2008 ANNUAL FINANCIAL REPORT

KLEPIERRE

21, avenue Kléber – 75116 Paris – Tel.: +33 1 40 67 57 40 – Fax: +33 1 40 67 55 62
A French corporation (société anonyme) with an Executive Board and a Supervisory Board
Registered capital stock of 232 700 203.40 euros – Paris Trade and Companies Register (RCS)
No. 780 152 914

SUMMARY

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Executive Board management report

Supervisory Board meeting of February 6, 2009 relative to fiscal year 2008

A. Business and earnings relative to fiscal year 2008 by segment

I. SHOPPING CENTER SEGMENT

1. Consumption review

1.1. Economic environment[1]

The economic slowdown observed in Europe over the course of the 3rd quarter became more acute in late 2008. In particular, tensions in the capital markets intensified. Against this backdrop, the growth forecast for the Euro Area were once again revised downward for the full-year 2008 (+1.0%). Sustained until the end of the month of June, economic growth will remain positive in all of the countries where Klépierre has operations, with the exception of Italy (-0.4%).

Central Europe will maintain a decent level of business activity (Slovakia: +7.3%, Poland: +5.4%, Czech Republic: +4.4% et Hungary: +1.4%). The figures expected for 2008 show positive trends for Greece (+3.2%), and Norway (+2.7%), with conversely more modest revenue growth projected for other countries: Belgium (+1.5%), Spain (+1.3%), France (+0.9%), Sweden (+0.8%), Portugal (+0.5%), Denmark (+0.2%).

For the year 2009, the level of uncertainty remains extremely high despite the active efforts on the part of monetary policymakers and governments: with the exception of Central Europe and Norway, GDP numbers for the countries of the Euro Area are generally expected to contract. Any global recovery that takes place is not likely to be passed on at the micro-economic level until mid-2010. This scenario and any adjustments to it (to the upside or the downside) nonetheless remain closely tied to the evolution of the global capital markets.

In all countries, the lull in energy and other commodity price inflation could serve as a support to household spending.

1.2. Revenue trends

Aggregate revenue trends, January – November 2008[2]

Through the first eleven months of the year ended, revenues from Group malls (excluding Steen & Strøm) were down slightly (-0.6%) compared with performances over the same period last year that were well above average (+3.6%). If the Steen & Strøm holdings (Norway, Sweden, Denmark) are taken into consideration for the same eleven-month period, the total is in line with last year's total (-0.1% in value). The countries of Central Europe (+7.5% on average), Belgium (+12,7%) and Sweden (+2.8%) continued to show strong growth in 2008. Albeit to a lesser extent, Denmark (+0.6%) and Norway (+0.4%) also reported revenue growth. Other countries experienced declines, which were particularly significant in Spain (-5.0%), Italy (-3.0%), Portugal (-2.1%) and Greece (-1.9%). For France, the decrease was less marked (-0.9%).

The counter performances of mid-sized retailers (-3.6%) adversely impacted global results. They are mainly linked to the current woes of retailers specializing in household goods. Conversely, the annual

(1) Source: OECD forecasts (through November 2008).
(2) Excluding new centers and new extensions (less than 24 months).

result was in the black for smaller shops (< 750 sq.m. and all restaurants): +0.8% through the first eleven months of the year, with increases reported for nearly all countries (except Portugal and Spain).

The top three contributors to revenue growth for malls remained upbeat (Beauty/Health, +2.3%) or unchanged (Culture/Gifts/Entertainment, +0.3%, and Personal Products, -0.2%). Restaurants reported virtually the same revenues as in 2007 (+0.1%). Only Household Goods posted a significant decline (-6.1%).

France – performance in 2008

In France, sales plunged in the month of December (-4.2%), although calendar factors exacerbated the situation (one Saturday less than in 2007). The annual aggregate was -1.3% (versus -0.9% through November), with the closure of the BHV in Créteil having a significant impact. Excluding BHV, the annual decline was limited to 0.8%.
The inter-communal centers (which provide 43% of shopping center rent in France) turned in the best performance, with flat sales growth. The performance of the regional centers (42%) was inferior (-2.3%), although the decline was less pronounced (-0.8%) excluding the closure of the BHV in Créteil. For downtown centers (15%), the year ended on a decline of 1.7%.

Other Europe aggregate, January - November 2008

Spain

The deterioration in the economic environment, which has been more severe in Spain than in the other countries, seems to have had a stronger impact on household consumption. Aggregated since January, these adverse conditions are felt on all properties in the portfolio (-5.0%).
The La Gavia center (Madrid), which was inaugurated in mid-November, nonetheless got off to a satisfactory start, attracting 1.6 million visitors in a month and a half, and the first revenue data are encouraging.

Italy

The reported decline in revenues (-3.0%) was accentuated by the performances of La Romanina, Tor Vergata and Capodrise. In fact, La Romanina and Tor Vergata continue to face stepped-up competition in the suburbs of Rome, particularly Roma Est (100 000 sq.m. and 210 shops). The phenomenon is more recent for Capodrise, which has been impacted by the opening of the Campania center to the north of Naples (Carrefour, 200 shops and cinemas). If these three centers are excluded, the annual decline in revenues falls to 1.5% in Italy.

Portugal

Against a highly unfavorable economic backdrop, the fall in revenues (-2.1%) was limited thanks to gains related to the Media Markt restructuring in the Gondomar center.

Greece

After recovering in 2007, revenues once again contracted in Greece, due in particular to the poor performance of Makedonia and Larissa (the latter in addition was adversely impacted by the opening in mid – October of a competitor, the Pantheon Plaza). Conversely, up by 10.5% since January, Patras continues to improve.

Belgium

The performances by retailer tenants at the Louvain-la-Neuve center continue to be very satisfactory (+12.7% for the first eleven months and +14.7% excluding cinemas). In December, the center also reported an increase in revenues (+4.4%). The year ended with an increase of 11.4%.
The Fnac store that opened in September 2007 reported a 5.9% increase in revenues for the last quarter.

Czech Republic and Slovakia

The Danubia center in Bratislava (+9.2%) and Novo Plaza in Prague (+2.4% with even stronger growth since the C&A store opened) continue to trend upward. Novy Smichov, located in Prague (+0.7% annual aggregate growth), is faced with a new rival (Arkady Park, which opened on November 14, 2008). For the month of November, the center nonetheless showed resilience (+0.9%).

Hungary

Global revenue growth continues to be mainly tied to the restructuring of the Duna Plaza. All of the centers that did not undergo recent restructuring (as for Szeged and Szolnok) reported a decline in revenues.

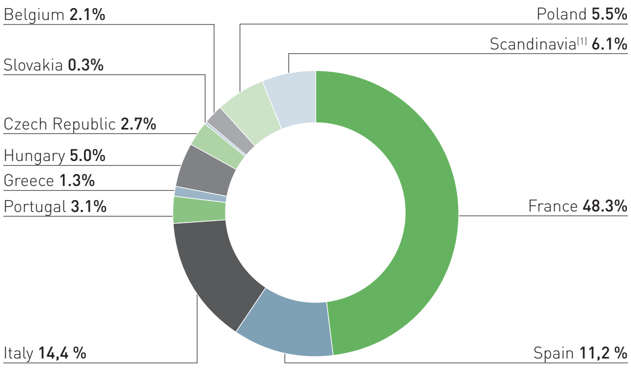
Poland

The four centers acquired in 2005 posted very solid annual performances: Sadyba (+10.4%), Poznan (+10.1%), Ruda Slaska (+8.4%) and Krakow (+7.6%). For the three new centers (Lublin, Rybnik and Sosnowiec), increases reported for the first months of operation are even greater.

2. Rental business

Rent from shopping center properties amounted to 620.1 million euros for the year ended December 31, 2008, an increase of 19.7% (+102.2 million euros) over 2007.
On a constant portfolio basis, growth was 5.3%, driven in particular by France.

Geographic distribution of rent



(1) Contribution for the 4th quarter of 2008.

management report business activity and earnings

	Relets		Lease renewals	
	Number	Change	Number	Change
France	187	20.8%	143	19.3%
Italy	58	22.1%	79	20.7%
Spain[2]	87	10.3%	233	9.0%
Hungary	165	-0.3%	174	-0.8%
Poland	33	12.5%	23	-2.6%
Belgium	8	17.5%	–	–
Portugal	22	0.9%	5	0.2%
Czech republic	29	8.0%	13	43.1%
Greece	9	-4.0%	3	9.0%
Slovakia	3	24.5%	5	10.6%
TOTAL EUROPE	**601**	**13.6%**	**678**	**13.7%**

(2) Usual data except business in shared areas – ATMs, public phone booths.

	Impact of indexation	Financial occupancy rate	Default rate[3]
France	5.3%	98.3%	0.7%
Italy	2.2%	98.2%	5.1%
Spain	3.9%	95.8%	1.7% [4]
Hungary	2.2%	96.2%	3.1%
Poland	2.7%	98.1%	5.4%
Belgium	2.2%	99.5%	3.3% [5]
Portugal	2.5%	92.0%	4.4%
Czech republic	2.6%	95.9%	4.8%
Greece	4.3%	96.7%	3.4%
Slovakia	2.6%	97.9%	13.9%
TOTAL EUROPE	**4.1%**	**97.6%**	**2.2%**

(3) All invoiced amounts are considered in arrears as of the 1st day payment is past due.
(4) Excluding Abaco cinemas.
(5) Excluding UGC Cinemas dispute.

2.1. France

Rent from the shopping center segment in France came to 299.3 million euros in 2008, up by 12.5% (+33.3 million euros) on a current portfolio basis.
The increase of 6.5% on a constant portfolio basis is attributable to these items:

- index-linked adjustments to minimum guaranteed rent, +5.3% on average for the entire portfolio. The ICC cost of construction index for the 2nd quarter of 2007 (+5.05%) was applied to 84% of all leases in value terms as of January 1, 2008.
- a combination of lease renewals and relets contributed to the improvement in the rental value of the portfolio, in particular the retail restructuring operations carried out in 2008 in Reims Tinqueux, Trans-en-Provence and Charleville-Mézières.

On a current portfolio basis, the shopping center segment in France also got a boost from the following items:

- the acquisition of two Leclerc hypermarkets (Blagnac and Saint-Orens), as well as additional lots on these same sites in July 2007, for an impact of +3.2 million euros on rents recorded at year-end 2008;
- the acquisition in December 2007 of the Valence Victor-Hugo mall (+3.1 million euros);
- the opening in October 2007 of the extension at Orléans Saran (+2.2 million euros) ;
- the phased opening over 2008 of the extension of the Saint-Orens mall, which made a contribution of 2.2 million euros;
- the opening in 2008 of the Laon Romanette and Villejuif extensions, as well as the first sections of the Blagnac and Nîmes Etoile extensions, producing 1.4 million euros of additional rent;
- the acquisition in October 2008 of the Drancy Avenir mall (+1.1 million euros).

Additional variable rent amounted to 6.8 million euros, which was a slight decline compared with December 31, 2007 (-0.2 million euros) that was due in particular to the inclusion of some of this variable rent in minimum guaranteed rent via the annual index-linked adjustment mechanism.

In 2008, rental reversion was reflected in 187 relet operations, accompanied by an average rise in minimum contractual rent of 20.8%, and in 143 lease renewals, which provided an average increase of 19.3%.

The financial occupancy rate was 98.3% for the year ended December 31, 2008, versus 99.0% for the year ended December 31, 2007. This slight decline is primarily due to the retail restructurings under way at Lomme, on the space that was previously occupied by Planet Saturn, and at Créteil Soleil, on the former PC City store. The latter space was relet to the retailer New Look.

The default rate was 0.7% for consolidated rent at year-end December 2008, versus 0.4% for the year ended December 31, 2007.

The occupancy cost ratio for the year was 9.9%, up slightly versus 2007, when it was 9.5%.

In the French portfolio of shopping center properties, the concentration of rent by retail partner remains particularly low, a factor that helps to limit rental risk. On December 31, 2008, the Auchan group (excluding hypermarkets) was the biggest tenant (accounting for 4.3% of rent), followed by the PPR group (3.9%, of which 2.7% for Fnac) and the Vivarte group (2.9%).

(3) The occupancy cost ratio is the ratio of rent and tenant charges (taxes excluded) to revenues (taxes excluded).

2009 outlook

Rent growth in 2009 will reflect the impact of the acquisition of the Drancy Avenir mall and the Laon, Saint-Orens and Villejuif extensions over a full year, as well as the pursuit of efforts to lease up the extensions of the Blagnac and Nîmes malls, where only the first segments were opened in 2008.

In addition, leases will be subject to index-linked adjustments of minimum guaranteed rents. These index-linked adjustments will be calculated for each tenant on the basis of the French ICC (Indice du Coût de la Construction or cost of construction index) or the new ILC (Indice des Loyers du Commerce), which has been developed specifically for retail rents. The ILC is a combined index published by the INSEE, composed of the ICC (25%); the ICAV (Indice de Chiffre d'Affaires du Commerce de Détail en Valeur, 25%), which is the index of retail revenues; and the IPC (Indice des Prix à la Consommation, 50%), which is the French consumer price index. In 2009, most leases are expected to be indexed to the ILC for the 2nd quarter 2008 (+3.85%), with retroactive effect as of January 1, 2009.

By the end of the year, 6.6% of all leases in value terms will be up for renewal.

2.2. Spain

Consolidated rent from properties in Spain came to 69.6 million euros for 2008, an increase of 6.6%.

This growth, on a current portfolio basis, is attributable to the inauguration of the mall located in the La Gavia shopping center (Madrid) last November.

On a constant portfolio basis, the increase was 2.3 million euros (+3.5%). The positive impact of index-linked rental adjustments (+3.9%) was diminished by several rent concessions granted to certain tenants in 2008.

In the course of the year ended, 233 leases were renewed, for a rental gain of 9.0% (excluding renewals involving common spaces: telephone booths and ATMs). 87 relets led to a rental gain of 10.2%, and 15 lease-ups of vacant premises provided additional rent of 0.4 million euros.

The default rate was 2.9% at year-end 2008, versus 1.3% at year-end 2007. The increase is primarily attributable to the Ábaco cinemas, a group that is present in 4 spanish shopping centers in the portfolio. Leaving this tenant aside, the default rate falls to 1.7%, in line with 2007 figures.

The financial occupancy rate for Spanish shopping centers (except La Gavia) was 95.8% at year-end, a slight deterioration versus year-end 2007 (97.1%).

The occupancy cost ratio was virtually unchanged, going from 11.3% in 2007 to 11.2% at year-end 2008. The top 10 retailers provide 27% of total rent.

2009 outlook

In 2009, rent will benefit from the impact of the full-year operability of the La Gavia center. On a comparable portfolio basis, rent should be resilient in the small malls attached to hypermarkets, which account for 2/3 of the portfolio in rental value terms. 13% of all leases in number, and 10% in value terms, will expire in the course of 2009. All leases are subject to index-linked rent adjustments on January 1, resulting in an estimated increase of 1.4%.

2.3. Italy

Consolidated rent from Italian shopping center properties was 89.5 million euros for the year ended December 31, 2008, an increase of 13.0%.

This growth on a current portfolio basis is attributable to the acquisition of Lonato and Verona last February and two extensions, in Bari and Seriate (April and October).

On a constant portfolio basis, rent from Italian properties rose by 3.6%, of which 2.2% related to index-linked rent adjustments. The rest is attributable to:

- the restructuring of Val Vibrata, leased up in the first half of 2007;
- the renewal campaign for Rondinelle-Brescia, conducted in 2008;
- rental modifications for Massa, Romanina, Pescara and Cavallino.

Rental management highlights for 2008 include:

- 79 lease renewals, for a rental gain of 20.7%;
- 58 relets, for a rental gain of 22.1%;
- 23 lease-ups, for minimum guaranteed rent (MGR) of 0.8 million euros.

The financial occupancy rate was 98.2% for 2008, stable compared with last year (98.0%).

The default rate was 5.1% on December 31, 2008, up compared with the previous year (2.3%). The adverse trend is attributable to the current economic situation. The increase is more marked in centers facing intensified competition, such as Capodrise, Tor Vergata and La Romanina.

The occupancy cost ratio was virtually unchanged versus the prior year: 9.4% in 2007 and 9.5% in 2008. The top 10 retail tenants provided 28% of total rent in 2008.

2009 outlook

Rent will take into account the full-year impact of the acquisitions of the Verona and Lonato malls, as well as the Bari and Seriate extensions. For the La Romanina center, the acquisition of floor area from Carrefour in late 2008 will allow the Company this year to create an extension composed of a dozen small shops and one mid-sized retail unit.

2.4. Portugal

Portuguese properties contributed rent of 18.9 million euros in 2008. This current portfolio increase of 21.0% reflects the full ownership of the Parque Nascente shopping center in Gondomar (the other owner was bought out in late September 2007) and the acquisition in February 2007 of mid-sized retailer Toys-R-Us in the Braga center.

On a constant portfolio basis, rent fell slightly (-0.4%,-64 thousand euros). The impact of index-linked rent adjustments (+2.5%) only partially offset the negative effect of vacancies.

Rental management highlights for 2008 include:

- 22 relets were completed, for a rental gain of 0.9%;
- 5 leases were renewed, for a rental gain of 0.2%.

A retail restructuring will result in the late 2009 opening of a store operated by the mid-sized retailer Primark (3 700 sq.m.) at Parque Nascente.

The financial occupancy rate stood at 92.0% on December 31, 2008, down compared with year-end 2007 (97.5%). The decrease is primarily due to the giving up of the Byblos bookstore project in the Parque Nascente center, partially offset by the full-year impact of the mid-sized retail outlet Media Markt, which opened in July 2007.

The default rate for the year ended was 4.4%, an improvement over 2007 (5.4%).

The occupancy cost ratio increased from 11.6% to 12.5%. This rise is particularly marked in the household goods segment. The top 10 retail tenants provided 32.2% of rental income in 2008.

2009 outlook
In 2009, rents will be positively impacted by the late 2008 acquisition of Worten, a mid-sized unit, in the Telheiras shopping center, as well as the 4th quarter opening of Primark, in the Parque Nascente center. All leases in the Portuguese portfolio were subject to index-linked adjustments on January 1, 2009, leading to a 2.3% increase. Between now and the end of 2009, 21% of all leases in terms of value will come up for renewal, of which 17% concern just the Parque Nascente center.

2.5. Greece

Greek shopping centers generated 8.0 million euros of rent in 2008, an increase of 14.6% that is primarily attributable to the acquisition of Larissa in June 2007 (+1.7 million euros in additional rent).
On a constant portfolio basis, rent rose by 2.8%. The impact of index-linked rent adjustments (+4.3%) only partly offset the rise in vacancy, which was the principal negative factor.
Since the beginning of the year, rental gains related to the signature of 3 lease renewals (+12 thousand euros) offset the loss of rent on 9 relets that were signed (-13 thousand euros).
The financial occupancy rate stood at 96.7% on December 31, 2008, versus 97.2% one year earlier. Makedonia, which is experiencing particular difficulties in its recreation and entertainment area, has felt the brunt of the impact of vacancy.
The default rate was 5.7% for 2008. Excluding Larissa, which was recently added to the portfolio, the default rate was 3.4% for the year ended December 31, 2008, which is consistent with the rate observed at the en of 2007 (2.9%).
The occupancy cost ratio went from 13.3% to 16.6%. The increase was significant for the Household Goods segment. The top 10 retailers account for 68% of rent.

2009 outlook
Rental income in Greece is expected to be adversely affected in 2009 by the problems facing retail tenants in Makedonia and Larissa in the recreation segment, against a backdrop of stepped-up competition. The index-linked adjustment of 2%, applicable to most leases to correct for inflation as of January 1 (to which is generally added at least 100bps, pursuant to lease terms) will help to safeguard rental values.

2.6. Belgium

Rent from the Louvain-la-Neuve center totaled 13.3 million euros in 2008, an increase of 7.0% attributable to the impact of index-linked rent adjustments (+2.2%) and lease-ups completed in late 2007 (including Fnac, rue Charlemagne).
The financial occupancy rate went from 97.5% in 2007 to 99.5% in 2008.

Rental management highlights for 2008 include:
- 8 relets were signed, for a rental gain of 17.5% (+62 thousand euros);
- 1 lease was signed for a minimum guaranteed rent of 33 000 euros.

The default rate was 11.3% on December 31, 2008, a reflection of the dispute with the cinema tenant UGC. Excluding it, the default rate would be 3.3%, versus 2.7% a year earlier.

The occupancy cost ratio was virtually unchanged (11.3% in 2007 and 11.7% in 2008). The top 10 retail tenants accounted for 38% of total rent in 2008.

2009 outlook
Rent from the shopping center will be boosted in 2009 by recently signed relets. In particular, Go Sport was replaced by Avanti. It is expected that a new operator will replace UGC for the cinema space, and that the new rent will be lower.

2.7. Czech Republic – Slovakia

Consolidated rent came to 18.6 million euros in 2008, an increase of 19.9% (+3 million euros). Growth on a current portfolio basis was due primarily to the acquisition on July 31, 2008 of the Plzen center.
On a constant portfolio basis, the increase is 7.4% (of which 2.55% related to index-linked rent adjustments) and mainly reflects the performance of the Novy Smichov center (Czech Republic). Relet/renewal efforts were made for this center in late 2007 and in 2008.

Rental management highlights for 2008 include:
- 29 relets were signed, for a rental gain of 8% (+89 thousand euros);
- 13 leases were renewed, for a rental gain of 43.1% (339 thousand euros);
- 6 lease-ups for guaranteed rent of 82 000 euros.

With regard to the rental management of the Danubia center (Slovakia):
- 3 relets were completed, for a rental gain of 24.5% (23 thousand euros);
- 5 leases were renewed, resulting in a rental capital gain of +10.6% (16 thousand euros).

The financial occupancy rate in the Czech Republic declined slightly, from 97.2% on December 31, 2007 to 95.9% on December 31, 2008. Most of the vacancies are in the Novo Plaza center (14.4%).
In Slovakia, the financial occupancy rate rose from 95.6% to 97.9% between December 31, 2007 and December 31, 2008. In particular, the Danubia center got a boost from the arrival during the 1st quarter of 2008 of the tenant Colosseum (Personal Products specialist) in a space measuring 401 sq.m., and 7 other rental modifications which mainly occurred in the course of the first six months of 2008.
The default rate decreased in the Czech Republic, from 9% at year-end 2007 to 4.8% at year-end 2008. this improvement is primarily

attributed to the resolution of several disputes. It also improved in Slovakia, from 22.3% in 2007 to 13.9% in 2008, with the resolution of a major dispute.
The occupancy cost ratio for holdings in the Czech Republic went from 10.6% in 2007 to 11.1% in 2008. Conversely, Slovakia reported a decline of 1 percentage point (from 9.9% to 8.9%).
The top 10 retail tenants account for 22% of total rent collected in the Czech Republic and for 52% in Slovakia (just 1 center).

2009 outlook

Rent from the Novy Smichov and Novo Plaza centers in Prague will be positively impacted in 2009 for the latter by the end of the renewal campaign that was carried out in 2008 and for the former by the reletting of the cinemas, which have been vacant since the beginning of the year.
The Plzen center, acquired in July 2008, will make a full-year contribution in 2009.
All Czech and Slovakian leases were adjusted on January 1, 2009 based on the MUICP index for October 2008, leading to an increase in rent of around 3.2%.

2.8. Hungary

For the year ended December 31, 2008, consolidated rent collected from Hungarian properties totaled 31.3 million euros (versus 29.9 million euros in 2007), an increase of 4.8% on a current portfolio basis. The acquisition, on May 18, 2007, of the offices anchored to the Duna mall accounted for 1.5%.
On a constant portfolio basis, the rise in rent was +3.3%. Other than the impact of index-linked adjustments to rent (+2.2%), this increase was mainly driven by the Duna, Miskolc and Szeged malls, which in 2008 bore the fruit of restructuring projects carried out in 2006 and more particularly in 2007. These performances were offset by a decline in rent for the Gyor center, which is facing stiff competition within its catchment area, and for the Alba center, whose mall suffered a one-off loss of rent related to two retail reorganizations.
Since January 1, 2008, 54 lease-ups have been completed for contractual MGR of 0.6 million euros, and 339 leases have been signed with new tenants or renewed with existing ones, under virtually stable financial terms and conditions.
The financial occupancy rate was 96.2% for the year, a slight decline compared with 2007 (97.1%) that reflected the impact of the retail reorganizations mentioned above.
The default rate was 3.1%, an improvement over the preceding quarter (7.0%) and over year-end 2007 (3.7%) that is attributable to an effective recovery effort conducted in the last quarter of 2008.
The occupancy cost ratio is up slightly, from 12.1% to 12.8%, an increase attributable mainly to personal products retailers.

2009 outlook

Although the economic outlook is mediocre, the Hungarian portfolio should show improvement in 2009 due to the numerous restructuring projects conducted throughout 2008. They include the Duna, Alba, Szeged and Szolnok centers. Given the average lease term in Central Europe (around five years), 15% of all leases in value terms will come up for renewal in 2009.

2.9. Poland

Consolidated rent amounted to 33.8 million euros for the year ended December 31, 2008, an increase of 25.2% on a current portfolio basis (+6.8 million euros).
External growth transactions brought a gain of 4.8 million euros, related to the acquisitions of Rybnik Plaza and Sosnowiec Plaza (May 7, 2007), as well as that of Lublin Plaza (July 27, 2007).
On a constant portfolio basis, rent increased by 7.3% for an index-linked rent adjustment impact of 2.7%.
This performance of the Polish portfolio is primarily the result of additional variable rent (2.3 million euros versus 0.5 million euros for 2007), but also reflects the impact of the successful restructuring of the Ruda mall. Conversely, the Krakow mall continues to face severe competition, although its performances are gradually improving thanks to the restructuring projects under way (access, arrival of Carrefour and other mid-sized retail stores).
Since January 2008 and for the whole portfolio, 8 lease-ups were completed for annual rent of 421 thousand euros. In addition, 33 relets (+12.5%) and 23 renewals (-2.6%) generated a rental gain of 120 thousand euros. In several cases, the renewal of a lease at a lower rent led to no more upper limit regarding tenant charges.
The default rate for the year was 5.4%, an improvement over 2007 (6.5%). The financial occupancy rate was 98.1% at year end 2008, an increase over 2007 (96.5%) that was related to the completion of restructuring projects.

Perspectives 2009

Rent in 2009 will be boosted by the full-year impact of the Ruda Slaska restructuring and first-floor relets in Krakow. Leases are adjusted as of January 1 to the MUICP index for November 2008 (+2.1%).

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Complete information is available on line
Find the Shopping centers management indicators on the website, heading Activities/ Shopping centers/Indicators.

3. Development

3.1. Shopping center property investment market

In 2008, the number of players in this market segment shrank, and those with long experience adopted a wait and see attitude for the most part, as they wondered in which direction property values and rates would move.
As a result, there were fewer transactions in 2008, and this in a segment that is generally more restricted. Figures mirrored those seen 4 or 5 years ago.
In one year, yields rose by anywhere between 25 and more than 120 basis points[4], depending on the country and the quality of the assets. The change was significant for the products with the highest risk profiles. However, high quality centers in prime strategic locations continue to enjoy moderate yields–around 5% for the best.

3.2. Investments made in 2008

Acquisition of Steen & Strøm

On October 8, 2008, Klépierre and ABP Pension Fund completed the acquisition of Steen & Strøm ASA, the number one shopping center

(4) Source Cushman & Wakefield, 2008.

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owner in Scandinavia, in a deal that valued the company at around 2.7 billion euros. Upon completion of the deal, Klépierre owns a 56.1% equity interest in Steen & Strøm and ABP 43.9%.

Steen & Strøm owns 30 high-quality shopping center assets (18 in Norway, 9 in Sweden and 3 in Denmark), that cover nearly 1 million sq.m. of GLA. The portfolio includes such well-known shopping centers as Field's in Copenhagen (Denmark) and Allum in Partille (Göteborg, Sweden).

In addition to the centers it owns, the company also has a pipeline of development projects, of which 5 are already under construction. These projects involve adding extensions to existing sites. Steen & Strøm also have a management team of 439 employees and manage 26 shopping centers in Norway and Denmark for third parties.

With this investment, Klépierre diversifies its holdings, its revenue sources and its development portfolio, gaining access to a region characterized by high levels of consumption and strong economies.

This development also makes Scandinavia the second largest geographic region for the Group, after France, in terms of rent collected. In light of Steen & Strøm's existing debt, the total investment for Klépierre is approximately 600 million euros (56.1% of the value of the Scandinavian company's stock).

Other investments made in 2008

Klépierre invested 915.1 million euros in 2008: 458.1 million euros in France and 457.0 million euros abroad.

Of these totals, 867.7 million euros were invested in committed projects, and 47.4 million euros in controlled projects.

In 2008, the number of committed projects that were delivered and open to the public was high (12). Together, they offered a total of 128000 sq.m. GLA. These projects were of several basic types:

A regional shopping center:

- at Vallecas, southeast of Madrid, Klépierre inaugurated a 46000 sq.m. GLA shopping center last November, surrounded by a Carrefour hypermarket and an Ikea store already open to the public. Located at the crossroads of two major arterials of the city and in immediate proximity to a metro station, it appealed to retailer demands and was 95% lease up when it opened.

The extension of existing centers:

- at Villejuif (+1550 sq.m.) and Laon (+1700 sq.m.), where these fully leased-up at opening extensions were able to instantly fill out the retail offer at these inter-communal centers;
- at Clermont Jaude (+1800 sq.m.), where the extension-restructuring project enabled the recovery of the center's façade and a makeover that blended in perfectly with the city government's urban modernization project;
- at Saint-Orens (Greater Toulouse Area), where the extension (+11000 sq.m.) doubled the size of the mall, making the facility a genuine regional center. The successful lease-up (98% when it opened) was well received by mall patrons;
- at Bari (Italy), with a 2000 sq.m. extension made possible when Carrefour reallocated the hypermarket's floor area;
- at Seriate (Italy), a full-scale restructuring-extension (+1300 sq.m.) of the center was carried out, enabling a deep change in the retail mix;
- at Val Vibrata (Italy), where the departure of a mid-sized retailer led to a restructuring of the center, with the latter resulting in better irrigation and a redeployment of Media Markt;
- at Kaposvar (Hungary), where mid-sized units already leased up were installed in the parking lot.

Retail Parks:

- at Vannes Fourchêne (5500 sq.m.), the project to modernize an old retail strip has resulted in the opening of three additional long-awaited mid-sized units as part of the first phase (Fnac, Darty and Esprit);
- at La Roche-sur-Yon, where Klépierre developed an ambitious project (16900 sq.m.) that structures the southern entrance of the city, 97% leased up when it opened;
- in addition to the Boissénart shopping center in Cesson, and in partnership with Immochan, the opening of Maisonément, a 40000 sq.m. GLA facility dedicated to household goods (Athéna, Leroy Merlin, Zodio, Boulanger, etc.), 95% leased up.

The year 2008 also saw the acquisition of new assets worth 325 million euros:

- Verona, a center in operation since September 2005, acquired from Finiper (50% interest);
- Lonato, a center that opened in 2007 to the south of Garde lake, 99% leased up, also acquired from Finiper (50% interest);
- Drancy Avenir, a center covering 10000 sq.m. GLA, in operation for 15 years;
- Plzen, last property acquired from Plaza Centers Europe, located in the center of the urban area, accessible via mass transit and 98% leased up;
- 19200 sq.m. in Créteil Soleil, corresponding to the premises occupied by BHV, making Klépierre full owner. This will make it possible to enhance the mix of mid-sized retail outlets for one of the centerpieces of the French shopping center portfolio.

Steen & Strøm pursued its investment program in 2008, investing 716 million Norwegian Kroner (74 million euros) over the course of the 4th quarter of 2008, of which 535 million Norwegian Kroner in extension-renovation projects at Gulskogen and Metro in Norway; Hageby, Marieberg and Sollentuna in Sweden; and the continued development of Field's in Denmark.

3.3. Disposal program

Asset disposals in 2008

As in previous years, Klépierre pursued its policy of targeted real estate asset disposals. In addition to the Notre-Dame-des-Victoires office building that was sold to the CNP Group in the second half of 2008 (64.9 million euros), the following retail assets were sold in the course of the year ended:

- a 42% stake in the Annecy Courier shopping mall was sold to the AXA Group in March;
- the Paul Doumer center in Caen was sold in September.

All of these assets were sold for more than their last appraised value. And in June 2008, Ségécé sold its 35% equity interest in Devimo.
Due to the freeze-up of the investment market that began in October and lasted through the end of the year, Klépierre did not achieve its initial objective for 2008 of 200 million euros. Overall, disposals made in 2008 represent a global amount of 140.2 million euros.

Program will be pursued in 2009

The Klépierre Group has experienced strong growth in recent years, and now has quality assets and critical mass in a number of European countries. Because of the size of its portfolio of real estate assets, Klépierre is now in a position to submit all or some part of selected assets to arbitrage, in order to optimize average profitability and the potential growth of its portfolio.
The objective is to sell assets worth around 1 billion euros (including 500 million euros of assets belonging to Steen & Strøm) over 18 months. To achieve this objective and given current market data, the office property portfolio that Klépierre owns will continue to make its contribution to financing the Group's development in shopping centers. In the shopping centers, Klépierre has analyzed its entire portfolio in Europe and is in a position to mobilize different types of assets depending on investor demands in terms of size or geographic location, in order to ensure the success of its asset disposal program. In addition to selling whole assets, Klépierre will also give preference to part sales with third-party investors.

3.4. Development potential, 2009 – 2010

During the 2009 – 2010 period, preference in terms of investment will be given to committed projects, for a total of around 717 million euros, divided between France (375 million euros) and other countries (342 million euros).
Investments still to be made on committed projects, mainly located in France, are primarily illustrated by two projects in the Greater Paris Area that were launched in 2008 after a long period of gestation:

- the Aubervilliers shopping center (97 million euros): co-developed with Icade, it will be a standard setter for Paris and its outlying suburbs;
- the Saint-Lazare train station project in Paris (91 million euros), located in the heart of Europe's top downtown retail shopping district.

In addition to two projects to develop new sites—the Odysseum center in Montpellier (21 million euros) and the Pasteur project in the city of Besançon (5 million euros), committed investments also concern work to extend or reinforce existing sites, such as the Blagnac center near Toulouse, and centers in Bègles, Noisy Arcades, Vaulx-en-Velin, Nîmes and Val d'Europe.
At the international level, investments in committed projects primarily concern the Corvin Atrium center in the heart of Budapest, in Hungary (69 million euros), and the Vittuone center in Italy (28 million euros), for which Finiper is the co-investor, located to the west of the Greater Milan Area.
Investments still to be made on committed projects in the Steen & Strøm pipeline represent around 180 million euros, of which 150 million euros planned for 2009.
500 million euros of controlled projects are also under consideration over the period; Klépierre's management will decide whether or not to commit depending on the Group's capacity to finance them but also on more stringent profitability criteria. The same approach is being adopted by Steen & Strøm, which potentially has around 500 million euros in new projects.
For the time being, priority is being given to projects involving the extension or enhancement of existing centers. In this more difficult period, the Group considers that the best strategy is to strengthen its existing holdings by enhancing sites whose commercial appeal has already been demonstrated.
Other extension projects of note include Claye-Souilly, Rennes Colombia, Nevers-Marzy, Lomme, Perpignan Claira and Hérouville.
As for new projects, the quality of the location and its proximity to downtown are both important criteria, as attested to by the Jaude 2 project, situated near Centre Jaude in Clermont-Ferrand, and the Bonsecours project in Nancy.
At the international level, the same principles of selectivity are being applied, leading to consolidation projects for existing sites such as Nyir in Hungary, via the extension of the current facility, and in Székesfehérvar, where a project is being carried out that lies directly adjoining the existing downtown center.
In Italy, these include the restructuring-extension of the La Romanina center and the extension of the Pescara site.
In Portimaõ, Portugal, the creation of a center embedded in the urban cityscape, in partnership with Generali and adjoining an Auchan hypermarket is also being considered.

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Complete information is available online
More details about the projects
on the website, heading Activities/
Shopping centers/Development/Projects.

4. Service company business

Ségécé unites a network of subsidiaries located in countries in which Klépierre owns assets. After the purchase in late 2007 by Klépierre of the (25%) minority interests in Ségécé, Klépierre began in 2008 to streamline the organization of its management business in France. Ségécé and Klégestion, a specialty subsidiary of Klépierre involved in the management of office properties, underwent a merger. The GIE Klépierre Services, which houses all of the central administrative functions, was dissolved and its employees as well as related management mandates were transferred to Ségécé. Now, all of the management teams who work for Klépierre in France are employees of one and the same company: Ségécé.
In both France and abroad, the service companies provide management services on behalf of the owner (Klépierre or another party):

- issues related to leasing, such as prospecting for new retail tenants, drawing up leases and ensuring compliance with their terms (invoicing and payments received). For this service, the management company receives lease-up and rental management fees;
- work and supervision of operating budgets, as well as local shopping center day-to-day executive management, subject to the payment of real estate or property management fees;
- research, implementation and supervision of development projects, which may encompass extension/restructuring, acquisition, promotion;
- the administration of special purpose real-estate companies.

Ségécé managed 322 centers on December 31, 2008, representing more than 3.3 million sq.m. and around 13 000 leases.
As a result of the Steen & Strøm acquisition, the service companies picked up new business, adding third-party management for 12 centers in Norway for Storebrand, and of 14 centers in Denmark for Danica.
Steen & Strøm has expertise in all aspects of property asset management. The Norwegian parent company is responsible for coordinating the Scandinavian network.

The service business has a global range of transversal products deployed by more than 1 500 professionals from north to south in Continental Europe.
Fees earned in fiscal year 2008 came to 70.8 million euros for all of Ségécé's entities taken together, up by 10.2% over 2007. Asset management fees represent around 70% of the total – attesting to the stability of these products. These fees were up by 9.3%, due in particular to property management and reporting on behalf of third parties. Development business was up by 12.7%, and is diversifying to encompass Klépierre's entire portfolio across Europe.
As for Steen & Strøm, it contributed some 6.7 million euros to Group profit in the 4th quarter alone.

5. Segment earnings

in millions of euros

Shopping center segment	12.31.2008	12.31.2007	% change
Lease Income	**620.1**	**517.9**	**19.7%**
Other rental income	10.8	6.9	55.8%
Rental Income	**630,9**	**524.8**	**20.2%**
Land expenses (real estate)	-2.3	-2.3	1.3%
Non recovered land expenses	-20.7	-16.1	28.5%
Building expenses (owner)	-39.4	-27.3	44.7%
Net Lease Income	**568.5**	**479.3**	**18.6%**
Management, administative and related income	75.7	63.3	19.6%
Other operating income	14.5	14.2	2.0%
Survey and research costs	-2.5	-1.1	121.1%
Payroll expense	-72.9	-56.6	28.7%
Autres frais généraux	-22.1	-20.1	10.4%
EBITDA	**561.1**	**478.9**	**17.2%**
D&A allowance on investment and arbitrage property	-185.8	-150.2	23.7%
D&A allowance on PPE	-4.2	-3.3	27.7%
Provisions	-1.2	-3.3	-62.8%
RESULTS OF OPERATIONS	**370.0**	**322.2**	**14.8%**
Share in earnings of equity method investees	1.4	2.6	-46.0%
Proceeds of sales	30.4	20.1	51.3%
SEGMENT EARNINGS	**401.8**	**345.0**	**16.5%**

Lease income from shopping center properties rose by 20.2% in 2008 compared with fiscal year 2007, to 630.9 million euros.
Other lease income includes entry fees as well as a margin on the provision of electricity to tenants in the Hungarian and Polish shopping centers. The 3.9 million euro increase primarily reflects income related to the opening of the La Gavia center in Vallecas (Southeast of Madrid) and of extensions in Orléans, Rambouillet and Saint-Orens.

Land expenses were stable, and correspond to the allocation over several periods of building leases, mostly in France.
Non-recovered rental charges reflect the impact of contractual caps on charges for some tenants, as well as expenses related to vacant premises and real estate taxes. The 4.6 million euro on change is primarily attributable to a rise in non-recoverable rental charges on tenants whose leases cap their charges payable, particularly in Hungary and in Poland, and reflects the impact of a change in scope related to the acquisition in mid-2007 of the Lublin, Rybnik and Sosnowiec malls (1.3 million euros).
The 12.1 million euro increase in owner's building expenses is primarily the result of portfolio growth. The inclusion of Steen & Strøm accounted for 6.3 million euros of the total change. Other items reflected in the change include fees paid to outside suppliers, of which a non-recurrent portion relates to the implementation of a real estate fund in Italy and the inauguration of the La Gavia shopping center. Also in 2008, the increase in the allowance for bad debt relates to cinema tenants in Spain and in Belgium.
Net lease income came to 568.5 million euros, an increase of 18.6%.
Management and administrative income (fees) rose by 19.6% (+12.4 million euros). The 5.7 million euro increase (not including the Scandinavian contribution of 6.7 million euros) is mainly attributable to development fees in France. Other notable changes concern the rise in property management fees.

Other income from operations primarily reflects the revenues generated by Galae's specialty leasing business, as well as reinvoicing to tenants. It was up by 0.3 million euros compared with the year ended December 31, 2007.
Research expense for the period was a loss of 2.5 million euros, a 1.4 million euro increase compared with the year ended December 31, 2007.

The 16.3 million euro increase in payroll expense (+28.7%) is in part related to the consolidation of Steen & Strøm in the 4th quarter of 2008 (7.4 million euros). The rest of the difference is mainly attributable to an increase in the work force, as staff was hired locally to cope with portfolio growth. In France, the change also reflects the inclusion of the management company IPECI, which is dedicated to the management of the shopping centers acquired from Progest in 2007.
General expenses came to 22.1 million euros in 2008, and were stable without the impact of Steen & Strøm.

EBITDA was 561.1 million euros for 2008, a 17.2% increase.

Depreciation and amortization for the period plus provisions for investment properties increased by 35.5 million euros.
D&A was up by 33.3 million euros due to portfolio growth which, in France, includes the full-year impact of the 2007 acquisition of the Champ de Mars mall in Angoulême and the Valence Victor-Hugo center, as well as two hypermarkets in the Greater Toulouse Area, partly offset by the sale of an indivisible share of ownership in the Annecy-Courier center and the Paul Doumer center.
Abroad, the increase in depreciation and amortization is primarily due to the acquisition of Steen & Strøm (15.1 million euros), the Lonato and Verona centers in Italy, and the Plzen center in the Czech Republic. It also include the full-year impact of the acquisition in 2007 of three malls in Poland, of the Larissa mall in Greece, and a 50% stake in Parque Nascente (Portugal).

Depreciation allowance was 17.8 million euros, versus 15.6 million euros on December 31, 2007. The expense for the period is calculated based on the difference between the net book value of assets on the balance sheet and their fair value, excluding duties, as assessed by an independent appraiser. This expense is attributed primarily to the Molina de Segura center (Spain) and the Louvain la Neuve cinemas (Belgium), in addition to a development project. The allowance of 15.6 million euros booked for fiscal year 2007 pertained mainly to assets outside the Euro Area and attributable mainly to the appreciation of local currencies that led to adjustments to asset values after the translation into euros of the Group's financial data. The observed depreciation of these currencies since 2008 has led to a partial recovery of the previously recorded allowances.
Results from operations came to 370.0 million euros, a rise of 14.8%.

Proceeds from asset sales (30.4 million euros) are attributable to the sale of a 42.6% interest in the Annecy-Courier center at the end of March, the disposal of the Group's stake in Devimo (Belgium), and the sale in the month of September of the Paul Doumer center in Caen. The total also includes a 0.9 million euro margin on development.

After accounting for the earnings of equity method investees (1.4 million euros), the change in which is mainly attributable to the sale of Devimo, earnings from the shopping center segment for 2008 totaled 401.8 million euros, an increase of 16.5%.

II. RETAIL PROPERTY SEGMENT – KLÉMURS

1. Rental business

Retail property rents for the year ended December 31, 2008 totaled 33.7 million euros, an increase of 10.2 million euros (+43.3%) on a constant portfolio basis compared to 2007.

The sustained growth in rent (8.2%) on a constant portfolio basis is attributable to:
- the impact of index-linked rent adjustments (+4.8%); cost of construction index adjustment based on 2Q07 (+5.05%) concerns 94% of leases in value terms effective January 1, 2008;
- the collection of 0.8 million euros of additional variable rent.

The rise of rents on a current portfolio basis is the result of the following factors:
- the acquisition on April 30, of 77 retail assets, including 67 operating under the Défi Mode banner, for a rental contribution of 4.2 million euros, which includes 3.7 million euros from Défi Mode;
- the same-month acquisition of 14 bundled retail assets located in Messac, Avranches, and Rochefort-sur-Mer (+0.9 million euros);
- the December 2007 acquisition of two Sephora retail properties (Metz and Avignon), for a full-year rental contribution of 0.5 million euros;
- the full-year impact of rent from assets acquired in March 2007 from Cap Nord (+0.6 million euros);
- the acquisition of 8 Buffalo Grill restaurant properties (+1.0 million euros) at year's end 2007 and 17 additional Buffalo Grill restaurants in June 2008 (+1.0 million euros).

Rent paid by Buffalo Grill restaurants accounted for 69% of rent collected in 2008, compared to 82% the year before. This reduction reflects the willingness to diversify retailers' basis. The Vivarte group has become Klémurs' second largest tenant, accounting for 12% of consolidated rents.
The financial occupancy rate was 99.6% for the year ended December 31, 2008, compared to 99.4% for the year ended December, 31, 2007. The only vacant space in the portfolio (Saint-Étienne-du-Rouvray) was relet to Leader Price, who will open a new store in 2009. The retail space on rue de Flandre, in the 19th arrondissement (Paris), vacated by BHV on January 1, 2009, will be leased to Castorama effective June 1, 2009. No unpaid past-due rent was recorded for the period ended December 31, 2008. The average occupancy cost ratio is stable over the period at 9.1%[5].
Ségémurs, a Ségécé branch office created January 1, 2008 to manage and lease up retail properties owned by Klémurs, carried out the following rental modifications in 2008:
- the reduction of Mondial Moquette's retail space in Orléans allowed for installation of a Générale d'Optique retail outlet (211 sq.m.), which has generated rental gains of 25%;
- Truffaut's retail space in the 13th arrondissement (Paris) was subject to a new lease agreement, which includes a variable-rate clause.

2009 business outlook

The rise in rents collected by Klémurs in 2009 will be driven by the index-linked adjustments to its minimum guaranteed rent. Adjustments will be delivered at tenant discretion, according to the Construction Cost Index (ICC) or the new Index of Retail Rents (ILC). Some 18% of leases in value terms will undergo an ILC index adjustment, of which a certain number will be retroactively effective to January 1, 2009.
The rise in rents will also be driven by the full-year impact of acquisitions to the Klémurs portfolio in 2008. Consequently, assets acquired under the Défi Mode-Vivarte agreement will generate expected net rents of 6.1 million euros (without the indexing impact), compared to 4.1 million euros in 2008. The 21 stores operated by retail group King Jouet acquired at the end of 2008 will bring expected net rents of 1.4 million euros full year. The rise in rent will also be driven by the contribution of the assets added in the course of 2009.
The extension, until December 31, 2011, of tax provisions designed to facilitate the sale of real estate assets to SIICs (capital gains from disposal of real estate property to SIICs will be assessed at a rate of 19%, compared to the previous rate of 16.5%, and the usual corporate rate of 33.33%) has lengthened the time frame over which Klémurs will be able to benefit from new investment opportunities, market conditions permitting.

2. Development

2.1. Investments made in 2008

In 2008, Klémurs conducted a selective investment policy based on criteria that were both commercial (location, asset quality, positioning, etc.) and financial (relevance of the business model of the retail tenants and their financial strength, for example). It is consistent not only with the partnership agreements signed with nationwide retailers that lead in their respective retail segments, but also with the goal of Klémurs, which is to extend its expertise in this real estate segment to several different retail business areas in the aim of maximizing the quality of its portfolio of retail property assets.

The partnership concluded with Buffalo Grill in August 2006, and renewed in December 2007, continued to bear fruit in 2008. 17 additional restaurants were acquired in the month of June, for an investment outlay of 30.6 million euros, and expected net rents of 2.1 million euros. This brings the number of Buffalo Grill restaurants owned and managed by Klémurs to 153.

(5) This is the ratio of rents (excluding taxes) and expenses (excluding taxes) to tenant revenues (excluding taxes).

In April 2008, Klémurs acquired 77 of the 130 retail sites proposed at the December 2007 signing of the Défi Mode-Vivarte agreement, for an investment of 104.1 million euros and expected net rents of 6.1 million full year. As a result, Klémurs diversified its portfolio by 67 retail outlets, operating under the Défi Mode banner, in addition to such stores as King Jouet, La Halle aux Chaussures, La Halle aux Vêtements, Mille et une Idées, Orchestra, and Leader Price.
Following an agreement signed at the end of 2007, Klémurs, in April 2008, finalized acquisition of 14 retail properties, in Avranches, Messac, and Rochefort-sur-Mer, for an investment outlay of 17.6 million euros and 1.1 million euros in expected net rents full year. Delivery of a 15th asset, included in the agreement, will occur before June 1, 2009.

In December 2008, Klémurs acquired two additional retail portfolios. The first, which includes 21 stores operated by the King Jouet retail group, and located across retail zones surrounding average-sized cities, was acquired for an investment outlay of 18.3 million euros, and will generate expected net rents of 1.4 million euros full year. The second, finalized in December, was acquired for a total outlay of 2.3 million euros, and concerns three properties, acquired from Klépierre, located in the retail zones of Berck-sur-Mer, Wasquehal, and Saint-Malo. Two complementary assets will be acquired in the first half of 2009.
Klémurs has also agreed to acquire a retail park situated in the leading retail zone of Chalon-sur-Saône (Saône-et-Loire) on a future-as-is basis. This project, which proposes to develop a retail complex comprised of eight business premises, represents an investment of 14.8 million euros (7.5 million euros of which to be expended over the course of the year), and will generate expected net rents of 1.1 million euros. The site, scheduled for inauguration in September 2009, is currently 87% leased up.

2.2. 2009 investment outlook

In 2008, Klémurs was able to affirm its positioning in the out-sourced ownership and management of the retail properties of major national brands by building on the partnership initiated with Buffalo Grill in 2006 and formalizing the Défi Mode-Vivarte agreement.
The partnership with Buffalo Grill will continue into 2009; and the acquisition of new restaurants is scheduled for the first half of 2009. At the same time, Klémurs will examine, in collaboration with Buffalo Grill, new site development projects.
The first half of 2009 will likely see the acquisition of additional assets operated by Défi Mode-Vivarte. To add to this, a portfolio of six retail stores, housed in the same buildings as the stores acquired in the Défi Mode agreement, and flying the flags of Chausséa, Chauss Expo, and King Jouet, was acquired on January 15, 2009. These retail properties were acquired for an outlay of 4.4 million euros, and will generate expected net rents of 0.3 million euros full year.
A King Jouet property based in Sedan will be added to the 21 stores which the King Jouet group acquired from Teddy Toys on December 22, 2008. A single retail outlet was eliminated from the original agreement, which has since expired.

3. Segment earnings

in millions of euros

Retail properties segment	12.31.2008	12.31.2007	% change
Lease Income	**33.7**	**23.5**	**43.3%**
Other rental income	–	–	
Rental Income	**33.7**	**23.5**	**43.3%**
Non recovered land expenses	-0.0	-0.0	80.0%
Building expenses (owner)	-1.3	-0.8	64.2%
Net Lease Income	**32.4**	**22.7**	**42.6%**
Management, administative and related income	1.8	0.6	180.0%
Other operating income	0.3	0.3	7.7%
Payroll expense	-1.5	-1.0	55.4%
Other operating expenses	-0.4	-0.3	25.8%
EBITDA	**32.6**	**22.3**	**45.8%**
D&A allowance on investment and arbitrage property	-16.0	-7.3	118.9%
D&A allowance on PPE	-0.0	-0.0	ns
Provisions	–	–	–
RESULTS OF OPERATIONS	**16.5**	**15.0**	**10.2%**
Proceeds of sales	–	–	–
SEGMENT EARNINGS	**16.5**	**15.0**	**10.2%**

Retail property rents for the year ended December 31, 2008 totaled 33.7 million euros. This includes the acquisition, in April 2008, of 77 retail assets, including 67 under the Défi Mode banner, for a rental contribution of 4.2 million euros. Added to these are a number of diverse retail assets, held for the most part by Klécapnor (formerly Cap Nord acquired in March 2007 and merged in 2008).
Building expenses primarily relate to fees paid to outside service providers, in particular for the appraisal of assets. Rental management and administrative fees paid to Klépierre Conseil have been eliminated from this presentation.
Management and administrative income (fees) amount to 1.8 million euros, constituted primarily by acquisition fees related to Défi Mode retail assets.
Other operating profits derive from reimbursement by the notary fee provisions on recent acquisitions.

Personnel expenses and overhead costs amount to 1.9 million euros, and relate especially to expense accounting for the cost of personnel management and corporate development.
Depreciation allowance and allocation to provisions amount to 16.0 million euros (a gain of 8.7 million euros), which includes provision of 5.1 million euros for impairment allowance of recently acquired assets. This increase is due, up to 3.4 million euros, to duties related to the Défi Mode acquisitions of April 30, 2008, the balance sheet value, transfer duties included, being compared with appraised values that do not include transfer duties. The rise in amortization is related to the various acquisitions made, in particular of the Défi Mode stores on April 30, 2008.

The retail property segment generated earnings of 16.5 million euros for the period, a gain of 10.2% compared to December 31, 2007.

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For more information on Klémurs,
please consult www.klemurs.fr

III. OFFICE SEGMENT

1. Trends in the office property market

Source: CBRE Richard Ellis.

1.1. The rental market

Rental transactions

With 2 359 600 sq.m. sold or leased up, demand declined visibly from 2007 (2 713 000 sq.m.), and substantially in the 4th quarter. Large and small floor area premises were largely unchanged, with mid-size floor area premises (1 000–5 000 sq.m.) bearing the brunt of decline (26% compared to 32%). New or restructured premises represented 44% of spaces let or sold, attesting to the desire of corporate tenants for high-quality products and optimized work space.
Paris-area take-up declined significantly (-32%), attributable to a mismatch between inventory and demand.
The Ile-de-France office market remained diverse, with the following sectors the most prevalent: finance (34%), industry (19%), legal counsel (9%), and the public sector (9%).

Supply

Immediate supply rose 13% compared to January 1, 2008, to 2.7 million sq.m. The percentage of new or restructured supply is up by 5 points, to 25%. The average vacancy rate for Ile-de-France rose to 5.4%. A rise was also observed for Paris Center West, from 3.1% to 4.1%.
Future supply available in less than one year was 4.3 million sq.m. at year end, versus 3.8 million on January 1, 2008.

Rental values

Average face rents are positioned to decline from this time forward, but at variable rates, determined by sector. "Prime" property rents in Paris Center West have withstood market pressure. Commercial incentives have become more common.

1.2. The investment market

Commitments declined sharply (-55%), to 12.5 billion euros in France and 8.5 billion euros in Ile-de-France, a level comparable to 2004. The average deal size was cut by half. The share of office properties, representing 79% of office commitments (compared to 74% in 2007), remains largely unchanged.
Paris and West Paris (La Défense and the Western Crescent), which accounted for nearly 63% of all commitments in 2007, account for no more than 40% at present. In fact, it is where unit prices are highest that financing difficulties have hit hardest.
The market is in the process of reestablishing a scale of yields with risk premiums that are more clearly delineated on the basis of the quality and location of assets. Overall yields increased, but the small number of transactions recorded across certain sectors makes it impossible to establish a benchmark rate.
While transactions very nearly halted in the 4th quarter of 2008, it appears since the beginning of the year that investors with the capital required for investment have renewed their interest in the Paris real estate market.

2. Disposals and investments made in 2008

In accordance with its office asset rotation policy, Klépierre sold the building located at 46, rue Notre-Dame-des-Victoires in the 2nd arrondissement of Paris on October 3, 2008, fetching a net amount for the seller of 64.9 million euros as part of an asset swap. The sale price was 5.9% above the most recent appraised value (that of December 31, 2007).
Construction work on the Le Séreinis office building in Issy-les-Moulineaux continued in 2008, necessitating an investment outlay of 20.3 million euros over the period, out of the 69.5 million euros that have been spent since the project commenced. The delivery date for this building, which is being built in compliance with HQE® High Environmental Quality standards, is set for the end of March 2009. The 12 000 sq.m. building is currently being leased up.

3. Rental business

Rent for 2008 amounted to 52.4 million euros, an increase of 3.6 million euros or 7.3% compared with the year ended December 31, 2007.

The 6.1% increase in rent on a constant portfolio basis (+2.8 million euros) reflected the following items:
- index-linked rent adjustments raised rent by 2.1 million euros compared with 2007 (+4.7%);
- leases signed in 2007 and 2008 produced additional rent of 1.4 million euros (+3.0%);
- vacant premises, mainly located in two buildings (36, rue Marbeuf Paris 8th and 192, avenue Charles-de-Gaulle in Neuilly), generated a loss of potential rent of 0.7 million euros.

The current portfolio change in office segment rent for the period reflects the following items:
- payment of past due rent after a renewal process under way since 2004 was completed (+2.2 million euros);
- loss of rent on buildings sold in 2007 and 2008 (-1.4 million euros).

13 leases were terminated in the course of 2008: 6 took effect in 2008, impacting weighted floor area[6] totaling 3 581 sq.m. and representing 1.5 million euros; and 7 taking effect in 2009 (7 346 sq.m. and 3.6 million euros in rent). 3 243 sq.m. of floor area vacated in 2008 are currently being relet and/or restructured.
10 leases correspond to 4 new lease-ups, 3 lease renewals and 3 additional clauses that were signed in 2008. They will generate rent of 2.8 million euros full-year. These new leases cover floor area of 3 069 sq.m. The financial conditions on the leases are up by 13.9%, after deducting rent holidays or step rent terms granted to tenants as incentive.

(6) Floor area figures are given as weighted sq.m. U.W. = Various types of office space (Offices, Archives – Parking – Employee Food Services) are weighted to calculate a price per square meter of office space for all space in the office building.

For the year ended December 31, 2008, the office lease portfolio represents rent of 54.0 million euros, with lease term dates indicated in the table below (opt-out clauses and lease expiration dates):

Lease expiration dates

in millions of euros

	By next opt-out date	As a % of the total	By lease expiration date	As a % of the total
2009	5.8	10.7%	4.0	7.3%
2010	17.6	32.6%	0.7	1.3%
2011	22.8	42.2%	7.8	14.5%
2012	2.8	5.2%	2.4	4.4%
2013	–	–	13.0	24.1%
2014	–	–	2.6	4.8%
2015	5.0	9.3%	10.5	19.6%
2016	–	–	4.7	8.6%
2017 +	–	–	8.3	15.4%
TOTAL RENT	**54.0**	**100.0%**	**54.0**	**100.0%**

10 leases (8 219 sq.m.) are set to expire in 2009, representing potential rent of 4.0 million euros.
The default rate was 2.2% on December 31, 2008, versus 0.02% one year earlier.
For the year ended December 31, 2008, the financial occupancy rate was 94.3%, versus 99.7% one year earlier. This evolution is attributable to restructured floor area recently back on the market for leasing up at 192, avenue Charles de Gaulle in Neuilly-sur-Seine.
At year end 2008, 8 044 sq.m. of space was vacant and in the process of being leased up, representing potential rent of 3.9 million euros.

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Complete information is available online
Find the offices management indicators on the website, heading Activities/ Offices/Indicators.

4. Segment earnings

in millions of euros

Office segment	12.31.2008	12.31.2007	% change
Lease Income	**52.4**	**48.8**	**7.3%**
Other rental income	–	–	–
Rental Income	**52.4**	**48.8**	**7.3%**
Land expenses (real estate)	-0.3	-0.2	26.2%
Non recovered land expenses	-1.0	-1.1	-12.4%
Building expenses (owner)	-1.2	-1.4	-12.3%
Net Lease Income	**49.9**	**46.1**	**8.2%**
Management, administative and related income	–	0.3	–
Other operating income	0.0	1.1	-96.6%
Payroll expense	-1.7	-1.9	-9.6%
Other operating expenses	-0.6	-0.8	-23.4%
EBITDA	**47.6**	**44.9**	**6.2%**
D&A allowance on investment and arbitrage property	-11.3	-11.8	-4.7%
D&A allowance on PPE	-0.9	-1.0	-10.8%
Provisions	–	0.1	–
RESULTS OF OPERATIONS	**35.5**	**32.2**	**10.3%**
Proceeds of sales	29.0	20.3	42.7%
SEGMENT EARNINGS	**64.4**	**52.5**	**22.8%**

For the full year 2008, lease income from office properties rose by 7.3%, to 52.4 million euros. This increase reflects the impact of the payment of past due rent after a renewal process under way since 2004 was completed (+2.2 million euros).
Land expenses correspond to the amortization of the building lease for the 43 Grenelle building.
Rental expenses not recovered came to 1.0 million euros, and include in particular the cost of vacancies in the property at 192, Charles-de-Gaulle (Neuilly-sur-Seine).
Owner's building expenses came to 1.2 million euros in 2008, reflecting fees paid to outside service providers and tax payments.
Net rent for the year was 49.9 million euros, an increase of 8.2%.
For the year ended December 31, 2007, management and administrative income (fees) totaled 0.3 million euros, and in particular included the management fees for the Front de Paris building in Levallois that were invoiced between the date of sale for this asset and the termination of the mandate.
In 2007, other operating income included an indemnity of 0.7 million euros, related to the settlement of a dispute with a tenant.
Payroll expense came to 1.7 million euros for fiscal year 2008, a decrease of 0.2 million euros compared with the previous year.
EBITDA came to 47.6 million euros, a 6.2% increase over the previous year.
The decrease in depreciation and amortization expense (-4.7%) was attributable primarily to the sale of the building at 46, Notre-Dame-des-Victoires in October 2008.
The proceeds from this sale totaled 29.0 million euros. For 2007, proceeds from the sale of assets came to 20.3 million euros following the sale of buildings at 5, rue de Turin (Paris 8th), Champlan (91), an indivisible share in the Front de Paris building and the Rheinfeld warehouse (Strasbourg).
In 2008, office segment earnings increased by 22.8%, reaching 64.4 million euros.

B. Acquisitions of equity holdings and movements in equity securities impacting on the corporate financial statements of Klépierre SA

The principal movements in securities occurring during the 2008 fiscal year were as follows:

Subscription to the capital increase of Klépierre Nordica B.V.

On October 6, 2008, Klépierre subscribed for the total capital increase amount of the Dutch company Klépierre Nordica B.V. at a cost of 287.3 million euros.
Cash contribution to the equity capital of the real estate company Klépierre Créteil, and recapitalization of the business
On December 24, 2008, Klépierre recapitalized the real estate company Klépierre Créteil at a cost of 57.2 million euros, following a cash contribution to equity capital of 0.1 million euros.

Acquisition of shares in the real estate company Galeries Drancéennes

On October 3, 2008, Klépierre acquired all the shares of the real estate company Galeries Drancéennes at a cost of 58.6 million euros as part of an exchange involving the office building located at 46, rue Notre-Dame-des-Victoires in Paris.

Acquisition of SCI Galeries Drancéennes shares

On October 3, 2008, Klépierre acquired all the shares of the real estate company Galeries Drancéennes at a cost of 58.6 million euros as part of an exchange involving the office building located at 46, rue Notre-Dame-des-Victoires in Paris.

Acquisition of shares in Immobiliare Magnolia SRL, Novate SRL and Immobiliare Commerciale Dodicesima SA

On May 30, 2008, Klépierre acquired 15% of the shares held by the Finim Group in the Italian companies Immobiliare Magnolia SRL, Novate SRL and Immobiliare Commerciale Dodicesima SA at a total cost of 13.7 million euros.

management report consolidated cash flow

C. consolidated earnings and cash flow – parent company earnings

I. CONSOLIDATED EARNINGS AND CASH FLOW

in millions of euros

	12.31.2008[1]	12.31.2007[1]	Change €M	Change %
Rental income	717.0	597.2	119.8	20.1%
Building expenses	-66.2	-49.1	-17.1	34.7%
Net lease income	**650.8**	**548.0**	**102.7**	**18.7%**
Management, administrative and related income	77.5	64.2	13.3	20.7%
Autres produits d'exploitation	15.7	18.3	-2.5	-13.8%
Payroll expenses	-82.3	-64.8	-17.5	27.0%
Other operating expenses	-30.3	-26.3	-4.0	15.3%
EBITDA	**631.3**	**539.4**	**92.0**	**17.1%**
Amortization and provisions of the real estate properties	-218.3	-173.7	-44.6	25.7%
Allowance to reserves	-1.3	-2.7	1.4	-52.1%
Results of operations	**411.8**	**363.0**	**48.7**	**13.4%**
Proceeds of sales	59.4	40.4	19.0	47.0%
Financial results	-218.3	-161.7	-56.7	35.1%
Share in earnings of equity method investees	1.4	2.6	-1.2	-46.0%
Pre-tax current earnings	**254.3**	**244.4**	**9.8**	**4.0%**
Corporate tax income	-20.4	-13.5	-6.9	51.2%
Net Income	**233.9**	**231.0**	**2.9**	**1.3%**
Minority share	33.6	33.2	0.4	1.2%
NET INCOME IN GROUP SHARE	**200.3**	**197.7**	**2.5**	**1.3%**
Per share ratios				
Average number of shares	139 907 235	136 998 849		
Net earning per share in euro	1.39	1.40		-0.8%
Pre-tax earning exclusive of assets/share 's sales	1.11	1.18		-5.8%

(1) Data adjusted for the effect of the discount granted to holders of Preferential Subscription Rights in connection with the capital increase of December 2008 (adjustment coefficient: 0.9727).

Net lease income for the year ended December 31, 2008 totaled 650.8 million euros, an increase of 18.7% compared with the previous year.

Lease income was 717.0 million euros, with 630.9 million euros provided by the shopping centers, 52.4 million euros provided by office properties, and 33.7 million euros provided by retail properties. Compared with December 31, 2007, shopping center rents rose by 19.7% on a current scope basis and by 5.3% on a constant portfolio basis, while retail property rents rose by 43.3% on a current scope basis and by 8.2% on a constant scope basis. Office rent also grew, by 7.3% on a current scope basis and by 6.1% on a constant portfolio basis.

Management and administrative fees provided by service companies totaled 77.5 million euros. Of the total, 64% of the fees were provided by recurrent property and rental management business on behalf of third parties. The 20.7% rise is attributable to the shopping center and retail property segments, which reported increases of 12.4 million euros and 1.2 million euros respectively. Not including the 6.7 million euros contributed by Scandinavia, the rise in fees from the shopping center segment reflected higher development fees, the impact of lease-up fee income for the Nantes-Beaulieu center, and higher property asset management fee income. The retail segment reported higher acquisition fees on transactions completed in 2008 (Défi Mode, King Jouet).
Revenues generated abroad in 2008 accounted for 44.1% of total revenues, compared with 41.1% for the year ended December 31, 2007.
Other operating income was attributable to work re-invoiced to tenants and miscellaneous gains.
Building expenses totaled 66.2 million euros, an increase of 17.1 million euros or 34.7%. This increase reflects portfolio growth as well as the rise in non-recovered tenant charges on tenants for whom a cap on charges is contractually guaranteed and vacant spaces.
Payroll expense for the year came to 82.3 million euros, versus 64.8 million euros for the preceding twelve-month period (+27.0%). Without Steen & Strøm, which contributed 7.4 million euros in the 4th quarter of 2008, the increase was 15.5% and reflected an increase in staffing (full-time equivalent) of 74 people, mainly in France (41 people), as well as in Spain and Eastern Europe, in the interest of ensuring that local capability is sufficient to deal with the Group's new projects and acquisitions.
Other operating expenses were 30.3 million euros, a 15.3% increase over the twelve months ended December 31, 2007. Excluding Steen & Strøm, significant changes concern in part research costs on abandoned projects and the cost of operating premises.
The operating ratio (total expenses/net operating income) for the period was 15.1%, compared with 14.5% for the year ended December 31, 2007.

EBIDTA for the year totaled 631.3 million euros, a 17.1% increase over December 31, 2007.

Depreciation and amortization allowance related to real estate assets reached 218.3 million euros in 2008, a 25.7% increase (+44.6 million euros) that primarily reflects the impact of new property acquisitions (+37.0 million euros). The contribution from Scandinavia was 15.5 million euros. Depreciation allowance pertained primarily to the Défi Mode portfolio and 3 assets of the shopping center division, including a development project. The total was 23.0 million euros, versus 15.3 million euros for the previous year.
The provision for contingencies and losses was 1.3 million euros, compared with 2.7 million euros for the year ended December 31, 2007.

Results from operations totaled 411.8 million euros for the full year 2008, an increase of 13.4% compared with the corresponding period in 2007.

The financial result for the period is a loss of 218.3 million euros, compared with 161.7 million euros on December 31, 2007. The Group's interest expense rose by 56.7 million euros, reflecting both the higher average cost of debt (from 4.4% to 4.6%) and higher debt.
Given the high percentage of interest rate hedging (83% of debt was hedged at the year end 2009 reporting date), the higher cost of debt primarily reflects the impact of assuming the liabilities of Steen & Strøm. The latter did not increase the level of its hedged debt until the end of the year and thus was directly penalized by the very high short-term interest rates observed before the 4th quarter. The average cost of debt for Steen & Strøm for 2008 was still 6.0%. Klépierre's financing policy and financial structure are both described in more detail below, in section E. As it did in 2007, the financial result for the year also comprises the discounted value of an exit tax debt (0.7 million euros).
Proceeds from the sale of assets amounted to 59.4 million euros in 2008, versus 40.4 million euros for 2007. This item reflects the result of the sale of an indivisible share in the Annecy-Courier mall, as well as the sale of the Paul Doumer center (Caen), the office building at 46, Notre-Dame-des-Victoires (Paris), and the Group's equity interest in the Belgian company Devimo. A promotional margin of 0.9 million euros is also included in the total.

Since it elected SIIC status, Klépierre distinguishes three tax segments:
- the SIIC segment that includes Klépierre and all eligible French real-estate affiliates. Some of these companies have opted for regular tax status;
- french companies that are not eligible for SIIC status and hence have regular tax status;
- foreign affiliates.

For the year ended December 31, 2008, the global tax expense for these three segments was 20.4 million euros:
- the SIIC segment posted a charge of 0.2 million euros. The net exit tax expense related to the admission to SIIC status of Progest, Holding H1 and Klécapnor was offset by a carry-back gain calculated on the 2005 to 2007 tax liability for Klépierre's non-SIIC eligible sector;
- french companies that are not eligible for SIIC status reported a charge of 2.0 million euros;
- foreign affiliates recorded a tax charge of 18.3 million euros, including 16.6 million euros payable principally on Italian (8.6 million euros), Hungarian, Portuguese and Polish holdings.

Consolidated net income for the year ended December 31, 2008 is 233.9 million euros, an increase of 1.3% over the year ended December 31, 2007.
Minority share of net income for the period is 33.6 million euros, primarily generated by the shopping center segment, which brings the group share of net income to 200.3 million euros, up 1.3%.

management report consolidated cash flow

Change in current cash flow

in millions of euros

	12.31.2008[1]	12.31.2007[1]	Change €M	Change %
EBITDA - Shopping centers	561.1	478.9	82.2	17.2%
EBITDA - Retail properties	32.6	22.3	10.2	45.8%
EBITDA - Offices	47.6	44.9	2.8	6.2%
Corporate and Shared expenses	-10.0	-6.7	-3.2	48.2%
EBITDA	**631.3**	**539.4**	**92.0**	**17.1%**
Restatement of non cash items	3.8	-2.4	6.2	
Cash flow from operations	**635.1**	**537.0**	**98.1**	**18.3%**
Financial results	-218.3	-161.7	-56.7	35.1%
Restatement of discounting income/expenses	-0.7	-0.7	0.0	
Restatement of financial allowances	5.0	1.3	3.7	
Pre-tax current cash flow	**421.1**	**375.9**	**45.2**	**12.0%**
Share in equity method investee earnings	2.0	2.8	-0.8	-27.8%
Current tax expenses	-24.1	-23.7	-0.4	1.6%
Net current cash flow	**399.0**	**355.0**	**44.1**	**12.4%**
In Group share				
Cash flow from operations	556.0	473.6	82.5	17.4%
Pre-tax current cash flow	361.2	320.6	40.7	12.7%
Net current cash flow	341.4	303.6	37.8	12.4%
Per share				
Number of shares	139 907 235	136 998 849		
Pre-tax current cash flow	2.5	2.3	0.2	10.3%
Net current cash flow	2.4	2.2	0.2	10.1%

(1) Data adjusted for the effect of the discount granted to holders of Preferential Subscription Rights in connection with the capital increase of December 2008 (adjustment coefficient: 0.9727).

Pre-tax current cash flow reached 421.1 million euros for the year ended December 31, 2008, a 12.0% increase over December 31, 2007. Expressed in terms of group share, pre-tax current cash flow reached 361.2 million euros, a 10.3% one-year increase that translates into 2.51 euros per share.

