all or part of the securities purchased in this way.

5. Maximum portion of the capital to be acquired and maximum number of shares that may be acquired under the 2018 Share Buyback Program

The number of shares that the Company will be authorized to purchase may not exceed 10% of the shares comprising the share capital of the Company, at any time, and this percentage applies to a capital adjusted in accordance with the transactions affecting it after the General Meeting. For informational purposes, based on the share capital existing as of February 28, 2018 minus the 13,706,590 shares held at that date, the maximum number of shares that can be purchased is 17,729,016.

The number of shares that the Company will be authorized to hold, at any given time, may not exceed 10% of the shares comprising its share capital on the relevant date. For information purposes, based on the share capital existing at February 28, 2018, the maximum number of shares that can be held totals 31,435,606.

6. Maximum authorized purchase price per share

The maximum purchase price is €50 per share, and it is specified that this price may be adjusted in the event of any capital transaction or any other transaction that affects the Company's share capital, to take into account its impact on the value of the share.

The maximum amount of funds that can be used to finance the 2018 Share Buyback Program is estimated at €1,571,780,300, calculated on the basis of a maximum purchase price of €50 per share and the share capital of Klépierre as of February 28, 2018.

7. Duration of the 2018 Share Buyback Program

Under the fifteenth resolution that will be submitted to the General Meeting of Shareholders for a vote on April 24, 2018, the Share Buyback Program can be implemented over a period of 18 months following that date, i.e., until October 24, 2019.

7

ADDITIONAL INFORMATION

7.1 General information

7.1.1 Company name

Klépierre

7.1.2 Paris Trade and Companies Register

SIREN: 780 152 914
SIRET: 780 152 914 00237
NAF/APE: 6820B

7.1.3 Term of the Company

Klépierre was registered as a société anonyme à conseil d'administration (French corporation governed by a Board of Directors) on October 4, 1968. Its term was set at 99 years, expiring on October 3, 2067.

7.1.4 Legal form

Klépierre is a French corporation with an Executive Board and a Supervisory Board. It is governed by the legal provisions applicable to sociétés anonymes, in particular Articles L. 225-57 to L. 225-93 of the French Commercial Code and by its own bylaws.

7.1.5 Registered office

26, boulevard des Capucines – 75009 Paris (France)
Tel.: +33 (0)1 40 67 57 40

7.1.6 Tax status

The Company has opted for the tax status of sociétés d'investissement immobilier cotées (SIIC, French REIT) under the terms of Article 208-C of the French General Tax Code.

As such, it is exempt from corporate income tax on:

- earnings from the rental of buildings, provided that 95% of such earnings are distributed to shareholders before the end of the fiscal year that follows the year in which they are earned;
- capital gains from the sale of buildings, investments in real estate partnerships (sociétés de personnes) and whose purpose is identical to that of an SIIC or in subsidiaries that have opted for the new tax status, provided that 60% of these capital gains are distributed to shareholders before the end of the second financial year after that in which the gains were made;
- dividends received from subsidiary companies which have opted for SIIC status where these dividends arise as a result of profits and/or capital gains that are exempt from tax under the SIIC arrangements, subject to the provision that they are distributed during the fiscal year following the year in which they were granted.

7.1.7 Other disclosures

Klépierre's bylaws are available in full on the Group's website (www.klepierre.com).

Corporate purpose *(Article 2 of the bylaws)*

Klépierre's corporate purpose is as follows:

- to acquire, sell or exchange, whether directly or indirectly, any lands, real-estate rights and buildings, located in France or abroad, as well as all goods and rights that might constitute an addition or annex to said buildings;
- through its subsidiaries, to construct buildings on its own account or on behalf of group companies and engage in all operations directly or indirectly related to the construction of these buildings;
- to operate and enhance property value by leasing such properties or otherwise;
- to enter into any lease agreement as a tenant, in France or abroad;
- to acquire direct or indirect equity interests in the persons indicated in Article 8 and in paragraphs 1, 2 and 3 of Article 206 of the French Tax Code and, more generally, to acquire equity interests in any company whose purpose is to operate rental properties;
- as a subsidiary matter, to acquire or dispose of equity interests in any company or enterprise exercising any type of activity in the real-estate sector;
- and more generally to engage in all types of civil, commercial, financial, investment and real-estate transactions directly related to the aforementioned purpose or in the furtherance thereof, in particular, borrowing and the constitution of any guarantees or pledges required in relation thereto.

