Consolidated statements of income

(in € thousands)

	June 2003	June 2003	June 2003
Lease income	173 482	311 891	149 606
Income from management and administration	16 086	31 541	15 033
Proceeds from sales of projects under development	72	1 529	515
Other income from operations	2 711	5 961	2 084
Total income from operations (note 18)	**192 351**	**350 922**	**167 238**
Cost price of projects under development	- 53	- 1 276	- 528
Other operating expenses (note 19)	- 17 129	- 36 212	- 17 756
Taxes and duties	- 460	- 926	- 383
Payroll expense (note 24)	- 19 434	- 30 670	- 13 935
Employee profit-sharing and incentives	- 1 323	- 2 025	- 1 019
Depreciation and amortization (note 19)	- 51 952	- 88 456	- 44 121
net balance of allowances to and releases of reserves	- 1 538	- 2 511	- 1 278
RESULTS OF OPERATIONS	**100 462**	**188 846**	**88 218**
Interest income	48 515	92 754	44 254
Interest expense	- 101 969	- 191 269	- 92 495
FINANCIAL RESULTS (note 20)	**- 53 454**	**- 98 515**	**- 48 241**
PRE-TAX RESULTS OF OPERATIONS	**47 008**	**90 331**	**39 977**
Non-recurring results (note 21)	50 082	63 248	11 130
Goodwill amortization (note 21)	- 547	- 717	- 864
Corporate income tax (note 22)	- 32 522	- 54 500	- 16 947
NET EARNINGS OF CONSOLIDATED GROUP	**64 021**	**98 362**	**33 296**
Share in net income of equity method investees	208	356	158
NET EARNINGS OF CONSOLIDATED GROUP	**64 229**	**98 718**	**33 454**
Share attributable to minority interests	- 10 014	- 17 619	- 8 554
NET INCOME, GROUP SHARE	**54 215**	**81 099**	**24 900**

Earnings per share

Number of shares (undiluted basis)	*44 759 763*	*14 919 921*	*13 554 070*
Net income, Group share (in € thousands)	*54 215*	*81 099*	*24 900*
➔ ***Net income, Group share per share (in €)***	***1,2***	***5,4***	***1,8***

Statement of Income by Business

(in € thousands)

	Offices				**Shopping Centers**											
	Ownership and management activities				***Development activities***				***Property ownership and management activities***				***Total shopping centers***			
	June 2003	**December 2002**	**June 2002**	**June / June %**	**June 2003**	**December 2002**	**June 2002**	**June %**	**June 2003**	**December 2002**	**June 2002**	**June/June %**	**June 2003**	**December 2002**	**June 2002**	**June/June %**
Lease income	*38 999*	*81 230*	*41 404*	-5,8%	*1 797*	*3 333*		-	*132 686*	*227 328*	*108 203*	*22,6%*	*134 483*	*230 661*	108 203	24,3%
Income from management and administration	*101*	*1 139*	*924*	-89,1%		*1*		-	*15 985*	*30 401*	*14 108*	*13,3%*	*15 985*	*30 402*	14 108	13,3%
Proceeds from sales of projects under development	-	-	-	-		*654*		-	*72*	*875*	*515*	-	*72*	*1 529*	515	-86,0%
Other income from operations	*1 078*	*190*	*204*	428,4%	*70*	*10*		-	*1 563*	*5 761*	*1 880*	*-16,9%*	*1 633*	*5 771*	1 880	-13,1%
Total income from operations	***40 178***	***82 559***	***42 532***	**-5,5%**	***1 867***	***3 998***	**-**	-	***150 306***	***264 365***	***124 706***	***20,5%***	***152 173***	***268 363***	**124 706**	22,0%
Cost price of products under development	-	-	-	-	-	- *617*		-	- *53*	- *659*	- *528*	-	- *53*	- *1 276*	- 528	-90,0%
Other operating expenses	- *2 473*	- *6 766*	- *4 742*	-47,8%	- *508*	- *1 452*		-	- *14 148*	- *27 994*	- *13 015*	*8,7%*	- *14 656*	- *29 446*	- 13 015	12,6%
Taxes and duties	- *56*	- *185*	- *61*	-8,2%	- *4*	- *12*		-	- *400*	- *729*	- *322*	*24,2%*	- *404*	- *741*	- 322	25,5%
Payroll expense	- *1 638*	- *3 088*	- *1 344*	21,9%	- *14*	- *23*		-	- *17 782*	- *27 559*	- *12 591*	*41,2%*	- *17 796*	- *27 582*	- 12 591	41,3%
Employee profit-sharing and incentives	- *152*	- *222*	- *105*	44,8%	- *1*	- *1*		-	- *1 170*	- *1 802*	- *914*	*28,0%*	- *1 171*	- *1 803*	- 914	28,1%
Depreciation and amortization	- *10 914*	- *21 381*	- *11 482*	-4,9%	- *422*	- *852*		-	- *40 616*	- *66 223*	- *32 639*	*24,4%*	- *41 038*	- *67 075*	- 32 639	25,7%
Net balance of allowances to and releases of reserves	- *162*	*2 860*	*73*	-	- *4*	*457*		-	- *1 372*	- *5 828*	- *1 350*	-	- *1 376*	- *5 371*	- 1 350	1,9%
RESULTS OF OPERATIONS	***24 783***	***53 777***	***24 871***	**-0,4%**	***914***	***1 498***	**-**	**-**	***74 765***	***133 571***	***63 347***	**18,0%**	***75 679***	***135 069***	**63 347**	**19,5%**

* Ségécé and its subsidiaries are included under the Shopping Center Ownership column.
* Data for Klégestion is broken down on the basis of its actual business in the Office segment and Management Fees and Shared Expenses.
* Management Fees and Shared Expenses, which include Klégestion, Klépierre Conseil and Klépierre SA expenses,
are itemized in proportion to the lease income for the period earned in the Office and Shopping Center segments.

Consolidated Balance Sheets

ASSETS (in € thousands)	June 2003 Gross	June 2003 Depreciation and amortization	June 2003 Net	December 2002 Net	June 2002 Net
FIXED ASSETS	**3 956 265**	**330 213**	**3 626 052**	**3 559 486**	**3 399 286**
Intangible fixed assets (notes 2.2 to 2.4)	**64 298**	**12 388**	**51 910**	**52 278**	**47 636**
Purchase goodwill (note 2.1)	**19 942**	**8 093**	**11 849**	**12 396**	**28 163**
Tangible fixed assets (notes 2.2 to 2.4)	**3 799 899**	**309 012**	**3 490 887**	**3 416 362**	**3 254 041**
Land	1 581 434		1 581 434	1 544 316	1 265 059
Buildings and improvements	2 212 773	305 390	1 907 383	1 869 897	1 987 789
Other tangible fixed assets	5 692	3 622	2 070	2 149	1 193
Long-term financial assets (note 2.5)	**69 323**	**720**	**68 603**	**77 808**	**68 896**
Equity securities in equity method investees (note 2.6)	**2 799**		**2 799**	**642**	**549**
CURRENT ASSETS	**302 902**	**3 764**	**299 138**	**323 743**	**401 518**
Inventory of operations under development (note 3)	**4 584**		**4 584**	**3 302**	**4 741**
Trade notes and accounts receivable (note 4)	**25 483**	**3 764**	**21 719**	**16 827**	**27 665**
Miscellaneous receivables (note 5)	**183 426**		**183 426**	**193 310**	**207 813**
Marketable securities (note 6)	**51 164**		**51 164**	**65 802**	**68 272**
Cash and near cash	**38 245**		**38 245**	**44 502**	**93 027**
Deferred tax assets (note 10)	**39 079**		**39 079**	**53 178**	**81 097**
Adjustment accounts (note 7)	**20 916**		**20 916**	**18 431**	**20 316**
TOTAL ASSETS	**4 319 162**	**333 977**	**3 985 185**	**3 954 838**	**3 902 217**

Consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY

(in € thousands)

	June 2003	December 2002	June 2002
SHAREHOLDERS' EQUITY (note 8)	**1 126 576**	**1 124 141**	**938 107**
Share capital	179 040	119 360	108 434
Additional paid-in capital	680 124	680 107	560 354
Legal reserves	12 513	11 284	11 284
Consolidated reserves	200 684	232 291	233 135
Earnings for the period	54 215	81 099	24 900
Minority interests (note 9)	**365 597**	**357 670**	**340 607**
DEFERRED TAX CREDITS (note 10)	**104 136**	**95 566**	**87 532**
PROVISIONS FOR CONTINGENCIES AND LOSSES (note 11)	**16 910**	**17 241**	**13 029**
DEBT	**2 361 022**	**2 349 822**	**2 513 021**
Borrowings and financing debt (note 12)	2 099 258	2 103 950	2 282 784
Trade notes and accounts payable (note 13)	26 930	34 187	27 159
Other liabilities (note 14)	234 834	211 685	203 078
Adjustment accounts (note 15)	**10 941**	**10 398**	**9 921**
TOTAL LIABILITIES	**3 985 185**	**3 954 838**	**3 902 217**
	-	-	-

Consolidated Statements of Cash Flows

(in € thousands)	June 2003	December 2002	June 2002
Cash flow from operations			
Net income of consolidated companies	64 231	98 718	33 296
Elimination of expenses and income with no material impact on cash flow or unrelated to operations			
- Amortization and depreciation	57 221	101 085	53 320
- Capital gains and losses on sales of assets, net of taxes and deferred taxes	- 20 367	- 55 948	- 11 976
Cash flow of consolidated companies	**101 085**	**143 855**	**74 640**
Change in working capital requirements	20 601	- 13 185	3 436
Cash flow from operations	**121 686**	**130 670**	**78 076**
Cash flow from investment activities			
Acquisitions of fixed assets and impact of changes in the scope of consolidation	- 129 248	- 625 299	- 374 089
Sales of fixed assets	107 361	182 359	34 772
Net cash flow from investment activities	**- 21 887**	**- 442 940**	**- 339 317**
Cash flow from financing activities			
Dividends paid to shareholders of the parent company	- 51 507	- 40 858	- 40 858
Dividends paid to minority interests of consolidated companies	- 9 087	- 17 083	- 10 517
Change in net financial position	8 281	147 200	16 521
New borrowings and financing debt	180 517	338 572	284 700
Repayment of borrowings and financing debt	- 251 119	- 187 646	- 54 361
Impact of changes in the scope of consolidation	-	23 375	6 681
Net cash flow from financing activities	**- 122 915**	**263 560**	**202 166**
Change in cash flow	**- 23 116**	**- 48 710**	**- 59 075**
Cash flow at the start of the period	**46 367**	**95 077**	**95 077**
Cash flow at the end of the period	**23 251**	**46 367**	**36 002**

Klépierre is a real-estate asset management company that specializes in commercial property. Its principal business is owning, leasing, managing and developing shopping centers in Continental Europe, and managing and leasing offices in Paris and the Greater Paris Area.