After-tax, net current cash flow reached 399.0 million euros, an increase of 12.4%. Group share, the total is 341.4 million euros, **i.e. 2.37 euros per share and a 10.1% increase.**

II. PARENT COMPANY EARNINGS

Klépierre SA – Condensed statement of income

in millions of euros

	12.31.2008	12.31.2007
Operating profits	49.8	48.5
Operating expenses	-27.9	-27.7
Operating results	**21.9**	**20.7**
Share in earnings of subsidiaries	148.6	156.0
Financial results	-24.9	91.9
Pre-tax results	**145.6**	**268.6**
Non-recurring results	19.2	32.5
Corporate income tax	8.1	-0.2
Net earnings for the year	**172.9**	**300.9**

For Klépierre SA, net income for the period amounted to 172.9 million euros, a significant decline compared with the previous year that was due to a forex loss recorded on a currency hedging operation, as well as an impairment allowance taken on its own shares that the company owns and the increase in net debt and cost of debt.

The tax loss for the taxable segment totaled 49.6 million euros. As a result, the company has asked tax authorities for a tax carry-back of 7.9 million euros.

The mandatory distribution came to 147.7 million euros, after discharge during the period of the obligation related to capital gains on the sale of assets.

The Supervisory Board will recommend that the shareholders vote on April 9, 2009 in favor of the payment of a dividend in respect of 2008 of 1.25 euro per share, stable compared to 2007. As was the case in 2008, the option of receiving stock in lieu of cash will also be submitted to the approval of the shareholders.

Based on a dividend per share of 1.25 euro, the global distribution is 207.8 million euros, which is equal to 60.9% of net current cash flow and 103.7% of the group share of net income, without taking into account the cancellation of the dividends payable on Klépierre shares that the company will have on the dividend payout date.

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Complete information is available online

Find the entirety of Klépierre SA corporate financial statements on the website, heading Informations.

III. FIVE-YEAR FINANCIAL SUMMARY

in euros

Klépierre SA	December 2008	December 2007	December 2006	December 2005	December 2004
INDICATORS					
Capital at the year end					
A) Equity capital	232 700 203[1]	193 889 761	184 656 916	184 656 916	184 656 916
B) Number of ordinary shares	166 214 431[1]	138 492 687	46 164 229	46 164 229	46 164 229
Operations and results					
A) Pre-tax revenue	49 093 264	45 808 719	49 178 753	12 608 279	15 638 864
B) Pre-tax income, employee profit sharing, amortization expenses and provisions	219 551 284	316 842 226	227 810 270	188 301 496	74 944 756
C) Corporate income taxes	-8 077 108	245 762	15 316 256	11 224 483	-277 475
D) Income net of tax, employee profit sharing, amortization expenses and provisions	172 937 402	300 872 009	198 465 416	171 752 138	77 792 605
E) Distributed income[2]	207 768 039	173 115 859	147 725 533	124 643 418	106 177 727
Income per share[3]					
A) Income net of tax, employee profit sharing, but before amortization expenses and provisions	1.32	2.29	4.60	3.84	1.63
B) Income net of tax, employee profit sharing, amortization expenses and provisions	1.04	2.17	4.30	3.72	1.69
C) Net dividend per share	1.25	1.25	3.2	2.7	2.3
Staffing					
A) Average workforce for the period	–	–	–	–	–
B) Payroll for the period	–	–	–	–	–
C) Amount of employee benefits	–	–	–	–	–

(1) On May 7, 2008, 3 976 826 shares were issued in response to the shareholders who opted for shares in lieu of a dividend payment. On December 2, 2008, 23 744 918 new shares were issued following the capital increase.
(2) Does not factor in the cancellation of dividends on shares owned by the company on the date of the dividend payout.
(3) 2004 through 2005: data not restated to reflect the September 3, 2007 three-for-one stock split.

IV. SUBSIDIARIES AND EQUITY INTERESTS OF KLÉPIERRE SA ON DECEMBER 31, 2008

Financial information on Subsidiaries and Holdings

in thousands of euros

	Capital	Shareholder equity other than capital stock and income	Percentage holding	Net earnings at year-end	Pre-tax revenue	Gross carrying amount	Net carrying amount	Guarantees and sureties given	Loans and advances granted	Dividends received
1. 1. SUBSIDIARIES OWNED BY MORE THAN 50%										
Angoumars SNC	5 131	46 165	100	705	3 849	51 296	51 296		6 149	
Barjac Victor SNC	1 792	16 110	100	1 503	3 295	19 236	19 236		7 488	
Bègles Papin SCI	765	6 871	99	45	762	7 636	7 636		3 077	
Besançon Chazeule SCI	29	245	99	-19	52	274	274		635	
Capucine BV	2 401	26 829	100	-2 360		23 855	23 855		74 166	
CB Pierre SAS	10 500	4 815	100	1 553	2 265	0	0			5 460
Cécoville SAS	2 307	164 648	100	68 617	24 579	162 445	162 445	112 000		11 418
Centre Bourse SNC	3 813		100	2 353	3 095	47 419	46 722			
Clermont Jaude SAS	21 686	2 169	100	6 244	9 045	76 396	76 396		13 830	5 587
Combault SCI	778	6 984	100	571	1 140	7 762	7 762		4 902	
Effe Kappa SRL	12	36	100	193	830	306	306			
Foncière de Louvain-la-Neuve SA	62	-6 619	100	-12 762		61	61		25 003	
Foncière Saint-Germain SNC	1 183	9 208	100	980	2 175	10 562	10 562		4 743	
Galeries Drancéennes SCI	4	2 644	100	572	1 057	58 596	58 596		15 121	
Galeria Commerciale Klépierre SARL	1 560	12 130	100	356	5 088	15 510	15 510		37 004	
Général Leclerc SNC	3 916	12 881	100	799	2 457	14 429	14 429		9 695	
Holding Gondomar 1 SA	5 449	32 436	100	-7 511	3 228	81 873	81 873		62 935	
Holding Gondomar 3 SAS	410	2 694	100	-73		3 684	3 684		1 303	
Holding Gondomar 4 SAS	38	-278	100	-197		587	587		4 641	
Immobiliare Commerciale Dodicesima SPA	520	22 835	100	8		19 679	19 679			
Immobiliare Magnolia SRL	520	11 601	100	35		6 708	6 708			
Jardin des Princes SNC	800	7 185	100	890	1 325	9 525	9 525		609	
Kléber La Pérouse SNC	19 675	127 132	100	1 059	185	165 225	165 225		91 643	
Klécar Europe Sud SCS	315 260	294 723	83	27 006		523 247	523 247			23 459
Klécar France SNC	500 881	500 881	83	104 496	78 554	831 462	831 462		52 445	
Klécar Participations Italie SAS	31 471	3 247	83	2 952		33 629	33 629		52 948	
Klefin Italia SPA	15 450	98 935	100	-1 521	1 109	125 625	125 625		52 448	
Klémurs SCA	82 500	67 517	84	-3 538	31 297	124 519	124 519		130 057	6 939
Klépierre Conseil SAS	708	1 924	100	491	3 325	3 934	2 575		6 834	124
Klépierre Créteil SCI	5 721	51 480	100	-36		57 201	57 201		6 829	
Klépierre Finance SAS	38	4	100	142		38	38			280

	Capital	Shareholder equity other than capital stock and income	Percentage holding	Net earnings at year-end	Pre-tax revenue	Gross carrying amount	Net carrying amount	Guarantees and sureties given	Loans and advances granted	Dividends received
Klépierre Nordica BV	60 000	227 250	100	-16		287 256	287 256		50	
Klépierre Participations et Financements SAS	96 390	59	100	-1 365		96 390	96 390	165 000	233	3 060
Klépierre Portugal SA	250	4 050	100	608		4 250	4 250		90 229	446
Klépierre Trading SARL	189	-41	100	313	9 758	199	160		470	
KLE 1 SAS	6 048	196	100	7 406	393	60 154	60 154		49 576	57 898
Klépierre Vinaza	60	-6	100	-7 880	1 569	3 270	0		30 603	
Klé Projet 1 SAS	1 204	9 957	100	-1 083	254	11 702	11 664		28 857	
Klétransactions SNC	387	3 466	100	8	2 476	3 853	3 853		4 863	
Klépierre Luxembourg SAS	300	1 463	100	-8 026		2 000	2 000		216 947	
LP 7 SAS	45	51	100	-18		261	261		9	
Nancy Bonsecours SAS	39	38	100	-13		535	76			
Novate SRL	16 895	37 411	85	78		36 757	36 757			
Pasteur SNC	227	1 738	100	-5		2 091	1 966		1 595	
SCOO SNC	14 223	104 544	80	13 062	25 486	163 527	163 527		6 441	
Ségécé SCS	1 412	2 691	100	11 809	91 955	49 304	49 304		40 352	5 410
Soaval SCS	402	1	80	-39		809	809	97 000	32 349	
Sodévac SNC	2 918	26 245	100	2 188	5 275	29 163	29 163		12 211	
Société des Centres Toulousains SNC	17 427	156 510	75	-6 203		131 863	131 863		181	
Sovaly SAS	469	-34	100	-41		787	435		311	
TOTAL I				**204 336**	**315 878**	**3 366 890**	**3 360 551**	**374 000**	**1 179 782**	**120 081**
2. EQUITY HOLDINGS OF BETWEEN 10% AND 50%										
Antin Vendôme SCI	15		50	-3		8	8		101	
Bassin Nord SCI	44 827		50	-2 327		22 413	22 413		32 000	
Bègles d'Arcins SCS	26 679	17 383	50	5 780	9 232	41 837	41 837	4 994	4 175	3 456
Galae SNC	330	0	49	630	1 244	490	162			
La Plaine du Moulin à Vent SCI	28 593	25 285	50	60	1 227	26 939	26 939		2 969	
Le Havre Vauban SNC	300	5	50	150	667	237	237			
Le Havre Lafayette SNC	525	9	50	1 654	5 557	983	983			
Odysseum Place de France SCI	53	1	50	48	85	174	174	38 655	65 204	
Solorec SC	4 869	2 768	49	22 036	29 206	124 104	124 104		18 465	
TOTAL II				**28 028**	**47 218**	**217 185**	**216 857**	**43 649**	**122 914**	**3 456**
3. Other										
TOTAL III				**0**	**0**	**0**	**0**	**0**	**0**	**0**
GRAND TOTAL I + II + III				**232 364**	**363 096**	**3 584 075**	**3 577 408**	**417 649**	**1 302 696**	**123 537**

D. Revalued net assets

I. METHODOLOGY

Klépierre adjusts the value of its net assets per share on December 31 and June 30 of each year. The valuation method used entails adding unrealized capital gains to the book value of consolidated shareholders' equity. These unrealized gains reflect the difference between estimated market values and the net values recorded in the consolidated financial statements.

Valuation of holdings

Klépierre entrusts the task of appraising its real estate holdings to various experts. For its office holdings, appraisals are conducted jointly by Atisreal Expertise (formerly Coextim) and Foncier Expertise.

For shopping center assets, appraisals are performed by the following experts:

- Retail Consulting Group Expertise (RCGE) is responsible for appraising the entire French portfolio except for Progest, plus about 50% of all holdings in Spain (centers held by Klecar Foncier Espana and Klecar Foncier Vinaza) and all holdings in Italy, the Czech Republic, Slovakia, Belgium, Portugal and Greece;
- Cushman & Wakefield appraise the other half of the Spanish portfolio (centers owned by Klecar Foncier Iberica);
- ICADE Expertise performs the appraisals for the Progest portfolio in France as well as all property appraisals carried out on Polish and Hungarian holdings.

All of these appraisal assignments are awarded on the basis of the Real Estate Appraisal Guidelines (Charte de l'Expertise en Évaluation Immobilière) and in accordance with the recommendations issued by the COB/CNC "Barthès de Ruyter Work Group". Fees paid to appraisers are set prior to their property valuation work, on a lump sum basis in accordance with the size and complexity of the assets being appraised, and independently of the appraised value of the assets.

Excl. VAT, in thousands of euros

	2008	
	Appraisal fees	Consulting fees
Retail Consulting Group	1 044	0
Icade	348	1 512
Cushman & Wakefield	150	0
Foncier Expertises and Atisreal	80	1
TOTAL	**1 622**	**1 513**

Offices

The appraisers combine two approaches: the first entails a direct comparison with similar transactions completed in the market during the period, while the second involves capitalizing individual yields (observed or estimated). An analysis of these yields reveals that one of three situations prevails: lease income is either substantially equal to, higher than or lower than market value. If lease income and market value are substantially equal, the lease income used in the valuation is the actual lease income earned on the property. If lease income is higher than market value, the valuation uses market value and takes into account a capital gain calculated from the discounted value of the difference between actual lease income and market value. If lease income is lower than market value, the appraisers considered the scheduled term of the corresponding lease, at which time the rental price will be aligned with going rates. Pursuant to the French decree of September 30, 1953, the rental prices of properties that are used solely as office premises are automatically aligned with market rates when the leases in question come up for renewal.
Consequently, the appraisers worked from the assumption that the owners of such property would be able to align rents with market rates when the corresponding leases came up for renewal, and took into account the current conditions of occupation in the form of a capital loss calculated as before. However, unlike prior valuation adjustments, the appraisers did not limit their approach to properties coming up for renewal in the three years to come, on the grounds that the investors participating in current market transactions make projections that extend beyond this three-year horizon. In the second case,

the financial capital gain observed was added to the appraised value derived.
It is equal to the discounted value (at a rate of 5.5%) of the difference between actual lease income and market price until the first firm period of the lease expires. In the third case, a capital loss was deducted from the derived value, equal to the discounted value (at the rate of 5.5%) of the difference between actual lease income and market price until the lease expires.
Since December 31, 2005, the appraiser reasons on the basis of the rate of return (yield) and not on the basis of the capitalization rate. In other words, the rate that was used is that applied to the income determined as before to derive an appraised value inclusive of transfer duties. Before, the rate used resulted in a valuation exclusive of transfer duties. The decision to use this rate results from an observation of the market, in the context of transactions actually completed by investors. To derive the appraised value exclusive of transfer duties, transfer duties and fees were deducted at the rate mentioned below.

Shopping centers

To determine the fair market value of a shopping center, appraisers apply a yield rate to net annual lease income for leased-up premises, and to net market price for vacant properties based on the probable duration of non-occupancy. The yield rate is applied after deduction of the net present value of all reductions or rebates on leases with minimum guaranteed rents, the net present value of all expenses on vacant premises, and work to be done that cannot be passed on to tenants for payment. A standard vacancy rate is established for each asset. The discount rate used is equal to the yield applied to determine fair market value.
Gross rent includes minimum guaranteed rent, variable rent and the market price of any vacant premises. Net rent is determined by deducting all charges from the gross rent, including management fees, expenses borne by the owner and not passed on to tenants, and charges provisioned for vacant premises and average losses on unpaid rents observed for the last 5 years.
The appraiser determines the yield rate on the basis of numerous variables, in particular retail sales area, layout, competition, type and percentage of ownership, rental reversion and extension potential, and comparability with recent market transactions.
Because of the structure of its portfolio and in the interest of economy and efficiency, Klépierre uses two methods to appraise the value of assets that pose particular assessment issues. Accordingly, assets being appraised for the first time and assets whose last appraised value is no more than 110% of the net book value (excluding deferred taxes) are appraised twice: once on the basis of yields (see discussion above) and once using the DCF (discounted cash flow) method.
This second method determines the value of a real estate asset as the sum of discounted cash flows using the discount rate defined by the appraiser.
The appraiser estimates all of the asset's expected revenues and expenses and derives a terminal future value at the end of the period of analysis (10 years on average). By comparing market rental values and face rent values, the appraiser captures the property's rental potential by using market rental values at lease expiration less costs incurred to relet the property. Finally, the appraiser discounts these projected cash flows in order to determine the present value of the property asset.
The discount rate takes into account the prevailing risk-free rate (10-year OAT), to which will be added a real estate market risk and liquidity premium, and also a specific premium based on the location, the key features and the occupation of each property.

Valuation of the Ségécé Group

This appraisal, which is performed on Klépierre's behalf by Aon Accuracy, is primarily based on a range of estimates obtained using the Discounted Cash Flow (DCF) method. The DCF method consists of estimating the future cash flows of current business in the company's portfolio before the explicit or implicit cost of financing is taken into account. In the second step, whose aim is to estimate the value of the business portfolio, these cash flows and the estimated future value of the portfolio of business at the end of the projected period (terminal value) are discounted using a reasonable rate.
This discount rate, which is derived on the basis of the *Modèle d'Équilibre Des Actifs Financiers* (MEDAF) formula, is the sum of the following three factors: the risk-free interest rate, the systematic risk premium (average expected market risk premium times the beta coefficient of the business portfolio) and the specific risk premium (to account for that portion of the particular risk that is not already integrated in the cash flows). The third and last step consists of determining the value of the company's own equity by extracting net financial debt on the date of valuation from the portfolio's total value on that same date.

Valuation of interest rate and debt hedging instruments

Effective December 31, 2005, RNAV 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, non-hedged portion of debt. Conversely, the value of credit margins on floating rate debt is not readjusted.

RNAV including transfer duties and before taxation on unrealized capital gains

The valuation of properties is initially presented inclusive of property transfer duties. Properties that are held for sale under a firm commitment on the date of the valuation are valued at their probable selling price, less related fees and taxes. For properties acquired less than six months before the date of the calculation, acquisition prices are used.
Klépierre does not adjust the values of shopping centers under development, even in cases where building permits have been granted.
Until these shopping centers open, they are carried in the consolidated financial statements at cost, and this figure is used to calculate revalued net assets.
The Ségécé group is appraised annually using the method described in detail above. This initial calculation provides revalued net assets "including transfer duties and before taxation on unrealized capital gains."

RNAV excluding transfer duties

A second calculation is made to establish revalued net assets excluding transfer duties. Duties on office properties are calculated individually using the rates set forth below. Duties on shopping centers are calculated property by property for companies that own several real-estate assets, or on the basis of revalued securities if the company owns only one property asset.

This approach was considered to be the most relevant considering that investors are more likely to acquire shares in companies that own shopping centers and that Klépierre generally is more likely to seek other backers for its projects than to sell full ownership in shopping centers. Naturally, transfer duties are calculated on the basis of applicable local tax regulations. For France, the rate used for transfer duties is 6.20%. Klépierre did not opt to use the most advantageous rate (1.8%) for properties that still fall within the scope of the VAT since it does not currently plan to sell within the prescribed deadline.

RNAV excluding transfer duties and after taxation of unrealized capital gains

A third calculation is made to establish revalued net assets excluding transfer duties and after taxes on unrealized capital gains. In the consolidated balance sheet, deferred taxes are recognized pursuant to accounting regulations in force, on the basis of appraised property values, for the portion which corresponds to the difference between the net book value and the tax value as determined by capital gains tax rates in force in each country. At the June 30, 2005 reporting date, the RNAV calculation was adjusted to include the tax on unrealized capital gains corresponding to the difference between the net book value and fair value on this same basis.
As of the December 31, 2005 reporting date, and to align its practices with those of its principal peers, Klépierre considered the type of ownership of its properties, using the same approach as that used to determine transfer duties. For office properties, the treatment is based entirely on property ownership, but since the entire scope benefits from tax exempt status as an SIIC, there is no unrealized taxation. For the shopping centers, and depending on the country, taxes on unrealized capital gains are based on the tax rate applied to the sale of buildings for companies that own several properties, and at the tax rate applicable to securities for companies that only own a single property.

II. NET REVALUED ASSETS (RNAV), DECEMBER 31, 2008

The value of Klépierre's real estate holdings including transfer duties was 14.8 billion euros (total share) and 12.3 billion euros (group share). Total share, shopping centers represent 88.5%, retail properties represent 4.3%, and offices represent 7.2%, while the group share percentages are 86.9%, 4.4% and 8.7%, respectively.
Assets acquired in the second half of the year are carried at their acquisition price and represent 18.9% of all holdings (including 17.3% for Scandinavia). Projects under development are valued at their cost price, i.e., 3.0% of all holdings. These projects are mainly Corvin (Hungary), Montpellier Odysseum, Aubervilliers, and Gare St Lazare.
On a constant portfolio basis, shopping center assets decreased in value by -0.7% during the twelve-month period ended, the value of retail assets declined by -1.5% over the same period and the value of office assets decreased by -1.2%. Over six months, the respective declines are -1.8% for shopping centers, -1.9% for retail assets and -3.4% for offices.

HOLDINGS, TOTAL SHARE (transfer duties included)

in millions of euros

	Current portfolio				Constant portfolio			
Change over 6 months	12.31.2008	06.30.2008		Change	12.31.2008	06.30.2008		Change
Shopping centers								
France	5 994.6	5 739.6	254.9	4.4%	5 305.2	5 303.3	1.9	0.0%
Spain	1 189.9	1 127.3	62.6	5.6%	937.9	1 013.3	-75.4	-7.4%
Italy	1 467.0	1 504.4	-37.4	-2.5%	1 285.1	1 341.5	-56.5	-4.2%
Hungary	553.1	589.6	-36.5	-6.2%	370.2	381.2	-11.0	-2.9%
Poland	390.0	399.9	-9.9	-2.5%	390.0	399.9	-9.9	-2.5%
Portugal	275.9	273.7	2.2	0.8%	266.7	273.7	-7.0	-2.6%
Scandinavia[1]	2 562.9		2 562.9					
Others	641.7	595.7	46.0	7.7%	586.2	595.7	-9.5	-1.6%
Total Shopping centers	**13 075.0**	**10 230.2**	**2 844.8**	**27.8%**	**9 141.2**	**9 308.6**	**-167.4**	**-1.8%**
Total Retail properties	**642.1**	**621.5**	**20.6**	**3.3%**	**452.7**	**461.6**	**-8.9**	**-1.9%**
Total Offices	**1 068.9**	**1 135.4**	**-66.5**	**-5.9%**	**974.9**	**1 008.9**	**-34.0**	**-3.4%**
TOTAL REAL ESTATE HOLDINGS	**14 786.0**	**11 987.1**	**2 798.9**	**23.3%**	**10 568.8**	**10 779.1**	**-210.3**	**-2.0%**

(1) The Scandinavian portfolio is carried at its acquisition cost in accordance with Group accounting policy, whereby assets acquired less than six months prior to the reporting date are not reappraised. According to the valuations conducted in Scandinavia by DTZ, this portfolio contains no unrealized capital gains.

HOLDINGS, TOTAL SHARE (transfer duties included)

in millions of euros

Change over 12 months	Current portfolio 12.31.2008	12.31.2007	Change		Constant portfolio 12.31.2008	12.31.2007	Change	
Shopping centers								
France	5 994.6	5 564.4	430.1	7.7%	4 865.9	4 818.7	47.2	1.0%
Spain	1 189.9	1 125.2	64.6	5.7%	937.9	1 013.8	-75.9	-7.5%
Italy	1 467.0	1 327.6	139.4	10.5%	1 285.1	1 307.9	-22.8	-1.7%
Hungary	553.1	496.2	56.9	11.5%	370.2	380.1	-9.9	-2.6%
Poland	390.0	390.5	-0.5	-0.1%	307.4	309.2	-1.8	-0.6%
Portugal	275.9	268.3	7.6	2.8%	266.7	268.3	-1.6	-0.6%
Scandinavia(1)	2 562.9		2 562.9					
Others	641.7	581.7	60.0	10.3%	586.2	581.2	5.1	0.9%
Total Shopping centers	**13 075.0**	**9 753.9**	**3 321.2**	**34.0%**	**8 619.3**	**8 679.0**	**-59.7**	**-0.7%**
Total Retail properties	**642.1**	**457.2**	**184.8**	**40.4%**	**383.5**	**389.2**	**-5.7**	**-1.5%**
Total Offices	**1 068.9**	**1 101.4**	**-32.5**	**-3.0%**	**974.9**	**987.2**	**-12.3**	**-1.2%**
TOTAL REAL ESTATE HOLDINGS	**14 786.0**	**11 312.5**	**3 473.4**	**30.7%**	**9 977.7**	**10 055.4**	**-77.7**	**-0.8%**

HOLDINGS, GROUP SHARE (transfer duties included)

in millions of euros

Change over 6 months	Current portfolio 12.31.2008	06.30.2008	Change		Constant portfolio 12.31.2008	06.30.2008	Change	
Shopping centers								
France	5 054.8	4 823.7	231.1	4.8%	4 438.9	4 440.6	-1.7	0.0%
Spain	1 034.7	960.1	74.6	7.8%	782.7	846.1	-63.4	-7.5%
Italy	1 344.4	1 379.5	-35.0	-2.5%	1 165.0	1 217.1	-52.1	-4.3%
Hungary	553.1	589.6	-36.5	-6.2%	370.2	381.2	-11.0	-2.9%
Poland	390.0	399.9	-9.9	-2.5%	390.0	399.9	-9.9	-2.5%
Portugal	275.9	273.7	2.2	0.8%	266.7	273.7	-7.0	-2.6%
Scandinavia(1)	1 437.8							
Others	626.9	580.0	46.9	8.1%	571.4	580.0	-8.6	-1.5%
Total Shopping centers	**10 717.6**	**9 006.4**	**1 711.2**	**19.0%**	**7 984.9**	**8 138.6**	**-153.7**	**-1.9%**
Total Retail properties	**540.1**	**522.7**	**17.3**	**3.3%**	**380.8**	**388.3**	**-7.5**	**-1.9%**
Total Offices	**1 068.9**	**1 135.4**	**-66.5**	**-5.9%**	**974.9**	**1 008.9**	**-34.0**	**-3.4%**
TOTAL REAL ESTATE HOLDINGS	**12 326.5**	**10 664.6**	**1 661.9**	**15.6%**	**9 340.6**	**9 535.7**	**-195.2**	**-2.0%**

HOLDINGS, GROUP SHARE (transfer duties included)

in millions of euros

Change over 12 months	Current portfolio 12.31.2008	12.31.2007	Change		Constant portfolio 12.31.2008	12.31.2007	Change	
Shopping centers								
France	5 054.8	4 663.5	391.3	8.4%	4 032.3	3 994.5	37.9	0.9%
Spain	1 034.7	958.4	76.3	8.0%	782.7	846.9	-64.2	-7.6%
Italy	1 344.4	1 205.5	138.9	11.5%	1 165.0	1 185.8	-20.8	-1.8%
Hungary	553.1	496.2	56.9	11.5%	370.2	380.1	-9.9	-2.6%
Poland	390.0	390.5	-0.5	-0.1%	307.4	309.2	-1.8	-0.6%
Portugal	275.9	268.3	7.6	2.8%	266.7	268.3	-1.6	-0.6%
Scandinavia(1)	1 437.8							
Others	626.9	566.7	60.2	10.6%	571.4	566.2	5.2	0.9%
Total Shopping centers	**10 717.6**	**8 549.0**	**2 168.6**	**25.4%**	**7 495.7**	**7 550.9**	**-55.2**	**-0.7%**
Total Retail properties	**540.1**	**384.6**	**155.4**	**40.4%**	**322.6**	**327.3**	**-4.8**	**-1.5%**
Total Offices	**1 068.9**	**1 101.4**	**-32.5**	**-3.0%**	**974.9**	**987.2**	**-12.3**	**-1.2%**
TOTAL REAL ESTATE HOLDINGS	**12 326.5**	**10 035.0**	**2 291.5**	**22.8%**	**8 793.2**	**8 865.4**	**-72.2**	**0.8%**

(1) The Scandinavian portfolio is carried at its acquisition cost in accordance with Group accounting policy, whereby assets acquired less than six months prior to the reporting date are not reappraised. According to the valuations conducted in Scandinavia by DTZ, this portfolio contains no unrealized capital gains.

management report
revalued net assets

Offices

The office portfolio is valued at 1 068.9 million euros.

6 of these properties have an estimated unit value that exceeds 75 million euros, representing 62.6% of the total appraised value of this portfolio. 2 have a unit value of between 75 million and 50 million euros, representing 10.5% of the total appraised value of this portfolio, and 11 have an appraised value that is less than 50 million euros.
On a constant portfolio basis, the value of Klépierre's office assets fell by -1.2% on a total share basis over 12 months (and by -3.4% over six months), of which -5.9% is attributable to higher yields and +4.7% reflects the rise in income.
On a current portfolio basis, the decline is -3.0% over 12 months (-5.9% over 6 months). This decrease reflects the October 2008 sale of the building at 46 Notre-Dame–des-Victoires in Paris, partly offset by the first appraisal of the Séreinis project in Issy-les-Moulineaux.
Based on appraised values at December 31, 2008 (transfer duties included), the immediate yield on the portfolio was 5.9%, an increase of 50bps compared with June 30, 2008 (5.4%) and of 60bps compared with December 31, 2007.

Shopping centers

Klépierre's shopping center holdings are valued at 13 075.0 million euros (10 717.6 million euros in Group share), up by 3 321.2 million euros compared with December 31, 2007 (+34.0%). Over 6 months, the value of the portfolio grew by 2 844.8 million euros versus June 30, 2008 (+27.8%).
67 facilities and projects have an estimated unit value that exceeds 75 million euros, representing 64.5% of the total estimated value of this portfolio, 101 have a unit value between 75 million and 15 million euros (27.9%), and 114 have a unit value of less than 15 million euros (7.6%).
On a constant portfolio basis, Klépierre's shopping center holdings, including transfer duties, decreased in value by -0.7% over 12 months (-1.8% over six months), attributable to a combination of higher yields (-7.8%) and higher income due to rental reversion (+7.1%).
External growth explains the increase in value of a current portfolio basis for 3 380.9 million euros. The increase in assets includes the following items:

- acquisitions of shopping centers that were made in the 2nd half of 2008: 30 Scandinavian centers owned by Steen & Strøm (2 562.9 million euros), Plzen in the Czech Republic (55.5 million euros), and Drancy Avenir in France;
- in France, the valuation of new extensions (Nîmes, Villejuif, St-Orens) and new retail parks (Cholet, La Roche-sur-Yon, Cesson Maisonément);
- abroad, the opening of the La Gavia center (Spain) and the Seriate extension (Italy), plus the first appraisals of the Lublin center (Poland) and the Lonato and Verona centers in Italy;
- projects under development also contributed to the increase, in particular via the progress achieved on Corvin (Budapest), Aubervilliers, Montpellier Odysseum and Saint-Lazare train station;
- the average yield on the portfolio is 6.0% based on appraised values (transfer duties included) at December 31, 2008, which is an increase of 50bps since December 31, 2007.

Retail properties

The value of the portfolio of retail properties totaled 642.1 million euros (540.1 million euros, group share), an increase of 40.4% over 12 months (3.3% over 6 months).
On a constant portfolio basis, the value of retail properties transfer duties included was down by -1.5% over 12 months (-5.7 million euros) and by -1.9% over 6 months, reflecting -7.7% resulting from higher yields and +6.2% attributable to higher income.
External growth contributed 190.5 million euros to the increase in the value of retail holdings. On a current portfolio basis, asset appreciation includes particularly the acquisition of 77 assets operated under the Défi Mode banner mainly. It also takes into account the impact of the first external appraisal of the two Sephora stores and 8 Buffalo Grill restaurants acquired in late 2007.
The portfolio's average yield stood at 6.2% based on appraised values (transfer duties included) at year-end 2008, versus 5.8% at year-end 2007, which is an increase of 40bps.

Net revalued assets per share for the year ended December 31, 2008 show a decline of 8.5% over 12 months.

This adverse trend takes into account the dilutive effect related to the capital increase that was carried out in early December. In addition, the rise in shareholders' equity was partly offset by adverse currency conversion reserve development related to the forex depreciations observed in the countries of Central Europe and by the impact of changes in the fair value of financial instruments.
The latter factor was mostly neutralized by the impact of marking the fixed rate debt to market for the calculation of revalued net assets. Conversely, the credit margin (spread) component of floating rate debt was not marked to market.
In fact, Klépierre deemed it was more advisable to not take into account the advantage created by being able to get financing at lower spreads or margins than what market conditions currently offer.

		in euros per share
RNA including rights December 2007		**40.0**
Consolidated shareholder's equity	-5.0	
– o/w 2008 earnings		1.4
– o/w 2007distribution and payment of dividends in the form of shares		-1.5
– o/w capital increase		-2.5
– o/w fair value of financial instruments		-1.5
– o/w conversion reserves		-1.0
Effect of valuation of real estate assets	-0.8	
Effect of taxes	1.1	
Effect of marking to market of fixed-rate debt	1.3	
RNA including rights December 2008		**36.6**

The adverse trend presented in the asset valuation impact line item is primarily attributable to Steen & Strøm, and is neutralized by the tax impact line item due to the restatement (elimination) of deferred tax liabilities that was done when the portfolio was acquired, as the hypothesis that the securities would be sold was the most probable (see methodology). Excluding Steen & Strøm, the asset valuation impact is positive of 0.40 euro.

Based on "transfer duties included" valuations, revalued net assets after deferred taxes and the marking to market of debt came to 36.60 euros per share for the year ended December 31, 2008, compared with 41.40 euros on June 30, 2008 and 40.00 euros on December 31, 2007 (-8.5% over 12 months and -11.6% over 6 months).

Revalued net assets excluding transfer duties, after deferred taxes and the marking to market of debt totaled 34.30 euros per share, versus 39.00 euros on June 30, 2008 and 37.60 euros on December 31, 2007.

in millions of euros

	12.31.2008	06.30.2008[1]	12.31.2007[1]
Consolidated shareholder's equity	2 159	2 184	2 001
Goodwill on property companies and service activity of Steen & Strøm	-19	-9	-9
Unrealized capitalgains on non-realestate assets	3 442	3 714	3 555
Tax on unrealized capital gains	-173	-199	-172
Restatement of deferred taxes on securities	278	112	124
Taxes and fees related to the sale of assets	-368	-344	-332
Revalued Net Assets	**5 320**	**5 457**	**5 166**
Marked to market of fixed rate debt excluding IAS 32-39 (€M)	252	129	70
Number of shared, fully diluted[2]	162 435 353	139 493 023	135 502 224
NAV excluding transfer duties, after taxes on unrealized capital gains (in euros per share)	**32.8**	**38.1**	**37.1**
NAV excluding transfer duties, after taxes on unrealized capital gains and marking to market of fixed-rate debt (in euros per share)	**34.3**	**39.0**	**37.6**
NAV including transfer duties, after taxes on unrealized capital gains and marking to market of fixed-rate debt (in euros per share)	**36.6**	**41.4**	**40.0**

(1) Data adjusted for the effect of the discount granted to holders of Preferential Subscription Rights in connection with the capital increase of December 2008 (adjustment coefficient: 0.9727).
(2) Number of shares (excluding treasury stock) after creation of 3 976 826 shares on May 7, 2008, following the payment of dividends in the form of shares and the issue of 23 744 918 shares following the capital increase on December 2, 2008.

management report financing policy

E. Financing policy

In many respects, 2008 was a challenge for all companies where financing was concerned: credit became tighter, credit spreads widened, interest rates were stressed – at least over the first 9 months of last year – and the capital markets were extremely volatile. Indeed, the corporate bond markets were virtually shut down.
Against this backdrop, Klépierre's top priorities were to preserve its financing capacity, secure the cost of financing, and consolidate its financial structure. In pursuit of these goals, Klépierre negotiated nearly 1.4 billion euros of new borrowing, maintained 83% of this debt hedged against changes in interest rates, and also reinforced its own equity via two rights issues, for a total of 487 million euros. With available credit lines of 480 million euros, a cost of debt at 4.4%, and financial ratios that are in line with its banking covenants (LTV 47.9%, ICR 2.9), Klépierre has the degree of financial flexibility it needs to fund its development program for the year 2009.

I. FINANCING RESOURCES

Change in net debt

Consolidated net debt of Klépierre rose to 7 085 million euros on December 31, 2008, up from 4 652 million euros on December 31, 2007 [7].
This 2 433 million euro increase is attributable to the following items:
- the principal financing requirements for the period were generated by investments (1 717 million euros, including 601 million euros to acquire the 56.1% equity interest in Steen & Strøm), as well as by the payment of the dividend for 2007 (169 million euros);
- resources were divided between the free cash flow for the period, disposals (140 million euros), capital increases (131 million euros were raised in May via the stock in lieu of dividend offer, and 356 million euros were raised in December [8]), the equity participation of partners in development projects and, for the remainder, the increase in financing debt;
- the assumption of the net debt of Steen & Strøm contributed 1 602 million euros to consolidated net debt for 2008.

Resources available

The sources of financing were broadly diversified over the year:
- the acquisition in March of the assets of Verona and Lonato in Italy was partially financed via finance leases, for which the outstanding principal due on December 31, 2008 was 68 million euros (for Klépierre);
- in April, Cecoville (France) refinanced one of its assets with a property finance lease with a 12-year term, for a total of 70 million euros;
- in June, Klépierre contracted a 3-year loan of 750 million euros, syndicated with 6 banks and featuring the usual financing covenants;
- in early July, the Italian subsidiaries GC Assago and GC Collegno set up two 7-year mortgage loans for a total amount of 125.7 million euros;
- in October 2008, a 4-year line of credit worth 400 million euros was contracted with BNP Paribas.

By raising this debt, Klépierre was able to meet a major refinancing obligation in July 2008 without difficulty: the redemption of a 600 million euro bond issued in 2001 (6.125%).
On December 31, 2008, the Group had unused lines of credit totaling 480 million euros, of which 26 million euros for Steen & Strøm. In addition, Steen & Strøm negotiated around 126 million euros in new lines of credit that will be available in 2009.

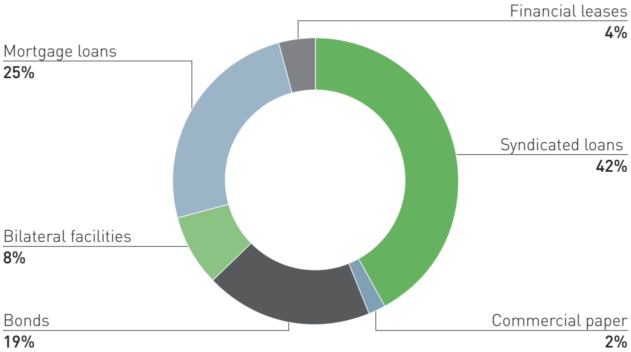
Structure and duration of the debt

The main changes in the structure of the Group's debt relate to the consolidation of Steen & Strøm liabilities, which are entirely denominated in local currencies and raised in the Scandinavian credit markets (Norway ~50%, Sweden and Denmark ~25% each), as well as to a decrease in the percentage of global debt in the form of bonds, after the 600 million euro bond was redeemed.

(7) Does not include reappraisal of debt related to Fair Value Hedge swap.
(8) Net proceeds of 349 million euros.

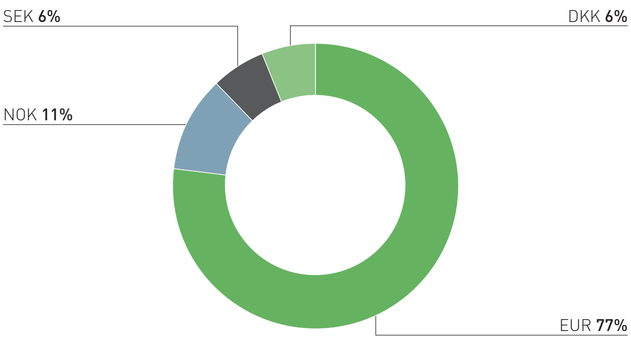
Klépierre's Financing breakdown – by type of ressources

Utilizations – in millions of euros



Klépierre's Financing breakdown – by currency

Utilizations – in millions of euros



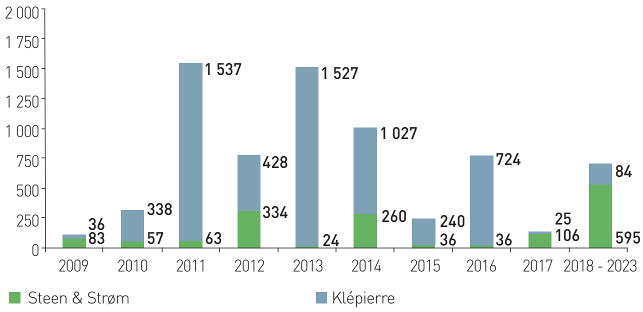
For the year ended December 31, 2008, net debt for Steen & Strøm came to 1 602 million euros. In the past, Steen & Strøm has generally financed its growth by contracting mortgage loans, which accounted for around 93% of its financing arrangements on December 31, 2008. The rest was divided between two bond issues in Norwegian kroner (around 72 million euros), commercial paper (around 21 million euros, also in Norwegian kroner), and approved bank overdrafts (around 21 million euros).

Most of this debt is floating rate, with attractive spreads and in local currency for protection against the forex risk, offering long maturities (11.6 years on average on December 31, 2008).

The average duration of the Klépierre Group's debt was 6.3 years on December 31, 2008. The Group's next significant financing due date is in 2011.

Financing of Klépierre's Group – by due date

Autorizations – in millions of euros



Reinforcement of shareholders' equity

In 2008, Klépierre asked its shareholders to choose between a cash dividend payout and a share option, in respect of fiscal year 2007. Because 77.3% of its shareholders chose the share option, Klépierre carried out a capital increase for a total net amount of 131 million euros in May 2008.

In December, a second rights issue – for 356 million euros – was carried out for 15 euros per share and an exchange rate of one new share for 6 existing shares. The net proceeds (349 million euros) were used to partially refinance the price paid to acquire Steen & Strøm (a deal that was initially debt financed).

The aim of this issue was to strengthen the financial structure of Klépierre while increasing the level of funds available for its development program.

In an extremely difficult market (the EPRA Europe index lost 21% during the subscription period and the Klépierre stock price fell by 17%), Klépierre made every effort to interest shareholders in this rights issue and minimize their dilution – preferential rights were maintained and the subscription price was set with a discount that was reduced compared with comparable transactions during the period (22% on the stock price ex-right).

The marketing effort was also intensive and included letters to individual shareholders and meetings with investors.

In the end, 88.3% of the company's shareholders opted for their full share of rights to the issue and total demand, including allocation on a reducible basis, was oversubscribed (138.7%).

II. INTEREST RATE HEDGING

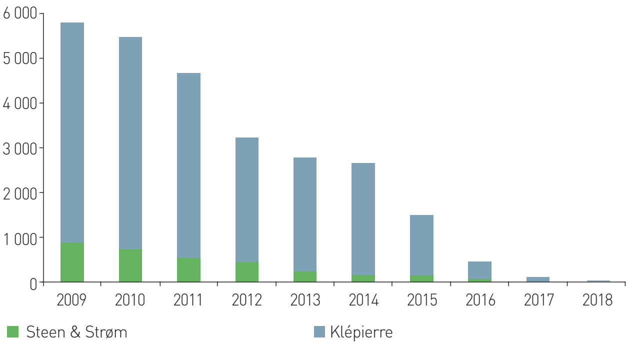
On December 31, 2008, after hedging, 83% of Klépierre's debt is fixed rate, due on average in 4.7 years and offering an average fixed rate of 3.8%.

Klépierre increased the level of its debt hedged in euros, from 79% at the beginning of the year to 89% on December 31, 2008. In doing so, Klépierre entered into 1 800 million euros of new swaps intended to hedge the investments financed in 2008, but also to extend the duration of its hedges: a 100 million euro swap due in December 2008 was extended for 7 years. 300 million euros of swaps with deferred start dates were also contracted to extend existing swaps due in December 2009.

The average duration of fixed-rate debt was 4.9 years on December 31, 2008. Steen & Strøm raised the level of its hedged debt from 33% on June 30, 2008 to 59% on December 31, 2008. The underlying transactions were mostly carried out in the last quarter of 2008, when interest rates relaxed significantly.
60% of financing stated in Norwegian kroner is hedged (the rate is 77% for financing in Swedish kroner and 42% for Danish kroner). For all foreign currencies, the average duration on Steen & Strøm's hedges is 3.4 years.

INTEREST-RATE HEDGING PROFILE

Average annual amount of swaps, options and fixed rate debt – in millions of euros



III. FINANCIAL RATIOS AND RATINGS

The change in the principal financial ratios is summarized below. The Group remains within the thresholds specified in its financing agreements.

Financing	Ratios/covenants	Limit	12.31.2007	12.31.2008
Club deals, syndicated loans and Klépierre SA bilateral loans	Net debt /value of holdings (Loan To Value)	≤ 52%; 55% on a test[1]	41.1%	47.9%
	EBITDA/Interest expense	≥ 2.5	3.3	2.9
	Secured financing debt /value of holdings	≤ 20%	3%	14%
	Value of holdings, Group share	≥ 9 billion euros[2]	10.0 Bn€	12.3 Bn€
	Ratio of financing debt of subsidiaries (excluding Steen & Strøm) to gross total debt[3]	≤ 30%	15%	13%
Klépierre SA bonds	Percentage of debt secured by assets pledged as collateral to third parties/RNAV[4]	≤ 50%	5%	24%

(1) The contracts in force allow Klépierre to surpass the upper threshold of 52% (up to 55%) during a half-year test and until the following test, pursuant to certain causality criteria (acquisition or significant asset impairment).
(2) Threshold of the Group's most stringent credit agreement.
(3) Excludes Steen & Strøm debt without recourse for Klépierre and decrease in cap from 33% to 30% were negotiated prior to the acquisition of Steen & Strøm.
(4) Revalued net assets including duties after deferred taxes.

Around 32% of Steen & Strøm's debt is subject to a financial covenant that requires shareholders' equity of at least 20% of revalued assets on its balance sheet. On December 31, 2008, the ratio was 31.6%.
In November 2008, Standard & Poor's confirmed the BBB+/A2 rating of Klépierre (long and short term, respectively). The outlook associated with this rating was revised from positive to stable.

IV. COST OF DEBT

The historic cost of Klépierre's debt (ratio of interest expense to average financing debt) was 4.6% in 2008, compared with 4.4% for all of 2007. This rise primarily reflects the impact of assuming the debt of Steen & Strøm which only increased the level of its hedged debt at the end of the year and thus was directly penalized by the very high short-term interest rates, especially for the Norwegian krone. The average cost of debt for Steen & Strøm in 2008 was 6.0%. Swaps acquired in late 2008 and falling short-term rates should enable Steen & Strøm to make a substantial reduction in the cost of its debt as of 2009. Calculated on the basis of the financial structure and rates on December 31, 2008, the cost of debt for Steen & Strøm was 4.4%.
On December 31, 2008, the total cost of debt for the Klépierre Group, calculated on the same basis, was also 4.4%. In the event of a 100bp rise in rates, it would increase by about 17bps, with an annual impact on the cost of debt of around 12.5 million euros.

F. Human resources

I. A STRONGER EUROPEAN PRESENCE

Klépierre has 1 516 employees working out of 12 countries in Europe. Of the total, 63% are based outside of France. The acquisition in October 2008 of an equity interest in the Scandinavian property owner, manager and developer Steen & Strøm bolstered this dominant position in Europe, adding 3 additional countries of operation and 439 employees, and offering real estate assets valued at nearly 2.5 billion euros.
The Klépierre Group's workforce is decidedly female (54% of all employees), including management positions (41% of its managers are women). The average age of its workforce is a relatively young 39, and the Group continues to actively recruit employees over 40.
An effort was made groupwide to detect promising talent as part of the annual updating of the succession plans in place at each company. In addition, individual interviews were conducted when Group human resources representatives visited each country. The executive committee also tracks promising talent when salary reviews, succession planning and mobility committee meetings are conducted.
All processes required to ensure adequate management and reporting are now in place: skills assessment and career planning based on a shared resource, individualized data for each employee, workforce budget.
While local management is given broad latitude to apply their knowledge of local specificities, the Group Human Resources Department offers its expertise in human resource practices and management, on both the individual and the collective levels.

II. A SOCIALLY RESPONSIBLE GROUP

Klépierre supports and pursues workforce diversity and employee retention. At the European level, recruitment efforts continued to grow in 2008: 265 new employees were hired under open-ended agreements, including 145 women. The Group also hired 4 disabled workers on an open-ended basis, in an effort to catch up in terms of integrating those with disabilities into the workplace.
The use of temporary labor remains scarse, with a full time equivalent of 14.4 temporary workers per month on average in Europe (1.2% of the average staffing level). The absentee rate is 1.3% (excluding maternity leave), and access to training is 71%.

The training offered by Ségécé Campus, a corporate university, continues to be quite popular with employees. Dedicated to the specific core businesses of Klépierre, the courses offered by the university totaled 932 last year and, for the first time, Ségécé Campus welcomed 14 employees from Portugal and Poland. Cross-business training offered outside the framework of Ségécé Campus, mainly concern the practice of foreign languages, continuing education for legal professionals, office tools skills and management classes.

With more than 854 career path interviews conducted in the past two years, both Group human resources and the company are pursuing efforts to get to know the workforce and identify opportunities for in-house career advancement and promotions. A total of 53 employees were thus able to change jobs in the course of 2008. A positive dialogue with all managers, based on professional assessments, led to a review of pay adjustments during which 2.7% of all increases were

management report human resources

distributed to reward individual performances. In addition, variable pay can reach up to 30% of the annual salary for employees whose job is primarily sales oriented.
In the course of the year, Klépierre signed an agreement to grant a general wage increase of 2%. The same agreement calls for the distribution of a budget whose aim is to reduce the wage gap based on gender. It was used to address the disparities of 6 people in the company.
In addition to employee bonus and profit-sharing arrangements, the labor agreements in place employees to invest in various employee savings plans and the BNP Paribas capital increase, receiving an employer's matching gift.
A company-wide agreement related to the management of employee skills and employer staffing needs was also signed. Its aim is to improve the management of employee skills and employability. Within the framework of this negotiation, special focus was given to employing older workers.

Workforce at December 31, 2008	Male			Female			Total	Total managers	% managers
	managers	Non managers	Total	managers	Non managers	Total			
France	212	14	226	173	165	338	564	385	68.3%
Denmark	31	64	95	24	35	59	154	55	35.7%
Spain	60	0	60	34	28	62	122	94	77.0%
Greece	2	0	2	1	0	1	3	3	100.0%
Hungary	5	44	49	1	77	78	127	6	4.7%
India	1	0	1	0	1	1	2	1	50.0%
Italy	11	47	58	1	59	60	118	12	10.2%
Norway	13	107	120	2	81	83	203	15	7.4%
Poland	16	3	19	14	24	38	57	30	52.6%
Portugal	3	10	13	2	33	35	48	5	10.4%
Czech republic	4	2	6	5	25	30	36	9	25.0%
Sweden	7	38	45	0	37	37	82	7	8.5%
Sub-total International	**153**	**315**	**468**	**84**	**400**	**484**	**952**	**237**	**24.9%**
TOTAL	**365**	**329**	**694**	**257**	**565**	**822**	**1 516**	**622**	**41.0%**

Perimeter: Permanent and fixed-term contracts, excluding trainee and qualifying contracts.
Expatriates are included in the welcoming countries' figures.

G. recent trends outlook and risk factors

I. RECENT TRENDS AND OUTLOOK

To the best of management's knowledge, no significant events have occurred since the year-end closing for 2008.
With index-linked rent adjustments still trending positively in all of the countries where the Group operates, Klépierre should see continued rental upside in 2009. Similarly, lease renewals and relets are expected to continue to generate additional rent, as was the case in 2008 for most countries. On a current portfolio basis, growth will be driven by the full-year contribution of the acquisitions made in 2008, and more specifically the one of the Steen & Strøm.
After a year marked by a very active acquisition program, Klépierre intends to consolidate its holdings in 2009 by limiting new developments and conducting an ambitious disposal program. These divestments will reduce the Group's debt and, in so doing, will offer additional financial latitude.
The Group has committed to a program of divestment over the next 18 months totaling a billion euros and encompassing both office and shopping center properties. With respect to the latter, preference will be given to partial sales to institutional investors.
Klépierre plans to limit its investments to around 800 million over the 2009-2010 period, on projects that are already committed. In fiscal year 2009, outlay is expected to reach around 600 million euros, which will be financed via the generation of cash flow for the period and lines of credit already granted; its comprises mainly c. 270 million euros to be spent in France and 130 million euros for Steen & Strøm.
In 2009, net current cash flow, group share, should attain double digit growth. However, per share and in light of the number of new shares issued in 2008, the increase in this indicator is expected to be flat for the period.

II. RISK FACTORS

Risks related to Klépierre's strategy and activities

Risks related to the wider 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 the Group operates are likely to impact in the longer term on Klépierre business levels, rental income and real estate portfolio value, and therefore shape its investment and new asset development policy, and ultimately, its growth prospects.
Klépierre business levels are influenced by the level of economic and consumer activity, as well as by interest rates and the indices against which rents are indexed:

- the general economic environment is therefore likely to encourage or depress demand for new retail space, and therefore affect the growth prospects of the Klépierre shopping center portfolio (in terms of the construction of new centers, extension of existing centers and the acquisition or disposal of existing centers). 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 rental income, as could any change in the indices used for this purpose. With effect from 2009, a new index called the Indice des Loyers du Commerce or ILC (Commercial Rents Index) may be adopted in France by agreement between the parties. The ILC is a compound index published by INSEE (the French National Institute for Statistics and Economic Studies) derived from its ICC construction cost index (25%), the ICAV Retail Sales Turnover Index (25%) and the IPC Consumer Process Index (50%);
- the ability of Klépierre to increase rents – or even to maintain them at current levels – at the point of lease renewal depends principally on its tenants' current and forecast sales levels, which in turn depends in part on the condition of the economy;
- tenants' sales trends also impact on the variable element of rents;
- any prolonged worsening of economic conditions could also result in an increase in unlet units in Klépierre centers, which would have a negative effect on Group rental revenue and operating income as a direct result of the loss of rental revenue and the increase in non-billable expenses where vacant premises require repairs and renewals before they can be remarketed. These costs cannot be passed on to tenants;
- the profitability of Klépierre's real estate letting activities depends on the solvency of those tenants. During periods of difficulty in the economy, tenants may delay payment of rent, fail to pay rent at all or even encounter financial problems that would cause Klépierre to review tenancy conditions.

In terms of Klépierre rental revenue and the Company's income, the value of its portfolio, its financial status and its growth prospects could all be impacted in the event of unfavourable trends in any or all of these factors.

management report risk factors

Real estate markets are cyclical, which could limit the ability of Klépierre to acquire or dispose of real estate assets under the best possible conditions

The value of the Klépierre portfolio depends on conditions in the commercial real estate market generally, shopping centers in particular and, to a lesser degree, office buildings. Conditions in any real estate market fluctuate periodically and depend on the balance between supply and demand, competing investment opportunities (financial assets, level of interest rates) and the economic background in general. Economic and real estate market cycles are difficult to predict. Klépierre may not always execute its investments and divestments at the most opportune time or may have to postpone contemplated investments or divestments. In overall terms, a downturn in the real estate market could have a negative effect on the company's investment policy and investment decisions, as well as on the development of new assets, the value of its asset portfolio, the conduct of its business, its financial status, its operating profits 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 funding, and therefore on the business itself. Notably:

- the Company plans to cover a significant part of its short-term funding needs by selling existing real estate assets. In unfavourable market conditions, these assets could take longer to sell and achieve lower prices than would otherwise be the case. This could limit the flexibility of Klépierre in the way it implements its growth strategy and conducts its business;
- since the company is bound by certain covenants contained in the agreements signed by Klépierre and its subsidiary companies; some of these covenants relate to asset values. Unfavourable market conditions may reduce the value of Group assets, making it more difficult for the Company to comply with the financial ratios fixed in 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 persuade lenders to amend certain loan agreement provisions.

Many of the Company's real estate assets depend on leading retail chains to attract customers, and could therefore be unfavourably impacted by the departure or failure of one or more of these tenants and/or a trend towards concentration of such retail operators.

The Group's shopping centers are often supported by one or more leading retailers. The presence of these major chains and their ability to attract consumers may have an important effect on customer footfall and frequency, and therefore on the income of all shopping mall tenants as a result of the major attraction exerted by certain chains, and especially retail chains, in some centers. A decline in the attractiveness of such chains, 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 reletting the vacated premises could result in a decline in popularity of the shopping center concerned, and a decline in sales volumes for neighboring units, which would have a significant negative effect on the total rental income from certain centers, and therefore the financial status and growth prospects of the Group.

Risks related to lease renewals and the letting of real estate assets

When existing leases expire, and depending on macroeconomic and market conditions, Klépierre could find itself in the position of being unable to let or re-let vacant units within an acceptable period and/or under conditions as favourable as those offered by current leases. The Company may not be able to attract sufficient tenants or high-profile retail chains into its shopping centers, and may not be successful in maintaining occupancy rates and rent revenues at satisfactory levels. The inability to let or re-let premises and/or renew leases under satisfactory conditions and within acceptable periods could have a negative impact on Klépierre revenue, operating income and profitability. Where several assets have been acquired at the same time, it is likely that the corresponding leases will expire at the same time. This simultaneous expiry of leases is likely to increase the risks related to lease renewal, and therefore impact on Klépierre cash flow.

The business activity of Klépierre involves risks related to the development of new real estate assets

Klépierre does engage real estate development activities from time to time for its own account. This aspect of its business poses the following significant risks:

- the cost of construction may turn out to be higher than Klépierre's initial assessments: the building phase may take longer than expected, technical difficulties or completion delays may be encountered due to the complexity of some projects, and the prices of construction materials may evolve adversely;
- Klépierre investment (in new projects, renovations and extensions) is subject to obtaining the necessary official permissions, which may be granted to Klépierre and/or its partners later than anticipated or even refused;
- Klépierre may require the consent of parties, such as leading retail chains, lenders or associates partnership developments, and these consents may not be given;
- Klépierre may fail to obtain satisfactory funding for its projects;
- upfront costs (such as costs of feasibility studies) cannot normally be deferred or cancelled in the event of projects being delayed or abandoned.

The real estate development and investment risks referred to may then 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 the company's financial results.

Risks related to the marketing of sites

Klépierre is responsible for the marketing of the shopping malls and other real estate assets it acquires, and therefore bears the risk of any marketing failures. Klépierre may encounter difficulties in securing retail chain tenants that are both attractive to consumers and prepared to accept the level and structure of rents that the Company requires, particularly when marketing its newly-developed centers. The commercial real estate sector in which Klépierre operates is a rapidly-changing business environment in which change is driven by customer demand. The possibility cannot be ignored that at some future time Klépierre may not be able to tenant its centers with a portfolio of retail chains sufficiently attractive to ensure high occupancy rates and the opportunity to achieve high rental yields. This could in turn affect the business volumes and operating results of Klépierre.

There are many other companies involved in the markets in which Klépierre operates, and competition may impact on the company's profitability

The Company's rental activities operate in a highly competitive market. 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, renovations or extensions to competitor shopping centers may impact unfavourably on the Company's ability to let its commercial premises, the rent levels it can charge and its financial results.
As part of its portfolio management business, the Company competes with many other players, some of which have more significant financial resources and larger portfolios. These companies, as well as independent operators, may also enjoy better regional or local locations than Klépierre. Having the financial leverage and ability to undertake large-scale development projects from their own resources gives the market's largest players the opportunity to tender for development projects or asset acquisitions offering high profitability potential at prices that do not necessarily need the investment criteria and acquisition objectives set by Klépierre.

Risks related to the estimation of asset values

Klépierre calculates its net revalued assets per share at December 31 and June 30 every year. The measurement method used is as follows: calculating the unrealized capital gains (or losses) held in the Klépierre portfolio arising as a result of the difference between the independently-appraised market value and the net carrying value shown in the consolidated accounts, and adding these to (or deducting them from) consolidated balance sheet equity. The independently-appraised market value depends on the relationship between supply and demand in the market, interest rates, the wider economy and many other factors likely to vary significantly in the event of poor shopping center performance and/or a downturn in the economy.
The IFRS carrying value of the company's portfolio is based on the asset acquisition cost. It is not immediately adjusted to reflect fluctuations in market value, and cannot therefore reflect the effective realisable value of the portfolio. The appraised value of its assets may not therefore reflect their realisable value in the event of disposal, which could have a negative impact on the Group's financial status and operating results.

The international dimension of Klépierre poses a number of risks

Klépierre owns and operates shopping centers in 13 countries of continental Europe. Some of the countries in which Klépierre operates may have a higher risk profile than that of the Company's historic markets (France, Spain and Italy). The economic and political status of these countries may be less stable, their regulatory frameworks and tariff barriers may be less favourable and business may be conducted in more volatile local currencies. The risks posed by individual countries, combined with a failure to manage those risks effectively, may have a negative impact on the operating income and financial status of Klépierre.

Acquisition risks

The acquisition of real estate assets or companies owning such assets is part of the Klépierre growth strategy. This policy poses the following significant risks:

- Klépierre could overestimate the expected yield from these assets, and therefore acquire them at too high a price compared with the funding put in place to facilitate such acquisitions, or be unable to acquire them under satisfactory conditions, especially where the acquisitions are made via a competitive tendering process or in a period of significant economic volatility or uncertainty;
- where an acquisition is financed by the disposal of other assets, market conditions or unfavourable time periods could delay or compromise the ability of Klépierre to complete the acquisition;
- the assets acquired could contain hidden defects, such as subletting, violations by tenants of applicable regulations (and particularly environmental regulations) or a failure to comply with the construction plans which would not be covered by the guarantees contained in the contract of sale;
- Klépierre could also encounter difficulties in incorporating a new acquisition as a result of its impact on the Company's internal organisational structure (IT, human reseources, etc.).

Klépierre may be required to make payments to CNP Assurances and Écureuil Vie if these companies exercise their rights of exit, as provided for in the partnership agreements signed with Klépierre

Klépierre owns a significant proportion of their shopping centers in France, Spain and, to a lesser degree, Italy and Greece under the terms of a series of partnership agreements signed with CNP Assurances and Écureuil Vie. The shareholders' agreement provides for the usual minority protections: pre-emptive share right, joint exit right, decision process in case of investment or disinvestment. Each of the agreements contains two additional clauses:

- one in favour of Klépierre: obligation of minorities to exit at the request of Klépierre in the event of the sale of Klécar's assets to a third party;
- the other in favour of minorities: process enabling the latter, in 2011, 2016 and 2017 for Italian companies and 2010, 2014 and 2015 for the other malls to consider different exit scenarios:

– assets sharing or sale;
– outright purchase by Klépierre of minority securities (no obligation for Klépierre);
– sale to a third party with payment of a discount by Klépierre if the offer is less than the Revalued Net Asset.

In the circumstance where minority partners decide to exercise their right of exit, and Klépierre is not in a position to acquire their holdings, with the result that those minority partners sell their holdings to a third party at a price below that of the net revalued asset value of the underlying assets, Klépierre would be obliged to compensate them for any shortfall (which could be equivalent to 20% of the net revalued asset value of the underlying assets).
In the event of a significant shortfall, the obligation to make the equivalent payments in compensation could have a negative impact on Klépierre liquidity, and could require the Company to defer or cancel other investments.

Risks related to Steen & Strøm

Risks relating to the shareholding structure of Steen & Strøm

Steen & Strøm is owned 43.9% by ABP Pension Fund, and 56.1% by Klépierre. The percentage equity holding, together with certain provisions contained in the shareholder agreement between the two shareholders, gives ABP Pension Fund significant influence in certain areas of strategic decision-making, such as major investment and disinvestment 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 right of veto over these decisions. It may be the case that the interests of ABP Pension Fund and Klépierre may differ in the case of some Steen & Strøm development decisions. The successful development of Steen & Strøm therefore depends on a certain measure of goodwill between its shareholders. The possibility of some divergence of approach occurring between the shareholders cannot be excluded, or that their relationship may deteriorate in more general terms, which could disrupt the operation of Steen & Strøm, causing a negative impact on the results, financial status and prospects of Klépierre.

Risks related to Klémurs

If the value of the Klémurs portfolio were to diminish, Klémurs could be forced to raise additional capital or to cancel planned acquisitions or development projects in order to maintain the financial ratios required under the terms of loan agreements

The loan agreements entered into by Klémurs provide for a maximum Loan To Value ratio (net financial debt to appraised asset value) of 65%. If the value of the Klémurs portfolio were to diminish, this limit could be reached, thus limiting the ability of Klémurs to obtain additional borrowing to fund acquisitions or development projects. Klémurs could also be forced to raise additional capital to comply with theses covenants. Although Klépierre has no contractual obligation to increase its equity holding in Klémurs, any failure to do so could lead to the dilution of Klépierre's holding in Klémurs, and compromise the ability of Klémurs to raise capital.

The Buffalo Grill restaurants account for a significant proportion of Klémurs' assets, so any financial difficulty experienced by Buffalo Grill could impact negatively on Klémurs

If Buffalo Grill were to suffer financial problems or be the subject of bankruptcy proceedings or a compulsory winding up order, the value of these assets would fall. Klémurs would be unlikely to be able to relet these assets, even under unfavorable conditions. This would have a negative impact on Klépierre revenue and operating income.

Risks related to Klépierre's financing policy and financial activities

The exposure of Klépierre to the full range of financial risks and the policy it applies to hedge against those risks are described in greater detail in Note 7 of the Notes to the Klépierre Consolidated Financial Statements at December 31, 2008 (page 155 and subsequent).

Liquidity risk

Klépierre's strategy depends on its ability to raise financial resources, either debt 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 heavily on debt to fund its growth. This method of funding may not be available under advantageous conditions. This situation could arise in the event of a crisis in capital markets or bond markets, the occurrence 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 activities, financial status or shareholding profile of Klépierre capable of influencing the perception that investors or lenders have of its creditworthiness or the attraction of investing in the Group. The exceptional and significant disruption currently affecting the primary and secondary bond markets and the general downturn in the wider economy could result in a shortage of sources of borrowing under favourable conditions, which could, in turn, limit the ability of the Group to grow through acquisition, through the development of new assets or through the extension of existing assets.
At December 31, 2008, Klépierre complied fully with all the commitments made under its funding contracts. Quantified illustrations of its financial latitude in respect of its financial covenants are shown in Note 7.2 of the Notes to the Consolidated Financial Statements on pages 158 and 159.

The significant level of debt carried by Klépierre could affect its business, whilst the servicing of this debt exposes the Company to risks specific to fluctuations in interest rates

Klépierre is 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 serviced. If this were to occur, the result could be a faster rate of repayment or early repayment and the calling in of any guarantees given, with the added possibility of the assets concerned being seized.
The significant level of debt carried by Klépierre exposes the Company to the risk of interest rate fluctuations:

- the interest charges paid by Klépierre on its variable rate borrowings could therefore rise significantly;
- a significant rise in interest rates would have an impact on the value of the Company's portfolio inasmuch as the rates of yield applied by real estate appraisers to the rentals of commercial buildings are determined partly on the basis of interest rates. Consequently, any significant rise in interest rates could reduce the appraised value of the Company's portfolio;
- Klépierre uses derivative instruments to hedge interest rate risks, such as swaps, 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 the Company fully against the risk posed by interest rate fluctuations. The measurement of derivatives also varies depending on interest rate levels, is reflected in the Klépierre balance sheet, and may also 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 contracts could expose the Company to additional risks, and particularly the risk of failure of the counterparties to such contracts, which could in turn result in payment delays or defaults that would impact negatively on the results of Klépierre. Quantified illustrations of the effects of interest rate fluctuations before and after hedging are given in Note 7.1 of the Notes to the Klépierre Consolidated Financial Statements at December 31, 2008 (page 156).

Klépierre is obliged to comply with the covenants and other commitments contained in loan agreements, which could restrict the flexibility of Klépierre in conducting its business, because any failure to comply could constitute a default triggering early loan repayment

In addition to the usual covenants and commitments, the loan agreements entered into by Klépierre also contain covenants obliging the Company to comply with certain specific financial ratios, as detailed in section E "Financial policy" on page 30 and subsequent. Compliance with these commitments could reduce the flexibility of Klépierre in conducting and continuing to grow its business, and could impede or even prevent some acquisitions. If Klépierre were to fail in any one of its financial commitments and be unable to remedy that failure within the time allowed in the loan agreement, the lenders could demand early repayment of the loan, and call in any guarantees given, with the added possibility of the assets concerned being seized. 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 commitments contained in other loan agreements (unless any shortcoming is regularised within the period allowed). Consequently, any failure to meet financial commitments could have a negative impact on the financial status of Klépierre, its financial results, its ability to meet its obligations and its share price.

Any downgrading of Klépierre debt rating could affect its ability to borrow, its liquidity and the conditions applied to any future loan

Klépierre's existing debt is periodically rated by a rating agency. At the time this report was prepared, the Company's long-term debt was rated by Standard & Poor's as "BBB+, stable outlook", and its short-term debt as "A-2, stable outlook". These ratings reflect the ability of Klépierre to repay its debts, as well as its liquidity, gearing and general financial status, and other factors considered by rating agencies as being significant in respect of the Company's business sector and the wider economic outlook. When awarding Klépierre its BBB+, stable outlook rating in February 2009, Standard & Poor's based its decision on the following three financial ratios:

- Loan To Value ≤ 50%;
- EBITDA/Interest expense ≥ 2.5;
- net current cash flow/Net debt ≥ 7%.

These indicative levels are rated alongside other factors concerning the operational and financial profile of Klépierre. Any failure to maintain these ratios or diversions from these assumptions could result in the downgrading of the Klépierre debt rating, which could have a negative impact on the ability of Klépierre to fund its acquisitions or develop its projects under acceptable conditions, and could also increase the cost of refinancing its existing loans. Any increase in interest charges would compromise Klépierre operating income and the yield of development projects. If funding were not to be available under satisfactory conditions, the ability of Klépierre to grow its business through acquisition and development would be reduced.

Currency risk

Klépierre operates in some countries that have not yet joined the Euro area (Denmark, Hungary, Norway, Poland, the Czech Republic, Slovakia and Sweden to date). In Central Europe, Klépierre's exposure to currency risks derives from the following elements:

- local currencies may depreciate between the time rents are invoiced in euros and the time tenants pay those rents, creating translation losses for Klépierre. In addition, a few leases (chiefly in Scandinavia) are not invoiced in euros, but in dollars or local currencies, creating additional risk with respect to the amount actually collected 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 portion of subsidiary expenses are stated in the local currency, while their income (fees) is in euros, any appreciation in the local currency could reduce operating profit;
- since invoices are usually denominated in euros, 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 rental income.

In Scandinavia on the other hand, leases are denominated in local currencies, as is funding. Fluctuations in the value of local currencies still impact on the levels at which local financial statements are converted into euros and incorporated in the consolidated financial statements of Klépierre. Klépierre is also exposed to the net investment value represented by the acquisition of 56.1% of Steen & Strøm equity, which is equivalent to approximately 601 million euros.

Counterparty risk

When Klépierre uses derivative instruments such as swaps to hedge a financial risk, Klépierre's counterparty may owe Klépierre some payments during the lifetime of the instrument. Insolvency of that counterparty may lead to delay or default in such payments, which would have an adverse impact on Klépierre's results.
Klépierre is also exposed to counterparty risks on its short-term financial investments.
Procedures for monitoring risks and systems set up internally to limit and manage them are presented in the notes to the consolidated financial statements.

Legal, tax and regulatory risks

Any change in the applicable regulations could have a negative effect on the business activities of Klépierre

As an owner and manager of real estate assets, Klépierre must comply with the regulatory rules in force in all of the countries in which it operates. These rules pertain to several fields, including corporate law, health and safety, the environment, building developments, commercial licenses, leases and urban planning. Changes in the regulatory framework may require an adaptation in Klépierre's business activity, assets or strategy. Klépierre may also be subject to sanctions in the event that one or several tenants in one of its shopping centers fail to comply with applicable standards. The regulatory risks described above could impose additional costs on Klépierre; costs which could have a negative effect on its business, results and financial status, as well as the value of its asset portfolio.

The legal or regulatory provisions applying to leases and the changes made to leases may have a negative effect on the business of Klépierre

In certain of Klépierre's operating countries, and especially France, the contractual conditions applying to lease periods, lease voidance, lease renewal and rent indexation may 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 very lengthy.
Any change to the regulations applying to commercial leases, and particularly their period, the indexation and capping of rents or the way in which eviction penalties are calculated, could have a negative effect of the value of the Klépierre asset portfolio, as well as the Company's operating results and financial status.

Risks relating to the SIIC tax status

Since the Company has SIIC status, it is subject to a special tax regime, referred to as the "SIIC régime". Under this regime, the Company is exempt from corporate income tax, as long as it distributes that part of its profits generated from letting its buildings, any capital gains made on the disposal of buildings and certain holdings in real estate companies and certain dividends. Although there are significant benefits involved in adopting SIIC status, it is a complex regime that poses certain risks for the company and its shareholders, which are described below.

In order to retain the benefits of SIIC status, the Company must distribute a significant proportion of its profits, which may affect its financial status and liquidity.

In order to retain the benefit of the tax exemptions granted under the SIIC regime, the Company must distribute a significant proportion of its profits. Failure to comply with this obligation during a fiscal year would result in the exemption being withdrawn for that year.

The Company would lose the benefit of SIIC status if several of the Company's shareholders (where these are non-SIIC status companies) acting in concert were to hold 60% or more of the company's shares or voting rights on or after January 2010.

If a shareholder or group of shareholders (other than companies with SIIC status) in the Company were to act in concert to hold, whether directly or indirectly, 60% or more of the company's shares or voting rights on or after January 1, 2010, the company would lose the benefits of SIIC status for those fiscal years during which the 60% upper limit was exceeded. The Company currently does not expect that any of its shareholders will directly or indirectly hold 60% or more of its shares on or after January 1, 2010. Nevertheless, the Company cannot guarantee that market trading in its shares or shareholders acting in concert will not have the effect of exceeding this 60%, resulting in the loss by the company of its tax exemptions under the SIIC regime. Furthermore, such circumstances could also result in preventing any change of control of the company and/or discouraging any offer for its shares.