Ownership and transfer of shares *(Article 7 of the bylaws)*

Fully paid-up shares are in registered or bearer form, at the shareholder's discretion.

Shares are registered in an account in accordance with the statutory and regulatory provisions in force.

Shares may be sold or transferred freely in accordance with applicable legislation and regulations.

Shares resulting from a capital increase can be traded as soon as the capital increase has been completed.

Voting rights *(Article 8 of the bylaws)*

Each share gives right to part ownership in the Company's assets, to a share in profits and liquidation surplus in a proportion corresponding to the share capital it represents.

All new or existing shares, provided they are of the same class and the same paid-up nominal value, are fully assimilated once they entitle holders to the same benefits, during the appropriation of any profit, and also during the total or partial refund of their nominal capital, holders receive the same net amount, and all the taxes and duties to which they may be subject are evenly divided among them.

Owners of shares are liable only up to the limit of the nominal amount of the shares they own.

General Meetings of Shareholders *(Articles 25 to 29 of the bylaws)*

Depending on the nature of the decisions to be taken, shareholders meet in either an ordinary or extraordinary General Meeting of Shareholders.

Meetings are convened by the Executive or Supervisory Board, or by the persons designated by the French Commercial Code. They deliberate in accordance with applicable legal and regulatory provisions. Meetings take place either at the head office or at another venue specified in the notice.

In accordance with Article R. 225-85-I of the French Commercial Code, to attend General Meetings, shareholders must have registered their securities either in the accounts of registered securities kept by Klépierre or in the accounts of bearer securities through an authorized intermediary, within the deadlines and according to the terms set out by applicable law. In the case of bearer securities, the registering of the securities is acknowledged by a certificate of participation issued by the authorized intermediary. Their representation at meetings is managed under the legislation and decrees in force.

The same applies for information to be provided or sent to shareholders.

Prior to any meeting, shareholders can vote or vote remotely as provided for by the applicable laws and regulations. In particular, in accordance with the conditions set out in the relevant laws and regulations, shareholders may vote by mail in the form of a paper absentee ballot, or, if the Executive Board or Supervisory Board so decides at the time of the notice of meeting, by electronic means using a form prepared by Klépierre or its centralizing financial establishment.

To be retained, all ballots and proxies must have been received by Klépierre before the maximum time limit prior to the Meeting set out in Article R. 225-77 of the French Commercial Code. Electronic forms, however, may be received by Klépierre up until 3:00 P.M., Paris time, on the day before the General Meeting.

The decisions of ordinary and extraordinary General Meetings of Shareholders are only valid if quorum requirements are met. The quorum is calculated in relation to the total number of existing shares, subject to exceptions provided for by law.

In all meetings, subject to any restrictions stipulated in the prevailing legislation, shareholders have one vote per share held or represented without restriction. Pursuant to the option provided for in Article L. 225-123 of the French Commercial Code, double voting rights will not be conferred on fully paid shares that have been registered in the name of the same shareholder for a period of two years.

Fiscal year *(Article 30 of the bylaws)*

The fiscal year begins on January 1 and ends on December 31.

Statutory Distribution of profits – Reserves *(Article 31 of the bylaws)*

At least 5% of the profits for the fiscal year, less any prior losses, are set aside to establish the statutory reserve fund, until such fund equals one-tenth of the share capital.

The balance and retained earnings, if any, together constitute distributable profit, from which is deducted any amount that the General Meeting of Shareholders, acting on the recommendation of the Executive Board, and subject to the approval of the Supervisory Board, may decide to assign to one or more discretionary, ordinary or extraordinary funds, with or without special appropriation, or to carry forward as retained earnings.