Klépierre's shares are listed on the Euronext Paris Premier Marché (*Service à Règlement Différé* – Deferred Settlement Service).

1– Principles and methods of consolidation

1.1 Regulatory framework

Since January 1, 2000, the Klépierre group's consolidated financial statements are prepared in compliance with the provisions of CRC regulation No. 99-02.

1.2 Basis and methods of consolidation

All companies in which Klépierre exercises direct or indirect controlling influence, as well as those in which it exercises significant influence, are consolidated.

All exclusively controlled companies are fully consolidated, regardless of their business purpose or legal form.

Portfolio management firms are also fully consolidated.

Exclusive control is presumed when Klépierre directly or indirectly owns 40% of the voting rights and when no other shareholder owns more than 40% of such rights.

Companies in which Klépierre and other shareholders have agreed to exercise joint controlling influence are proportionately consolidated.

1.3 Interim financial statement reporting date

The accounting cut-off date for all of Klépierre's consolidated subsidiaries was June 30, 2003.

1.4 Reciprocal accounts and related party transactions

Reciprocal accounts and the proceeds of inter-company transactions that have a material impact on the presentation of the consolidated financial statements are eliminated. However, management fee income in connection with the real-estate development business is not eliminated in cases where it has been included in the cost price of related assets by the purchasing company. Interest that is payable by development companies, and that is recorded as inventory in their accounts, is not eliminated.

1.5 Purchase goodwill

The difference between the acquisition price and the share in net assets of newly acquired companies is analyzed and allocated to the carrying values of various line items of the consolidated entity's long-term assets using the valuation methods that are appropriate to the type of asset.
For acquired companies that own real-estate complexes, all related differences are recorded under land and buildings. Any remaining differences are recorded as goodwill.

Goodwill is generally subject to amortization over 15 years.

1.6 Shares held for the purpose of employee stock grants

Shares of common stock that Klépierre issues and holds for subsequent grants to its employees are classified as marketable securities and carried at their fair value or their acquisition price, whichever is lower. An impairment allowance is set up as needed to reflect the difference between the acquisition price and the exercise price on the corresponding option to purchase granted to employees.

2 – Significant accounting and valuation policies

2.1 Significant changes in accounting policies and regulations

Regulation 2002-10 of the French Accounting Regulations Committee (the *Comité de Règlementation Comptable* – CRC) relative to impaired assets goes into effect on January 1, 2005. As of this date, businesses will be required to use the so-called "components" method to determine amortization schedules and bases for various types of long-term assets. To the extent that Regulation 2000-06 of the same Committee requires that liabilities be recorded for major repairs, a set of transitory measures was adopted to enable businesses to either record such liabilities or to apply the so-called "components" method before it formally goes into effect. Since a supplementary memo on the subject was not issued by the French National Accounting Board (the *Conseil National de la Comptabilité*) until July 23, 2003, the Klépierre group deferred implementation of these provisions until the second half of this year. In connection with its change in status to an SIIC (described in full below), Klépierre plans to revalue its tangible and financial assets, a process that will entail changes in its amortization schedules on the basis of adjusted asset values, as well as revised allocations and use of the components method.

2.2 Tangible assets

- **Acquired before January 1, 1999**

These long-term tangible assets, mostly acquired through business contributions and mergers in fiscal year 1998, were carried at their adjusted value (revalued value) in the consolidated financial statements for the year ended December 31, 1998.

This revaluation initially generated pre-tax goodwill of €147 million, of which €93 million was attributable to goodwill that was recorded when the minority interests in the companies carrying the revalued properties were acquired. Hence, the net impact of the 1998 revaluation was €55 million.

At the June 30, 2003 reporting date, residual additional goodwill due to the revaluation of assets was €144.5 million, compared with €133.9 million at the 2002 year-end reporting date. Changes in the total amount reflect the revalued capital gains or losses on land and buildings sold since 1998.

These assets are subject to amortization over periods defined by the appraisers when the revaluation was conducted.

- **Acquired after January 1, 1999**

Long-term tangible assets acquired after January 1, 1999, as well as extensions and renovations, are recorded at their acquisition cost and amortized over periods ranging from 25 to 40 years.

2.3 Inventory of projects under development

These inventories reflect the incurred cost of projects under development at the financial statement reporting date.

This cost includes the purchase price and related costs of acquiring land, as well as construction costs, interest expense and fees. It does not, however, include fees incurred to initially lease up rental premises. Such fees are expensed over the first three years of the corresponding leases (see paragraph 2.8).

Items comprising this inventory may be sold to third parties prior to completion of the projects under development. In such cases, related selling costs are – net of advances received – recorded under miscellaneous debtors, offset by an entry in a prepaid income account. Margins are recognized as income only when the project is delivered.

2.4 Start-up and contribution costs

The start-up and contribution costs capitalized in subsidiary balance sheets are recorded in the consolidated financial statements.

Costs incurred by Klépierre in connection with mergers and business combinations are charged against additional paid-in capital.

2.5 Acquisition costs: securities and property

Acquisition costs relative to securities and property purchased are recorded as assets. Security acquisition costs are spread over five years. The period over which property acquisition costs are spread is the same as the amortization period for the related asset.

2.6 Bond issue fees

Bond issue fees are recorded as expenses to be amortized on a prorated basis over the scheduled maturity of the bond.

2.7 Convertible bond

Following the early redemption call made in July 2002, the convertible bond issued by Klépierre in November 1998 was fully converted into new shares earning dividends as of the 2002 year-end reporting date.

At the June 30, 2002 interim reporting date, the convertible bond was recorded as a liability and carried at its redemption value. The issue premium was carried as an asset and amortized over the scheduled maturity of the bond (recorded under financial results).

2.8 Entry fees and indemnities

Any entry fees received are considered as additional lease income and recorded as prepaid income, spread over the term of the related lease.
Eviction indemnities paid to tenants are generally expensed in the year they are incurred. However, in cases where they are material and allow for the renegotiation of related leases under more favorable terms, they are recorded as deferred expenses and amortized over the term of the new lease.

Termination indemnities collected from tenants are immediately recognized as income.

2.9 Sales and lease-up fees

Sales and lease-up fees relating to the opening of a new shopping center or the extension of an existing one are recorded as expenses to amortize over three years on a prorated basis, as of the date on which the shopping center or extension opens for business.

Fees earned in connection with changes in tenant or renegotiated leases are recorded as expenses to amortize on a prorated basis over the first firm period of the lease as of the date on which the lease goes into effect. The period of amortization may not exceed three years.

2.10 Corporate income tax

- **Subsidiary corporate income tax**

Consolidated subsidiaries calculate their corporate income tax due assuming that they are not members of a tax consolidation group.

Tax consolidation

Three tax consolidation agreements have been signed to date:

- In 1995 between Klépierre and subsidiaries in which its ownership was 95% or more
- In 1996 between Klécentres and subsidiaries in which its ownership was 95% or more
- In 1999 between Ségécé and its subsidiary Ségécé Loisirs et Transactions.

Related tax savings and tax expense are recorded in suspense accounts at subsidiary level and then transferred to the consolidated statements of income.

Deferred taxes

Observed differences between the values used in consolidation and the taxable values of assets and liabilities, as well as differences resulting from timing differences and losses carried forward, are recorded as deferred tax assets or liabilities using the accrual method.

Deferred tax assets of subsidiaries that do not belong to a tax group are also recognized when earnings forecasts available at the balance sheet closing date indicate that recovery is likely.

Deferred taxes are calculated using local rates in force as of the balance sheet closing date. The rates applied are as follows: 35.43% in France, 35% in Spain and 35% in Italy.

Deferred tax liabilities for real-estate holdings (office properties and shopping centers) are calculated based on the differences between the values as obtained for tax purposes and the values used in consolidation. Klépierre applies the tax rate applicable to the sale of these buildings, which is the most probable hypothesis concerning such holdings.

Taxes are not calculated for the company IGC, since it is probable that equity securities, not real-estate assets, will be sold. No taxable gain is reported for the sale of equity securities.

2.11 Risk management instruments

As the holding company of the group of companies, Klépierre centralizes the management of group financing needs and interest rate exposures. Under the terms of this financing policy, Klépierre makes available the financial resources needed to fund group activity and sets up the related hedging programs.

Gains and losses related to interest or currency rate swap transactions are prorated over the period and reflected in the income statement.

Unrealized gains and losses resulting from the difference between the estimated fair value of such contracts at the reporting period cut-off date and their nominal value are not recorded.

3 – Significant events in 2003 and the two previous years

2001

- *Carrefour shopping mall acquisitions pursued in line with July 2000 memorandum of agreement*

Seventy shopping centers in France, three shopping malls in Spain and one in Greece were acquired in 2001 pursuant to the original Carrefour agreement, bringing the total number of acquisitions to 121 out of a planned total of 160.