The Company is exposed to the risk of future changes being made to the SIIC regime or future interpretation by the French tax and accounting authorities of the conditions governing the regime.
The conditions governing the entitlement to benefit from the SIIC regime and the tax exemptions it offers could be modified as a result of future legislation or interpretation by the French tax authorities.
Some provisions introduced recently by the legislator had yet to be commented on by the relevant authorities at the time of publication of this report. For example, the 20% deduction introduced by the Amending Finance Act of 2006 (see page 61 Klépierre tax status) have yet to be commented on. The Company cannot therefore guarantee what kind of interpretation may or may not be brought forward by the French tax authorities. Furthermore, there are uncertainties regarding the accounting treatment of the 20% deduction and the effectiveness of the statutory mechanism enabling the 20% charge to be passed on to shareholders on deduction.
Future changes to the SIIC regime or interpretation of its provisions could have significant negative impact on the Company's business, financial status and results.

Legal intelligence

Klépierre's legal and support departments work in partnership with outside consultants to ensure that information on new laws and regulations that could have a material impact on the Group's financial condition and its business development is captured, processed and disseminated throughout the Group. This intelligence-gathering extends to legislation and regulations in every country in which the Group has equity interests.

Environmental risks

Some environmental risks could reduce the value of Klépierre assets

In every country in which it operates, Klépierre must comply with environmental laws pertaining to the presence or use of hazardous or toxic substances, the use of facilities that could generate pollution, public health issues, including epidemics (especially for shopping centers), ground pollution and flooding.
The families of risks identified could have a range of different consequences:

- health risks resulting, for example, from internal pollution posing a hazard to users and neighbors. A failure of this kind would have immediate local consequences in terms of customer numbers, reduced sales for retailers and the loss of rent for Klépierre on the site concerned, as well as impacting negatively on the image of the Group;
- depending on its intensity, extreme weather could also impact on the business activity of one or more assets. Exceptional snowfall could, for example, result in buildings being evacuated or pose a structural risk resulting in cessation of trading on a given site;
- any failure to comply with security measures or control procedures could result in an official shutdown of the site, with localised consequences for the future of the business and image of the site concerned;
- an environmental disaster caused by human error could reflect badly on the image of the Group and its management. Damage caused to the image of the company as a result of an environmental disaster is a risk whose potential consequences are hard to quantify;
- 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 to remove and clean up any such contamination found;
- the existence of contamination or neglecting to take the correct measures to remove such contamination are also likely to have a negative effect on the ability of Klépierre to sell, let or refurbish an asset or to use the asset as security for a loan.

Insurance risks

Changes in global and European economic and financial trends could affect the nature of insurance cover

The main purpose of insurance is:

- to protect the capital value of the Klépierre portfolio and the cash flow generated as a result of its operation. The majority of the cost of this insurance is rebilled to tenants;
- to cover those risks inherent in Klépierre's real estate development activities.

However, "all risks" cover does not apply where the non-covered risks are residual or originate in a deliberate and criminal act by the insured. Klépierre does its utmost to ensure that the policies it contracts are as comprehensive and affordable as possible.
In the same way as a series of exceptional claims, the current economic and financial crisis may reduce the cover offered under insurance policies and increase premiums to the point where all or part of these increases may not be able to be rebilled to tenants, or begin to impact on development budgets.
A long-term depression in the economy could also leave buildings vacant for long periods during which insurance premiums would not, by definition, be able to be passed on to tenants. Such conditions could also result in insurers being hesitant to offer cover for development risks.
The risk of insurer insolvency cannot be excluded.

Risks related to Klépierre's shareholder base

As the principal shareholder in Klépierre, the BNP Paribas Group could increase or decrease its equity holding in the Company, and its interests may not be the same as those of the company or its other shareholders

The BNP Paribas Group holds the casting vote at annual meetings of shareholders, and minority shareholders have no power of veto over the major decisions taken by the BNP Paribas Group in relation to Klépierre. Approximately half of Klépierre's total bank borrowings are contracted with BNP Paribas. Klépierre also has many other commercial links with the BNP Paribas Group, since BNP Paribas and some of its subsidiary companies are tenants of office buildings owned by Klépierre, and are joint investors alongside Klépierre and/or other investors in some shopping centers. BNP Paribas has also granted sureties and guarantees in respect of Klépierre. Although Klépierre believes that its relationships with BNP Paribas and its subsidiary companies are reasonable, Klépierre did not implement a tendering policy prior to forming these relationships. It is possible that the economic objectives of Klépierre are not always the same as those of BNP Paribas, and that this fact could give rise to conflicts of interest. Although Klépierre believes that the likelihood of any conflict of interest is slight, the Company cannot discount it altogether, and such an event could have a negative impact on its results, financial status and/or business activity.

H. CORPORATE GOVERNANCE

To ensure transparency and to keep the public informed, Klépierre has set up a series of measures based on corporate governance recommendations, such as the creation of Supervisory Board committees and the appointment of independent Members to the Supervisory Board. The Company considers therefore that this new governance structure will enable it to comply with current corporate governance systems.

I. LIST OF OFFICES AND POSITIONS

Michel CLAIR – Business address: 21, avenue Kléber – 75116 PARIS

Chairman of the Executive Board
Date of first appointment: 21 July 1998 – Period of appointment: 22 June 2007 – 21 June 2010
Number of shares: 68 176

Chairman of the Supervisory Board:
- SCS Ségécé
- Arcol (Slovaquie)

Chairman of the Executive Board:
- Duna Plaza (Hungary)
- Krakow Plaza (Poland)
- Poznan Plaza (Poland)
- Ruda Slaska Plaza (Poland)

Chairman:
- Astria Développement
- RHVS 1% Logement

Chairman of the Board of Directors:
- Klépierre Foncier Makedonia (Greece)
- Klépierre Athinon A.E. (Greece)
- Klépierre Nea Efkarpia (Greece)
- Klépierre Péribola Patras (Greece)
- Effe Kappa (Italy)
- Finascente (Portugal)
- Galeria Parque Nascente (Portugal)
- Gondobrico (Portugal)
- Klélou-Imobiliaria SA (Portugal)
- Klénord Imobiliaria (Portugal)
- Klépierre Portugal SGPS SA (Portugal)
- Klétel Imobiliaria (Portugal)
- Cinémas de L'esplanade (Belgium)
- Coimbra (Belgium)
- Foncière Louvain-la-Neuve (Belgium)
- Kleminho (Portugal)
- Kleaveiro (Portugal)
- Capucine BV (Netherlands)
- Storm Holding Norway (Norway)
- Nordica Holdco (Sweden)
- Klépierre Luxembourg (Luxemburg)
- Klépierre Météores (Luxemburg)

Member of the Executive Board:
- Sadyba Centre SA (Poland)
- Klépierre Plzen (Czech Republic)

Member of the Supervisory Board:
- Nyiregyhaza Plaza (Hungary)
- Movement Poland (Poland)

Director:
- Les Trois Vallées
- France-Habitation
- GIE Astria
- Place de l'Accueil (Belgium)
- BPSA 10 (Portugal)
- Klégé Portugal (Portugal)
- Klépierre Nordica B.V. (Netherlands)

Permanent representative of Klépierre, director:
- Holding Gondomar 1

Managing Partner:
- Kléber La Pérouse SNC
- Kanizsa 2002 (Hungary)
- Duna Plaza Offices (Hungary)
- Bestes (Czech Republic)
- Entertainement Plaza (Czech Republic)
- Klépierre Corvin (Hungary)
- Klépierre Larissa (Greece)
- Klépierre Trading (Hungary)
- Pilsen Plaza (Czech Republic)
- Holding Klégé (Luxemburg)
- Klépierre Promenade (Hungary)

Representative of Klépierre, sole director of:
- Klépierre Vallecas (Spain)
- Klépierre Vinaza (Spain)

Representative of Klécar Europe Sud, sole director of:
- Klécar Foncier Iberica (Spain)
- Klécar Foncier España (Spain)

Jean-Michel GAULT – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Executive Board
Date of first appointment: 1st June 2005 – Period of appointment: 22 June 2007 - 21 June 2010
Number of shares: 1 689

- Permanent representative of Klépierre, member of the Supervisory Board of SCS Ségécé
- Chairman of the Board of Directors of Place de l'Accueil (Belgium)
- Chairman of the Executive Board of Arcol (Slovakia)

Member of the Executive Board:
- Krakow Plaza (Poland)
- Sadyba Centre SA (Poland)
- Duna Plaza (Hungary)

Vice-Chairman of the Board of Directors:
- Galleria Commerciale Assago (Italy)
- Galleria Commerciale Cavallino (Italy)
- Galleria Commerciale Collegno (Italy)
- Galleria Commerciale Klépierre (Italy)
- Galleria Commerciale Solbiate (Italy)
- Galleria Commerciale Serravalle (Italy)
- Klécar Italia (Italy)
- Klefin Italia (Italy)

Director:
- Cinémas de L'esplanade (Belgique)
- Coimbra (Belgium)
- Foncière de Louvain-la-Neuve (Belgium)
- Klépierre Foncier Makedonia (Greece)
- Klépierre Athinon A.E. (Greece)
- Klépierre Nea Efkarpia (Greece)
- Klépierre Péribola Patras (Greece)
- IGC Spa (Italy)
- Effe Kappa (Italy)
- Kleminho (Portugal)
- Klélou-Imobiliaria SA (Portugal)

Jean-Michel GAULT (continued)

- Klénord Imobiliaria (Portugal)
- Klépierre Portugal SGPS SA (Portugal)
- Klétel Imobiliaria (Portugal)
- Kleaveiro (Portugal)
- Storm Holding Norway (Norway)
- Steen & Strøm (Norway)
- Nordica Holdco (Sweden)
- Klépierre Nordica B.V. (Netherlands)
- Capucine BV (Netherlands)
- ICD SA (Luxemburg)
- Novate SA (Luxemburg)
- Immobiliare Magnolia SA (Luxemburg)
- Klépierre Luxembourg (Luxemburg)
- Klépierre Météores (Luxemburg)
- Klépierre Plzen (Czech Republic)
- Clivia Spa (Italy)
- Klépierre Matera (Italy)

Managing partner:
- KPSVR 2002 (Hungary)
- Holding Klégé (Luxemburg)

Claude LOBJOIE – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Executive Board
Date of first appointment: 21 July 1998 – Period of appointment: 22 June 2007 - 21 June 2010
Number of shares: 36 962

- Chairman of SAS CB Pierre
- Member of the Supervisory Board of SCS Ségécé
- Member of the Executive Board of Sadyba Centre SA (Poland)

Member of the Supervisory Board:
- Duna Plaza (Hungary)
- Arcol (Slovakia)
- Movement Poland (Poland)

Director:
- Klépierre Foncier Makedonia (Greece)
- Klépierre Athinon A.E. (Greece)
- Klépierre Nea Efkarpia (Greece)
- Klépierre Péribola Patras (Greece)
- IGC Spa (Italy)
- Clivia Spa (Italy)

Managing Partner:
- Debrecen 2002 (Hungary)
- Zalaegerszeg Plaza (Hungary)
- Miskolc (Hungary)

Non-voting board member of BNP Paribas REPM France

Laurent MOREL – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Executive Board
Date of first appointment: 1st June 2005 – Period of appointment: 22 June 2007 – 21 June 2010
Number of shares: 2 420

- Managing Partner, SCS Ségécé
- Chairman of Executive Board of Movement Poland (Poland)
- Member of the Executive Board of Arcol (Slovakia)

Chairman of the Supervisory Board:
- Ségécé Magyarorzsag (Hungary)
- Ségécé Ceska Republika (Czech Republic)
- Ségécé Polska (Poland)
- Ségécé Slovensko (Slovakia)

Chairman of the Board of Directors:
- Galleria Commerciale Assago (Italy)
- Galleria Commerciale Cavallino (Italy)
- Galleria Commerciale Solbiate (Italy)
- Galleria Commerciale Collegno (Italy)
- Galleria Commerciale Klépierre (Italy)
- Galleria Commerciale Serravalle (Italy)
- IGC (Italy)
- Klécar Italia (Italy)
- Klefin Italia (Italy)
- Ségécé Italia (Italy)
- Klépierre Matera (Italy)
- Steen & Strøm (Norway)
- Ségécé Hellas (Greece)
- Ségécé Portugal (Portugal)
- Ségécé España SLU (Spain)

Member of the Supervisory Board:
- Duna Plaza (Hungary)
- Nyiregyhaza Plaza (Hungary)
- Klépierre Plzen (Czech Republic)

Director:
- Finascente (Portugal)
- Galeria Parque Nascente (Portugal)
- Gondobrico (Portugal)
- Novate SA (Luxemburg)
- Immobiliare Magnolia SA (Luxemburg)
- ICD SA (Luxemburg)
- Nordica Holdco (Sweden)
- Storm Holding Norway (Norway)

Managing Partner:
- Forving
- Proreal

Laurent MOREL (continued)

- Belvedere Invest
- GYR 2002 (Hungary)
- UJ Alba 2002 (Hungary)
- CSPL 2002 (Hungary)
- Szeged Plaza (Hungary)
- Bestes (Czech Republic)
- Entertainment Plaza (Czech Republic)
- Klépierre CZ (Czech Republic)
- Plzen Plaza (Czech Republic)
- Klépierre Krakow (Poland)
- Klépierre Pologne (Poland)
- Klépierre Poznan (Poland)
- Klépierre Sadyba (Poland)
- Klépierre Galeria Krakow (Poland)
- Klépierre Rybnik (Poland)
- Rybnik Plaza (Poland)
- Klépierre Warsaw (Poland)
- Klépierre Galeria Poznan (Poland)
- Klépierre Sosnowiec (Poland)
- Sosnowiec Plaza (Poland)
- Klépierre Lublin (Poland)

Dominique HOENN – Business address: 21, avenue Kléber – 75116 PARIS

Chairman of the Supervisory Board
Date of first appointment: 8 April 2004 – Period of appointment: 5 April 2007 – 2010 AGM
Member of the Investment Committee – Member of the Appointments and Remunerations Committee
Number of shares: 300

- Chairman of the Supervisory Board of Klémurs
- Senior Adviser of BNP Paribas
- Chairman of the Board of Directors of:
  – Paribas International
  – BNP Private Equity
- Member of the Supervisory Board of Euronext N.V. (Amsterdam)
- Member of the Supervisory Board of NYSE Euronext Group
- Member of the College of Autorité des marchés financiers

Director:
- BNP Paribas Securities Services
- BNP Paribas Luxembourg SA
- Clearstream International (Luxembourg)
- LCH Clearnet (Londres)

Alain PAPIASSE – Business address: 21, avenue Kléber – 75116 PARIS

Vice-Chairman of the Supervisory Board
Date of first appointment: 7 April 2005 – Period of appointment: 4 April 2008 – 2011 AGM
Member of the Audit Committee
Number of shares: 210

- Chairman of the Supervisory Board of BNP Paribas Immobilier
- Member of the Supervisory Board of CooperNeff Alternative Managers
- Chairman of the Board of Directors of:
  – BNP Paribas Private Bank
  – BP2S
  – BNP Paribas Luxembourg

Director:
- Cortal Consors
- BNP Paribas Assurance
- BNP Paribas Asset Management Group
- BNP Paribas UK Holdings Ltd
- Director and Chairman of the Audit Committee of BNP Paribas Suisse

Permanent representative of Sicovam Holding, director of Euroclear plc (Switzerland)

Jérôme BÉDIER – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board
Date of first appointment: 8 April 2004 – Period of appointment: 4 April 2008 – 2011 AGM
Member of the Sustainable Development Committee – Member of the Investment Committee
Number of shares: 300

- Executive Chairman of the Fédération des Entreprises du Commerce et de la Distribution (Federation of Retail and Distribution Companies)
- Member of the Executive Committee of the French employers' confederation, Medef
- Chairman of the Board of Directors, Fondation de la Croix Saint-Simon
- Non-voting member of the Board of Directors of Eco-Emballages
- Chairman of the "Union d'Économie Sociale pour le Logement"

François DEMON – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board
Date of first appointment: 7 April 2005 – Period of appointment: 4 April 2008 – 2011 AGM
Member of the Investment Committee
Number of shares: 180

- Member of the Supervisory Board of Klémurs

Bertrand de FEYDEAU – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board

Date of first appointment: 21 July 1998 – Period of appointment: 5 April 2007 – 2010 AGM

Chairman of the Investment Committee – Member of the Appointments and Remunerations Committee – Member of the Sustainable Development Committee

Number of shares: 939

- Member of the Supervisory Board of Klémurs
- CEO of Association Diocésaine de Paris
- Chairman and CEO of AXA Immobilier SAS
- Non-executive Chairman of Foncière Développement Logements

Director:
- AXA Aedificandi
- Foncière des Régions
- SITC SAS
- Société Beaujon SAS
- Association KTO

Independent advisor:
- Affine
- Sefri Cime

Bertrand JACQUILLAT – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board

Date of first appointment: 12 April 2001 – Period of appointment: 7 April 2006 – 2009 AGM [1]

Chairman of the Audit Committee

Number of shares: 1 872

- Chairman and CEO of Associés en Finance
- Member of the Supervisory Board of Presses Universitaires de France
- Director, Total SA

Bertrand LETAMENDIA – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board

Date of first appointment: 21 July 1998 – Period of appointment: 7 April 2006 – 2009 AGM [1]

Chairman of the Appointments and Remunerations Committee – Member of the Audit Committee

Number of shares: 936

Director:
- Sogeprom

Chairman:
- SAS AITA Conseils

Vivien LÉVY-GARBOUA – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board

Date of first appointment: 12 April 2000 – Period of appointment: 5 April 2007 – 2010 AGM

Member of the Audit Committee – Member of the Appointments and Remunerations Committee – Member of the Sustainable Development Committee

Number of shares: 1 800

- Senior Adviser of BNP Paribas
- Vice-Chairman of the Supervisory Board of Presses Universitaires de France
- Member of the Supervisory Board of:
  – Line Data Services
  – BNP Paribas Immobilier
- Member of the Board of Directors of LCH Clearnet

Director:
- Financière BNP Paribas
- Compagnie d'Investissements de Paris
- BNP Paribas (UK)
- BNP Paribas SA (Switzerland)
- BNP Paribas Luxembourg

Philippe THEL – Business address: 21, avenue Kléber – 75116 PARIS

Member of the Supervisory Board

Date of first appointment: 7 April 2006 – Period of appointment: 7 April 2006 – 2009 AGM(1)

Member of the Investment Committee

Number of shares: 700

Director:
- Cilgere GIPEC
- PSR
- BNP Paribas Immobilier SAS

Permanent representative of BNP Paribas Immobilier, director of Promogim

Permanent representative of BNP Paribas, Director of Sofibus

The company has decided to apply the AFEP-MEDEF recommendations as contained in the consolidated version of the AFEP-MEDEF Code of Corporate Governance for listed companies, published in December 2008.

In its recommendation concerning the termination of contracts of employment in the event of appointment as a corporate officer, the AFEP-MEDEF code states that: "It is recommended that when a manager becomes a corporate officer of the company, the employment contract between him or her and the company or another group company should be terminated either by standard termination or by resignation", but that "This recommendation does not apply to employees of a group of companies who act as corporate executives in a group subsidiary company, regardless of whether the company is listed or not". Laurent Morel has been an employee of the BNP Paribas group since 1988, and was appointed as Chairman of the Company's Executive Board with effect from January 1, 2009. He is currently a salaried employee of Ségécé, a wholly-owned subsidiary of the Company, and is bound to the company by contract of employment. Since the Company is owned 52% by BNP Paribas and is therefore a subsidiary of BNP Paribas under the terms of article L. 233-1 of the French Commercial Code, the Company notes that the current contract of employment between Laurent Morel and Ségécé may remain in place in accordance with AFEP-MEDEF recommendations.

Laurent Morel continues to be paid under the terms of his contract of employment with Ségécé, and is not paid in respect of his positions as Managing Partner of Ségécé and Chairman of the Company.

(1) Proposed for reappointment at the ordinary general meeting of April 9, 2009.

II. SUMMARY OF IMPORTANT AGREEMENTS

Major investment contracts

2007

Acquisition of extensions and hypermarkets of the Blagnac and Saint-Orens shopping centers
- Signed on: November 9, 2004 (agreement) and July 19, 2007
- Parties: Rémy Nauleau/Nobladis SA/Sodirev SA (vendors) and Holding Gondomar 1 – Société des Centres Toulousains (buyers)
- Purpose: the acquisition of 100% the companies developing the future extensions to the Blagnac and Saint-Orens shopping centers and hypermarket buildings, and the signature of real estate development contracts
- Amount of the transaction: 229 million euros

Conditional acquisition of a shopping center under construction in Hungary
- Signed on: February 15, 2007 and July 30, 2007
- Parties: Futureal Real Estate Holding Limited (vendor) and Klépierre Corvin (buyer)
- Purpose: acquisition of a 60% equity stake in Corvin Office Kft., which has become "Corvin Retail Kft.", following a demerger. This company has the land, development consent and easements required to construct a shopping center and to sign a real estate development contract
- Amount of the operation (excluding adjustment and additional price): 219.6 million euros

Acquisition of a portfolio of companies owning Polish shopping centers
- Signed on: May 7, 2007
- Vendor: Plaza Centers NV and Centers Classic BV (50% Plaza Centers NV – 50% Classic Or BV)
- Purpose: acquisition of a portfolio of companies owning shopping centers in Rybnik, Sosnowiec and Lublin
- Amount of the operation (excluding adjustment and additional price): 168 million euros

Conditional acquisition of a land owning company in Portugal
- Signed on: July 23, 2007
- Parties: Bouygues Imobiliaria SGPS (vendor) and Klépierre/Generali Real Estate-Fund (buyers)
- Purpose: acquisition of shares in BPSA 10, a company owning a sale agreement for land earmarked for the construction of a shopping center, and the signature of a real estate development contract
- Estimated amount of the transaction: 101.5 million euros

Conditional acquisition of a shopping center currently being developed in Luxembourg
- Signed on: July 27, 2007 (plus amendment no. 1 dated November 22, 2007
- Parties: Andromeda Investment SA (vendor) and Klépierre Luxembourg (buyers)
- Purpose: the conditional acquisition of 100% of Étoile Développement Investissement and the signature of a real estate development contract
- Amount of the transaction: approximately 215 million euros

Framework agreement with the Finiper group
- Signed on: December 14, 2007
- Seller: Finiper group
- Purpose: the acquisition (via equity holdings) of 50% of the two existing malls (Verona and Lonato) and one future mall (Vittuone)
- Amount of the transaction: 173.7 million euros (Klépierre 50% share)

2008

Acquisition of two malls from the Finiper group
- Signed on: February 27, 2008
- Seller: Finiper group
- Purpose: the acquisition (via equity holdings) of a 50% stake in the Verona and Lonato malls under the terms of the December 14, 2007 framework agreement
- Amount of the transaction: 130 million euros (Klépierre 50% share)

Off-plan (VEFA) acquisition of the Carré Jaude shopping center in Clermont-Ferrand
- Signed on: June 5 and July 9, 2008
- Parties: Carré Jaude, Groupe Eiffoge Immobilier (vendor) and Klépierre (buyer)
- Purpose: acquisition of a future shopping center (including cinema) in Clermont-Ferrand
- Estimated amount of the transaction: 93.7 million euros (before tax, excl. indexation)

Saint-Lazare project: signature of contracts
- Date de conclusion: July 8, 2008
- Parties: SNCF, Soaval (a Klépierre Group company) and Groupe SPIE (Developer)
- Purpose: signature of the 40-year Autorisation d'Occupation Temporaire du domaine public ferroviaire (Temporary Occupation Permission) between SNCF and Soaval (the beneficiary of the AOT), and the real estate development contract between Soaval and Paris Cour de Rome (SPIE Group)
- Amount of the real-estate development contract: approximately 110 million euros (before tax, exc. indexation)

Acquisition of the company that owned the Plzen Plaza in the Czech Republic

- Signed on: closing protocol on July 11, 2008, with transfer of ownership on July 31, 2008
- Parties: Plaza Centers NV (vendor) and Klépierre Pilsen AS (buyer/Klépierre Group)
- Purpose: Purchase by Klépierre Plzen of a 100% equity stake in Pilsen Plaza sro, the owner of the Plzen Plaza shopping center, from Plaza Centers NV
- Amount of the transaction: approximately 61.5 million euros

Sale by Cécoville of the Paul-Doumer shopping center in Caen to SCI Foncière Adyton 1

- Date of sale: September 23, 2008
- Parties: SAS Cécoville (vendor/Klépierre Group) and SCI Foncière Adyton 1 (buyer)
- Purpose: Sale by SAS Cécoville of its units in Paul-Doumer shopping center in Caen to SCI Foncière Adyton 1
- Sale price: 28 million euros

Exchange of the building located at 46, rue Notre-Dame-des-Victoires (Paris) for shares in the company that owns the Drancy shopping center

- Signed on: October 3, 2008
- Parties: Klépierre (seller of 46, rue Notre-Dame-des-Victoires), Assurecureuil-Pierre 3 (seller of 229 shares in SCI Galeries Drancéennes, which owns the Drancy shopping center) and Assurimmeuble (the seller of its holding in SCI Galeries Drancéennes)
- Purpose: to exchange the building at 46, rue Notre-Dame-des-Victoires owned by Klépierre for the SCI Galeries Drancéennes shares held by Assurecureuil-Pierre 3 and Assurimmeuble
- Amount of the transaction: 64.9 million euros for the building at 46, rue Notre-Dame-des-Victoires, and 70.7 million euros for the Drancy shopping center

Acquisition of Steen & Strøm ASA in partnership with ABP Pension Fund

- Signed on: signature of a conditional contract on July 25, 2008 with completion of the purchase on October 8, 2008
- Parties: Canica (vendor) and Storm Holding Norway (Buyer/company owned indirectly 56.10% by Klépierre and 43.90% by ABP)
- Purpose: acquisition of 30 shopping centers in Norway, Sweden and Denmark, and associated development portfolio. The entire portfolio acquired is owned via aproximetaly 100 Sewdish, Norwegian and Danish companies
- Amount of the transaction: 2.7 billion euros in total (i.e. approximately 1.51 billion euros for Klépierre, including a cash payment of around 600 million euros)

Acquisition of the BHV building in Créteil

- Signed on: November 26, 2008
- Parties: Bazar de L'Hôtel de Ville - BHV SAS (vendor) and Klépierre Créteil SCI (buyer/Klépierre Group)
- Purpose: acquisition of part of the jointly-owned units of the Créteil shopping center (Val-de-Marne) comprising the BHV building
- Amount of the transaction: approximately 75.5 million euros

Construction lease with Icade and construction contract with Bouygues at Aubervilliers

- Signed on: June 19, 2008 and December 11, 2008
- Parties: Icade (lessor), Bassin Nord SCI (lessee/company owned 50/50 by Klépierre and Icade) and Bouygues Bâtiment Ile-de-France
- Purpose: signature of a construction lease for the construction of the Aubervilliers shopping center and signature of the construction contract with the constructor (Bouygues Group)
- Amount of the development contract: approximately 107 million euros (Klépierre 50% share, excluding indexation)

Acquisition of a real estate project in Portugal

- Signed on: December 19, 2008
- Parties: Bouygues Imobiliaria SGPS (vendor/Bouygues Group) and Klépierre/Generali Real Estate Fund (buyers) acting via a Luxembourg company owned 50/50 Holding Klégé and its Portuguese subsidiary Klégé Portugal
- Purpose: acquisition of shares in BPSA 10, a company owning a draft sales contract for land earmarked for the construction of a shopping center, and the signature of a real estate development contract under the terms of the agreement signed on July 23, 2007
- Estimated amount of the transaction: approximately 48 million euros (Klépierre 50% share)

Major financing contracts

2007

Finance contract signed on September 21, 2007
- Object: credit for a maximum amount of 1 billion euros
- Lenders: initial syndication of 5 banks; arranger: BNP Paribas
- Repayment terms: to be paid back latest by September 21, 2014
- To be drawn down in several tranches
- Interests: interests are indexed on the Euribor plus a margin defined according to a Loan To Value ratio
- Non-utilisation fees, if applicable
- Major financial covenants:
  – a Loan To Value ratio limited at 52%
  – hedging of financial expenses with EBITDA of at least 2.5
  – and a percentage of secured debts divided by the reappraised value of the property limited to 20%

2008

Loan agreement dated June 11, 2008
- Purpose: 700 million euro term loan, increased to 750 million euros on June 12, 2008 by means of an additional commitment notification issued by an additional bank
- Lenders: initial syndication of 6 banks; arranger: BNP Paribas
- Repayment terms: full and final repayment due June 11, 2011
- To be drawn down in several tranches
- Interest: interest is 3-month Euribor plus a margin to be calculated using a Loan To Value ratio table
- Major financial covenants:
  – a Loan To Value ratio limited at 52%
  – hedging of financial expenses with EBITDA of at least 2.5
  – and a percentage of secured debts divided by the reappraised value of the property limited to 20%

Mortgage loan agreement dated July 3, 2008
- Purpose: mortgage advance of 107 million euros
- Borrower: Galleria Commerciale Assago Srl (Klépierre Group)
- Lender and arranger: Banca Nazionale del Lavoro Spa – BNP Paribas Group
- Repayment terms: to be paid back by July 2, 2015
- Single tranche drawdown
- Interest: interest is 3-month Euribor plus a fix margin
- Standard securities and financial convenants

Mortgage loan agreement dated July 16, 2008
- Purpose: mortgage advance of 18.75 million euros
- Borrower: Galleria Commerciale Collegno Srl (Klépierre Group)
- Lender and arranger: Banca Nazionale del Lavoro Spa – BNP Paribas Group
- Repayment terms: to be paid back latest by July 15, 2015
- Single tranche drawdown
- Interest: interest is 3-month Euribor plus a fix margin
- Standard securities and financial convenants

Contractual overdraft agreement dated October 8, 2008
- Purpose: overdraft facility capped at 400 million euros
- Lenders: BNP Paribas
- Repayment terms: to be paid back latest by October 7, 2012.
- To be drawn down in several tranches
- Interest: interest is 3-month Euribor plus a margin to be calculated using a Loan To Value ratio table
- Non-utilisation fees, if applicable
- Major financial covenants:
  – a Loan To Value ratio limited at 52%
  – hedging of financial expenses with EBITDA of at least 2.5
  – and a percentage of secured debts divided by the reappraised value of the property limited to 20%

III. LIST OF COMMON CONVENTIONS AND REGULATED CONVENTIONS

List of conventions in force drawn up under normal and current conditions signed with affiliates

Party to the contract	Object	Date
BNP Paribas/Klépierre	Finance contract (135 million euros)	12.22.2004
BNP Paribas/Klépierre	Syndicated loan (maturity January 2013)	01.31.2006
BNP Paribas/Klépierre	Syndicated loan (maturity January 2014)	09.21.2007
BNP Paribas/Klépierre Participations et Financements	Finance contract (165 million euros) Counter-guarantee Klépierre	12.22.2004
BNP Paribas/Klépierre	Syndicated loan (maturity June 11, 2011)	06.11.2008
BNP Paribas/Klépierre	Bilataral loan (400 million euros)	10.07.2008
BNP Paribas (payer of the floating rate)/Klépierre	Swap No.1935869	01.09.2006
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1932518	01.04.2006
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1917648	08.31.2005
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1932101	07.07.2005
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1712141	04.11.2005
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1902525	12.20.2004
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1612550	12.20.2004
BNP Paribas (payer of the floating rate)/Klépierre	Swap No. 1612251	12.20.2004
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 1910972 & 1901562	06.30.2004
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2508495	07.20.2007
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2521797	07.30.2007
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2550757	08.16.2007
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2682165	11.19.2007
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2678287	11.15.2007
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2687426	11.21.2007
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2783585	01.23.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2784587	01.23.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No 2811097	02.05.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 2874992	03.10.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3168209	08.05.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3170298	08.06.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3184425	08.08.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3181053	08.13.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3182016	08.13.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3395888	11.10.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3351734	10.24.2008
BNP Paribas (payer of the fixed rate)/Klépierre	Swap No. 3362718	10.28.2008
BNP Paribas/Klépierre Finance	Automatic cash centralisation agreement	11.30.2000 + amendments
BNP Paribas Securities Services/Klépierre	Management mandate contract for stock option plans	July 2006
Ségécé	Search mandate for Klépierre	– Initial: 11.23.1998 – General amendment: 12.27.1999 – Amendment No. 1 Carrefour: 03.24.2000 – Amendment No. 2: 11.03.2000 – Amendment No. 2: Carrefour transaction: 03.29.2001 – Amendment No. 3: Carrefour transaction: 01.03.2005 – Amendment No. 2: Valenciennes transaction of 02.27.2006 – Substitution amendment: Toulouse Purpan transaction of 12.08.2006 – Amendment: Vinaroz (Spain) transaction of 04.04.2006 – Amendment: Seville (Spain) transaction of 04.04.2006 – Substitution amendment: Solbiate (Italy) transaction of 02.27.2006 – Substitution amendment: Cavallino Lecce (Italy) transaction of 02.27.2006 – Amendment No. 2: Assago (Italy) transaction of 01.11.2006 – Amendment No. 3: Assago (Italy) transaction of 01.12.2006
Ségécé	Search mandate, loan arrangement, follow-up and operational management for Klépierre in Europe, excluding France	Initial: 04.21.2004 – Substitution amendment: Molina (Spain) transaction of 09.14.2006

Party to the contract	Object	Date
		– Substitution Amendment: Czech Republic transaction of 01.12.2006 – Amendment No. 2: Prague 4 (CR) of 08.30.2006 – Amendment No. 2: Polish SC (Sadyba and Ruda) of 12.20.2006 – Amendment No. 2: Poznan transaction of 12.20.2006 – Amendment No. 2: Krakow transaction of 20.12.2006 – Amendment No. 3: Sadyba and Ruda (Poland) transaction of 03.15.2007 – Amendment No. 2: Braga (Portugal) transaction of 03.29.2007 – Amendment No. 1: Varese (Italy) transaction of 06.08.2007 – Amendment: Larissa (Luxembourg) transaction of 10.19.2007 – Amendment: Bari (Italy) transaction of 10.19.2007 – Amendment: Corvin (Hungary) transaction of 02.22.2008 – Amendment: Gran Sur (Spain transaction) of 04.01.2008 – Amendment: Verona and Lonato (Italy) transaction of 07.03.2008 – Amendment: Rybnik, Sosnowiec, Lublin (Poland) transaction of 09.03.08 – Amendment to the Plzen (Czech Republic) transaction of 11.14.2008
Ségécé	Search mandate, loan arrangement, follow-up and operational management for Klépierre India	Initial: 12.16.2008
Ségécé	Search mandate, loan arrangement, follow-up and operational management for Klépierre in France	Initial: 04.21.2004 – Substitution amendment: Anger Saint-Serge transaction of 01.04.2006 – Substitution amendment: Orléans Saran transaction of 12.19.2006 – Amendment No. 2: Rambouillet transaction of 11.14.2006 – Substitution amendment: Rambouillet transaction of 02.13.2006 – Substitution amendment: Rennes Colombia transaction of 02.27.2006 – Amendment: Progest transaction of 05.14.2007 – Amendment: Cap Nord transaction of 07.10.2007 – Amendment: Besançon Chalezeule transaction of 10.19.2007 – Amendment: Vannes Coutume transaction of 10.19.2007 – Amendment: Hérouville transaction of 10.19.2007 – Amendment: Blagnac transaction of 12.11.2007 – Amendment: Saint-Orens transaction of 12.17.2007 – Amendment: Tourville La Rivière transaction of 01.30.2008 – Amendment: Cesson transaction of 02.20.208 – Amendment No. 2: Vannes Coutume transaction of 03.03.2008 – Amendment: Cholet transaction of 07.09.2008 – Amendment: Avranches, Rochefort, Messac transactions of 07.08.2008 - Amendment: Villejuif transaction of 09.05.2008 - Amendment: Marzy transaction of 11.14.2008 - Amendment: Saint-Égrève transaction of 12.19.2008 - Amendment: Drancy transaction of 12.16.2008

Party to the contract	Object	Date
Ségécé	Third-party management agreement	– Vannes Nouvelle Coutume third-party management agreement of 10.19.2006 – Amendment to the Vannes Nouvelle Coutume third-party management agreement of 11.06.2006
Holding Gondomar 3	Intragroup loan agreement	09.01.2005, Amendment No. 1: 12.11.2006, Amendment No. 2: 01.01.2007, Amendment No. 3: 12.05.2007
Holding Gondomar 1	Intragroup loan agreement	09.01.2005, Amendment No.: 01.01.2007, Amendment No. 2: 12.05.2007
Holding Gondomar 4	Intragroup loan agreement	12.05.2007
Exane BNP Paribas/Klépierre	Liquidity contract	09.14.2005
Klécar Participations Italie	Intragroup loan agreement	12.20.2004, Amendment No. 1: 01.04.2005, Amendment No. 2: 03.14.2007, Amendment No. 3: 04.28.2008, Amendment No. 4: 05.22.2008
Arcol	Intragroup loan agreement	04.04.2005, Amendment No. 1: 01.01.2006, Amendment No. 2: 05.15.2006
Cinémas de l'Esplanade	Intragroup loan agreement	04.01.2006
Klépierre Corvin	Intragroup loan agreement	07.30.2007
Corvin Retail	Intragroup loan agreement	04.03.2008
Klépierre Lublin	Intragroup loan agreement	07.27.2007, Amendment No. 1: 08.22.2007
Klépierre Luxembourg	Intragroup loan agreement	06.11.2007, Amendment No. 1: 06.21.2007, Amendment No. 2: 09.12.2007, Amendment No. 3: 02.11.2008, Amendment No. 4: 04.08.2008, Amendment No. 5: 05.22.2008
Klépierre Rybnik	Intragroup loan agreement	05.07.2007, Amendment No. 1: 05.09.2007, Amendment No. 2: 05.23.2007, Amendment No. 3: 06.20.2007, Amendment No. 4: 07.18.2007, Amendment No. 5: 07.27.2007
Klépierre Sosnowiec	Intragroup loan agreement	05.07.2007, Amendment No. 1: 05.09.2007, Amendment No. 2: 05.23.2007, Amendment No. 3: 06.28.2007, Amendment No. 4: 07.18.2007, Amendment No. 5: 07.27.2007
Klépierre Poznan	Intragroup loan agreement	12.14.2007 Amendment No. 1: 02.13.2008
Klépierre Krakow	Intragroup loan agreement	12.14.2007
Klépierre Pologne	Intragroup loan agreement	12.14.2007, Amendment No. 1: 02.13.2008
Ruda Slaska Plaza	Intragroup loan agreement	12.14.2007
Klépierre Sadyba	Intragroup loan agreement	12.14.2007
Klépierre Galerie Poznan	Intragroup loan agreement	12.14.2007
Klépierre Galerie Krakow	Intragroup loan agreement	12.14.2007
Klépierre Larissa	Intragroup loan agreement	06.18.2007, Amendment No. 1: 06.19.2007
Klépierre Météores	Intragroup loan agreement	07.31.2007, Amendment No. 1: 02.11.2008
Entertainment Plaza	Intragroup loan agreement	09.17.2007
Klépierre Vallecas	Intragroup loan agreement	12.01.2004, Amendment No. 1: 01.01.2006, Amendment No. 2: 05.15.2006, Amendment No. 3: 01.01.2007, Amendment No. 4: 02.12.2008
Coimbra	Intragroup loan agreement	03.14.2006, Amendment No. 1: 04.01.2006, Amendment No. 2: 01.01.2007, Amendment No. 3: 01.02.2007
Klépierre Novo	Intragroup loan agreement	06.30.2006, Amendment No. 1: 07.25.2006, Amendment No. 2: 11.30.2006, Amendment No. 3: 01.01.2007, Amendment No. 4: 01.19.2007, Amendment No. 5: 04.25.2007, Amendment No. 6: 05.23.2007, Amendment No. 7: 08.01.2007, Amendment No. 8: 08.10.2007, Amendment No. 9: 02.07.2008
Bestes	Intragroup loan agreement	07.25.2006, Amendment No. 1: 02.21.2007, Amendment No. 2: 07.26.2007, Amendment No. 3: 09.19.2007, Amendment No. 4: 11.23.2007, Amendment No. 5: 09.24.2008
Klépierre CZ SRO	Intragroup loan agreement	01.25.2006, Amendment No. 1: 03.01.2006, Amendment No. 2: 05.15.2006, Amendment No. 3: 01.01.2007, Amendment No. 4: 11.20.2007
Place de l'Accueil	Intragroup loan agreement	04.01.2006, Amendment No. 1: 01.01.2007, Amendment No. 2: 01.02.2007
Galleria Commerciale Klépierre	Intragroup loan agreement	04.28.2005, Amendment No. 1: 05.15.2006, Amendment No. 2: 01.01.2007
Capucine BV	Intragroup loan agreement	04.01.2005, Amendment No. 1: 01.01.2006, Amendment No. 2: 05.22.2006, Amendment No. 3: 01.01.2007, Amendment No. 4: 01.101.2007, Amendment No. 5: 02.12.2008
Foncière de Louvain-la-Neuve	Intragroup loan agreement	12.01.2004, Amendment No. 1: 01.01.2006, Amendment No. 2: 04.01.2006, Amendment No. 3: 01.01.2007, Amendment No. 4: 02.15.2007

Party to the contract	Object	Date
Klefin Italia	Intragroup loan agreement	12.01.2004, Amendment No. 1: 12.06.2005, Amendment No. 2: 05.23.2006, Amendment No. 3: 07.07.2006, Amendment No. 4: 01.01.2007, Amendment No. 5: 12.17.2007, Amendment No. 6: 01.01.2008
Klépierre Vinaza	Intragroup loan agreement	12.01.2004, Amendment No. 1: 05.15.2006, Amendment No. 2: 01.01.2007
Klépierre Portugal	Intragroup loan agreement	12.012.2004, Amendment No. 1: 10.02.2006, Amendment No. 2: 01.01.2007, Amendment No. 3: 02.21.2007, Amendment No. 4: 02.12.2008
GREF Klépierre/Holding Klégé SARL	Shareholder' lean agreement	12.19.2008
Krakow Plaza	Intragroup loan agreement	03.06.2008
Poznan Plaza	Intragroup loan agreement	03.06.2008, Amendment No. 1: 04.08.2008
Klépierre Trading	Intragroup loan agreement	03.05.2008
Pilsen Plaza	Intragroup loan agreement	07.31.2008
Klépierre Nordica BV	Intragroup loan agreement	09.08.2008
Storm Holding Norway AS	Intragroup loan agreement	10.07.2008
Nordica Holdco AB	Intragroup loan agreement	10.06.2008
Klépierre Plzen	Intragroup loan agreement	07.31.2008, Amendment No. 1: 10.10.08
Novate SA	Intragroup loan agreement	05.27.2008
Immobiliare Magnolia SA	Intragroup loan agreement	05.27.2008
Immobiliare Commerciale Dodicesima SA	Intragroup loan agreement	05.27.2008, Amendment No. 1: 07.23.2008
Besançon Chalezeule	Shareholder's loan	07.25.2007
Centre Jaude Clermont	Shareholder's loan	10.09.2007
Klépierre Participations et Financements	Shareholder's loan	07.31.2008
Kleprojet 1	Shareholder's loan	03.27.2007
SCI Roche Invest	Shareholder's loan	09.10.2007
Ségécé	Shareholder's loan	11.12.2007
Société des Centres Toulousains	Shareholder's loan	07.19.2007
Klépierre Conseil	Shareholder's loan	07.08.2008
KLE 1	Shareholder's loan	12.31.2008
SAS LP 7	Shareholder's loan	10.07.2008
Bègles Arcins	Shareholder's loan	11.21.2008
Klépierre Créteil	Shareholder's loan	11.26.2008
Galeries Drancéennes	Shareholder's loan	10.03.2008
Klépierre Tourville	Shareholder's loan	12.30.2008
Klécar France SNC	Shareholder's loan	12.28.2000
SNC Jardin des Princes	Shareholder's loan	07.01.2001
Antin Vendôme SC	Shareholder's loan	06.25.1999
SNC Barjac Victor	Shareholder's loan	07.01.2001
Bassin Nord	Shareholder's loan	12.18.1998
Cécoville	Shareholder's loan	06.16.1999
Kléber La Pérouse SNC	Shareholder's loan	
OPDF	Shareholder's loan	03.16.2001
Klécar Participation Italie	Shareholder's loan	06.26.2002
Sodevac	Shareholder's loan	03.28.1997
Sovaly	Shareholder's loan	01.14.2001
Bègles Papin	Shareholder's loan	11.05.2003, Amendment No. 1: 10.28.2005

Party to the contract	Object	Date
Solorec	Shareholder's loan	01.01.2003
SNC Général Leclerc N° 11/11 bis Levallois	Shareholder's loan	01.01.2003
Foncière Saint-Germain	Shareholder's loan	12.05.2003
Angoumars	Shareholder's loan	01.23.2004
Combault	Shareholder's loan	06.09.2004
SCOO	Shareholder's loan	
Klétransactions	Shareholder's loan	12.20.2004
SCI La Plaine du Moulin à Vent	Shareholder's loan	04.22.2005, Amendment No. 1: 05.17.2005
Soaval	Shareholder's loan	07.09.2008
Progest	Shareholder's loan	01.16.2008
Pasteur	Shareholder's loan	03.07.2008
Le Havre Vauban	Loan	12.20.2004
Le Havre Lafayette	Loan	12.20.2004
Klépierre/Klépierre Participations et Financements	Joint surety on a loan of 165 000 000 euros	12.22.2004
BNP Paribas/OPDF	First demand guarantees (Klépierre counter-guarantees)	02.14.2007
BNP Paribas/Klépierre	Joint surety (Sereinis project)	03.02.2007
BNP Paribas/Klécar Foncier España	Joint sureties (Klépierrecounter-guarantees)	06.15.2007
BNP Paribas/Klécar Foncier España	Joint sureties (Klépierre counter-guarantees)	07.25.2006
BNP Paribas/Klécar Foncier España	Joint sureties (Klépierre counter-guarantees)	06.17.2005
BNP Paribas/Klécar Foncier España	Joint sureties (Klépierre counter-guarantees)	02.17.2005
BNP Paribas/Klépierre Corvin	First demand guarantees (Klépierre counter-guarantees)	07.27.2007
BNP Paribas/Corvin Retail (ex Corvin Office)	First demand guarantees (Klépierre counter-guarantees)	07.27.2007
BNP Paribas/Soaval	First demand guarantee (Klépierre counter-guarantee)	07.08.2008
BNP Paribas/Bègles d'Arcins	Joint surety (Klépierre counter-guarantees)	06.30.2008
BNP Paribas/Groupe Klépierre	Bank accounts and securities accounts	
Ségécé	Company and Asset management agreement	06.27.2008
Ségécé (substituted for Klégestion on 05.30.2008)	Management mandate for the "Issy-Les-Moulineaux" building	04.07.2006
Ségécé (substituted for Klégestion on 05.30.2008)	Management mandate	January 2007
Ségécé (substituted for Klégestion on 05.30.2008)	Management mandate for the "Issy-Les-Moulineaux" building	December 2006
Ségécé (substituted for Klégestion on 05.30.2008)	Management mandate for the "Meyerbeer" building	January 2007

LIST OF PREVIOUSLY-AUTHORIZED REGULATED AGREEMENTS REMAINING EFFECTIVE IN 2008

Date of Supervisory Board authorization	Regulated agreement		Parties
	Date	Object	
June 22, 2001	July 9, 2001	Bond issue: Subscription Agreement	BNP Paribas
June 22, 2001	July 10, 2001	Bond issue: Fiscal Agency Agreement	BNP Paribas Luxembourg and BNP Paribas Securities Services
May 26, 2004	July 9, 2004	Bond issue: Subscription Agreement	BNP Paribas
May 26, 2004	July 15, 2004	Bond issue: Fiscal Agency Agreement	BNP Paribas Securities Services and BNP Paribas Securities Services Luxembourg Branch
October 7, 2004	October 14, 2004	Change in remuneration – Service Contract (Amendment 3)	SAS Klépierre Conseil
February 8, 2006	March 13, 2006	Bond issue: Subscription Agreement	BNP Paribas, HSBC France and The Royal Bank of Scotland PLC
February 8, 2006	March 16, 2006	Bond issue: Fiscal Agency Agreement	BNP Paribas Securities Services and BNP Paribas Securities Services Luxembourg Branch

List of previously-authorized regulated agreements terminated in 2008

Date of Supervisory Board authorization	Regulated agreement		Parties
	Date	Purpose	
December 13, 2007	June 3, 2008	Acquisition of the joint share held by Cardimmo in the Tours-Galerie Nationale shopping mall	Cardimmo (BNP Paribas group)

Autorized regulated agreement in 2008

Date of Supervisory Board authorization	Regulated agreement		Parties
	Date	Purpose	
July 25, 2008	October 17, 2008	Intra-group loan agreement	SCA Klémurs
October 3, 2008	October 8, 2008	Authorization for capital increase with preferential suscription rights via the issuance of new shares	BNP Paribas
October 3, 2008	October 15, 2008	Services tender – capital increase	BNP Paribas Securities Services
October 3, 2008	October 6, 2008	Granting of an intra-group loan as part of the Steen & Strøm acquisition	Nordica Holdco AB and Stichting Pensioenfonds ABP
October 3, 2008	October 7, 2008	Granting of an intra-group loan as part of the Steen & Strøm acquisition	Storm Holding Norway AS and Stichting Pensioenfonds ABP
October 31, 2008	November 5, 2008	Guarantee and investment contract	BNP Paribas
December 19, 2008	December 23, 2008	Disposal of a retail premises in Saint-Malo (Casino Cafétéria) Disposal of a retail premises in Berck-sur-Mer (Twinner)	SCA Klémurs and Klétransactions
December 19, 2008	December 30, 2008	Disposal of a retail premises in Wasquehal (Feu Vert)	SCA Klémurs and Klétransactions
December 19, 2008	–	Disposal of two retail premises in Barentin and Toulon Grand Var (Feu Vert)	These transactions were not completed in 2008

IV. REMUNERATION AND BENEFITS OF MEMBERS OF MANAGEMENT BODIES – COMPOSITION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD – REMUNERATION OF MEMBERS OF MANAGEMENT BODY – CONFLICTS OF INTEREST – SENTENCE FOR FRAUD

Michel Clair Chairman of the Executive Board	2008 Outstanding	2008 Paid	2007 Paid
Fixed remuneration	–	235 825	282 990
Variable remuneration	285 580	300 000	260 000
Extraordinary remuneration	–	125 000	–
Directors' fees	–	5 000	–
Benefits in kind[1]	–	3 960	5 241
TOTAL	**285 580**	**669 785**	**548 231**

in euros

Jean-Michel Gault Member of the Executive Board	2008 Outstanding	2008 Paid	2007 Paid
Fixed remuneration	–	151 000	131 100
Variable remuneration	160 000	160 000	125 000
Extraordinary remuneration	–	–	–
Directors' fees	–	–	–
Benefits in kind[1]	–	4 560	4 443
TOTAL	**160 000**	**315 560**	**260 543**

in euros

Laurent Morel Member of the Executive Board	2008 Outstanding	2008 Paid	2007 Paid
Fixed remuneration	–	171 000	150 740
Variable remuneration	180 000	180 000	150 000
Extraordinary remuneration	–	–	–
Directors' fees	–	25 000	25 000
Benefits in kind[1]	–	4 209	3 698
TOTAL	**180 000**	**380 209**	**329 438**

in euros

Claude Lobjoie Member of the Executive Board	2008 Outstanding	2008 Paid	2007 Paid
Fixed remuneration	–	193 710	193 710
Variable remuneration	150 000	150 000	125 000
Extraordinary remuneration	–	–	–
Directors' fees	–	4 444	–
Benefits in kind[1]	–	3 233	3 287
TOTAL	**150 000**	**351 387**	**321 997**

in euros

Supervisory Board Directors' fees	2008	2007
Jérôme Bédier	39 350	21 487
Francois Demon	30 809 [2]	29 681 [2]
Bertrand de Feydeau	51 671 [2]	40 711 [2]
Dominique Hoenn	45 258 [2]	40 457 [2]
Bertrand Jacquillat	32 268	25 278
Bertrand Letamendia	34 590	27 352
Vivien Lévy Garboua	20 809	16 055
Alian Papiasse	23 000	20 074
Philippe Thiel	22 245	18 905
TOTAL	**300 000 [3]**	**240 000**

in euros

(1) Perks are comprised solely of a company car and related costs (gas and motor insurance).
(2) These directors' fees are allocated to Members of the Supervisory Boards of Klépierre and Klémurs.
(3) Including 270 000 euros for Klépierre alone.

Remuneration of Executive Board members

The remuneration of members of the Executive Board and the Executive Committee is broken down into a fixed part and a variable part. The variable part of the remuneration is determined overall for the six members of the Executive Committee by applying a performance-related coefficient to the total of fixed salaries. Of this total amount, 70% is divided in proportion to their fixed salaries and 30% according to the achievement of personal targets. Members of the Executive Board are eligible for a supplemental retirement plan with defined benefits.

Remuneration of members of the Supervisory Board

The amount of directors' fees paid in fiscal year 2008 to all the members of the Supervisory Board totalled 270 000 euros.

Fees paid to independent auditors for fiscal years 2007 and 2008

in thousands of euros

	2008				2007			
	Deloitte		Mazars		Deloitte		Mazars	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit[1]								
– Auditing, certification, review of individual and consolidated financial statements	710	80%	643	89%	611	88%	600	95%
– Additionnal mandates	173	20%	80	11%	83	12%	29	5%
Sub-total	**883**	**100%**	**723**	**100%**	**694**	**100%**	**629**	**100%**
Other services								
– Legal, tax and labour-related								
Sub-total								
TOTAL	**883**	**100%**	**723**	**100%**	**694**	**100%**	**629**	**100%**

(1) Included fees from independent experts or from the network, ordered by the auditors for financial statements certification.

management report capital and shareholding structure

Appointments, functioning and powers of the Supervisory Board

The Supervisory Board is composed of a minimum of three and a maximum of twelve members who are elected by the Ordinary General Meeting of Shareholders.
For the duration of their term, members of the Supervisory Board must each own at least sixty shares.
Members of the Supervisory Board are elected for a three-year term, subject to the requirements of annual renewal of a third of the Board. The duties of a member of the Supervisory Board expire at the end of the Annual General Meeting of shareholders that meets to adopt the accounts of the past year and held in the year on which the term of said member.
The Supervisory Board elects a Chairman and one Vice-Chairmen from among its members. It meets as often as the interests of the Company require, either at the registered office or at any other venue. Meetings are called by the Chairman, and the Board examines all questions on the agenda drawn up by the Chairman or the Board ruling by simple majority.
At least half of the Board's members must be present for proceedings to be considered valid. Decisions are adopted by the majority of members present or represented.
The Supervisory Board is in charge of the permanent oversight of the company's management by the Executive Board. At any time during the year, it conducts any audits and controls that it deems necessary and can ask for all documents that it considers necessary for carrying out its duties.
The Supervisory Board may decide to create committees to examine questions that it or its Chairman submit for their opinion.
The Supervisory Board draws up rules of procedure according to which it exercises its powers and grants delegations to its Chairman.
All other information relating to the Supervisory Board is contained in the Report of the Chairman of the Supervisory Board.

Meetings of the Supervisory Board

The Board held thirteen meetings in 2008.

Appointments, functioning and powers of the Executive Board

The Company is managed by an Executive Board. The Supervisory Board elects the members of the Executive Board and determines their number within the legal limits.
The Board is appointed for three years.
The Supervisory Board elects one of the Executive Board members as its Chairman. The Chairman carries out his duties throughout his term as member of the Executive Board. The Chairman of the Executive Board represents the company in its relations with third parties. The Supervisory Board may assign the same power of representation to one or more members of the Executive Board who will then bear the title of Chief Executive Officer.
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 object, subject however, to those expressly attributed by law and the articles of association to the Supervisory Board or General Meetings of shareholders.

Under the control of the Supervisory Board, it must in particular:
- present a report to the Supervisory Board about the company's affairs, at least once every quarter;
- present the annual financial statements, and if applicable, the consolidated financial statements to the Supervisory Board for auditing and control, within three months after each balance sheet date.

The Executive Board draws up rules of procedure according to which it exercises its powers, grants delegations and appoint its Executive Directors.

Executive Board meetings

The Executive Board meets once every week.

Loans and guarantees granted to members of management bodies

NONE

Conflicts of interest – Sentence for fraud

To the best of the Company's knowledge:
- 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 the members of the Executive Board and the Supervisory Board have been associated with a bankruptcy or gone into receivership as a member of an administrative, management or supervisory body or as Chief Executive Officer within the last five years;
- no incrimination and or official public sanction has been furnished or pronounced against any of the members of the Executive or Supervisory Boards; no member has 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;
- there is no potential conflict of interest between the exercise of the duties, with respect to the issuing company, of any of the members of the Executive Board or Supervisory Board and their private interests and/or other duties.

Insiders

The members of the Supervisory Board and the Executive Board, individuals who have close ties to executives and other management personnel as defined under regulations in force, are required by regulations in force to disclose any transactions they complete that involve securities issued by the Company and are prohibited to make any personal transactions in such securities during the following periods:
- for each quarter of the calendar year, during the period running between the first day of the quarter and the day on which Klépierre's consolidated revenues are published for the quarter under consideration;
- for each six-month period of the calendar year, between the first day of the six-month period and the day on which the annual or interim financial statements of Klépierre are published for the half-year period under consideration;
- during the period running between the date on which Klépierre is privy to 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.

This prohibition on trading has been extended to all employees with ongoing or occasional access to insider information.
Related policies and procedures are set forth in an internal memo that is updated on a regular basis by the Klépierre Group Compliance function.

I. Capital and shareholding structure

I. BACKGROUND

Klépierre as it is today, was formed at the end of 1990 from the demerger of Locabail-Immobilier, whose ordinary rental properties it maintained. Since then, Klépierre has been focusing on its two core businesses: the holding and management of high-end office buildings in Paris and the Greater Paris Area, and shopping centers in France and the rest of Europe.
At the end of 1998, Klépierre made a strategic bid to become a major player in the creation of new retail sites in Continental Europe by acquiring an initial site in Italy. It develops its French projects through its subsidiary Ségécé.
At the time, the group's principal shareholder was Compagnie Bancaire who had a 51% interest. The merger of this group with Paribas in May 1998 provided Klepierre with the opportunity of carrying out several business combinations during the year. They included the takeover-merger of Compagnie Foncière and the contribution of all the securities of Foncière Chaptal. These acquisitions radically changed the Company's size and reinforced its positioning in its core investment sectors.
On July 17, 2000, Klépierre signed a major contract with the Carrefour group concerning the acquisition of 160 shopping centers adjoining the superstores of the leading retailer brand as well as a management and development partnership.
This investment was estimated at over 1.6 billion euros. In addition to the 47 Spanish shopping centers acquired at the end of 2000, Klépierre acquired 74 other centers in 2001, mainly located in France, 15 in 2002 and 14 in 2003. At the end of 2004, it had acquired a total of 151 shopping centers mainly in France and Spain, Klépierre embarked on the second phase of the Carrefour agreement,
consisting in a priority right on all the new sites developed by Carrefour in Continental Europe (late 2001) for five new Spanish shopping centers and the Loures shopping center in Portugal (2002).

In 2002, Klépierre shored up its position in Italy by:
- acquiring 11 Carrefour shopping centers;
- partnering with Finim to create PSG, the leading Italian manager of shopping centers;
- signing a strategic agreement with Finiper to acquire a 40% stake in IGC (owner of nine Finiper shopping centers) and a partnership to develop new shopping centers.

In 2003, with 28 shopping centers acquired, Klépierre consolidated its existing positions in the shopping center sector in France, Spain, Italy and Greece. With the addition of two countries, including Portugal, where Klépierre acquired three shopping centers including the Porto Gondomar shopping center, which was a joint purchase from Eiffage with Prédica, the Group reached its critical mass with 4 owned shopping centers. Klépierre also carried out its first investment in the Czech Republic with the Novy Smichow shopping center in Prague.
It extended its network of management subsidiaries with the creation of Sogecaec in Portugal.

management report capital and shareholding structure

In 2003, Klépierre also opted for the French tax status of Real Estate Investment Trust (REIT).

In 2004, the Group continued with its expansion in France, Italy and Spain with the acquisition of six shopping centers. Klépierre also gained a strategic position in Hungary with the acquisition of 12 shopping centers as well as a 50% interest in a local management company, Plaza Centers Management, through its subsidiary Ségécé. It raised its stake in IGC from 40% to 50% at the end of November.
Ségécé reinforced its European management network with the creation of Ségécé Hellas (Greece) and a 100% stake in Centros Shopping Gestion (Spain).

In 2005, Klépierre acquired nine shopping centers, four of which were in Poland. This was a new country for the Group, and the acquisition was the result of the agreement signed with Plaza Centers Europe at the end of July. On this occasion, Ségécé wholly acquired the subsidiary in charge of managing the Polish shopping centers and took over the full control of PCM Hongrie by acquiring the remaining 50% interest in this company. Klépierre also carried out its first investment in Belgium with the L'Esplanade shopping center in Louvain-la-Neuve.

In 2006, Klépierre continued its shopping center development programme in 7 out of the 10 countries where the Group operates, and reinforced the integration of the management network that is now wholly-owned, in Italy and the Czech Republic.
It also embarked on a new growth focus in the outsourcing of major retail brand properties, an area where its subsidiary Klémurs, which was listed on the Stock Exchange in December 2006, intends to develop rapidly. For example, at the end of 2006, Klémurs acquired 128 Buffalo Grill restaurant properties in France and signed an important partnership agreement with Buffalo Grill for the future.

2007 was a record year in terms of investments, with more than one billion euros outlaid, principally for shopping centers in France, Hungary, Poland and Portugal. Klépierre also acquired full ownership of Ségécé through a buyout of minority interests held by BNP Paribas (15%) and AXA Reim (10%).

The 2008 fiscal year was marked by the acquisition of a 56.1% equity stake in Steen & Strøm, Scandinavia's leading real estate company. The remaining 43.9% is held by ABP. Klépierre now operates in 13 countries of continental Europe. Newly-constructed centers were acquired in Italy, France and the Czech Republic during the year. Twelve new projects were commenced during the year, including new centers and retail parks and extensions to existing sites.
At December 31, 2008, Klépierre owned 276 shopping centers in continental Europe and managed 378.

II. GENERAL INFORMATION

Company name

Klépierre

Paris Trade and Companies Registry

SIREN: 780 152 914
SIRET: 780 152 914 00211
NAF/APE: 6820B

Term of the Company

The Company was registered as a société anonyme à Conseil d'administration (French public limited company governed by a board of directors) on October 4, 1968. Its term was set at 99 years, expiring on October 3, 2067.

Legal form

Klépierre is a French public limited company (société anonyme) with a two-tier management structure governed by a Executive Board (directoire) and a Supervisory Board (conseil de surveillance).
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 articles of association.

Registered office

21, avenue Kléber - 75116 Paris – Tel.: 33 (0)1 40 67 57 40

Corporate purpose (article 2 of articles of association)

The Company's purpose is:
- to acquire any lands, land titles or buildings, located in France or abroad, as well as all goods and rights that might constitute an addition or annex to said buildings;
- to construct buildings 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 by other means;
- to enter into all lease agreements for premises or buildings in France or abroad;
- to acquire direct or indirect interests in the persons indicated in article 8 and in paragraphs 1, 2 and 3 of article 206 of the French General Tax Code and, more generally, to acquire interests in all companies whose purpose is to operate rental properties;
- incidentally, to acquire interests in any company or enterprise engaged in any activities whatsoever in the real estate sector;
- and more generally, to engage in all types of civil, commercial, financial, investment and real estate operations directly related to the abovementioned purpose or in the furtherance thereof, in particular, borrowing and the creation of any related guarantees or pledges.

Voting rights (article 8 of articles of association)

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 which 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, they receive the same net amount, and all the taxes and duties to which they may be subject is evenly divided among them.
Owners of shares are liable responsible only up to the limit of the nominal amount of shares that they own.

General meetings (articles 25 to 29 of the articles of association)

Meetings are called 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.
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 the company or in the accounts of bearer securities through an authorised 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 authorised intermediary. Shareholders may vote at all meetings by correspondence under the conditions specified by legal provisions. To be valid, the Company must receive all voting forms at least three days before the meeting.
Subject to the applicable legal restrictions, shareholders attending any meeting will have the same number of votes as shares owned or represented, with no maximum limit.
However, holders of fully paid-up registered shares (or their proxies) that have been registered in their name for at least two years (or holders of shares forming part of a share grouping that meets the same conditions) have two votes per share at ordinary and extraordinary general meetings.
Any share converted to a bearer share or transferred to other ownership loses this double voting right. However, shares transferred as a result of inheritance, divorce settlements or lifetime gifts to a partner or parent entitled to such inheritance will retain the double voting right.
The double voting right may be withdrawn by the Company in accordance with the relevant legal provisions.

Financial year (article 30 of articles of association)

The financial year starts on January 1 and ends on December 31.

Distribution of profits (as per article 31 of the articles of association)

At least 5% of profits for the financial year, less any prior losses, are set aside to establish the legally required reserve fund, until such fund equals one-tenth of the share capital.
The balance and any retained earnings constitute distributable profit, from which is deducted any amounts that the general meeting, acting on the recommendation of the Executive Board, and subject to the approval of the Supervisory Board, will decide to assign to one or more optional, ordinary or extraordinary funds, with or without special appropriation, or to carry forward as retained earnings.
The balance is apportioned among the shares. The Company has adopted rules of deduction in its articles of association in accordance with the provisions of articles 208-C and following of the French General Tax Code for certain categories of shareholders.
The General Meeting called to approve the annual financial statements may grant each shareholder the option of receiving the dividend in cash or in shares, for all or a portion of the distributed dividend. This option may also be granted for the payment of interim dividends.

Tax status

Klépierre has opted for the tax status of French Real Estate Investment Trusts (REIT) pursuant to article 208-C of the French General Tax Code. As such, it is exempted from corporate income tax on:
- income from rents, on condition that 85% of said income is distributed to shareholders before the end of the fiscal year following the year in which the income was earned;
- capital gains from the sale of buildings, equity interests in real estate partnerships (sociétés de personnes) or in subsidiaries that have opted for the new tax status, provided that 50% of these capital gains are distributed to shareholders before the end of the second financial year in which they were realised;
- dividends received from subsidiaries that have opted for the REIT tax status and from profits and/or capital gains that are tax exempt under this system provided that they are distributed in the fiscal year following the year in which they were earned.

Legal proceedings and arbitration

No exceptional event, state or legal proceedings or arbitration of which the Company is aware to date has recently had a material impact on the financial position or profitability or earnings of the Company and the Group.

Consultation of documents and information concerning the Company

The articles of association, minutes of general meetings and other corporate documents, as well as historic financial information, all appraisals and declarations made by experts at the Company'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:
21, avenue Kléber – 75116 Paris – France
Tel.: 33 (0)1 40 67 55 50.

III. GENERAL INFORMATION REGARDING EQUITY CAPITAL

Share capital – Type of shares

As of 31 December 2008, the Company's share capital stood at 232 700 203.40 euros, divided into 166 214 431 fully paid up shares with a par value of one euro forty cents (1.40 euro).
Shares may carry single or double voting rights in accordance with article 28 of the articles of association.
They are in registered or bearer form, as the shareholder may decide.
Share capital may be modified under the conditions provided by law.

Authorisations to increase share capital

By virtue of the resolutions approved by the extraordinary general meeting of shareholders of 7 April 2006, 5 April 2007 and 4 April 2008, the Executive Board has received the following authorisations:

Delegation or authorisation	Maximum amount	Term
Authorization for the company to buy back its own shares	Maximum program amount: 830 956 080 euros Maximum purchase price: **60 euros** per **1.40 euro** share	18 months from April 4, 2008
Capital increase by rights issue of shares or securities conferring rights to receive shares or the allocation of negotiable debt securities [1]	**60 million** and **1 200 million euros** in negotiable debt securities[3]	26 months From April 5, 2007
Capital increase by non-rights issue of shares or securities conferring rights to receive shares or the allocation of negotiable debt securities[1][2]	**60 million** and **1 200 million euros** in negotiable debt securities	26 months From April 5, 2007
Capital increase by incorporation of reserves, profits, premiums or other amounts eligible for capitalization	**60 million euros**	26 months From April 5, 2007
Capital increase exclusive to employee members of a Company Savings Scheme (PEE) operated by the Company or any associated company (non-rights issue)	**3 million euros**	Resolution rejected by the general meeting of April 5, 2007
Capital increase by non-rights issue of shares or securities conferring rights to receive shares to fund contributions in kind granted to the Company	10% of capital	26 months From April 5, 2007
Maximum nominal amount of immediate or future share capital increases likely to be completed as a result of the authorizations granted to the Executive Board and shown above: 70 million euros **Maximum nominal amount of investment securities conferring rights to receive shares:** 1 200 million euros		
Authorization to reduce share capital by canceling shares	10% of capital in any 24-month period	26 months from April 4, 2008
Authorization of free shares to corporate officers and employees	Maximum amount on the day authorization was granted by the Executive Board: 0.5% of share capital	26 months From April 5, 2007
Authorization to grant share options to corporate officers and employees	Maximum amount: 1,1% du capital social	38 months From April 7, 2006

(1) The Executive Board was authorized by the general meeting of shareholders of April 5, 2007 to increase the number of shares to be issued by up to 15% of the initial issue within 30 days of the end of the subscription period.
(2) The Executive Board is authorized (in respect of up to 10% of share capital per year) to set the issue price at a level approximately equal to 85% of the average weighted share price for the last three market trading days prior to the date on which the issue conditions were set.
(3) The Executive Board uses the delegation on October 31, 2008 to increase the capital from 199 457 318.20 euros to 232 700 203.40 euros by issuing 237 744 918 new shares of a par value of 1.40 euro. The nominal amount of the capital increase reached 33 242 885.20 euros.

Five-year summary of changes in share capital

in euros

Dates	Type of increase	Number of shares issued	Premium	Share capital
6 May 2004	Payment of dividend in the form of shares	1 404 466	-	184 656 916
31 August 2007	Share nominal value increased from 4 euros to 4.20 euros by incorporation of reserves	–	–	193 889 761.80
3 September 2007	Reduction in nominal value from 4.20 euros to 1.40 euro	92 328 458	-	193 889 761.80
7 May 2008	Payment of dividend in the form of shares	3 976 826	125 429 092.04	199 457 318.20
2 December 2008	Capital increase	23 744 918	322 930 884.80	232 700 203.40

Dividends

The dividends distributed for the last five financial years were as follows:

Year of distribution	2004	2005	2006	2007	2008
Number of shares	44 759 763	46 164 229	46 164 229	46 164 229	138 492 687[1]
Net dividend	2€	2.30€	2.70€	3.20€	1.25€
Tax credit at 50%	0.70€	-	-	-	-
Overall revenue	2.70€	-	-	-	-
Net dividend paid	89 519 526.00€	106 177 726.70€	124 643 418.30€	147 725 532.80€	173 115 858.75€

(1) After the 3-for-1 stock split of September 3, 2007.

No interim dividends were paid during this period.
Dividends that remain unclaimed automatically lapse in favour of the state after five years from the date of distribution.
Treasury shares held by the Company do not qualify for dividends.

Breakdown of share capital and voting rights

Any physical person or legal entity acting alone or in concert with others with the intention of holding 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 acknowledgement of receipt setting out the number of shares held, and to do so within five trading days of the date on which each threshold is breached.
Statutory rules addressing threshold breaches by certain categories of shareholder have been adopted by the Company in accordance with the provisions of articles 208-C and subsequent of the French General Tax Code.
Unless such breaches have been declared in accordance with the conditions set out above, that proportion of shares exceeding the threshold percentage will be stripped of voting rights in shareholder meetings where the lack of declaration 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 shareholder meetings 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.

management report capital and shareholding structure

As at December 31, 2008, the main owners of the company's 166 214 431 shares were:

	Number of shares	Total	Shares with voting rights		% of capital owned	% voting rights[1]
			Simple	Double		
BNP Paribas SA	14 382 621	26 259 867	2 505 375	11 877 246	8.65%	14.36%
Compagnie Financière Ottomane	5 245 343	9 246 977	1 243 709	4 001 634	3.16%	5.06%
SETIC	2 891 157	3 202 137	2 580 177	310 980	1.74%	1.75%
UCB Bail	1 524	2 784	264	1 260	0.00%	0.00%
total of registered shares	**22 520 645**	**38 711 765**	**6 329 525**	**16 191 120**	**13.55%**	**21.17%**
Omnium de Gestion et de Développement Immobilier (OGDI)	33 973 782	33 973 782	33 973 782	–	20.44%	18.58%
Foncière de la Compagnie Bancaire	29 927 301	29 927 301	29 927 301	–	18.01%	16.37%
total of bearer shares	**63 901 083**	**63 901 083**	**63 901 083**	**–**	**38.44%**	**34.95%**
Total BNP Paribas Group	**86 421 728**	**102 612 848**	**70 230 608**	**16 191 120**	**51.99%**	**56.12%**
Registered	574 264	1 000 364	148 164	426 100	0.35%	0.55%
Bearer	75 439 360	75 439 360	75 439 360	–	45.39%	41.26%
Floating stock	**76 013 624**	**76 439 724**	**75 587 524**	**426 100**	**45.73%**	**41.81%**
Sub-total	**162 435 352**	**179 052 572**	**145 818 132**	**16 617 220**	**97.73%**	**97.93%**
Treasury stock[2]	3 779 079	3 779 079	3 779 079	–	2.27%	2.07%
TOTAL	**166 214 431**	**182 831 651**	**149 597 211**	**16 617 220**	**100.00%**	**100.00%**

(1) Theoretical number of voting rights.
(2) The withdrawal of voting rights is applied to treasury stock in accordance with article L. 225-210 of the French Commercial Code.

The Company was informed by the BNP Paribas group that the threshold had been breached in concert with others, following the capital increase of December 2, 2008.

