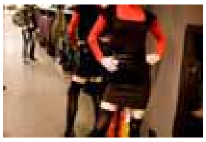
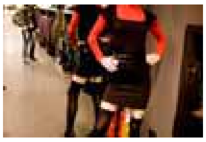
  

# 2007 ANNUAL FINANCIAL REPORT

Société Anonyme à Directoire et Conseil de surveillance au capital de 193 889 761,80 euros
Siège social : 21 avenue Kléber – 75116 Paris
780 152 914 RCS Paris



# Summary

# EXECUTIVE BOARD'S MANAGEMENT REPORT

**Supervisory Board meeting of February 8, 2008 relative to fiscal year 2007**



## A – BUSINESS ACTIVITY AND EARNINGS BY SEGMENT FOR 2007

### I – Shopping center segment

#### 1 – Consumption review

**Economic environment***

In the final analysis, European growth was resilient in 2007 to the various shocks that hit the international arena (collapse of the US residential real estate market, financial market turbulence, sharply rising oil price, etc.). Growth for the Euro zone as a whole reached 2.6%, in line with forecasts made before the summer (source: OECD). Higher than average GDP growth was recorded for Slovakia (+9.3%), Poland (+6.5%), the Czech Republic (+6.1%), Greece (+4.1%) and Spain (+3.8%). Belgium matched the Euro zone (+2.6%), coming in ahead of other countries where growth was more modest: France (+1.9%), Hungary (+1.8%), Italy (+1.8%) and Portugal (+1.8%).

A climate of uncertainty in the financial markets and new inflationary tensions are clouding Europe's outlook for growth in 2008. Projections call for generally lower GDP growth than in 2007, except in Hungary and Portugal, where the economic performance is expected to improve. For France (+1.8%), GDP growth is expected to more or less keep pace with 2007. In every country, growth will continue to be driven by household spending, particularly in the three largest countries for Klépierre in terms of revenues (France, Italy, Spain).

**Mall revenue growth in 2007**

In 2007, consumption trends were positive in malls owned by Klépierre, which reported aggregate retail revenue growth of 3.2% compared with the previous year. Geographically, revenue growth was observed across the board, with the exception of Italy. Growth was once again sustained in France (+3.3%). In Spain, the figure was +4.7%, while Italy showed a slight decline (-0.4%). If the impact of the two malls in the portfolio that have suffered from the recently stepped-up competitive density in the suburbs around Rome is eliminated, the increase would be 3.5%. Slovakia (+7.0%) and the Czech Republic (+5.4%) earn high scores, while Portugal has recovered (+2.6%) after a counter-performance in 2006.
The three principal retail segments continued to perform well in 2007: Personal Products (+3.5%), Culture/Gifts/Entertainment (+4.6%), and Beauty/Health (+6.2%). Other segments also experienced growth, with the exception of Household Goods.

France

In December, retail business declined across the country (-2.8% in small-scale retail, according to Banque de France figures). Shopping centers included in the Klépierre portfolio, however, show a less clear-cut trend for the month, since revenue was up by 1.0%. As a result, 2007 can still be considered a year of satisfactory performance, with revenue growth of 3.3% over the previous year.
Performance was even better outside of urban areas, particularly at inter-communal shopping malls (+4.6%). Growth was also significant at regional shopping centers (+3.3%). And while downtown locations still managed to post revenue growth of 1.3%, overall results were weighed down by lower business volume at Marseille Bourse (downtown urban renewal and the construction of two new Fnac outlets, one in the Marseille suburbs, the other in Aix-en-Provence) and Poitiers Cordeliers (with two new competitors entering the market). These results do not include Valenciennes Place d'Armes, a mall that opened in April 2006

** Source: OECD forecasts (December 6, 2007).*

and whose year-over-year revenue of 66.6 million euros marks an increase of 14.1% over the comparable period of May–December 2007/2006. Aside from Household Goods, a segment that accounts for less than 7% of total shopping center revenue, all retail segments reported growth during the period: Beauty/Health (+6.6%), Personal Products (+4.8%), Culture/Gifts/Entertainment (+3.7%), and Restaurant (+1.7%).

### Belgium
In 2007, revenue from the Esplanade shopping center in Louvain-la-Neuve jumped 20.2% to 143.5 million euros. The mall has maintained its strong growth momentum, which received an additional boost from the recently opened Fnac store.

### Portugal
The Gondomar shopping center booked revenue growth of 14.7%, buoyed in particular by the advent of Media Markt in July 2007. Revenue generated by the hypermarket malls acquired from Carrefour was up by 5%, except for the Gaia center (-1.6%).

