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January 28, 2009

KLEPIERRE

Solid revenues despite troubled economic backdrop

In millions of euros	December 31, 2008	4th quarter 2008	December 31, 2007	% change 08/07	Change on a constant portfolio basis
Lease income	**706.2**	**215.0**	**590.2**	**19.6%**	**5.5%**
Shopping centers	*620.1*	*191.2*	*517.9*	*19.7%*	*5.3%*
Retail properties	*33.7*	*9.3*	*23.5*	*43.3%*	*8.2%*
Offices	*52.4*	*14.4*	*48.8*	*7.3%*	*6.1%*
Fee income	77.5	28.8	64.2	20.7%	
Total revenues	**783.7**	**243.8**	**654.4**	**19.7%**	

The high quality and geographic diversification of the shopping centers owned by Klépierre, which constitute the bulk of its business, enabled the Group to post solid revenue growth in 2008 in spite of the distressed economic backdrop.

REVENUES OF RETAIL TENANTS SHOW RESILIENCE

Business for retailers leasing Klépierre assets proved resilient as the economic contraction intensified in the second half of 2008. Over the first 11 months of 2008, revenues from tenants of Group-owned malls were practically unchanged (-0.1%), compared with the high performances registered over the same period of last year (+3.6%). This global resilience of revenues is attributable in particular to the geographic distribution of the shopping center assets. Central Europe showed strong revenue growth (+7.5% on average), while Northern Europe remained on a solid uptrend. Sweden showed sustained growth in revenues (+2.8%), and the trend was positive for both Norway (+0.4%) and Denmark (+0.6%). Southern Europe has been harder hit, with Spain (-5.0%), Italy (-3.0%), Portugal (-2.1%) and Greece (-1.9%) all reporting a decline in revenues. For malls located in France, the decline was less pronounced (-1.3% over 12 months).

SHOPPING CENTER RENTS: +5.3% ON A CONSTANT PORTFOLIO BASIS

Rent from shopping center properties reached 620.1 million euros for the year ended December 31, 2008, an increase of 19.7% versus the prior year.

On a constant portfolio basis, the rise in rent was identical to that observed in 2007 (+5.3%), reflecting the combined impact of:

- Index-linked rent adjustments, for 4.1% (entire portfolio) and 5.3% (French malls only);
- Rental reversion: 1 434 renewals and relets conducted in 2007, for an increase of 21.6%, plus the impact of the renegotiation of 1 279 leases in 2008, for an average increase of 13.7%.

External growth transactions contributed 15.2% (+€79.1M) to rental growth. In the course of the 4th quarter alone, malls belonging to Steen & Strøm accounted for 37.9 million euros in rent. The acquisitions made in 2007 added rent of 23.5 million euros, while 2008 acquisitions (not including Steen & Strøm) added 17.7 million euros.
Disposals made in 2008 led to a loss of 4.0 million euros of rental income (-0.9%).

France remains the principal contributor by country (48.3% of rent), followed by Italy (14.4%), Spain (11.2%), Poland (5.5%), and Hungary (5.0%). With just one quarter contributed in 2008, Scandinavia accounted for 6.1% of the total.

Additional variable rent represents 2.3% of rent (excluding Steen & Strøm), the same as in 2007. The total was 13.6 million euros, an increase of 12.5% compared with the figure for the year ended December 31, 2007. Most of the rise was provided by Poland (+€1.8M) and Hungary (+€0.3M), while France reported a slight decline in variable rent (-€0.4M), reflecting the impact of strong index-linked adjustments applied in 2008.

Excluding Steen & Strøm, the financial occupancy rate was 97.6% for the year ended December 31, 2008 (versus 98.3% a year earlier) and was at a comparable level for the Scandinavian portfolio (97.4%).

The default rate for the year was 2.3%, compared with 1.8% at year end 2007. This adverse trend is attributable to the heightened competition faced by some shopping centers, particularly in Italy (Rome) and Portugal. For the most part, however, the percentage reflects late payments, with the default rate 3 and 6 months out falling to 1% and 0.9%, respectively.
For Scandinavia, the default rate 3 months out is 0.6%.

RENTS FROM RETAIL SEGMENT: +8.2% on a constant portfolio basis

Rents from retail properties owned by Klémurs reached 33.7 million euros in 2008 (compared with €23.5M in 2007), including 9.3 million euros for the 4th quarter. This 43.3% increase on a current portfolio basis reflects the following items:

- The full-year contribution of the acquisitions made in the course of 2007 (+€2.2M);
- The acquisition of 17 additional Buffalo Grill restaurants in June 2008 (+€1.0M);
- The inclusion in April 2008 of 77 retail assets that were acquired under the terms of the Défi Mode / Vivarte agreement (+€4.2M) and of a portfolio of 14 assets located in Messac, Avranches and Rochefort-sur-Mer (+€0.9M).