Breakdown in the distribution of share capital in the last three years

	Situation at 12.31.2008			Situation at 12.31.2007			Situation at 12.31.2008		
	Number of shares	% of capital	% voting rights	Number of shares	% of capital	% voting rights	Number of shares	% of capital	% voting rights
BNP Paribas group	23155411	50.16%	65.05%	69466233	50.16%	65.04%	86421728	51.99%	56.12%
Floating stock	22612997	48.98%	34.35%	66035991	47.68%	33.46%	76013624	45.73%	41.81%
Treasury shares	395821	0.86%	0.60%	2990463	2.16%	1.50%	3779079	2.27%	2.07%

To the best of the Company's knowledge, there is:
- no agreement whose implementation could bring about a change in control at a future date;
- no shareholder agreement.

Stock options

The general meeting of shareholders held on April 7, 2006 authorized the Executive Board to grant one or more options to purchase shares in the Company as a result of purchases made by the Company under the arrangements provided for under French law. This authorization was granted for a period of 38 months.
The total number of options granted may not confer entitlement to a total number of shares whose value is greater than 1.1% of share capital on the day of the distribution granting.
The term of these options is eight years.
Under the terms of this authorization, 195 000 stock options were granted on May 30, 2006 and 143 000 on May 15, 2007 at the par value of the shares at these dates.

As of December 31, 2008, in light of adjustments (3-for-1 stock split in 2007 and impact of the discount granted when capital was raised in December 2008) and departures, the number of outstanding stock options in plans are 563 093 and 423 639, respectively. No option was exercised yet.
Shares acquired as a result of exercising stock options may freely be sold, subject to compliance with the period of non-trading applicable to members of the Executive Board and insiders.

Employee profit-sharing

There is no agreement providing for the sharing of employees in the Company's capital.

IV. SHARE CAPITAL AND MARKET TRADING

Shares

All the Company's equity securities are listed on Euronext Paris (compartment A).

	2003	2004	2005	2006	2007	2008
Market capitalisation (in millions of euros)[1]	2 135	3 008	3 661	6 601	4 843	2 909
Number of securities traded[2]	134 559	148 422	205 308	336 090	466 896	593 923
Daily average volume						
Share price[2] [3]						
High	15.85	21.40	27.55	46.45	53.40	40.27
Low	12.42	15.28	19.65	25.51	30.36	14.38
Last	15.47	21.13	25.71	46.37	34.01	17.50

(1) Last quotation of the year.
(2) Data restated of the stock split of September 3, 2007.
(3) Adjusted for the discount granted to holders of preferential rights for the rights issue of December 2, 2008.

Trading volume over the last 18 months (In number of securities and equity traded)

Shares	Price high	Price Low	Number of securities traded	Amount of equity traded (in millions of euros)
2007				
September	40.68	35.24	9 336 628	364.75
October	40.67	35.23	9 244 564	360.80
November	36.52	30.36	10 038 792	340.92
December	36.47	32.31	7 366 779	257.87
2008				
January	35.99	27.08	15 038 931	487.04
February	39.66	31.86	14 075 501	525.41
March	39.00	34.09	10 781 524	406.55
April	40.27	35.42	10 028 228	387.69
May	39.64	36.49	8 024 762	314.55
June	38.54	30.25	14 726 572	512.44
July	31.22	24.83	19 840 952	572.09
August	28.12	25.05	10 089 620	275.64
September	29.98	24.73	15 166 225	433.56
October	26.85	15.56	15 239 815	320.41
November	20.42	14.38	11 211 745	186.10
December	18.13	15.10	8 970 597	149.21
2009				
January	20.41	16.23	11 861 629	217.03
February				

Source: Euronext.

July 2011 bonds

Description:

Amount of the issue	600 million euros
Issue price	99.241%
Maturity	July 15, 2011
Annual interest	4.625%
ISIN Code	FR0010099226
Quotation	Luxembourg Stock Exchange

A prospectus dated July 9, 2004 is available from the Company.

March 2016 bonds

Description:

Amount of the issue	700 million euros
Issue price	99.02%
Maturity	March 16, 2016
Annual interest	4.25%
ISIN Code	FR0010301705
Quotation	Luxembourg Stock Exchange

A prospectus dated March 13, 2016 is available from the Company.

J. Sustainable development

1. SOCIAL INDICATORS PURSUANT TO THE NEW ECONOMIC REGULATIONS ACT (NRE)

	Social indicators under NRE	Fiscal 2008	Scope
1.	Total compensation and all benefits paid during the fiscal year to each company officer	see page 57	Group (excluding Steen &Strøm)
2.	Total compensation and all benefits received during the fiscal year by each company officer from controlled companies within themeaning of article L. 233-13 of the French Commercial Code	see page 57	Group (excluding Steen &Strøm)
3	List of all offices and functions held in all companies by each of these officers during the fiscal year	see page 43 to 47	Group (excluding Steen &Strøm)
4.	Total company headcount including fixed-term contracts	At the end of December 2008, the Group had 1516 employees (564 in France and 952 outside France), reflecting an increase of over 37% compared with the position in December 2007. The majority of this increase is accounted for by external growth: the acquisition by Klépierre of the Scandinavian real estate company Steen & Strøm (which employs 439 people), the incorporation of a 5-person asset management entity in France, and the disposal by Klépierre of its equity interest in the Belgian management company Devimo (101 employees). On a like-for-like basis, the increase in the total number of Group employees (+7.5% compared with 2007) reflects the organic growth of the Company and its business volumes. Workforces operating outside France now represent 63% of the Company's total workforce, compared with 53% in 2007, thus considerably strengthening the international presence of Klépierre. At 4.2%, the percentage of the workforce employed under fixed-term contracts of employment is slightly down on the figure for 2007. This trend continues, both in France and internationally. Executives represent 68% of the French workforce; a proportion unchanged since 2007. Outside France, this percentage is lower at 41% of the workforce on the basis of senior management posts and those involving high levels of responsibility.	Group
5.	Recruitment, analyzed by fixed-term and open-ended contracts	In 2008, Klépierre recruited 340 staff within its scope of consolidation; this total may be broken down as follows: – 265 under open-ended contracts of employment (representing 78% of all recruitment, compared with 55% in 2007) and 75 under fixed term contracts of employment. This produces a strong contrast between the trend in employees recruited under open-ended contracts of employment (+56%) and the trend in employees recruited under fixed term contracts of employment (-46%). – 205 women (representing a proportion of 60%, which is unchanged since 2007) and 135 men. The proportion of the workforce accounted for by women is the same in France and internationally. – 89 new graduates (direct from further education or with less than two years' work experience), representing a significant 26% of all recruitment (40% in France and 20% internationally). In France particularly, we note that nearly 50% of newly-recruited employees are holders of degree level qualifications requiring four or five years of higher education. The average age of employees at the point of recruitment is 31. The proportion of people aged over 40 continued to increase during the year to account for 18% of all new recruitment (reflecting an increase of more than three points compared with 2007, and over six points compared with 2006). Of the 86 people recruited under open-ended contracts of employment in France, 8 came from other parts of the BNP Paribas Group via internal mobility, 16 were transferred from "non-permanent" (fixed-term and temporary) contracts of employment, 2 were the result of post-apprenticeship employment and 1 followed completion of a traineeship. Of these 86 people recruited, 2 benefited from "golden hello".	Group
6.	Recruitment difficulties	In France, the number of CVs received by Klépierre in 2008 was practically double the total for 2007, increasing from 1 800 to 3 500. This spectacular increase may be explained by a higher level of recruitment activity during the period, a relative slowdown in the French employment market and a concentration of recruitment requirements on the secretarial, management assistance that traditionally attract large numbers of applications.The recruitment difficulties encountered outside France were less pronounced than in 2007. This trend was clearly accentuated during the second half of 2008, with the spreading of the current financial and economic crisis, which automatically reduced the number of vacancies available in European markets. However, recruitment remained more problematic in the countries of Central Europe. Poland, for example, was confronted by a shortage	Group

	Social indicators under NRE	Fiscal 2008	Scope
6.	Recruitment difficulties (continued)	of qualified applicants for engineering and management posts and a sharp rise in salaries, despite increasing levels of unemployment nationally.	
7.	Dismissals and grounds for dismissal	There were 23 dismissals across the Group in 2008, six of which were in France. At Group level, the total number of dismissals remained stable relative to 2007 (23 compared with 21), at a time when the workforce grew by 37%. The main reasons for dismissal were professional inadequacy and gross misconduct.	Group
8.	Overtime hours	A total of 2 608 hours of overtime were worked in France, Italy and Denmark, reflecting the higher level of business volume, particularly in departments such as accounting (as a result of financial statement preparation) and logistics (as a result of company relocations). The Group's other operating countries did not declare any overtime working.	Group
9.	Non-company labour	At Group level, the monthly recourse to temporary staff was 14.4 full-time equivalent (FTE) jobs; a figure that fell to the marginal level of 4.8 (FTE) outside France. In France, the average number of temporary staff employed per month remained contained at 9.6 jobs (FTE). This figure is down by 2.4 (FTE) compared with 2007, during a period where the workforce grew by 40.5 (FTE) jobs. The downward trend is explained partly by the slowdown in the economy from September onwards, and partly by a fall in maternity leave. The average period of temporary staff employment fell to 36 days in 2008, compared with 52 days in 2007. A total of 15 temporary staff were recruited permanently by the Company: 7 under fixed-term contracts of employment and 8 under open-ended contracts of employment, reflecting a contract conversion rate of 22.4%. Expenditure on temporary staff therefore fell slightly during the year: 401 000 euros (exc. tax) in 2005 475 000 euros (exc. tax) in 2006 536 000 euros (exc. tax) in 2007 494 000 euros (exc. tax) in 2008 Klépierre uses licensed temporary manpower agencies. The contracts signed with these agencies include very strict clauses on compliance with employment law and the prevention of illegal subcontracting.	Group
10.	Information relating to workforce reduction and job protection plan, and career support (where applicable)	Klépierre has not implemented any workforce reduction or job protection plan. Whenever necessary, it examines all career change opportunities within the Klépierre Group and the BNP Paribas Group. in France, 53 employees (a figure comparable to that of 57 for 2007) changed career within an environment that encourages individual career management and internal promotion.	Group
11.	Organisation of working hours	Since November 2000, the French working week has been legally set at 35 hours. All staff employed in France receive 28 days of paid leave per year, all national holidays (included May 1st) and rest days granted under the working hours reduction (RTT) legislation. On the national *Journée de Solidarité* (Social Action Day) – Whit Monday being a paid vacation for Group employees - employees lose one day of RTT during which they work for a socially-supportive cause. Those employees with more than 12 months' service may benefit from a Time Savings Account (CET) in which to save paid leave and/or rest days under the RTT arrangements. The maximum number of entitlements (each equivalent to 1 day) that can be added to the CET in one calendar year is 10 (this maximum increases to 15 for fixed-salary employees and/or those aged over 50). In addition to time off "in lieu", the CET may be used to save hours or days not worked in the event of transition to part-time working, training received outside working	France

	Social indicators under NRE	Fiscal 2008	Scope
11.	Organisation of working hours (continued)	hours or Fongecif unpaid leave. In 2008, 44 employees opened a CET; a figure consistent with that for 2007. At the end of 2008, 186 employees operated a CET, representing a total of 2407 saved days of paid leave. In 2008, 112 employees saved paid leave days in their CET, compared with 85 in 2007. The new provisions of the TEPA 2 legislation in favor of labor allow employees to obtain cash for RTT hours saved in the CET during 2008, either in the form of an additional salary payment or as a voluntary payment to the employeesavings scheme or pension scheme, in which case the payment is exempt from social security contributions.	
12.	Working hours for full-time employees	The average number of hours worked per week by a full-time employee is as follows: 35 hours in France, 37.75 hours in Northern Europe (Denmark Norway and Sweden), 39.5 hours in Southern Europe (Spain, Italy, Portugal and Greece), 40 hours in Central Europe (Hungary, Poland, Slovakia and the Czech Republic).	Group
13.	Working hours for part-time employees	At the end of December 2008, the Group employed 90 part-time employees. This figure is 32% higher than the previous year, despite the fact that part-time employees represented a smaller proportion of the workforce (5.9%, compared with 6.3% in 2007). 64% of these employees opted for an 80% working hours package, and 16% for a 50% package.	Group
14.	Absenteeism and its causes	At Group level, the rate of absenteeism (excluding maternity leave) was 1.4%. The number of days not worked as a result of illness fell compared with 2007 (-6.6%), as did the number of days accounted for by maternity leave (- 32.1%).	Group (excluding Scandinavia)
15.	Pay	The average gross annual salary (for employees on fixed-term and open-ended contracts of employment) was: 41 200 euros in France; 58 400 euros in Northern Europe (Denmark Norway and Sweden); 32 600 euros in Southern Europe (Spain, Italy, Portugal and Greece); 21 300 euros in Central Europe (Hungary, Poland, Slovakia and the Czech Republic); In France, 24.5% of employees received personal pay raises in 2008; 14.9% received promotion. These data remained stable from one year to the next. The promotion rate for employees outside France was 9% in 2008.	Group
16.	Salary trends	The annual pay negotiation round resulted in a general increase in 2008. In May 2008, employees meeting the conditions set under the agreement received a raise equivalent to 2% of monthly salary, subject to a minimum of 650 euros for a full-time employee and a maximum of 1000 euros. In 2008, 2.76% of the total Klépierre payroll related to personal pay raises.	France
17.	Payroll taxes	Payroll taxes for the Group on the average changed as follows: **2006** **2007** **2008** (in millions of euros) 13.1 14.8 18.4	Group
18.	Application of the provisions set out in Chapter IV of Book IV of the French Labour Code (optional and mandatory profit-sharing and employee savings plans)	In France, employees are covered by the BNP Paribas Group's mandatory profit-sharing agreement. A further agreement specific to Klépierre is also in operation. In 2008, these two schemes accounted for 15% of employees' remuneration. The sums received, together with voluntary payments may beinvested in a Company Saving Plan (PEE) or a collective retirement saving plans, to which the Company makes an additional contribution. The current and former employees of the Group's French companies may also apply for BNP Paribas capital-raising share issues: the take-up rate of 69% seen in 2008 represents a reduction on that for 2007 (72%) and 2006 (75%). Internationally, the take-up rate for 2008 (13.1%) was significantly lower than that for 2007 (22.4%), the first year in which these share issues were made available to employees of Klépierre's subsidiaries outside France.	Group
19.	Gender equality within the Company	2008 saw Klépierre reaffirm its formal commitment to diversity. This commitment was formalized in the agreement regarding equality of opportunity for women in the workplace signed in 2007: the agreement on the Compulsory Annual Negotiation (négociation annuelle obligatoire or NAO) authorizes the implementation of practical measures to remedy unjustified variations in pay between men and women. Under these arrangements, 14 200 euros were paid in the form of salary increases to 6 employees in May 2008. Klépierre had a workforce of 1516, made up of 822 women and 694 men: women therefore represent 54.6% of the workforce, which is lower than the figure for 2007 (58.3%). This reduction is due to the Group's increased international presence and the fact that a lower proportion of women are employed in its international subsidiaries than in its France (51% and 60% respectively). Women accounted for 60% of the new employees recruited by the Klépierre Group in 2008. Of the 131 promotions made during the year (82 in France and 49 internationally), 75 involved women (52 in France and 23 internationally). Women therefore accounted for 57% of employees promoted during the year, compared with 54% in 2007. The proportion of Klépierre executive management posts occupied by women remained stable in relation to 2007 at 41.3% (45% in France and 35.4% internationally). One woman was appointed to the Klépierre Executive Committee at the time of its formation in 2008.	Group

	Social indicators under NRE	Fiscal 2008	Scope
20.	Labour relations and review of collective agreements	A significant level of constructive labor relations dialog took place within the Group in 2008. In addition to the NAO agreement (see section 16 of the NRE notes), Klépierre signed an Employment and Skills Management (*Gestion Prévisionnelle des Emplois et des Compétences*) agreement designed to improve the management of employees' skills and employability as part of planning for, and managing, the effects of changes in the market on the structure of the business. During these negotiations, particular attention was paid to the employment of seniors. An amendment to the Working Hours Reduction (*Réduction du Temps de Travail*) agreement introduces the new Time Savings Account (*Compte Épargne Temps*) management opportunities made available by the legislation.	France
21.	Health and safety conditions	During 2008, head office occupational health staff conducted 393 medical consultations, 42 of which resulted referral to specialists or attending doctors. In 2008, Klépierre carried follow-up and positive preventive action and monitor health and safety risks, as follows: – ergonomics: during medical consultations, special attention is paid to employees who work at a computer screen (which imposes high demand in terms of visual comfort and may pose a risk of repetitive strain injury) in order to warn them of the risks involved: printed information about workstation design and use is supplied, together with personal advice; – evaluation of risks in the workplace: as part of its ongoing commitment to minimizing risks in the workplace, Klépierre has commissioned three organizations to conduct a risk evaluation audit of 119 shopping centers and 4 regional head offices to evaluate the issues involved, how they are managed and their impact on employees. 98% identified are classified as insignificant or moderate. The audit findings will form the basis of a corrective action plan of the risksto be implemented during 2009 to address the 2% of risks requiring remedial action. The audit revealed that thegreat majority of risks identified at the Company's headquarters in Paris are already effectively controlled; – preventive actions on major public health issues: these initiatives deal with issues such as stress, which is increasingly monitored during the medical check-ups, and smoking, with advice and help for stopping smoking following the application of the decree of 15 November 2006 banning smoking in public places; - other major initiatives include a blood donation campaign and a flu vaccination campaign (43 free vaccinations were given).	France
22.	Training	1,760 training initiatives were conducted during 2008, involving 767 employees and reflecting a training access rate of 71%. In France, the number of training hours covered by the DIF (*Droit Individuel à la Formation*) employee training entitlement initiative accounted for 52% of all training hours delivered in 2008. By delivering 64% of the training initiatives undertaken, Ségécampus – the Klépierre skills university - played a major role in France by providing training in skills specific to the commercial real estate sector. 2008 saw its involvement extended beyond France to deliver training to employees in Italy and Poland. Ségécampus is also involved in the induction of new employees and organizing Welcome Days. In France, Klépierre plays an active role in encouraging the integration of young people into the world of work, and training them in the types of jobs available in its shopping centers and head office central services. In practical terms, this meant that: – 36 young people worked for the Company as part of sandwich courses in 2008, representing an increase of nearly 47% compared with 2007 (in preparation for BTS or further education qualifications); – 36 trainees worked with the Company during the year; the same number as in 2007.	Group (excluding Scandinavia)

	Social indicators under NRE	Fiscal 2008	Scope
23.	Employment and integration of disabled employees	In 2008, Klépierre employed four disabled people in France, as defined by the DOETH (obligatory declaration of the employment of disabled workers). In accordance with the targets set at the beginning of the year, a partnership agreement was signed with Hanploi.com, a website dedicated to the workplace integration of disabled workers, in order to promote recruitment of these employees. This collaboration has contributed to the achievement of the following results: recruitment of two employees under open-ended contracts of employment, a provision of two full-time temporary posts for a total duration of nine months, 28 interviews and the consideration of 185 CVs. Management staff also attended information sessions run by THConseil on the subject of employing disabled workers. Further sessions will be offered in 2009.Lastly, an accessibility audit was conducted at the Company's headquarters. The results identified a number of improvements to be made in order to ensure full accessibility to the buildings. The necessary improvements are currently at the design stage. In 2008, Klépierre paid 30 000 euros to protected sector companies, primarily in respect of catering services and green way maintenance. The Group has also decided to obtain its Christmas cards from protected-sector suppliers. Those assistants responsible for placing catering orders have also been made aware of the necessity to use protected sector companies whenever possible. Under this policy, 50% more services were provided by protected sector companies than in 2007. As part of encouraging the workplace integration of disabled students, Klépierre has donated 10,000 euros to the "*Baisser les Barrières*" (Break Down the Barriers) charity which provides digitized university textbooks for sight-impaired students.	France
		Denmark and Italy each recruited two disabled workers during the year. The Group employed a total of six disabled people during 2008.	Group
24.	Company welfare services	National-level social and cultural activities are administered jointly by a federation of works councils that encompasses several subsidiaries of the BNP Paribas Group. The local initiatives are managed by the Klépierre works council. These services are very diverse, ranging from travel services for employees, summer camps for their children, family assistance and the providing of cultural services: lending libraries for CDs, videos and other media as well as theatre or cinema reductions.A sports and cultural association gives employees the opportunity to participate in team sports and a wide range of cultural activities.	France
25.	Relations between the Company and community outreach organizations educational institutions, environmental conservation and consumer groups and local residents	In 2008, Klépierre extended and diversified its relationships with higher education institutions. The Group maintained its presence in the forums hosted by ESPI, Negocia and the ESTP, all of which offer specialist courses in real estate. In a departure from the practice of previous years, a number of more general higher education institutions were also targeted during 2008 in order to develop greater awareness of Klépierre outside its own industry sector, and encourage applications for sales and managerial posts under apprenticeship contracts or open-ended contracts of employment. Group employees also took part in the following jobs forums all over France: the ESCEM, the ESC Nice, the Forum Est Horizon in Nancy, the ESC Toulouse and the INSEEC. The great majority of shopping centers were involved in initiatives to raise money for good causes or to encourage the economic and/or social development of their local areas. As focuses for shopping and leisure, shopping centers become local forums in the truest sense of the word, and are available to any group involved in local public life. In France and internationally, they now host a large number of events organized and supported by social organizations. This service may take the form of providing space for organizers of local initiatives (these can sometimes be permanent in-center locations, as they often are in Spain) or the hosting of forums on environmental issues, job creation schemes, subsidies or partnerships. In the so-called difficult neighborhoods, where Klépierre owns and manages many sites, the Company has built close working relationships with the full spectrum of local organizations. Whenever the Company opens a new center, its teams work alongside local public authorities to create as many local jobs as possible. In June 2008, the Klépierre Group joined the "*100 chances – 100 emplois*" (100 chances - 100 jobs) program, which will further extend its commitment in this direction by bringing it together with companies in the same economic area to offer individual career opportunities to young people sponsored by local youth employment promotion organizations. As partners of the French Muscular Dystrophy Association (*Association Française contre les Myopathies* or AFM), Ségécé and 35 French shopping centers took part in the Téléthon fundraising event for the fifth consecutive year. In 2008, this involvement took the form of encouraging centers to buy fictional m² of floor space to create a virtual shopping center. The event raised over 108 000 euros thanks to in-center events, donations from retailers and contributions from the Group works council. Galae also broadcast Téléthon commercials free of charge for seven days. This year, these commercials were also shown on 1 070 plasma screen monitors in 75 shopping centers. Their screening in all shopping centers represents a sum of 50 000 euros.	Group

	Social indicators under NRE	Fiscal 2008	Scope
25.	Relations between the Company and community outreach organizations educational institutions, environmental conservation and consumer groups and local residents (continued)	Klépierre and Ségécé also continued to provide support for *La Lampe Magique* under the partnership initiated in 2004. The charity works in eight hospitals in the Paris region to cheer up daily life for children in hospital. Many thousands of children benefited from its work in 2008. Ségécé Magyarorszag (Hungary) has been a partner of the "Santa Claus' Factory" initiative for the past three years. Collections organized in the Company's Hungarian shopping centers have enabled over 8 000 underprivileged children to receive Christmas presents.	
26.	Methods used by the Company to assess the regional impact of its business activities on regional employment and development	In 2008, Klépierre projects authorised by the *Commission Nationale* or *Départementale d'Équipement* created 362 additional jobs (in full-time equivalent) in stores. This figure does not include jobs created indirectly by the building and subsequent management of future retail facilities. Outside France, the Group does not have consolidated data on the impact of its activities on employment. However, by way of example, the Corvin project in Budapest alone will generate the equivalent of 850 full-time jobs.	Group
27.	The extent of subcontracting – Methods applied by the Company to ensure that its subcontractors comply with basic ILO standards	The Company selects its subcontractors on the basis of their compliance with labour standards. Sustainable development criteria are therefore included in all the contracts signed with providers of services for the maintenance and security services for French and foreign shopping centers managed by Klépierre subsidiaries. Suppliers are also required to submit a certified statement to the effect that the work concerned will be carried out by staff working under regular employment contracts in accordance with local regulations. In France, regular checks are made to ensure that these commitments are honoured. These checks will also be extended to cover foreign centers.	Group
28.	Methods applied by the Company to ensure that its subsidiaries comply with basic ILO standards	It should be noted that all of the countries in which Klépierre operates have ratified the eight basic ILO conventions. We are also able to confirm that no child is employed by Klépierre or any of its subcontractors. The widespread introduction in 2005 of standard contracts incorporating sustainable development clauses also helps to ensure that the Company's subsidiaries require their subcontractors to comply with basic labour regulations.	Group
29.	Methods applied to ensure that foreign subsidiaries consider the impact of their business activities on regional development and local communities	Klépierre imposes sustainable development targets to steer the relationship between its foreign subsidiaries and centers and their suppliers. Nearly 80% of its shopping centers have adopted clauses requiring compliance with environmental standards. Standard code of conduct clauses that are consistent with the Klépierre-Ségécé charter have also been extended to more than two-thirds of contracts signed with our suppliers, with the obligation to have a competitive bidding process every three years and to give priority to companies that comply with European standards. 95% of the companies who bid for the most important services (security, cleaning and maintenance) meet the requirements of recognised local and European standards.	Group

2. ENVIRONMENTAL INDICATORS PURSUANT TO THE NEW ECONOMIC REGULATIONS ACT (NRE)

Shopping centers

The Klépierre Group's special characteristic is the fact that, through Ségécé and its subsidiaries, it provides services on account of third-parties in the field of rental and real estate management of shopping centers. In this respect, the assets that are monitored and managed must be classified into two categories: Klépierre property and property not belonging to Klépierre and managed under mandate.
For shopping centers, the monitoring of the NRE law environmental indicators below concerns assets owned and managed by Klépierre (hereafter called PKlp) in France and abroad.

The acquisition of Steen & Strøm is too recent to enable the inclusion of environmental indicators for the Group's Scandinavian portfolio. However, Steen & Strøm has been involved for many years in taking practical action on sustainable development issues.

Offices

The office business is a secondary activity that represents 7.2% of the value of assets. For existing assets, Klépierre makes recommendations to its tenants who decide on how the premises are to be used. For new projects however, Klépierre includes environmental requirements in the specifications.

Information relating to the management of head office buildings is also shown in the following table.

	Environmental indicators under NRE	Fiscal 2008	Scope
1.	Water consumption	Controlling water consumption poses a significant challenge, especially in those areas of high water stress. Klépierre monitors water consumption trends (usually quarterly) in the great majority of the assets it owns and manages. Of water consumption, especially in France, where nearly 3000 new water meters have been installed. Metering provides a much more accurate method of managing consumptions and gauging the effects of remedial initiatives implemented in communal areas. It also provides a factual basis for providing direct information to tenants. In France, Klépierre is using an external company to analyze consumption quarterly, and work directly with tenants wherever problems are identified. The ongoing program to install these sub-meters made it impossible to consolidate 2007 full-year data for the French portfolio. However, the Group now has precise data for these assets in 2008. The consolidated data for French shopping centers are presented on the table on page 81. In addition to these initiatives to provide more accurate monitoring of water consumption, the Group is also installing water-saving devices. Toilets that use neither water nor chemicals have been installed in the Condé-sur-Sarthe and Hérouville Saint-Clair centers in France. Each installation saves approximately 100 m^3 of water every year. The watering of landscaped areas is another major area of consumption. Many of the centers operated by the Group, with particular emphasis on those in Spain, have therefore considerably reduced their watering requirements by installing more efficient systems (hydroponics is the system used around the Augusta center in Saragossa for example) or planting species requiring less water and better suited to local conditions. Rainwater recovery and reuse is also being incorporated into new projects and extensions to existing centers. This system is already in use at Debrecen Plaza (opened in 1999 in Hungary) and Maisonément in France. The water recovered by the systems is used chiefly for watering landscaped areas and planted walls. Recent changes in legislation have opened the way or other uses, including toilet flushing.	Group (PKlp shopping centers)
2.	Consumption of raw materials	Klépierre's own activities (services) do not actually directly consume raw materials. The production and use of the consumer goods sold in shopping centers account for the majority of the environmental impact imposed by Group's assets. Klépierre is conscious of this fact, although this issue falls outside the direct operational responsibility of the Group. The main problem during operation finally consists in processing and converting the waste generated by the provision of services to tenants (see indicator 9). In the development phase, the Group works closely with property developers with an approved environmental framework. The Group pays particularly close attention to the "green site" policies implemented by developers, and is systematically involved in the process of choosing eco-friendly materials at the design stage. Klépierre also pays attention to the origin of the raw materials used, and makes sure, in particular that they are using certified wood. For example, it has decided to use French poplar with the PEFC certification for the cladding of 7000 sq.m. of the Maisonément center at Boissénart.	Group (head office and PKlp shopping centers)

	Environmental indicators under NRE	Fiscal 2008	Scope
2.	Consumption of raw materials (continued)	In terms of office based activities, the majority of European headquarters have adopted a policy designed to limit the use of paper. Paper sorting facilities have been installed in the Paris head office buildings, and in their counterparts in Greece and Portugal. The Group's Czech, Italian and Spanish companies all use recycled paper or paper produced using wood pulp derived from forests managed under certification schemes. In 2008, Ségécé Portugal ran an information campaign to raise the awareness of its teams to office-related environmental issues.	
3.	Energy consumption	The data concerning energy consumption by French and international buildings are presented in the table on page 81. Electricity, heating and air-conditioning consumption is broken down and detailed.	Group (PKlp shopping centers)
4.	Measures to improve energy efficiency	Klépierre's specific characteristic is that it is a property developer and at the same time a building manager. This means that it has to think in terms of overall cost when it designs buildings. The group makes maximum use of energy efficiency feedback and suggestions from its operational teams in all its development projects. Their comments are taken into account at an early stage of building design. Klépierre also involves designers specializing in energy-related issues in order to incorporate innovative solutions suited to local conditions. In its existing portfolio of assets, Klépierre is committed to a process of continual improvement that involves all the teams and service providers on each site. **Bioclimatic approach:** For all new projects, the teams first give priority to a bioclimatic approach by preferring passive measures to reduce energy consumption. This first stage focuses on building density and insulation in order to improve thermal inertia and limit energy loss. Studies are also conducted of site climatic and weather conditions as part of extracting maximum benefit from prevailing winds and solar gain. The results of these studies may, for example, result in the glazing of buildings being better orientated to limit exposure to due south. In existing buildings, heating and air-conditioning demand is high, and has a direct effect on customer comfort. However, many initiatives are underway to reduce the associated energy impact. The Atalayas center in Spain has applied filtration to its glazing to reflect 80% of ultraviolet radiation. The paint applied to the roof also reflects a significant proportion of the sun's rays, thus limiting the heat gain inside the building. **Energy audits:** On sites in operation, audits are still the best way to list and prioritise avenues for actions to improve energy efficiency in buildings. 42 audits were conducted in 2008 (4 in France and 38 internationally). The measures put in place on the basis of audit results have all delivered satisfactory results. In some centers, they have cut energy consumption by up to 15% or even 20%. **Continual improvement of installations:** Maximum energy efficiency is also about the installation and management of efficient technical facilities. Centralized Technical Management (CTM) systems automate center operation to minimize energy consumption. 15 new systems were installed in France in 2008.	Group (PKlp offices and shopping centers)

	Environmental indicators under NRE	Fiscal 2008	Scope
4.	Measures to improve energy efficiency (continued)	Internationally, over 90% of PKlp centers are now equipped with these systems. The newly-installed CTM systems have quickly demonstrated how much energy can be saved. For example, the system at the Montesson center in France reduced electricity consumption by 10% in 2008. **Lighting:** Preference is given to natural lighting in new projects, all the while avoiding direct sun light which could lead to excessive air-conditioning needs. This principle was implemented in particular in the Séreinis office building project in Issy-les-Moulineaux, where stair landings will be lit by natural light. The same principle has also guided the environmental approach taken with the Moulin des Landes project in Quimper, where the awnings have been oriented in accordance with a detailed study of the sun's movement to ensure solar heat gain in the winter and provide maximum shade in the summer. Renovations in existing shopping centers can be the occasion to build skylights or other systems that can be used to put the light back in places which did not have any, as was the case at Noisy Arcades in France. With respect to artificial lighting, shopping centers give preference to energy-saving light bulbs and fluorescent tubes when fixtures are replaced or during renovations. For example, the Val d'Europe center saved over 35 000 watts by adopting more efficient lighting solutions. Similar efforts were also made in the Group's Spanish centers. The year's Christmas lights were also the target of successful energy economy measures, with some centers reporting 50%-75% reductions in power consumption. All the lighting systems used in the communal areas of office buildings are currently being replaced and upgraded.	
5.	Use of renewable energy sources	The possibilities offered by renewable energies are systematically studied on new projects. The same approach is also being extended to include existing centers. The preferred option at present is the installation of photovoltaic panels, especially in Spain, France and Italy. In 2008, Klépierre installed 800 m² of panels as part of the project to extend the Nîmes-Étoile center. This installation will begin generating renewable energy at the beginning of 2009. Solar panels for domestic water heating will be installed in the Portimão project in Portugal, which is due to be completed in 2010. Other centers will also be fitted with solar energy technology in the near future.	Group (PKlp shopping centers)
6.	Land use	Environmental impact studies are conducted for all construction and renovation projects, in accordance with current regulations. The Group also ensures that the land used for its construction projects is clean. Soil pollution studies are conducted systematically on new-build land, with pollution remediation work carried out where necessary before work begins on site. For all new developments, the Group also ensures that it is proposing a project that is best suited to the topography and slope of the land to avoid having to do too much excavating.	Group
7.	Air, water and ground discharges	**Air discharges:** Klépierre has decided to measure its precise impact with respect to climate change and greenhouse gas emissions made by its activities. These quantitative measurements are conducted within the direct and operational scope of the Group's activities (Scopes 1 and 2 of the GHG Protocol). The Group also has a full appreciation of the impacts indirectly related to its activities (Scope 3). 2008 saw publication of the first comprehensive Bilan Carbone™ (Carbon Accounting) report for a shopping center in France. Conducted on the Bègles Rives d'Arcins site, this report provided a very precise assessment of the center's greenhouse gas emissions and those impacts for which responsibility either lies with stakeholders or is shared with them (customer travel, production and use of the goods sold by tenants, etc.). This exercise demonstrated the benefits of the awareness information provided by the Group to its partners. The comprehensive scope of this study has helped to fine-tune indicators and produce a more accurate carbon footprint for the entire portfolio of French shopping centers (see pages 83 and 84) All the greenhouse gas emissions studies conducted highlight the significant impact of Freon leakage, chiefly in the form of R22 refrigerant. The process of replacing this refrigerant with less harmful gases is being stepped up throughout the portfolio of existing shopping centers in France (23 sites have been targeted) and internationally. **Water discharges:** There are two main rationales behind our actions concerning the control of water discharges: create retarding basins and a temporary reservoir for rainwater on site to reduce the risk of too much water into public distribution networks; and control the pollution levels of wastewater discharged by the shopping center (common and private areas). The collection and temporary retention of water may be achieved using planted roofs (as is often the case with new projects, such as the future Moulin de Landes retail park in Quimper) or subterranean holding tanks (like at Val d'Europe, Drancy, etc.).	Group

	Environmental indicators under NRE	Fiscal 2008	Scope
7.	Air, water and ground discharges (continued)	We can also give priority to direct infiltration by complying with authorised pollution levels. The Parque Rivas center in Spain has provided 70 stabilized grass-covered parking spaces to drain run-off water naturally. Operational shopping centers carry out regular wastewater checks and cleaning (every six months in most cases) of the evacuation networks. They also check the toxic discharges of some specialised stores such as dry cleaners, photo laboratories and restaurants. Many centers now require their suppliers to use environmentally-friendly products for cleaning floors or carrying out landscape maintenance. **Ground discharges:** The main risk factors of ground pollution on the Group's various properties are petrol tanks and oil interceptors on car parks. These facilities in shopping centers (especially petrol tanks) are managed by the hypermarkets.	
8.	Noise and odour nuisances	Whether in connection with new or restructured buildings or within the context of day-to-day management, problems involving noise and odours are handled efficiently. Under the HQE® benchmark, these issues are treated effectively through targets 9 and 11. To reduce odour nuisances, which in any case are not very significant, and in accordance with regulations in force, shopping centers use special containers and air-conditioned facilities for waste. Prevention of sound pollution involves the use of delivery resources and time slots agreed in consultation with local authorities (in the case of almost all centers), but also applies to construction work. For example, the construction method for the Séreinis office building project has halved the amount of structural work required, thus reducing disruption to neighbors. The technical suspended ceiling used in this building is designed to deliver a high level of acoustic performance for the comfort and convenience of future tenants.	Group (PKlp offices and shopping centers)
9.	Waste treatment	The quantities of waste produced by shopping centers originate primarily from tenants and their customers. The Group is committed to ensuring that this waste is collected, processed and recycled as effectively as possible (see page 82). Selective sorting of cardboard is now widespread on most sites in France and outside France. The fact that this sorting is effective is evidenced by the very low percentage of refuse recorded on Group sites. Shopping centers also play an active role in recycling other waste, such as plastic, organic waste, glass and batteries. A study into the collection of plastic film began in 2008. The consultation process on waste collection and recycling methods which began in 2007 continued in 2008. New waste compactors have been installed on several sites in France, including the Blagnac and Saint-Orens centers near Toulouse. These compactors use Valpak® technology to reduce the frequency of collection, and therefore the related greenhouse gas emissions from collection vehicles. The Parque Nascente shopping center in Portugal has decided to go further by seeking ISO 14001 certification; a process that imposes significant requirements in terms of waste management. The implementation of more effective sorting methods and the introduction of two collections per day in stores and restaurants have reduced the quantity of solid waste by 12%, despite the increased consumption and waste production resulting from the 30% increase in footfall seen during the first half of 2008. Other measures, including stricter controls and collection for electronic components (WEEE) and hazardous waste, have also been implemented.	Group

	Environmental indicators under NRE	Fiscal 2008	Scope
9.	Waste treatment (continued)	On-site information campaigns were conducted amongst retailers and service providers to raise awareness of the importance of waste treatment initiatives. Employees working at the Paris head office have also contributed to the Group's efforts to improve waste management. For example, waste paper has been sorted and collected since 2005. Over 12.5 metric tons of paper and cardboard and over 50 kg of batteries were collected in 2008 and recycled by ISO 14001 certificated service providers. The Group's European head offices are also actively involved in applying the waste management and recycling policy.	
10.	Measures taken to limit impact on the ecological balance, animal and plant species	The Group's actions take different forms, in particular by focusing on respect for the site and the integration of buildings into the environment. During the development stage, the first step consists in defining a project that is in tune with the natural characteristics of the site and that is as adapted as possible to the topography and slope of the land. Next, the Group takes great care in providing a quantitative and qualitative landscape treatment. Particular attention is paid to the location and integration facilities vital to effective site management (examples include landscaped holding tanks and the use of planted screens to conceal the technical services areas of the Bois de Chalezeule project in Besançon) and the enhancement of surrounding areas by promoting low-impact communicating routes. In addition to their intrinsic ability to collect rainwater and provide insulation, planted roofs also bring a much greener appearance to the peri-urban environment (e.g. the Moulin des Landes retail park in Quimper), as well as enabling creation of green spaces from scratch in inner-city locations (e.g. the Séreinis office building in Issy-les-Moulineaux and the Nantes Beaulieu center). The average landscaped area of PKlp centers is approximately 2800 m² per site. This commitment to offering center customers pleasant landscaped surroundings applies equally to new projects under development and existing centers. Set at the heart of a protected natural environment in the Paris Region, the Maisonément retail park in Boissénart has been planted with 2000 trees and 24000 shrubs, has 1500 m² of planted walls and 18000 m² of grass-covered landscape all watered using recovered rainwater. The trees planted on this site have been declared to the United Nations Plant for the Planet program. As part of its landscape management policy, the Group uses local species with low water requirements wherever possible in order to respect the environmental biodiversity and limit water consumption (cf. indicator 1). Klépierre is also committed to minimizing its impact on the natural water cycle, and is therefore seeking to limit the impermeability of its sites. Areas designed to allow the natural infiltration of water are therefore being included in certain development projects. In order to limit its impact on animal species, the Group may also provide ecoducts, like those provided at Maisonément for a particular species of frog. The Group has set itself the target to become more involved in biodiversity issues in 2009.	Group (PKlp shopping centers)
11.	Measures taken to ensure that the company's business activities comply with environmental laws and regulations	As part of incorporating changes resulting from the adoption of new laws and regulations likely to have a significant impact on the Group and the growth of its business, the Group Legal Department works with other Klépierre departments and the Company's network of legal advisors to gather, process and distribute data about the legislation applying in the various countries where the Group operates. The company's Czech, Italian and Spanish subsidiaries also monitor their own local and national legal issues and legislation.	Group
12.	Environmental evaluation and certification	The Group also plays an active role in the various national initiatives aimed at establishing an environmental certification programme. In particular, the Corporate Sustainable Development Department took part in the working group on the drafting of the HQE® benchmark for "Service buildings – Stores" conducted by Certivéa. The Aubervilliers project, where work has already started, is actually one of the four pilot sites identified to test the implementation of this benchmark. All the sites currently under development have adopted this initiative. The BREEAM label, which enjoys a higher profile at European level, is another option that was explored during 2008, and a project will be implemented in accordance with this sustainable construction method in 2009. Lastly, an ISO 14001 certification pilot project was run for the Parque Nascente center at Gondomar in Portugal. This center is currently in the initial phase of certification. This approach will eventually result in a comprehensive Environmental Management System (see indicator 9). For five years now, Klépierre has been included in the main Socially Responsible Investment indexes: the Dow Jones Sustainability Index World and Stoxx, FTSE4Good Europe and Global Index, ASPI Eurozone and Ethibel Excellence Index Europe. Although the Group's presence in stock market indices is neither a form of evaluation nor certification, it does nevertheless provide a positive indication of the way the Group is addressing its social and environmental responsibilities. Klépierre was the	Group

	Environmental indicators under NRE	Fiscal 2008	Scope
12.	Environmental evaluation and certification (continued)	only real estate company in continental Europe to be represented in these indices during 2008. Given the Group's portfolio management activities, measures have also been put in place to harmonize the contractual obligations of contractors to ensure that all of them comply fully with the Group's ethical and environmental commitments. All our partner companies are therefore contractually committed to supporting us in these areas. It is important to note that Klépierre gives preference to partners that already hold ISO 14001 certification or are involved in the certification process. Checks were introduced in 2008 to ensure that our principal suppliers were complying with our ethical and environmental commitments, and these will continue in 2009. These commitments will also be adapted to make them more applicable to the services provided by contractor.	
13.	Expenditures on preventing environmental damage caused	Klépierre's expenditures in this area are an integral part of its business activities and can therefore not be easily separated. as a result of company activities. Certain expenditures are, however, mentioned as examples in the preceding or following indicators.	Group
14.	Internal environmental management resources	Environmental impacts and the measures designed to limit them are implemented by the local teams responsible for managing the facilities and limiting their direct and indirect effects on the environment. In France, the operations department pools the data from shopping centers and the various environmental risk factors (asbestos, Legionnaire's disease, water, other pollutions, structures, …). A number of early warning tools and systems generate systematic and varied data for dealing with problems that may arise. Outside France, each subsidiary carries out its own monitoring. The environmental data are then compiled in a report sent to the department in charge of monitoring international assets. The Corporate Sustainable Development Department created at the beginning of 2007 was enlarged in early of 2008. Its tasks concerning the environment consist in defining and setting a policy of annual initiatives, raising the awareness of Group employees and constantly monitoring these issues.	Group
15.	Employee training and information	Klépierre conducted many sustainable development training and information initiatives for its employees during 2008. This subject is assuming an increasingly important role in every internal communication channel. Klépierre therefore continues to publish its sustainable development newsletter *Quintessence*. Three issues were published in 2008, with content highlighting exemplary achievements at European level as a way of sharing and distributing best practice in sustainability. This newsletter is distributed to all Group employees, as well as external stakeholders. It may also be viewed by anyone visiting the Klépierre website, where visitors may register to receive it on a regular basis. Klépierre is also committed to focusing on training. A sustainable development e-learning module was developed in 2008, and is currently being translated so that it can be offered to all employees at the start of 2009 in every language spoken within the Group. In 2009, Klépierre also plans to develop sustainable development modules specific to the jobs involved in real estate operation and development. Many events have also been held to provide environmental information to employees. The results of the Bilan Carbone™ audit of the Group's Paris head office were announced in July 2008 at an event directed by experts in the field. This provides employees with an opportunity to appreciate the challenge of climate change in greater depth, and to learn about the initiatives implemented within the Group to reduce greenhouse gas emissions. External events hosted by the Group have addressed issues such as environment-friendly transportation solutions and public transportation solutions. The Group also encourages employees to car share. The presentations made by the senior management team also provide an opportunity to present the Group's commitments to its employees. For example, the annual convention held in November 2008 included a sustainable development workshop.	Group

	Environmental indicators under NRE	Fiscal 2008	Scope
16.	Resources dedicated to reducing environmental risks	A number of resources have been introduced in recent years to enable Klépierre to anticipate environmental risks more effectively: - a Legionnaire's Disease alert tool; - setting up of natural and technological risk prevention plans on all Klépierre shopping centers since June 2006. The automation of the risk management tool (for asbestos, Legionnaire's Disease, water, structures and roofing) that gives a very comprehensive view of risk areas was perfected in 2007. The risk management committee meets three times a year and defines the action plans to be implemented on the sites. In addressing the risk posed by Legionnaires Disease, the Group is engaged in the process of removing cooling towers wherever this is technically possible. However, shopping centers which still use them are methodically monitored, thus making it possible to avoid the spread of the disease. At all the relevant sites, a Legionnaire's Disease risk analysis has been conducted in coordination with local maintenance companies, disease surveillance centers and laboratories in. A pre-alert system ensures rapid response by maintenance teams in case of doubt, which may go as far as shutting down and disinfecting the towers if necessary. In 2008, a total of 744 analyses including water samples were conducted in cooling towers at French shopping centers. In the other countries in which Klépierre operates, Legionnaire's Disease monitoring has also become the rule, with European standards and thresholds being applied. A number of alerts that occurred off-site have demonstrated the effectiveness of controls and the quality of prevention. In 2008, the Group will test the treatment by ultraviolet of water in the cooling towers of its buildings in France. However, this technology will not be used again, since the Group has decided simply to remove the towers wherever possible. In terms of office buildings, the focus is on anticipating the introduction of new legal standards for employee safety. The main efforts carried out by our operational departments to limit the risks to those who shop or work at our shopping centers include a flood risk prevention plan, a natural and technological risk prevention plan, a program to improve safety on flat roofs, an audit of every elevator car and an annual technical audit. The long-term budgets that result from this approach also provide Klépierre with a clearer view of which areas should take priority, what its legal obligations are and what renovation programs should be initiated.	Group (PKlp offices and shopping centers)
17.	Organizational structure implemented to cope with accidental pollution incidents with repercussion that go beyond the scope of Group companies	"Any unexpected situation or event capable of threatening the image, economic stability and environment shopping centers under management, of therefore our company, is a crisis situation". Faced with this fact, our Company has introduced a specific crisis management procedure. Crisis management is handled in accordance with an established procedure involving the entire Company hierarchy. Depending on the risk identified, this procedure provides for the implementation of a monitoring and communication group until the crisis has passed. Every Company manager has received special training in identifying, understanding and reacting appropriately to such situations.	Group
18.	Amount of provisions and guarantees in place to cover environmental risks	None	Group
19.	Amount of fines paid during the fiscal year subsequent to legal prosecutions over environmental issues	None	Group
20.	Information about the targets set for foreign subsidiaries in relation to the criteria set out in items 1 to 17	Our international development policy is based on the same criteria of environmentally-friendly construction. Our local teams are involved in the design, choice and quality of facilities to apply the HQE® building methodology All our project teams, made up of architects, project managers and companies, are encouraged to design buildings that consume less energy and have less of an impact on the environment. The monitoring indicators already in place on our property has enabled us to reduce or contain our energy and water consumption on sites under operation. The identification of effective technical solutions and renewable energy generation sources are both issues analyzed on a case-by-case basis.	Foreign subsidiaries

management report sustainable development

3. ENVIRONMENTAL REPORTING

The graphs shown on the following pages illustrate the consumption of fluids (water, energy. etc.) and the quantity of waste produced by the Group's shopping centers over the last five years (2004-2008). These reports are compiled for properties owned and managed by the Group for at least one year (excl. Steen & Strøm).

Methodology

The consumptions of fluids (water, electricity, gas and heat) and those listing quantities of waste produced (non-hazardous industrial waste and cardboard) are **monitored monthly or quarterly by on-site teams on the basis of meter readings or billing details.**
The resulting data are then processed using a reporting package (recently introduced in France), which creates a profile specific to each center.
This software also enables head office and subsidiary company central services to gain an overview of the Group portfolio as a whole.
Energy and water consumption are expressed as a ratio per m² of shopping center (mall) common areas.
Consumption in the private areas occupied by tenants falls outside the operational responsibility of the Group, although the Group continues to conduct information campaigns to raise awareness of these issues amongst its tenants. The data relating to the **production of non-hazardous industrial waste and cardboard** are expressed as ratios per m² of usable floor area.
The on-site teams process and recycle not only the waste collected from the communal areas, but also that produced by tenants (which represents the great majority of waste generated on each site). It should however be noted that on a significant number of sites, the hypermarket is responsible for managing waste in areas owned by the Group. These sites are therefore not included in the reports shown on pages 81 and 82.

Interpretation of variances

For the purposes of consistency (and especially geographic and climatic consistency), the Group's portfolio is divided into three distinct geographical regions:
- Southern Europe (Spain, Italy and Portugal);
- Central Europe (Hungary, Poland, the Czech Republic and Slovakia);
- France and Belgium.

In overall terms, the variances observed can be explained by the implementation of a real estate management policy that is more effective and better structured in terms of environmental monitoring. This is the result of increased awareness amongst on-site teams, implementation of more extensive organizational resources (effective monitoring and management, monitoring procedures and self-checking procedures) and the progressive installation of efficient technical facilities. However, **three other key factors** may also contribute to upward or downward variances in the data given below:

Constantly-changing perimeter

The number of centers monitored grows every year, but some centers (e.g. those under construction) may leave the perimeter between one year and the next.
The reporting perimeter for 2008 was as follows:
- **electricity** monitored in 141 centers (over 620 000 sq.m. alleys);
- **gas + heat** monitored in 82 centers (approximately 368 000 sq.m. alleys);
- **water** monitored in 116 centers (approximately 544 000 sq.m. alleys);
- **non-hazardous industrial waste** monitored in 80 centers (GLA of approximately 1451 000 sq.m.);
- **cardboard** monitored in 64 centers (GLA of approximately 1 383 000 sq.m.).

Climate data

The breakdown of the portfolio into three distinct geographic regions enables a degree of consistency to be maintained in this respect. These data have a significant effect on the trend in energy used for building heating and/or air conditioning, especially in terms of "gas + heat".

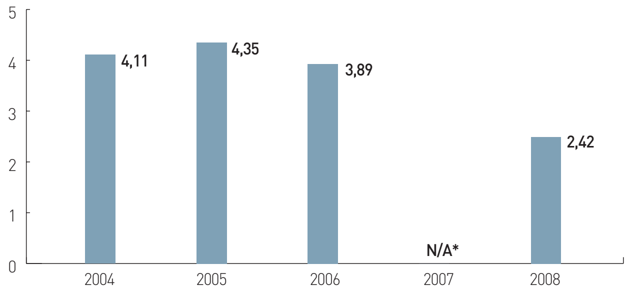
Margin for metering error

Electricity and water suppliers estimate margins of error of up to 5% or even 10%.

Water

WATER CONSUMPTION IN FRANCE AND BELGIUM

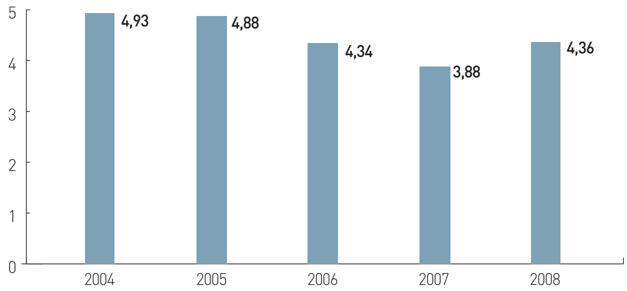
cubic meter/sq.m. alley



* Because a new system for measuring water consumption was rolled out for French holdings, full data is not available for 2007. Consequently, no meaningful comparison can be made between changes in data from 2006 to 2008.

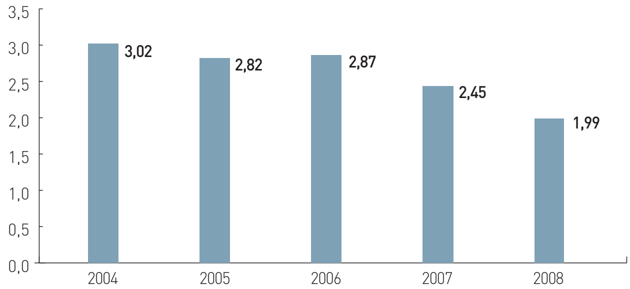
WATER CONSUMPTION IN SOUTHERN EUROPE

cubic meter/sq.m. alley



WATER CONSUMPTION IN CENTRAL EUROPE

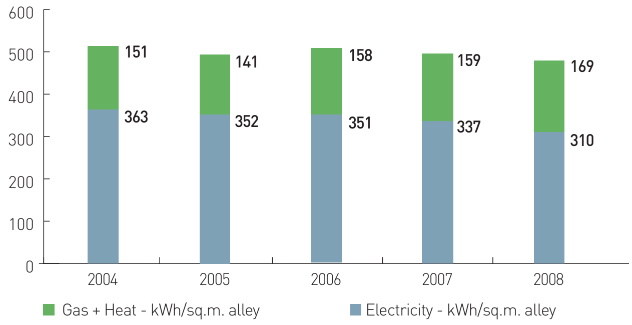
cubic meter/sq.m. alley



Energy

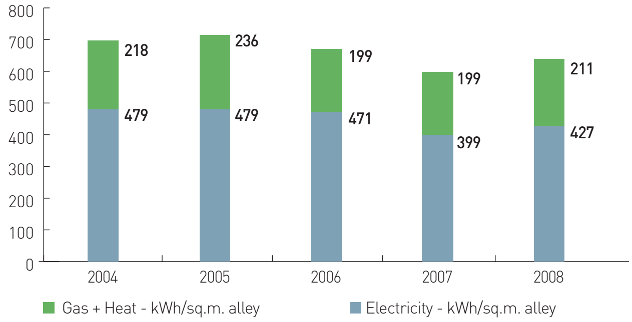
ENERGY CONSUMPTION IN FRANCE AND BELGIUM

in kWh/sq.m. alley



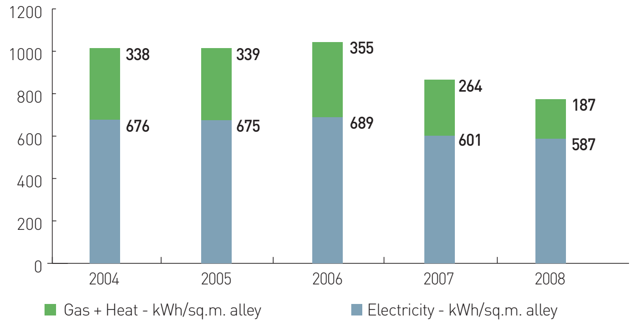
ENERGY CONSUMPTION IN SOUTHERN EUROPE

in kWh/sq.m. alley



ENERGY CONSUMPTION IN CENTRAL EUROPE

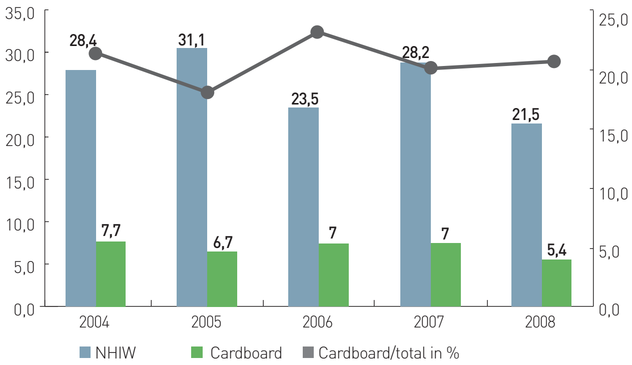
in kWh/sq.m. alley



Waste

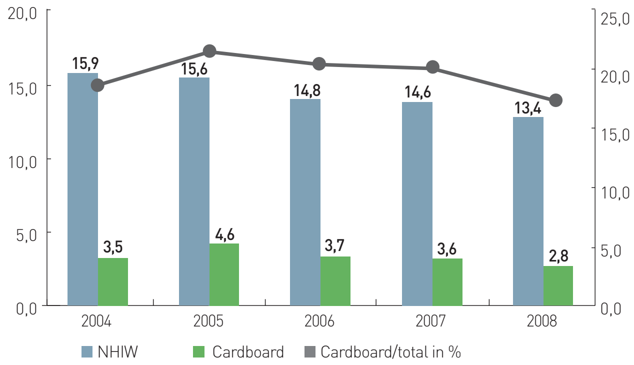
PRODUCTION OF NON-HAZARDOUS INDUSTRIAL WASTE AND CARDBOARD IN FRANCE AND BELGIUM

in kg/sq.m. GLA



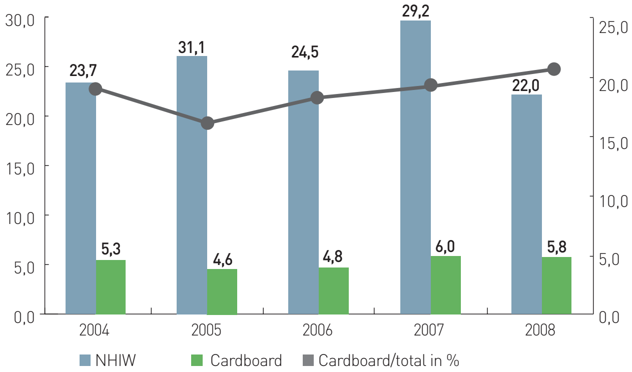
PRODUCTION OF NON-HAZARDOUS INDUSTRIAL WASTE AND CARDBOARD IN CENTRAL EUROPE

in kg/sq.m. GLA



PRODUCTION OF NON-HAZARDOUS INDUSTRIAL WASTE AND CARDBOARD IN SOUTHERN EUROPE

in kg/sq.m. GLA



4. CARBON FOOTPRINT

Committed to evaluating and minimizing its contribution to climate change, Klépierre has been measuring its greenhouse gas emissions for some years in conjunction with a specialist consultancy.
After initial experimentation in 2006, the Group conducted a Bilan Carbone™ survey in 2007 to assess the environmental impact of its Paris head office. At the beginning of 2008, Klépierre began a comprehensive measurement of the greenhouse gas emissions of one of its French shopping centers. Conducted at Bègles Rives d'Arcins, this audit provided a clear understanding of the impact imposed by a shopping center and provided the data required to fine-tune the results of the survey presented here.
Klépierre has decided to calculate the carbon footprint of all its French shopping centers in order to map its impact all over France.

Methodology

Klépierre has developed a methodology that will be implemented in the years ahead. However, it may be improved and complemented as further advances are made in this subject.

Scope of survey

This carbon footprint survey was conducted amongst 107 shopping centers in France.

Year of survey

The survey was conducted on the basis of energy and water meter readings, and waste production and travel data for 2008.

Types of emission surveyed

The Group has developed a methodology based on 2 key benchmarks: the GHG Protocol and the Bilan Carbone™.

The following types of emission have been surveyed:

			Benchmarks					
			GHG Protocol/ISO 14064			Bilan Carbone™		
			Scope 1	Scope 2	Scope 3	Internal	Intermediary	Global
Energy	Electricity	Generation		x			x	x
		Transmission losses			x		x	x
	Gas	Burned on-site	x			x	x	x
		Upstream fuel emissions			x		x	x
	Heating network	Generation		x			x	x
		Transmission losses			x		x	x
Refrigerant gas leaks (Freon)		HFC and PFC refilling	x			x	x	x
		CFC and HCFC refilling				x	x	x
On-site team travel	Rail	Long distance			x		x	x
	Air	CO_2			x		x	x
		Other gases					x	x
Waste	Transportation and end-of-life				x			x
Waste water	Waste water treatment				x			x

These results quantify the great majority of greenhouse gas emissions covered by scopes 1 and 2 of the GHG Protocol. The only omission from the survey is travel of employees to and from work and business trips undertaken by car by on-site team members. However, these represent less than 1% of the overall balance. The items shown also provide information about some issues covered under scope 3.

NB:
Emissions related to consumption of water and energy, and those related to on-site team travel are directly attributable to Klépierre. However, those emissions related to waste (transportation and end-of-life) are not solely attributable to the Group. The on-site teams sort and recycle waste generated by the Group's tenants. For the purposes of consistency and to avoid too great a degree of breakdown, it was decided to include them in the survey.
Lastly, it should be noted that the data for refrigerant gas leaks have been modeled on the basis of the power of equipment installed and the type of gas used. There may therefore be a relatively large degree of uncertainty.

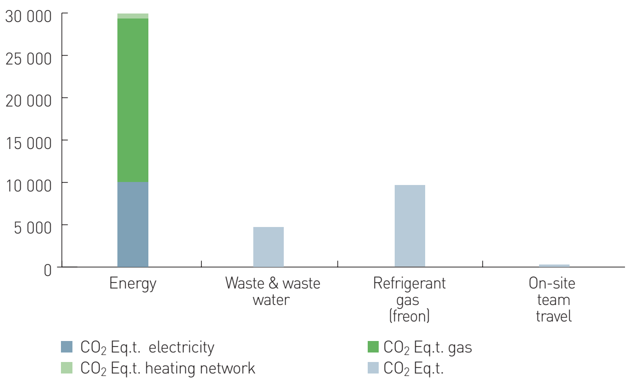
Results

The following graphs present the results of this survey in two forms.

The first graph quantifies the global impact of the Group's French shopping centers in 2008.

GREENHOUSE GAS EMISSIONS FOR THE FRENCH PORTFOLIO BY TYPE OF ACTIVITY

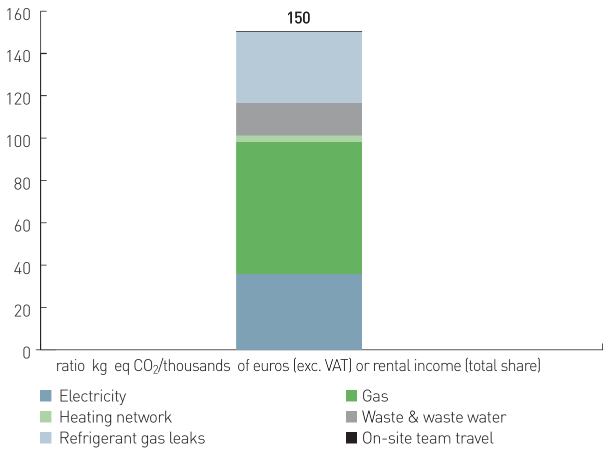
in CO_2 equivalent tons



The second graph shows these results as ratios. The total amount of greenhouse gas emissions generated by the French shopping centers has been divided by the amount of rent generated by the management of these assets (i.e. approximately 45 000 tonnes equivalent of CO_2 for 299.3 million euros exc. VAT).
This ratio will be monitored in future years and will be adopted as the Group benchmark in order to check the relevance and effectiveness of the measures put in place to combat climate change (on a like-for-like basis).

BREAKDOWN OF EMISSIONS BY TYPE OF ACTIVITY

in CO_2 equivalent kg by thousands of euros (exc. VAT) of rental income (total share)



The results of this initial survey will be used to implement a targeted and effective action plan. This plan will be developed jointly with the on-site teams to reflect the specific characteristics of each center. Special attention will be paid to using less carbon-dependent energy for heating communal areas.

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Information is available online
In the Sustainable Development pages of the Group's website.

Special report of the Executive Board to the general meeting

on transactions relating to the bonus issue (article L. 225-197-1 and following of the French Commercial Code)

In 2008, the Executive Board did not use the authorisation that was granted to it by the General Meeting of shareholders April 5, 2007 (twentieth resolution) to carry out, on one or more occasions, as it may choose, bonus issues of the Company's existing shares or bonus issues of future shares to:

- company employees and officers;
- employees and officers of companies and economic interest groupings in which the Company owns at least 10% of capital or voting rights either directly or indirectly.

It is the duty of the Executive Board to identify the beneficiaries of the bonus shares as well as the share allotment conditions and, where applicable, the share allotment criteria, with the understanding that when this concerns bonus issues to company officers, the Supervisory Board must (a) either decide that the freely allotted shares may not be transferred by the beneficiaries before they terminate their employment with the Company or (b) determine the quantity of bonus shares that they are bound to keep as bearer shares until they terminate their employment with Company.

In accordance with the deliberations of said general meeting, the total number of bonus shares attributed, whether existing or future shares, may not represent more than 0.5% of the Company's share capital on the day of the Executive Board's decision.

This authorisation was granted for 26 months as from April 5, 2007.

Special report of the Executive Board

in relation to the share buyback, pursuant to article L. 225-209 of the French Commercial Code

Having voted on the eighth and ninth resolutions tabled, the General Meeting of April 5, 2007 authorised the Executive Board to buy Company shares for all lawful purposes of transaction. The aims of this share buyback programme involve:

- covering all the Company's stock option plans in accordance with the provisions of articles L. 225-177 and following of the French Commercial Code; or
- implementing all employee savings plans pursuant to the law, in particular articles L. 443-1 and following of the French Labour Code; or
- granting bonus issues to officers and/or employees of the Company or its Group in accordance with the provisions of articles L. 225-197-1 and following of the French Commercial Code; or
- cancelling all or part of the shares bought under these plans, subject to the adoption by the Extraordinary General Meeting of the ninth resolution hereafter under the terms set forth herein; or
- keep the shares and deliver them later in exchange or in payment for any external growth operations that may so require, in compliance with market practices admitted by the French market regulatory authority, *Autorité des marchés financiers*; or
- remitting shares in connection with the exercise of rights attached to securities with a claim on the capital of the Company, by way of redemption, conversion, exchange, presentation of a warrant or any other manner; or
- buying, selling, converting, assigning, transferring, lending or making available of shares in accordance with a liquidity contract in line with the ethics charter of the French Association of Investment Companies (AFEI), signed with an investment service provider, in compliance with practices admitted by the *Autorité des marchés financiers*, in particular to ensure share liquidity or as part of a policy of leaning against the wind.

This authorisation was subject of a programme description that was published on the website of the *Autorité des marchés financiers* on April 5, 2007.
The main characteristics of the authorisation granted by the General Meeting on April 5, 2007 are as follows:

- maximum authorised purchase price per share: 200 euros for a share with a par value of 4 euros;
- maximum number of shares that may be acquired: a maximum of 10% of share capital, i.e. 4 616 422 shares for a maximum amount of 923 284 400 euros;
- duration of the programme authorised by the General Meeting: 18 months as from the General Meeting of April 5, 2007;
- maximum percentage of capital that may be cancelled under the authorisation of the General Meeting: 10% of share capital by 24-month periods.

No share was cancelled under this authorisation.

The unused part of this authorisation is cancelled following the debates of the General Meeting of April 4, 2008 (tenth and eleventh resolutions), whereby the meeting renewed the authorisation granted to the Executive Board to buy back the company's treasury shares, for all purposes permitted by law. The purpose of this share buyback programme is to:

- remit shares (in exchange, for consideration or other) as part of a transaction related to external growth, a merger, a demerger or a partial business transfer; or
- stimulate the secondary market or the liquidity of Klépierre stock by an investment services provider within the framework of a liquidity agreement that complies with the guidelines recognized by the AMF (*Autorité des Marchés Financiers*); or
- to cover all the Company's stock option plans in accordance pursuant to articles L. 225-177 and following of the French Commercial Code;

- remit shares in connection with the exercise of rights attached to securities with a claim on the capital of the Company, by way of redemption, conversion, exchange, presentation of a warrant or any other manner; or
- purchase, sell or assign by all means by an investment services provider, in particular in connection with OTC transactions; or
- cancel all or some of these repurchased shares, pending adoption by the shareholders of the eleventh extraordinary resolution below, under the terms that are indicated; or
- grant bonus issues to officers and/or employees of the Company or its Group in accordance with the provisions of articles L. 225-197-1 and following of the French Commercial Code; or
- grant or sell shares to employees in connection with their participation in the fruits of the company's growth and the implementation of any employer-sponsored savings plan pursuant to the terms and conditions set forth by law, in particular articles L. 443-1 and following of the French Labor Code.

This authorisation was the subject of a programme description that was published on the website of the *Autorité des marchés financiers* on April 4, 2008.

The main characteristics of the authorisation granted by the General Meeting on 4 April 2008 are as follows:

- maximum authorised purchase price per share: 60 euros for a share with a par value of 1.40 euro;
- maximum number of shares that may be acquired: not more than 10% of share capital, i.e. 138 492 687 shares for a maximum amount of 830 956 080 euros;
- duration of the programme authorised by the General Meeting: 18 months as from the General Meeting of April 4, 2008;
- maximum percentage of capital that may be cancelled under the authorisation of the General Meeting: 10% of share capital by 24-month periods.

No share was cancelled under this authorisation.

The table below sums up the operations on treasury shares carried out by the Company in fiscal year 2008 under the two authorisations mentioned above:

In number of treasury shares	Liquidity	2006 Plan	2007 Plan	Future stock options	External growth	Total
Situation as at 31 December 2007	**195 293**	**550 500**	**426 121**	**546 797**	**1 271 752**	**2 990 463**
Adjustments of stock-options plans*		12 593	-2 482	-10 111		0
Options exercised during the year						0
Purchased	888 729	0	0	0	724 226	1 612 955
Sold	-824 339	0	0	0	0	-824 339
Situation as at 31 December 2008	**259 683**	**563 093**	**423 639**	**536 686**	**1 995 978**	**3 779 079**
As a percentage of share capital	*0.16%*	*0.34%*	*0.25%*	*0.32%*	*1.20%*	*2.27%*

* Adjustment of the number of shares allocated following capital increase and updating of the number of beneficiaries to reflect employee turnover.

As at 31 December 2008, the Company had 3 779 079 treasury shares, representing 2.27% of its share capital. This figure was 788 616 securities more as compared with 31 December 2007, and was a result of the following:

- transactions completed to stimulate or counter market trends of the Klépierre security resulted in a net sale of the 64 390 securities: Klépierre bought 888 729 shares at an average price of 28.31 euros and sold 824 339 shares at an average price of 29.29 euros;
- 724 226 shares were bought in view of possible external growth operations, at an average price of 20.03 euros.

The following objectives were also reassigned during fiscal year 2008:

- 12 593 shares intended to cover future stock option plans were reassigned to the 2006 plan, in which the number of deliverable shares increased following adjustment made necessary by the capital increase, net of retirements during the fiscal year;
- 2 482 shares intended to cover the 2007 stock option plan were reassigned to future stock option plans, since the number of deliverable shares fell as a result of beneficiaries leaving the Compagny and the adjustment made necessary by the capital increase.

At the annual general meeting to be held on 9 April 2009, the Executive Board will ask shareholders to renew this authorisation for a period of 18 months. The terms and conditions will remain unchanged and the maximum purchase price will be 40 euros for each share with a par value of 1.40 euro.

Special report of the Executive Board to the general meeting

on transactions carried pursuant to the provisions set out by the articles L. 225-177 to L. 225-186 of the French Commercial Code

The information to be disclosed at the ordinary general meeting pursuant to article L. 225-184 is summarised in the table below:

Stock-options	Grant date [1]	Number of options granted	Exercise period	Exercise price (in euros)	Number of options exercised in 2008	Options remaining to be exercised
Executive Board						
Michel CLAIR	30 May 2006[2]	46 532	31 May 2010 to 30 May 2014	29.49	–	46 532
	15 May 2007[2]	34 130	16 May 2011 to 15 May 2015	46.38	–	34 130
Jean-Michel GAULT	30 May 2006[2]	31 021	31 May 2010 to 30 May 2014	29.49	–	31 021
	15 May 2007[2]	24 822	16 May 2011 to 15 May 2015	46.38	–	24 822
Claude LOBJOIE	30 May 2006[2]	31 021	31 May 2010 to 30 May 2014	29.49	–	31 021
	15 May 2007[2]	15 515	16 May 2011 to 15 May 2015	46.38	–	15 515
Laurent MOREL	30 May 2006[2]	31 021	31 May 2010 to 30 May 2014	29.49	–	31 021
	15 May 2007[2]	27 827	16 May 2011 to 15 May 2015	46.38	–	27 827

(1) No stock purchase option was granted to executive corporate officers during the 2008 fiscal year, either by the issuer or any Group company.
(2) Extraordinary decision of the shareholders on April 7, 2006. The numbers and prices have been adjusted to reflect the 3-for-1 stock split in 2007 and the impact of the discount granted to holders of preferential subscription rights when capital was raised in December 2008.