One of the highlights of 2001 was the initiation in Spain of the second phase of the memorandum of agreement involving new projects: two shopping malls, which opened for business in 2001 and 2002, were added to Klépierre's holdings, and two development projects in Alicante and Tenerife were acquired on a future-as-is basis (i.e. before completion based on drafted plans). A seller's promise on a project located in Oviedo was also signed in 2001. It is carried as an off-balance sheet commitment in the amount of €70.4 million.

As of December 31, 2001, Klépierre had invested €939.4 million to acquire shopping malls in France and €543.8 million to acquire shopping malls located abroad.

- *Other transactions and operations*

- In February of 2001, Klépierre acquired full ownership of Arcol, owner of the Danubia shopping center in Bratislava.
- In July of 2001, Klépierre increased its ownership in the Cienneo shopping center company which owns the Metropoli shopping center located in Novate to 85%, following the acquisition of an additional 51% equity interest.
- Three shopping centers developed by the Group opened for business in 2001: Annecy in March, Boulogne–Billancourt in June, and Poitiers in October.

2002

- *Acquisition of nine shopping malls in France*

In February and July of 2002, Klécar France and its subsidiary KC5 integrated nine shopping malls that were included in the original memorandum of agreement with Carrefour.

- *Acquisition of shopping malls in Italy*

- In late June of 2002, Klépierre acquired another 11 shopping malls from Carrefour, located in Italy and representing a net book value of €224 million. These 11 shopping malls are owned by Klécar Italia, a direct and wholly owned subsidiary of Klécar Participations Italie. Both companies are based in Italy. Klépierre has an 83% equity interest in Klécar Participations Italie. CNP Assurances and Ecureuil Vie own the remaining 17%.

- On July 18, 2002, Klépierre entered into an agreement with the Italian group Finiper, under the terms of which Klépierre acquired from Finiper a 40% equity stake in IGC, which owns nine shopping malls, most of them located in Northern Italy, for a total price of €59.4 million.

- *Acquisition of shopping malls in Spain*

In 2002, Klécar Europe Sud and its two Spanish subsidiaries completed the acquisition of four shopping malls for a total of €18.6 million, and made a down payment of €52.1 million on the Oviedo shopping center.

- *First acquisition in Portugal*

In December 2002, Klépierre Portugal (a wholly owned subsidiary of Klépierre) acquired full ownership of the Loures shopping center, located in the suburbs of Lisbon, for €37.5 million.

- *Bond conversion*

On July 23, 2002, Klépierre elected to exercise its option of early retirement on all outstanding 3% convertible bonds issued in 1998 and due in 2006. A total of 745,763 bonds were presented for conversion in 2002, resulting in the issue of 1,536,364 new shares and raising equity capital by €147.2 million.

- *Other transactions*

Eleven office and warehouse properties were sold in 2002, generating a pre-tax capital gain of €67.5 million.

2003

- *Acquisition of Novy Smichov shopping mall in Prague*

In June 2003, the wholly owned Klépierre SA subsidiary Capucines BV acquired a 99% equity interest in Delcis CR, a Czech company that owns a shopping center that was inaugurated in Prague on September 8, 2001. The price paid to acquire the securities was €24.4 million. The company's gross worth is valued €87.6 million.

- *Klépierre triples its capital stock float*

At their annual meeting on April 4, 2003, the shareholders ratified two extraordinary resolutions that contributed to multiplying the float of Klépierre stock threefold.

- *Par value halved:* The par value of the 14,919,921 shares representing the share capital was reduced from €8 to €4 per share. Par value was reduced by issuing two new shares with a par value of €4 each, earning dividends as from January 1, 2003, in exchange for each existing share with a par value of €8 each, earning dividends as from January 1, 2003.

- *Two-for-one stock split*: Stated equity capital was increased by capitalizing reserves totaling €59,679,684 and issuing 14,919,921 new shares, freely allotting one new share for every two shares issued with a par value of €4.

Klépierre's stated capital of €179,039,052 represents 44,759,763 fully paid-in shares, each with a par value of €4.

❑ *Other highlights of the six months ended June 30, 2003*

- The Tenerife shopping mall, which opened in June 2003, was acquired by Klécar Foncier España on June 30, 2003. A down payment of €30 million was made on December 31, 2001 for this property.

- Malls located in Beaune, Bourg en Bresse and Le Mans were acquired by Klécar France in January 2003, bringing to 82 the number of French shopping malls acquired under the Carrefour agreement.

- Three office properties – located at 127, rue d'Aguesseau in Boulogne, 103, rue Charles Michel in Saint-Denis, and 100/102, avenue de Suffren in Paris – were sold, generated a pre-tax capital gain of €49.0 million.

❑ *Impact of adopting SIIC status*

The new tax status introduced by Article 11 of the French Budget Act for 2003 allows SIICs – listed real-estate investment trusts (REITs) in France to opt irrevocably for limited partnership status ("*transparence fiscale*") if they agree to distribute at least 85% of their earnings from rental business and 50% of their proceeds from the sale of real-estate assets. Companies that opt for such status will be subject to an immediate 16.5% exit tax ("*impôt libératoire*") on their unrealized capital gains, payable over three years.

To optimize the effects of opting for this status, Klépierre began a restructuring program in July of 2003 that will impact its scope of consolidation. The restructuring primarily concerns Klécentres, in which Klépierre will acquire full ownership in exchange for granting to exiting minority shareholders full ownership of Gonesses Usine Center, 50% ownership of Bégles Arcins and 11.3% of Solorec, which owns the Créteil Soleil shopping center.

For fiscal year 2003, eligible companies have until September 30, 2003 to opt for SIIC status, with effect from January 1, 2003. On September 26, 2003, Klépierre will hold an Extraordinary Meeting whose primary purpose is to ask its shareholders to approve the adoption of SIIC tax status as of 2003.

In light of these deadlines and scheduled events, the financial statements for the six months ended June 30, 2003 were drawn up without taking into account the effects of opting for SIIC status.

This note describes the various effects of the new tax status and related impacts on the consolidated financial statements.

The accounting impacts of opting for this new tax status are described in detail in opinion no. 2003-C, issued on June 11, 2003 after an emergency meeting of the CNC (*Comité d'urgence du Conseil National de la Comptabilité*). SIICs may adjust the book value of their assets in their individual financial statements. In this case, the excess of revalued assets over historical cost ("*écart de reevaluation*"), net of the up-front tax expense, may be allocated to shareholders' equity. In the event that such revaluation is performed, it is either eliminated in consolidation or extended to all of the consolidating group's long-term fixed assets, including those that are not eligible for the new tax status.

The consolidated financial statement impact of revaluating tangible and financial assets will be to increase shareholders' equity by €988 million (€867.1 million group share), less €48.5 million in deferred taxes on non-eligible assets, calculated on the basis of the taxable rate in force, and €123.6 million on eligible assets, taxable at a rate of 16.5%.

The exit tax payable upon adoption of SIIC status is EUR129.3 million, broken down as follows. Taxable at the 16.5% rate: unrealized capital gains based on the tax values of assets (EUR120.4 million). Taxable at the 20.2% rate: capital gains on securities realized in connection with the aforementioned restructuring involving Klécentres (EUR8.9 million). EUR10.1 million, corresponding to the use of net loss carry-forwards, a carry-back asset and costs related to removal from tax consolidation, will be deducted from the total amount payable. It is subject to further revision in the event that a small number of subsidiaries in which Klépierre owns less than 95% opt for limited partnership status, which would represent an additional exit tax of around EUR9 million.

In addition, the current tax expense at the June 30, 2003 reporting date will be reduced by €8 million. Remaining tax expense for the period is equal to tax payable by service companies and business conducted abroad, less related financing costs.

The building/land breakdown and amortization schedules for buildings will be reviewed in connection with the aforementioned asset revaluation and the adoption of the "components" method. Based on initial attempts to model the impacts of these changes, the company does not foresee significant changes in depreciation and amortization.

Due to the revaluation, the level of realized capital gains on the sale of assets recorded at the June 30, 2003 reporting date will be neutralized to a large extent. Only those capital gains resulting from the difference between the sale price and the adjusted or revalued value at January 1 will be maintained. The impact on the financial statements for the six months ended June 30, 2003 is a net reduction in non-recurring income of €35 million.