The balance is apportioned among the shares.

Any shareholder other than an individual:

(i) which directly or indirectly holds at least 10% of rights to dividends in Klépierre; and

(ii) whose own position or that of its shareholders which directly or indirectly hold 10% or more of its rights to dividends renders Klépierre liable for the 20% withholding tax stipulated in Article 208 C II ter of the French General Tax Code (the "Withholding Tax") (such shareholder is hereafter referred to as a "Taxpaying Shareholder"),

will owe Klépierre a sum equal to the amount of the Withholding Tax owed by the Company on any payment made at the time of such payment.

If Klépierre directly or indirectly holds 10% or more of one or more sociétés d'investissement immobilier cotées cited in Article 208-C of the French General Tax Code (a "SIIC Daughter"), the Taxpaying Shareholder will also owe the Company, when a dividend payment is made, a sum equal to the difference (the "Difference") between (i) the amount which would have been paid to Klépierre by one or more SIIC Daughters if the said SIIC Daughter(s) had not been liable for the Withholding Tax because of the Taxpaying Shareholder, multiplied by the percentage of the rights to dividends held by the shareholders other than the Taxpaying Shareholder and (ii) the amount actually paid by the said SIIC Daughter(s) multiplied by the percentage of the rights to dividends held by the shareholders other than the Taxpaying Shareholder, so that the other shareholders are not liable to pay any of the Withholding Tax paid by any of the SIICs in the chain of interests because of the Taxpaying Shareholder. Shareholders other than Taxpaying Shareholders will be in credit with Klépierre for an amount equal to the Difference, in proportion to their dividend entitlement.

If there is more than one Taxpaying Shareholder, each Taxpaying Shareholder will owe Klépierre the portion of the Withholding Tax owed by Klépierre which its direct or indirect interest generates. The capacity of Taxpaying Shareholder is assessed on the date of the payment.

Subject to the information described in section 6.1.2.3 of this registration document, any shareholder other than an individual, which directly or indirectly holds at least 10% of the Company's capital, will be presumed to be a Taxpaying Shareholder.

Any payment to a Taxpaying Shareholder is made by an entry in this shareholder's individual account (without generating interest), the chargeback from the account occurs within five business days of the entry after the sums owed by the Taxpaying Shareholder to Klépierre have been set off under the above provisions.

The General Meeting of Shareholders can grant each shareholder an option between payment of all or part of a dividend or interim dividend in cash or shares. If the payment is in shares, the Taxpaying Shareholder will receive a portion in shares (no odd lots will be created) and the other portion in cash (paid by entry in the individual current account) so the set-off mechanism described above can apply to the portion of the dividend entered in the individual account.

Except in the event of a share capital reduction, no distribution can be made to shareholders if shareholders' equity is, or would be as a result of the distribution, less than the amount of the share capital plus the reserves that cannot be distributed under the law or the bylaws.

7.2 Documents accessible to the public

The bylaws, minutes of the General Meeting of Shareholders and other corporate documents, as well as historic financial information, all appraisals and declarations made by experts at Klépierre's request, and all other documents that have to be kept at the disposal of shareholders in accordance with the law, may be consulted at the Company's head office:

26, boulevard des Capucines – 75009 Paris (France)
Tel.: +33 (0)1 40 67 57 40

Copies of this registration document are available free of charge from Klépierre (26, boulevard des Capucines – 75009 Paris – France), and on its website (www.klepierre.com) as well as on the website of the French Financial Markets Authority (AMF) (www.amf-france.org).

7.3 Statement of the person responsible for the registration document which serves as the annual financial report

I hereby certify, having taken all reasonable measures in this regard, that the information contained in this registration document is, to my knowledge, in accordance with the facts, with no omissions likely to affect its import.

I certify that, to my knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and present fairly the assets, liabilities, financial position and results of operations of the Company and of all consolidated companies, and that the management report (pages 1 and following) presents fairly the business, results of operations and financial position trends of Klépierre and of all consolidated companies and describes the main risks and uncertainties facing them.