Report of the Supervisory Board

to the annual general meeting and the extraordinary general meeting

Approval of financial statements for the year ended 31 December 2008

Dear Shareholders,

Pursuant to the provisions of article L. 225-68 of the French Commercial Code, we are required to make our observations concerning the Executive Board report which has just been read to you as well as concerning the corporate and consolidated financial statements for the year ended 31 December 2008.
The Supervisory Board has regulary been kept up to date by the Executive Board about the Group's business and has carried out the required audits and controls as part of its mission.
To do this, the Board called on the services of four specialised committees: the Investment Committee, the Audit Committee, the Appointments and Remunerations Committee and the Sustainable Development Committee.
The Supervisory Board has no special observations to make concerning the Executive Board's report and the results of fiscal year 2008. It therefore invites you to approve the financial statements and the resolutions proposed, with the exception of resolution nineteen.
The Supervisory Board wishes to thank the Executive Board and all the Company staff for their work and effort in 2008.

The Supervisory Board

management
report
report of the Chairman
of the Supervisory
Board

Report of the Chairman of the Supervisory Board

on February 6, 2009 to review fiscal year 2008

In accordance with article L. 225-68 of the French Commercial Code, and in my capacity as Chairman of the Klépierre Supervisory Board, it is my honor to present you with this report on the 2008 fiscal year, as approved by the Supervisory Board at its meeting of February 6, 2009. It contains information relating to:

- the composition of the Supervisory Board and the way in which its work is prepared and organized;
- the internal control and risk management procedures implemented by the Klépierre Group;
- the corporate governance of the Company;
- the methods governing the participation of shareholders in the general meetings of the Company;
- and the publication of information relevant to elements that could potentially have an effect in the case of any public offering.

I. PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S WORK

The Supervisory Board is primarily responsible for the permanent oversight of the Company's management by the Executive Board. For this purpose, it may conduct any verifications or checks it sees fit at any time of the year, and may request any and all documents it believes useful to the accomplishment of its mission.

The Executive Board must submit a management report to the Supervisory Board at least once every quarter, and must also submit the Company's financial statements for audit and control.

The Supervisory Board authorizes all transactions and agreements regulated by articles L. 225-68 paragraph 2 and L. 225-86 of the French Commercial Code.
In accordance with article 16 of the Company's articles of association, it also authorizes:
- transactions likely to affect the strategy of the Company and its Group, and to change their financial structure and scope of activity;
- the issue of all types of marketable securities capable of changing the share capital of the Company;
- the following transactions, where the unit value of these transactions exceeds 8 million euros or the equivalent amount in any other currency:
  a) accept and dispose of any equity holdings in all companies created or to be created, except those Klépierre Group companies receiving or purchasing buildings belonging to the Klépierre Group;

b) acquire or dispose of any buildings in kind, except in the case of sale or transfer to a Klépierre group's company;
c) enter into all agreements and transactions and accepting any compromise in the event of legal proceedings.

The Supervisory Board has delegated to its Chairman the powers to authorize the Executive Board to complete the transactions referred to in paragraphs a), b) and c) above, where the individual value of such transactions does not exceed 46 million euros or its equivalent value in a foreign currency.

The Chairman of the Supervisory Board and the Executive Board report to the Supervisory Board on the use made of these delegated powers.

Composition of the Supervisory Board

The Supervisory Board is composed of a minimum of three and a maximum of twelve Members who are elected by the Ordinary General Meeting of Shareholders for a three-year term. Some Board Members are replaced at each annual general meeting, depending on the number in office, in order to ensure a turnover of Members as regularly as possible, with the Board changing in its entirety at the end of each three-year period.

The Board elects a Chairman and a Vice-Chairman from amongst its Members.

During the 2008 fiscal year, there were nine Supervisory Board Members: Dominique Hoenn (Chairman), Alain Papiasse (Vice-Chairman), Jérôme Bédier, François Demon, Bertrand de Feydeau, Bertrand Jacquillat, Bertrand Letamendia, Vivien Lévy-Garboua and Philippe Thel.

At its meeting of December 19, 2008, the Supervisory Board coopted:
- Mr. Michel Clair as Member, replacing Mr. Alain Papiasse, who resigned with effect from January 1, 2009;
- and Mrs. Sarah Roussel, replacing Mr. François Demon, who resigned with effect from January 1, 2009.

If these provisional coopted appointments are ratified at the next general meeting of shareholders, the appointments of Mr. Michel Clair and Mrs. Sarah Roussel will end at the General Meeting called in 2011 to approve the financial statements for 2010.

On December 19, 2008, the Supervisory Board also made the following appointments with effect from January 1, 2009:

- Mr. Michel Clair to be appointed as the new Chairman of the Board, replacing Mr. Dominique Hoenn, who resigns with effect from January 1, 2009;
- Mr. Vivien Lévy-Garboua to be appointed as the new Vice-Chairman of the Board, replacing Mr. Alain Papiasse, who resigns with effect from January 1, 2009.

Any Member who has no relationship whatsoever with the Company, its group or its management team that could compromise his or her freedom of judgment will be considered as an independent member of the Supervisory Board. According to these criteria, four of the nine Supervisory Board Members are independent: Bertrand de Feydeau, Bertrand Jacquillat, Bertrand Letamendia and Jérôme Bédier.

Meetings of the Supervisory Board

The Supervisory Board meets as often as the interests of the Company require.

At least half of the Board's Members must be present for proceedings to be considered valid. The members may participate in the proceedings of Board meetings by means of videoconferencing or any other means of telecommunication ensuring their clear identification and effective participation. This condition will not apply to meetings held to verify and check the annual and consolidated financial statements.

Decisions are adopted by the majority of Members present or represented.

In the event of a tied vote, the Chairman of the meeting will have the casting vote.

In accordance with the provisions of article L. 823-17 of the French Commercial Code, the Company's statutory auditors will be invited to attend meetings of the Board called to inspect or approve the annual and interim financial statements.

The Supervisory Board met thirteen times during the 2008 fiscal year. The attendance rate was 83.76%.
The main items discussed at these meetings are listed below:
- the annual parent company and consolidated financial statements for 2007 and the management report on these statements;
- the Executive Board's quarterly business review;
- the parent company and consolidated interim financial statements;
- the replacement of Supervisory Board members;
- the appointment of a new Supervisory Board Chairman with effect from January 1, 2009;
- the appointment of a new Supervisory Board Vice-Chairman with effect from January 1, 2009;
- the establishment of a Sustainable Development Committee;
- the granting of guarantees, endorsements and sureties;
- the authorization required to increase the capital of the Company;
- investments and disposals in France and abroad;
- funding transactions;
- the annual authorization of the Executive Board to grant guarantees, endorsements and sureties;
- regulated agreements.

The work of the Board and the special-purpose committees is prepared and organized by their respective Chairmen.

The structure and operation of the special-purpose committees that support the Supervisory Board

To carry out its duties, the Supervisory Board has formed special-purpose committees. Working within the scope of its own area of expertise, each committee will bring forward proposals, recommendations and advice as necessary, and report on its work to the Supervisory Board.

Additional information concerning the missions and operation of these committees is given in the "Committees" chapter of the annual report.

These committees are:

Investment Committee

This committee has a minimum of three and a maximum of five Members appointed by the Supervisory Board from amongst its Members.

During the 2008 fiscal year, the Investment Committee Members were: Bertrand de Feydeau (Chairman of the Investment Committee), Jérôme Bédier, Dominique Hoenn, Philippe Thel and François Demon.

This committee meets at least twice per year to inspect the investment and/or disposal plans submitted to it prior to their official authorization by the Supervisory Board. To this end, it examines the property characteristics as well as the commercial, legal and financial aspects of proposed transactions. In particular, it seeks to ensure that planned investments and divestments are in line with the investment strategy and criteria of the Klépierre group. Before issuing a favorable opinion, the Investment Committee may request any additional information it deems useful, as well as recommend that any or all of the property, commercial, legal or financial aspects be modified.

It met nine times during the fiscal year 2008, with an attendance rate of 88.22%.

Its proceedings pertained to 32 planned investments or divestments, 14 of which were carried out or committed, 8 of which are controlled or being negotiated. Ten transactions, most of which were substantial in size, were not concluded.

The most significant authorized projects concerned:

- the acquisition of 56.1% of the shares in the Scandinavian company Steen & Strøm;
- the Aubervilliers and Saint-Lazare train station projects in France;
- the restructuring and extension of the la Romanina center in Italy and Saint-Orens in France;
- the extension of the Clermont Jaude (France) and Seriate (Italy) centers.

Audit Committee

This committee has a minimum of three and a maximum of six Members appointed by the Supervisory Board from amongst its Members.

During the 2008 fiscal year, the committee Members were: Bertrand Jacquillat (Chairman of the Audit Committee), Bertrand Letamendia, Vivien Lévy-Garboua and Alain Papiasse. Jérôme Bédier was also a Member until September 16, 2008, the date on which he joined the Sustainable Development Committee.

This committee meets at least twice per year to evaluate major accounting issues, financial information, the quality of procedures and the statutory auditors' fee budget.

It met three times over the course of fiscal year 2008, with an attendance rate of 71.43%. Its key tasks included:

- parent company and consolidated financial statements (interim and annual): accounting and financial disclosures and principal highlights of the year or half-year;
- the presentation of the accounting principles applied to the acquisition of Steen & Strøm in the context of updating the shelf registration document;
- statutory auditors: statutory auditors' budget for 2008 and 2009;
- the internal compliance procedures: Reporting on the periodic checks made during the 2008 fiscal year, the Business ethics and Compliance function and the coordination of the Permanent control.

The central purpose of the permanent control system is to analyze the ways in which risks are covered by the permanent control processes and procedures (Fundamental Monitoring Points), monitor the technical audits of shopping centers, monitor the implementation of recommendations, update the risk matrix and validate the permanent control action plan for 2009.

Selection and Compensation Committee

This committee has a minimum of two and a maximum of five Members appointed by the Supervisory Board from amongst its Members.

During the 2008 fiscal year, the committee Members were: Bertrand Letamendia (Chairman of the Selection and Compensation Committee), Dominique Hoenn, Vivien Lévy-Garboua and Bertrand de Feydeau.

This committee meets at least once per year to formulate recommendations for submission to the Board concerning the appointment and compensation of the Group Executive Committee Members, pensions and employee benefits, benefits in kind, and stock option grants and plans.

It met two times over the course of fiscal year 2008, with an attendance rate of 100%. Its key tasks included:

- the methods used to determine the variable portion of the compensation paid to Executive Committee Members during 2008. The global compensation for the latter is made up of three components:
- a fixed portion, which is determined annually at the beginning of the year;
- a variable portion, for which the global amount to be divided among the Executive Committee Members is equal to no more than the total of the fixed portion of the wage for the Board. This variable portion is determined on the basis of annual net current cash flow objectives (for 70%) and pre-tax earnings (for 30%). This global sum is divided among the Executive Committee Members (70%) ratably, on the basis of each Member's fixed compensation and partly (30%) on the basis of the extent to which personal objectives are met;
- in kind benefits which, at Klépierre, include the provision of a Company car for all Executive Committee Members, for which the portion of the cost corresponding to personal use is payable by the beneficiary and subject to tax and social charges;
- the appointment of Mr. Laurent Morel as Chairman of the Executive Board with effect from January 1, 2009, following the resignation of Mr. Michel Clair from his duties as Member of the said Executive Board;
- the limitation of the number of Executive Board Members to two with effect from January 1, 2009, following the resignation of Mr. Claude Lobjoie from his duties as Member of the said Executive Board;
- the coopting of Mr. Michel Clair as Member and Chairman of the Supervisory Board, with effect from January 1, 2009;
- the methods governing the compensation paid to the Chairman of the Supervisory Board, with effect from May 1, 2009.

The committee also found that, given the extreme volatility of the share price, the time was not opportune in 2008 to proceed with an allocation of stock options to Group employees and Executive Board Members.

Sustainable Development Committee

This committee has a minimum of two and a maximum of four Members appointed by the Supervisory Board from amongst its Members.

During the 2008 year, the committee Members were: Jérôme Bédier (Chairman of the Sustainable Development Committee), Bertrand de Feydeau and Vivien Lévy-Garboua.
This committee was set up by the Supervisory Board on April 4, 2008, and meets at least twice yearly. Its responsibilities include:
- maintaining an inventory of the categories of risk to which Klépierre is exposed;
- monitoring the action plan implemented to address these risks;
- and examining the contribution made by the Klépierre Group to sustainable development.

It met two times over the course of fiscal year 2008, with an attendance rate of 100%. Its key tasks included:

- the long-term development of the Company on the basis of four major aspects: social considerations, environmental issues, business ethics and compliance and strategic developments;
- the implementation of the *Grenelle de l'environnement* (environmental initiative introduced by the French government).

II. INTERNAL CONTROL PROCEDURES

Internal control is the organization of processes, procedures and controls implemented by the Executive Board to ensure that risks are fully controlled and to obtain the reasonable assurance that the Company's strategic objectives have been met.

The Klépierre Group has sought to identify the major risks connected with the nature of its business. This inventory of risks covers the reliability of accounting and financial information (interest rate, liquidity, exchange rate and counterparty risks) and operational risks (those related to personal and property safety, monitoring of operational incidents, asset insurance coverage, etc.).

The internal control system designed to address the various objectives described can nonetheless not provide absolute certainty that the objectives set will be reached, due to the limits inherent in all procedures.

The organizational structure implemented relies particularly on:

- the internal operational quality of the Klépierre Group;
- the reliability of internal and external information;
- the adaptation of internal policies and their compliance with legislation and regulations.

This internal control system is based on the following key principles:
- all Group employees contribute to the internal control system. Each employee must ensure the effective compliance of all those tasks for which he or she is responsible;
- control functions must be independent of operations;
- all business activities within the Klépierre Group and its consolidation scope are covered, with the exception of the Steen & Strøm group, which retains its organizational autonomy. In this group, the operational and strategic functions remain the responsibility of its Board of Directors.

Internal control is broken down into two components: ongoing control and periodic control:

Ongoing control is the responsibility of all Group employees. In accordance with the Group principle of separating functions and levels of delegation, the Ongoing Control Automation Manager reports to the Group Company Secretary, and is responsible for:
- coordinating the initiatives put in place by the managers concerned to update control procedures and processes;
- monitoring the implementation of recommendations made by the Periodic Control team;
- preparing and issuing reports to the Group's governing bodies;
- coordinating the actions contained in the Business Continuity Planning, i.e. all those measures intended to maintain the essential services of the Company and ensure the continuity of business activity on a fallback site, where such measures are necessary as the result of a major disaster.

The business sector, function and subsidiary managers fulfill the role of ongoing control representatives, and are responsible for the following tasks:
- coordinating and implementing the methodological choices made at Group level amongst the teams;
- designing and regularly adapting the system's reporting mechanism by identifying those indicators most appropriate for providing managers with the best-possible overview of their ongoing control system;
- submitting regular reports to senior management and the Ongoing Control Coordination Manager;
- Ongoing control is based on the continuous implementation of the following six principles, supported by every relevant resource:
  - **risk identification and evaluation:** this requires a regularly-updated system of risk analysis and measurement designed to address all controls and procedures;
    Klépierre has implemented a system referred to as a "Risks Matrix". This system maps the Group's exposure to risk on the basis of operational risk type grouped by activity and function;
  - **procedures:** these are intended to provide a framework for the activities and functions by specifying the control structure and processes. These procedures may be viewed on the Group intranet and are the subject of communication and training provided by senior management. They are updated whenever required (as a result of changes in legislation, changes to business activities, restructuring programs, etc.), and reviewed at least every 18 months at the initiative of Ongoing Control Coordination, although the review is undertaken by the management team concerned;
    The Klépierre group continually reviews all those procedures already drafted, updates procedures where necessary and drafts new procedures. These procedures operate within a framework constituted by a procedures procedure which incorporates the policy adopted by the Group. The current rate of risk coverage is 82% in France and 48% across the whole system;
  - **cross-referencing the Risks Matrix** against the inventory of procedures provides the Klépierre group with an overview of those risks that have been addressed. This system was initially adopted in France, and was extended to the Group's international subsidiaries during the course of the year;
  - **controls:** the frequency, intensity and organization of controls depend on the level of risk. Controls are formalized into the procedures. The implementation and effectiveness of the most important ones are monitored.
    This has led to the definition of Fundamental Surveillance Points (FSP). These are used to ensure second level controls of the Group's essential business areas by management, who make it one of the key elements of the management and supervision of risks.

They follow a methodology and frequency that are predefined by the management for each chosen activity that presents a major risk.
At present, the Klépierre group has defined 23 FSPs, and the updating process continues.
One of these FSPs relates to the monitoring of the Group's largest risk; the risk to persons and property (monitoring of the annual technical inspections conducted in shopping centers and structural and weatherproofing audits).

The Periodic control also conducts controls to ensure that the FSPs are correctly monitored, qualitatively as well as quantitatively.

- **Reporting:** a quarterly report on FSPs is submitted to the Group Executive Committee. This report is complemented every half-year by a report to the Internal Control Coordination Committee on the inventory of procedures, operational risk coverage rates and the monitoring of the action plan for the year.

- **Steering:** the Internal Control Coordination Committee set up in March 2007 is tasked primarily with assessing reports it receives and using their findings as the basis for identifying desirable changes to the system and validating action plans. The Executive Committee is a permanent Member of this committee, which is chaired by the Chairman of the Executive Board.

- **Periodic control** is exercised by the Klépierre group internal audit team as an independent and objective process of assurance and consultancy, the object of which is to deliver added value and improve organizational operation. It helps the Executive Board to achieve its targets by means of a systematic and methodical approach to the evaluation and improvement of risk management, control and corporate governance processes.
  The responsibilities, independence and role of the internal audit function are determined in an internal audit charter that was signed by the Chairman of the Executive Board and the Chairman of the Supervisory Board.

The internal control system is based on three levels of control:

- **Permanent control level:** the first level is exercised by every employee as part of his or her own job-related tasks with reference to the applicable procedures; the second level is exercised by the business line or function management team.

Two members of staff in the French and International Internal Accounting Control section of the Accounting and Management Control Department are specifically responsible for:
- implementing the internal accounting control system and monitoring the correct operation of the internal accounting control environment within the Group, with particular reference to the internal certification procedure described below;
- preparing, validating and centralizing all the procedures applicable within the Department;
- defining the appropriate first and second level controls to be applied to the process of preparing the Group corporate financial statements and consolidated financial statements;
- verifying from time to time that subsidiaries are correctly implementing the Group's benchmark relating to the preparation of consolidated financial statements;
- monitoring the implementation of recommendations made by internal and external auditors.

Specifically identified, the Business Ethics and Compliance Department ensures compliance with ethical standards, professional standards and anti-money laundering regulations.

Every part of the internal control function reports to the Executive Board and the Audit Committee concerning the fulfillment of their missions.

- **Periodic control level:** a third level of control is exercised by the Klépierre group internal audit team.

Accordingly, an annual audit plan drawn by the Chief internal Audit Officer and the Executive Board is submitted for the approval of the Audit Committee. This plan is based on a preventive approach to risks that seeks to define audit priorities that are in line with the Group's objectives. However, one-off assignments may also be carried out to address a specific problem that may arise.

At the same time, audits are performed in France on compliance with regulations and internal procedures in the management of shopping centers once every three years, These audits are based on standard benchmarks that cover the following areas:
- safety of property and persons, particularly pursuant to regulations governing establishments open to the public;
- property administration;
- rental management;
- coordination of retailer associations.

The internal audit department has direct access to the Executive Board and submits reports, recommendations and implementation plans based on its work and findings to the Audit Committee.

There are six employees assigned to Periodic control.

In the specific case of Klépierre, its Executive or Supervisory Board may call upon the General Inspection Unit of its consolidating entity, the BNP Paribas group, in particular to audit its organization and procedures.

The Audit Committee is informed at least once a year of the Group's entire internal control system, changes to said system and the findings of the work carried out by the various participants to the system.

Financial management

The management of financial risks, and in particular the financial structure of the Group, its financing needs and the management of the interest rate risk, is carried out by the Financing and Treasury Department, which reports directly to the CFO and the Executive Board.

At the end of each year, the Supervisory Board validates the tentative financing plan for the following year, which defines the broad outlines in terms of calibration and choice of resources, as well as interest rate hedges. During the year, the principal decisions in terms of financial transaction are presented individually to the approval of the Supervisory Board, which also receives a summary of these transactions ex post facto.

The Financing and Treasury Department also develops internal procedures that set forth the distribution of roles among the Group's various parties in the management of cash as well as in the rollout of Klépierre share buyback programs.

report of the Chairman of the Supervisory Board

Production of financial information

The clarity of financial information and the relevance of the accounting principles used are monitored by the Audit Committee (whose role has already been specified), working in collaboration with the statutory auditors. The corporate and consolidated financial statements are prepared by the Accounting and Management Control Department under the responsibility of the Chief Financial Officer.

Accounting controls – French entities

The financial statements of French companies are prepared centrally at Klépierre's corporate headquarters on a pooled information system. The operational departments are responsible for billing and recovering rents and charges by applying a series of appropriate controls to their job functions, as defined in the specific procedures. The principal transactions held in a single management system are interfaced automatically to the accounting system.
The accounting system uses two methods of analysis (per building and per sector) to deliver precise budgetary control.

The Group has set up procedures to formalize audit working papers and accounting justification records to ensure that accounting operations are accurate and complete, and provide audit trail traceability.

A second level of control is also applied. This level takes the form of an accounting control certificate confirming the existence, comprehensiveness and evaluation of data.

Accounting controls – foreign entities

The accounting controls applied to foreign entities are the responsibility of the local teams in each country, supported by the Group Accounting Department, whose objective is to harmonize the internal accounting control environment within the Group, and ensure consistent quality of financial and accounting information for the purposes of Group consolidation.

The Accounting Department uses the Intranet/Internet FACT (Finance Accounting Control Tool) to coordinate an internal certification process for the quarterly data generated by each foreign accounting entity and controls applied to that data.
The Manager of each entity certifies the following directly into the Finance Accounting Control Tool:

- that the accounting data provided for consolidation are reliable and compliant with the Group's accounting standards;
- that the local accounting department's internal control system is functioning correctly and that it ensures the reliability of accounting data.

FACT also contains a process that reviews events occurring after each half-yearly balance sheet date. This provides the Group with information about significant events occurring after the balance sheet date, and the impact of those events on the consolidated financial statements.

Consolidation process

The financial statements for the entire scope of consolidation are consolidated by the Consolidation Department, although a sub-consolidation is produced for the Scandinavian companies in Oslo. The consolidated financial statements are prepared in accordance with a process specified as a set of instructions and distributed to all consolidated entities. This procedure encourages accounting and financial data consistency and ensures that they comply with Group accounting standards. Each Group entity prepares quarterly financial statements and produces a consolidation data package in accordance with Group standards within the time period allowed. Each foreign entity has a point of contact in the Accounting Department, who reports to the Head of Consolidation.

The principal internal controls applied to the consolidation process at each balance sheet date are:

- control of changes in consolidation scope;
- an analysis and justification of all consolidation restatements in accordance with IFRS;
- an analysis and justification of all variances in respect of budgets and forecasts.

Off-balance-sheet commitments are centralized in the Magnitude consolidation system for each consolidated entity.

Klépierre also resorts to external consulting services, primarily for tax issues both in France and abroad. In the principal countries, tax preparation packages are reviewed annually by a specialized firm.

Controls applied by the Management Control Department

Every quarter, Management Control gathers, collates and validates the accounting and management data relating to assets and their structural costs.

Management Control contributes to ensuring the reliability of data contained in the financial statements. It prepares the annual budget and the two revisions of this budget for submission to the Executive Committee.

At the balance sheet dates, the reconciliation made between the most recent version of the budget and the actual data provides the basis for analyzing variances, thus contributing to the reliability of the financial information preparation process.

A global reconciliation is also carried out by Group Management Control to ensure that accounting income is consistent with consolidated management income. These two reconciliation stages contribute to the internal control of accounting data and management data.

Information systems used

The collection of accounting and management control information is accomplished via a consolidation software package (Magnitude) and a financial control software suite (Essbase by Hypérion). These two tools, which are interconnected, are administered and updated by a dedicated team that reports to the Accounting and Management Control Department. The consolidation tool is populated locally in the main countries using local accounting interfaces.
All accounting and financial data follow IT procedures that are backed up on a daily basis and saved on media that are stored off-site.

III. CORPORATE GOVERNANCE

At its meeting of December 19, 2008, the Supervisory Board confirmed its agreement to the Company's adoption of the corporate governance rules set out in the AFEP-MEDEF code (available on the following website: www.medef.fr).

Remuneration of the Supervisory Board and special-purpose committees Members

The remuneration paid to Supervisory Board Members and to special-purpose committees Members takes the form of directors' fees.

Director's fees for Supervisory Board Members of fiscal year 2008 were set at a total of 270 000 euros to be divided among the Members, payable in accordance with the following terms and conditions:

- 90 000 euros to be divided equally among the Members of the Supervisory Board who serve as its Chairman or Vice-Chairman, or who serve as Chairman of any one of the following committees: Audit, Investments or Selection and Compensation and Sustainable Development (a fixed sum of 15 000 euros for each);
- 126 000 euros to be divided among the Members of the Supervisory Board for their Supervisory Board duties, of which:
  - 72 000 euros to be equally divided among the Members as a fixed fee;
  - 54 000 euros to be divided among the Members on a variable basis, depending on their actual attendance at Board meetings;
- 54 000 euros to be divided variably among the Members of the Board for their services as a member on one or more of the Board's special-purpose committees, on the basis of their actual attendance at the meetings of the committees to which they have been appointed.

Internal rules governing the Supervisory Board and its Committees

The internal rules of the Supervisory Board and each of its committees are framed to ensure transparency in accordance with the principles of corporate governance applied to listed companies.

These internal rules describe the missions and operation of the Supervisory Board and its committees.

IV. METHODS GOVERNING THE PARTICIPATION OF SHAREHOLDERS IN THE GENERAL MEETINGS

The rules applying to the general meetings of shareholders, and more particularly those relating to the participation of shareholders, are set out in Chapter V of the Company's articles of association and in the Capital and Shareholding structure section of the 2008 financial report.

V. INFORMATION CONCERNING ISSUES POTENTIALLY RELEVANT TO ANY PUBLIC OFFERING

Information concerning issues potentially relevant to any public offering is referred to in the General information regarding equity capital section of the 2008 financial report (capital structure/delegations and authorizations granted to the Executive Board by the general meeting of shareholders held on April 5, 2007) and in the notes to the consolidated financial statements - note 4.15 sub-paragraph Financial covenants relating to finance and rating (agreements entered into by the Company, bond issues if the change of control triggers a deterioration of the rating under the category "investment grade").

Michel CLAIR,
Chairman of the Supervisory Board

Statutory auditors' report

prepared in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the Supervisory Board of Klépierre

Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and 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 the relevant professional standards applicable in France.

To the Shareholders,
In our capacity as statutory auditors of Klépierre and in accordance with article L. 225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L. 225-68 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L. 225-68 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:
- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-68 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control procedures relating to the preparation and processing of accounting and financial information
The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:
- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L. 225-68 of the French Commercial Code.

Other disclosures
We hereby attest that the Chairman's report includes the other disclosures required by article L. 225-68 of the French Commercial Code.

Signed in Courbevoie and Neuilly-sur-Seine, March 9, 2009.

The Statutory Auditors

Mazars
Julien Marin-Pache

Deloitte & Associés
Pascal Colin
Laure Silvestre-Siaz






Consolidated Financial Statements

Financial Report 2008

Income statement

At December, 31

in thousands of euros

	Note	2008	2007	2006
Lease income	6.1	716 973	597 178	519 570
Land expenses (real estate)	6.2	-2 605	-2 515	-2 598
Non-recovered rental expenses	6.2	-21 646	-17 189	-6 296
Building expenses (owner)	6.2	-41 962	-29 440	-30 990
Net lease income		**650 760**	**548 034**	**479 686**
Management, administrative and related income	6.1	77 493	64 195	57 497
Other operating income		15 747	18 265	9 480
Survey and research costs		-2 534	-1 146	-1 124
Payroll expenses	9.1	-82 324	-64 810	-59 938
Other general expenses		-27 797	-25 165	-22 145
Depreciation and amortization allowance on investment property	6.2	-213 106	-169 297	-140 968
Depreciation and amortization allowance on PPE	6.2	-5 184	-4 365	-3 126
Provisions		-1 274	-2 663	12
RESULTS OF OPERATIONS		**411 781**	**363 048**	**319 374**
Gains on the sale of investment property and equity interests	6.3	243 885	96 113	122 459
Net book value of investment property and equity investment sold	6.3	-185 392	-55 740	-91 399
Results of the sale of investment property and equity interests		***58 493***	***40 373***	***31 060***
Profit on the sale of short term assets		***928***	***46***	***1 490***
Net dividends and provisions on non-consolidated investments		431	549	-161
Net cost of debt	6.4	-219 480	-162 931	-134 806
Change in the fair value of financial instruments		-5	-	55
Effect of discounting		710	726	-1 200
Share in earnings of equity-method investees		1 426	2 634	671
Pre-tax earnings		**254 284**	**244 445**	**216 483**
Corporate income tax	6.5	-20 397	-13 493	-22 016
NET INCOME OF CONSOLIDATED ENTITY		**233 887**	**230 952**	**194 467**
of which				
Group share		*200 277*	*197 712*	*164 534*
Minority interests		*33 610*	*33 239*	*29 933*
Net income per share in euros		**1.4**	**1.4**	**1.2**
Net income fully diluted share in euros		**1.4**	**1.4**	**1.2**

income
statement
balance
sheet

Balance sheet

Assets at December, 31

in thousands of euros

	Note	2008	2007	2006
Non-allocated goodwill	4.1	94 636	84 653	41 555
Intangible assets	4.2	13 366	7 269	7 478
Tangible assets	4.3	43 636	41 340	41 482
Investment property	4.4	9 579 123	6 670 090	5 930 744
Fixed assets in progress	4.4	1 183 496	463 983	207 825
Property held for sale	4.5	44 419	36 200	46 985
Equity method securities	4.6	35 331	46 600	3 023
Non-consolidated securities	4.8	626	512	585
Other non-current assets	4.9	38 773	33 846	17 104
Interest rate swaps	4.16	23 458	84 011	65 139
Deferred tax assets	4.18	68 952	33 675	26 275
NON-CURRENT ASSETS		**11 125 816**	**7 502 179**	**6 388 195**
Inventory	4.10	13 416	11 684	2 463
Trade accounts and notes receivable	4.11	89 946	57 287	46 159
Other receivables	4.12	371 037	215 688	264 364
– Tax receivables		*88 438*	*49 645*	*111 048*
– Other debtors		*282 599*	*166 043*	*153 316*
Cash and near cash	4.13	242 725	195 476	157 696
CURRENT ASSETS		**717 124**	**480 135**	**470 682**
TOTAL ASSETS		**11 842 940**	**7 982 314**	**6 858 877**

Liabilities at December, 31

in thousands of euros

	Note	2008	2007	2006
Capital		232 700	193 890	184 657
Additional paid-in capital		1 276 284	835 187	830 622
Statutory reserve		19 389	18 466	18 466
Consolidated reserves		430 468	756 275	756 865
– Treasury shares		*-93 429*	*-96 168*	*-30 823*
– Fair value of financial instruments		*-122 327*	*51 922*	*39 734*
– Other consolidated reserves		*646 224*	*800 521*	*747 954*
Consolidated earnings		200 277	197 712	164 534
Shareholders' equity, group share		2 159 118	2 001 530	1 955 144
Minority interests		1 011 238	480 502	436 961
SHAREHOLDERS' EQUITY		**3 170 356**	**2 482 032**	**2 392 105**
Non-current financial liabilities	4.15	6 971 343	4 400 820	3 680 254
Long-term allowances	4.17	14 764	11 425	8 572
Interest rate swaps	4.16	184 493	7 731	-
Security deposits and guarantees		130 668	107 899	93 900
Deferred tax liabilities	4.18	456 332	219 069	127 986
NON-CURRENT LIABILITIES		**7 757 600**	**4 746 944**	**3 910 712**
Current financial liabilities	4.15	432 044	439 195	281 441
Trade payables		101 244	62 991	61 772
Payables to fixed asset suppliers		62 511	8 354	13 017
Other liabilities	4.19	218 212	163 209	135 017
Social and tax liabilities	4.19	100 973	79 589	64 813
Short-term allowances		-	-	-
CURRENT LIABILITIES		**914 984**	**753 338**	**556 060**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11 842 940**	**7 982 314**	**6 858 877**

Consolidated cash flow statement

at December, 31

in thousands of euros

	2008	2007	2006
Cash flow from operating activities			
Net income from consolidated companies	233 886	230 951	194 467
Elimination of expenditure and income with no cash effect or not related to operating activities			
– Amortizations and provisions	*223 093*	*179 462*	*141 302*
– Capital gains and losses on asset sales net of taxes and deferred taxes	*-113 514*	*-28 849*	*-3 607*
– Reclassification of financial interests and other items	*262 948*	*191 156*	*142 079*
Gross cash flow from consolidated companies	**606 413**	**572 720**	**474 241**
Paid taxes	-33 004	-28 505	-79 349
Change in operating working capital requirement	-13 313	72379	-1 633
CASH FLOW FROM OPERATING ACTIVITIES	**560 096**	**616 594**	**393 259**
Cash flow from investment activities			
Income from fixed assets sales	245 652	99949	120 773
Acquisitions of intangible assets	5 311	-2 228	-822
Acquisitions of tangible assets	992	-856	-1 461
Acquisitions of investment properties	-866 595	-362 016	-671 972
Acquisitions of subsidiaries through deduction of acquired cash	-1 212 847	-515 541	-66 180
Change in loans and advance payments granted and other investments	13134	1 055	2 925
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**-1 814 353**	**-779 637**	**-616 737**
Cash flow from financing activities			
Dividends paid to the parent company's shareholders	-169 416	-146 395	-124 163
Dividends paid to minorities	-27 746	-58 796	-39 782
Dividends payable	250	59	-
Change in net position	902 961	82	21105
Repayment of share premium	-	-	-
Acquisitions/Sales of treasury shares	-15 511	-65 394	-19 869
New loans, financial debts and hedging instruments	1 971 582	1 432 914	1 918 290
Repayment of loans, financial debts and hedging instruments	-1 127 404	-799 887	-1 409 199
Financial interest paid	-241 964	-167 114	-115 260
NET CASH FLOW FROM FINANCING TRANSACTIONS	**1 292 752**	**195 469**	**231 122**
Currency fluctuations	-35 877	-1 556	36
CHANGE IN CASH AND CASH EQUIVALENTS	**2 618**	**30 870**	**7 680**
Cash at beginning of period	*93 567*	*62 697*	*55 017*
Cash at end of period	*96 185*	*93 567*	*62 697*

Statement of changes in consolidated equity

at December, 31

in thousands of euros

	Capital	Additional paid-in capital	Statutory reserve	Consolidated reserves: Treasury shares	Consolidated reserves: Change in fair value	Consolidated reserves: Currency translation reserves	Consolidated reserves: Other consolidated reserves	Consolidated reserves: Total	Net income/loss for the year	Shareholders' equity, group share	Minority interests	Total equity
12.31.2006	**184657**	**830622**	**18466**	**-30823**	**39734**	–	**747954**	**756865**	**164534**	**1955144**	**436961**	**2392105**
Change in the capital of the consolidating company	9233	4565	–	–	–	–	-13798	-13798	–	–	–	–
Acquisitions and sales of treasury shares	–	–	–	-65345	–	–	-345	-65690	–	-65690	–	-65690
Transaction costs in capital	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated earnings for the year	–	–	–	–	–	–	–	–	197712	197712	33239	230951
Assignment of earnings and dividends paid to the parent company's shareholders	–	–	–	–	–	–	18139	18139	-164534	-146395	–	-146395
Change in the fair value of financial instruments	–	–	–	–	12188			12188	–	12188	–	12188
Change in translation adjustment	–	–	–	–	–	–	25647	25647	–	25647	122	25769
Changes in accounting methods	–	–	–	–	–	–	–	–	–	–	–	–
Change in the scope of consolidation and % of interest	–	–	–	–	–	–	19073	19073	–	19073	38272	57345
Dividends paid to minorities	–	–	–	–	–	–	–	–	–	–	-28796	-28796
Repayments of equity to minorities	–	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	3851	3851	–	3851	704	4555
12.31.2007	**193890**	**835187**	**18466**	**-96168**	**51922**	**0**	**800521**	**756275**	**197712**	**2001530**	**480502**	**2482032**
Change in the capital of the consolidating company	38810	441097	–	–	–	–	–	–	–	479907	–	479907
Acquisitions and sales of treasury shares	–	–	–	2739	–	–	-14505	-11766	–	-11766	–	-11766
Transaction costs in capital	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated earnings for the year	–	–	–	–	–	–	–	–	200277	200277	33610	233887
Assignment of earnings and dividends paid to the parent company's shareholders	–	–	923	–	–	–	27373	27373	-197712	-169416	–	-169416
Change in the fair value of financial instruments	–	–	–	–	-174249	–	-35202	-209451	–	-209451	–	-209451
Change in translation adjustment	–	–	–	–	–	–	-131001	-131001	–	-131001	-32818	-163819
Changes in accounting methods	–	–	–	–	–	–	–	–	–	–	–	–
Change in the scope of consolidation and % of interest	–	–	–	–	–	–	–	–	–	–	450947	450947
Dividends paid to minorities	–	–	–	–	–	–	–	–	–	–	-27746	-27746
Repayments of equity to minorities	–	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	-962	-962	–	-962	106743	105781
12.31.2008	**232700**	**1276284**	**19389**	**-93429**	**-122327**	**0**	**646224**	**430468**	**200277**	**2159118**	**1011238**	**3170356**

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Notes to the consolidated financial statements

1. Significant events of the 2008 and previous fiscal year

THE 2008 FISCAL YEAR

Acquisition of the Scandinavian group Steen & Strøm

On October 8, under the terms of the outline agreement signed on July 25, 2008 with Canica AS, Klépierre and ABP Pension Fund acquired 100% of the shares in Steen & Strøm ASA, Scandinavia's leading integrated shopping center operating company, at a total cost of 21 925 million Norwegian kroner (approximately 2.7 billion euros). As a result of this transaction, Klépierre holds a 56.1% equity stake in Steen & Strøm, with the remaining 43.9% held by ABP.
Taking existing debts into account, Klépierre's investment involved a cash payment of 4 797 million Norwegian kroner (approximately 601 million euros).
This acquisition makes Klépierre the Scandinavian market leader with a portfolio of 30 shopping centers in Norway, Sweden and Denmark, as well as the region's leading management team. It also provides Klépierre with the opportunity to diversify its real estate portfolio, revenues and development portfolio, and establishes Scandinavia as the group's second largest country in terms of rental income, after France.

Changes affecting the shopping center portfolio elsewhere in Europe

In Italy, Klépierre continued its growth with the acquisition of three new shopping centers at a total cost of 174 million euros. Lonato and Verona were acquired on February 27, 2008, as was Vittuone, although the purchase of the latter will be finalized by 2009. Klépierre owns these 3 centers 50/50 with development and marketing company Finiper. Ségécé Italia takes over rental management of these properties in 2009.
Opened at the end of 2006, the Verona is 9 kilometers from the historic center of Verona. The mall covers a GLA of nearly 16 000, offering 64 retail outlets, including 6 mid-sized units with a 9 000 sq.m. Iper hypermarket (Finiper group).
The Lonato shopping center on the road between Milan and Venice opened in May 2007, and offers a GLA of 30 326 sq.m. It features 111 retail outlets, 11 mid-sized units, one of which is occupied by a 9 000 sq.m. Iper hypermarket.
The Vittuone shopping center in the western suburbs of Milan is currently under construction, and is expected to open early in 2009.
In Hungary, and following public consultation, Klépierre has paid 22.5 million euros for construction land and the permits required to build a project that will create a GLA of approximately 20 000 sq.m. in the center of Székesfehérvar, right next to the company's existing Alba mall.

Shops

On April 30, 2008, Klémurs acquired the first block of 77 outlets under the agreement signed with Foncière Montel and Vivarte in December 2007 in an investment transaction totaling 104 million euros. Dis-

tributed throughout France, the retail floor area of these 77 units totals 66 250 sq.m.; 69 are owned outright, 6 are financed by property finance leases and 2 by construction leases. Together, they will generate 6.1 million euros in net lease income in a full year.
As part of the acquisition, Klémurs signed new 12-year leases that have a 6-year firm period, and include index-linked rent reviews and variable rents.
D2B and DBM5 (real estate companies owned by the founding shareholders of Défi Mode) have granted Klémurs a five-year preferential right on all future disposals of existing sites, and a similar six-year arrangement covering all future developments.

Disposals

Klépierre has sold 41.62% of its Courier shopping mall in Annecy to SCI Vendôme Commerces (AXA Group) for 37 million euros. Klépierre retains ownership of the remaining 58.38%.
Ségécé has owned 35% of Devimo since February 2000; the remaining holding being split equally between Fortis and Banimmo, each with a 32.5% stake. Under an agreement signed on June 23, 2008, Fortis now owns 100% of Devimo equity.
Klépierre's L'esplanade shopping center in Louvain-la-Neuve will continue to be managed by Devimo for at least a further 3 years.

Changes in borrowing and related conditions

On June 11 and 12, 2008, Klépierre signed a 750 million euros term loan agreement, syndicated by 6 banks. This 3-year funding arrangement was secured primarily to refinance a 600 million euros bond issue maturing on July 10, 2008.
On October 7, 2008 Klépierre SA also opened a 4-year confirmed line of credit with BNP Paribas for 400 million euros.

Dividend payment

The General Meeting of Shareholders held on April 4, 2008 approved the payment of a net dividend of 1.25 euro per share in respect of the 2007 fiscal year; it was proposed that the payment be made in cash or in shares, based on a price per share of 32.94 euros. 77.3% of the shareholders opted to receive their dividend in the form of shares, which represents a rate of 53.5% for the free float alone (excluding BNP Paribas).
The resulting capital increase totals 130 996 648.44 euros funded by the issue of 3 976 826 new shares, which were first listed on May 7, 2008.
The cash dividend payment therefore totaled 38.4 million euros.

Capital increase

Klépierre concluded a successful rights issue on November 6 for the partial funding fee Steen & Strøm acquisition.
The gross value of the transaction was 356.2 million euros, funded by the issue of 23 744 918 new shares.
The new shares were first traded on the Euronext Paris market (Compartment A) on December 2, 2008.
As of December 2, 2008, Klépierre equity capital comprises 166 214 431 shares.

THE 2007 FISCAL YEAR

Changes affecting the shopping center assets of the Klépierre group

In Poland, Klépierre paid Plaza Centers Europe (PCE) a total of 168 million euros to acquire the shopping centers in central Rybnik, central Sosnowiec (both acquired on May 7, 2007) and central Lublin (acquired on July 27). This transaction was made under the terms of the development agreement signed with PCE in 2005, covering 3 shopping centers in Poland and 2 in the Czech Republic.
The centers were inaugurated in March and May 2007, and are fully lease up. Rybnik Plaza offers 81 retail outlets with a gross leasable floor area (GLA) of 18 075 sq.m. Sosnowiec Plaza has 75 retail outlets with a GLA of 13 150 sq.m., and Lublin has 91 retail outlets with a GLA of 26 100 sq.m.
In Hungary, Klépierre paid 14.2 million euros to acquire 11 566 sq.m. of office space forming part of the Duna Plaza shopping center already owned by the Group. The primary aim of the transaction is to facilitate the planned extension of the center, which currently has 224 retail outlets covering a GLA of 36 040 sq.m.
Klépierre offered to acquire from Futureal Real Estate Holding Ltd. a planned shopping center forming part of the latest large-scale development in central Budapest. Covering 22 hectares and including 2 800 new apartments, this project is the largest service industry development initiative in the Hungarian capital, and includes 150 000 sq.m. of office space featuring a science R&D center and 10 000 sq.m. of public space surrounded by 20 000 sq.m. of leisure facilities.
The shopping center will offer 34 600 sq.m. of leasable area on four levels, one of which will be entirely devoted to food and leisure. It will also include three levels of underground parking for 1 200 vehicles.
Having obtained final construction permission, Klépierre then acquired the real estate base and signed a property development agreement with the seller to carry out the construction work. Ségécé Hungary is responsible for marketing. Work commenced in August, and handover is scheduled for Quarter 3 of 2009.
Klépierre estimates the total investment at 229 million euros, including the cost of bridging finance to the point when the completed project is open for business (this figure includes the 111 million euros spent to date).
In Italy, the restructured Val Vibrata shopping center in Colonella, on the Adriatic coast, was inaugurated on April 19, 2007. The enlarged and renovated mall offers a broader choice of retailers with the arrival of 20 new outlets, including Esprit and Camaieu.
In Portugal, Klépierre increased its equity holding in the Parque Nascente shopping center in Gondomar from 50% to 100%, with the payment during September of 64.8 million euros to acquire the 50% stake held by Prédica.
In Greece, Klépierre paid 21 million euros to acquire the Carrefour Larissa shopping mall.
In France, Klépierre paid 116 million euros for holdings in 13 shopping centers and retail developments under the terms of an agreement signed with Mr. Henri Hermand on December 21, 2006. The entire portfolio includes over 88,000 sq.m. of total useable retail floor, of which 36 000 sq.m. was sold under this deal, which gives Klépierre a stake in a series of major shopping centers, including Creil Saint-Maximin, Tourville-la-Rivière near Rouen and Le Belvédère in Dieppe.
The agreement also includes four plots of land, the largest of which is in Forbach (57), where plans are in place to build a 42 000 sq.m. business park next to an existing shopping mall and hypermarket.

consolidated financial statements significant events

In July, Klépierre acquired the two Leclerc hypermarkets adjoining the existing Blagnac and Saint Orens malls in Toulouse, both of which are already owned by the group.
After 19 months in construction, the extension to the Belair center in Rambouillet was inaugurated in May 2007. The hypermarket was enlarged by 2450 sq.m., and the mall quadrupled in area. The shopping mall now offers 45 retail outlets (25 in 2005), including 5 mid-size units (with Zara and Darty).

The Cap Saran shopping mall north of Orléans reopened to customers on October 17, 2007 following completion of a 33 million euros conversion funded by Klépierre. After 11 months of work, shoppers at the center now have 35 new retailers to choose from, reflecting current shopping trends and preferences, with the emphasis on fashion.
The extension to the Iroise shopping center in Brest was inaugurated on October 25, allowing the inclusion of several new and particularly dynamic retailers, such as H&M and Darty.
Klépierre inaugurated the Champ de Mars shopping center in Angoulême on September 4. Developed by Ségécé, this city center mall offers 15500 sq.m. of retail floor area and includes a Monoprix "City-Market", 3 mid-sized units, 36 retail outlets, restaurants and services. This shopping center represents an investment of 63 million euros.
Lastly, Klépierre sold its 50% holding in the Cordeliers center in Poitiers for a total of 34.2 million euros in late November. The sale price achieved was 35% higher than the appraised value stated at June 30, 2007.

Retail space: Klémurs continues to apply its growth strategy

In March 2007, Klémurs paid 37.2 million euros to acquire a portfolio of 14 assets in first-rate out-of-town retail locations near major French cities. This acquisition by Klémurs has initiated the process of diversifying its portfolio, especially with the addition of Mondial Moquette (which represents 58% of the investment in value terms).
The partnership with Buffalo Grill entered its development phase during the year, with the acquisition of 8 new restaurants at a cost of 16.8 million euros, bringing to 136 the total number of Buffalo Grill restaurant properties owned outright (51) or via finance leases (85).
Lastly, Klémurs paid 10.3 million euros at the end of December 2007 to acquire two Sephora outlets in prime shopping street locations in Metz and Avignon.

Office space: four disposals and the continuation of the Sereinis project

During the year, Klépierre sold two office buildings in Levallois-Perret (Front de Paris) and Rue de Turin (Paris, 8th arrondissement), as well as two minor assets (Champlan-91 and a warehouse in Strasbourg) for a total amount of 74.7 million euros. These 4 assets contributed 0.4 million euro to rents in 2007, and were disposed of at a price 11% above the latest appraisal value.
Construction work continued on the Sereinis building in Issy-les-Moulineaux, resulting in capital expenditure of 14.6 million euros in 2007.

Full ownership of Ségécé strengthens Group cohesion

Klépierre has acquired full ownership of Ségécé with the purchase of the minority holdings previously owned by AXA Reim and BNP Paribas at a cost of 20 million euros (10%) and 30 million euros (15%), respectively.

Changes in borrowing and related conditions

On September 21, 2007, Klépierre signed a contract for a line of credit valued at 1 billion euros and syndicated with five banks.
Initially launched at 800 million euros, this new syndicated loan is subject to the following conditions:

- a firm term of 7 years;
- a margin between 0.45% and 0.55% based on a Loan To Value ratio grid (net debt/RNAV);
- financial covenants identical to those applying to the syndications signed in January 2006, the key conditions being the Loan To Value ratio (capped at 52%), Interest/EBITDA coverage (minimum 2.5) and the secured debt/RNAV ratio (capped at 20%).

The participating banks are: BNP Paribas (lead arranger), BECM (Crédit Mutuel Group), Cicobail (Caisse d'Epargne Group), Helaba and ING (co-arrangers).
In January 2008, Standard & Poor's confirmed Klépierre's rating as BBB+ positive outlook.

Dividend payment

The General Meeting of Shareholders held on April 5, 2007 approved the payment of a net dividend of 3.2 euros per share (1.067 euro after the 3-for-1 stock split), reflecting an increase of 18.5%. Payment was made on April 13, 2007.

Stock split

In accordance with the resolution adopted by the Ordinary and Extraordinary General Meetings of Shareholders held on April 5, 2007, Klépierre implemented a 3-for-1 stock split on September 3, 2007, reducing the per share value from 4.20 euros to 1.40 euro. As a result, the number of shares was simultaneously multiplied by a factor of 3 to a new total of 138 492 687.
This transaction was preceded on August 31, 2007 by a capital increase via the capitalization of reserves in the amount of 9 232 845.80 euros, increasing the par share value from 4 euros to 4.20 euros.
Following these transactions, on September 3, 2007, the share capital of Klépierre totaled 193 889 761.80 euros in the form of 138 492 687 shares, each with a par value of 1.40 euro.

2. Accounting principles and methods

Corporate reporting

Klépierre is a French law société anonyme (SA), subject to all the texts applicable to business corporation in France, and in particular the provisions of the commercial code. The company's head office is located at 21 avenue Kléber in Paris.
On February 2, 2009, the Executive Board closed and authorized the publication of Klépierre S.A.'s consolidated financial statements for the period from January 1, 2008 to December 31, 2008.
Klépierre shares are listed on Eurolist by Euronext Paris (Compartment A).

Principles of financial statement preparation

In accordance with European Regulation 1606/2002 dated July 19, 2002 on international accounting standards, the Klépierre Group consolidated financial statements for the year ended December 31, 2008 have been drawn up in conformity with IFRS rules, as adopted by the European Union and applicable as from that date.
The IFRS framework as adopted by the European Union includes the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and their interpretations (SIC and IFRIC).
The consolidated annual financial statements on December 31, 2008 are presented in the form of complete accounts including all the information required by the IFRS framework.

The accounting principles applied to the consolidated financial statements to December 31, 2008 are identical to those used in the consolidated financial statements to December 31, 2007, except for the amendment to IAS 39/IFRS 7 (reclassification of financial instruments), the application of which is obligatory, but which has no significant effect on the group financial statements.

The group also resolved not to opt for early application of the following IFRS and interpretations, whose application becomes obligatory on January 1, 2009:

- IAS 1 revised: Presentation of Financial Statements
- IAS 23 revised: Borrowing costs
- IFRS 2: Share-based payment
- IFRS 8: Operating segments
- IFRIC 11: Group and treasury share transactions
- IFRIC 14: Limit on a defined benefit asset

Compliance with accounting standards

The consolidated financial statements of Klépierre S.A. and all its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS).

Consolidated financial statements – Basis of preparation

The consolidated financial statements include the financial statements of Klépierre S.A. and of its subsidiaries at December 31, 2008. The financial statements of subsidiaries are prepared using the same accounting period as that of the parent and consistent accounting methods.
Subsidiaries are consolidated as of the date on which they are acquired, which is the date on which the Group acquired a controlling interest; this accounting treatment prevails until the date on which this control ceases.
The Group's consolidated financial statements are established according to the historical cost principle, with the exception of derivative financial instruments and financial assets that are being held for sale, which are measured and carried at their fair value. The carrying amount of assets and liabilities that are hedged according to a fair value hedge relationship, and which are otherwise measured at cost, is adjusted to reflect changes in fair value attributable to the risks being hedged.
The consolidated financial statements are presented in euros, and all amounts rounded to the nearest thousandth unless otherwise indicated.

Summary of judgments and material estimates

In preparing these consolidated financial statements in accordance with IFRS, Group management was led to use estimates and make 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.

Use of estimates

The principal assumptions concerning future events and other sources of uncertainty linked to the use of estimates at year end for which there is a significant risk of material change in the net carrying amount of assets and liabilities in a subsequent year are presented below:

Valuation of goodwill

The Group tests goodwill for impairment at least once a year. This requires estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to determine their value in use, Klépierre has to make estimates on expected future cash flows from each cash-generating unit and also choose a pre-tax discount rate to calculate the current value of these cash flows.

Investment property

The Group has its real estate assets appraised by third-party appraisers every half year according to the methods described in paragraph 10.1. The appraisers use assumptions as to future flows and rates that have a direct impact on the value of the buildings.
The reference table IFR can be consulted on the Internet site of the European Commission:
http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

2.1. SCOPE AND METHOD OF CONSOLIDATION

Consolidation scope

The consolidated financial statements cover all companies over which Klépierre has majority control, joint control or significant influence.
The calculation of the level of control takes account of potential voting rights that entitle their holders to additional votes if these rights can be exercised or converted immediately.
A subsidiary is consolidated from the date on which the Group obtains effective control.
The Group consolidates special purpose entities (SPEs) formed specifically to manage a transaction, even where the Group has no equity interest in the entity, provided that the substance of the relationship is controlled by the Group (the entity's activities are conducted exclusively on behalf of the Group, and the Group has the decision-making and management powers). There are no special purpose entities in the Group.

Consolidation method

The Group's consolidation method is not based solely on the extent of legal ownership of each entity:

- majority control: full consolidation. Control is presumed to exist when Klépierre holds more than half of the entity's voting rights directly or indirectly. It is likewise presumed to exist when the parent has the power to direct the entity's financial and operational policies, appoint, recall or convene the majority of the members of the board of directors or the equivalent management body;
- joint control: proportionate consolidation. Joint control exists only when the operational, strategic and financial decisions require unanimous consent of the controlling parties. That consent must take the form of a contractual agreement, e.g. articles of association, shareholders' agreements and the like;
- significant influence: equity method of accounting. Significant influence is the power to participate in an entity's financial and operating policy decisions but not control or jointly control those policies. The Group is presumed to have significant influence if it directly or indirectly holds 20% or more of an entity's voting rights. Equity-accounted shareholdings are initially recognized in the balance sheet at cost, plus or minus the share of the net position generated after the acquisition, and less impairment;
- no influence: non-consolidated company.

The goodwill of equity-accounted companies is included in the carrying amount of "equity-method securities" and are not amortized.

Inter-company transactions

Inter-company balances together with profits resulting from transactions between Group companies are eliminated. The internal profits eliminated relate chiefly to the internal margin made on development fees incorporated into the cost price of capitalized assets or inventories by purchasing companies.
Financial items billed to property development companies are listed among their inventories or capital assets and recognized in the income statement.

2.2. ACCOUNTING FOR BUSINESS COMBINATIONS

According to IFRS 3, all business combinations covered by the standard must be accounted for using the purchase method.
A business combination is defined as the bringing together of separate entities or businesses into one reporting entity.
The acquirer must initially allocate the cost of the business combination by recognizing the identifiable assets, liabilities and contingent liabilities of the acquired business (except for non-current assets held for sale) at fair value at the acquisition date.
Goodwill is the difference between the price paid to acquire the consolidated companies' securities and the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired.
On the acquisition date, the acquirer records positive goodwill as an asset. Negative goodwill is immediately recognized in the income statement.
Goodwill is no longer amortized, pursuant to IFRS 3 "business combinations." However, it must be tested for impairment annually or more often if certain events or changed circumstances indicate possible impairment.
In this testing, goodwill is broken down by cash-generating unit (CGU), which is a homogeneous group of assets that generates identifiable cash flows.
Intangible assets are recognized separately from goodwill if they are identifiable, i.e. if they arise from contractual or other legal rights or if they are capable of being separated from the activities of the entity acquired and are expected to generated future economic benefits.
Any adjustments to assets and liabilities recognized on a provisional basis must be made within 12 months of the acquisition date.

Recognition of the additional acquisition of securities in a controlled entity

The purchase of a minority interest by the parent is not treated as a business combination under IFRS 3. As a result, there are no specific accounting rules for this type of transaction. According to IAS 8.10, in the absence of a standard or an interpretation that specifically applies to a transaction, management must use its judgment in developing a relevant accounting policy. To account for such an acquisition of the minority interest in a previously controlled subsidiary, Klépierre's approach is to recognize the purchased goodwill and to remeasure at fair value on the date of acquisition the additional portion of the net assets acquired. The previously held interest is not revalued.

2.3. FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in euro, which is Klépierre's functional and reporting currency. Each of the Group's subsidiaries determines its functional currency, and all items in its financial statements are stated in that functional currency.
The Group's foreign subsidiaries conduct certain transactions in a currency other than their functional currency. These transactions are initially recorded in the functional currency at the exchange rate on the date of the transaction.
On the balance sheet date, monetary assets and liabilities stated in foreign currency are translated into the functional currency at the closing exchange rate. Non-monetary items stated in foreign currency and carried at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items stated in foreign currency and carried at fair value are translated using the exchange rate that existed when the fair values were determined.
On the balance sheet date, the assets and liabilities of these subsidiaries are translated into Klépierre S.A.'s reporting currency, which is the euro, at the closing exchange rate. Their profit and loss accounts are translated at the average weighted exchange rate for the year. Any resulting translation differences are allocated directly to shareholders' equity under a separate line item. In the event of the disposal of a foreign operation, the total accrued deferred exchange gain/loss on that foreign operation as recognized as a separate component of equity is recognized in the income statement.

2.4. INTANGIBLE ASSETS

An intangible asset is a non-monetary asset without physical substance that must be identifiable and therefore separable from the acquired entity or arise from legal or contractual rights. It is controlled by the enterprise as a result of past events and future economic benefits are expected from it.
IAS 38 states that an intangible asset should be amortized over the best estimate of its known useful life. Intangible assets with no known useful life should not be amortized, but tested annually for impairment (IAS 36).
Assets classified as intangible assets with finite useful lives should be amortized on a straight-line basis over periods which reflect their expected useful life.

2.5. INVESTMENT PROPERTY

IAS 40 defines investment property as property held by the owner or by the lessee (under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business (trading).

Nearly all of Klépierre's real estate assets meet the definition of "investment property." Buildings occupied by the Group are recorded under "tangible assets".

After initial recognition, investment property is measured:
- either at fair value (with all changes in value recognized in the income statement);
- or at cost pursuant to the methods prescribed by IAS 16, in which case the enterprise must disclose the fair value of investment property in the notes to the financial statements.

On May 26, 2004 the Supervisory Board approved the adoption by Klépierre of the cost model as set forth in IAS 40.
To produce financial reporting that is both complete and comparable to the financial statements of key competitors applying the fair value model to their investment property, Klépierre is providing pro forma financial data restating its investment property on a fair value basis.

Cost model

Property, plant and equipment (PPE) is recorded at cost, including duties and fees, and is amortized using the components method.
Depreciation of such assets must reflect the consumption of economic benefits. It should be:
- calculated on the basis of the depreciable amount, which is equal to the acquisition cost less the residual value of the assets;
- spread over the useful life of the PPE components; when the different components have different useful lives, each component whose cost has a material impact on the total cost of the asset must be separately depreciated over its own useful life.

After initial recognition, property, plant and equipment is measured at its cost, less any accumulated depreciation and any impairment losses. The depreciation charge is allocated over the useful life of the assets on a straight-line basis.
The depreciation period, the depreciation method used and the residual value of the assets must be reviewed at each balance sheet date.
In addition, property, plant and equipment is tested for impairment whenever there is evidence of a loss of value at June 30 or December 31. If that evidence is confirmed by testing, the new recoverable amount of the asset is compared to its net carrying amount and the impairment loss observed is recorded (see 2.7).
Gains or losses on the disposal of investment property are recorded under "Result of the sale of investment property and equity interests."

Adoption of the cost model implies application of the components method. Klépierre has taken the option offered by IFRS 1 of recognizing as the initial cost of its buildings on its opening balance sheet the revalued amount at January 1, 2003 when SIIC status was adopted, this being their deemed market value at that date. The amounts were

divided between land and buildings as required by the appraisers, i.e. based on:
- land/building allocation rates for office property;
- comparison with rebuilding costs for shopping centers.

An age weighting coefficient was applied to the cost of rebuilding "as new" to which the cost of rebuilding was added.
Properties acquired after January 1, 2003, plus extensions and refurbishment work impacting revalued investment property, have been recognized in the balance sheet at their acquisition cost.

Components method

The components method is applied for the most part on the basis of recommendations by the Fédération des Sociétés Immobilières et Foncières (Federation of Property Companies – FSIF) on components and useful life:
- for properties developed by the subsidiaries themselves, assets are classified by component type and measured at their realizable value;
- for investment properties held in the portfolio, sometime for a long time, components are broken down into four categories: business premises, shopping centers, offices and residential properties.

Four components were identified for each of these assets types, in addition to the land:
- structure;
- façades, waterproofing, roofing;
- mechanical/Electrical/Plumbing (MEP);
- Fittings.

Component classification is based on the historic and technical features of each property.
For first-time application of the components method, the historic cost of property has been calculated based on the proportion of the revalued amount used as presumed cost at January 1, 2003 that is assigned to each component.

	Offices		Shopping centers		Shops	
	Useful life	Share of total	Useful life	Share of total	Useful life	Share of total
Structure	60 years	60%	35-50 years	50%	30-40 years	50%
Façades	30 years	15%	25 years	15%	15-25 years	15%
MEP	20 years	15%	20 years	25%	10-20 years	25%
Fittings	12 years	10%	10-15 years	10%	5-15 years	10%

All figures are based on an "as new" assumption. Klépierre has therefore calculated the proportions applied to fittings, technical services and façades at January 1, 2003 on the basis of the useful life periods shown in the table above, calculated from the date of construction or latest major refurbishment of the property. The figure for structures is deduced from the figures for the other components and is amortized over the residual term set by the appraisers in 2003.
Purchase cost is divided up between land and buildings. The share allocated to buildings is amortized over the useful life of the structures.
Residual value is the current estimate of the amount the company would obtain (minus disposal costs) if the property were already of the age it will be and in the condition it will be in at the end of its useful life.
Given the useful lives assumed, the residual value of components is nil.

2.6. NON-CURRENT ASSETS HELD FOR SALE

IFRS 5 on presentation and measurement applies to measured investment property using the cost model under IAS 40 whenever the asset is available for immediate sale and meets the conditions for classification as being held for sale. An impairment test is immediately run before any asset is classified as being held for sale.
The Klépierre Group has reclassified all property covered by a contract to sell (mandat de vente) in accordance with IFRS 5.
The accounting impact is as follows:
- cost of sale is imputed to the lower of net carrying value and net fair value;
- the properties concerned are presented separately on the face of the balance sheet;
- amortization ceases.

2.7. IMPAIRMENT OF ASSETS

IAS 36 applies to tangible and intangible assets, including goodwill. It requires assessing whether there is any indication that an asset may be impaired.
Such an indication might be:
- a major decline in market value;
- significant changes in the technological, economic or legal environment.

For testing purposes, assets are grouped into cash-generating units (CGUs). These are standard of assets whose continued use generates cash inflows that are largely separate from those generated by other asset groups.
Assets must not be recognized at more than their recoverable amount. Recoverable amount is the higher amount of an asset's fair value less costs to sell and its value in use.
Value in use is the discounted present value of estimated future cash flows expected to arise from the planned use of an asset, and from its disposal at the end of its useful life.
An impairment loss should be recognized whenever recoverable amount is below carrying amount.
Under certain circumstances, the partial or total reversal of an impairment loss may subsequently be recognized in the income statement, but reversal of a non-allocated goodwill is prohibited.
The Klépierre Group considers each property and each shopping center as a CGU.
In addition, the Group's goodwill mainly concerns Ségécé and its subsidiaries. Impairment tests are performed by an independent appraiser at least once a year and, if need be, updated whenever there is a significant event during the course of the year.
The tests run for Klépierre by Aon Accuracy rely on the range of valuations produced by the discounted cash flow (DCF) method over a period of 5 years. At the first stage of this method, the future cash flow that might be generated on the business portfolio of each company is estimated, without taking into account any direct or indirect financing costs. At the second stage, the value of the business portfolio, cash flows and probable value of the portfolio at the end of the forecast period (end value) are estimated and then discounted at an appropriate rate. The discount rate applied, which is based on the Capital Asset Pricing Model (CAPM), is the sum of the following three items: the risk-free interest rate, a general market risk premium (expected market risk premium multiplied by beta for the business portfolio), and a specific market risk premium (which takes into account the proportion of specific risk not already included in flows). At the third and final stage, the value of each company's equity is obtained by deducting from the value of its business portfolio its net debt at the valuation date as well as the value of any minority interests at the same date.

2.8. INVENTORY

IAS 2 defines inventory as assets held for sale in the ordinary course of business, assets in the production process for sale, materials and supplies that are consumed in production (raw materials) or services. An impairment must be recognized if the net realizable price (fair value net of exit cost) is less than booked cost.

2.9. LEASES

Leases

IAS 17 defines a lease agreement by which the lessor transfers to the lessee the right to use an asset for a given period of time in exchange for a single payment or for a series of payments.
IAS 17 distinguishes two types of lease:
- a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title to the asset may or may not eventually be transferred by the end of the lease term;
- all other leases are classified as operating leases.

Accounting for stepped rents and rent-free periods

Lease income from the operating leases is recognized over the lease term on a straight-line basis.
Stepped rents and rent-free periods are accounted for over the life of the lease as an increase or decrease to lease income for the year.
The reference period selected 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 agreement. As such, the accounting periods in which this net amount is to be recognized should not be affected by the form of the agreement and the payment schedule. Entry fees are spread over the first firm lease term.

Early termination indemnities

Tenants who terminate their leases prior to the expiration date are liable to an early termination charge.
Such a charge is imputed to the terminated contract and credited to income for the period in which it is recognized.

Eviction indemnities

When a lessor terminates a lease prior to the expiration date, he must pay the tenant an eviction indemnity.

(i) Replacement of a tenant:

In cases in which paying an eviction indemnity enables to modify or to maintain asset performance (higher rent, and thus higher asset value), the revised version of IAS 16 allows for the indemnity to be capitalized as part of the cost of the asset, provided that this increase in value is confirmed by independent appraisers. Otherwise, the cost is expensed.

(ii) Renovation of a property requiring removal of resident tenants:

If eviction indemnities are paid in connection with major renovation or reconstruction work on a property requiring the prior removal of tenants, the cost is included among preliminary expenses and recognized as a supplementary component of total renovation costs.

Land and building leases: IAS 40 and IAS 17

Land and building leases are classified as operating or finance leases and treated in the same way as leases for other types of assets. However, since the useful life of land is usually undefined and, unless title is transferred to the lessee at the end of the lease term, substantially all the risks and rewards incident to ownership will not be transferred to the lessee (land leases are operating leases). Initial payments made in this respect therefore constitute pre-rents and are amortized over the term of the lease, in accordance with the pattern of benefits provided. Those benefits are determined by examining each individual agreement.
Under the components method set out in IAS 40, such initial payments are classified as prepaid expenses.

2.10. TRADE ACCOUNTS AND OTHER DEBTORS

Trade accounts are recognized and measured at face value minus accruals for non-recoverable amounts.
Doubtful debts are estimated when it is likely that the entire amount of receivable will not be recovered. Non recoverable receivables are recognized in loss when they are identified as such.

2.11. BORROWING COSTS

The benchmark treatment under IAS 23 is to recognize construction-related borrowing costs as an expense in the period in which they are incurred.
The alternative treatment allowed is to include borrowing costs in the total cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset.
Klépierre has not opted for the benchmark treatment, and instead accounts for construction-related finance charges as part of the cost of the assets acquired. As a result, these charges are capitalized over the construction period.

2.12. PROVISIONS AND CONTINGENT LIABILITIES

IAS 37 "Provisions, contingent liabilities and contingent assets" states that a provision should be recognized for any liability when it is probable or certain that an outflow of resources will be required to settle the obligation, without any at least equivalent consideration being expected from the creditor.
IAS 37 requires that non-interest-bearing long-term liabilities be discounted.

2.13. CURRENT AND DEFERRED TAXES

Tax status for listed property investments companies

General features of SIIC tax status

All listed property investment companies (SIICs) are entitled to the corporate tax exemption status introduced by article 11 of the 2003 Finance Act and implemented under the Decree of July 11, 2003 provided that they are listed on a regulated French market, that they have share capital of at least 15 million euros and that their corporate purpose is either the purchase or construction of properties for rent, or direct or indirect investment in entities with the same corporate purpose. Once made, a decision to claim SIIC status is irrevocable. Subsidiaries subject to corporate income tax and at least 95% controlled by the Group may also claim SIIC status.
In return for tax exemption, companies must distribute 85% of their rental profits, 50% of their gains on disposal and 100% of the dividends paid to them by those of their subsidiaries that are subject to corporate income tax and have selected SIIC status.
Claiming SIIC status makes the entity concerned immediately subject to a 16.5% exit tax on unrealized gains on properties and on shares in partnerships not subject to corporate income tax. 25% of the exit tax falls due on December 15 of the year in which SIIC status is first claimed, with the balance payable over the three following years.
The annual general meeting of September 26, 2003 authorized Klépierre to opt into the new SIIC status, with retrospective effect to January 1, 2003.

Discounting exit tax liability

The exit tax liability is discounted on the basis of its payment schedule. The liability is payable over 4 years commencing when SIIC status becomes applicable to the entity concerned.
Following initial recognition, the liability is discounted in the balance sheet and an interest expense is recognized in the income statement at each cut-off date. In this way, the liability can be reduced to its discounted present value. The basis for calculating the discount rate is the interest rate curve, plus the period of deferment, plus the Klépierre refinancing spread.

Corporate income tax on companies not eligible for SIIC status

Since SIIC status was adopted in 2003, Klépierre S.A. recognizes SIICs that are exempt from property leasing and capital gains tax, and other companies that are subject to those taxes.
Corporate income tax on non-SIICs is calculated under French common law requirements.

French common law and deferred tax

Corporate income tax is calculated using the rules and rates applicable in each country in which Group companies are registered over the period to which the profit or loss applies.
Both current and future income taxes are offset if they originate within the same consolidated tax group, are subject to the same tax authority and if offsetting is allowed by law.
Deferred taxes are recorded to reflect temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases if they are expected to give rise to taxable income in future periods.
A deferred tax asset is recognized in case of tax losses carried forward under the likely assumption that the entity concerned will generate future taxable income against which those losses can be deducted.
Deferred tax assets and liabilities are measured using the liability method and the tax rate expected to apply when the asset will be realized or the liability settled, on the basis of the tax rates and tax regulations adopted, or that will be adopted, before the balance sheet date.
The measurement of deferred tax assets and liabilities must reflect the tax consequences 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. However, in the case of deferred tax recognized or settled since the acquisition or disposal of a subsidiary or equity-accounted affiliates, and of unrealized gains or losses on assets held for sale, the associated deferred taxes are taken to equity.
Deferred tax is calculated at local rates applicable at the balance sheet date. The main relevant rates are 34.43% in France, 30% in Spain, 31.40% in Italy, 34% in Belgium, 25% in Greece, 26.5% in Portugal, 19% in Poland, 20% in Hungary (excluding ordinary losses capitalized at 16%), 20% in the Czech Republic, 19% in Slovakia and 28% in Norway.

2.14. TREASURY SHARES

All treasury shares held by the Group are recorded at acquisition cost and deducted from equity. Any gain arising on the disposal of treasury shares is immediately taken to equity so that disposal gains/losses do not impact net profit/loss for the period.

2.15. DISTINCTION BETWEEN LIABILITIES AND EQUITY

The difference between liabilities and equity depends on whether the issuer is under an obligation to make a cash payment to the other party. Whether cash payment can be decided by the issuer or not is the crucial distinction between these two concepts.

2.16. FINANCIAL ASSETS AND LIABILITIES

Financial assets include long-term financial investments assets and loans, current assets representing accounts receivable, financial securities and investments, including derivatives, and cash.
Financial liabilities include borrowings, other forms of financing and 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 assets

Loans and receivables

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

Assets held for sale

These include equity investments.
Equity investments are the Group's interest in non-consolidated companies.
Investments in equity instruments with no quoted price on an active market and whose fair value cannot be reliably measured must be carried at cost.

Cash and near cash

Cash and near cash include cash on bank accounts, short-term deposits maturing in under three months, money market funds and other investment securities.

Recognition and measurement 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

Under IFRS, redemption premiums on bond issues and debt issuance expenses are deducted from the nominal value of the loans concerned and applied in the calculation of the effective interest rate.

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

A gain or loss from the change in fair value of swaps used as fair value hedges will cause the carrying amount of the (effective portion of the) hedged item to be adjusted for the corresponding gain or loss with respect to the hedged risk.
Since the characteristics of derivatives and items hedged at fair value are generally similar, any ineffectiveness carried to hedging profit or loss will be minimal.
If a swap is cancelled 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 determined at the date the hedge ended.