4 – Scope of consolidation

Note 1

COMPANY	SIREN NO.	Consolidation June 2003 (1)	% ownership		% control	
			June 2003	December 2002	June 2003	December 2002
SA Klépierre	780 152 914	FC	100.00%	100.00%	100.00%	100.00%
Offices						
SAS Baudot Massy	398 963 850	FC	100.00%	100.00%	100.00%	100.00%
SAS 192 Avenue Charles de Gaulle	392 654 505	FC	100.00%	100.00%	100.00%	100.00%
SAS 5 Turin	398 969 014	FC	100.00%	100.00%	100.00%	100.00%
SAS Concorde Puteaux	400 098 364	FC	100.00%	100.00%	100.00%	100.00%
SAS Daumesnil Reuilly	403 085 574	FC	100.00%	100.00%	100.00%	100.00%
SAS Espace Dumont d'Urville	419 057 922	FC	100.00%	100.00%	100.00%	100.00%
SAS Espace Kléber	419 057 823	FC	100.00%	100.00%	100.00%	100.00%
SAS Issy Desmoulins	398 968 677	FC	100.00%	100.00%	100.00%	100.00%
SAS Kléber Levallois	400 098 356	FC	100.00%	100.00%	100.00%	100.00%
SAS Klébureaux	410 244 024	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Finance	433 613 312	FC	100.00%	100.00%	100.00%	100.00%
SAS Leblanc Paris 15	400 110 235	FC	100.00%	100.00%	100.00%	100.00%
SAS Louis David	350 288 643	FC	100.00%	100.00%	100.00%	100.00%
SAS LP7	428 782 486	FC	100.00%	100.00%	100.00%	100.00%
SAS Oise Cergy	398 965 111	FC	50.00%	50.00%	50.00%	50.00%
SAS 43 Grenelle	393 438 742	FC	100.00%	100.00%	100.00%	100.00%
SAS 43 Kléber	398 966 812	FC	100.00%	100.00%	100.00%	100.00%
SAS 46 Notre Dame des Victoires	392 655 395	FC	100.00%	100.00%	100.00%	100.00%
SAS Suffren Paris 15	400 098 448	FC	100.00%	100.00%	100.00%	100.00%
SAS 21 Kléber	582 017 273	FC	100.00%	100.00%	100.00%	100.00%
SAS 21 La Pérouse	389 519 158	FC	100.00%	100.00%	100.00%	100.00%
SAS 23 avenue Marignan	392 663 670	FC	100.00%	100.00%	99.99%	99.99%
SCI Antin Vendôme	313 781 668	PC	50.00%	50.00%	50.00%	50.00%
SCI Chaptal Alun	428 295 521	FC	100.00%	100.00%	100.00%	100.00%
SCI 8 rue du Sentier	352 503 403	FC	100.00%	100.00%	100.00%	100.00%
SNC Barjac Victor	390 123 057	FC	100.00%	100.00%	100.00%	100.00%
SNC CB Pierre	343 146 932	FC	100.00%	100.00%	100.00%	99.00%
SNC Général Leclerc n°11 et 11 bis Leva	381 986 363	FC	100.00%	100.00%	100.00%	100.00%
SNC Jardins des Princes	391 237 716	FC	100.00%	100.00%	100.00%	100.00%
SNC Maille Nord	349 572 891	FC	100.00%	100.00%	100.00%	100.00%
Shopping centers - France -						
SAS Begles Arcins	404 357 535	FC	82.50%	82.50%	100.00%	100.00%
SAS Brescia	419 297 163	FC	82.50%	82.50%	100.00%	100.00%
SAS Center Villepinte	398 961 235	FC	82.47%	82.47%	99.97%	99.97%
SAS Candé	423 012 376	FC	99.99%	99.99%	100.00%	100.00%
SAS Cécobil	408 175 966	PC	50.00%	50.00%	50.00%	50.00%
SAS Cécoville	409 547 015	FC	100.00%	100.00%	100.00%	100.00%

Note 1 (2)

COMPANY	SIREN NO.	Consolidation at June 2003 (1)	% ownership		% de control	
			June 2003	December 2002	June 2003	December 2002
Shopping Centers - France (cont'd)						
SAS Doumer Caen	398 969 113	FC	82.47%	82.47%	99.96%	99.96%
SAS Espace Cordeliers	421 101 882	PC	50.00%	50.00%	50.00%	50.00%
SAS Flandre	423 012 004	FC	100.00%	99.99%	100.00%	100.00%
SAS Jaude Clermont	398 960 963	FC	82.49%	82.49%	99.99%	99.99%
SAS Klecar Europe Sud	428 864 268	FC	83.00%	83.00%	83.00%	83.00%
SAS Klecar Participations Italy	442 229 175	FC	83.00%	83.00%	83.00%	83.00%
SAS Klécentres	400 392 793	FC	82.50%	82.50%	82.50%	82.50%
SAS Klémurs	419 711 833	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Transactions	389 217 746	FC	100.00%	100.00%	100.00%	100.00%
SAS Le Havre Capelet	410 336 564	FC	100.00%	100.00%	100.00%	100.00%
SAS Le Havre Lafayette	420 292 047	PC	50.00%	50.00%	50.00%	50.00%
SAS Le Havre Tourneville	407 799 493	FC	100.00%	100.00%	100.00%	100.00%
SAS Le Havre Vauban	420 307 704	PC	50.00%	50.00%	50.00%	50.00%
SAS Melun Saint-Pères	402 668 792	FC	82.48%	82.48%	99.98%	99.98%
SAS Odysseum Place de France	428 788 525	FC	70.00%	70.00%	70.00%	70.00%
SAS Opale	398 968 735	FC	100.00%	100.00%	100.00%	100.00%
SAS Poitiers Aliénor	410 245 757	FC	100.00%	100.00%	100.00%	100.00%
SAS Saint André Pey Berland	377 563 978	FC	82.50%	82.50%	100.00%	100.00%
SAS Secmarne	309 660 504	FC	55.68%	55.68%	61.67%	61.67%
SAS Soaval	419 620 075	PC	35.31%	35.31%	50.00%	49.92%
SAS Socoseine	389 287 871	FC	92.65%	92.65%	100.00%	100.00%
SAS Strasbourg La Vigie	399 181 635	FC	82.38%	82.38%	99.85%	99.85%
SAS Tours Nationale	393 439 062	FC	82.50%	82.50%	100.00%	100.00%
SC Centre Bourse	300 985 462	FC	85.12%	85.12%	100.00%	100.00%
SC Solorec	320 217 391	FC	87.87%	87.87%	100.00%	100.00%
SCI du Bassin Nord	422 733 402	PC	50.00%	50.00%	50.00%	50.00%
SCI Sécovalde	405 362 682	FC	40.00%	40.00%	40.00%	40.00%
SNC Soccendre	319 814 075	FC	70.74%	70.74%	100.00%	100.00%
SNC Foncière Saint-Germain	378 668 875	FC	100.00%	100.00%	100.00%	100.00%
SNC KC1	433 816 501	FC	83.00%	83.00%	100.00%	100.00%
SNC KC2	433 816 444	FC	83.00%	83.00%	100.00%	100.00%
SNC KC3	433 816 725	FC	83.00%	83.00%	100.00%	100.00%
SNC KC4	433 816 774	FC	83.00%	83.00%	100.00%	100.00%
SNC KC5	433 817 269	FC	83.00%	83.00%	100.00%	100.00%
SNC KC6	433 842 549	FC	83.00%	83.00%	100.00%	100.00%
SNC KC7	433 842 515	FC	83.00%	83.00%	100.00%	100.00%
SNC KC8	433 842 564	FC	83.00%	83.00%	100.00%	100.00%
SNC KC9	433 816 246	FC	83.00%	83.00%	100.00%	100.00%
SNC KC10	433 816 220	FC	83.00%	83.00%	100.00%	100.00%
SNC KC11	433 894 243	FC	83.00%	83.00%	100.00%	100.00%
SNC KC12	433 894 102	FC	83.00%	83.00%	100.00%	100.00%
SNC Kléber La Perouse	388 724 361	FC	100.00%	100.00%	100.00%	100.00%
SNC Klecar France	433 496 965	FC	83.00%	83.00%	83.00%	83.00%
SNC Sodevac	388 233 298	FC	100.00%	-	100.00%	-
Service companies - France						
Gie Klépierre Services	435 194 725	FC	85.50%	95.60%	100.00%	100.00%
SAS Klégestion	398 058 149	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Conseil	398 967 000	FC	100.00%	100.00%	100.00%	100.00%
SAS Ségécar	434 290 599	FC	35.31%	35.31%	50.00%	50.00%
SAS Ségécé	562 100 214	FC	70.62%	70.62%	74.99%	74.99%
SAS Ségécé Loisirs et Transactions	421 220 252	FC	67.23%	67.23%	95.20%	95.12%
SNC Galae	433 909 165	FC	85.02%	85.02%	100.00%	100.00%

Note 1 (3)

COMPANY	SIREN NO.	Consolidation at June 2003 (1)	% ownership June 2003	% ownership December 2002	% control June 2003	% control December 2002
Shopping centers - Abroad -						
Arcol	Slovakia	FC	100.00%	100.00%	100.00%	100.00%
Belarcol	Belgium	FC	100.00%	100.00%	100.00%	100.00%
Belga Sept SA	Belgium	FC	100.00%	100.00%	100.00%	100.00%
Capucines BV	Netherlands	FC	100.00%	100.00%	100.00%	100.00%
Cienneo SRL	Italy	FC	85.00%	85.00%	85.00%	85.00%
Delcis Cr	Czech Republic	FC	99.00%	-	99.99%	-
I.C.D. SPA	Italy	FC	70.12%	70.12%	85.00%	85.00%
FCC	Italy	PC	40.00%	40.00%	40.00%	40.00%
Immobiliare Magnolia SRL	Italy	FC	85.00%	85.00%	85.00%	85.00%
KFM Makedonia	Greece	FC	83.01%	83.01%	100.00%	100.00%
Klecar Foncier Iberica	Spain	FC	83.00%	83.00%	100.00%	100.00%
Klecar Foncier Espana	Spain	FC	83.00%	83.00%	100.00%	100.00%
Klecar Italia Spa	Italy	FC	83.00%	83.00%	100.00%	100.00%
Klefin Italia	Italy	FC	100.00%	100.00%	100.00%	100.00%
Klelou SA	Portugal	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Portugal SA SGPS	Portugal	FC	100.00%	100.00%	100.00%	100.00%
Novate SRL	Italy	FC	100.00%	100.00%	100.00%	100.00%
Zobel Investment BV	Netherlands	FC	100.00%	100.00%	100.00%	100.00%
Service companies - Abroad						
Centros Shopping Gestion	Spain	PC	35.31%	35.31%	50.00%	50.00%
Devimo Consult	Belgium	EM	24.72%	24.72%	35.00%	35.00%
FMC	Czech Republic	FC	52.96%	52.96%	75.00%	75.00%
PSG	Italy	PC	35.31%	35.31%	50.00%	50.00%
Companies no longer consolidated as of June 30, 2003						
SC Cecocord	417 522 485	NC	-	99.97%	-	100.00%
SCI Boulogne d'Aguesseau	394 798 375	NC	-	100.00%	-	100.00%
SCI Etoile Quinzième	350 455 481	NC	-	100.00%	-	100.00%
SCI Les Ellipses	381 199 975	NC	-	100.00%	-	100.00%
SCI Levallois Anatole France	394 383 376	NC	-	100.00%	-	100.00%
SCI Rueil Hermès	394 798 482	NC	-	100.00%	-	100.00%
SCI Villepinte le Tropical	394 797 872	NC	-	100.00%	-	100.00%
SNC Couperin Foncière	349 263 400	NC	-	100.00%	-	100.00%
SNC Godefroy n°8 Puteaux	377 548 052	NC	-	100.00%	-	100.00%
SNC 86, rue Anatole France	380 728 261	NC	-	100.00%	-	100.00%

(1) FC: Fully consolidated
PC: Proportionally consolidated
EM: Accounted for under equity method
NC: No longer consolidated as of June 30, 2003

At the June 30, 2003 reporting date, 110 group companies were consolidated, compared with 118 as of December 31, 2002.