I have obtained an audit completion letter from the Statutory Auditors in which they indicate that they have verified the information regarding the financial position and financial statements presented in this document and that they have read the document in its entirety.

Paris, March 15, 2018

Jean-Marc Jestin
Chairman of the Executive Board

7.4 Persons responsible for audits and financial disclosures

Persons responsible for audits

Statutory Auditors

Deloitte & Associés

185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
572 028 041 RCS Nanterre
Joël Assayah/José-Luis Garcia
Appointed: Ordinary General Meeting of June 28, 2006
End of term: Ordinary General Meeting of 2002 approving the financial statements for fiscal year 2021

Ernst & Young Audit

1-2, place des Saisons
92400 Courbevoie – Paris – La Défense 1
344 366 315 RCS Nanterre
Bernard Heller
Appointed: Ordinary General Meeting of April 19, 2016
End of term: Ordinary General Meeting of 2002 approving the financial statements for fiscal year 2021

Alternate Statutory Auditors

Société BEAS

7-9, villa Houssay
92200 Neuilly-sur-Seine
315 172 445 RCS Nanterre
Appointed: Ordinary General Meeting of June 28, 2006
End of term: Ordinary General Meeting of 2002 approving the financial statements for fiscal year 2021

PICARLE & Associés

1-2, place des Saisons
92400 Courbevoie – Paris – La Défense 1
410 105 894 RCS Nanterre
Appointed: Ordinary General Meeting of April 19, 2016
End of term: Ordinary General Meeting of 2002 approving the financial statements for fiscal year 2021

Person responsible for financial disclosures

Jean-Michel Gault

Member of the Executive Board – Deputy CEO
Tel.: +33 (0)1 40 67 55 05

7.5 Concordance tables

Registration document concordance table

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Annual financial report concordance table

This registration document contains all of the elements of the annual financial report mentioned in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code and in Article 222-3 of the General Regulations of the French Financial Markets Authority (AMF). A concordance table referencing the documents mentioned in Article 222-3 of the AMF's General Regulations and the corresponding sections of this registration document is provided below.

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Pursuant to Article 28 of EC Regulation No. 809-2004 of April 29, 2004, the following elements are incorporated by reference:

> the consolidated financial statements for the fiscal year ended December 31, 2016 and the corresponding Statutory Auditors' report, set out respectively on pages 70 to 130 and 131 of the registration document filed with the AMF under number D. 17-0143 on March 10, 2017;

> the parent company financial statements for the fiscal year ended December 31, 2016 and the corresponding Statutory Auditors' report, set out respectively on pages 132 to 155 and 156 of the registration document filed with the AMF under number D.17-0143 on March 10, 2017;

> the consolidated financial statements for the fiscal year ended December 31, 2015 and the corresponding Statutory Auditors' report, set out respectively on pages 134 to 197 and 198 of the registration document filed with the AMF under number D. 16-0131 on March 11, 2016;

> the parent company financial statements for the fiscal year ended December 31, 2015 and the corresponding Statutory Auditors' report, set out respectively on pages 202 to 223 and 224 of the registration document filed with the AMF under number D. 16-0131 on March 11, 2016.