Recognition and measurement of derivatives

As parent company of the Group, Klépierre is responsible for almost all Group financing and has centralized management of interest rate and exchange risks. This financial policy has led Klépierre to put in place the facilities and associated hedging instruments needed by the Group.
Klépierre hedges its liabilities using derivatives and has consequently adopted hedge accounting as per IAS 39:

- fair value hedges: hedges of the exposure to changes in fair value of balance sheet items, that are attributable to interest rate, credit or exchange risk (e.g. a fixed-rate liability);
- cash flow hedges: hedges of the exposure to variability in cash flows, achieved by fixing the future cash flow on a variable-rate liability or asset.

Klépierre 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 on the balance sheet. The gain or loss from the change in fair value is 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 seeks to reflect the time value of financial instruments as closely as possible by ensuring that, where 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 at blanket level to all financial instruments; commercial papers, for example, are often renewed a few days before their due date. If they were recognized at their trade date, this would artificially extend the runoff between the renewal trade date on a paper and its effective start date.
Klépierre applies the following rules:

- derivatives are recognized at their trade date and measurement takes account of deferred termination dates (if any);
- other financial instruments (especially liabilities) are recognized at settlement date.

Determination of fair value

Financial assets and liabilities carried at fair value are measured either using listed price, or using measurement models that refer to the market parameters applying 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 so liquid market is any market on which transactions regularly take place and on which there is a reliable level of supply and demand, or on which transactions take place involving instruments that are very similar to the instrument being measured.
Where market-quoted prices are available on the balance sheet date, these are used to determine fair value. Such prices will thus be used to measure listed securities and derivatives traded on organized markets such as the futures or option markets. 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) that are based on the market prices of such instruments or similar underlyings.

Tax treatment of changes in fair value

For Klépierre:
- deferred tax will be calculated for Klépierre SA financial instruments recognized at fair value applying non- SIIC pro rata of financial profit/loss;
- the financial instruments of foreign subsidiaries recognized at fair value will generate a deferred tax calculation at rates applicable in the country concerned.

2.17. EMPLOYEE BENEFITS

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

All employee benefits, whether paid in cash or in kind, short or long-term must fall into one of the 4 main classifications:
- short-term benefits such as salaries and wages, annual leave, profit-sharing, shares, company contributions to schemes;
- post-employment benefits, such as (in France) supplementary bank pension payments or outside France private pension schemes;
- other long-term benefits, including paid leave and seniority payments, some deferre compensation schemes paying out in monetary units;
- compensation due to the termination of job contract severance pay.

Recognition and measurement depends on the classification into which the benefit falls.

Short-term benefits

The company recognizes a loss when it uses services rendered by employees and in return pays agreed benefits to them.

Post-employment benefits

In accordance with generally accepted principles, the Group distinguishes defined contribution and defined benefit plans.
Defined contribution plans do not give rise to any liability so far as the company is concerned and therefore are not provisioned. Contributions paid during the period are recognized as a loss.
Defined benefit plans do give rise to a liability so far as the company is concerned and must therefore be measured and provisioned.
The classification of a benefit into either of the above categories will depend on the economic basis of the benefit that will be used to decide 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 calculated on an actuarial basis that takes account of demographic and financial factors.
The provision needed for the commitment will be determined on the basis of the actuarial assumptions adopted by the company and will apply the Projected Unit Credit Method. The value of hedging assets, if any (plan assets and redemption rights) will be deducted from the resulting figure.
The size of plan liabilities and the value of its hedging assets may change considerably from one period to another in line with changes in actuarial assumptions, and may give rise to actuarial gains/losses.
The Group applies the corridor method to account for actuarial gains/losses on its commitments. Use of the corridor method means that as of the following financial year the proportion of actuarial gain/loss that is in excess of the higher of the following need not be recognized: 10% of the discounted gross value of the liability or 10% of the market value of the plan hedge asset at the end of the previous period.

Long-term benefits

These are benefits, other than post-employment benefits or severance pay, that are not payable in their entirety within twelve months of the end of the financial year in which the employees concerned provided the services in question.
The actuarial method applied is similar to that used for post-employment defined benefits, except that actuarial gains/losses are recognized immediately and there is no corridor. Furthermore, any gain/loss resulting from change to the plan but deemed to apply to previous services is recognized immediately.

Compensation due upon termination of employment

This severance pay is given to employees if their employment with the Group is terminated before they reach statutory retirement age or if they accept voluntary redundancy. Compensation due to the termination of the job contract that is payable more than twelve months after the balance sheet date is discounted.

2.18. SHARE-BASED PAYMENT

IFRS 2 provides that all share-based payment must be expensed when the goods or services given in return for these payments are used.
For the Klépierre group, the standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option scheme. Pursuant to IFRS 1, only plans awarded after November 7, 2002 whose rights were not acquired at January 1, 2005 need to be recognized. As a result, Klépierre's 1999 stock option plan has not been restated. The exercise period for this particular plan ended on June 24, 2007.

2.19. SEGMENT REPORTING

IAS 14 requires the reporting of financial information by line of business and geographical area in respect of primary and secondary segments. Segments are identified by analyzing risks and returns to then form homogenous segments.

Lines of business and geographical segments must be reported if they account more than 10% of the total result, revenue or balance sheet total.

If total revenue attributable to reportable segments is less than 75% of the total consolidated income, additional segments should be identified while dropping the threshold by 10% until 75% is reached.

The following information should be disclosed for primary segments: segment income, pre-tax and pre-financial charge segment revenue, the carrying value of sector assets, sector liabilities and sector investments over the period.

The following information should be disclosed for secondary segments: sector income, sector assets, and investments over the period.

The Klépierre group discloses primary sector information on the Group under line of business and secondary sector information under geographical area.

- primary sector lines of business: shopping centers, retail properties and office properties;
- secondary sector geographical areas: France, Scandinavia, Spain, Portugal, Italy, Greece, Hungary, Poland and "other" Europe.

3. Scope of consolidation

Companies	Siren No.	Head office	Methods December 2008[1]	% interest		% control	
				2008	2007	2008	2007
SA Klépierre	780 152 914	Paris	FC	100.00%	100.00%	100.00%	100.00%
OFFICE BUILDINGS							
SAS Klépierre Finance	433 613 312	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS LP7	428 782 486	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS CB Pierre	343 146 932	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Général Leclerc n° 11 Levallois	381 986 363	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Jardins des Princes	391 237 716	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Barjac Victor	390 123 057	Paris	FC	100.00%	100.00%	100.00%	100.00%
SHOPPING CENTERS - FRANCE							
SNC Kléber La Pérouse	388 724 361	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLE 1	389 217 746	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC SCOO (ex-Secmarne)	309 660 504	Paris	FC	79.94%	79.94%	79.94%	79.94%
SNC Angoumars	451 149 405	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Klécar France	433 496 965	Paris	FC	83.00%	83.00%	83.00%	83.00%
SNC KC1	433 816 501	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC2	433 816 444	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC3	433 816 725	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC4	433 816 774	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC5	433 817 269	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC6	433 842 549	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC7	433 842 515	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC8	433 842 564	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC9	433 816 246	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC10	433 816 220	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC11	433 894 243	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC12	433 894 102	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC20	449 054 949	Paris	FC	83.00%	83.00%	100.00%	100.00%
SAS Centre Jaude Clermont	398 960 963	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCS Klécar Europe Sud	428 864 268	Paris	FC	83.00%	83.00%	83.00%	83.00%
SC Solorec	320 217 391	Paris	FC	80.00%	80.00%	80.00%	80.00%
SNC Centre Bourse	300 985 462	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCS Bègles Arcins	404 357 535	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Bègles Papin	449 389 956	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Soccendre	319 814 075	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Sécovalde	405 362 682	Paris	FC	55.00%	55.00%	55.00%	55.00%
SAS Cécoville	409 547 015	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Foncière Saint-Germain	378 668 875	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Soaval	419 620 075	Paris	FC	100.00%	50.00%	100.00%	50.00%
SCA Klémurs	419 711 833	Paris	FC	84.11%	84.11%	84.11%	84.11%
SCS Cecobil	408 175 966	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI du Bassin Nord	422 733 402	La Plaine Saint-Denis	PC	50.00%	50.00%	50.00%	50.00%
SNC Le Havre Vauban	420 307 704	Paris	PC	50.00%	50.00%	50.00%	50.00%
SNC Le Havre Lafayette	420 292 047	Paris	PC	50.00%	50.00%	50.00%	50.00%
SNC Sodevac	388 233 298	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Odysseum Place de France	428 788 525	Paris	PC	50.00%	50.00%	50.00%	50.00%
SAS Klécar Participations Italie	442 229 175	Paris	FC	83.00%	83.00%	83.00%	83.00%
SNC Pasteur	398 967 232	Paris	FC	100.00%	100.00%	100.00%	100.00%
SA Holding Gondomar 1	438 568 545	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Holding Gondomar 3	438 570 129	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Participations et Financements	442 692 315	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Combault	450 895 164	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Klétransactions	479 087 942	Paris	FC	100.00%	100.00%	100.00%	100.00%

consolidated financial statements scope of consolidation

Companies	Siren No.	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
SCI La Plaine du Moulin à Vent	479 718 124	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Beau Sevran Invest	441 648 714	Paris	FC	83.00%	83.00%	100.00%	100.00%
SAS PROGEST	330 574 625	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI La Rocade	319 524 070	Paris	EM	38.00%	38.00%	38.00%	38.00%
SCI L'Emperi	421 021 346	Paris	EM	15.00%	15.00%	15.00%	15.00%
SCI Girardin	339 293 532	Paris	PC	33.40%	33.40%	33.40%	33.40%
SC Boutiques Saint-Maximin	314 866 484	Paris	EM	42.50%	42.50%	42.50%	42.50%
SARL Belvédère Invest	418 124 475	Paris	FC	75.00%	62.00%	75.00%	62.00%
SCI Haies Haute Pommeraie	437 731 664	Paris	FC	53.00%	43.00%	53.00%	43.00%
SCI Plateau des Haies	423 665 413	Paris	FC	90.00%	90.00%	90.00%	90.00%
SCI Boutiques d'Osny	339 797 607	Paris	FC	38.27%	38.27%	67.00%	67.00%
SCI La Rocade Ouest	319 658 399	Paris	EM	36.73%	36.73%	36.73%	36.73%
SARL Forving	442 692 539	Paris	FC	90.00%	90.00%	90.00%	90.00%
SCI du Plateau	382 949 873	Boulogne-Billancourt	EM	24.25%	17.76%	30.00%	26.50%
SA Rezé Sud	413 251 216	Rezé	EM	15.00%	15.00%	15.00%	15.00%
SCI Maximeuble	347 879 306	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Saint-Maximin Construction	347 879 405	Paris	FC	55.00%	50.00%	55.00%	50.00%
SCI Immobilière de la Pommeraie	348 268 996	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Pommeraie Parc	350 236 337	Paris	FC	60.00%	50.00%	60.00%	50.00%
SCI Champs des Haies	351 335 914	Paris	FC	60.00%	50.00%	60.00%	50.00%
SCI La Rive	348 974 080	Paris	FC	47.30%	47.30%	47.30%	47.30%
SCI Rebecca	428 291 520	Paris	FC	70.00%	70.00%	70.00%	70.00%
SCI Aulnes développement	448 080 861	Paris	FC	25.50%	25.50%	50.00%	50.00%
SARL Proreal	447 572 686	Paris	FC	51.00%	51.00%	51.00%	51.00%
SCI Sandri-Rome	423 680 917	Paris	EM	15.00%	15.00%	15.00%	15.00%
SCI La Roche Invest	484 674 643	Paris	FC	100.00%	32.50%	100.00%	32.50%
SCI Osny Invest	420 796 708	Paris	FC	57.12%	57.12%	57.12%	57.12%
SNC Parc de Coquelles	348 281 965	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Sogegamar	950 591 792	Paris	EM	33.12%	33.12%	33.12%	33.12%
SCI Achères 2000	422 380 576	Paris	EM	30.00%	30.00%	30.00%	30.00%
SCI Le Mais	378 907 000	Paris	FC	60.00%	55.00%	60.00%	55.00%
SCI Le Grand Pré	352 765 994	Paris	FC	60.00%	50.00%	60.00%	50.00%
SCI Champs de Mais	379 159 338	Paris	EM	40,00%	25.00%	40,00%	25.00%
SCI des Salines	394 253 959	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Les Bas Champs	394 253 710	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Des dunes	394 253 819	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI La Française	394 253 264	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI LC	422 654 392	Paris	FC	36.00%	33.00%	60.00%	60.00%
SCI Klépierre Tourville	509 494 860	Paris	FC	100.00%	0.00%	100.00%	0.00%
SARL Société du bois des fenêtres	418 683 124	Vélizy-Villacoublay	EM	20.00%	20.00%	20.00%	20.00%

Companies	Siren No.	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
SAS KLE PROJET 1	493 511 620	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLECAPNOR	494 808 603	Paris	FC	84.11%	84.11%	100.00%	100.00%
SAS Vannes Coutume	495 178 055	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLE PROJET 2	479 506 345	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Société des Centres Toulousains	499 084 903	Paris	FC	75.81%	75.81%	75.81%	75.81%
SAS Holding Gondomar 4	438 567 331	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Noblespécialiste	389 308 339	Paris	FC	75.81%	75.81%	100.00%	100.00%
SNC La Marquayssonne	379 881 121	Paris	FC	75.81%	75.81%	100.00%	100.00%
SCI Restorens	380 667 790	Paris	FC	75.81%	75.81%	100.00%	100.00%
SNC Sodirev	377 807 367	Paris	FC	75.81%	75.81%	100.00%	100.00%
SCI Besançon Chalezeule	498 801 778	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Edamarzy	489 704 809	Pougues-les-Eaux	FC	100.00%	–	100.00%	–
SARL Immo Dauland	443 572 037	Chalon-sur-Saône	FC	84.11%	–	100.00%	–
SAS Carré Jaude 2	504 363 565	Paris	FC	100.00%	–	100.00%	–
Klépierre Créteil	499 009 611	Paris	FC	100.00%	–	100.00%	–
SCI Albert 31	378 527 436	Paris	FC	100.00%	–	83.00%	–
SCI Galeries Drancéennes	398 898 858	Paris	FC	100.00%	–	100.00%	–
SERVICE PROVIDERS - FRANCE							
SCS Ségécé	562 100 214	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Conseil	398 967 000	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Galae	433 909 165	Paris	FC	100.00%	100.00%	100.00%	100.00%

Companies	Country	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
SHOPPING CENTERS - INTERNATIONAL							
SA Coimbra	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Cinémas de L'Esplanade	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Foncière de Louvain-la-Neuve	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Place de l'Accueil	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
Steen & Strøm Holding AS	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Anpartsselskabet af 18. September 2007	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Bryggen, Vejle A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Ejendomsselskabet Klampenborgvej I/S	Danmark	Copenhagen	PC	28.05%	–	50.00%	–
Field's Eier I ApS	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Field's Eier II A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Prosjektselskabet af 10.04.2001 ApS	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
SA Klécar Foncier Iberica	Spain	Madrid Alcobendas	FC	83.00%	83.00%	100.00%	100.00%
SA Klécar Foncier España	Spain	Madrid Alcobendas	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Vinaza	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Vallecas	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Nea Efkarpia	Greece	Athens	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Foncier Makedonia	Greece	Athens	FC	83.01%	83.01%	100.00%	100.00%
SA Klépierre Athinon A.E.	Greece	Athens	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Peribola Patras	Greece	Neo Psychiko	FC	83.00%	83.00%	100.00%	100.00%
Klépierre Larissa	Greece	Athens	FC	100.00%	100.00%	100.00%	100.00%
Sarl Szeged Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Szolnok Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Zalaegerszeg Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Nyiregyhaza Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
SA Duna Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl CSPL 2002 (Cespel)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl GYR 2002 (Gyor)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Debrecen 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Uj Alba 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Miskolc 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Kanizsa 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%

Companies	Country	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
Sarl KPSVR 2002 (Kaposvar)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Duna Plaza Offices	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Corvin	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Corvin Retail (ex-Corvin Office)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Trading	Hungary	Budapest	FC	100.00%	–	100.00%	–
Spa IGC	Italy	Milan	PC	50.00%	50.00%	50.00%	50.00%
Spa Klécar Italia	Italy	Milan	FC	83.00%	83.00%	100.00%	100.00%
Spa Klefin Italia	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Galleria Commerciale Collegno	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Galleria Commerciale Serravalle	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Galleria Commerciale Assago	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Galleria Commerciale Klépierre	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Galleria Commerciale Cavallino	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Galleria Commerciale Solbiate	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Clivia 2000	Italy	Milan	PC	50.00%	–	50.00%	–
K2	Italy	Milan	FC	85.00%	–	85.00%	–
Klépierre Matera	Italy	Milan	FC	100.00%	–	100.00%	–
Sarl Klépierre Météores	Luxemburg	Luxemburg	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Luxembourg	Luxemburg	Luxemburg	FC	100.00%	100.00%	100.00%	100.00%
SA ICD	Luxemburg	Luxemburg	FC	100.00%	85.00%	100.00%	85.00%
SA Novate	Luxemburg	Luxemburg	FC	100.00%	85.00%	100.00%	85.00%
SA Immobiliare Magnolia	Luxemburg	Luxemburg	FC	100.00%	85.00%	100.00%	85.00%
Holding Klege	Luxemburg	Luxemburg	PC	50.00%	–	50.00%	–
Storm Holding Norway	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm ASA	Norway	Oslo	FC	56.10%	–	100.00%	–
Amanda Storsenter AS	Norway	Oslo	FC	56.10%	–	100.00%	-
Arken Holding AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Åsane Storsenter DA	Norway	Bergen	PC	27.99%	–	49.90%	–
Farmandstredet Eiendom AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Farmandstredet ANS	Norway	Oslo	FC	56.10%	–	100.00%	–
Fayesgate 7 Eiendom AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Hovlandbanen AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Karl Johansgate 16 AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Nerstranda AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Os Alle 3 AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Sjøsiden AS	Norway	Oslo	FC	56.10%	–	100.00%	–
SSI Lillestrøm Torv AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Hamar Storsenter AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Metro Senter ANS	Norway	Oslo	PC	28.05%	–	50.00%	–
Novak Eiendom AS	Norway	Oslo	FC	56.10%	–	100.00%	–

Companies	Country	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
Stavanger Storsenter AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Invest AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Stovner Senter Holding AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Stovner Senter AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Torvbyen Senter AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Torvbyen Utvikling AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Økern Sentrum Ans	Norway	Oslo	PC	28.05%	–	50.00%	–
KS Markedet	Norway	Oslo	FC	56.10%	–	100.00%	–
Gulskogen Senter ANS	Norway	Oslo	FC	56.10%	–	100.00%	–
Torvhjørnet Lillestrøm ANS	Norway	Oslo	FC	56.10%	–	100.00%	–
Vintebro Senter DA	Norway	Oslo	FC	56.10%	–	100.00%	–
Besloten vennootschap Capucine BV	Netherlands	Amsterdam	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Nordica	Netherlands	Amsterdam	FC	100.00%	–	100.00%	–
Klépierre Sadyba	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Krakow	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Poznan	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Ruda Slaska Plaza Spzoo	Poland	Ruda Slaska-Wirek	FC	100.00%	100.00%	100.00%	100.00%
Sadyba Center SA	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Krakow Spzoo	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Poznan SA	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Pologne	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Rybnik Plaza Spzoo	Poland	Rybnik	FC	100.00%	100.00%	100.00%	100.00%
Sosnowiec Plaza Spzoo	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Rybnik	Poland	Rybnik	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Sosnowiec	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Movement Poland SA (Ex: Lublin Plaza)	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Lublin	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Galeria Poznan Spzoo	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Galeria Krakow Spzoo	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Warsaw Spzoo	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
SA Finascente	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klélou-Immobiliare	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Portugal SGPS SA	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Galeria Parque Nascente	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Gondobrico	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klenord Imobiliaria	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klétel Imobiliaria	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
Kleminho	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
Kléaveiro	Portugal	Carnaxide	FC	100.00%	–	100.00%	–
Klege Portugal	Portugal	Carnaxide	PC	50.00%	–	50.00%	–
BPSA 10	Portugal	Carnaxide	PC	50.00%	–	50.00%	–
Klépierre Cz	Czech Republic	Prague	FC	100.00%	100.00%	100.00%	100.00%
Bestes	Czech Republic	Prague	FC	99.00%	99.00%	99.00%	99.00%
Entertainment Plaza	Czech Republic	Prague	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Plzen	Czech Republic	Prague	FC	100.00%	–	100.00%	–
Plzen	Czech Republic	Prague	FC	100.00%	–	100.00%	–
Akciova Spolocnost ARCOL	Slovakia	Bratislava	FC	100.00%	100.00%	100.00%	100.00%
Nordica Holdco	Sweden	Stockholm	FC	56.10%	–	56.10%	–
Steen & Strøm Holding AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB CentrumInvest	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Emporia	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Överby KölPentrum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Detaljhandelshuset i Hyllinge AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Sollentuna Centrum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Borlange KölPentrum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Marieberg Centrum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Västra Torp Mark AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
NorthMan Suède AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–

Companies	Country	Head office	Methods December 2008[1]	% interest		% control	
				2008	2007	2008	2007
FAB Viskaholm	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Uddevallatorpet	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Hageby Centrum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Mitt i City i Karlstad FAB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Allum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB P Brodalen	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Partille Lexby AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB P Åkanten	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB P Porthälla	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Mölndal Centrum	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Mässcenter Torp AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Mölndal Centrum Byggnads FAB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
Grytingen Nya AB	Sweden	Stockholm	PC	36.35%	–	64.79%	–
SERVICE PROVIDERS - INTERNATIONAL							
Bruun's Galleri ApS	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Entreprenørselskapet af 10.04.2001 P/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Field's Copenhagen I/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Steen & Strøm CenterDrift A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Steen & Strøm Centerudvikling IV A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Steen & Strøm Centerudvikling V A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Steen & Strøm CenterUdvikling VI A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Steen & Strøm CenterUdvikling VII A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Steen & Strøm Danemark A/S	Danmark	Copenhagen	FC	56.10%	–	100.00%	–
Ségécé España	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Hellas	Greece	Athens	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Magyarorszag	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Srl Effe Kappa	Italy	Milan	FC	100.00%	50.00%	100.00%	50.00%
Ségécé Italia	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Ségécé India	India	New Delhi	FC	100.00%	–	100.00%	–
Sandens Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Camato AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Eiendomsforvaltning AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Norvèges Største Senterkjede AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Fritzøe Brygge Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Gulskogen Prosjekt & Eiendom AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Lille Eiendom AS	Norway	Oslo	FC	37.03%	–	66.00%	–
Løkketangen Torv AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Nordbyen Senterforening AS	Norway	Oslo	FC	38.82%	–	69.20%	–
Norsk Automatdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–

Companies	Country	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
Norsk Kjøpesenterforvaltning AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Skårer Stormarked AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Senterservice AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Arken Drift AS	Norway	Bergen	PC	27.99%	–	49.90%	–
Down Town Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Farmanstredet Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Holmen Senterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Hamar Panorama AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Hamar Storsenterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Krokstadelva Senterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Kvadrat Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Markedet Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Metro Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Mosseporten Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Nerstranda Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Os Alle Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Sjøsiden Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
SSI Amanda Senterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
SSI Gulskogen Senterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
SSI Lillestrøm Senterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
SST Stavanger Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Tillertorget Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Torvbyen Drift AS	Norway	Oslo	FC	21.32%	–	38.00%	–
Vinterbro Eiendomsdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Økern Sentrum Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Økern Sentrum AS	Norway	Oslo	PC	28.05%	–	50.00%	–
Østfoldhallen Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Nordal ANS	Norway	Oslo	PC	28.05%	–	50.00%	–
Økern Eiendom ANS	Norway	Oslo	PC	28.05%	–	50.00%	–
Senterdrift Åsane Senter AS	Norway	Bergen	PC	27.99%	–	49.90%	–
Steen & Strøm Drammen AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Drift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Narvik AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Steen & Strøm Norvège AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Stovner Senterdrift AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Økern Holding AS	Norway	Oslo	FC	56.10%	–	100.00%	–
KS Down Town Senter	Norway	Oslo	FC	56.10%	–	100.00%	–
KS Down Town Senter II	Norway	Oslo	FC	56.10%	–	100.00%	–
Svenor AS	Norway	Oslo	FC	56.10%	–	100.00%	–
Ségécé Polska (ex-PCM Poland)	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
SA Ségécé Portugal	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Ceska Republika	Czech Republic	Prague	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Slovensko	Slovakia	Bratislava	FC	100.00%	100.00%	100.00%	100.00%
Steen & Strøm Suède AB	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Centrum Västerort	Sweden	Stockholm	FC	56.10%	–	100.00%	–
FAB Lantmäteribacken	Sweden	Stockholm	FC	56.10%	–	100.00%	–

Companies	Siren no. or Country	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
DECONSOLIDATED COMPANIES							
SA Delcis Cr	Czech Republic	Prague	NC	–	100.00%	–	100.00%
SA Devimo Consult	Belgium	Brussels	NC	–	35.00%	–	35.00%
SNC Klégestion	398 058 149	Paris	NC	–	100.00%	–	100.00%
SNC Ségécé Loisirs et Transactions	421 220 252	Paris	NC	–	100.00%	–	100.00%
SAS Poitiers Aliénor	410 245 757	Paris	NC	–	100.00%	–	100.00%
SNC CAP NORD	332 024 926	Lille	NC	–	84.11%	–	100.00%
GIE Klépierre Services	435 194 725	Paris	NC	–	100.00%	–	100.00%

consolidated financial statements scope of consolidation

Companies	Siren n° or Country	Head office	Methods December 2008[1]	% interest 2008	% interest 2007	% control 2008	% control 2007
Klépierre Novo	Czech Republic	Prague	NC	–	100.00%	–	100.00%
SAS Holding Gondomar 2	438 567 265	Paris	NC	–	100.00%	–	100.00%
Halle Plérin	340 255 280	Joinville-le-Pont	NC	–	25.00%	–	25.00%
Plateau Plérin	329 393 805	Paris	NC	–	25.00%	–	25.00%

(1) FC: Full consolidation – PC: Proportional consolidation – EM: Equity method consolidation – NC: Deconsolidated during the period.

Equity interests in subsidiaries

At December 31, 2008, the Group scope of consolidation included 323 companies, compared with 195 at December 31, 2007.

138 companies have joined the scope of consolidation:

- **1 in The Netherlands**

  On October 8, 2008, Klépierre finalized its acquisition of the Scandinavian group Steen & Strøm, with an equity stake of 56.10%; the remaining 43.9% being held by the Dutch pension fund ABP. The Klépierre holding involves 3 intermediate holding companies:
  - **Klépierre Nordica**, a Dutch company wholly owned by Klépierre;
  - **Nordica Holdco AB**, a Swedish company owned 56.10% by Klépierre Nordica;
  - **Storm Holding Norway**, a Norwegian company wholly owned by Nordica Holdco AB. Storm Holding Norway owns all the equity in Steen & Strøm.

  These three companies are fully consolidated.

- **120 in Scandinavia**

  Including the two holding companies **Nordica Holdco AB and Storm Holding Norway**, 120 Scandinavian entities joined the Group as a result of the Steen & Strøm acquisition. 77 of these are Norwegian, 27 are Swedish and 16 are Danish. The parent company Steen & Strøm ASA has its registered office in Oslo. 61 entities are management and services companies, while the remaining 59 are real estate and holding companies.

  110 are fully consolidated, with the remaining 10 being proportionally consolidated.

  The 91.62 million euros of goodwill on acquisition is recognized as property assets (local taxation taken into account).

- **7 in France**

  7 French companies are fully consolidated.
  - **Edamarzy**, which owns land in Nervers, acquired by Kléprojet 1. The 0.9 million euros of goodwill on acquisition has been recognized as property assets;
  - **Immo Dauland** acquired by Klémurs for a property development at Chalon-sur-Saône. The 4.2 million euros of goodwill on acquisition has been recognized as property assets;
  - **Carré Jaude 2**, a wholly-owned subsidiary of Clermont Jaude formed to manage the construction works required to extend the Centre Jaude mall in Clermont-Ferrand;
  - **Klépierre Créteil**, a wholly-owned subsidiary of Klépierre formed to acquire the BHV building in Créteil;
  - **SCI Albert 31**, a wholly-owned subsidiary of Klécar France. The 7.5 million euros of goodwill on acquisition has been recognized as property assets;
  - **SCI Galeries Drancéennes**, a wholly-owned subsidiary of Klépierre. This company, which owns the Drancy Avenir mall, was exchanged for the "Rue Notre-Dame-des-Victoires" building in Paris. The 56.5 million euros of goodwill on acquisition has been recognized as property assets;
  - **Klépierre Tourville**, a wholly-owned subsidiary of Progest.

- **3 in Italie**
  - Acquisition of the Italian company **Clivia**, which owns the Verona and Lonato malls.

Under an agreement signed with the Italian group Finiper on February 20, 2008, Klépierre Luxembourg has acquired 50% of Verona and Lonato by subscribing to a capital increase in their holding company Clivia. Reserved exclusively for the buyer, this increase resulted in a 50% dilution of Finiper group equity.

The funds injected by Klépierre Luxembourg will enable Clivia to purchase the Vittuone mall (now under construction in Milan) in 2009.

Clivia is proportionately consolidated. The 19.8 million euros of goodwill on acquisition has been recognized as property assets.

– Formation of **K2** and **Klépierre Matera** as part of the transaction to incorporate Italian assets into the K2 fund.

On May 29, 2008, the Italian K2 fund received the malls owned by the 3 Italian companies Magnolia, ICD and Novate in exchange for an equity share.
Prior to this incorporation of assets, the Klépierre group increased its holding in Magnolia, ICD and Novate to 100% with the acquisition of the Finim group's 15% holding in all three companies.
On June 10, 2008, Finim reconstituted its minority interests in these Italian assets by acquiring 15% of K2 equity from Klépierre Luxembourg and Novate. At December 31, 2008, the equity profile of the fund was as follows:
– Klépierre Luxembourg: 54.96%;
– Novate: 18.09%;
– Finim: 15%;
– ICD: 8.57%;
– Magnolia: 3.38%.

Created in May 2008 as a wholly-owned subsidiary of Novate, Klépierre Matera has taken control of the Matera mall, initially owned by Novate, but, unlike the other Novate malls (Cienneo and Vignate), is not incorporated into the K2 fund.

- **1 in Luxembourg**
  Owned 50% by Klépierre Luxembourg, **Holding Klégé** was created to manage the Portimao project in partnership with the Generali Group. Holding Klégé owns all the equity in Klégé Portugal. The company is proportionately consolidated.

- **3 in Portugal**
  – **Klégé Portugal and BPSA10**
  Wholly-owned by Holding Klégé, Klégé Portugal was created to acquire all the equity shares in BPSA10, the Portimao project company. The 9.8 million euros of goodwill on acquisition has been recognized as property assets in progress.
  Both entities are consolidated proportionately.
  – **Kléaveiro**
  This fully consolidated company was formed in January 2008 for the purpose of acquiring the Aveiro center.

- **1 in Hungary**
  Created in 2007 as a wholly-owned subsidiary of Klépierre, **Klépierre Trading** bills the electricity supplied by the Hungarian shopping centers to their tenants. The company is fully consolidated.

- **2 in the Czech Republic**
  On July 31, 2008, Klépierre assumed ownership of a retail development in **Plzen**. The center is owned by the Plzen company, which is wholly owned by the Group via **Klépierre Plzen**. Both companies are fully consolidated.

- **1 in India**
  Created in 2008 by Ségécé, **Ségécé India** sets up third-party management agreements.

11 companies left the scope of consolidation as a result of mergers, universal transfers of assets and liabilities and disposals:
– **Klégestion, Klépierre Services and Ségécé Loisirs and Transactions** were absorbed by Ségécé;
– **Poitiers Aliénor** was absorbed by Klépierre;
– **Cap Nord** was absorbed by Klecapnor;
– **Delcis** was absorbed by Klépierre Cz with retrospective effect from July 1, 2007;
– **Holding Gondomar 2** was absorbed by Holding Gondomar 1;
– **Klépierre Novo** was absorbed by Entertainment Plaza;
– **Devimo Consult** was disposed of completely (35%) by Ségécé;
– **Halle Plérin** and **Plateau Plérin**, both of which were equity-method consolidated companies, were disposed of by Progest in December 2008.

The group increased its percentage of interest in 13 companies:
– 50% in **Effe Kappa** and 50% in **Soaval**, bringing the group's holding in both companies to 100%. Consolidated proportionally at December 31, 2007, they became fully integrated at December 31, 2008;
– 67.5% in **SC Roche Invest**, resulting in a change of consolidation method from the equity method to full consolidation. The 1.2 million euros of goodwill on acquisition has been recognized as property assets. A free revaluation of 1.9 million euros was first recorded in order to adjust the value of the initial investment;
– 13% in **Belvedère Invest** with the acquisition of IPECI Gestion; 6.49% in **SCI du Plateau** with the acquisition of IPECI Gestion and a direct purchase by Kléber La Pérouse.

At the end of December 2008, an exchange agreement between Klépierre and a minority shareholder in the Progest subsidiaries resulted in the group increasing its holding in 8 entities, causing 5 to change consolidation method:
– transition from the equity method to full consolidation for **Haies Hautes Pommeraies** (+10%);
– transition from proportionate to full consolidation for **Pommeraies Parc** (+10%), **Champs des haies** (+10%), **Grand Pré** (+10%) and **Saint Maximum construction** (+5%);
– a 15% increase in **Champs de Mais**, which remains equity-method consolidated;
– an increase of 5% in **Le Mais** and 3% in its subsidiary **LC**. Both companies are fully consolidated.

Other events:
– in April 2008, Ségécé acquired 100% of the equity in IPECI Gestion, the management company of the Progest group. IPECI was absorbed by Ségécé on June 30, 2008. The goodwill released on acquisition of the shares is recognized as goodwill valued at 1.6 million euros.
– the Italian companies Magnolia, ICD and Novate have transferred their registered office to Luxembourg.

The contribution of entities acquired during the year to main line items in the financial statements, which have a material impact on Group accounts, is analyzed as follows:

in thousands of euros

Entity	Country	Acquisition date	Lease income	Operating income/ loss	Net earnings	Intangible fixed assets	Tangible fixed assets	Investment property and fixed assets in progress	Net fixed assets	Net indebted-ness including bank overdrafts
Spa Clivia	Italy	February-08	6 748	3 543	574	1 752	251	130 179	132 182	66 672
SARL Edarmarzy	France	June-08	–	-7	-65	–	–	2 587	2 587	4
SARL Immo Dauland	France	June-08	–	-31	-18	–	–	8 711	8 711	44
Plzen	Czech Republic	July-08	2 187	447	-951	–	68	59 077	59 145	2 138
Portimao (BPSA10)	Portugal	December-08	–	–	–	–	–	9 217	9 217	3 715
Albert 31	France	October-08	74	45	43	–	–	7 746	7 746	134
Galeries Drancéennes	France	October-08	1 058	557	337	–	–	70 961	70 961	1 081
Groupe Steen & Strøm	Scandinavia	October-08	37 856	13 569	18 058	–	1 909	2 848 610	2 850 519	1 478 445
TOTAL			**47 923**	**18 123**	**17 978**	**1 752**	**2 228**	**3 137 088**	**3 141 068**	**1 552 233**

In addition, the purchase prices and amounts paid to acquire equity shares at December 31, 2008 were:

in thousands of euros

	Purchase price of securities	Acquisition amount paid in 2008	Amount paid for buyback of current accounts in 2008	Cash position on the acquisition date
Spa Clivia	102 412	100 701	–	22395
SARL Edarmarzy	690	696	–	-8
SARL Immo Dauland	4 706	4 406	–	301
Plzen	13 515	13 515	43784	1 385
Portimao (BPSA10)	9 798	9 798	–	11
Albert 31	7 463	6 978	–	95
Galeries Drancéennes	59150	7 011	1 804	23
Groupe Steen & Strøm[1]	627 616	627 616	–	49 695

(1) Comensurate with the Klépierre holding, i.e. 56.10%.

Steen & Strøm

The acquisition of Steen & Strøm has been recognized in accordance with IFRS 3 "Business combinations". The assets, liabilities and contingent liabilities identifiable for Steen & Strøm at the time of acquisition have been recognized at their fair value on the date of acquisition. Allocation of the acquisition price (including the estimated business combination costs and expenses) to the fair value of these assets and liabilities, has not revealed any goodwill.

The price acquisition has been allocated temporarily to the fair value of Steen & Strøm assets on the basis of the financial statements at the date of control of the company. The standard requires that the acquisition recognition should be finalized no later than 12 months after the date of acquisition.
The acquisition cost related to Steen & Strøm is 19.6 million euros (total share).

	Fair value at the acquisition date	Accounting value
Investment property	3 123 610	2 941 471
Cash and near cash	49 695	49 695
Other assets	203 780	165 166
TOTAL	**3 377 085**	**3 156 332**
Financial liabilities	-1 826 547	-1 830 933
Trade payables	-20 040	-20 040
Other liabilities and provisions	-82 409	-40 381
Deferred tax liabilities	-325 955	-234 411
Minority interests	-843	-843
Net assets	**1 121 291**	**1 029 724**
Cost of business combination (including acquisition costs)	1 121 291	–
Of which the share of Klépierre (56.1%)	*630 162*	–
Of which the share of ABP (43.9%)	*491 129*	–

4. Notes to the financial statements: Balance sheet

4.1. NON-ALLOCATED GOODWILL

in thousands of euros

	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Other movements, reclassification	December 31, 2008
Metropoli	913	913	–	–	–	913
Vignate	897	520	–	–	–	520
Galeria Parque Nascente	1 713	1 713	–	–	–	1 713
Ségécé España	11 977	11 977	–	–	–	11 977
Ségécé	9 111	52 375	–	–	-1	52 374
Ségécé Magyarorszag	3 174	3 389	–	–	2	3 391
Scoo	814	814	–	–	–	814
ICD (Brescia)	909	909	–	–	1	910
IGC	3 209	3 209	–	–	5	3 214
Ségécé Italia	8 150	8 150	–	–	–	8 150
Effe Kappa	–	–	274	–	–	274
Steen & Strøm	–	–	9 709	–	–	9 709
Other variances	688	684	–	–	-7	677
NET GOODWILL	**41 555**	**84 653**	**9 983**	**–**	**–**	**94 636**

The increase in goodwill refers essentially to the holding acquired in Steen & Strøm, whose management business is measured at 9.7 million euros.

4.2. INTANGIBLE ASSETS

The main item under intangible assets is software, which is straight-line amortized over periods from 1 to 4 years.

in thousands of euros

	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Changes in consolidation scope	Currency fluctuations	Other movements, reclassifi-cation	December 31, 2008
Leasehold	461	461	1 100	–	–	–	–	-1	1 560
Business concerns	2 023	701	–	–	–	2 122	-492	2 474	4 805
Software	11 193	11 753	176	-3 845	–	13	-39	-978	7 080
Other intangible fixed assets	4 803	6 087	4 035	-455	–	1 594	-88	-1 200	9 973
Total gross value	**18 480**	**19 001**	**5 311**	**-4 300**	**–**	**3 729**	**-619**	**295**	**23 417**
Leasehold	–	–	–	–	-32	–	–	–	-32
Business concerns	–	–	–	–	-363	-401	493	-431	-702
Software	-8 742	-9 432	–	4 105	-1 332	-12	34	75	-6 562
Other intangible fixed assets	-2 260	-2 300	–	144	-565	-1 284	28	1 223	-2 754
Total amortizations	**-11 002**	**-11 732**	**–**	**4 249**	**-2 292**	**-1 697**	**555**	**867**	**-10 050**
INTANGIBLE ASSETS – NET VALUE	**7 478**	**7 269**	**5 311**	**-51**	**-2 292**	**2 032**	**-64**	**1 162**	**13 366**

4.3. TANGIBLE ASSETS

Tangible assets include two buildings operated by the Group: 21, rue La Pérouse and Espace Dumont D'Urville in Paris, together with the fixtures and fittings required for operation.

in thousands of euros

	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	December 31, 2008
Land	23 030	23 030	–	–	–	–	–	–	23 030
Constructions and fixtures	17 683	17 683	–	–	–	–	–	–	17 683
Furniture and equipment	8 410	9 186	992	-762	–	-959	4 046	1 677	14 180
Total gross value	**49 123**	**49 899**	**992**	**-762**	**–**	**-959**	**4 046**	**1 677**	**54 893**
Constructions and fixtures	-2 655	-3 319	–		-664				-3 983
Furniture and equipment	-4 986	-5 240	–	651	-1 975	312	-115	-908	-7 275
Total amortizations	**-7 641**	**-8 559**	**0**	**651**	**-2 639**	**312**	**-115**	**-908**	**-11 258**
Provision for impairment	–	–	–	–	–	–	–	–	–
TANGIBLE ASSETS – NET VALUE	**41 482**	**41 340**	**992**	**-111**	**-2 639**	**-647**	**3 931**	**769**	**43 636**

4.4. INVESTMENT PROPERTY AND FIXED ASSETS IN PROGRESS

in thousands of euros

	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	December 31, 2008
Land	2 944 625	3 332 481	103 911	-18 445	–	-218 171	1 609 550	-10 425	4 798 901
Constructions and fixtures	3 434 790	3 969 548	328 019	-25 948	–	-213 915	1 433 177	104 193	5 595 074
Total gross value	**6 379 415**	**7 302 029**	**431 930**	**-44 393**	**–**	**-432 086**	**3 042 727**	**93 768**	**10 393 975**
Constructions and fixtures	-438 963	-606 304	–	3 030	-190 528	11 574	-11 382	18 496	-775 114
Total amortizations	**-438 963**	**-606 304**	**–**	**3 030**	**-190 528**	**11 574**	**-11 382**	**18 496**	**-775 114**
Provision for impairment	-9 708	-25 635	–	–	-12 983	-527	-907	314	-39 738
INVESTMENT PROPERTY – NET VALUE	**5 930 744**	**6 670 090**	**431 930**	**-41 363**	**-203 511**	**-421 039**	**3 030 438**	**112 578**	**9 579 123**

Excluding investments in progress, investments for the fiscal year totaled 432 million euros.

In France, the largest group of transactions completed during the year was that of Klémurs, with its acquisition of 77 shops at a cost of 175 million euros under its partnership with the Défimode chain and the Vivarte group, 17 Buffalo Grill restaurants, 21 King Jouet stores and 17 other retail outlets.

Other notable additions to the real estate portfolio in France included the Maisonément center (15.8 million euros) and a 25% share in the Galerie Nationale in Tours (11.7 millioneuros).

Outside France, the most significant investments were made in Spain, with the La Gavia center in Vallecas (117 million euros), Scandinavia (65 million euros) and Italy (17 million euros), where the largest project was the extension of the Seriate center.

At 3 042 million euros, the majority of the "Changes in consolidation scope" item is represented by the following transactions:

- Steen & Strøm in Scandinavia (2.8 billion euros);
- Clivia in Italy (102 million euros);
- Plzen in the Czech Republic (59 million euros);
- Drancy Avenir (82 million euros) and Albert 31, which holds leases on 4 units in the Portet-sur-Garonne center (7.8 million euros), in France.

At 93.8 million euros, the "Other movements and reclassifications" items includes essentially a reduction of 75 million euros following the reclassification of buildings under negotiation to the "Buildings held for sale" item, assets commissioned during the period and reclassified from "Fixed assets in progress" (118 million euros) and miscellaneous other movements between balance sheet items.

The "Provision for impairment" item includes real estate provisions in respect of shopping centers in Poland (8.6 million euros), the Czech

Republic (6 million euros), Italy (1 million euros), Spain (7.5 million euros), Greece (1 million euros), Belgium (8 million euros) and France (7.2 million euros).

in thousands of euros

	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Amortization allowance and provisions	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	December 31, 2008
FIXED ASSETS IN PROGRESS	**207 825**	**463 983**	**446 508**	**-43**	**-10 000**	**-20 806**	**421 364**	**-117 510**	**1 183 496**

The following contributed to the increase in fixed assets in progress as a result of ongoing constructions managed by the Group or delegated to third parties under Property Development Contracts (PDC):

In France:
Construction work on premises in Créteil (64 million euros), Gare Saint Lazare (33.6 million euros), Odysseum in Montpellier (31.7 million euros), Saint Orens (31.2 million euros), Val d'Europe (28.3 million euros), office building in Issy les Moulineaux (27.1 million euros), Grand Nîmes and Vaulx-en-Velin (20.5 million euros), the Jaude center in Clermont Ferrand (9.6 million euros), Aubervilliers Bassin Nord (33.7 million euros), Blagnac (18.8 million euros) and the extension and restructuring of the Noisy center (6.7 million euros).

Additions made to the scope of consolidation during the period also contributed to fixed assets in progress: Edamarzy (2.6 million euros) and Immo Dauland (4 million euros).

Outside France:
The Scandinavian projects (387.4 million euros), the Alba and Corvin centers in Hungary (23.4 and 26.7 million euros respectively), the Lonato center in Italy (30.4 million euros) and the Plzen center (8.3 million euros).
The 10 million euro provision for depreciation refers to the Corvin project.

4.5. PROPERTIES HELD FOR SALE

in thousands of euros

	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Other movements, reclassification	December 31, 2008
BUILDINGS HELD FOR SALE	**46 985**	**36 200**	**–**	**-67 058**	**75 277**	**44 419**

The "Other movements" item refers to the reclassification of buildings where a sale has been agreed (the Bordeaux Saint Christoly, Saint-Germain and Caen malls and the building in the Rue Notre-Dame-des-Victoires, Paris) and buildings held for sale (2 small French centers) offset by the reclassification of the Hungarian Zalaegerszed and Csepel malls as investment property.
The "Reductions" item refers to the sale of the Courrier mall in Annecy, the building in the Rue Notre-Dame-des-Victoires, Paris and the Caen mall.

4.6. EQUITY METHOD SECURITIES

	in thousands of euros
Investments in companies accounted for by the equity method at December 31, 2006	**3 023**
Investments in companies accounted for by the equity method at December 31, 2007	**46 600**
Earnings from companies accounted for by the equity method for 2008	1 008
Dividends received from companies accounted for by the equity method	-1 216
Other movements	
– Sale of Devimo Consult	-2 652
– Variations in percentage holdings and changes of method	-8 409
– Other movements	–
Investments in companies accounted for by the equity method at December 31, 2008	**35 331**

At December 31, 2008, 11 companies were consolidated using the equity method, compared with 15 at December 31, 2007. The change in consolidation method applied to Haies Hautes Pommeraies and the disposal of Devimo Consult explain the reduction in the "Investments in companies accounted for by the equity method" item.

The key balance sheet and income statement data for companies consolidated using the equity method at December 31, 2008 are shown below (100% values reflecting consolidation restatements):

in thousands of euros	December 31, 2008
Investment property	141 434
Assets	**141 434**
Restated equity	11 491
Liabilities	**11 491**
Lease income	9 459
Net income	2 951

4.7. NON-CONSOLIDATED SECURITIES

Joint companies are proportionally consolidated.

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Share in the earnings of associate companies			
Income from regular business	33 268	23 840	26 265
Operating expenses	-13 555	-10 602	-11 106
Financial result	-6 837	-5 012	-5 355
Pre tax earnings	12 876	8 228	9 803
Corporate income tax	-2 854	3 275	-2 603
NET INCOME	**10 021**	**11 503**	**7 200**

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Share in the balance sheet of associate companies			
Current assets	41 169	7 554	15 531
Non-current assets	295 145	193 189	183 707
TOTAL ASSETS	**336 314**	**200 743**	**199 238**
Current liabilities	167 559	112 186	122 182
Non-current liabilities	168 755	88 557	77 056
TOTAL LIABILITIES	**336 314**	**200 743**	**199 238**

4.8. FINANCIAL ASSETS

The "Financial assets" item contains the following securities:

in thousands of euros

	December 31, 2008					December 31, 2007					December 31, 2006
	Equity	Earnings for the period	% holding	Gross value of securities	Net value of securities	Equity	Earnings for the period	% holding	Gross value of securities	Net value of securities	Net value of securities
Principle securities	**–**	**–**	**–**	**1 322**	**511**	**–**	**–**	**–**	**1 650**	**475**	**404**
SAS Sovaly	435	-41	100%	787	435	268	-48	100%	572	220	309
SARL Klépierre Trading	–	–	–	–	–	179	-19	100%	199	160	–
SAS Socoseine	–	–	–	–	–	80	-6	100%	99	19	–
SAS Nancy Bonsecours	76	-13	100%	535	76	76	-18	100%	535	76	95
SKF Spa	–	–	–	–	–	3	-2	50%	245	–	–
Svillupo Klépierre FINIM SPA	–	–	–	–	–	–	–	–	–	–	–
Other investment securities	**–**	**–**	**–**	**115**	**115**	**–**	**–**	**–**	**58**	**37**	**181**
TOTAL	**–**	**–**	**–**	**1 437**	**626**	**–**	**–**	**–**	**1 708**	**512**	**585**

4.9. OTHER NON-CURRENT ASSETS

The main items included under "Other non-current assets" are advances and loans granted to non-consolidated, equity-method and proportionally consolidated companies.
The residual value of the leased building (Lille) is treated as a finance-lease transaction recognized in non-current receivables.

The "Other long-term financial investments" item includes an advance payment of 15 million euros paid by Clivia to acquire the Vittuone holding.

in thousands of euros

	December 31, 2006	December 31, 2007	Entries into scope of consolidation	Increases	Decreases	Other	December 31, 2008
Finance lease fixed assets	1 905	1 679	–	–	–	-252	1 427
Advance payments to non-consolidated companies and companies consolidated using the equity-method or proportionally **(A)**	6 580	21 649	–	7 753	-13 112	-7 946	8 344
Loans	19	357	–	–	-270	1	88
Other long-term investments	–	–	–	–	–	–	–
Security deposits	8 544	9 100	1	4 349	-1 267	65	12 248
Other long-term financial investments	56	1 062	291	15 423	-51	-59	16 667
TOTAL	**17 104**	**33 846**	**292**	**27 525**	**-14 700**	**-8 191**	**38 773**

(A) Itemized statement of advance payments:

in thousands of euros

	December 31, 2006	December 31, 2007	Entries into scope of consolidation	Increases	Decreases	Other	December 31, 2008
SCI du Bassin Nord	3442	2229	–	–	-2229	–	–
SA Soaval	1514	–	–	–	–	–	–
SAS Bègles d'Arcins	–	627	–	–	–	-627	–
SCI La Roche Invest	–	12838	–	–	–	-12838	–
SCI Plateau des Haies	–	572	–	–	–	- 572	–
SARL Forving	–	936	–	–	–	-936	–
SCI La Rive	–	319	–	–	–	- 319	–
SCI Le Mais	–	–	–	27	-7	29	49
Other advance payments	1624	4128	–	7726	-10876	7317	8295
TOTAL	**6580**	**21649**	**–**	**7753**	**-13112**	**-7946**	**8344**

4.10. INVENTORIES

At December 31, 2008, inventories comprised lots acquired under the "real estate agent" regime.

in thousands of euros

	December 31, 2008	December 31, 2007	December 31, 2006
Group share	13416	11684	2463
Share of external associates	–	–	–
TOTAL	**13416**	**11684**	**2463**

4.11. TRADE ACCOUNTS AND SIMILAR RECEIVABLES

Trade accounts include the effect of spreading the benefits granted to office and shopping center lessors.

in thousands of euros

	Rental activities	Other activities	December 31, 2008	December 31, 2007	December 31, 2006
Receivables	73346	32471	105817	67827	55694
Provisions	-13558	-2313	-15871	-10540	-9535
TOTAL	**59788**	**30158**	**89946**	**57287**	**46159**

4.12. OTHER RECEIVABLES

in thousands of euros

	December 31, 2008	December 31, 2007	December 31, 2006
Tax receivables	**88438**	**49645**	**111048**
– Corporate income tax	18696	8622	4378
– V.A.T.	69742	41023	106670
Other debtors	**282599**	**166043**	**153316**
– Calls for funds	91170	78828	68389
– Down payments to suppliers	8293	4234	2408
– Other deferred charges	–	–	84
- Prepaid expenses	89933	66067	66657
– Other	93203	16914	15778
TOTAL	**371037**	**215688**	**264364**

December 2008 by maturity date

in thousands of euros

	December 31, 2008	Less than one year	More than one year
Tax receivables	**88 438**	**88 438**	**–**
– Corporate income tax	18 696	18 696	–
– V.A.T	69 742	69 742	–
Other debtors	**282 599**	**220 137**	**62462**
– Calls for funds	91 170	91 170	–
– Down payments to suppliers	8 293	8 293	–
– Other deferred charges	–	–	–
– Prepaid expenses	89 933	27 471	62 462
– Other	93 203	93 203	–
TOTAL	**371 037**	**308 575**	**62 462**

A carry back of 7.9 million euros was recognized by Klépierre SA. The VAT item consists chiefly of outstanding refunds due from local tax authorities in respect of recent acquisitions (or construction projects in progress): La Gavia in Spain (18.7 million euros), the extension to the Alba center in Hungary (3.8 million euros), Aubervilliers (6.9 million euros), Saint-Orens (4.5 million euros), the acquisition of Défi Mode by Klémurs (2 million euros), other Klémurs acquisitions (1.2 million euros), Blagnac (3.2 million euros) and La Roche-sur-Yon (2.5 million euros).

The main pre-lease payments received under construction leases or long-term lease rights recognized as prepaid expense and amortized over the term of the lease agreement in accordance with benefits received include: Oviedo (10 million euros), the Louvain-la-Neuve center and extension (8.4 million euros), Val d'Europe (15.9 million euros), Aubervilliers (18.6 million euros) and 7 Klécar France malls (17.6 million euros).

4.13. CASH AND NEAR CASH

in thousands of euros

	December 31, 2008	December 31, 2007	December 31, 2006
Near cash	**117 279**	**56 504**	**52 084**
– Treasury bills and certificates of deposit	14 641	6 804	8 903
– Other fixed revenue securities	–	–	–
– Money market investments	102 638	49 700	43 181
Cash	**125 446**	**138 972**	**105 612**
TOTAL	**242 725**	**195 476**	**157 696**

Near cash refers to French money market open-end and mutual funds (SICAV-FCP) (102.6 million euros) and Italian one-month and two-month deposit certificates (14.6 million euros).

Previously included as "Cash", the funds managed by Ségécé on behalf of its principals was reclassified under "Other debtors" at December 31, 2008, at which time the amount recognized was 57.7 million euros. The corresponding amounts for the 2007 (54.4 million euros) and 2006 (48.2 million euros) fiscal years have not been restated. The available cash and investment securities, made up of the "Cash and near cash" item line plus the amount of funds managed on behalf of principals, totaled 300.4 million euros.

The Group reported net cash of:

in thousands of euros

	December 31, 2008	December 31, 2007	December 31, 2006
Near cash	117279	56504	52084
Cash	125446	138972	105612
Gross cash and near cash	**242725**	**195476**	**157696**
Bank overdrafts	146540	101909	94999
Net cash and near cash	**96185**	**93567**	**62697**

4.14. EQUITY

Share capital

On November 6, 2008, Klépierre launched a successful capital increase with preferential subscription rights that amounted to 356.2 million euros, and with the issuance of 23 744 918 new shares.
At December 31, 2008, capital was represented by 166 214 431 shares each of 1.40 euro nominal value. The share capital is fully paid up, and shares are either registered or bearer.

in number of shares

	December 2008	December 2007	December 2006
Authorized			
ordinary shares of 1.40 euro*	166 214 431	138 492 687	46 164 229
refundable convertible preferential shares	NA	NA	NA
TOTAL	**166 214 431**	**138 492 687**	**46 164 229**

* Nominal value of 1.40 euro at December 31, 2008 and December 31, 2007, versus nominal value of 4.20 euros at December 31, 2006.

Treasury shares

The Group acquired shares in Klépierre S.A., as authorized by the ordinary general meetings of shareholders.
At December 31, 2008, the stock of treasury shares totaled 3 779 079 with an acquisition value of 107.9 million euros (compared with 2 990 463 shares at December 31, 2007).
At December 31, 2008, the capital gains or losses made on sales of treasury shares were recognized under equity at -3.7 million euros, compared with -0.3 million euros at December 31, 2007 and 1.9 million euros at December 31, 2006. The cost of acquiring shares and the revenue from share sales were respectively debited from and credited to equity.

Minority interests

Excluding net income for 2008 and the assignment of earnings for 2007, the change in minority interests was an increase of 524.9 million euros, of which 451.5 million related to changes in the scope of consolidation. The acquisition of the Steen & Strøm group represents 421.1 million euros, and includes an ABP funding for 209.7 million euros. This funding is capital-related, and has therefore been reclassified as equity. 20.8 million euros of the changes in consolidation scope relate to the purchase by Klépierre Luxembourg and Novate of 15% of the Italian K2 fund.
The "Other movements" line item relates to the share of minority interests in the recapitalization of Scoo, Secovalde and Société des Centres Toulousains.

4.15. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Change in indebtedness

Current and non-current financial liabilities totaled 7 403 million euros at December 31, 2008.

Net financial debt totaled 7 085 million euros, compared with 4 652 million euros at December 31, 2007. Net financial debt is the difference between financial liabilities (excluding Fair Value Hedge revaluation), and available cash and investment securities.

This increase of 2 533 million euros is explained schematically as follows:

- the principal funding requirements for the fiscal year were generated by investments (1 717 million euros, of which 601 million euros was applied to the acquisition of 56.1% of Steen & Strøm) and payment of the 2007 dividend (169 million euros);
- resources were distributed between free cash flow for the year, disposals (138 million euros), the increase in stockholders' equity (capital increase of 131 million euros in May as part of the dividend payment, and 356 million euros in December [1]), the equity contribution of partners to development transactions, and the increase in financial liabilities;
- lastly, the incorporation of Steen & Strøm net debt added 1 602 million euros to the consolidated net financial debt at the end of 2008.

(1) Net income of 349 million euros.

in thousands of euros

	December 2008	December 2007	December 2006
NON-CURRENT			
Bond issues net costs/premiums	1 351 616	1 880 378	1 885 596
– Of which reevaluation of Fair Value Hedges	*19 918*	*-7 701*	*228*
Borrowings and debts from credit institutions over 1 year	5 575 803	2 362 682	1 668 921
Sundry loans and financial debts	43 924	157 760	125 737
– Other loans	*–*	*–*	*232*
– Advance payments to the group and associates	*43 924*	*157 760*	*125 505*
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**6 971 343**	**4 400 820**	**3 680 254**
CURRENT			
Borrowings and debts from credit institutions under 1 year	102 264	44 632	34 217
Accrued interests	69 635	66 943	61 743
– On bond issues	*36 578*	*54 263*	*54 263*
– On loans from credit institutions	*24 169*	*4 445*	*3 104*
– On advance payments to the group and associates	*8 888*	*8 235*	*4 376*
Bank overdrafts	146 540	101 909	94 999
Commercial paper	110 629	220 000	90 000
Sundry loans and financial debts	2 976	5 711	482
– Other loans	*–*	*–*	*154*
– Advance payments to the group and associates	*2 976*	*5 711*	*328*
TOTAL CURRENT FINANCIAL LIABILITIES	**432 044**	**439 195**	**281 441**

Principal sources of financing

The main sources of financing available to the Group are shown in the following table:
The most notable changes for the fiscal year are the incorporation of Steen & Strøm financial debt, all of which is denominated in local currencies and raised in Scandinavian credit markets (Norway ~50%, Sweden and Denmark ~25% each), and the maturity on July 2008 of a 600 million euro Klépierre SA bond issue, which was refinanced by anticipation in June with a syndicated loan of 750 million euros. A new bilateral loan of 400 million euros was also set up in October 2008.

Klépierre group sources of funding

in millions of euros

	Borrower	% holding/ Klépierre	Reference rate	Maturity date	Repayment profile	Maximum amount	Amount used
Bond issues						**1300**	**1300**
of which:	Klépierre	100%	4.625%	15.07.2011	*In fine*	600	600
	Klépierre	100%	4.250%	16.03.2016	*In fine*	700	700
Borrowings and debts from credit institutions						**5051**	**4296**
Syndicated loans						3400	3050
of which:	Klépierre (Tranche A: back-up line)	100%	Euribor	31.01.2013	*In fine*	300	-
	Klépierre (Tranche B)	100%	Euribor	31.01.2013	*In fine*	1200	1200
	Klépierre	100%	Euribor	21.09.2014	*In fine*	1000	950
	Klépierre	100%	Euribor	11.06.2011	*In fine*	750	750
	Klémurs	84%	Euribor	12.12.2011	*In fine*	150	150
Bilateral loans						**701**	**541**
of which:	Klépierre	100%	Fixed rate	22.03.2010	*In fine*	135	135
	Klépierre	100%	E3m	07.10.2012	*In fine*	400	240
	Klépierre Part. & Fints	100%	Fixed rate	22.03.2010	*In fine*	165	165
Mortgages						**304**	**304**
of which:	Klécar Italia	83%	E3m	30.06.2015	amortizable	111	111
	K2	85%	E3m	15.01.2023	amortizable	58	58
	GC Assago	100%	E3m	03.07.2015	amortizable	107	107
	GC Collegno	100%	E3m	15.07.2015	amortizable	19	19
Finance lease agreements						**263**	**263**
of which:	IGC	50%	E3m	01.08.2011	amortizable	14	14
	IGC	50%	E3m	12.03.2022	amortizable	16	16
	Cecoville	100%	E3m	27.12.2019	amortizable	45	45
	Cecoville 2020	100%	E3m	03.04.2020	amortizable	67	67
	Clivia	50%	E3m	02.07.2022	amortizable	68	68
	Klémurs/Cap Nord	84%	E3m/Fixed rate	–	amortizable	52	52
Short-term line/Overdrafts						**384**	**139**
of which:	IGC	50%	E3m	31.12.2008	*In fine*	11	11
	Klépierre Finance (overdraft)	100%	Eonia	–	–	50	16
	Klépierre (overdraft)	100%	Eonia	–	–	23	23
	Klépierre (Commercial paper)	100%	–	–	*In fine*	300	90
TOTAL FOR THE GROUP (EUR)[1]						**6051**	**5596**

(1) The totals are calculated excluding the backup line of funding, since the maximum amount of the "commercial paper" line includes that of the backup line.

Steen & Strøm sources of funding

in millions of euros equivalent

	Issue currency	Reference rate	Repayment profile	Maximum amount	Amount used
Commercial paper	NOK	NIBOR	*In fine*	21	21
Bond market	NOK	NIBOR	*In fine*	72	72
Bank overdrafts	NOK	NIBOR	–	27	18
Mortgages	NOK	NIBOR	–	674	674
Sub-total (NOK)				**793**	**784**
Commercial paper	SEK	STIBOR	–	–	–
Bond market	SEK	STIBOR	–	–	–
Bank overdrafts	SEK	STIBOR	–	6	5
Mortgages	SEK	STIBOR	–	408	392
Sub-total (SEK)				**414**	**397**
Commercial paper	DKK	CIBOR	–	–	–
Bond market	DKK	CIBOR	–	–	–
Bank overdrafts	DKK	CIBOR	–	–	–
Mortgages	DKK	CIBOR*	–	421	421
Sub-total (DKK)				**421**	**421**
TOTAL FOR STEEN & STRØM				**1 628**	**1 602**
TOTAL FOR THE GROUP				**7 678**	**7 198**

* Including fixed-rate debt: 204 million euros.

Financial covenants relating to financing and rating

Klépierre's main credit agreements include clauses, which, if not complied with, could result in demands for early repayment of the relevant debts.

In respect of the syndicated and bilateral loans of Klépierre and Klépierre Participations et Financements, in particular:

- EBITDA/Net financial costs ≥ 2.5;
- Net debt/Revalued assets (Loan To Value) ≤ 52% (55% in one test);
- Secured financial debt/Revalued assets ≤ 20%;
- Revalued asset group share ≥ 9 billion euros.

For bond issues:

- debts with securities to third parties capped at 50% of the revalued net assets;
- in the event of a change of ownership regarding one third of the voting rights leading to the Standard and Poor's rating being reduced to below BBB-, investors have a put option that can force Klépierre to an early repayment.

In November 2008, Standard & Poor's confirmed Klépierre's ratings as BBB+/A2 (long-term and short-term respectively). The outlook for this rating was reduced from positive to stable. In the context of this rating, the agency set the following indicative levels of financial ratios for Klépierre, assessed jointly with the overall operational and financial profile:

- EBITDA/Total net financial costs ≥ 2.5;
- Net debt/Revalued assets (Loan To Value) ≤ 50%;
- Current Net Cash Flow/Net debt ≥ 7%.

All the financial ratios, the amounts involved and the levels at December 31, 2008 are shown in section 7 "Exposure to risks and hedging strategy", paragraph 7.2 "Liquidity risk".

Breakdown of financial debts by maturity date

Breakdown of current and non-current financial liabilities

in thousands of euros

	Total	Less than 1 year	1-5 years	More than 5 years
NON-CURRENT				
Bond issues net costs/premiums	1 351 616	–	651 616	700 000
– Of which reevaluation related to Fair Value Hedges	*19918*	–	*19918*	–
Borrowings and debts from credit institutions over 1 year	5 575 803	55 843	1 998 516	3 521 444
Sundry loans and financial debts	43 924	–	43 924	–
– Other loans	–	–	–	–
– Advance payments to the group and associates	*43 924*	–	*43 924*	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**6 971 343**	**55 843**	**2 694 056**	**4 221 444**
CURRENT				
Borrowings and debts from credit institutions under 1 year	102 264	102 264	–	–
Accrued interests	69 635	69 635	–	–
– On bond issues	*36 578*	*36 578*	–	–
– On loans from credit institutions	*24 169*	*24 169*	–	–
– On advance payments to the group and associates	*8 888*	*8 888*	–	–
Bank overdrafts	146 540	146 540	–	–
Commercial paper	110 629	110 629	–	–
Other	–	–	–	–
Sundry loans and financial debts	2 976	2 976	–	–
– Other loans	–	–	–	–
– Advance payments to the group and associates	*2 976*	*2 976*	–	–
TOTAL CURRENT FINANCIAL LIABILITIES	**432 044**	**432 044**	**–**	**–**

Financing amortization table

amounts used in millions of euros equivalent

Repayment year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-2023	Totals
Bond issues	–	–	600	–	–	–	–	700	–	–	1 300
Borrowings and debts from credit institutions	36	338	937	268	27	1 227	1 190	24	25	84	4 157
Bank overdrafts	49	–	–	–	–	–	–	–	–	–	49
Commercial paper	90	–	–	–	–	–	–	–	–	–	90
Funding issued in EUR	**175**	**338**	**1 537**	**268**	**27**	**1 227**	**1 190**	**724**	**25**	**84**	**5 596**
Funding issued in NOK	**75**	**47**	**10**	**238**	**10**	**233**	**10**	**10**	**80**	**70**	**784**
Funding issued in SEK	**12**	**7**	**50**	**93**	**10**	**23**	**9**	**9**	**9**	**175**	**397**
Funding issued in DKK	**3**	**3**	**3**	**3**	**4**	**4**	**17**	**17**	**17**	**350**	**421**
TOTAL FOR THE GROUP	**265**	**395**	**1 601**	**602**	**51**	**1 488**	**1 226**	**760**	**131**	**679**	**7 198**

The majority of maturity dates occurring in 2009 are those for renewable short-term group finance: overdrafts and commercial paper (139 million euros for Klépierre SA and 42 million euros for Steen & Strøm). For the record, Klépierre outstanding commercial paper can be refinanced in full by drawing on a confirmed bank line of credit with a maturity date of 2013.

The balance (approximately 84 million euros) relates principally to amortizations of the Group's euro-denominated bank loans, most of which are amortized quarterly (36 million euros) and to the maturity of a Steen & Strøm bond issues denominated in Norwegian kroner (equivalent to 31 million euros).

The contractual flows including principal and interest (not discounted) by maturity date are as follows (in millions of euros equivalent):

in millions of euros

Repayment year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-2023	Totals
Bond issues	58	58	645	30	30	30	30	706	–	–	1 585
Borrowings and debts from credit institutions	162	467	1 044	356	1 278	1 015	250	29	28	86	4 714
Bank overdrafts	49	–	–	–	–	–	–	–	–	–	49
Commercial paper	91	–	–	–	–	–	–	–	–	–	91
Funding issued in EUR	**360**	**524**	**1 689**	**386**	**1 308**	**1 045**	**280**	**735**	**28**	**86**	**6 439**
Funding issued in NOK	**108**	**77**	**39**	**261**	**28**	**245**	**18**	**17**	**85**	**73**	**953**
Funding issued in SEK	**24**	**19**	**61**	**102**	**17**	**30**	**15**	**15**	**15**	**179**	**479**
Funding issued in DKK	**24**	**22**	**22**	**22**	**23**	**22**	**34**	**34**	**33**	**366**	**601**
TOTAL FOR THE GROUP	**515**	**643**	**1 811**	**771**	**1 376**	**1 343**	**347**	**801**	**161**	**704**	**8 472**

Calculated on the basis of interest rates at December 31, 2008.

At December 31, 2007, the amortization table of these contractual flows was as follows (in millions of euros):

in millions of euros

Repayment year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017+	Totals
Bond issues	677	58	58	645	30	30	30	30	706	–	2 262
Borrowings and debts from credit institutions	160	150	426	273	104	1 251	487	104	12	27	2 994
Bank overdrafts	34	–	–	–	–	–	–	–	–	–	34
Commercial paper	220	–	–	–	–	–	–	–	–	–	220
TOTAL FOR THE GROUP	**1 090**	**208**	**483**	**918**	**134**	**1 281**	**517**	**134**	**718**	**27**	**5 510**

Calculated on the basis of interest rates at December 31, 2007.

4.16. INTEREST RATE HEDGING INSTRUMENTS

Interest rate hedging portfolio

As part of its risk management policy (cf. corresponding section), Klépierre has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and vice-versa.

Under this arrangement, the Klépierre hedge rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 83% at December 31, 2008.

Breakdown by maturity date

At December 31, 2008, the breakdown of derivatives by maturity date was as follows:

in millions of euros

Derivatives used by the Klépierre Group	Hedging relationship	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Klépierre	Cashflow hedge	300	200	1 100	300	200	–	1 650	–	–	100	3 850
	– of which spot start swaps	300	200	700	300	200	–	1 650	–	–	100	3 450
	– of which forward start swaps	–	–	400	–	–	–	–	–	–	–	400
	Fair value hedge	–	–	600	–	–	–	–	–	–	–	600
Klécar Italia	Cashflow hedge	–	90	–	–	–	–	–	–	–	–	90
Klémurs	Cashflow hedge	–	–	–	–	–	100	250	–	–	–	350
	– of which spot start swaps	–	–	–	–	–	100	250	–	–	–	350
	– of which forward start swaps	–	–	–	–	–	–	–	–	–	–	–
GC Assago	Cashflow hedge	–	–	–	–	–	–	–	90	–	–	90
GC Collegno	Cashflow hedge	–	–	–	–	–	–	–	15	–	–	15
IGC (collar)	Trading	4	–	–	–	–	–	–	–	–	–	4
EUR-denominated derivatives		**304**	**290**	**1 700**	**300**	**200**	**100**	**1 900**	**105**	**–**	**100**	**4 999**
	Cashflow hedge											
Steen & Strøm	– of which swaps/FRAs	21	103	93	142	–	41	–	41	–	–	441
	– of which caps/collars	–	–	31	–	–	–	–	–	–	–	31
NOK-denominated derivatives		**21**	**103**	**124**	**142**	**–**	**41**	**–**	**41**	**–**	**–**	**472**
	Cashflow hedge											
Steen & Strøm	– of which swaps/FRAs	–	45	73	82	–	–	14	18	–	–	231
	– of which caps/collars	–	–	–	18	–	54	–	–	–	–	73
SEK-denominated derivatives		**–**	**45**	**73**	**100**	**–**	**54**	**14**	**18**	**–**	**–**	**304**
	Cashflow hedge											
	– of which swaps/FRAs	50	–	–	65	–	–	–	–	–	–	114
Steen & Strøm	– of which caps/collars	–	–	–	–	25	–	–	37	–	–	62
	Fair value hedge	–	204	–	–	–	–	–	–	–	–	204
DKK-denominated derivatives		**50**	**204**	**–**	**65**	**25**	**–**	**–**	**37**	**–**	**–**	**380**
TOTAL FOR THE GROUP		**324**	**393**	**1 824**	**442**	**200**	**141**	**1 900**	**146**	**–**	**100**	**5 471**

The corresponding contractual flows (interest) break down as follows (positive flows = payer flows):

in millions of euros

	Hedging relationship	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Spot start swaps	Cashflow hedge	36	36	33,6	30	28	27	13	1	1	–	206
Forward start swaps	Cashflow hedge	2	4	2,5	–	–	–	–	–	–	–	8
Spot start swaps	Fair value hedge	-6	-6	-3,3	–	–	–	–	–	–	–	-16
Collar	Trading	–	–	–	–	–	–	–	–	–	–	–
EUR-denominated derivatives		**31,5**	**33,8**	**32,8**	**30,0**	**28,0**	**26,7**	**12,6**	**1,5**	**1,2**	**0,2**	**198,2**
NOK-denominated derivatives		**0,1**	**-1,1**	**-1,1**	**0,1**	**0,3**	**-0,0**	**0,1**	**0,1**	**0,1**	**–**	**-1,6**
SEK-denominated derivatives		**1,8**	**3,3**	**3,2**	**2,9**	**1,8**	**0,9**	**0,5**	**0,5**	**0,3**	**–**	**15,2**
DKK-denominated derivatives		**-3,6**	**-3,2**	**-0,5**	**-0,5**	**-0,5**	**-0,2**	**-0,2**	**-0,2**	**-0,0**	**–**	**-8,8**
TOTAL FOR THE GROUP		**29,7**	**32,8**	**34,3**	**32,4**	**29,5**	**27,4**	**13,0**	**1,9**	**1,6**	**0,2**	**196,6**

At December 31, 2007, the breakdown of derivatives by maturity date and the amortization schedule for the corresponding interest flows were as follows (in millions of euros):

in millions of euros

	Hedging relationship	2008	2009	2010	2011	2012	2013	2014	2015	Total
Klépierre fixed rate payer	Cashflow hedge	100	300	200	800	300	200	–	450	2 350
	– of which spot start swaps	100	300	200	500	300	–	–	–	1 400
	– of which forward start swaps	–	–	–	300	–	200	–	450	950
Klépierre floating rate payer	Fair value hedge	–	–	–	600	–	–	–	–	600
Klécar Italia fixed rate payer	Cashflow hedge	–	–	90	–	–	–	–	–	90
Klépierre fixed rate payer	Cashflow hedge	–	–	–	–	–	–	100	150	250
	– of which spot start swaps	–	–	–	–	–	–	100	–	100
	– of which forward start swaps	–	–	–	–	–	–	–	150	150
IGC (collar)	Trading	–	4	–	–	–	–	–	–	4
TOTAL		**100**	**304**	**290**	**1 400**	**300**	**200**	**100**	**600**	**3 294**

Calculated on the basis of interest rates at December 31, 2007.

											in millions of euros
	Hedging relationship	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Spot start swaps	Cashflow hedge	-24	-22	-17	-14	-4	-1	–	–	–	-82
Forward start swaps	Cashflow hedge	-4	-6	-6	-5	-5	-5	-5	-2	–	-38
Spot start swaps	Fair value hedge	4	4	4	3	–	–	–	–	–	15
Collar	Trading	–	–	–	–	–	–	–	–	–	–
TOTAL		**-24**	**-24**	**-19**	**-16**	**-9**	**-6**	**-5**	**-2**	**–**	**-105**

Calculated on the basis of interest rates at December 31, 2007.