Two companies have been added to the scope of consolidation since the last reporting period. Both are fully consolidated:

- Delcis Cr, in which Capucines BV owns a 99% equity interest. Delcis owns the Novy Smichov shopping mall in Prague.
- SNC Sodevac, a wholly owned subsidiary of Klépierre that is carrying a development project in Valenciennes.

Goodwill of €5.9 million was recorded in connection with the consolidation of Delcis CR, of which €8.6 million was allocated to the building complex and €2.7 million was recorded as a deferred tax liabililty.

Ten companies whose operations were discontinued were removed from the scope of consolidation. The assets and liabilities of six of these companies were transferred to the holding company *("Transmission Universelle de Patrimoine")*

5 – Additional information relative to balance sheet and off-balance sheet commitments

5.1 Notes on consolidated balance sheet assets

Note 2.1 - Goodwill

Accumulated amortization of goodwill was €19.9 million, unchanged since the 2002 year-end reporting date. As a reminder, purchase goodwill relative to Delcis Cr was allocated to the building complex.

➔ **Note 2.1**

in € thousands	December 2002	Increases	Changes in presentation	Allocations and decreases	June 2003
Gross goodwill	**19 942**	**-**	**-**	**-**	**19 942**
* Ségécé	11 334				11 334
* ICD (Brescia)	1 137				1 137
* Klécentres	2 312				2 312
* Devimo	2 169				2 169
* Arcol	993				993
* PSG	1 002				1 002
* Other goodwill	996				996
Amortization	**- 7 546**	**- 547**	**-**	**-**	**- 8 093**
* Ségécé	- 3 943	- 378			- 4 321
* ICD (Brescia)	- 152	- 38			- 190
* Klécentres	- 2 312				- 2 312
* Devimo	- 435	- 72			- 507
* Arcol	- 406				- 406
* PSG	- 33	- 33			- 66
* Other goodwill	- 265	- 26			- 291
NET GOODWILL	**12 396**	**- 547**	**-**	**-**	**11 849**

Note 2.2 Gross tangible and intangible fixed assets

➔ **Note 2.2**

in € thousands	December 2002	Changes in scope of consolidation	Acquisitions, creations and contributions	Decreases due to divestitures or removal from service	Other changes, line item transfers	June 2003
INTANGIBLE FIXED ASSETS						
Building lease	**47 959**		**305**	**- 6**	**213**	**48 471**
Goodwill	**1 037**					**1 037**
Software	**7 188**		**376**		**221**	**7 785**
Other intangible fixed assets	**5 792**	**1 019**	**100**	**- 16**	**110**	**7 005**
Total	**61 976**	**1 019**	**781**	**- 22**	**544**	**64 298**
TANGIBLE FIXED ASSETS						
Land						
Financial leasing	**303**					**303**
Lease purchase	**1 544 013**	**12 752**	**31 099**	**- 22 108**	**15 375**	**1 581 131**
Buildings and improvements						**-**
Financial leasing	**2 730**					**2 730**
Lease purchase	**2 004 927**	**73 813**	**31 797**	**- 32 763**	**28 533**	**2 106 307**
Buildings and installations in progress	**141 029**	**3 650**	**25 528**	**- 146**	**- 66 325**	**103 736**
Furnishings and equipment	**5 332**	**36**	**365**	**- 29**	**- 12**	**5 692**
Total	**3 698 335**	**90 251**	**88 789**	**- 55 046**	**- 22 429**	**3 799 899**
TOTAL GROSS FIXED ASSETS	**3 760 311**	**91 270**	**89 570**	**- 55 068**	**- 21 885**	**3 864 197**

Gross tangible and intangible fixed assets increased by €103.9 million, primarily attributable to the following transactions:

- acquisition of the Novy Smichov shopping mall for €87.6 million, which includes allocated purchase goodwill of €5.9 million
- completion of the acquisition of the Tenerife shopping center on a future as is basis for €50.2 million
- an additional payment of €17.8 million (gross) on several shopping malls owned by Klécar France
- the disposal of three office properties with a gross book value of €54.9 million.

Note 2.3 Depreciation and amortization of tangible and intangible fixed assets

➔ Note 2.3

in € thousands	December 2002	Changes in scope of consolidation	Increases	Decreases and other changes	June 2003
INTANGIBLE FIXED ASSETS					
Building lease	**3 868**		**849**		**4 717**
Software	**2 874**		**633**	**55**	**3 562**
Other intangible fixed assets	**2 959**	**170**	**759**	**221**	**4 109**
Total	**9 701**	**170**	**2 241**	**276**	**12 388**
TANGIBLE FIXED ASSETS					
Buildings and improvements	**227 471**	**5 656**	**45 543**	**- 20 122**	**258 548**
Installations	**51 319**		**3 460**	**- 7 937**	**46 842**
Furnishings and equipment	**3 183**	**30**	**421**	**- 12**	**3 622**
Total	**281 973**	**5 686**	**49 424**	**- 28 071**	**309 012**
Total amortization	**291 674**	**5 856**	**51 665**	**- 27 795**	**321 400**
NET FIXED ASSETS	**3 468 637**	**85 414**	**37 905**	**- 49 158**	**3 542 797**
Net goodwill (see note 2.1)	**12 396**			**- 547**	**11 849**
Financial assets (see note 2.5)	**77 808**	**- 4**	**9 383**	**- 18 584**	**68 603**
Securities in equity method investees (see note 2.6)	**642**	**2 229**	**- 72**		**2 799**
FIXED ASSETS	**3 559 478**				**3 626 052**

Note 2.4 Tangible and intangible fixed assets by business

Analysis of tangible and intangible fixed assets for the office, shopping center and service divisions:

➔ Note 2.4

in € thousands	Intangible fixed assets	Land	Buildings and improvements	Buildings in progress and installations	Furnishings and equipment	Total tangible and intangible fixed assets
OFFICES	4	281 475	430 302	49 812	1 741	763 334
SHOPPING CENTERS	56 611	1 299 959	1 678 735	53 510	771	3 089 586
SERVICES	7 683			414	3 180	11 277
GROSS FIXED ASSETS	**64 298**	**1 581 434**	**2 109 037**	**103 736**	**5 692**	**3 864 197**

in € thousands	Intangible fixed assets	Land	Buildings and improvements	Buildings in progress and installations	Furnishings and equipment	Total tangible and intangible fixed assets
OFFICES	2		64 157	25 442	1 190	90 791
SHOPPING CENTERS	9 132		194 391	21 059	451	225 033
SERVICES	3 254			341	1 981	5 576
AMORTIZATIONS	**12 388**	**-**	**258 548**	**46 842**	**3 622**	**321 400**
NET FIXED ASSETS	**51 910**	**1 581 434**	**1 850 489**	**56 894**	**2 070**	**3 542 797**

Changes in tangible and intangible fixed assets for each division:

- Gross values:

Gross values

in € thousands	June 2002	Changes in scope of consolidation	Acquisitions, creations and contributions	Decreases due to divestitures or removal from service	Other changes, line item transfers	June 2003
OFFICES	**813 706**		**5 778**	**- 55 018**	**- 1 131**	**763 334**
SHOPPING CENTERS	**2 936 264**	**91 270**	**83 083**	**- 43**	**- 20 988**	**3 089 586**
SERVICES	**10 341**		**709**	**- 7**	**234**	**11 277**
TOTAL GROSS FIXED ASSETS	**3 760 311**	**91 270**	**89 570**	**- 55 068**	**- 21 885**	**3 864 197**

Changes in the scope of consolidation include the assets of Delcis Cr and Sodevac.

- Amortization:

Amortization

in € thousands	December 2002	Changes in scope of consolidation	Increases	Decreases	Other changes	June 2003
OFFICES	**87 296**		**10 669**	**- 6 036**	**- 1 138**	**90 791**
SHOPPING CENTERS	**199 740**	**5 856**	**40 166**	**- 36**	**- 20 693**	**225 033**
SERVICES	**4 638**		**830**		**108**	**5 576**
TOTAL AMORTIZATION	**291 674**	**5 856**	**51 665**	**- 6 072**	**- 21 723**	**321 400**
NET FIXED ASSETS	**3 468 637**	**85 414**	**37 905**	**- 48 996**	**- 162**	**3 542 797**

Notes 2.5 Financial assets

➔ Note 2.5

in € thousands	December 2002	Additions to the scope of consolidation	Increases	Decreases and other changes	June 2003
Equity investment securities **(A)**	1 789		200	- 27	1 962
Advances to non-consolidated or proportionally consolidated companies **(B)**	49 928		7 296	- 17 814	39 410
Loans	20 512		557	- 594	20 475
Other long-term securities	179				179
Security deposits	3 845	- 4	1 585	- 108	5 318
Other financial assets	2 126		- 86	- 61	1 979
GROSS VALUE	**78 379**	**- 4**	**9 552**	**- 18 604**	**69 323**
Impairment allowances	**571**		**169**	**- 20**	**720**
NET VALUE	**77 808**	**- 4**	**9 383**	**- 18 584**	**68 603**

Long-term financial assets primarily include advances and loans to non-consolidated companies (€12.6 million) and proportionately consolidated subsidiaries (€47.3 million).