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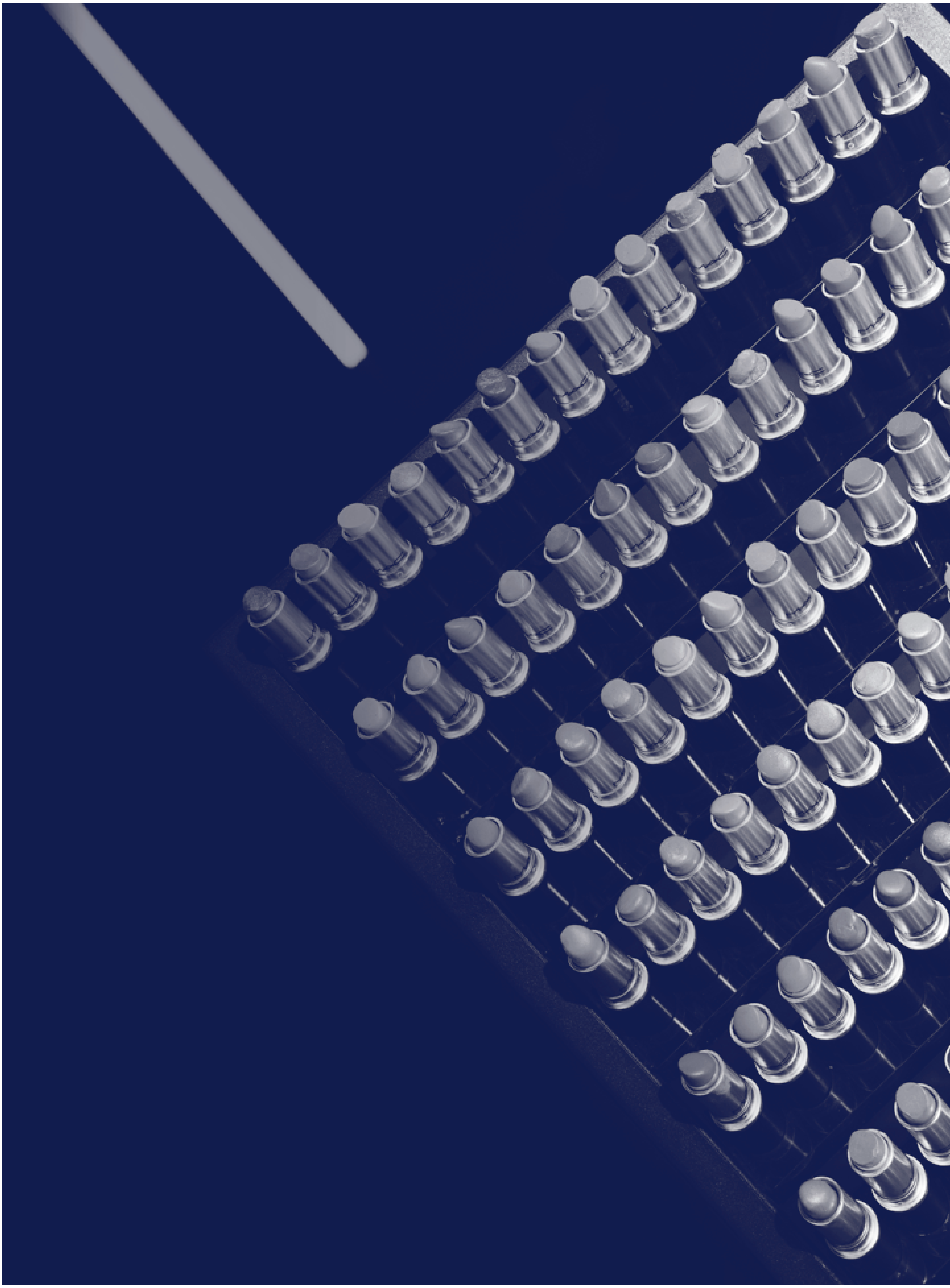

GLOSSARY

Anchor

A retailer whose strong appeal as a consumer magnet plays a leading role in the animation and creation of traffic within a specific retail or commercial zone or a shopping center.

Biodiversity

Biodiversity, or biological diversity, includes all of the living species that live on Earth (plants, animals, micro-organisms, etc.), the communities they form and the habitats in which they live.

Box

A stand-alone retail space that is generally situated near or in the parking lot of a retail mall or a retail park, designed to enhance the appeal of the latter.

BREEAM (Building Research Establishment Environmental Assessment Method)

Method of environmental assessment for buildings that was developed by the Building Research Establishment (UK).