Fair value

At December 31, 2008, the unrealized capital loss on the Klépierre and Steen & Strøm portfolio of derivatives, calculated as the sum of their fair value excluding accrued interest, was 168.7 million euros.

The full coupon fair value recognized on the assets side of the balance sheet is 23.5 million euros, with 184.5 million euros on the liabilities side. The fair value of the derivatives used by the Group increased by 232.7 million euros during the fiscal year.

			in millions of euros
Derivatives	**Fair value net of accrued interest at December 31, 2008**	**Fair value change in 2008**	**Counterparty**
	GROUP EURO-DENOMINATED HEDGES		
Cashflow hedge	-164,5	-244,3	Shareholders' equity
Fair value hedge	17,6	28,6	Financial liabilities
Trading	–	–	Income/Loss
Total	**-147,0**	**-215,8**	
	STEEN & STRØM		
Cashflow hedge	-21,7	-16,9*	Shareholders' equity
Total	**-21,7**	**-16,9***	
TOTAL FOR THE GROUP	**-168,7**	**-232,7**	

* Change since the date of acquisition.

4.17. LONG-TERM AND SHORT-TERM ALLOWANCES

								in thousands of euros
	December 31, 2006	December 31, 2007	Allowances for the period	Releases (provision used)	Releases (provision unused)	Other movements	Changes in consolidation scope	December 31, 2008
NON-CURRENT								
Provisions for human resource commitments								
– Defined-benefits scheme	4 166	4 799	1 054	–	–	–	–	5 853
– Post-employment medical assistance	–	–	–	–	–	–	–	–
– Early retirement and EAP	–	–	–	–	–	–	–	–
– Other long-term benefits	1 669	1 617	549	-1	-18	–	–	2 147
Other provisions for contingencies and losses	2 737	5 009	2 236	-556	-427	-501	1 003	6 764
TOTAL NON-CURRENT PROVISIONS	**8 572**	**11 425**	**3 839**	**-557**	**-445**	**-501**	**1 003**	**14 764**

4.18. DEFERRED TAXES

in thousands of euros

	December 31, 2006	December 31, 2007	Change in earnings	Other changes	December 31, 2008
Buildings	-123 484	-202 722	10 566	-279 698	-471 854
Other items	-4 502	-16 347	-3 514	35 383	15 522
Total deferred tax liabilities	**-127 986**	**-219 069**	**7 052**	**-244 315**	**-456 332**
Buildings					–
Other items	26 275	33 675	1 474	33 803	68 952
Total deferred tax assets	**26 275**	**33 675**	**1 474**	**33 803**	**68 952**
NET POSITIONS	-101 711	-185 394	8 526	-210 512	-387 380

The "Other changes" item records the impact of changes in accounting scope (including -299.9 million euros in respect of Steen & Strøm), exchange rate fluctuations (+35.5 million euros) and the restatement of hedging instruments (+37 million euros).

4.19. TAX LIABILITIES, STAFF BENEFITS AND OTHER PAYABLES

in thousands of euros

	December 31, 2008	December 31, 2007	December 31, 2006
Social and tax liabilities	**100 973**	**79 589**	**64 813**
Personnel and related accounts	19 999	15 138	13 570
Social security and other bodies	8 958	4 196	3 927
State			
– Corporate income tax	47 022	40 436	35 988
– V.A.T.	20 243	10 732	7 310
Other taxes and duties	4 751	9 087	4 018
Other liabilities	**218 216**	**163 209**	**135 017**
Creditor customers	75 107	69 561	58 981
Deferred income	29 190	13 135	4 372
Other liabilities	113 919	80 513	71 664

The 75.1 million euros in advance payments received from tenants in respect of charges are recognized in "Creditor customers". "Other liabilities" consist primarily of funds representing the management accounts of Ségécé group principals, balanced by an equal amount in "Other debtors" on the asset side of the balance sheet. These funds totaled 57.7 million euros at December 31, 2008.

5. Segment information

5.1. SEGMENT INCOME STATEMENT AT DECEMBER 31, 2008

Shopping centers

in millions of euros

	12.31.2008	12.31.2007	12.31.2006
Lease income	*620,1*	*517,9*	*455,1*
Other rental income	*10,8*	*6,9*	*8,7*
Lease income	630,9	524,8	463,8
Land expenses (real estate)	-2,3	-2,3	-2,3
Non-recovered rental expenses	-20,7	-16,1	-10,0
Building expenses (owner)	-39,4	-27,3	-24,5
Net lease income	**568,5**	**479,2**	**427,0**
Management, administrative and related income	75,7	63,3	56,2
Other operating income	14,5	14,2	6,7
Survey and research costs	-2,5	-1,1	-1,1
Payroll expense	-72,9	-56,6	-54,3
Other general expenses	-22,1	-20,1	-17,6
Depreciation and amortization allowance on investment property	-185,8	-150,2	-126,8
Depreciation and amortization allowance on PPE	-4,2	-3,3	-2,2
Provisions	-1,2	-3,3	-0,1
Results of operations, shopping center segment	**370,0**	**322,0**	**287,8**
Gains from the sale of investment property and equity investment securities	**29,5**	**20,1**	**3,5**
Profit on the sale of short term assets	**0,9**	**0,1**	**1,5**
Share in earnings of equity-method investees	1,4	2,6	0,7
SEGMENT EARNINGS, SHOPPING CENTER SEGMENT	**401,8**	**345,0**	**293,5**

Retail

in millions of euros

	12.31.2008	12.31.2007	12.31.2006
Lease income	*33,7*	*23,5*	*2,9*
Other rental income	–	–	–
Lease income	33,7	23,5	2,9
Land expenses (real estate)	–	–	–
Non-recovered rental expenses	–	–	–
Building expenses (owner)	-1,3	-0,8	-0,3
Net lease income	**32,4**	**22,7**	**2,6**
Management, administrative and related income	1,8	0,6	–
Other operating income	0,3	0,3	–
Survey and research costs	–	–	–
Payroll expense	-1,5	-1,0	–
Other general expenses	-0,4	-0,3	–
Depreciation and amortization allowance on investment property	-16,0	-7,3	-0,8
Depreciation and amortization allowance on PPE	–	–	–
Provisions	–	–	–
Results of operations, retail segment	**16,5**	**15,0**	**1,8**
Gains from the sale of investment property and equity investment securities	**–**	**–**	**–**
Profit on the sale of short term assets	**–**	**–**	
Share in earnings of equity-method investees	–	–	–
SEGMENT EARNINGS, RETAIL SEGMENT	**16,5**	**15,0**	**1,8**

Office buildings

in millions of euros

	12.31.2008	12.31.2007	12.31.2006
Lease income	*52,4*	*48,8*	*52,8*
Other rental income	*–*	*–*	*–*
Lease income	52,4	48,8	52,8
Land expenses (real estate)	-0,3	-0,2	-0,3
Non-recovered rental expenses	-1,0	-1,1	-0,8
Building expenses (owner)	-1,2	-1,4	-1,7
Net lease income	**49,9**	**46,1**	**50,0**
Management, administrative and related income	–	0,3	1,3
Other operating income	–	1,1	2,8
Survey and research costs	–	–	–
Payroll expense	-1,7	-1,9	-2,2
Other general expenses	-0,6	-0,8	-0,9
Depreciation and amortization allowance on investment property	-11,3	-11,8	-13,4
Depreciation and amortization allowance on PPE	-0,9	-1,0	-0,8
Provisions	–	0,1	–
Results of operations, office segment	**35,5**	**32,2**	**36,7**
Gains from the sale of investment property and equity investment securities	**29,0**	**20,3**	**27,5**
Profit on the sale of short term assets	**–**	**–**	**–**
SEGMENT EARNINGS, OFFICE SEGMENT	**64,5**	**52,4**	**64,2**

Corporate

in millions of euros

	12.31.2008	12.31.2007	12.31.2006
Corporate and shared expenses	-10,2	-6,2	-7,0
Profit on the sale of short term assets	–	–	–
Net dividends and provisions on non-consolidated securities	0,4	0,5	-0,2
Net cost of debt	-219,5	-162,9	-134,8
Change in the fair value of financial instruments	–	–	–
Effect of discounting	0,7	0,7	-1,2
Pre-tax earnings	**254,3**	**244,5**	**216,3**
Corporate income tax	-20,4	-13,5	-22,0
NET INCOME OF CONSOLIDATED ENTITY	**233,9**	**231,0**	**194,4**

5.2. NET CARRYING AMOUNTS BY BUSINESS SEGMENT

At December 31, 2008, the net carrying amount of investment property by business segment and geographic region was analyzed as follows:

in thousands of euros

	Net carrying value of investment property
Shopping centers	**8 501 290**
France	2 957 295
Scandinavia	2 469 721
Italy	980 718
Spain	855 190
Poland	327 225
Hungary	249 332
Belgium	139 811
Portugal	243 160
Czech Republic	194 932
Greece	68 611
Other	15 295
Retail	**542 681**
Office buildings	**535 152**
TOTAL	**9 579 123**

5.3. CAPITAL INVESTMENTS BY BUSINESS SEGMENT

At December 31, 2008, the breakdown of capital investments, acquisitions and changes in consolidation scope by business segment was analyzed as follows:

in thousands of euros

	Shopping centers	Shops	Office buildings	Total at December 31, 2008
Tangible assets	2669	–	–	2669
Investment property	3 295 400	179 257	–	3 474 657
Fixed assets in progress	837 472	3347	27 053	867 872
TOTAL	**4 135 541**	**182 604**	**27 053**	**4 345 198**

6. Notes to the financial statements: income statement

6.1. OPERATING REVENUE

Lease income comprises all the lease payments received in respect of office buildings, shopping centers and shops, as well as other similar income, such as car park rentals, termination penalties and entry fees received.
Rental income is lease income, excluding income from entry fees and other sundry income.

Group revenue comprises lease income and management and administration income received by the service provider companies.
Other operating income comprises building works re-billed to tenants and sundry income.
At December 31, 2008, rental income totaled 706.2 million euros, of which 620.1 million related to shopping centers, 33.7 million to retail and 52.4 million to office buildings.

Analysis of revenues by geographical area

in millions of euros

	Lease income	Management income	Total
Shopping centers	**620,1**	**75,7**	**695,8**
France	299,3	51,0	350,2
Scandinavia	37,9	6,7	44,6
Italy	89,5	6,5	96,0
Spain	69,6	6,2	75,8
Hungary	31,3	1,8	33,0
Poland	33,8	0,6	34,4
Belgium	13,3	–	13,3
Portugal	18,9	1,7	20,7
Czech Republic	16,8	1,1	17,9
Greece	8,0	0,2	8,1
Other	1,7	–	1,7
Retail	**33,7**	**1,8**	**35,5**
Office buildings	**52,4**	**–**	**52,4**
TOTAL	**706,2**	**77,5**	**783,7**

Revenues generated from business outside France represented 44.1%, compared with 41.1% at December 31, 2007.
Compared with December 31, 2007, rental income from shopping centers increased by 19.7%.
15.3% of this growth (79.1 million euros) resulted from external growth:

- the shopping center acquisitions and openings of 2007 – two hypermarkets in Toulouse, the Victor Hugo center in Valence, the Champs de Mars center in Angoulème, the extension of Rambouillet, the acquisition of the Larissa mall in Greece, the Rybnik, Sosnowiec and Lublin malls in Poland and the purchase of a 50% stake in the Parque Nascente and Gondobrico centers in Portugal – contributed 23.5 million euros in rental income.
- The acquisitions made in 2008 (excluding Steen & Strøm), i.e. the Lonato, Verona and Plzen malls, also contributed to growth, with rental income of 17.7 million euros.
- The Scandinavian malls contributed 37.9 million euros in the 4th quarter of 2008.

Office rental income rose by 3.5 million euros as a result of indexation and lease renewals, which compensated more than rents lost as a result of the asset disposals made in 2007 and 2006.
Retail segment rental income rose by 10.2 million euros to 33.7 million euros. This increase is the result of the addition to the portfolio in April 2008 of 77 retail outlets acquired under the terms of the Défi Mode-Vivarte agreement (4.2 million euros), 14 stores in Messac, Avranches and Rochefort-sur-Mer (0.9 million euros), the full-year contribution from the assets acquired in 2007 (2.2 million euros) and the acquisition of 17 Buffalo Grill restaurants in June 2008 (1 million euros).
Fees from service companies rose by 13.3 million euros and totaled 77.5 million euros in 2008, with 6.7 million euros of this increase resulting from the entry of Steen & Strøm in the scope of consolidation.

6.2. OPERATING EXPENSES

Land expenses relate to amortizations and fees on construction leases.
Non-recovered rental expenses relate primarily to expenses on vacant premises.
Building expenses are posted net of re-invoicing to tenants, and include only those amounts let at the owner's expense.

in thousands of euros

	December 2008	December 2007	December 2006
OPERATING EXPENDITURE (excluding Corporate activities)	**-66 213**	**-49 146**	**-39 884**
Land expenses (real estate)	**-2 605**	**-2 515**	**-2 598**
– Office buildings businesses	- 313	-248	-342
– Shopping centers businesses	-2 292	-2 267	-2 256
– Retail businesses			
Unrecovered rental expenses	**-21 646**	**-17 189**	**-6 296**
– Office buildings businesses	- 975	-1 113	-428
– Shopping centers businesses	-20 653	-16 066	-5 868
– Retail businesses	- 18	-10	
Building expenses	**-41 962**	**-29 442**	**-30 990**
– Office buildings businesses	-1 230	-1 402	-2 151
– Shopping centers businesses	-39 445	-27 254	-28 836
– Retail businesses	-1 287	- 786	-3
DEPRECIATION AND AMORTIZATION ALLOWANCE	**-218 290**	**-173 662**	**-144 094**
Depreciation and amortization allowance on investment property	-213 106	-169 297	-140 968
Depreciation and amortization allowance on property, plant & equipment	-5 184	-4 365	-3 126
TOTAL	**-284 503**	**-222 808**	**-183 978**

Amortizations and provisions for investment property rose by 43.8 million euros, compared with December 31, 2007.
This increase results from:

- expansion of the portfolio in 2007 and 2008, with the acquisition of Steen & Strøm (15.1 million euros), the Défi Mode stores (3.6 million euros), three malls in Poland (2.7 million euros), the Galeria Parque Nascente, which changed from proportionate to full consolidation status in 2007 (2.2 million euros) and the Lonato and Verona malls (2.0 million euros);
- disposals of buildings, resulting in a reduction in amortization allowances of 1.1 million euros;
- property provisions net of reversals up by 7.6 million euros to 22.9 million euros, and relating chiefly to provisions on shopping centers and projects in Spain, Belgium and Hungary.

6.3. INCOME FROM SALES OF INVESTMENT PROPERTY AND EQUITY INTERESTS

Income from sales totaled 58.5 million euros broken down as follows:

- 55.5 million euros in investment property and tangible assets, resulting from the sale of the building in the Rue Notre-Dame-des-Victoires (29.0 million euros), the Courier mall in Annecy (19.2 million euros) and the Paul-Doumer center in Caen (10.5 million euros);
- and 3.0 million euros in equity securities arising as a result of selling all the shares in the Belgian management company Devimo Consult (3.7 million euros) and various capital losses on disposals and liquidations (0.7 million euros).

6.4. NET COST OF DEBT

At December 31, 2008, the cost of debt was 219.5 million euros, compared with 162.9 million euros at December 31, 2007, reflecting a rise in the average cost of debt (from 4.4% to 4.6%) and in the outstanding debts.
Given the high rate of interest rate hedging (83% of debts were hedged at December 31, 2008), the main reason for this rise in the cost of debt was the fact of taking over the financial debts of Steen & Strøm, which, having increased its hedging level only in the end of the year, suffered directly from the very high short-term interest rate levels seen before the final quarter of the year. The average cost of debt for Steen & Strøm therefore remained at 6.0% in 2008.

Recognized financial expenses totaled 35.5 million euros in 2008, compared with 18.4 million euros in 2007.

in thousands of euros

	December 2008	December 2007	December 2006
Investment revenues			
Income from sale of securities	3 878	2 468	1 217
Net interest revenue on swaps	31 250	14 456	3 211
Net deferal of payments on swaps	–	535	516
Interest on advance payment to partners	28 787	16 755	8 326
Sundry interests received	2 066	1 103	513
Other revenues and financial income	5 669	3 074	1 661
Currency translation income	1 345	9 797	1 099
TOTAL	**72 995**	**48 188**	**16 543**
Financial expenses			
Interest on bond issues	-78 255	-96 044	-89 873
Interest on loans from credit institutions	-167 034	-93 261	-48 849
Other bank interest	-27 366	-2 309	-1 835
Net interest expense on swaps	–	–	–
Net deferal of payments on swaps	-3 421	–	–
Interest on advance payment to partners	-8 161	-7 130	-5 330
Other financial expenses	-14 771	-7 330	-10 707
Transfer of financial charges	9 472	2 968	5 907
Currency translation losses	-2 939	-8 003	-662
Allowance on provisions for other long-term investments	–	-10	–
TOTAL	**-292 475**	**-211 119**	**-151 349**
COST OF INDEBTEDNESS	**-219 480**	**-162 931**	**-134 806**

6.5. CORPORATE INCOME TAX

in thousands of euros

	December 31, 2008	December 31, 2007	December 31, 2006
Current taxes payable	-28 923	-37 982	-64 756
Deferred tax	8 526	24 489	42 740
TOTAL	**-20 397**	**-13 493**	**-22 016**

Klépierre identifies three income tax segments:
- the SIIC segment, which includes Klépierre and all eligible French real-estate affiliates. Some of these companies keep a segment under French common law tax rates;
- companies under French law tax status;
- foreign companies.

The tax expense for 2008 is 20.4 million euros.

- The SIIC segment reported a tax expense of 0.2 million euros made up as follows:
  - a charge of 0.8 million euros on the segment's taxable earnings. These earnings relate mainly to financial transactions conducted by the relevant companies;
  - a net charge of 4.1 million euros as provision for a tax of 17.4 million euros which will be paid in respect of the entry of Progest, Holding H1 and Klecapnor to the SIIC scheme, minus the reversals of provisions for deferred tax liabilities held by the 3 entities and totaling 13.3 million euros;
  - carry back revenue of 7.9 million euros calculated on the basis of 2005-2007 deficits in the taxable segment of Klépierre;
  - a charge of 3.1 million euros in deferred taxes calculated primarily on the basis of cash payment deferrals and the recognition of deficits on the balance sheet.

- Other French companies outside the SIIC segment reported a tax charge of 2.0 million euros made up as follows:
  - 1.7 million euros in current tax relating to the limited partners of Klécar Europe Sud;
  - 0.7 million euros in due tax payable for the period by the entities in this segment;
  - a deferred tax income of 0.3 million euros arising as a result of recognizing deficits, pensions and amortization restatements.

- Foreign companies recorded a tax charge of 18.3 million euros made up as follows:
  - 16.6 million euros in current tax payable, the majority of which relates to Italy (8.6 million euros); Hungary (1.9 million euros), Portugal (1.6 million euros) and Poland (1.3 million euros);
  - 9.7 million euros of deferred tax liabilities arising principally as a result of unrealized exchange rate gains and income and allowances related to amortization restated using the component method;
  - a product of 8.0 million euros in tax arising as a result of discounting tax deficits.

Reconciliation between theoretical tax and actual tax at December 31, 2008

in thousands of euros

	SIIC sector					
	Tax-free earnings	Taxable earnings	Total	Non-SIIC sector France	Foreign companies	Total
Pre-tax earnings and earnings from equity method companies	249 360	-78 408	170 952	38 133	43 773	252 858
THEORETICAL TAX EXPENSE AT 34.43%	**-85 855**	**26 996**	**-58 859**	**-13 129**	**-15 071**	**-87 059**
Exonerated earnings of the SIIC sector	**94 741**	**–**	**94 741**	**–**	**–**	**94 741**
Taxable sectors						
Impact of permanent time lags	-2 336	-14 564	-16 900	13 201	-4 494	-8 193
Restatements of untaxed consolidations	-6 416	148	-6 268	-462	3 893	-2 837
Impacts of non activated deficits	-603	-17 842	-18 445	-2 495	-16 763	-37 703
Assignment of non activated deficits	467	242	709	774	11 699	13 182
Exit tax for long-term special capital gains reserve	–	–	–	–	–	–
Change of tax regime	–	–	–	–	–	–
Discounting rates and other taxes to present value	-5 991	11 013	5 022	67	-2 965	2 124
Rate differences outside France	–	–	–	4	5 344	5 348
ACTUAL TAX EXPENSE	**-5 993**	**5 993**	**–**	**-2 040**	**-18 357**	**-20 397**

Ordinary deficits are capitalized where their recovery is deemed probable:

Entities	Statutory tax rate	Inventory of ordinary deficits Dec. 31, 2007	Inventory of ordinary deficits Dec. 31, 2008	Change in OD in 2008	Capitalized deferred tax at Dec. 31, 2007	Amounts capitaliza-ble at Dec. 31, 2008	Change in capitalized amounts	Regulari-zation	Amounts capitalized at Dec. 31, 2008	Amounts not capita-lized at Dec. 31, 2008	Comments
Portugal											deficits deferrable over 6 years
Kleminho	26.50%	(567)	(419)	148	150	111	-39	–	111	–	
Holding Gondormar 1 (French company)	16.50%	(6 587)	(751)	5 836	1 086	124	-963	-1 087	–	124	
Holding Gondormar 3 (French company)	33.00%	(841)	(914)	(73)	139	302	24	–	301	–	
Spain											deficits deferrable over
KFI	30.00%	–	–	–	-0	–	–	–	–	–	15 years
KFE	30.00%	(13 139)	(693)	12 446	3 262	208	- 3 734	–	208	–	
Vinaza	30.00%	(3 236)	(11 116)	(7 880)	971	3 335	2 364	–	3 335	–	
Vallecas	30.00%	(16 632)	(21 866)	(5 234)	4 990	6 560	1 570	–	6 560	–	
Belgium											unlimited deferral of ordinary
Cinémas LLN	34.00%	(2 564)	(10 962)	(8 398)	872	3 727	2 855	- 872	–	3 728	losses
Coimbra	34.00%	(5 218)	(4 992)	226	1 774	1 697	-77	–	1 697	–	
Foncière LLN	34.00%	(6 599)	(8 411)	(1 812)	–	2 860	616	–	–	2 860	unrecognized tax losses
Place de l'Accueil	34.00%	(258)	(240)	18	88	82	-6	–	82	–	
Hungary											unlimited deferral of ordinary
Klépierre Participations et Financements (French company)	34.43%	–	(1 407)	(1 407)	0	484	484	–	–	484	losses
Hungarian real estate companies	16.00%	(13 204)	(20 906)	(7 703)	2 113	3 345	1 232	–	3 345	–	
Czech Republic											
Czech holding companies	20.00%	(1 202)	(1 690)	(488)	–	338	98	–	338	–	
Klépierre CZ	20.00%	(4 969)	–	4 969	1 044	–	-1 044	–	–	–	
Plzen	20.00%	–	(815)	(815)	–	163	163	–	–	163	
Greece											deficits deferrable over 5 years
Klépierre Larissa	25.00%	(4 928)	(4 153)	775	1 232	1 038	-194	–	1 046	–	
Patras	25.00%	(492)	(489)	3	123	122	-1	–	122	–	
Efkarpia	25.00%	(56)	(10)	46	14	3	-12	–	2	–	
Athinon	25.00%	(896)	(1 243)	(347)	224	311	87	–	311	–	
Italy											ordinary losses deferrable
Assago	31.40%	–	–	–	–	–	–	–	–	–	over 5 years except the first
Kléfin	27.50%	(7 333)	(8 687)	(1 354)	2 016	2 389	372	–	2 389	–	3 years, which have unlimited
Serravalle	31.40%	(534)	(11)	523	168	3	-164	–	4	–	deferral
Galleria Commerciale Klépierre	31.40%	(749)	–	749	235	–	-235	–	- 0	–	
Collegno	31.40%	(3 069)	(3 102)	(33)	964	974	10	–	974	–	
Other Italian companies	31.40%	–	(159)	(159)	–	50	50	–	8	42	unrecognized tax losses

Entities	Statutory tax rate	Inventory of ordinary deficits Dec.31,2007	Inventory of ordinary deficits Dec.31,2008	Change in OD in 2008	Capitalized deferred tax at Dec.31,2007	Amounts capitaliza-ble at Dec.31,2008	Change in capitalized amounts	Regulari-zation	Amounts capitalized at Dec.31, 2008	Amounts not capita-lized at Dec.31,2008	Comments
Poland											deficits deferrable over 5 years
Sadyba (real estate and holding)	19.00%	(4843)	(6375)	(1532)	920	1211	291	–	1211	–	
Krakow (real estate and holdings)	19.00%	(3919)	(3628)	291	336	689	-55	–	670	19	
Ruda (real estate)	19.00%	(3325)	(3107)	218	453	590	-41	–	514	76	
Poznan (real estate and holdings)	19.00%	(3407)	(5975)	(2568)	647	1135	488	–	1135	–	
Rybnik (real estate and holding)	19.00%	(1659)	(1643)	16	282	312	-3	–	312	–	
Sosnowiec (real estate and holding)	19.00%	(1404)	(1535)	(131)	234	292	25	–	292	–	
Lublin (real estate and holding)	19.00%	(4904)	(7337)	(2432)	426	1394	462	–	772	622	
Other Polish holdings	19.00%	(1073)	(233)	840	–	44	-160	–	–	44	
Segece Poland (Ex PCMP)	19.00%	(59)	–	59	–	–	-11	–	- 11	11	
Netherlands											
Capucine BV	25.50%	(1715)	(4075)	(2360)	–	1039	602	–	–	1039	holding company: dividends
Klépierre Nordica	25.50%	–	(16)	(16)	–	4	4	–	–	4	and capital gains from share sales exonerated
Luxemburg											
Luxembourg holding companies	22.00%	(624)	(9268)	(8644)	–	2039	1902	–	–	2039	
Sweden											
Nordica Holdco	26.30%	–	(1286)	(1286)	–	338	338	–	–	338	
Norway											
Steen & Størm ASA	28.00%	–	(76088)	(76088)	–	21305	21305	–	21307	–	
Storm Holding Norway	28.00%	–	(58377)	(58377)	–	16346	16346	–	1634	14712	
India											
Ségécé India	30.00%	–	(13)	(13)	–	4	–	–	–	4	
France											unlimited deferral of ordinary
Kléber La Pérouse	16.50%	(156)	(619)	(463)	25	102	76	- 25	1	76	losses
Cap Nord	34.43%	(833)	–	833	–	–	-287	–	–	–	
Klécapnor	16.50%	(1087)	(1699)	(612)	179	280	101	-179	–	280	
KLE Projet 2	16.50%	(1558)	(1804)	(246)	257	298	41	-257	–	298	
Holding Gondormar 2	0.00%	(209)	–	209	34	–	–	-34	–	–	
Holding Gondormar 4	33.00%	(147)	(655)	(508)	24	216	168	–	216	–	
Other French holdings	34.43%	(2143)	(52266)	(50123)	–	17995	17242	–	95	17900	unrecognized tax losses
TOTAL	–	-126140	-339034	-212894	25283	93859	62290	-2454	48979	44863	

7. Exposure to risks and hedging strategy

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

7.1. INTEREST RATE RISK

A) Cash Flow Hedge rate risk

Recurrence of variable rate financing requirement

In structural terms, variable rate debt represents a significant proportion of group borrowing (75% of debt at December 31, 2008, before hedging). It includes: bank loans (standard and mortgages), drawdowns on syndicated loans, commercial paper and the use of agreed overdrafts.

Identified risk

An increase in the interest rate against which variable rate debts are indexed (primarily 3-month Euribor) could result in an increase in the future interest rate expense.

Measurement of risk exposure

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

Interest-rate position before hedging

in millions of euros

	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position (variable rate debts and debts under one year)	5384	53.8
– Marketable securities	-60	-0.6
NET POSITION BEFORE HEDGING	**5324**	**53.2**

Interest-rate position after hedging

in millions of euros

	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position before hedging	5384	53.8
– Net hedge	-4138	-41.4
Gross position after hedging	1246	12.5
– Marketable securities	-60	-0.6
NET POSITION AFTER HEDGING	**1186**	**11.9**

Given that changes in the fair value of Cash Flow Hedge swaps are recognized in equity, the following table quantifies the likely impact of an interest rate rise on equity based on the Klépierre Cash Flow Hedge swaps portfolio at the period end (including forward-starting swaps).

Fair value of the Cash Flow Hedge instruments

in millions of euros

	Fair value	Change in equity caused by a 1% increase in interest rates
Cash Flow Hedge swaps at December 31, 2008	**-186.2**	**214.9**
– Euro-denominated portfolio	-164.5	178.9
– Steen & Strøm portfolio	-21.7	36.0
Cash Flow Hedge swaps at December 31, 2007	79.8	89.8

Financial debt after hedging breaks down as follows:

in millions of euros

	Fixed rate debts			Variable rate debts			Total gross financial debts		Average cost of debt to base Dec. 31, 2008
	Amount	Rate	Fixed Part	Amount	Rate	Variable Part	Amount	Rate	
12.31.2006	3 159	4.22%	85%	570	4.27%	15.3%	3 729	4.23%	4.28%
12.31.2007	3 200	4.20%	70%	1 367	5.35%	29.9%	4 567	4.54%	4.65%
12.31.2008	5 952	4.33%	83%	1 246	3.49%	17.0%	7 198	4.19%	4.38%

The average cost of debt to "base Dec. 31, 2008" is calculated on the basis of the interest rates and funding structure in place at December 31, 2008.
It includes non-utilization commissions and spreading of issues costs and premiums.

Hedging strategy

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross financial debts. As the previous table shows, this proportion was 83% at December 31, 2008.
In order to achieve its target level, Klépierre focuses on the use of swap agreements, which enables fixed rates to be swapped for variable rates, and vice-versa.
Klépierre can also contain its Cash Flow Hedge rate risk by limiting the scope for variation around the benchmark index by buying a cap on that index, for example.
Given its strategy and investment program, Klépierre is structurally a borrower. Since the Group is not seeking to reduce the proportion of its short-term debt, it is highly likely that its short-term variable rate loans will be renewed in the medium term. This is the reason why the Klépierre hedging strategy addresses both the long-term and short-term aspects of its borrowings.
Generally, hedge terms may exceed those of the debts hedged, on condition that the Klépierre finance plan emphasizes the high probability of these debts being renewed.

B) Fair Value Hedge rate risk

Description of fixed rate borrowing

The majority of Klépierre's fixed rate borrowing currently consists of bond issues and two bilateral bank loans entered into in 2004 by Klépierre and Klépierre Participations et Financements.
The main sources of additional fixed rate debt are potentially the bond market or convertible bonds and other "equity-linked" products.

Identified risk

Its fixed-rate debt provides Klépierre with risk-free exposure to fluctuations in interest rates, insofar as the fair value of fixed-rate debt increases when rates fall, and vice-versa.
At any given time, Klépierre may also find itself in the position of needing to increase its fixed-rate debt at a future date (e.g.: at a time of planned acquisition). The group would then be exposed to the risk of a change in interest rate prior to arrangement of the loan. Klépierre may then consider hedging against this risk, which is treated as a "Cash Flow Hedge" risk under IFRS.

Measurement of risk exposure and hedging strategy

At December 31, 2008, fixed rate debt totaled 1 814 million euros before hedging.
The "Fair Value Hedge" strategy is calibrated to address the overall hedge rate target. It is also based on the use of 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 "efficiency", as defined by IAS 32/39.

C) Investment securities

At December 31, 2008, Klépierre held investment securities of 117.3 million euros.
Near cash refers to French money market funds (102.6 million euros) and Italian one-month and two-month deposit certificates (14.6 million euros).
These investments expose Klépierre to a moderate interest rate risk as a result of their temporary nature (cash investments) and the amounts involved.

D) Fair value of financial assets and liabilities

Under IFRS, financial debts are recognized in the balance sheet at amortized cost and not at fair value.
The following table compares the fair values of debts with their nominal value. Fair values are established on the basis of these principles:

- variable rate bank debt: the fair value is equivalent to the nominal amount;
- fixed rate bank debt: the fair value is calculated solely on the basis of rate fluctuations;
- bond issues (and convertibles, where applicable): use is made of market quotations where these are available.

Klépierre has chosen not to remeasure the margin component of these unlisted loans inasmuch as the exceptionally difficult conditions seen in the credit markets since the beginning of the financial crisis has accentuated the differences between margins in individual markets (bonds, corporate lending, mortgages, etc.) and made any assessment very uncertain.

in millions of euros	2008			2007		
	Par values	Fair value	Change in fair value caused by a 1% increase in interest rates*	Par values	Fair value	Change in fair value caused by a 1% increase in interest rates*
Fixed rate bond issues	1 300	1 065	-35	1 900	1 829	-62
Fixed rate bank loans	310	311	-4	310	300	-6
Variable rate bank loans	5 588	5 588	–	2 357	2 357	–
TOTAL	**7 198**	**6 964**	**-39**	**4 567**	**4 486**	**-68**

* Change in fair value of the debt as a result of a parellel "shift" in the rate curve.

Derivatives are recognized in the balance sheet at their fair value. At December 31, 2008, a 1% rise in rates would have resulted in a rise of 198.9 million euros in the value of the group's euro-denominated interest rate swaps (Cash Flow Hedge and Fair Value Hedge).
On the asset side, unconsolidated securities are recognized under "securities available for sale", and are therefore measured at their fair value. Given the nature of business activity of the companies concerned, it is estimated that their net book value is close to their fair value.

E) Measures and resources for managing interest rate exposure

Given the importance to Klépierre of managing interest rate risk, its management team is involved in all decisions concerning the hedging portfolio. The Financial Division uses IT systems to provide real-time tracking of market trends and calculate the market values of its financial instruments, including derivatives.

7.2. 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.
With this objective in mind, the average loan period at December 31, 2008 was 6.3 years, with borrowings spread between different markets (the bond market and commercial paper account for 21% of debt, with the balance being raised in the banking market). A range of different sources (syndicated loans, mortgages, etc.) and counterparties are used within the banking market itself.
Outstanding commercial paper (which represents the bulk of short-term financing) never exceeds the amount of the "back-up" line syndicated amongst several banks, which would enable immediate refinancing of this borrowing in the event of refinancing problems in the market.
Klépierre also had unused lines of credit (including bank overdrafts) totaling 480 million euros at December 31, 2008.
Generally speaking, access to finance for real-estate companies is facilitated by the security offered to lenders in the form of a legal charge on their property assets.
Some Klépierre finance sources (syndicated loans, bond issues, etc.) are accompanied by financial covenants. Failure to comply with these covenants may result in compulsory early repayment (cf. the note concerning financial liabilities). These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klépierre with sufficient flexibility.

Bond issues (1 300 million euros) include a bearer option, providing the option of requesting early repayment in the event of a change of control capable of changing Klépierre's rating to "non-investment grade". Apart from this clause, no other financial covenant refers to Standard & Poor's rating for Klépierre.

Principal covenants	Maximum amount of the relevant financing (€M)	Impact of non-compliance	Contractual limit	Level at December 31, 2008
Klépierre financing				
Loan To Value	3 950	Default case	≤ 52%*	47.9%
EBITDA/Net interest expense			≥ 2.5	2.87
Secured debt/Revalued assets			≤ 20%	14%
Revalued asset value-group share			≥ 9 Md€	12.3
Percentage of financial debt belonging to subsidiaries (exc. Steen & Strøm)			≤ 30%	13%
Secured debt/RNAV	1 300	Default case	≤ 50%	24.0%
Klémurs financing				
Loan To Value	150	Default case	Total ratio ≤ 65%	60.6%
			Senior debt ratio ≤ 55%*	40.4%
EBITDA/Net interest expense			Total ratio ≥ 1.8	2.2
			Senior debt ratio ≥ 2.5*	3.5
Secured debt/Revalued assets			≤ 20%	8.1%
Revalued asset value-group share			≥ 300 M€	642.1
Steen & Strøm financing				
"Book equity ratio" (stockholder equity/revalued asset total)	519	Default case	≥ 20%	31,4%

* Excluding subordinated loans.

7.3. CURRENCY RISK

Until its acquisition of Steen & Strøm in October 2008, the majority of Klépierre's business was conducted within the eurozone, with the exception of the Czech Republic, Slovakia, Hungary and Poland.
To date, the currency risk posed by these countries has not been assessed as sufficiently high to warrant derivative hedging, since acquisitions and acquisition finance were denominated in euros.
Generally, rents are invoiced to tenants in euros and converted into the local currency on the billing date. Tenants have the choice of paying their rents in local currency or in euros (or in dollars for some minority leases). The currency risk 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 lessor.
At the same time, Klépierre ensures that lease payments from lessors 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 the local currency. Funding is therefore also raised in the local currency. The exposure of the Klépierre group to Scandinavian exchange rate risks is therefore limited essentially to the funds invested in the company (601 million euros), for which Klépierre is considering the introduction of hedging instruments or local funding arrangements.

7.4. COUNTERPARTY RISK

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

Counterparty risk on investment securities

The counterparty risk on investments is limited by the type of products used:
- money market funds managed by recognized institutions, and therefore carrying diversified signatures;
- loans from the governments of countries in which Klépierre operates (in the form of loans/borrowings);
- occasionally certificates of deposit issued by top-rated banks.

Counterparty risk on hedging instruments

Klépierre conducts derivative instrument transactions only with financial institutions recognized as financially sound. All swap contracts, including those entered into by Steen & Strøm, now carry an "AA" counterparty rating. In no event would the Group deal with an institution rated lower than A- by S&P or an equivalent agency.

7.5. EQUITY RISK

Klépierre holds no equities other than its own shares (3 779 079 shares at December 31, 2008), which are recognized as treasury stock at their historical cost.

8. Finance and guarantee commitments

8.1. RECIPROCAL COMMITMENTS

The reciprocal commitments correspond to reciprocal guarantees given under property development contracts or a sale before completion contracts (under which payment is guaranteed by the buyer, and completion by the developer).

in thousands of euros

	December 31 2008	December 31 2007	December 31 2006
Guarantees under Property Development/Sale before completion contracts	471 102	297 541	192 512
TOTAL	**471 102**	**297 541**	**192 512**

8.2. COMMITMENTS GIVEN AND RECEIVED

in thousands of euros

	December 2008	December 2007	December 2006
Commitments given			
– Security deposits on loans to employees	10 928	12 659	8 910
– Guarantees, deposits and mortgages	31 515	16 445	8 273
– Purchase commitments	600 547	999 286	568 886
TOTAL	**642 990**	**1 028 390**	**586 069**
Commitments received			
– Deposits received as guarantee for the activity of real-estate management and transactions	300 170	145 340	120 340
– Sale commitments	–	107 000	58 875
– Deposits received from tenants	68 447	62 595	53 638
– Other guarantees received	120	649	109 838
– Unutilised confirmed credit lines	420 000	630 000	467 000
TOTAL	**788 737**	**945 584**	**809 691**

Purchase commitments

Purchase commitments correspond mainly to the preliminary purchase contracts for the Claye Souilly shopping center (16 million euros), the Vannes city center mall (50.5 million euros) and the Montpellier Odysseum (17.7 million euros).
In 2007, Klémurs signed a preliminary purchase contract for 88 "Défi-mode" outlets and 42 other future projects for 163.2 million euros, and is also committed to the acquisition of 15 commercial assets located in business zones at Avranches, Rochefort sur Mer and Messac for 18.2 million euros. At December 31, 2008, the outstanding balances were 57.5 million euros and 1.5 million euros respectively.

In 2008, Klémurs signed a commitment to buy 6 units, most of which are occupied by the Chaussea chain, at a total cost of 4.3 million euros.

Subject to various conditions, Klépierre has acquired the Place de l'Etoile center in Luxembourg (21 500 m² GLA, with a provisional opening date of 2011) at a cost of 215 million euros, of which 1 million euros has been paid to date.
As part of its acquisition of the Scandinavian group Steen & Strøm, the Klepierre group has committed itself to construction works totaling 127.5 million euros – 4.5 million euros in Denmark (Field's) and 123 million euros in Sweden (Hageby Centrum, Marieberg Centrum and Sollentuna Centrum), as well as 1 million euros in Norway (Asane Storsenter).
As part of the refurbishment program for the La Romanina center in the Italian region of Lazio, a preliminary purchase contract was signed at the end of 2008 for the purpose of acquiring land and licenses at a cost of 18.3 million euros, of which 9.7 million euros has been paid to date.
In 2007, Klépierre committed to acquiring in the context of its partnership with Finiper 50% of the Il Leone center in Lonato (15 987 m² GLA, and a 84 million euro share of the investment) and the Le Corti Venete center in Verona (30 181 m² GLA and a 40.7 million euro share of the investment). The acquisitions were completed in the first quarter 2008.
A third center currently under construction will also be acquired when it opens in the first quarter 2009: 29 952 m² GLA, located in Vittuone, in the western suburbs of Milan for an investment of 44.2 million euros (50%).
Earnout clauses also exist for some acquisitions. In accordance with Articles 32 and 34 of IFRS 3, the price adjustment applied to the cost of the business combination on the acquisition date must be recognized if the adjustment is likely and can be reliably estimated on the balance sheet date.
In the context of the Polish acquisitions in 2005, the price paid for Sadyba is subject to an earnout clause. Klépierre does not fully own the land on which the center is built, but holds a lease with an expiry date on July 31, 2021. An earnout will be paid to the seller if the latter obtains an extension or full ownership of the lease within a period of 10 years as from July 2005.
Since the likelihood of the lease being extended or full ownership being obtained cannot be measured, this earnout is not currently recognized.

Preliminary sale agreements

A preliminary sale agreement was signed in 2007 for the disposal of 41.62% of the Annecy building at a price of 37 million euros. Klépierre also agreed to sell Cicobail (in the context of a finance lease transfer agreement) the Cesson (77) property complex for 70 million euros. These sales were completed in the first half of 2008.

Credit lines confirmed but not used:

At December 31, 2008, Klépierre had access to 420 million euros in credit lines confirmed but not used. This total was made up as follows:
- a 50 million euros line of credit available under the syndicated loan granted in 2007;
- a 160 million euros line of credit available under the bilateral loan agreed in October 2008;
- a 210 million euros of possible commercial paper issue (variance between the amount of the back-up line and the outstanding issued paper).

An additional amount of 34 million euros is also available in the form of an unconfirmed BNP Paribas overdraft, which had been partially used at December 31, 2008.
Steen & Strøm enjoys 26 million euros of available lines of credit at its level at year-end 2008.

Other guarantees received

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.

8.3. GUARANTEES

in thousands of euros

	December 2008	December 2007	December 2006
Guaranteed debts	302 548	371 655	386 424
TOTAL	**302 548**	**371 655**	**386 424**

In general terms, the Group finances its assets by equity or debt contracted by its parent company, without pledging its own assets.

The details of debts secured by pledges are as follows:

in thousands of euros

	Loan amount at December 31, 2008	Mortgage amount	Pledge start date	Pledge expiry date	NBV of the pledged asssets in the corporate finan-cial statements
On tangible assets					
K2	57 988				
– Metropoli/Vignate	–	52 500	15.01.2008	15.01.2023	139 178
– Settimo	–	10 500	15.01.2008	15.01.2023	21 904
– Rondinelle	–	27 000	15.01.2008	15.01.2023	73 291
Klécar Italia	110596	331 500	30.06.2003	30.06.2015	203 004
SCI Rebecca	3 445	5 764	17.10.2002 20.07.2000	30.12.2014 31.07.2015	4 777
SCI LC	674	377	05.01.2000	02.01.2012	922
GC Collegno	18 500	37 500	15.07.2008	15.07.2015	24 794
SRL Assago	107 000	214 000	03.07.2008	03.07.2015	94 657
Holding Gondomar 1	774	2 287	20.11.2001	14.12.2011	3 333
Sodirev	3 571	20 123	29.01.1997 26.03.1998	05.02.2012 05.04.2010	11 481
TOTAL					**577 341**

8.4. SHAREHOLDERS' AGREEMENTS

Shareholder agreements concerning Klécar France, Klécar Europe Sud, Solorec and Klécar Participations Italie

The shareholders' agreements between Klépierre and CNP Assurances and Ecureuil Vie were amended by a rider signed on December 30, 2004, in order to cancel the liquidity commitments given by Klépierre to its partners.

The agreement provides for the usual minority protections: pre-emption right, joint exit right and the decision-making process in case of investment or disinvestment. Each of the agreements contains two additional clauses:

- one in favor of Klépierre: an obligation for the minority shareholders to exit at the request of Klépierre in the event of the sale of Klécar assets to a third party;
- the other in favor of the minority shareholders: a process enabling the latter to consider a range of exit scenarios in 2011, 2016 and 2017 (for the Italian companies) or 2010, 2014 and 2015 (for the other malls):
  - asset sharing or sale,
  - purchase of minority shareholdings by Klépierre (with no obligation for Klépierre),
  - sale to a third party with payment of a discount by Klépierre if the offer is less than the Revalued Net Asset.

Shareholders' agreement signed between SNC Kléber La Pérouse and SCI Vendôme Commerces in respect of SCS Cecobil

Signed on October 25, 2007 following the transition of Cecobil to a general partnership, this agreement provides for the usual protections regarding the planned sale of equity shares to a third party (first refusal and total joint exit rights) and the area of change of control of a partner.

Shareholders' agreement signed between SNC Kléber La Pérouse and SCI Vendôme Commerces in respect of SCI Secovalde

Signed on October 25, 2007, this agreement provides for the usual protections regarding the planned sale of equity shares to a third party (first refusal and total joint exit rights) and regarding the change of control of a partner.

Shareholders' agreement signed between Klépierre, Klefin Italia, Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper and Cedro 99 in respect of Immobiliari Galerie Commerciali (IGC) and Clivia

A shareholders' agreement was signed in 2002 during the acquisition of IGC shares by Klépierre.

Its main provisions – including those regarding Klépierre's preemptive right – were restated in a new agreement which now concerns IGC and Clivia (owner of the Lonato, Verone and Vittuone malls).

It also includes a put (option to sell) in favor of Finiper, enabling the latter to sell to Klépierre the shares that it holds in IGC and/or Clivia to Klépierre. This 10-year put cannot be split for IGC (it must be exercised on all the shares held by Finiper), but may be split into two parts (each of 25%) for Clivia. In case of refusal by Klépierre an indemnity is owed to Finiper.

Shareholders' agreement signed 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 signed on July 25, 2008 and modified with the amendment on October 7, 2008. It provides for the usual protections for minority shareholders: qualified majority voting for certain decisions, purchase option in the event of deadlock and joint exit rights, as well as the following disposals:

- a one-year inalienability period applied to Steen & Strøm shares from the date of acquisition;
- each party has 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 where the transfer is to an associated company) 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.

Shareholders' agreement signed between Klépierre Luxembourg S.A and Torelli SARL in respect of Holding KLEGE SARL

Signed on November 24, 2008, this shareholders' agreement sets out the operating structure for Holding KLEGE SARL, and includes the usual disposals regarding 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.

Holding KLEGE SARL owns 100% of the equity of KLEGE Portugal SA, the company formed specifically to manage the construction of a shopping center in Portimao, Portugal.

8.5. COMMITMENTS ON OPERATING LEASES - LESSORS

General description of the main clauses contained in the lessor's lease agreement:

Shopping centers

Lease agreement periods range from 5 years in Spain to 12 years in France (with 3-year periods), whilst Italy operates a mixed system that varies from 5 years to 12 years. The terms for fixing and indexing of rents are determined in the contract.

Indexation enables the re-pricing of the minimum guaranteed rent, by the application of the index which vary from country to country.

Indexation specific to each country

Until 2008, the only index used in France was the quarterly French Cost-of-Construction Index (ICC). The indexing figure applied is that corresponding to the "anniversary" quarter of the lease. Approximately 70% of Klépierre's French leases are subject to application of the ICC in the second quarter of each year (published in October).
From January 1, 2009, guaranteed rents will be indexed either against the French Cost of Construction Index (ICC) or the new Commercial Rents Index (ILC). The ILC is a compound index derived from the consumer prices index, the retail trade sales value index and the cost of construction index. The way in which this new index is calculated should mean that it is more effective than the ICC at smoothing out fluctuations over time.
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 implementation of the indexation system is more complex: depending on the lease, either the ISTAT is applied at 75%, or the reference segment index at 100% is applied.
In Portugal, the retained index is the consumer price index (CPI), excluding property.
The Consumer Price Index (CPI) is applied in Greece.
The Eurostat IPCH eurozone index used in Central Europe is based on consumer prices in the EMU countries.

Guaranteed minimum rent and variable rent

Appraised on a year-by-year basis, the rent payable corresponds to a percentage of the revenue generated by the lessee during the calendar year concerned. The rate applied differs depending on business type. This binary rent (fixed + variable) can never be less than the Minimum Guaranteed Rent (MGR). The MGR is reappraised annually by application of the index. The variable rent corresponds to the difference between the percentage of the revenues as fixed 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 rent is usually reduced to zero at the end of the lease (every 5 to 12 years, depending on the nature of the lease). It is also deducted annually from the indexation rise in MGR.
The variable rent clause traditionally included in the leases of historic French and Italian assets has gradually been incorporated into other leases at the point of renewal or renegotiation.

Office buildings

100% of Klépierre's property assets are located in France and are therefore governed by French law.
Commercial businesses are covered by articles L. 145-1 to L. 145-60 of the French Commercial Code and the non-codified articles of Decree 53-960 of September 30, 1953 (the "statute"). Some of these clauses are public policy. For example: the length of leasing agreements, which may not be shorter than 9 years (in terms of the lessor's commitment), the right to renewal, the formal conditions to be complied with in the event of cancellation, vacation, renewal, eviction, etc.
Very exceptionally, leases of two years or less may be exempt from the statute.
The most usual lease term is 9 years, during which only the lessee may terminate the lease at the end of each three-year period by sending a six-month prior notice by extrajudicial act. The parties may be exempted from this clause of three-year termination.
The rent is usually paid quarterly in advance and is indexed in full annually against the INSEE construction cost index. The rent may be progressive or constant, and may include rent-free periods, but is always set at the point when the lease is signed and for its full term (excluding any riders added during the lease term).
All charges, including property and office taxes, are usually met by the lessee, with the exception of works regulated by article 606 of the Civil Code, which are usually paid for by the lessor.
Professionals (lawyers, chartered accountants, architects, etc.) are not covered by the statute. The minimum duration for such leases is six years, with the lessee free to terminate at any time by giving six months' prior notice. These agreements are not renewable. The other conditions are based more closely on those of commercial leases.
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 laps (e.g. percentage of revenue, degree of use, price indices, market interest rates).
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.
At December 31, 2008, the total future minimum rents receivable under non-cancellable operating lease agreements were as follows:

in thousands of euros	December 2008
Less than one year	819 250
Between 1 and 5 years	1 268 303
More than 5 years	237 350
TOTAL	**2 324 903**

8.6. COMMITMENTS ON LEASE AGREEMENTS - FINANCING

Klépierre has a finance lease agreement for the office space in the Rue Nationale, Lille. This 18-year agreement expires on July 31, 2009. On the expiration date of the contractual term of the finance lease, the lessee may elect to buy the building at his discretion. The reconciliation between the minimum future payments under the lease-financing agreement and the discounted value of the net minimal payments under the leases are presented as follows:

in thousands of euros	December 2008	
	minimum payments	discounted value of payments
Less than one year	320	208
Between 1 and 5 years	–	–
More than 5 years	–	–
Total minimum payments under the terms of the lease	**320**	**208**
Less financial charges	**-112**	**–**
DISCOUNTED VALUE OF MINIMUM PAYMENTS	**208**	**208**

8.7. RETENTION COMMITMENTS

The buildings and finance leases acquired as part of the Buffalo Grill transaction are covered by the tax status governed by article 210 E of the French General Tax Code. The buildings concerned are covered by a preservation commitment for five years from the date of acquisition.

9. Compensations and employee benefits

9.1. PAYROLL EXPENSES

At December 31, 2008, the total amount of payroll expenses was 82.3 million euros.
Fixed and variable salaries and wages as well as incentives and profit sharing, totaled 60.5 million euros, pension-related expenses, retirement expenses and other staff benefits were 20.2 million euros and income tax, and similar compensation-related payments were 1.6 million euros.
At December 31, 2008, the Group employed a total of 1 516 people. 955 of those employees work outside France, including 439 in the Scandinavian real estate company Steen & Strøm.

9.2. RETIREMENT COMMITMENTS

Post-employment plans with defined contributions

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

Post-employment fixed benefit plans

The fixed benefit plans in place in France and Italy are subject to independent actuarial appraisal, according to projected unit credit method to calculate the expense corresponding to employee entitlements 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 bonds and hedge assets used with these plans take into consideration the economic conditions specific to the monetary zone concerned. The fraction of actuarial variances to be amortized after application of the agreed limit of 10% (corridor method) is calculated separately for each defined benefit plan.
The provisions funded for fixed benefit post-employment plans totaled 5.9 million euros at December 31, 2008.
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, the applicable plan in Ségécé Italia and Effe Kappa is 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, without this amount exceeding a certain threshold. Since the liability is certain, it can be recognized under other debts and not as a provision for contingencies.
In Spain, a provision for retirement commitments may be funded 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.
A pension scheme has been introduced for some employees in Norway. Entitlement to the benefits conferred by this pension scheme is

consolidated financial statements compensation and benefits

dependent on 30 years of contributions. The scheme pays 60% of the basic final salary applying on January 1 of the year in which the scheme member reaches 67 years of age. Survivor's pension and inheritance arrangements are also covered by the scheme. These pension benefits are supplementary to those that scheme members are entitled to under general schemes. Approximately 100 employees are scheme members.

The existing commitments for post-employment medical assistance plans are valued on the basis of assumed rises in medical costs. These assumptions, based on historic observations, take into account the estimated future changes in the cost of medical services resulting both from the cost of medical benefits and inflation.

Reconciliation between assets and liabilities posted in the balance sheet

in thousands of euros

	December 2008
Surplus of obligations over the assets of financed schemes	**7 739**
Gross discounted value of obligations fully or partly financed by assets	10 194
Fair value of the plan's assets	-2 454
Discounted value of non financed liabilities	**7 740**
Not yet recognized costs in application of the provisions of IAS19	
Cost of past services	-448
Actuarial net losses or gains	-1 439
Net obligation recognized in the balance sheet for defined-benefits plans	**5 853**

Movements on the net liability/asset posted in the balance sheet

in thousands of euros

	December 2008
Net obligation at the beginning of the period	**4 799**
Retirement expense recorded in income for the period	1 054
Contributions paid by Klépierre in income for the period	–
Acquisition/Disposal	–
Benefits paid to the beneficiaries of benefits non financed	–
Net obligation at the end of the period	**5 853**

Components of the retirement expense

in thousands of euros

	December 2008
Cost of services rendered during the year	779
Financial cost	390
Expected yield from the plan's assets	-102
Amortization of actuarial gains and losses	-19
Amortization of past services	6
Effect of plan reductions or wind up	–
Total recognized in "payroll expenses"	**1 054**

Other long-term benefits

At December 31, 2008, provisions to cover long-service awards and the working time savings account totaled 1.9 million euros.

Principal actuarial assumptions used for calculations on the balance sheet date

in thousands of euros

	France
Discounting rate	4.05%
Expected yield rate from the plan'a assets	4.20%
Expected yield rate from reimbursement rights	n/a
Future salary increase rate	3.00% - 5.00%

9.3. STOCK OPTIONS

There are currently 2 stock option plans in place for Group executives and employees.

These are standard stock option plans, and are therefore not subject to performance conditions.

In accordance with the disposals of IFRS 1, only stock options granted after November 7, 2002 are recognized.

In accordance with IFRS 2, Klépierre appraised the market value of options on their grant date and recognizes a pro rata expense during the vesting period. This appraisal is made by a specialist third-party company. The model adopted respects the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of the options concerned (particularly dividends in discrete amounts and the possibility of exercising as from May 31, 2010 for the plan authorized in 2006 and from May 16, 2011 for the plan authorized in 2007).

The calculated expense also takes into account an estimate of the beneficiaries at the end of each vesting period, since a beneficiary may lose his rights if he leaves the Klépierre Group during this period.

Plan authorized in 2006

On the basis of the nominal share price on the day of allocation, 195 000 options were granted under the stock option plan authorized by the Executive Board meeting of May 30, 2006. After adjustments and retirements (see table below), the number of current options granted under this plan at December 31, 2008 was 563 093.
The current exercise option price for this plan is 29.49 euros.
These options may be freely exercised between May 31, 2010 and May 30, 2014 inclusive.
The key data adopted for the purpose of measuring the stock options granted in 2006 are shown below, restated to reflect the 3-for-1 stock split of 2007 (but before the effect of the discount granted as part of the rights issue of December 2008): exercise option price: 30.5 euros, share price on the date of allocation: 27.9 euros, volatility: 21,5%, risk-free interest rate: 4.10% for an 8-year maturity period dividend: 1 euro per share in 2006 followed by assumed growth calculated as a straight-line regression of the dividends for previous years.
On these bases, the unit value of the stock options was estimated at 4.6 euros. The expense recognized in the income statement for the 2008 fiscal year is 605 thousand euros.

Plan authorized in 2007

On the basis of the nominal share price on the day of allocation, 143 000 options were granted under the stock option plan authorized by the Executive Board meeting of May 15, 2007. After adjustments and retirements (see table below), the number of current options granted under this plan at December 31, 2008 was 423 639.
The current exercise option price for this plan is 46.38 euros.
These options may be freely exercised between May 16, 2011 and May 15, 2015 inclusive.
The key data adopted for the purpose of measuring the stock options granted in 2007 are shown below, restated to reflect the 3-for-1 stock split of 2007 (but before the effect of the discount granted as part of the rights issue of December 2008): exercise option price: 47.9 euros, share price on the date of allocation: 47.3 euros, volatility: 21,2%, risk-free interest rate: 4.51% for an 8-year maturity period dividend: growth of approximately 10% in 2007, followed by assumed growth calculated as a straight-line regression of the dividends for previous years.
On these bases, the unit value of the stock options was estimated at 10.4 euros. The expense recognized in the income statement for the 2008 fiscal year is 1 077 thousand euros.

	Plan 1	Plan 2
Date of General Meeting	04.07.2006	04.07.2006
Date of Executive Board Meeting	05.30.2006	05.15.2007
Total number of shares potentially subscribable or purchasable at Dec. 31, 2008 by		
(i) company executives[1]	139 595	102 291
(ii) the first ten employee recipients[1][2]	127 186	145 803
Starting date of exercise of options	31.05.10	16.05.11
Expiry date	30.05.14	15.05.15
Subscription or purchase price[1]	29.49	46.38
Subscription or purchase options initially allotted before adjustment	195 000	143 000
Subscription or purchase options initially allotted (only adjusted by the division of the face value by 3)	585 000	429 122
Subscription or purchase options of cancelled at December 31, 2008 (only adjusted by the division of the face value by 3)	40 500	19 507
Number of shares subscribed to at December 31, 2008 (only adjusted by the division of the face value by 3)	0	0
Outstanding subscription or purchase options after cancellation and subscription (only adjusted by the division of the face value by 3)	544 500	409 615
Outstanding subscription or purchase options at December 31, 2008 (after additional adjustement of the effects of the rights issue of December 2008)	563 093	423 639

(1) Adjusted by the division of the face value by 3 in 2007 and the effects of the capital increse with preferential rights in December 2008.
(2) The number of employees shown may exceed ten wheer the number of options is identical, or less than ten wheer there are fewer than ten employees in a plan.

Stock options Executive Board	Date granted[1]	Number of shares granted	Exercise period	Exercise price (euros)	Options outstanding at December 31, 2007	Number of options exercised in 2008	Number of options cancelled in 2008	Options remaining at December 31, 2008
Michel CLAIR	May 30, 2006[2]	46 532	May 31, 2010 to May 30, 2014[1]	29.49	46 532	–	–	46 532
	May 15, 2007[2]	34 130	May 16, 2011 to May 15, 2015[1]	46.38	34 130	–	–	34 130
Jean-Michel GAULT	May 30, 2006[2]	31 021	May 31, 2010 to May 30, 2014[1]	29.49	31 021	–	–	31 021
	May 15, 2007[2]	24 822	May 16, 2011 to May 15, 2015[1]	46.38	24 822	–	–	24 822
Claude LOBJOIE	May 30, 2006[2]	31 021	May 31, 2010 to May 30, 2014[1]	29.49	31 021	–	–	31 021
	May 15, 2007[2]	15 515	May 16, 2011 to May 15, 2015[1]	46.38	15 515	–	–	15 515
Laurent MOREL	May 30, 2006[2]	31 021	May 31, 2010 to May 30, 2014[1]	29.49	31 021	–	–	31 021
	May 15, 2007[2]	27 824	May 16, 2011 to May 15, 2015[1]	46.38	27 824	–	–	27 824

(1) No option has yet been exercised under these plans during the year 2008 to management of the company.
(2) Resolution of the EGM of April 7, 2006; the number and the price of shares are adjusted by the division of the face value by 3 in 2007 and the effects of the capital increse with preferential rights in 2008.

10. Additional information

10.1. DISCLOSURES ON THE FAIR VALUE MODEL

in thousands of euros

	December 31, 2008	Fair value restatements	December 31, 2008 fair value model	December 31, 2007 fair value model
Lease income	716 973	–	716 973	597 178
Land expenses (real estate)	-2 605	2 593	-12	–
Non-recovered rental expenses	-21 646	–	-21 646	-17 189
Building expenses (owner)	-41 962	405	-41 557	-29 440
Net lease income	**650 760**	**2 998**	**653 758**	**550 549**
Management, administrative and related income	77 493	–	77 493	64 195
Other operating income	15 747	163	15 910	18 265
Change in the fair value of investment property	–	-62 520	-62 520	911 522
Survey and research costs	-2 534	–	-2 534	-1 146
Payroll expense	-82 324	–	-82 324	-64 810
Other general expenses	-27 797	–	-27 797	-25 165
Depreciation and amortization allowance on investment property	-213 106	213 016	-90	-1 475
Depreciation and amortization allowance on PPE	-5 184	–	-5 184	-4 365
Provisions	-1 274	–	-1 274	-2 663
RESULTS OF OPERATIONS	**411 781**	**153 657**	**565 438**	**1 444 907**
Gains on the sale of investment property and equity interests	243 885	-52 716	191 169	96 113
Net book value of investment property and equity investment sold	-185 392	–	-185 392	-85 873
Gains from the sale of investment property and equity investment securities	**58 493**	**- 52 716**	**5 777**	**10 240**
Profit on the sale of short term assets	**928**	**–**	**928**	**46**
Net dividends and provisions on non-consolidated investments	431	–	431	549
Net cost of debt	-219 480	–	-219 480	-162 931
Change in the fair value of financial instruments	-5	–	-5	–
Effect of discounting	710	–	710	726
Share in earnings of equity-method investees	1 426	2 157	3 583	5 456
PRE-TAX EARNINGS	**254 284**	**103 098**	**357 382**	**1 298 993**
Corporate income tax	-20 397	-13 888	-34 285	18 681
NET INCOME OF CONSOLIDATED ENTITY	**233 887**	**89 210**	**323 097**	**1 317 674**
of which				
Group share	*200 277*	*95 480*	*295 757*	*1 148 991*
Minority interests	*33 610*	*-6 270*	*27 340*	*168 682*

in thousands of euros

	December 31, 2008	Fair value restatements	December 31, 2008 fair value model	December 31, 2007 fair value model
Non-allocated goodwill	94 636	-18 470	76 166	75 892
Intangible assets	13 366	–	13 366	7 269
Tangible assets	43 636	–	43 636	41 340
Investment property	9 579 123	-9 579 099	24	13 128
Fair value of investment property	–	13 876 575	13 876 575	10 425 230
Fixed assets in progress	1 183 496	-676 309	507 187	190 507
Fair value of buildings held for sale	44 419	20 833	65 252	61 264
Equity method security	35 331	1 030	36 361	49 422
Non consolidated securities	626	–	626	512
Other non current assets	38 773	–	38 773	33 846
Interest rate swaps	23 458	–	23 458	84 011
Deferred tax assets	68 952	–	68 952	33 675
NON CURRENT ASSETS	**11 125 816**	**3 624 560**	**14 750 376**	**11 016 096**
Inventory	13 416	–	13 416	11 684
Trade receivables and related accounts	89 946	–	89 946	57 287
Other receivables	371 037	-80 847	290 190	153 191
– Tax receivables	*88 438*	–	*88 438*	*49 645*
– Other debtors	*282 599*	*-80 847*	*201 752*	*103 546*
Cash and near cash	242 725	–	242 725	195 476
CURRENT ASSETS	**717 124**	**-80 847**	**636 277**	**417 638**
TOTAL ASSETS	**11 842 940**	**3 543 713**	**15 386 653**	**11 433 734**
Capital	232 700	–	232 700	193 890
Additional paid-in capital	1 276 284	–	1 276 284	835 187
Statutory reserves	19 389	–	19 389	18 466
Consolidated reserves	430 468	2 769 700	3 200 168	2 588 910
– Treasury shares	*-93 429*	–	*-93 429*	*-96 168*
– Fair value of financial instruments	*-122 327*	–	*-122 327*	*51 922*
– Fair value of investment property	–	*2 784 682*	*2 784 682*	*1 828 969*
– Other consolidated reserves	*646 224*	*-14 982*	*631 242*	*804 187*
Consolidated earnings	200 277	95 480	295 757	1 148 991
Shareholders' equity, group share	2 159 118	2 865 180	5 024 298	4 785 444
Minority interests	1 011 238	448 039	1 459 277	928 424
SHAREHOLDERS EQUITY	**3 170 356**	**3 313 219**	**6 483 575**	**5 713 868**
Non current financial liabilities	6 971 343	–	6 971 343	4 400 820
Long-term allowances	14 764	–	14 764	11 425
Interest rate swaps	184 493	–	184 493	7 731
Security deposits and guarantees	130 668	–	130 668	107 899
Deferred tax liabilities	456 332	230 494	686 826	438 653
NON CURRENT LIABILITIES	**7 757 600**	**230 494**	**7 988 094**	**4 966 528**
CURRENT LIABILITIES	**914 984**	**–**	**914 984**	**753 338**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11 842 940**	**3 543 713**	**15 386 653**	**11 433 734**

Fair value is the amount at which an asset may be exchanged between properly-informed, consenting parties acting under the conditions of normal competition.
The fair value is the most likely price (excluding transaction fees and expenses) that could be reasonably obtained in the market on the balance sheet date.
The fair value of Klépierre buildings is determined by third-party appraisers who appraise the Group's holdings on June 30 and December 31 of each year, exclusive of transfer duties and fees.
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 their appraised value, even where such disposal occurs within a few months of the balance sheet date.

Klépierre has entrusted the task of appraising the value of its holdings to a number of appraisers. Atisreal Expertise and Foncier Expertise are jointly responsible for appraising office property.
The group's shopping centers are appraised by the following appraisers:
- Retail Consulting Group Expertise (RCGE) appraises all French assets (with the exception of the Progest portfolio), approximately 50% of Spanish assets (the centers held by Klécar Foncier España and Klécar Foncier Vinaza) as well as all the Italian, Czech, Slovakian, Belgian, Portuguese and Greek portfolios;
- Cushman & Wakefield appraises the other half of the Spanish portfolio (the centers held by Klécar Foncier Iberica);
- ICADE Expertise is in charge of appraisals of the Progest portfolio in France and all Polish and Hungarian assets;

● Atisreal appraises the Cap Nord portfolio as well as shop premises. Assignments entrusted to appraisers are all carried out in accordance with the principles of the Real Estate Appraisal Guidelines (Charte de l'Expertise en Évaluation Immobilière) using the recommendations of COB/CNC "Barthès de Ruyter" working group, in accordance with the code of business ethics applying to FSIF SIICs.
The market value is the value as appraised by the independent appraisers who value the Group's holdings on June 30 and December 31 of each year, but excludes transfer duties and fees (fees are measured on the basis of a direct sale of the building, even though these costs can, in some cases, be reduced by selling the company that owns the asset).

Office buildings

The appraisers use two approaches: the first involves a direct comparison with similar transactions completed in the market during the period, whilst the second involves capitalizing recognized or estimated revenue.
The analysis of this revenue reveals the existence of one of three scenarios, depending on whether the lease income is substantially equal to, higher than or lower than the market value.
Where lease income and market value are substantially equal, the lease income used for the purpose of the appraisal is the actual lease income earned from the property. Where the lease income is higher than the market value, the appraisal uses the market value and takes into account the capital gain arising from the difference between the actual lease income and the market value.
Where lease income is lower than the market value, the appraisers take into account the time remaining before the lease will be reviewed and the rental amount will be aligned with the market rate. In accordance with the French decree of September 30, 1953, the rental prices of properties used solely as office premises are automatically aligned with market rates when their leases come up for renewal.
The appraisers therefore worked on the assumption that the owners of such property would be able to align rents with market rates when the leases concerned come up for renewal, and took into account the current conditions of occupation in the form of a capital loss calculated as described above. The appraisers did not limit their approach to properties coming up for renewal in the forthcoming three years, on the grounds that the investors involved in current market transactions make projections beyond this three-year horizon. In the second scenario, the recognized financial gain has been added to the calculated value. This corresponds to the discounted value (at a rate of 5.5%) of the difference between the actual lease income and the market price until the first firm period of the lease expires. In the third scenario, the capital loss has been deducted from the calculated value. This corresponds to the discounted value (at the rate of 5.5%) of the difference between the actual lease income and the market price until the lease expires. Since December 31, 2005, appraisers have based their work on the rate of return (yield) rather than the capitalization rate. In other words, the rate used was that applied to the income calculated as described above in order to arrive at an appraised value inclusive of transfer duties. Previously, the rate used resulted in a valuation exclusive of transfer duties. The decision to use this rate is the result of observing the market from the point of view of transactions actually completed by investors. To derive the appraised value exclusive of transfer duties, the transfer duties and fees were deducted at the local specific rate.

Shopping centers

To determine the fair market value of a shopping center, appraisers apply a yield rate to net annual lease income for occupied premises, and to the net market rental price for vacant properties, discounted over the anticipated period of vacancy. The discounted value of rebates on minimum guaranteed rent payments, expenses payable on currently vacant premises and non-chargeable works are all deducted from this first value, arrived at by capitalizing net lease income. A standard vacancy rate is then defined for each asset. The discount rate applied is equal to the yield rate used in the fair market value calculation.
Gross lease income includes the minimum guaranteed rent, the variable rent and the market rental price for vacant properties. The net total lease income is calculated by deducting the following expenses from the gross lease income: management charges, non-chargeable expenses, charges on provisions for vacant premises and the average losses on bad debts over the previous 5 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, lease income and extension potential and comparability with recent market transactions.
As a result of the way in which its portfolio is structured and for reasons of economy and efficiency, Klepierre uses two methods to appraise those assets posing specific appraisal problems. Accordingly, the assets appraised for the first time and those where the most recent appraisal is no greater than 110% of net book value (excluding deferred taxes) are appraised in two ways: the first is a yield-based appraisal, as explained above, whilst the second is an appraisal based on the discounted future flows method.
This second method calculates the value of a property asset by the sum of discounted financial flows based on a discount rate defined by the appraiser.
The appraiser estimates anticipated total revenues and expenses on the asset side, and then measures an "ultimate value" at the end of the analysis period (10 years on average). By comparing the market rental values with facial rental values, the appraiser takes into account the rental potential of the property asset while retaining the market rental value at the end of the leases, after deduction of the expenses incurred in remarketing of the property. Lastly, the appraiser discounts the forecast cash flow to determine the actual value of the property asset.
The retained discount rate takes into account the market risk-free rate (OAT 10 years) to which will be added a property market risk and liquidity premium and lastly an asset-specific premium depending on its location, characteristics and tenancy of each building.