The largest advances were granted to the following companies:

➔ Note 2.5 (B)

in € thousands	December 2002	Increases	Decreases and other changes	June 2003
SCI Antin Vendôme	6 622	613	- 824	6 411
SCI du Bassin Nord	2 922	202	- 108	3 016
SAS Cecobil	17 625	870	- 1 728	16 767
Other advances	22 759	5 611	- 15 154	13 216
Total	**49 928**	**7 296**	**- 17 814**	**39 410**

Non-consolidated equity interest securities primarily include the following:

➔ Note 2.5 (A)

in € thousands	Shareholders' equity at June 30, 2003	Income at June 30, 2003	% ownership	Gross value of securities	Net value of securities
Principal values				**1 509**	**916**
SAS Sovaly	415	- 15	100.0%	572	401
Sogecaec Portugal	200		100.0%	200	-
SKF Spa	54	- 7	50.0%	246	24
SAS Kléfi Participations	130	- 1	100.0%	130	130
SAS Klécar Europe Est	75	- 6	100.0%	76	76
SAS Nancy Bonsecours	76	- 208	99.9%	76	76
SAS Cecotoul	6	11	95.0%	72	72
SAS Felix Eboué	13	-	95.0%	76	76
SA Foncière de Louvain La Neuve	61	-	100.0%	61	61
Other equity investment securities				**453**	**425**
Total				**1 962**	**1 341**

2.6 change in equity interest in equity method investees

The removal of companies no longer in operation from the scope of consolidation has resulted in a €2.2 million increase.

➔ Note 2.6

in € thousands	
Securities in equity method investees at December 31, 2002	**642**
Difference due to changes in the scope of consolidation	2 229
Share of 2002 income of companies accounted for by the equity method	208
Dividends received from equity method investees	- 280
Other changes	
Securities in equity method investees at June 30, 2003	**2 799**

Note 3 – Inventory of projects under development

At the June 30, 2003 reporting date, development inventory primarily included retail space intended for resale.

➔ Note 3

in € thousands	**2003 June**	**2002 December**	**2002 June**
Group share	3 444	2 555	4 107
Share of external partners	1 140	747	634
Total	**4 584**	**3 302**	**4 741**

Note 4 – Analysis of accounts receivable/accrued liabilities by business

➔ Note 4

in € thousands	**Offices**	**Shopping centers**	**Services**	**Total June 2003**	**December 2002**
Accounts receivable	3 673	4 941	16 868	25 482	19 517
Accrued liabilities	- 285	- 114	- 3 365	- 3 764	- 2 690
Total	**3 388**	**4 827**	**13 503**	**21 718**	**16 827**

Note 5 - Miscellaneous receivables

➔ Note 5

in € thousands	June 2003	December 2002	June 2002
Government			
Corporate income tax	17 856	18 221	4 974
VAT	22 274	32 722	40 035
Miscellaneous debtors	143 296	142 367	162 804
Total	**183 426**	**193 310**	**207 813**

The debit amount in the corporate income tax line item reflects the tax loss situation of the Klépierre tax group at the 2002 year-end reporting date that resulted from internal restructuring completed in 2002 and 2003.

Miscellaneous receivables include recoverable VAT on the acquisition of shopping malls (€2.5 million for properties in Italy; €10.3 million for properties in Spain) and on office property extensions (€1.2 million for Forum Seine).

Miscellaneous debtors include the following receivables:

- €73.9 million in receivables relating to real-estate management activities (calls for funds to owners)
- €47.1 million in accrued interest on interest swaps
- €4.2 million in receivables on the sale of real estate assets
- down payments totaling €3.8 million made on shopping mall extensions and properties.

Note 6 – Marketable securities

Marketable securities include 573,226 treasury shares with an acquisition value of €18.8 million, equal to 1.28% of total equity issued.

These shares of treasury stock are distributed as follows:

- 300,000 shares of the stock option plan put in place for Klépierre group employees, approved by the Executive Board on June 14, 1999 (of which 211,800 have been distributed)
- 273,226 shares to be used to stabilize the stock price.

A total of 46,892 shares of common stock were sold in the first six months of 2003 resulting in a gross capital gain of €0.4 million.

Other marketable securities include:

- money market funds (€24.4 million)
- commercial paper in Spain (€7.9 million).

Note 7 – Adjustment accounts (assets)

Expenses to be amortized include lease-up fees. Fees related to the acquisition of fixed assets are recorded under tangible and long-term financial assets.

➔ **Note 7**

in € thousands	June 2003	December 2002	June 2002
Bond redemption premium		-	4 396
Bond issue premium	2 303	2 531	-
Bond issue cost and fees	6 972	4 112	6 557
Expenses to amortize	9 395	10 308	6 703
Prepaid expenses	2 246	1 480	2 660
Total	**20 916**	**18 431**	**20 316**

5.2 Notes on consolidated liabilities

Note 8 – Change in group shareholders' equity

➔ **Note 8**

in € thousands	Share capital	Additional paid-in capital	Consolidated reserves	Earnings for the period	Other consolidated reserves			Total shareholders' equity
					CRC 99-02	Employer obligations	Total (other)	
December 2001	**107 053**	**555 661**	**172 160**	**65 296**	**39 457**	**- 2 109**	**37 348**	**937 517**
Change in share capital of the consolidating company	12 307	134 893					-	147 200
Sale / Acquisition of treasury shares							-	-
Impact on revaluations							-	-
Consolidated earnings for the period				81 099			-	81 099
Dividends paid by consolidating company		837	23 601	- 65 296			-	- 40 858
Change in unrealized forex translation gains and losses			136				-	136
Change in accounting methods							-	-
Change in scope of consolidation and % interest			- 953				-	- 953
Other changes							-	-
December 2002	**119 360**	**691 391**	**194 944**	**81 099**	**39 457**	**- 2 109**	**37 348**	**1 124 141**
Change in share capital of the consolidating company	59 680		- 59 680				-	-
Sale / acquisition of treasury shares							-	-
Impact of revaluations							-	-
Consolidated earnings for the period				54 215			-	54 215
Dividends paid by consolidating company		1 246	28 346	- 81 099			-	- 51 507
Change in unrealized forex translation gains and losses							-	-
Change in accounting methods							-	-
Change in scope of consolidation and % interest							-	-
Other changes			- 273				-	- 273
June 2003	**179 040**	**692 637**	**163 337**	**54 215**	**39 457**	**- 2 109**	**37 348**	**1 126 576**

Acting on a vote taken by the shareholders at their annual meeting of April 4, 2003, Klépierre completed a two-for-one split of the stock comprising its capital and then to allot one free share for every two existing shares on this basis. As a result, equity was raised by €59.7 million through the capitalization of reserves, bringing the total to €179 million. This increase resulted in the issuance of 14,919,921 new shares, each with a par value of €4, distributed freely.

Note 9 – Change in minority interests

➔ Note 9

in € thousands	
December 2001	**335 850**
Advances on dividends and dividends paid to minority interests	- 17 083
Impact of change in scope of consolidation on minority interests	
* Klécar France	6 681
* Klécar Participations Italie	16 694
* SC Centre Bourse	- 2 382
* Other changes in scope of consolidation	115
Impact of regulatory changes	
Other reclassifications	176
Earnings for the period	17 619
December 2002	**357 670**
Advances on dividends and dividends paid to minority interests	- 9 087
Impact of change in scope of consolidation on minority interests	
* Klécar Europe Sud	6 800
* Other changes in scope of consolidation	
Impact of regulatory changes	
Other reclassifications	200
Earnings for the period	10 014
June 2003	**365 597**

The changes reflect additional equity provided by minority shareholders of Klécar Europe Sud to finance the acquisition of the Tenerife gallery.

Note 10 – Deferred taxes

Deferred taxes are broken down as follows:

- tax consolidation groups are shown in terms of their net credit and debit position
- offsetting entries are not made in the consolidated balance sheets for the tax assets or liabilities of French and foreign companies that are not included in the tax consolidation group.

➔ Note 10

in € thousands	**December 2002**	**Change in result**	**Other changes**	**June 2003**
Buildings	- 97 281	- 919	- 5 369	- 103 569
Debt	-			-
Other items	1 715	- 21	- 2 261	- 567
Total deferred tax liabilities	**- 95 566**	**- 940**	**- 7 630**	**- 104 136**
o/w				
➔ *Klécentres tax consolidation group*	*- 51 892*	*779*		*- 51 113*
➔ *Other French companies*	*- 16 376*	*138*	*- 885*	*- 17 123*
➔ *Other foreign companies*	*- 27 298*	*- 1 857*	*- 6 745*	*- 35 900*

in € thousands	December 2002	Change in result	Other changes	June 2003
Buildings	43 410	- 21 244	8 444	30 610
Debt	14		- 14	-
Other items	9 754	628	- 1 913	8 469
Total deferred tax assets	**53 178**	**- 20 616**	**6 517**	**39 079**
o/w				
➔ *Klépierre tax consolidation group*	*48 263*	*- 20 698*	*1 837*	*29 401*
➔ *Ségécé tax consolidation group*	*2 313*	*214*		*2 527*
➔ *Other French companies*	*2 395*	*542*	*- 932*	*2 005*
➔ *Other foreign companies*	*207*	*- 674*	*5 612*	*5 146*
NET POSITIONS	**- 42 388**	**- 21 556**	**- 1 113**	**- 65 057**

Deferred tax assets on properties increased by €21.2 million, of which €3.6 million is attributable to six properties for which deferred tax assets were recognized in 2003 and €16.3 million to real-estate asset sales.

The net balance of other changes (-€ 1.1 million) is primarily due to the consolidation of Delcis Cr.