Capitalization rate (cap rate)

The average capitalization rate corresponds to the ratio of total expected net rents for occupied and vacant properties to the value, transfer duties excluded, of these same properties. Transfer duties are the fees for any change in ownership when the asset or its owning company is sold (notary fees, deed and title, registration, etc.).

Catchment area

A habitual or theoretical area from which a point of sale or shopping center draws its potential customers. The scope of this area is influenced by the distance and time it takes to gain access.

CDAC (*Commission départementale d'aménagement commercial*)

A French administrative commission that rules on commercial and retail projects submitted for prior approval.

Clubstore®

All the actions taken to enhance the customer journey and experience in the Group's shopping centers. Clubstore® is one of Klépierre's strategic pillars.

CNCC (*Conseil national des centres commerciaux*)

French professional organization that brings together the players that participate in the promotion and development of shopping centers: developers, owners, managers, retailers, service providers and merchant organizations.

Constant/current portfolio basis

The Group analyzes the change in some indicators either by taking into account all of the holdings it actually owned over the period or date of analysis (current portfolio), or by isolating the impact of any acquisitions, extensions or disposals during the period, in order to obtain a stable basis of comparison (constant portfolio or like-for-like portfolio).

Corporate governance

All of the relationships between the corporate executive officers of a company, its Board of Directors or its Supervisory Board, its shareholders and other stakeholders. Corporate governance also provides the framework within which corporate objectives are set, the resources needed to achieve them are defined, and performance assessment standards are agreed to.

Development pipeline

Name given to all investments that the Group plans to undertake, over a given period of time, related to the creation, extension and/or renovation of portfolio assets or the acquisition of assets or of companies.

The Klépierre development pipeline is generally broken down into three categories:

> ongoing operations: operations in progress, in which Klépierre has land ownership and has obtained all the required administrative authorizations;

> operations in development: operations at an advanced stage of planning, in which Klépierre has obtained land ownership (an acquisition has been completed or the sale has been agreed subject to associated conditions precedent, for example, the attainment of administrative authorizations);

> operations under negotiation, for which deal arrangements and negotiations are underway.

Diversity Charter

An initiative undertaken in late 2004, this document formally condemns discrimination in hiring and employment. It expresses the desire of the signatories to promote a better reflection of the diversity of the French population in their workforce. The Group signed it on July 31, 2010.

EMS (Environmental Management System)

A management tool that allows businesses to roll out processes that lead to reduced environmental impacts. These systems are designed to help organizations achieve lasting improvements and make continuous progress in the area of the environment. The ISO 14001 standard, among others, sets forth specifications and guidelines for the use and implementation of EMS. It also defines the principles and procedures governing environmental audits as well as the criteria environmental auditors must satisfy.

EPRA (European Public Real Estate Association)

This trade association has more than 200 of Europe's public real estate companies as members. It publishes recommendations intended to ensure that the financial reporting disclosures of publicly-traded real estate companies are more standardized and more detailed.

EPRA NNNAV

Triple net asset value as calculated according to EPRA recommendations. It corresponds to revalued net assets, excluding transfer taxes, and after deferred taxes and marking to market of fixed-rate debt and financial instruments. More information on the methodology and on the calculation of this indicator is available in chapter 2 "Business for the year" of the present registration document.

Extra-financial rating agencies

Agencies that rate businesses on their performances in the three areas of sustainable development: economic, environmental and social. They provide investors with a grid for assessing businesses from an extra-financial perspective.

GLA (Gross Leasable Area)

Total sales area (including the hypermarket if there is one), plus storage area and not including aisles and shared tenant space.

Green lease

An added clause or schedule to a lease whose aim is to encourage a more constructive dialogue between lessees and lessors on environmental issues in general and energy efficiency in particular.

Greenhouse gases

Gases that absorb infrared rays emitted by the earth's surface, contributing to the greenhouse effect. Increasing the concentration of greenhouse gases in the earth's atmosphere is a decisive factor in climate change.