### Italy
Revenue growth for the year was basically flat (-0.4%).
The Romanina and Tor Vergata malls must now contend with two new competitors, first and foremost Roma Est (210 shops with total floor area of 100 000 sq.m.). Excluding the Romanina and Tor Vergata locations, shopping mall business rose by 3.5%.

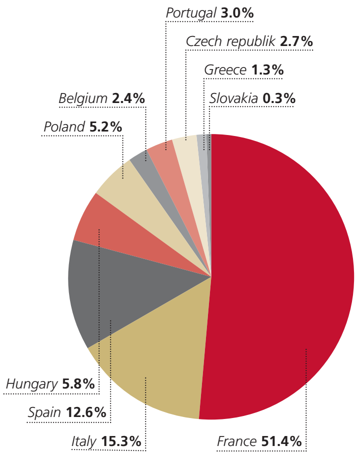
### Spain
The overall sales trend at the shopping malls in Spain was highly encouraging. Business was up at all the larger malls, and particularly strong at the Peñacastillo, Gran Sur and Meridiano locations. A majority of the hypermarket malls also turned in positive figures.

### The Czech Republic and Slovakia
Revenue increased by 5.4% in the Czech Republic and by 7.0% in Slovakia, a trend driven by the current boom in consumer spending. Leading the way was the Novo Plaza shopping center opened in Prague in March 2006, with sales up by 21.3%.

### Greece
Business improved slightly in 2007, after having been hurt in 2006 by the impact of the new competitor Cosmos on the Makedonia center.

## 2 – Rental business
Rental management business in Europe progressed significantly last year. Shopping center rents for the year ended December 31, 2007 rose to 517.9 million euros (versus 455.1 million euros at 12.31.2006), up by 13.8%. Of the total, additional variable rents accounted for 12.1 million euros.
On a constant portfolio basis, rents rose by 5.3%.

### Geographic analysis of rents




### France
Shopping center rents totaled 266.0 million euros for the year ended December 31, 2007, an increase of 16.0% versus the year ended December 31, 2006.

On a constant portfolio basis, the 7.2% increase primarily reflects:
- Index-linked rent adjustments to minimum guaranteed rents (MGR), i.e. an average of +5.6% on the total portfolio. It should be noted that the majority of all leases (79% in value terms) are indexed to the ICC construction index for the 2Q 2006, which recorded a 7.05% increase;
- Relettings and lease renewals in 2006 and 2007 led to a significant increase in the rental value of the portfolio.

The major factors that led to the increase in rents on a current portfolio basis versus on a constant portfolio basis are listed below:
- The acquisition of equity interests in various companies in the portfolio of Progest, the owner of shopping malls that include Tourville La Rivière, Osny L'Oseraie and Creil, and of the retail park at Creil-Saint-Maximin. This transaction contributed 7.2 million euros to total rents for the year ended December 31, 2007;
- The acquisition of hypermarkets and additional lots at the Blagnac and Saint-Orens locations in July 2007, transactions contributing 3.2 million euros;
- The opening of the Angoulême Champ de Mars mall in September 2007, which contributed 2.2 million euros;
- The opening of the Rambouillet mall extension in June 2007, which contributed 1.5 million euros;
- New business generated in 2006 was accounted for on a full-year basis, chiefly the new Place d'Armes mall in downtown Valenciennes (+1.4 million euros) and Klépierre's acquisition of the Toulouse Purpan suburban shopping center (+1.5 million euros).

Additional variable rent for the year totaled 7.0 million euros, versus 7.5 million for the year ended December 31, 2006. As a result of the significant index-linked rent adjustments in 2007 on French properties, a portion of these variable rents were integrated in the MGR, accounting for the decline.
Rental reversion led to 238 relettings (with MGR up by an average of 21.9%, and 235 lease renewals, +20.0%).
The average occupancy cost ratio (rent + utilities/revenues excluding tax) was 9.5% on December 31, 2007, versus 9.1% on December 31, 2006. This change is directly attributable to the strong index-linked rent adjustment applied to the majority of French leases in 2007. The occupancy cost ratio nonetheless remains reasonable.
The default rate was 0.4% (compared with 0.3% on December 31, 2006). The financial occupancy rate was 99.0% on December 31, 2007 (versus 99.3% on December 31, 2006).
Klépierre's biggest retail partners are now the PPR