On a constant portfolio basis, the rise in rents (+8.2%) was driven by the impact of index-linked rent adjustments (+4.8%) as well as by the receipt of 0.8 million euros of additional variable rent.

The occupancy rate for the retail segment as a whole was 99.6% on December 31, 2008.
No tenants had defaulted on rent for the period at year end 2008.

OFFICE RENT IS UP BY 6.1% on a constant portfolio basis

Office properties produced 52.4 million in rent, a 6.1% increase on a constant portfolio basis (+€2.8M) thanks to index-linked adjustments, which resulted in additional rent of 2.1 million euros, and to the impact of rental reversion on leases signed in 2007 and 2008 (+€1.4M). Vacant properties led to a loss of 0.7 million euros of rental income.
On a current portfolio basis (+7.3%), rent was also impacted by the dual effect of back rent collection following the completion of a lease renewal process that had been under way since 2004 (+€2.2M) and loss of rent on assets that were sold off in both 2007 and 2008 (-€1.4M).

The financial conditions on the 10 lease enhancements signed in 2008 were up by 13.9% and will generate additional rent of 2.8 million euros full year.

The financial occupancy rate was 94.3% at year end 2008 (versus 99.7% at year end 2007). The vacancy corresponds primarily to restructured floor area that is currently being leased up.

FEE INCOME: increase driven by the acquisition of Steen & Strøm

Fee income provided by the service companies totaled 77.5 million euros, an increase of 13.3 million euros in 2008. The contribution of Steen & Strøm came to 6.7 million euros.
Excluding Steen & Strøm, fee income rose by 10.2%. Around 64% of the total came from recurrent property management and rental management on behalf of third parties.

A YEAR OF DEVELOPMENT MARKED BY EXPANSION INTO SCANDINAVIA

From a development perspective, the highlight of 2008 was the acquisition of a 56.1% equity stake in Scandinavia's biggest owner, developer and manager of real estate, Steen & Strøm, on October 8, with ABP Pension Fund. This major strategic initiative, which enables Klépierre to expand its geographic coverage to include markets that are noted for the resistance of consumer spending to economic cycles, gives the Group access to 30 centers under ownership and 56 centers under management. In light of the existing debt of Steen & Strøm, this acquisition led to investment outlay of 601 million euros by Klépierre.

In addition, Klépierre invested 915,1 million euros in shopping centers, half of them in France, and mostly on committed operations.
Klépierre acquired recent centers, such as Verona and Lonato (in Italy), and Plzen (in the Czech Republic), but also the Drancy Avenir shopping center, a fixture in the Greater Paris Area for nearly 15 years.
Several projects opened over the course of the year, such as the La Gavia shopping center in Vallecas, to the southeast of Madrid (Spain) and the retail park dedicated to household goods, Maisonément in Sénart, but also the extensions at Saint–Orens, Laon and Villejuif in France, and at Bari and Seriate in Italy.
Investment outlay for projects under way came to more than 360 million euros, pertaining primarily to the Aubervilliers, Gare Saint-Lazare and Montpellier Odysseum centers, as well as the extension at Blagnac (France) and the future Corvin center in Budapest (Hungary).

Investments in retail properties operated by retailers, via Klémurs, came to 180.4 million euros over the period, while investments in office properties were limited to 20.3 million euros on the Séreinis building, which is in the construction phase.

Over the same period, Klépierre stepped up its asset arbitrage program, selling off several shopping center and office assets for a total of 140.2 million euros.

BUSINESS OUTLOOK

In an economic environment that is growing more difficult, Klépierre expects to benefit from its business focus on shopping centers and retail properties (93% of total rent in 2008) spread throughout diversified European areas. Even the downward trend in consumer spending, slightly lower occupancy rates and a minor rise in default rates should not have a material effect on the Group's solid cash flows. As indicated by the high number of lease renewals in 2008, accompanied by significant increases, the major retailers, whether international chain stores or independents, do not seem to pull out of choice locations with demonstrated consumer appeal and operating costs that remain competitive compared to other formats. In addition, the overall trend in index-linked rent adjustments, which will remain positively oriented in 2009, should ensure that for Klépierre, the year under way will prove to be one of continued revenue growth on a constant portfolio basis.

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Revenues will also increase thanks to rents generated by assets acquired or opened during the course of 2008.

Klépierre has also initiated an extensive asset disposal program with a total value of about 1 billion euros, involving both office and shopping centers properties. Group revenues will reflect the impact of those disposals as incurred. Those asset sales should have only a minor impact on cash flow, since they will contribute at the same time to deleveraging.

Upcoming events and releases:

February 10, 2009	*2008 annual earnings (press release issued the previous evening)*
April 9, 2009	*Annual shareholders' meeting*
April 28, 2009	*First quarter 2009 revenues*

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Please notice that you could find the appendixes on www.klepierre.com