10.2. EARNINGS PER SHARE

Basic 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 in the period, 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 in the period, excluding treasury shares, and adjusted to reflect the effects of the diluting options.

		December 2008	December 2007	December 2006
Numerator				
Net income, group share (in thousands of euros)	a	200 277	197 712	164 534
Denominator				
Average weighted number of shares before diluting effect [1]	**b**	**139 907 235**	**136 998 849**	**137 536 322**
Effect of dilutive options		–	–	–
Share purchase options		–	–	–
Total potential dilutive effect	**c**	**–**	**–**	**–**
Average weighted number of shares before diluting effect	**d = b + c**	**139 907 235**	**136 998 849**	**137 536 322**
Group share of net income per undiluted share (in euros)	**a/b**	**1.4**	**1.4**	**1.2**
Group share of net income per diluted share (in euros)	**a/d**	**1.4**	**1.4**	**1.2**

(1) The data at December 31, 2006 are corrected to reflect the face value division.

10.3. AFFILIATED COMPANIES

At December 31, 2008, the BNP Paribas share of bank loans totaled 2 522 million euros, of which 2 301 million euros had been used. This equity interest compares with a total authorized amount of 5 985 million euros, of which 5 715 million euros have been used. These figures do not include the 300 million euros represented by the back-up line of commercial paper (not drawn down) in which BNP Paribas has an interest of 150 million euros.
Transactions between affiliated parties were carried out under terms equivalent to those prevailing in the case of transactions subject to normal conditions of competition.

10.4 COMPENSATION OF THE SUPERVISORY BOARD AND THE EXECUTIVE COMITTEE

The director's fees paid to the members of the Supervisory Board totaled 300 thousand euros.
The overall amount of compensation paid in 2008 to the Executive Comittee members was 1 887 thousand euros.

10.5. STATUTORY AUDITORS' FEES

	2008				2007			
	Deloitte Amount	%	Mazars Amount	%	Deloitte Amount	%	Mazars Amount	%
Audit[1]								
– Auditing and certification and review of individual and consolidated financial statements	710	80%	643	89%	611	88%	600	95%
– Additional mandates	173	20%	80	11%	83	12%	29	5%
Sub-total	883	100%	723	100%	694	100%	629	100%
Other services								
– Legal, tax and labour-related services								
Sub-total								
TOTAL	**883**	**100%**	**723**	**100%**	**694**	**100%**	**629**	**100%**

(1) Including services of independent accountants or from the network, at the Statutory Auditor's request for the certification of the financial statements.

10.6. POST BALANCE SHEET DATE EVENTS

No significant events occurred after the balance sheet date.

10.7. IDENTITY OF THE CONSOLIDATING COMPANY

At December 31, 2008, Klépierre was fully consolidated by the BNP Paribas group. BNP Paribas holds a 51.99% equity stake in Klépierre (including treasury shares).

11. Pro forma information

In accordance with article 222-2 of the general regulations of the AMF (the French market regulator), this pro forma information is provided in respect of the most recent period covered by the financial statements to illustrate what the position would have been if the change in the scope of consolidation caused by the Steen & Strøm acquisition occurred at the beginning of the period.

in thousands of euros	Historical financial statements 31.12.2008 Klépierre	Historical financial statements 31.12.2008 Steen & Strøm	Klépierre SA pro forma adjustments	Pro forma adjustments	Pro forma financial statements at 31.12.2008
Lease income	679 117	157 685	–	–	836 801
Land expenses (real estate)	(2 605)	–	–	–	(2 605)
Non-recovered rental expenses	(21 646)	–	–	–	(21 646)
Building expenses (owner)	(35 660)	(20 633)	–	–	(56 293)
Net lease income	**619 206**	**137 051**	**–**	**–**	**756 258**
Management, administrative and related income	70 765	24 617	–	–	95 382
Other operating income	15 142	4 442	–	–	19 584
Survey and research costs	(2 534)	–	–	–	(2 534)
Payroll expense	(74 850)	(27 312)	–	–	(102 162)
Other general expenses	(25 484)	(9 827)	–	–	(35 310)
Depreciation and amortization allowance on investment property	(198 031)	–	–	(63 558)	(261 589)
Depreciation and amortization allowance on PPE	(4 714)	(3 479)	–	–	(8 193)
Provisions	(1 274)	–	–	–	(1 274)
Results of operations	**398 226**	**125 494**	**–**	**(63 558)**	**460 162**
Gains on the sale of investment property and equity interests	174 723	2 296	–	(2 296)	174 723
Net book value of investment property and equity investment sold	(116 230)	(1 219)	–	1 083	(116 367)
Gains from the sale of investment property and equity investment securities	58 493	1 076	–	(1 213)	58 356
Profit on the sale of short term assets	928	–	–	–	928
Net dividends and provisions on non-consolidated investments	431	24	–	–	455
Net cost of debt	(194 814)	(93 917)	(5 723)	4 130	(290 324)
Change in the fair value of financial instruments	(5)	–	–	–	(5)
Change in the fair value of investment property	–	(28 714)	–	28 714	–
Effect of discounting	710	–	–	–	710
Share in earnings of equity-method investees	1 426	–	–	–	1 426
Pre-tax earnings	**265 395**	**3 964**	**(5 723)**	**(31 927)**	**231 708**
Corporate income tax	(22 499)	(17 931)	–	34 898	(5 533)
Net income of consolidated entity	**242 896**	**(13 968)**	**(5 723)**	**2 970**	**226 175**
of which		**–**			**–**
Group share	*179 338*	*(7 836)*	*(5 723)*	1 666	*197 590*
Minority interests	*36 225*	*(6 132)*	–	1 304	*28 585*

This pro forma financial information has been prepared and is presented in accordance with the accounting principles and methods applied by the Klépierre group, as described in the group's consolidated financial information. The accounting principles applied by Steen & Strøm are significantly different from those adopted by Klépierre:

- Steen & Strøm recognizes investment property in accordance with the fair value method detailed in IAS 40 Investment Property, whereas Klépierre uses the cost method described in the same standard. Steen & Strøm does not therefore apply depreciation, but recognizes changes in the fair value of its investment properties in its income statement.

The consolidated financial information of Steen & Strøm has therefore been restated for the purpose of preparing these pro forma consolidated financial statements. Changes in fair value have been canceled, and investment properties depreciated using the component method. Where assets are similar, depreciation has been calculated using methods comparable to those described in the notes to the consolidated financial statements of the Klépierre Group for the determination of components and depreciation periods.

The pro forma financial statements have been prepared by taking into account that the share of the business acquired by Klépierre has been funded by a rights issue of 356 million euros (assumed to have taken place on January 1, 2008) and bank borrowing.

The cost of debt has been calculated according to the effective interest rate method by taking into account of the Group's available funding and hedging instruments. In this respect, the financial interest shown in the pro forma financial statements has been calculated on the basis of the conditions applying to the 750 million euro syndicated loan set up in June 2008 with a maturity date of June 2011. Taking account of the interest rate hedges implemented between August and October 2008, the overall cost of this funding is 5.26%.

In accordance with IFRS 3:

- The loan issue costs have not been included in the business combination cost. According to IAS 39, these costs are included in the initial measurement of the debt at its depreciation cost.
- Similarly, the expenses related to the rights issue are not included in the business combination cost, but reduce the income arising as result of issuing equity instruments (by allocation to the issue premium).

consolidated financial statements statutory auditors' report

Statutory auditors' report

on the consolidated financial statements

Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of Klépierre,
- the justification of our assessments,
- the specific verification required by law.

These consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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 of December 31, 2008 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

The financial crisis that has gradually been accompanied by an economic crisis has had multiple consequences for companies, particularly in terms of their activity and financing. The accounting estimates used for the presentation of the consolidated financial statements for the year ended December 31, 2008 were prepared in a context of a significant decrease in real estate transactions and uncertain economic outlooks.
It is in this context and in accordance with article L. 823-9 of the French Commercial Code (*Code du commerce*) relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

- Notes 2.5 and 10.1 to the consolidated financial statements specify that real estate assets are appraised by independent experts to estimate impairments, if any, and the fair values of buildings. Our procedures consisted notably in examining the valuation methodology used by the experts and to ensure ourselves that the impairments as well as the fair values were made based on external expert appraisals.
- As indicated in Note 2.7 to the consolidated financial statements, the Group used certain estimates with respect to the monitoring of the value of goodwill. Our procedures consisted in assessing the data and the assumptions on which these estimates are based, reviewing the calculations performed by your company, examining management's approval procedures for these estimates and finally verifying that the notes to the financial statements give appropriate disclosures of the assumptions adopted by the Group.
- Notes 2.16 and 4.16 to the consolidated financial statements set forth the accounting rules and methods to determine the fair value of derivative instruments as well as the characteristics of the Group's hedging instruments. We examined the classification criteria and the documentation required specifically by IAS 39 and verified the appropriateness of these accounting methods and the disclosures provided in the notes to the consolidated financial statements.
- Note 11 to the consolidated financial statements specifies the methodology used to draw up pro forma financial statements. We verified that the bases on which the pro forma financial information has been prepared is consistent with the documents and accounting conventions which are described in this note.

These assessments were made performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with the law, we have also verified the information given in the Group's management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Signed in Courbevoie and Neuilly-sur-Seine, March 9, 2009.

The Statutory Auditors

Mazars
Julien Marin-Pache

Deloitte & Associés
Pascal Colin
Laure Silvestre-Siaz

Annual Corporate Financial Statements as of December 31, 2008

INCOME STATEMENT

(in thousands of euros)

		December 2008	December 2007	December 2006
OPERATING INCOME				
Rental Income		49 083	45 666	47 477
Rents		47 089	43 573	45 285
Repayment of expenses		1 993	2 093	2 192
Write-back of provisions (and amortizations) & expense transfers		64	1 036	1 022
Other income		617	1 753	1 911
	TOTAL I	**49 764**	**48 455**	**50 410**
OPERATING EXPENSES				
Purchases and external expenses		- 14 385	- 12 445	- 13 770
Income taxes and similar payments		- 2 353	- 3 269	- 4 192
Depreciation and amortization allowances:				
- On fixed assets and deferred charges: depreciation and amortization		- 10 723	- 11 179	- 13 099
- On fixed assets: provisions		-	-	-
- On circulating assets: provisions		- 10	-	-
- For liabilities and charges : provisions		- 85	- 124	- 66
Other expenses		- 335	- 713	- 306
	TOTAL II	**- 27 892**	**- 27 730**	**- 31 433**
OPERATING INCOME (I-II)		**21 872**	**20 725**	**18 977**
SHARE OF INCOME FROM JOINT OPERATIONS				
Profits applied or losses transferred	**III**	**154 553**	**165 211**	**137 987**
Losses borne or profits transferred	**IV**	**- 5 941**	**- 9 182**	**- 8 832**
FINANCIAL INCOME (note 16)				
From investments		247 010	272 240	173 796
From other investment securities and receivables from capitalized assets		-	-	-
Other interest and similar income		12 707	226	674
Reversals of provisions and transfers of charges		11 686	6 174	7 637
Net proceeds from disposals of investment securities		167	208	187
	TOTAL V	**271 570**	**278 849**	**182 294**
FINANCIAL EXPENSES (note 17)				
Amortization expenses and provisions		- 46 125	- 8 362	- 3 352
Interest and similar charges		- 223 079	- 178 626	- 147 094
Negative exchange rate variances		- 27 223	-	-
Net expenses incurred on disposals of investment securities		-	-	-
	TOTAL VI	**- 296 428**	**- 186 987**	**- 150 446**
NET FINANCIAL INCOME (III-IV)		**- 24 858**	**91 861**	**31 848**
PRE-TAX INCOME (I-II+III-IV)		**145 626**	**268 616**	**179 980**
NON-RECURRING INCOME				
On management transactions		279	2 599	505
On capital transactions		65 748	50 866	197 996
Reversals of provisions and transfers of charges		-	-	-
	TOTAL VII	**66 028**	**53 464**	**198 501**
NON-RECURRING EXPENSES				
On management transactions		- 25	- 2	-
On capital transactions		- 46 768	- 20 960	- 164 699
Amortization expenses and provisions		-	-	-
	TOTAL VIII	**- 46 793**	**- 20 962**	**- 164 699**
NET NON-RECURRING INCOME (V-VI) (note 18)		**19 235**	**32 502**	**33 802**
EMPLOYEE PROFIT SHARING	**IX**	**-**	**-**	**-**
CORPORATE INCOME TAXES (note 19)	**X**	**8 077**	**- 246**	**- 15 316**
TOTAL INCOME (I+III+V+VII)		**541 914**	**545 980**	**569 192**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)		**- 368 977**	**- 245 107**	**- 370 726**
NET INCOME FOR THE FISCAL YEAR		**172 937**	**300 872**	**198 466**

BALANCE SHEET

(in thousands of euros)

ASSETS	December 2008 Gross	December 2008 Amortization and provisions	December 2008 Net	December 2007 Net	December 2006 Net
FIXED ASSETS					
INTANGIBLE FIXED ASSETS (note 1, 2 and 3)	**5 858**	**369**	**5 490**	**5 613**	**4 791**
Set up costs	614	369	246	369	492
Research & Development costs	-	-	-	-	-
Concessions, patents and similar rights	19	-	19	19	19
Business assets	5 225	-	5 225	5 225	4 280
TANGIBLE ASSETS (note 1, 2 and 3)	**636 853**	**76 190**	**560 664**	**585 381**	**597 435**
Land	292 256	-	292 256	323 449	327 323
Construction and fixtures	267 564	75 794	191 770	210 694	235 220
- Capital works	163 293	28 690	134 603	147 168	167 237
- Façades, cladding and roofing	33 743	9 357	24 386	26 927	27 952
- General and Technical Installations	34 670	14 355	20 316	22 160	24 351
- Fixtures	35 858	23 392	12 465	14 439	15 680
Technical installations, equipment and fittings	389	384	4	5	55
Other	27	11	15	15	15
Tangible assets in progress	76 618	-	76 618	51 218	34 822
Advances and pre-payments	-	-	-	-	-
LONG-TERM INVESTMENTS	**6 619 779**	**36 003**	**6 583 776**	**5 260 159**	**4 279 031**
Equity holdings (note 4 and 5)	3 584 074	6 666	3 577 408	2 708 086	2 630 083
Loans to subsidiaries and affiliated companies (note 6)	2 829 679	6 251	2 823 428	2 492 421	1 617 276
Other long-term equity investments	179	152	27	-	-
Loans	149 288	-	149 288	17 597	31 544
Other (note 7)	56 560	22 935	33 625	42 055	128
TOTAL I	**7 262 491**	**112 562**	**7 149 930**	**5 851 153**	**4 881 257**
CURRENT ASSETS					
ADVANCES AND PRE-PAYMENTS TO SUPPLIERS	**5**	**-**	**5**	**265**	**310**
RECEIVABLES	**20 384**	**10**	**20 373**	**30 992**	**32 596**
Trade receivables and similar accounts	5 565	10	5 554	5 995	6 210
Other (note 8)	14 819	-	14 819	24 997	26 386
INVESTMENT SECURITIES	**54 517**	**12 525**	**41 992**	**54 889**	**38 372**
Treasury stock	54 517	12 525	41 992	51 300	30 783
Other securities	-	-	-	3 589	7 589
CASH & CASH EQUIVALENTS	**45 606**	**-**	**45 606**	**8 108**	**850**
Prepaid expenses (note 9)	**24 797**	**-**	**24 797**	**48 321**	**77 804**
TOTAL II	**145 309**	**12 536**	**132 773**	**142 575**	**149 932**
Deferred charges (III) (note 9)	**12 850**	**-**	**12 850**	8 487	6 847
Loan issue premiums (IV) (note 9)	**6 589**	**-**	**6 589**	8 166	9 960
Translation adjustment - assets (V) (note 9)	**-**	**-**	**-**	-	-
GRAND TOTAL (I+II+III+IV+V)	**7 427 239**	**125 097**	**7 302 142**	**6 010 381**	**5 047 996**

BALANCE SHEET

(in thousands of euros)

LIABILITIES	**December 2008**	**December 2007**	**December 2006**
STOCKHOLDER EQUITY (note 10)			
Capital (of which paid-up)	232 700	193 890	184 657
Additional paid-in capital (from share issues, mergers and contributions)	1 070 526	629 430	629 430
Positive merger variance	187 452	187 452	187 452
Positive cancelled share variance	18 307	18 305	13 740
Revaluation variances		-	-
Legal reserve	19 389	18 466	18 466
Other reserves	168 055	168 055	177 287
Retained earnings	433 497	302 964	250 894
Income for the period	172 937	300 872	198 466
Investment subsidies	-	-	-
Regulated provisions	-	-	-
TOTAL I	**2 302 862**	**1 819 432**	**1 660 392**
Provisions for liabilities and charges (note 11)	**288**	**242**	**875**
Provisions for liabilities	254	208	841
Provisions for charges	34	34	34
TOTAL II	**288**	**242**	**875**
DEBTS			
FINANCIAL DEBTS (note 12)	**4 965 786**	**4 147 257**	**3 328 361**
Other bond issues	1 336 578	1 954 263	1 954 263
Borrowings and loans from credit institutions	3 330 237	1 815 859	1 123 858
Other borrowings and financial debt	298 970	377 135	250 240
Trade and similar accounts	**569**	**570**	**540**
TRADE PAYABLES	**19 383**	**18 050**	**20 435**
Trade and other payables	6 150	3 227	2 365
Tax and social security liabilities (note 13)	13 233	14 823	18 070
OTHER DEBTS	**9 958**	**14 082**	**12 958**
Payables to fixed asset suppliers	6 651	1 553	1 501
Other (note 14)	3 307	12 529	11 457
PREPAID INCOME (note 15)	**3 296**	**10 748**	**24 435**
TOTAL III	**4 998 991**	**4 190 707**	**3 386 729**
Translation adjustment - liabilities (IV)	**-**	**-**	**-**
GRAND TOTAL (I+II+III+IV)	**7 302 142**	**6 010 381**	**5 047 996**

CONTENTS

1 SIGNIFICANT EVENTS OF THE 2008 FINANCIAL YEAR

1.1 Payment of dividend in the form of shares

The general meeting of shareholders held on April 4, 2008 approved the payment of a net dividend of 1.25 euros per share in respect of the 2007 fiscal year; the payment to be made in cash or in shares.

The option to receive payment of the dividend in the form of shares was taken up by 77.3% of shareholders.

The resulting increase in equity totals 130,996,648 euros, funded by the issue of 3,976,826 new shares.

The cash dividend payment totaled 38.4 million euros.

1.2 Acquisition of Scandinavia's leading shopping center operator

In cooperation with the Dutch pension fund ABP, Klepierre SA acquired Steen & Strom at a cost of 2.7 billion euros. Steen & Strøm owns 30 shopping centers in Norway, Sweden and Denmark, which together constitute a portfolio valued at nearly 2.5 billion euros (total share). As a result of this transaction, Klépierre holds a 56.1% equity stake in Steen & Strøm.

1.3 Continuation of the disposal program

Klépierre SA continued to apply its investment policy during the year, resulting in the disposal of the following office building:

- 46, rue Notre-Dame des Victoires Paris 75

This disposal was the subject of a swap involving 230 membership shares in Galeries Drancéennes held by ASSURECUREUIL-PIERRE 3.

1.4 Internal restructuring of the offices segment

Complete transfer of assets and liabilities (CTAL)

On April 29, 2008, Klépierre SA proceeded with the winding-up without liquidation of the following company, with retrospective effect for taxation purposes from January 1, 2008:

- Poitiers Aliénor SAS

On August 1, 2008, Klépierre SA proceeded with the winding-up without liquidation of the following company, with retrospective effect for taxation purposes from January 1, 2008:

- Maille Nord SNC

These transactions are covered by the preferential tax scheme conferred under Article 210 of the French General Tax Code.

On October 24, 2008, Klépierre SA proceeded with the winding-up without liquidation of the following company, with retrospective effect for taxation purposes from January 1, 2008:

- Tour Marcel Brot SCI

This transaction was covered under the ordinary tax legislation.

1.5 New funding arrangements

On June 11 and 12, 2008, Klépierre signed a 750 million euro term loan agreement, syndicated by 6 banks.

This new funding is subject to the following conditions:

- a firm term of 3 years
- an overall cost of 5.05%

financial covenants identical to those applying to the syndications signed in January 2006 and January 2007, the key conditions being the Loan-To-Value ratio (capped at 52%), Interest/EBITDA coverage (at least 2.5) and the secured debt/RNAV ratio (capped at 20%).

The participating banks are: BNP Paribas (coordinator), BECM (Crédit Mutuel Group), Crédit Foncier de France (Groupe Caisse d'Epargne), ING Real Estate Finance, Landesbank Hessen-Thüringen Girozentrale and Intesa San Paolo (lender).

On October 7, 2008 Klépierre SA also opened a 4-year confirmed line of credit with BNP Paribas for 400 millions euros.

1.6 Capital increase

Klépierre SA concluded a successful rights issue on November 6 to raise part of the funding required for the Steen & Strøm acquisition.

The gross value of the transaction was 356.2 million euros, funded by the issue of 23,744,918 new shares.

Following these transactions, the share capital of Klépierre SA totaled 232,700,203.40 euros in the form of 166,214,431 shares, each with a par value of 1.40 euros.

2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Application of accounting conventions

The annual financial statements for the period ended December 31, 2008 have been prepared in accordance with the general chart of accounts.

The 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 annual financial statements, and on the basis of assumed continuity of operation

No changes were made to methods or estimations during the fiscal year.

2.2 Measurement methods

2.2.1 FIXED ASSETS

General criteria applied to the recognition and measurement of assets

Tangible and intangible fixed assets are recognized as assets when all the following conditions are met:

- it is likely that the entity will enjoy the corresponding future financial benefits
- their cost or value can be assessed with a sufficient level of reliability

At the date on which they enter the company's asset base, asset values are measured either at their cost of acquisition or their cost of construction.

Financial interest relating specifically to the production of fixed assets is included in their cost of acquisition.

2.2.2 INTANGIBLE ASSETS: THE TECHNICAL NEGATIVE VARIANCE

Generally recognized for mergers or complete transfers of assets and liabilities measured at their carrying value, the technical negative variance or "false" negative variance is recognized where the net value of the acquired company's shares as stated in the assets of the acquiring company is higher than the net book asset contributed.

To determine whether the negative merger variance is "true" or "false", it must be compared with the underlying capital gains on the asset items recognized or not in the accounts of the acquired company after deduction of liabilities not recognized in the accounts of the absorbed company for lack of accounting obligation to do so (pensions accruals, deferred tax liabilities).

The technical negative variance shown in the "Business assets" item is not amortizable, since the time over which its future economic benefits may be enjoyed cannot reliably be determined.

- ***Depreciation of the technical negative variance***

The negative variance is depreciated when the present value (the market value or value in use, whichever is the greater) of one or more underlying assets to which a percentage of the negative variance has been assigned falls below the carrying value of the assets concerned plus the proportion of negative variance assigned.

2.2.3 TANGIBLE ASSETS

- ***Definition and recognition of components***

Based on *Fédération des Sociétés Immobilières et Foncières* (Federation of Property Companies) recommendations concerning components and useful life, the component method is applied as follows:

- for properties developed by the subsidiaries themselves, assets are classified by component type and measured at their realizable value
- for investment properties held in the portfolio (sometimes for long periods), components are broken down into four categories: business premises, shopping centers, offices and residential properties.

Four components were identified for each of these asset types (in addition to land):

- Structures
- Façades, cladding and roofing
- General and Technical Installations (GTI)
- Fittings

When applying regulations 2004-06 and 2002-10, the components of existing retails buildings have been broken down using the following percentages (arrived at on the basis of the FSIF table):

Components	Offices	Amortization period (straight line)
Structures	60 %	60 years
Façades	15 %	30 years
GTI	15 %	20 years
Fittings	10 %	12 years

The table of components is an "as-new table". 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* (Federation of Property Companies), the amortization periods have been determined in such a way as to obtain a zero residual value on maturity of the amortization plan.

Amortization 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 depreciation***

At each full-year and interim balance sheet date, the company carries out an appraisal to determine any indication that an asset could have suffered a significant loss in value (PCG art. 322-5).

An asset is depreciated it when its actual value falls below that of its net carrying value. The actual value is the market value (appraised value excluding rights at the balance sheet date) or the value in use (PCG art 322-1), whichever is the higher.

The market value of the asset held is determined by independent appraisers, with the exception of those assets acquired less than 6 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 their appraised value, even where such disposal occurs within a few months of the balance sheet date.

Assets covered by a contract to sell are appraised at their selling price net of exit expenses.

2.2.4 FINANCIAL ASSETS

Equity investments are recognized at their cost of acquisition.

Provisions for impairment may be entered for equity investments where their inventory value is less than their acquisition value at the fiscal year end. The inventory value of equities is equivalent to their value in use, as calculated to take account of the net reappraised situation and yield outlook.

The net reappraised situations of real estate companies are estimated on the basis of appraisals conducted by independent real estate appraisers. Management company shares were valued at December 31, 2008 by a third party appraiser. On the basis of these appraisals, there was no necessity to recognize a provision for the impairment of these shares.

Treasury stock acquired for the purpose of transfer to a vendor as part of an external growth transaction is provisioned 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 asset.

The company has exercised the option of recognizing the acquisition cost of financial assets as expenses (PCG Articles 321-10 and 321-15).

2.2.6 ÉVICTION PENALTIES

When a lessor terminates a lease prior to the expiration date, he must pay the tenant eviction compensation.

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 preliminary expenses and recognized as a supplementary component of 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 penalties paid to tenants during commercial restructuring are recognized as expenses for the fiscal year.

2.2.7 MARKETING EXPENDITURE

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 04, 2004 by the Comité de Réglementation Comptable (CRC), relating to the treatment of mergers and similar transactions states the following rule regarding positive or negative variances in respect of cancelled shares:

- ***Negative variance***

A negative variance arising from these transactions must be treated in the same way as a negative merger variance:

- recognition of the technical negative variance in intangible assets
- 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 investment earnings of the acquiring company. Any residual balance is recognized as shareholders' equity.

2.4 Receivables, debts and cash & cash equivalents

Receivables, debts and cash and cash equivalents were measured at par value.

Les Trade receivables are estimated individually at each balance sheet date, and a provision entered wherever there is a perceived risk of non-recovery.

2.5 Investment securities

Investment securities are recognized at their cost of acquisition.

Provisions for depreciation are calculated in accordance with the following rules:

- Treasury shares traded under a market liquidity agreement: a provision is recognized when the inventory value (determined relative to the average market price for the last month of the fiscal year) is lower than the acquisition value.
- Shares allotted to employees: a provision is recognized if the average purchase price exceeds the purchase option price offered to employees.

2.6 Deferred charges: 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 of June 23, 2004 does not apply to financial instruments and related expenditure, such as loan issue costs, share premiums and loan repayment premiums.

The commissions and fees relating to bank loans are spread over the full loan period.

2.7 Forward financial instruments

Expenses and gains on forward financial instruments entered into for the purpose of hedging the group's risk exposure to interest rate fluctuations (SWAPS) are recognized pro rata in the income statement.

Unrealized losses and gains 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.

2.8 Operating income and expenses

Rental income is recognized on a straight line basis over the full duration of the lease agreement, building expenses are rebilled 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".

2.8.1 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 as additions to, or deductions from, lease income for the financial year. The reference period is the first agreed lease period.

2.8.2 EARLY TERMINATION PENALTIES

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

2.9 The tax regime adopted by the company

As a result of opting to apply the tax regime provided for in Article 11 of the French finance act of December 30, 2002, Klépierre SA is exempt from corporate income tax, subject to compliance with the three following conditions applying to the distribution of its profits:

- distribution of 85% of the profits generated from the rental of real estate assets prior to the end of the fiscal year following the year in which they were earned
- distribution of 50% of capital gains made on the disposal of buildings, equity holdings in companies covered by the provisions of article 8 and whose purpose is identical to that of an SIIC or stocks in subsidiary companies subject to corporate income tax, where such companies have exercised the option prior to the second fiscal year following the year in which the gains were made
- distribution of all dividends received from subsidiary companies exercising the option during the fiscal year following the year in which the dividends were paid.

Income relating to the exempt sector is distinguished from that of the taxable sector in accordance with the applicable legal requirements:

- Direct allocation of expenses and income, wherever possible
- Allocation of general expenses pro rata to the income of both sectors
- Allocation of net interest expenses pro rata to the gross fixed assets of both sectors

Klépierre SA also calculates the taxable income of the sector subject to corporate income tax.

Further to adopting the reconstitution of the historic cost in the context of implementing the component method, the new Article 237 *septies* of the CGI (French General Tax Code) requires that the resulting net amortization adjustments must be reintegrated for tax purposes in equal installments over five years.

3 NOTES TO THE BALANCE SHEET: ASSETS

3.1 Intangible assets and property, plant and equipment

3.1.1 GROSS FIXED ASSETS

Note 1 - Gross Fixed Assets

in thousands of euros	Gross Value at 31-12-2007	Acquisitions, new businesses and spinoffs	Reductions from disposals and retirement of assets	Inter-item transfers	Merger	Gross values at fiscal year end
INTANGIBLE FIXED ASSETS						
Set up costs	**614**	**-**				**614**
Other intangible fixed assets	**5 244**	**-**	**-**	**-**	**-**	**5 244**
- Technical negative variance	5 225				-	5 225
- Other	19		-			19
Total	**5 858**	**-**	**-**	**-**	**-**	**5 858**
TANGIBLE ASSETS						
Land	**323 449**	**-**	**- 31 193**	**-**	**-**	**292 256**
- Finance lease	280	-				280
- Operating lease	300 139	-	- 31 193	-		268 946
- Operational lease	23 030	-		-		23 030
Capital works	**177 065**	**-**	**- 13 772**	**-**	**-**	**163 293**
- Finance lease	1 638	-			-	1 638
- Operating lease	163 570		- 13 772	-		149 798
- Operational lease	11 857	-		-	-	11 857
Façades, cladding and roofing	**36 510**	**-**	**- 2 809**	**42**	**-**	**33 743**
- Finance lease	409			-	-	409
- Operating lease	33 842	-	- 2 809	42	-	31 075
- Operational lease	2 257			-	-	2 257
General and Technical Installations	**36 754**	**-**	**- 2 934**	**850**	**-**	**34 670**
- Finance lease	409					409
- Operating lease	34 255	-	- 2 934	850	-	32 171
- Operational lease	2 090			-	-	2 090
Fixtures	**37 261**	**-**	**- 2 371**	**968**	**-**	**35 858**
- Finance lease	273					273
- Operating lease	35 507	-	- 2 371	968	-	34 104
- Operational lease	1 481			-	-	1 481
Fixtures and construction in progress	**51 218**	**27 260**	**-**	**- 1 860**	**-**	**76 618**
Other tangible assets	**415**	**-**	**-**	**-**	**-**	**415**
Total	**662 672**	**27 260**	**- 53 079**	**-**	**-**	**636 853**
TOTAL GROSS FIXED ASSETS	**668 530**	**27 260**	**- 53 079**	**-**	**-**	**642 711**

In 2006, Klépierre SA acquired a future office building to be constructed in the Forum Seine urban development area in Issy Les Moulineaux under a *Contrat de Promotion Immobilière or CPI* (Property Development Contract). A total of 20.3 million euros (including taxes) was paid under this contract in 2008. Interest expenses for the 2008 fiscal year totaled 2.7 million euros.

The disposal refers 100% to the exchange of the office building at 46, rue Notre Dame des Victoires in Paris.

3.1.2 AMORTIZATIONS AND PROVISIONS

Note 2 - Amortization and provisions

Note 2 - Amortization

in thousands of euros	Amortization at 31-12-2007	Allowances	Disposals	Other movements	Merger	Amortization at fiscal year end
INTANGIBLE FIXED ASSETS						
Set up costs	**246**	**123**	**-**	**-**	**-**	**369**
Other intangible fixed assets	-	-	-	-	-	-
- Technical negative variance	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Total	**246**	**123**	**-**	**-**	**-**	**369**
TANGIBLE ASSETS						
Capital works	**29 896**	**4 187**	**- 5 393**	**-**	**-**	**28 690**
- Finance lease	980	48	-	-	-	1 028
- Operating lease	27 595	3 875	- 5 393	-		26 077
- Operational lease	1 321	264	-	-		1 585
Façades, cladding and roofing	**9 583**	**1 311**	**- 1 536**	**-**	**-**	**9 357**
- Finance lease	186	9				195
- Operating lease	8 963	1 215	- 1 536			8 642
- Operational lease	434	87		-		521
General and Technical Installations	**14 595**	**2 091**	**- 2 331**	**-**	**-**	**14 355**
- Finance lease	236	12	-	-	-	248
- Operating lease	13 707	1 949	- 2 331	-		13 325
- Operational lease	652	131		-		783
Fixtures	**22 822**	**2 851**	**- 2 281**	**-**	**-**	**23 392**
- Finance lease	203	10				213
- Operating lease	21 708	2 659	- 2 281	-		22 086
- Operational lease	911	182		-		1 093
Other tangible assets	**394**	**1**	**-**	**-**		**395**
Total	**77 291**	**10 440**	**- 11 541**	**-**	**-**	**76 190**
TOTAL AMORTIZATION	**77 538**	**10 563**	**- 11 541**	**-**	**-**	**76 559**

Note 2 - Provisions

in thousands of euros	Provisions at 31-12-2007	Allowances	Write-backs	Inter-item transfers	Merger	Provisions at fiscal year end
TANGIBLE ASSETS						
Construction and fixtures	**-**	**-**	**-**	**-**	**-**	**-**
- Operating lease	-	-	-			-
Capital works	**-**	**-**	**-**	**-**	**-**	**-**
- Operating lease	-	-	-	-		-
Façades, cladding and roofing	**-**	**-**	**-**	**-**	**-**	**-**
- Operating lease	-	-	-	-		-
General and Technical Installations	**-**	**-**	**-**	**-**	**-**	**-**
- Operating lease	-	-	-	-		-
Fixtures	**-**	**-**	**-**	**-**	**-**	**-**
- Operating lease	-	-	-	-		-
TOTAL PROVISIONS	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL AMORT. AND PROVISIONS	**77 538**	**10 563**	**- 11 541**	**-**	**-**	**76 559**

3.1.3 NET FIXED ASSETS

Note 3 - Net Fixed Assets

in thousands of euros	Net value at 31-12-2007	Net increases in allowances	Net reduction in write-backs	Inter-item transfers	Merger	Net value at fiscal year end
INTANGIBLE FIXED ASSETS						
Set up costs	**368**	**- 123**	**-**	**-**	**-**	**245**
Other intangible fixed assets	**5 244**	**-**	**-**	**-**	**-**	**5 244**
- Technical negative variance	5 225	-	-	-	-	5 225
- Other	19	-	-	-	-	19
Total	**5 613**	**- 123**	**-**	**-**	**-**	**5 490**
TANGIBLE ASSETS						
Land	**323 449**	**-**	**- 31 193**	**-**	**-**	**292 256**
- Finance lease	280	-	-	-	-	280
- Operating lease	300 139	-	- 31 193	-	-	268 946
- Operational lease	23 030	-	-	-	-	23 030
Capital works	**147 168**	**- 4 187**	**- 8 379**	**-**	**-**	**134 602**
- Finance lease	658	- 48	-	-	-	610
- Operating lease	135 975	- 3 875	- 8 379	-		123 722
- Operational lease	10 536	- 264	-	-		10 272
Façades, cladding and roofing	**26 927**	**- 1 311**	**- 1 273**	**42**	**-**	**24 386**
- Finance lease	223	- 9	-	-	-	214
- Operating lease	24 880	- 1 215	- 1 273	42		22 434
- Operational lease	1 823	- 87	-	-		1 736
General and Technical Installations	**22 160**	**- 2 091**	**- 603**	**850**	**-**	**20 317**
- Finance lease	173	- 12	-	-	-	161
- Operating lease	20 548	- 1 949	- 603	850		18 846
- Operational lease	1 438	- 131	-	-		1 307
Fixtures	**14 439**	**- 2 851**	**- 90**	**968**	**-**	**12 466**
- Finance lease	70	- 10	-	-	-	60
- Operating lease	13 799	- 2 659	- 90	968		12 018
- Operational lease	570	- 182	-	-		388
Fixtures and construction in progress	**51 218**	**27 260**	**-**	**- 1 860**		**76 618**
Other tangible assets	**20**	**- 1**	**-**	**-**	**-**	**19**
Total	**585 381**	**16 820**	**- 41 538**	**-**	**-**	**560 664**
TOTAL NET FIXED ASSETS	**590 994**	**16 697**	**- 41 538**	**-**	**-**	**566 154**

3.2 Financial assets

3.2.1 EQUITY SECURITIES

Changes in equity securities

Note 4 - changes in equity securities

in thousands of euros	
gross equity securities at year start	**2 713 448**
Acquisitions of equities	**914 466**
* received in payment for contributions of buildings or shares to subsidiaries	101 813
* received in payment for for equity securities (proportion)	-
* purchases, capital increase and contributions	812 653
Decreases in equities	**- 43 217**
* Capital decreases and reductions & contributions	- 43 217
Disposals and transfers of equities	**- 623**
* retirement of shares	- 269
* disposal of shares	- 354
* payment for contributions	-
* Other	-
gross equity securities at year end	**3 584 074**

The change in the “Acquisition of equities” item refers chiefly to:

- The acquisition of shares in Klépierre Nordica BV (formerly GLG Holding BV) at a total cost of 287.3 million euros
- The acquisition of real estate company Galeries Drancéennes as part of an exchange involving the office building located at 46, rue Notre-Dame des Victoires Paris 75 at a cost of 58.6 million euros
- The capital paid on formation of real estate company Klépierre Créteil and the subsequent incorporation of advances totaling 57.2 million euros
- The purchase of Finim holdings in the Italian companies Immobiliare Magnolia SRL, Novate SRL, Immobliare Comerciale Dodicesima SA and Effe Kappa SRL at a total cost of 13.7 million euros
- The recapitalization by setoff of receivables of the following companies:
    - Société des centres toulousains SNC (132 million euros)
    - Kléber la Pérouse SNC (110.8 million euros)
    - SCOO SNC (91 million euros)
    - H1 SA (29.6 million euros)
    - Bassin Nord SCI (22.4 million euros)
    - Sodevac SNC (12.3 million euros)
    - Kléprojet 1 SAS (11.7 million euros)
    - La Plaine du Moulin à Vent SCI (11.5 million euros)

- The following company share contributions were made during the fiscal year:
  - H2 SA to H1 SA in exchange for 78,444 shares (25.7 million euros)
  - Klépierre Vallecas SRL to Capucines BV in exchange for a Capucines BV share transaction (16.7 million euros)
  - Klegestion SNC to Ségécé SCS in exchange for 2,083 shares (0.8 million euros)

The “Retirement of shares” item refers to transactions involving the complete transfer of assets and liabilities.

The “Disposal of shares” item refers essentially to the disposal of shares in Socoseine SAS (0.1 million euros) and Sviluppo Klépierre Finim SPA (0.2 million euros).

Subsidiary companies and holdings

Note 5 - Financial assets

Financial information on Subsidiaries and Holdings in thousands of euros	Capital	Shareholder equity other than capital stock & income	Percentage holding	Net earnings at year-end	Pre-tax revenue	Gross carrying amount	Net carrying amount	Guarantees and sureties given	Loans and advances granted	Dividends received
1. SUBSIDIARIES OWNED BY MORE THAN 50 %										
Angoumars SNC	5 131	46 165	100	705	3 849	51 296	51 296		6 149	
Barjac Victor SNC	1 792	16 110	100	1 503	3 295	19 236	19 236		7 488	
Bègles Papin SCI	765	6 871	99	45	762	7 636	7 636		3 077	
Besançon Chazeule SCI	29	245	99	-19	52	274	274		635	
Capucine BV	2 401	26 829	100	-2 360		23 855	23 855		74 166	
CB Pierre SAS	10 500	4 815	100	1 553	2 265	0	0			5 460
Cécoville SAS	2 307	164 648	100	68 617	24 579	162 445	162 445	112 000		11 418
Centre Bourse SNC	3 813		100	2 353	3 095	47 419	46 722			
Clermont Jaude SAS	21 686	2 169	100	6 244	9 045	76 396	76 396		13 830	5 587
Combault SCI	778	6 984	100	571	1 140	7 762	7 762		4 902	
Effe Kappa SRL	12	36	100	193	830	306	306			
Foncière de Louvain-la-Neuve SA	62	-6 619	100	-12 762		61	61		25 003	
Foncière Saint Germain SNC	1 183	9 208	100	980	2 175	10 562	10 562		4 743	
Galeries Drancéennes SCI	4	2 644	100	572	1 057	58 596	58 596		15 121	
Galeria Commerciale Klépierre SARL	1 560	12 130	100	356	5 088	15 510	15 510		37 004	
Général Leclerc SNC	3 916	12 881	100	799	2 457	14 429	14 429		9 695	
Holding Gondomar 1 SA	5 449	32 436	100	-7 511	3 228	81 873	81 873		62 935	
Holding Gondomar 3 SAS	410	2 694	100	-73		3 684	3 684		1 303	
Holding Gondomar 4 SAS	38	-278	100	-197		587	587		4 641	
Immobiliare Commerciale Dodicesima SPA	520	22 835	100	8		19 679	19 679			
Immobiliare Magnolia SRL	520	11 601	100	35		6 708	6 708			
Jardin des Princes SNC	800	7 185	100	890	1 325	9 525	9 525		609	
Kléber La Pérouse SNC	19 675	127 132	100	1 059	185	165 225	165 225		91 643	
Klécar Europe Sud SCS	315 260	294 723	83	27 006		523 247	523 247			23 459
Klécar France SNC	500 881	500 881	83	104 496	78 554	831 462	831 462		52 445	
Klécar Participations Italie SAS	31 471	3 247	83	2 952		33 629	33 629		52 948	
Kléfin Italia SPA	15 450	98 935	100	-1 521	1 109	125 625	125 625		52 448	
Klémurs SCA	82 500	67 517	84	-3 538	31 297	124 519	124 519		130 057	6 939
Klépierre Conseil SAS	708	1 924	100	491	3 325	3 934	2 575		6 834	124
Klépierre Créteil SCI	5 721	51 480	100	-36		57 201	57 201		6 829	
Klépierre Finance SAS	38	4	100	142		38	38			280
Klépierre Nordica BV	60 000	227 250	100	-16		287 256	287 256		50	
Klépierre Participation et Financements SAS	96 390	59	100	-1 365		96 390	96 390	165 000	233	3 060
Klépierre Portugal SA	250	4 050	100	608		4 250	4 250		90 229	446
Klépierre Trading SARL	189	-41	100	313	9 758	199	160		470	
KLE 1 SAS	6 048	196	100	7 406	393	60 154	60 154		49 576	57 898
Klépierre Vinaza SA	60	-6	100	-7 880	1 569	3 270	0		30 603	
Klé Projet 1 SAS	1 204	9 957	100	-1 083	254	11 702	11 664		28 857	
Klétransactions SNC	387	3 466	100	8	2 476	3 853	3 853		4 863	
Klépierre Luxembourg SAS	300	1 463	100	-8 026		2 000	2 000		216 947	
LP 7 SAS	45	51	100	-18		261	261		9	
Nancy Bonsecours SAS	39	38	100	-13		535	76			
Novate SRL	16 895	37 411	85	78		36 757	36 757			
Pasteur SNC	227	1 738	100	-5		2 091	1 966		1 595	
SCOO SNC	14 223	104 544	80	13 062	25 486	163 527	163 527		6 441	
Ségécé SCS	1 412	2 691	100	11 809	91 955	49 304	49 304		40 352	5 410
Soaval SCS	402	1	80	-39		809	809	97 000	32 349	
Sodévac SNC	2 918	26 245	100	2 188	5 275	29 163	29 163		12 211	
Société des Centres Toulousains SNC	17 427	156 510	75	-6 203		131 863	131 863		181	
Sovaly SAS	469	-34	100	-41		787	435		311	
TOTAL I				**204 336**	**315 878**	**3 366 890**	**3 360 551**	**374 000**	**1 179 782**	**120 081**

Financial information on Subsidiaries and Holdings in thousands of euros	Capital	Shareholder equity other than capital stock & income	Percentage holding	Net earnings at year-end	Pre-tax revenue	Gross carrying amount	Net carrying amount	Guarantees and sureties given	Loans and advances granted	Dividends received
2. EQUITY HOLDINGS OF BETWEEN 10% AND 50%										
Antin Vendôme SC	15		50	-3		8	8		101	
Bassin Nord SCI	44 827		50	-2 327		22 413	22 413		32 000	
Bègles d'Arcins SCS	26 679	17 383	50	5 780	9 232	41 837	41 837	4 994	4 175	3 456
Galae SNC	330	0	49	630	1 244	490	162			
La Plaine du Moulin à Vent SCI	28 593	25 285	50	60	1 227	26 939	26 939		2 969	
Le Havre Vauban SNC	300	5	50	150	667	237	237			
Le Havre Lafayette SNC	525	9	50	1 654	5 557	983	983			
Odysseum Place de France SCI	53	1	50	48	85	174	174	38 655	65 204	
Solorec SC	4 869	2 768	49	22 036	29 206	124 104	124 104		18 465	
TOTAL II				**28 028**	**47 218**	**217 185**	**216 857**	**43 649**	**122 914**	**3 456**
3. Other										
TOTAL III				**0**	**0**	**0**	**0**	**0**	**0**	**0**
GRAND TOTAL I + II + III				**232 364**	**363 096**	**3 584 075**	**3 577 408**	**417 649**	**1 302 696**	**123 537**

3.2.2 RECEIVABLES FROM EQUITY SECURITIES

Note 6 - Receivables from equity securities

in thousands of euros	December 2008	December 2007	December 2006
Advances on equity securities	**2 583 598**	**2 284 951**	**1 484 767**
Interest accrued on advances	**123 994**	**106 245**	**52 967**
Share of earnings	**122 087**	**101 225**	**79 542**
Impairment of receivables from equity securities	**- 6 251**	**-**	**-**
Total	**2 823 428**	**2 492 421**	**1 617 276**

The majority of the increase shown in the "Advances on equity securities" item refers to advances made to:

- Storm Holding Norway AS: 217.5 million euros in respect of shares in Steen & Strom, Oslo, Norway
- The Swedish company Nordica Holdco AB: 68.9 million euros in respect of shares in Storm Holding Norway AS
- Galeries Drancéennes SCI: 15 million euros in respect of a center in Drancy
- Soaval SCS: 32.3 million euros in respect of a development project at the Gare Saint-Lazare
- Klépierre Tourville SCI: 7.5 million euros in respect of the center in Tourville
- Klépierre Créteil SCI: 6.8 million euros in respect of the BHV in Créteil

Having fully impaired the shares in Klépierre Vinaza (Spain), a provision of 6.2 million euros was recognized in respect of these receivables.

3.3 Other assets

3.3.1 LOANS

Loans made by Klépierre SA totaled 149.3 million euros, including interest. These loans were made to the directly-owned subsidiary companies Le Havre Lafayette and Le Havre Vauban.

A 3-year 130 million euro loan was made to Klémurs SCA.

Loan and interest payments totaling 2.8 million euros were made in 2008.

Note 7 - Other financial assets

in thousands of euros	December 2008	December 2007	December 2006
Deposits paid	120	120	128
Treasury stock	56 440	41 935	-
Impairment of treasury stock	- 22 935	-	-
Total	**33 625**	**42 055**	**128**

Treasury stock acquired for the purpose of transfer to a vendor as part of an external growth transaction totaled 56.4 million euros.

These shares have been provisioned at 22.9 million euros, since the average stock market price for the last month of the fiscal year was lower than the acquisition value.

3.4 Trade and other receivables

All trade receivables (5.6 million euros) are due within one year.

Other receivables are shown in the following tables, broken down by due date:

Note 8 Other receivables

in thousands of euros	December 2008	December 2007	December 2006
Government	**12 033**	**6 523**	**8 240**
* VAT	2 308	1 780	8 206
* Accrued revenue	34	2 613	34
*Government – Corporate Income Tax	9 691	2 130	-
Other receivables	**2 786**	**18 474**	**18 146**
* Receivables for fixed asset disposals	3	3	14
* Accrued interest on interest rate SWAP	-	16 402	15 735
* Other	2 783	-	2 397
Total	**14 819**	**24 997**	**26 386**

Receivables maturity schedule

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
Government	**12 033**	**12 033**	-	-
* VAT	2 308	2 308		
* Accrued revenue	34	34		
*Government – Corporate Income Tax	9 691	9 691		
Other receivables	**2 786**	**2 786**	-	-
* Receivables for fixed asset disposals	3	3		
* Accrued interest on interest rate SWAP	-	-		
* Other	2 783	2 783		
Total	**14 819**	**14 819**	-	-

The reduction in the “Accrued revenue” item refers essentially to a VAT refund of 2.6 million euros.

The “Government – Corporate Income Tax” item refers to:

- A carry back of 7.9 million euros
- A net amount receivable of 1.7 million euros in relation to corporate income tax for the 2008 fiscal year.

3.5 Investment securities and treasury shares

At December 31, 2008, the stock of treasury shares totaled 3,779,079 (2.65% of all shares issued), with an acquisition value of 107.9 million euros.

This stock is allocated as follows:

- 1,523,418 shares to the stock options plan
- 259,683 actions to the market liquidity agreement used to regulate the share price
- 1,995,978 shares to cover external growth transactions, and recognized in financial assets

824,339 treasury shares held under the market liquidity agreement were sold during the 2008 fiscal year, resulting in a net capital loss of 3.7 million euros for the fiscal year.

Totaling 3 million euros, the "Other securities" item refers to short term cash investments.

An additional 9.8 million euro provision for impairment of investment securities (stock options) was recognized during the 2008 fiscal year.

3.6 Accrued expenses and deferred expenses

Note 9 - Accruals - assets

in thousands of euros	December 2008	December 2007	December 2006
Prepaid expenses	**24 797**	**48 321**	**77 804**
* Spread swaps cash payment	19 707	42 732	71 994
* parking concession	-	49	63
* construction lease	4 947	5 210	5 486
* Other	143	330	261
Deferred charges	**12 850**	**8 487**	**6 847**
* Bond issue costs	335	3 755	4 672
* Lender loan issue costs	12 515	4 732	2 175
Bond issue premiums	**6 589**	**8 166**	**9 960**
Total	**44 236**	**64 974**	**94 611**

The "Construction lease" item refers to the building at 43 rue de Grenelle in Paris (*15th arrondissement*)

4 NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES

4.1 Equity

Note 10 - Stockholder equity

in thousands of euros	at 31 December 2007	Application of income	Distribution		Other		At fiscal year end
Equity capital (1)	**193 890**		**5 567**	**(1)**	**33 243**	**(2)**	**232 700**
Additional paid-in capital from issues, contributions and merger premiums							
*Issue premiums	82 803		**125 196**	(1)	315 900	(2)	523 899
*EOC issue premiums	174 012						174 012
*Contribution premium	259 318						259 318
*Merger premiums	113 297						113 297
Positive merger variance	187 452						187 452
Positive cancelled share variance	18 305				2	(3)	18 307
Legal reserve	18 466	923					19 389
Other reserves							
*Regulated reserves	-	-					-
*Other reserves	168 055						168 055
Retained earnings	**302 964**	**299 949**	**- 173 116**		**3 700**	(4)	**433 497**
Income for the period	**300 872**	**- 300 872**			**172 937**		**172 937**
Total	**1 819 432**	**-**	**- 42 353**		**525 782**		**2 302 862**

(1) Composition of equity capital							
Ordinary shares	138 492 687		3 976 826		23 744 918		166 214 431
nominal value (€)	1,40		1,40		1,40		1,40

(1) Capital increase for payment of the dividend in the form of shares

(2) Capital increase by rights issue

(3) The increase in the postive canceled share variance refers to the complete transfer of assets and liabilities of Tour Marcel Brot SCI

(4) The increase in retained earnings refers to the dividends relating to allocated treasury stock (3,700,000 euros)

The capital increase conducted in the first half of the year results from the option offered to Klépierre SA shareholders to receive their dividends in the form of shares, which is described in greater detail in section 1. Significant events of the 2008 fiscal year.

The amount of 38.4 million euros refers to those dividends paid in cash to shareholders not taking up the option to be paid in shares.

The rights issue resulted in the creation of 23,744,918 new shares with a gross value of 356.2 million euros.

7 million euros of expenses relating to this capital increase have been allocated to the issue premium.

4.2 Provisions for contingencies and losses

Note 11 - Provisions for contingencies and losses

in thousands of euros	December 2008	Allowances	Reversals	Merger	December 2007	December 2006
Other provisions for contingencies and losses	**288**	**85**	**- 39**		242	875
Total	**288**	**85**	**- 39**	**-**	**242**	**875**

Allowances refer chiefly to risks related to new business campaigns.

4.3 Borrowings and financial debt

Note 12 - Borrowings and other debt

in thousands of euros	December 2008	December 2007		December 2006
Other bond issues	**1 336 578**	**1 954 263**		**1 954 263**
* Primary debt	1 300 000	1 900 000	#	1 900 000
* Accrued interest (1)	36 578	54 263	#	54 263
Borrowings and loans from credit institutions	**3 330 238**	**1 815 859**		**1 123 858**
* Syndicated loan	2 390 000	1 650 000		950 000
* Accrued interest on syndicated loan	5 131	1 818		1 922
* Bilateral contract	135 000	135 000		135 000
* Accrued interest on bilateral contract	118	118		118
* Club deal	750 000	-		-
* Bank overdrafts	24 320	28 843		36 747
* Interest earned on bank accounts	87	80		71
* Accrued interest on SWAP	25 582			
Other borrowings and financial debt	**298 970**	**377 135**		**250 240**
* Deposits and guarantees received	2 399	3 319		3 553
* Cash centralization scheme	186 175	144 672		155 427
* Commercial paper	90 000	220 000		90 000
* Debts on equity securities	14 071	-		-
* Accrued interest on debts	384	-		-
* Share of earnings	5 941	9 144		1 260
Total	**4 965 786**	**4 147 257**		**3 328 361**

(1) Coupon payable on 15 July and 16 March

At December 31, 2008, the main sources of borrowing were as follows:

- a 600 million euro bond issue made in July 2004 with a 4.625% coupon and a maturity date of July 2011
- a 700 million euro bond issue made in March 2006 with a 4.25% coupon and a maturity date of March 2016
- a 1,200 million euro syndicated loan contracted in 2006 (maximum authorized borrowings of 1,200 million euros)
- a 950 million euro syndicated loan contracted in 2007 (maximum authorized borrowings of 1,000 million euros)
- a 240 million euro bilateral syndicated loan contracted in 2008 (maximum authorized borrowings of 400 million euros)
- a 750 million euro club deal contracted in 2008 with a single drawdown
- a 135 million euro bilateral loan issued in December 2004
- a 90 million euro commercial paper facility (secured by a backup line of credit totaling 300 million euros)

The maturity dates of financial debt at December 31, 2008 were as follows:

Debt maturity schedule

in thousands of euros	Total	Less than 1 year	1-5 years		More than 5 years	
Other bond issues	**1 336 578**	**36 578**	**600 000**		**700 000**	
* Primary debt	1 300 000		600 000	(1)	700 000	(2)
* Accrued interest	36 578	36 578				
Borrowings and loans from credit institutions	**3 330 238**	**55 238**	**2 325 000**		**950 000**	
* Syndicated loan	2 390 000		1 440 000		950 000	
* Accrued interest on syndicated loan	5 131	5 131				
* Bilateral contract	135 000		135 000			
* Accrued interest on bilateral contract	118	118				
* Club deal	750 000		750 000			
* Bank overdrafts	24 320	24 320				
* Interest earned on bank accounts	87	87				
* Accrued interest on SWAP	25 582	25 582				
Other borrowings and financial debt	**298 970**	**282 500**	**14 071**		**2 399**	
* Deposits and guarantees received	2 399				2 399	
* Cash centralization scheme	186 175	186 175				
* Commercial paper	90 000	90 000				
* Debts on equity securities	14 071		14 071			
* Accrued interest on debts	384	384				
* Share of earnings	5 941	5 941				
Total	**4 965 786**	**374 316**	**2 939 071**		**1 652 399**	

(1) July 2011 600,000,000 euros
(2) March 2016 700,000,000 euros

4.4 Trade and other payables

All trade receivables are due within less than one year.

4.5 Taxes and social contributions

Note 13 - CORPORATE INCOME TAX and EXIT TAX

in thousands of euros	December 2008	December 2007	December 2006
EXIT TAX	**1 837**	**3 675**	**5 512**
* SCOO SNC	1 837	3 675	5 512
CORPORATE INCOME TAX	**-**	**-**	**- 825**
OTHER TAXES	**11 396**	**11 148**	**13 383**
Total	**13 233**	**14 823**	**18 070**

- ***1) EXIT TAX:***

The company's debt to the French treasury changed as follows during the fiscal year:

- €1.8 million was paid in 2008 in respect of the 3rd quarter of the exit tax arising as a result of SCOO equity entering the SIIC scheme in 2005.

- ***2) OTHER TAXES:***

The "Other taxes" item refers to:

- 10.8 million euros of tax payable. In 2006, Klépierre was the subject of tax investigation covering the 2003 and 2004 fiscal years. A demand received in December 2006 in relation to the 2003 fiscal year is contested by the company.

4.6 Other debts

Note 14 - Other debts

in thousands of euros	December 2008	December 2007	December 2006
Advances and Interests on advances	**-**	**-**	**511**
Accrued interest on interest rate SWAP	**-**	**9 256**	**7 751**
Other *	**3 307**	**3 273**	**3 195**
Total	**3 307**	**12 529**	**11 457**

* Due within one year

4.7 Prepaid income

Note 15 - Accruals - Liabilities

in thousands of euros	December 2008	December 2007	December 2006
Accrued income	**3 296**	**10 748**	**24 435**
* Spreading of swap settlement	3 063	10 748	24 435
* Other	233	-	-
Total	**3 296**	**10 748**	**24 435**

5 NOTES TO THE FINANCIAL STATEMENTS: INCOME STATEMENT

5.1 *Operating income*

The sole source of revenue is rents from the letting of office buildings. Most of this rental income is generated in Paris and the Paris Region.

Operating income for the year was 1.1 million euros higher than the figure for December 31, 2007.

5.2 *Share of income from joint operations*

This tem totaled 148.6 million euros at December 31, 2008.

The major contributions to this total were:

- the company's share of the 2007 earnings reported by Ségécé, Klécar Europe Sud and Bègles Arcins, which totaled 11.8 million euros and refers to the assignment of profits from limited partnerships
- 20.4 million euros in pre-payment against the company's share of the 2008 earnings of Klécar Europe Sud and Bègles Arcins
- the company's share of the 2008 earnings reported by Klécar France (86.7 million euros), Solorec (10.8 million euros) and SCOO (10.4 million euros)

5.3 *Financial income/loss*

At December 31, 2008, financial income/loss represented a loss of 24.8 million euros, compared with a profit of 91.8 million euros at December 31, 2007.

5.3.1 FINANCIAL REVENUE

Note 16 - Financial Income

in thousands of euros	December 2008	December 2007	December 2006
Income from sales of investment securities	167	208	188
Income from interest rate swaps *	11 629	-	-
Income from equity holdings	111 774	166 257	79 154
Positive variance from merger and cancelled shares	256	5 041	29 543
Interest on affiliated company advances	134 980	100 942	65 099
Other interest received	574	194	357
Other revenue and financial income	504	32	316
Reversal of financial provisions	2 214	819	2 850
Transfer of financial expenses	9 472	5 356	4 787
TOTAL FINANCIAL INCOME	**271 570**	**278 849**	**182 294**

* Swap-related income and expenses are netted

At December31, 2008, net income from swaps comprised:

- net interest income of 26.9 million euros
- deferred swap balancing payments representing an expense of 15.3 million euros

The change in income from equity holdings refers principally to:

- An increase in dividends paid in the form of issue premium distributions in respect of Klé1 SAS (54.2 million euros) and Klémurs SCA (5.1 million euros)
- An increase of 20.6 million euros in the dividends paid by Poitiers Aliénor SAS
- A decrease of 96.5 million euros in the dividends paid by CAPUCINE BV

The majority of the "Positive variance from merger and cancelled shares" item refers to the positive variance on the CTAL relating to SAS Poitiers Aliénor (0.2 million euros).

The "Reversal of financial provisions" item refers essentially to the reversal of provisions on Centre Bourse SNC shares (1.5 million euros) and Sviluppo Klépierre Finim SPA shares (0.2 million euros).

At December 31, 2008, the "Transfer of financial expenses" item referred to the spreading of bank lending commissions. The main reason for the increase seen in this item is the spreading of the financial expenses relating to a new Club Deal loan of 3.8 millions euros and a new syndicated loan of 0.6 million euros.

5.3.2 FINANCIAL EXPENSES

Note 17 - Financial Expenses

in thousands of euros	December 2008	December 2007	December 2006
Interest on bond issues	76 678	94 250	88 219
Interest on affiliated company debts	384	-	-
Interest on loans from credit institutions	126 091	67 984	29 271
Other bank interest	-	14	22
Expenses relating to swaps*	-	2 118	13 220
Interest on current accounts and credit deposits	11 651	9 983	10 557
Negative canceled share variance CTAL	10	367	-
Other financial expenses	8 265	3 910	5 806
Amortization allowance on bond issue premiums	1 576	1 794	1 655
Amortization allowance on loan issue fees	2 277	1 244	1 042
Allowances on financial provisions	42 273	5 324	654
Currency exchange losses	27 223	-	-
TOTAL FINANCIAL EXPENSES	**296 428**	**186 987**	**150 446**

The increase in loan interest is attributable to 30.6 million euros of the 1 billion euro syndicated loan issued in September 2007, and loans totaling 25.2 million euros in 2008.

Allowances on financial provisions include:

- 33 million euros of provisions relating to company shares
- 10 million euros of provisions relating to Klépierre Vinaza

The 27 million euro Currency exchange losses item refers to the Norwegian acquisition.

Interest on loans from credit institutions comprises:

- 90.1 million euros in syndicated loan interest

- 8.4 million euros in commercial paper
- 22.8 million euros in club deal interest
- 4.8 million euros bilateral loan interest

Interest on current accounts and credit deposits comprises:

- 10.5 million euros in cash centralization scheme interest
- 1.1 million euros in bank overdraft interest

The “Other financial expenses” item is attributable chiefly to loan commissions, the main constituents of which are 3.9 million euros in relation to the club deal and 4.3 million in relation to the syndicated loans.

5.4 Non-recurring income / loss

Note 18 - Non-recurring income

in thousands of euros	December 2008	December 2007	December 2006
Capital gains and losses on tangible and financial assets	22 726	30 252	31 310
Capital gains and losses of treasury stock	- 3 746	- 346	1 987
Other non-recurring income and expenses	255	2 596	505
Total	**19 235**	**32 502**	**33 802**

The net capital gain of 22.7 million euros refers essentially to:

- The capital gain made on the 23 million euro disposal of the office building at 46 Notre Dame.

The “Other non-recurring income and expenses” item refers essentially to the adjustment made to the price Société Espace Cordeliers following the complete transfer of assets and liabilities from Poitiers Aliénor SAS.

5.5 Corporate income tax

Note 19 - Corporate income taxes

in thousands of euros	December 2008		December 2007		December 2006
Tax and contributions	162	-	211	-	15 105
Reduced rate tax and contributions	-	-	35	-	211
Income - loss carryback	7 915		-		-
Total	**8 077**	**-**	**246**	**-**	**15 316**

The “Income - loss carryback” item of 7.9 million euros is made up of 3.5 million euros from the 2005 fiscal year, 3 million euros from the 2006 fiscal year and 1.4 million euros from the 2007 fiscal year.

6 NOTES TO THE FINANCIAL STATEMENTS: OFF-BALANCE SHEET COMMITMENTS

6.1 Reciprocal commitments relating to interest rate hedging instruments

At December 31, 2008, Klépierre SA held a portfolio of interest rate hedging instruments, all of which were 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, 2008 totaled 123.6 million euros (excluding accrued coupons).

Note 20 - Reciprocal commitments - Interest rate swaps

Firm deals

Firm deals *in thousands of euros*	December 2008	December 2007	December 2006
Fixed rate payer Klépierre - Variable rate payer BNP-Paribas	3 850 000	2 350 000	1 700 000
Fixed rate payer BNP-Paribas - Variable rate payer Klépierre	600 000	600 000	600 000

Impact on income

Impact on income (reference capital 1 - 10 years) *in thousands of euros*	December 31, 2008 Income	 Expenses
Fixed rate payer Klépierre - Variable rate payer BNP-Paribas	130 592	97 533
Fixed rate payer BNP-Paribas - Variable rate payer Klépierre	27 750	33 839

Note 21 - Off-balance sheet commitments

in thousands of euros	December 2008	December 2007	December 2006
Commitments given			
Commitments on purchases of securities and malls	82 292	355 364	428 047
Commitments to buy	-	11 767	11 767
Funding commitments given to credit institutions	486 571	426 449	227 752
Other commitments given	-	-	7 388
Total	**568 863**	**793 580**	**674 954**
Commitments received			
Deosits received from tenants	6 246	6 294	4 095
Funding commitments received from credit institutions	420 000	630 000	460 000
Commitments to purchase securities		-	-
Commitments for the sale of buildings	-	-	48 375
Total	**426 246**	**636 294**	**512 470**

The "Commitments on purchases of securities and malls" item refers essentially to:

- the outline agreement with Eiffage for the purchase of a shopping center in Vannes at a cost of 50.5 million euros
- other commitments totaling 31.5 million euros

The change in the "Funding commitments received from credit institutions" item refers to the remaining unused balance of 420 million euros originating in the syndicated loans of 2006 and 2007 and the bilateral loan of 2008.

Klépierre SA also signed a property development contract for the construction of an office building at Issy Les Moulineaux. Payment outstanding for this project totaled 4.8 million euros at December 31, 2008.

Shareholder agreements relating to Klécar France, Klécar Europe Sud, Solorec and Klécar Participations Italie

The shareholder agreements between Klépierre SA, CNP Assurances and Ecureuil Vie were amended by a rider signed on December 30, 2004, the effect of which was to cancel the liquidity commitments given by Klépierre SA to its partners.

The agreement provides for the usual minority protections: pre-emption right, joint exit right and the decision-making process applying to investment or disinvestment.

Each agreement also contains two types of provision:

- One in favor of Klépierre: an obligation for the minority shareholders to exit at the request of Klépierre in the event of assets being sold to a third party

- The other in favor of the minority shareholders: a process enabling the latter to consider a range of exit scenarios in 2011, 2016 and 2017 (for the Italian malls) or 2010, 2014 and 2015 (for the other malls):
    - asset sharing or sale
    - purchase of minority shareholdings by Klépierre (with no obligation for Klépierre)
    - sale to a third party with payment of a capped discount by Klépierre if the offer is less than the Revalued Net Asset

Partners' agreement between Klépierre, Kléfin, Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper and Cedro 99 in respect of Immobiliari Galerie Commerciali (IGC) and Clivia

A partners' agreement was signed in 2002 during the acquisition of IGC by the Klépierre group.

Its main provisions – including those regarding Klépierre's preemptive right – were restated in a new agreement that now applies to IGC and/or Clivia (the owner of the Lonato, Verona and Vittuone malls).

It also includes a PUT (option to sell) in favor of Finiper, enabling the latter to sell its shares in IGC and/or Clivia to Klépierre. This 10-year PUT cannot be split for IGC (it must be exercised on all the shares held by Finiper), but may be split into two parts (each of 25%) for Clivia. Any refusal by Klépierre gives Finiper entitlement to a penalty.

Partners' agreement between Klépierre and Stichting Pensioenfonds ABP in respect of the Swedish company Nordica Holdco AB, and the Norwegian companies Storm 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.

- A one-year inalienability period applied to Steen & Strøm shares from the date of acquisition
- Each party has 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 a party (other than Klépierre or one of its associated companies) to a competitor entity (as defined in the agreement), the shares concerned will be subject to 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 in Steen & Strøm, or a market flotation of the company

Ségécé counter guarantee

Klépierre has an agreement with its subsidiary company Ségécé under which the later is granted a global mandate to identify new investment projects. Under this agreement, Klépierre SA guarantees 75% the expenses involved in these development projects and stocked by SCS Ségécé until completion of the transaction.

7 ITEMS CONCERNING AFFILIATED COMPANIES

Note 22

Item ***in thousands of euros***	**Amount**
Advances and pre-payments on fixed assets	-
Net investments securities	3 577 408
Loans to subsidiaries and affiliated companies	2 492 420
Loans	149 288
Advances and pre-payments to suppliers (current asset)	-
Trade receivables and similar accounts	365
Other receivables	34 582
Accruals	-
Subscribed capital called but not paid	-
Convertible bond issues	-
Other bond issues	200 000
Borrowings and debts with credit institutions	1 875 025
Other borrowings and financial debt	296 929
Advances and pre-payments received	9
Trade and other payables	2 569
Other debts	25 593
Operating income	3 246
Operating expenses	6 672
Financial income	423 589
Financial expenses	242 439

On the basis of the position at December 31, 2008, BNP Paribas share of bank loans totaled 2,060 million euros, of which 1,875 million euros had been used. This lending compares with the total authorized amount of 3,508 million euros, of which 3,298 million euros have been used. These amounts do not include the 300 million euros represented by the back-up line of commercial paper (not drawn down) in which BNP Paribas has an interest of 150 million euros.

8 OTHER INFORMATION

8.1 Events occurring after the balance sheet date

None.

8.2 Employees

The company has no employees.

8.3 Loans and guarantees granted and set up for corporate officers and Supervisory Board members

None.

8.4 Compensation paid to supervisory board members

Fees totaling 270,000 million euros were paid 2008 fiscal year.

9 CONSOLIDATION INFORMATION

The Klépierre corporate financial statements are fully consolidated by Klépierre SA, which are then included in the financial statements of BNP-Paribas.

Klépierre

Société Anonyme

21, avenue Kléber
75016 Paris

Statutory auditors' report on the financial statements

Year ended December 31, 2008

Mazars
61, rue Henri Regnault
92400 Courbevoie

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Klépierre

Société Anonyme

21, avenue Kléber
75016 Paris

Statutory auditors' report on the financial statements

Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying financial statements of Klépierre,
- the justification of our assessments,
- the specific verifications and disclosures required by law.

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2008 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II. Justification of our assessments

The financial crisis that has gradually been accompanied by an economic crisis has had multiple consequences for companies, particularly in terms of their activity and financing. The accounting estimates used for the presentation of the financial statements for the year ended December 31, 2008 were prepared in a context of a significant decrease in real estate transactions and uncertain economic outlooks.

It is in this context and in accordance with Article L. 823-9 of the French Commercial Code (*Code du commerce*) relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

- As indicated in Note 2.2.3 to the financial statements, real estate assets are appraised by independent experts to estimate impairments. Our procedures consisted notably in examining the valuation methodology used by the experts to ensure ourselves that the impairments were made based on external expert appraisals.

- Equity investments recorded under assets on your company's balance sheet are valued as described in Note 2.2.4 to the financial statements. Our assessment of these valuations is based on the process implemented by your company to determine the value of equity investments. Our procedures notably consisted in assessing, based on expert valuations, the financial information used by your company to determine the value of the buildings owned by your subsidiaries as well as its property management companies.

These assessments were made performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

<u>III. Specific verifications and disclosures</u>

We have also performed the specific verifications provided for by law.

We have no comment to make as to:

- the fair presentation and consistency with the financial statements of the information given in management's report and in the documents addressed to shareholders with respect to the financial position and the financial statements,
- the fair presentation of the information given in management's report on the compensation and benefits paid to relevant corporate officers as well as commitments granted in their favor when they assumed, changed or terminated duties or subsequent thereto.

Pursuant to the law, we have verified that management's report contains the appropriate disclosures as to the identity of shareholders and the percentage interests and votes held.

Courbevoie and Neuilly-sur-Seine, March 9, 2009

The Statutory Auditors

Mazars	**Deloitte & Associés**	
Julien Marin-Pache	Pascal Colin	Laure Silvestre-Siaz

STATEMENT OF THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify that, to the best of my knowledge, these financial statements have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets, financial position and earnings of the company and all of its consolidated subsidiaries, and that the management report (attached / on pages 2-84) presents a faithful description of the business, earnings and financial position of the company during the period and all of its consolidated subsidiaries as well as a description of the principal risks and uncertainties to which they are exposed.

Paris, April 23, 2009
Laurent Morel
Chairman of the Executive Board

PERSONS REPSONSIBLE FOR AUDITS AND FINANCIAL DISCLOSURES

Statutory auditors

DELOITTE & ASSOCIÉS
Statutory auditors,
Member of the Compagnie Régionale de Versailles.
Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
Pascal Colin/Laure Silvestre-Siaz
1st appointed: GM of June 28, 2006.
End of term: Fiscal year 2009.

MAZARS
Statutory auditors,
Member of the Compagnie Régionale de Versailles.
61, rue Henri Regnault
92400 Courbevoie
Julien Marin-Pache
1st appointed: GM of November 4, 1968.
End of term: Fiscal year 2009.

Alternate statutory auditors

Société BEAS
7-9, villa Houssay
92200 Neuilly-sur-Seine
End of term: Fiscal year 2009.

Patrick de Cambourg
61, rue Henri Regnault
92400 Courbevoie
End of term: Fiscal year 2009.

Person responsible for financial disclosures

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