Grenelle de l'environnement

A legislative process initiated in France in 2007, the Grenelle Environmental Forum brought together five different collegial groups (elected officials, business, trade unions, NGOs and the government) for the purpose of bringing about a green revolution. A draft bill known as Grenelle 1 was adopted by the French Parliament on July 23, 2009. The Grenelle 2 Act, which specifies its application, was passed on June 29, 2010.

GRESB (Global Real Estate Sustainability Benchmark)

Non-profit organization whose primary purpose is to assess the environmental and social performance of companies specializing in the real estate sector. Created in 2009, it brings together the leading pension fund managers and key property sector bodies, including EPRA (European Public Real Estate Association) and ECCE (European Centre for Corporate Engagement – an international research association based in the University of Maastricht).

GRI (Global Reporting Initiative)

Originally established in 1997, this initiative seeks to develop the directives that are applicable internationally in the area of sustainable development and report on the economic, environmental and social (HR) performances of companies. It proposes a benchmark of indicators that enable the measurement of progress made in corporate sustainable development programs.

Gross rent

Contractual rent composed of minimum guaranteed rent, to which is added any additional variable rent, which is calculated on the basis of the retailer sales.

Hypermarket

A retail establishment that displays and sells a broad assortment of both food and non-food products over a sales space that exceeds 2,500 sq.m.

Hypermarket mall

A shopping center that generally features a limited number of shops whose retail mix is dominated by convenience services and whose anchor is a hypermarket.

ICC (Indice du coût de la construction) – French Cost of Construction index

This is one of two reference indices used to adjust the rents on retail properties. It is published quarterly by INSEE and calculated on the basis of data emerging from the quarterly survey on the trend in the cost price of new housing (PRLN). Using a representative sample of building permits, this survey provides information on markets trends, the characteristics of construction, as well as factors that can be used to derive land expenses (price of land, any demolitions, various taxes, etc.). It is also currently the reference index used to make adjustments to office rents.

ILC (*Indice des loyers commerciaux*) – French Commercial Rent Index

The ILC is published monthly by INSEE and is composed of the ICC (25%), the ICAV (retail trade sales index, expressed in value, for 25%), and the IPC (consumer price index, for 50%). The ICAV, published monthly by INSEE, is calculated on the basis of a sample of sales revenue reports filed by 31,000 businesses. The IPC, published monthly in the Official Gazette, is an indicator that is commonly used to measure inflation. The use of the ILC for retail rental price adjustments is possible since the August 4, 2008 law on economic modernization went into effect and the application decree dated November 6, 2008.

ISO 14001

International environmental certification that acknowledges the implementation of an Environmental Management System (EMS).

Klépierre University

The Group's corporate university, whose objectives are to share knowhow inside the Company and promote the emergence of a common culture.

Late payment

Late payment (rent, utilities and taxes, including VAT sales tax) corresponds to any payment that has not been received on the due date, and integrated into reporting as of the first day the past due payment is observed. Considering that most unpaid amounts in fact correspond to late payments, Klépierre discloses a late payment rate on a 12-month rolling basis.

Let's Play®

Name given to the Group's marketing strategy aiming at positioning its shopping centers as fun places.

LTV (Loan-to-Value)

Consolidated net debt divided by the total valuation of the Group's property portfolio as determined by independent appraisers (total share, including duties).

MGR

The minimum guaranteed rent payable under the terms of the lease. Also referred to as base rent.

Mid-sized unit

A retail outlet whose sales area covers more than 750 sq.m.

NAV (Net Asset Value)

NAV is an indicator that measures the break-up value of a real estate company. Schematically, it represents the difference between the value of the Company's assets (as estimated by independent appraisers) and the total sum of its debts or liabilities. More information on the methodology and on the calculation of this indicator is available in chapter 2 "Business for the year" of the present registration document.

Net current cash-flow

This indicator corresponds to the amounts generated by the routine operations and business of the Company, after taking interest and tax expense into account. More information on the methodology and on the calculation of this indicator is available in chapter 2 "Business for the year" of the present registration document.

Net rent

Gross rent less fees, non-recovered rental charges (in particular due to vacancies), expenses chargeable to the owner and, if applicable, expenses related to the land on which the rental unit sits.