Note 11 - Provisions for contingencies and losses

➔ Note 11

in € thousands	June 2003	December 2002	June 2002
Accrued retirement liabilities	7 678	7 050	6 138
Building management expenses	731	806	1 241
Commitments granted to clients		337	739
Other provisions for contingencies and losses	7 916	8 463	4 326
Net goodwill (liabilities)	585	585	585
Total	**16 910**	**17 241**	**13 029**

Other provisions for contingencies and losses mainly relate to litigation (€1.8 million), costs incurred in connection with development projects whose outcome is uncertain (€1.6 million) and a real-estate risk related to a shopping center located abroad (€2.5 million).

Note 12 – Borrowings and financing debt

At the June 30, 2003 reporting date, borrowings and financing debt amounted to €2,099 million, a decrease of €4,7 million versus the corresponding prior period that is primarily due to the conversion of the convertible bond at the December 31, 2002 reporting date.

Borrowings and financing debt include the following financing arrangements:

- a €600 million bond issued in July 2001 (6.125% gross yield to maturity)
- a €670 million syndicated loan (an initial amount of €900 million), of which €460 million has been drawn, versus €500 million at December 31, 2002
- a €225 million equity bridge loan
- €180 million in commercial paper
- a €132.6 million, 12-year mortgage loan contracted on behalf of Klécar Italia, of which €125 million has been drawn. This arrangement replaces a €110 million bridge loan contracted in December 2002.

On March 27, 2003, Klépierre put in place a new, €770 million syndicated loan, structured as follows:

- a €270 million backup facility for the commercial paper program, opened for a period of one year and renewable once. This facility replaces the €230 million facility that was initially included in the €900 million syndicated loan.
- a €500 million medium-term loan, of which €250 million is repayable at the end of the fourth year, with the remainder falling due at the end of the sixth year.

At the June 30, 2003 reporting date, neither had been drawn.

➔ Note 12

in € thousands	June 2003	Dec. 2002	June 2002
Convertible bond	-	-	138 324
* Principal amount			136 330
* Accrued interest			1 994
Other bonds and notes	635 844	617 620	635 844
* Principal amount	600 000	600 000	600 000
* Accrued interest	35 844	17 620	35 844
Bank borrowings	1 140 039	1 139 591	1 162 027
* Principal amounts	892 353	923 409	785 229
* Commercial paper	180 000	171 000	230 000
* Accrued interest	1 528	1 467	21 501
* Bank overdrafts	66 158	43 715	125 297
Miscellaneous borrowings and financing debt	323 375	346 739	346 589
* Equity loans	152 742	153 298	162 007
* Other borrowings	43 456	44 609	21 873
* Advances from Group and partners	127 177	148 832	162 709
Total	**2 099 258**	**2 103 950**	**2 282 784**

The principal limitations applied to Klépierre's debt financing are as follows:

- Standard and Poor's rating of BBB+ and stable outlook is subject to compliance with the following ratios:

  - EBITDA/Net interest expense: between 2.5 and 3.0
  - Net corporate debt/Fair market value of holdings (Loan to value): < or = 50%
  - Net current cash flow/Net corporate debt: > or = 6%

- Bond issue:

  - Early redemption in the event that one-third of the voting rights are traded, resulting in a downgrade of Standard and Poor's rating to below BBB-.
  - Ceiling on assets pledged to third parties: 50% of adjusted NAV.

- Syndicated loan:

  - EBITDA/Interest expense: > or = 2.5
  - Net corporate debt/Consolidated shareholder's equity (Gearing): < or = 150%
  - Net corporate debt (excluding bridge loan in lieu of equity issue)/Fair market value of holdings (Loan to value): < or = 52%

Analysis of financing debt by due date:

➔ ***June 2003 - by due date***

in € thousands	**Total**	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Other bonds and notes	**635 844**	**35 844**	**-**	**600 000**
* Principal amount	600 000			600 000
* Accrued interest	35 844	35 844		
Bank borrowings	**1 140 039**	**257 191**	**721 597**	**161 251**
* Principal amounts	892 353	9 505	721 597	161 251
* Commercial paper	180 000	180 000		
* Accrued interest	1 528	1 528		
* Bank overdrafts	66 158	66 158		
Miscellaneous borrowings and financing debt	**323 375**	**279 919**	**-**	**43 456**
* Equity loans	152 742	152 742		
* Other borrowings	43 456			43 456
* Advances from Group and partners	127 177	127 177		
Total	**2 099 258**	**572 954**	**721 597**	**804 707**

Note 13 - Trade notes and accounts payable

Trade notes and accounts payable totaled €26.9 million, versus €34.2 million at December 31, 2002.

Note 14 - Other liabilities

Other liabilities increased steadily between the June 30, 2002 and June 30, 2003 reporting dates, primarily due to the increase in calls for funds made to tenants and security deposits.

Due to growth in the Group's shopping-center business, deposits and guarantees received increased from €53 million at June 30, 2002 to €61.1 million at the June 30, 2003 reporting date.

Other liabilities include €28.9 million in accrued interest on interest-rate swaps.

➔ Note 14

in € thousands	June 2003	December 2002	June 2002
Payroll and sub-accounts	6 261	6 966	5 538
Social security and other organizations	3 258	2 371	1 536
Government			
* Corporate income tax	3 491	5 458	2 873
* VAT	5 505	4 722	8 092
Other taxes and duties	4 270	1 223	8 087
Creditor clients	124 809	116 136	110 594
Payables to fixed asset suppliers	38 866	41 027	3 844
Other liabilities	48 374	33 782	62 514
Total	**234 834**	**211 685**	**203 078**

Note 15 – Adjustment accounts (liabilities)

Prepaid income primarily consists of an additional cash payment on swaps of €3.9 million.

Accrued liabilities and other prepaid income consist of entry fees spread over the terms of the corresponding leases.

➔ Note 15

in € thousands	June 2003	December 2002	June 2002
Prepaid income	6 114	4 901	7 290
Accrued liabilities and other prepaid income	4 827	5 497	2 631
Total	**10 941**	**10 398**	**9 921**

5.3 Off-balance sheet commitments

Note 16 - Reciprocal obligations on interest-rate hedging instruments

Klépierre's portfolio of interest-rate hedging instruments at the June 30, 2003 reporting date is detailed below. This portfolio was set up to cover the interest-rate risk on a portion of the current and future corporate debt based on estimates of Klépierre's global needs and the due dates of various financing arrangements.

➔ Note 16

Binding transactions (in € millions)	June 2003	December 2002	June 2002
Fixed-rate payer Klépierre - variable-rate payer BNP Paribas	1 968 (1)	1 768	1218
Fixed-rate payer BNP Paribas - variable-rate payer Klépierre	600 (1)	600	752
Fixed-rate payer Klécar Italia Spa - variable-rate payer BNP Paribas	90	90	-

(1) including €100 million for a single contract in which BNP Paribas pays a certain fixed rate and Klépierre pays another fixed rate as of July 1, 2003.

Impact on results (reference capital of 1 to 10 years)	2003 Income	2003 Expenses
	in € millions	
Fixed-rate payer Klépierre - variable-rate payer BNP Paribas	24	41
Fixed-rate payer BNP Paribas - variable-rate payer Klépierre	18	12
Fixed-rate payer Klécar Italia Spa - variable-rate payer BNP Paribas	1	1

At the June 30, 2003 reporting date, the portfolio's net unrealized gains totaled €73.7 million. As a reminder, reserves are not established for unrealized gains and losses, since the portfolio is used to manage the Klépierre group's interest-rate risk.

Note 17 - Commitments granted and received

❑ Agreement between the shareholders of Klécentres, Klécar France and Klécar Europe Sud

The agreement provides for the usual protections of minority interests: pre-emptive rights, joint exit rights and decision-making processes that must be complied with when investments or divestments are considered.

The agreement also provides for the following two protections:

- At the option of minority interests: exits from Klécar France and Klécar Europe Sud in the tenth and fifteenth years, with a seller's credit and partial exit option on Klécentres as of 2003;
- At the option of Klépierre: joint mandatory exit of minority interests at the demand of Klépierre.

It should be noted that, in connection with the adoption of the SIIC status for Klépierre, the exit of minority interests in Klécentres should be completed before September 30, 2003 (see page 13 of this document for further details).

❑ Options relating to IGC shares

These options, defined in July of 2002 with Finiper, IGC's majority shareholder, provide for the following:

- For Klépierre: the right to acquire an additional 10% equity stake in IGC throughout the third year following acquisition, which would increase ownership in the company to 50%;
- For Finiper: the right to sell a 10% equity stake in IGC to Klépierre during the first two years.

Commitments granted and received

Note 17

in € thousands	June 2003	December 2002	June 2002
Commitments granted			
- Guarantees on loans granted to employees	4 563	4 683	NC
- Redemption premiums on the convertible bond	-	-	7 026
- Surety, guarantees and mortgages	190 035	229 338	247 946
- Purchase commitments	332 123	412 661	379 015
Total	**526 721**	**646 682**	**633 987**
Commitments received			
- Bank guarantees received in connection with real estate management and transactions	132 148	89 206	42 908
- Security deposits received from tenants	15 686	18 332	3 716
- Commitments to finance received from credit institutions	822 285	439 134	424 408
- Guarantees received to cover amounts paid		-	-
Total	**970 119**	**546 672**	**471 032**

Commitments to purchase include €315 million to acquire properties, primarily in connection with the agreement signed with Carrefour (€260 million), and payment of the remaining balance for the acquisition cost of the Oviedo shopping mall (€26 million) and the Créteil Soleil multi-screen movie theater (€22 million).

Pledge of assets

As a rule, the Group finances its acquisitions through equity or via debt contracted by the holding company, without pledging assets. A portion of the financing debt is subject to certain limitations, which are described in Note 12.

Pledge of assets

in € thousands	Start date	End date	Amount of assets pledged	Total balance sheet item	Corresponding %
on intangible fixed assets			nil	51 910	
on tangible fixed assets			273 465	3 490 887	7.8%
Cienneo	Apr. 16, 1999	Dec. 15, 2013	23 953		
Immobiliare Magnolia	Sept. 8, 1999 Oct. 18, 2002	Jul. 15, 2111 Jul. 15, 2111	11 243		
ICD	June 30, 1996	May 11, 2011	24 454		
Klecar Italia	June 25, 2003	June 25, 2015	212 013		
IGC	Apr. 3, 1997	Dec. 31, 2006	806		
	Oct. 23, 1996	June 30, 2007	996		
on long-term financial assets			nil	68 603	
TOTAL BALANCE SHEET ITEM			273 465	3 985 185	6.9%

6 – Notes relative to the consolidated statements of income

Note 18 - Operating income

Group revenues include the following:

- Lease income, which includes rents from properties and shopping centers, and related or equivalent income such as parking rental fees and eviction indemnities
- Management and administrative fees earned by its service companies
- Proceeds from the sale of projects under development.

Other operating income includes work re-invoiced to tenants, entry fees received and miscellaneous income.

At the June 30, 2003 reporting date, revenues were €189.6 million, up 14.8% versus June 30, 2002.

Lease income totaled €173.5 million, of which €134.5 million from shopping centers and €39.0 million from office properties. Shopping center rents increased 24.3% versus the corresponding period in 2002. On a constant structural basis, the increase with respect to the corresponding period in 2002 was 6.1% for shopping centers and 5.4% for offices.

➔ ***Note 18 Analysis of revenue by geographic region***

in € thousands	Rental income	Management income	Sales income	Total
France	**129 509**	**12 827**	**72**	**142 408**
Southern Europe	**39 411**	**3 137**	**-**	**42 548**
* Spain	18 323	1 825		20 148
* Italy	17 847	1 309		19 156
* Other	3 241	3		3 244
Central Europe	**4 562**	**122**	**-**	**4 684**
Total	**173 482**	**16 086**	**72**	**189 640**

All businesses combined, Klépierre generated 24.9% of its total revenues abroad at the June 30, 2003 reporting date, versus 15% for the corresponding period in 2002.

Notes 19: Other operating expenses and amortization expense

Building expenses are shown net of re-invoicing to tenants, and include only expenses for which the owner is liable and expenses on unleased premises.

Other operating expenses include the general expenses of management companies and amortization of capitalized expenses, with the exception of fixed asset acquisition costs, which are recorded as allowances for building amortization.

➔ Note 19 Depreciation and amortization expense

in € thousands	June 2003	December 2002	June 2002
Intangible fixed assets	**2 242**	**4 149**	**1 437**
Real estate leasing	**179**	**109**	**54**
Tangible fixed assets	**47 006**	**80 038**	**40 609**
** Offices*	*10 276*	*20 758*	*10 726*
** Shopping centers*	*36 730*	*59 280*	*29 883*
Fixed asset acquisition costs	**2 526**	**4 160**	**2 021**
Total	**51 953**	**88 456**	**44 121**

Amortization expense is summarized below:

➔ Note 19 Depreciation and amortization expense

in € thousands	June 2003	December 2002	June 2002
Intangible fixed assets	**2 242**	**4 149**	**1 437**
Real estate leasing	**179**	**109**	**54**
Tangible fixed assets	**47 006**	**80 038**	**40 609**
** Offices*	*10 276*	*20 758*	*10 726*
** Shopping centers*	*36 730*	*59 280*	*29 883*
Fixed asset acquisition costs	**2 526**	**4 160**	**2 021**
Total	**51 953**	**88 456**	**44 121**

Depreciation and amortization in the office division decreased between June 2002 and June 2003, primarily attributable to property divestitures but partially offset by the new depreciation allowance for the Issy Desmoulins property, which went into service at year-end 2002.

Depreciation and amortization in the shopping center division increased by 21.3% versus June 30, 2002. The increase is primarily attributable to changes in the scope of consolidation abroad: Italian shopping centers owned by Klecar Italia and IGC were consolidated during the second half of 2002 (+€4.3 million) and the Novy Smichov shopping mall was consolidated during the first half of 2003 (+€2.2 million).

Note 20 - Financial results

Financial and investment results for the six months ended June 30, 2003 were a loss of €53.4 million, compared with a loss of €48.2 million for the corresponding prior period.

Financial and investment gains are summarized below:

➔ Note 20

in € thousands	June 2003	December 2002	June 2002
Gains on the sale of marketable securities	270	1 729	490
Gains on interest-rate swaps	43 760	80 822	39 005
Interest on advances to Group and partners	1 365	3 013	1 443
Miscellaneous interest earned	2 754	6 515	3 165
Other interest income	198	489	138
Forex gains	149	186	
Release of interest expense allowance	20	-	13
Total interest income	**48 516**	**92 754**	**44 254**

Miscellaneous interest earned mainly includes interest earned on down payments made to acquire shopping malls on the basis of drafted plans (€1.9 million) and an equity interest in the company Delcis (€0.7 million).

Expenses are summarized below:

➔ Note 20

in € thousands	June 2003	December 2002	June 2002
Interest on bonds	18 224	36 789	20 218
Interest on bank borrowings	19 342	41 781	18 439
Other bank interest	3 100	9 656	5 361
Interest expense on swaps	53 717	89 326	41 761
Interest expense on Group and partner advances	4 800	8 561	3 892
Other interest expense	4 446	2 758	1 100
Transfer of interest expense	- 2 651	- 77	
Forex losses	12	22	125
Allowance to fund convertible bond redemption premium	583	1 822	1 118
Interest expense allowance	397	631	481
Total interest expense	**101 970**	**191 269**	**92 495**

Interest expense increased by €9.5 million versus June 30, 2002, primarily reflecting:

- an €11.9 million increase in expense on interest rate swaps
- the elimination of €2 million in interest on the convertible bond.

Note 21 – Non-recurring results and amortization of goodwill

Non-recurring results include gains or losses on the sale of consolidated assets, as well as one-off or extraordinary items.

Non-recurring results are summarized below:

➔ Note 21

in € thousands	June 2003	December 2002	June 2002
Capital gains and losses on the sale of tangible fixed assets	49 044	67 523	11 100
Capital gains and losses on the sale of equity investment securities	- 20	99	-
Other non-recurring items	1 058	- 273	1 547
Net balances of allowances to and releases of reserves		- 4 100	- 1 517
Total	**50 082**	**63 249**	**11 130**

The capital gain on the disposal of tangible assets concerns three office properties that were sold.

Goodwill amortization totaled €0.6 million, versus €0.8 million at June 30, 2002.

Note 22 – Corporate income tax

➔ Note 22

in € thousands	June 2003	December 2002	June 2002
Income tax payable	11 947	30 718	18 522
Deferred income tax	20 575	23 782	- 1 575
Total	**32 522**	**54 500**	**16 947**

Income tax payable includes a €5.3 million expense recorded by Klépierre for the prior period.

At the June 30, 2003 reporting period, the recorded change in deferred income tax was an expense of €20.6 million, of which €16.3 million attributable to property disposals and €3.6 million to the realization of deferred tax assets following internal restructuring.

Total tax expense includes current tax and non-recurring tax:

➔ Analysis - June 2003

in € thousands	Current tax	Non-recurring tax	Total
Income tax payable	13 518	- 1 571	11 947
Deferred income tax	1 570	19 005	20 575
Total	**15 088**	**17 434**	**32 522**

An explanation of the transition from the theoretical corporate income tax expense (at a rate of 35.43%) to the actual tax expense is provided below:

➔ *Verification of tax expense at June 30, 2003 (in € thousands)*

Accounting result (pre-tax)	96 751
Non-taxable consolidation eliminations and income from equity method investees	- 65
Minority share in the taxable income or loss of partnerships	- 3 572
Permanent deductions and add-backs	2 302
Losses carried forward	454
Taxable earnings	95 870
o/w:	
Taxable at the rate levied on the consolidating entity (35.43%)	49 509
Deferred tax base (35.43%)	46 361
Taxable at a reduced rate (20.20%)	
Theoretical tax expenses	33 966
at a rate of 35.43%	33 966
at a rate of 20.20%	-
Actual tax expense	32 522
The difference between the theoretical and actual tax expense results from:	400
* differences in tax rates on foreign subsidiaries	1 044
* other	

Note 23 - Transition table: corporate earnings to consolidated earnings

➔ *Note 23*

in € thousands	Offices	Shopping centers	Services	Total
Corporate statutory earnings	74 171	63 164	6 641	143 976
Reversal of released depreciation allowances	- 10 310	- 2 721		- 13 031
Revaluations				-
* Divestitures	39 726			39 726
* Amortization	124	- 3 030		- 2 906
Deferred taxes	- 19 690	- 2 347	13	- 22 024
Capital gains on the sale of securities				-
Group dividends	- 68 816	- 23 664	- 560	- 93 040
Goodwill amortization		- 212	- 378	- 590
Other eliminations/restatements	- 1 647	13 707	- 150	11 910
Net earnings of consolidated companies	**13 558**	**44 897**	**5 566**	**64 021**
Income of companies accounted for by the equity method			**208**	**208**
Total consolidated net income	**13 558**	**44 897**	**5 774**	**64 229**
o/w group share	***13 526***	***36 486***	***4 203***	***54 215***
o/w minority share	***32***	***8 411***	***1 571***	***10 014***

Note 24 - Workforce and payroll expense

➔ Note 24

Workforce	June 2003	December 2002	June 2002
Office division	35	40	44
Shopping centers	499	455	397
Total	**534**	**495**	**441**

The workforce of proportionally consolidated companies (Centros Shopping Gestion) is calculated on the basis of percentage of consolidation. The workforce of companies accounted for under the equity method is not included in the total workforce.

➔ Note 24

Payroll expense in € thousands	June 2003	December 2002	June 2002
Office division	1 638	3 088	1 344
Shopping centers	17 796	27 582	12 591
Total	**19 434**	**30 670**	**13 935**

Note 25 - Consolidating company

On June 30, 2003, Klépierre was fully consolidated by the BNP Paribas group, which owns a 53.1% equity interest in Klépierre.