Occupancy cost ratio

The occupancy cost ratio is the ratio of rent and tenant charges (taxes excluded) to revenues (taxes excluded).

Renewable energies

Energies exploited by humans in such a way that reserves are not exhausted. In other words, they form faster than they can be used.

Rentable floor area

Gross leasable area owned by Klépierre and on which Klépierre collects rents.

Re-tenanting

Leasing action aiming at proactively replacing existing tenants by more appealing and dynamic ones thus enhancing the whole merchandizing mix of the center.

Reversion

Additional Minimum Guaranteed Rent (MGR) obtained as a result of re-letting or when a lease is renewed with the same tenant (excluding additional MGR obtained when a property is leased for the first time). Reversion can be negative if the new rent is inferior to the previous one.

Sale and purchase promissory agreement

A contractual instrument signed by and between a seller and a buyer, according to which both parties undertake to proceed to the sale of an asset at a given price and before a defined date, indicated in the same instrument.

Senior workers

Pursuant to applicable law in France, any employee who is aged 55 or more is considered to be a senior worker with respect to career management. For recruitment, the threshold is set at 50. The Group entered into an agreement pertaining to the employment of senior workers in October 2009.

Shopping center

A group of at least 20 stores and services that form a Gross Leasable Area (GLA) of at least 5,000 sq.m., designed, built and managed as a single entity.

SIIC (*société d'investissement immobilier cotée – REIT*)

Tax regime allowed under Article 208-C of the French General Tax Code that allows joint stock companies that are publicly listed and whose stated equity capital exceeds 15 million euros, optionally and subject to certain conditions, as part of their primary business activity of acquiring and/or constructing buildings for the purpose of leasing them and direct or indirect ownership of equity in corporations whose business purpose is identical, to qualify for corporate tax exemption on:

> earnings from the rental of buildings, provided that 95% of such earnings are distributed to shareholders before the end of the fiscal year that follows the year in which they are earned;

> the capital gains realized on the sale of buildings, equity in partnerships or in subsidiaries that have opted for SIIC status, provided that 60% of these capital gains are distributed to shareholders before the end of the second fiscal year that follows their generation;

> dividends received from subsidiaries that qualify for SIIC status when these dividends arise as a result of profits and/or capital gains that are exempt from tax under the SIIC arrangements, subject to the provision they are 100% distributed in the course of the fiscal year that follows the year in which they were granted.

Klépierre opted for the SIIC status in 2003. In 2008, tax provisions facilitating the sale of real estate assets to a SIIC (provisions of Article 201 E, I of the French General Tax Code) commonly referred to as SIIC 3, were extended until December 31, 2011. Reduced taxation applicable to capital gains realized on the sale of properties sold to a SIIC under this regime is not longer in force (since January 1, 2012). Further provisions, commonly referred as SIIC 4 and SIIC 5 which went into effect on January 1, 2010, stipulate that no shareholder, acting alone or in concert with others, may control more than 60% of the equity capital of a company that has opted for the SIIC status. In the event of non-compliance with this threshold, the Company would lose the SIIC status.

Specialty leasing

The term specialty leasing refers to a series of services offering a wide range of communication media to retail chains to promote their products (in-store and out-of-store poster campaigns for shopping centers, plasma screens, event organization, temporary lets for promotional purposes, etc.). Klépierre Brand Ventures is the Group's special-purpose entity dedicated to this activity.

Stakeholders

Any individual or group that may affect or be affected by the accomplishment of the objectives of the organization. Stakeholders may be inside the Group (employees) or external to it (clients, suppliers, shareholders, lenders, etc.).

Yield rate

This rate, which unlike the cap rate allows us to determine a transfer duties included value, is used by independent appraisers to estimate the value of the Group's property portfolio. It is defined on the basis of an analysis of comparable recent transactions and criteria specific to the type of asset under consideration (location, sales area, rental reversion potential, possibility of extensions, percentage ownership, etc).

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