# Business activity and earnings by segment for 2007

| | Change in tenants mix | | Lease renewals | |
|---|---|---|---|---|
| | Nbr | Change in % | Nbr | Change in % |
| France | 238 | 21.9% | 235 | 20.0% |
| Italy | 35 | 29.2% | 60 | 26.3% |
| Spain* | 127 | 10.0% | 168 | 7.9% |
| Hungary | 168 | -3.2% | 197 | 1.0% |
| Poland | 48 | -3.1% | 23 | 7.9% |
| Belgium | 4 | 24.8% | – | – |
| Portugal | 44 | -17.6% | 22 | -1.7% |
| Czech republik | 35 | 20.8% | 20 | 34.3% |
| Greece | 7 | 1.8% | 1 | 17.1% |
| Slovakia | 2 | 28.9% | – | – |
| **TOTAL EUROPE** | **708** | **11.0%** | **726** | **15.1%** |

*Excluding so-called shared zone activities.

| | Impact of index-linked rent adjustments | Occupancy rate | Default rate |
|---|---|---|---|
| France | 5.6% | 99.0% | 0.4% |
| Italy | 1.7% | 98.0% | 2.3% |
| Spain | 2.5% | 97.1% | 1.3% |
| Hungary | 1.6% | 97.1% | 3.7% |
| Poland | 1.7% | 96.5% | 6.5% |
| Belgium | 1.6% | 97.5% | 5.5% |
| Portugal | 2.4% | 97.5% | 5.4% |
| Czech republik | 1.7% | 97.2% | 9.0% |
| Greece | 3.5% | 97.2% | 2.9% |
| Slovakia | 1.7% | 95.6% | 22.3% |
| **TOTAL EUROPE** | **3.8%** | **98.3%** | **1.8%** |

group (4.3% of total rents, due in large part to Fnac), followed by the Auchan group (excluding hypermarkets, 4.0%) and the Vivarte group (3.0%). The concentration of rents among retail tenants is still low, ensuring that the rental risk for the portfolio also remains low.

### Outlook

In 2008, total rental income will benefit from full-year accounting for transactions initiated during 2007. These include the acquisition of the Victor Hugo mall in Valence (December 2007), the extension of the Rambouillet mall (June 2007), the inauguration of Champ de Mars in Angoulême (September 2007) and the extensions to the Brest and Orléans-Saran centers (October 2007).

As regards organic growth, leases up for renewal by the end of 2008 represent 6.2% of total leases in value terms. In addition, most of the minimum guaranteed rents of the portfolio (some 80% in value terms) should be boosted in 2008 by the 5.05% increase in the ICC construction index of 2Q 2007.

## Spain

Rents totaled 65.3 million euros, up by 9.3%. The only change in scope is due to the full-year inclusion of the Vega Plaza mall in Molina de Segura, acquired in June 2006.
On a constant portfolio basis, the increase in rents (62.5 million euros) came to 4.6%, of which 2.5% related to index-linked adjustments to minimum guaranteed rents (MGR). Additional variable rents totaled 1.1 million euros, an increase of 20.4%. The Meridiano shopping center (Tenerife) alone contributed 18% to variable rents from Spanish properties. The strong rise is also due to ongoing improvements in the capture and verification of revenues reported by retail tenants.
In the course of 2007, there were 24 lease-ups, 137 re-lettings to new commercial tenants (+9.2%) and 258 leases renewed (+4.5%). Excluding the renewals of telephone booths and ATM (automated cash distributors), leases renewals rose by 7.9%.
The default rate was 1.3%, virtually unchanged since December 31, 2006 (1.2%) and showing improvement over June 2007 (1.5%). The financial occupancy rate, which had been declining since December 2006 (98%), has stabilized since June 30, 2007 at 97.1%. Restructuring projects currently under way accounted for two-thirds of the financial vacancy rate at year-end 2007.
The occupancy cost ratio at year end 2007 was 11.3% (compared with 11.5% at year end 2006).
Retail concentration remains low: together, the top 10 retailers account for 29.6% of rents. The Inditex group accounts for 6.1%, followed by Cenesa (5.2%), Alain Afflelou (2.8%), Belros (2.7%), Yelmo (2.6%), and McDonalds (2.4%). The next four retail tenants account for between 2.4% and 1.4% of total rents.

### Outlook

In 2008, rents in the Spanish portfolio will be boosted by the full-year impact of the retail restructuring projects at Oviedo Los Prados (arrival of Saturn in November 2007) and Gran Sur (arrival of Inditex group retailers in June 2007).
With respect to rental reversion, leases that will come up for renewal in Spain between now and the end of 2008 represent 14.9% of all leases in value terms, including about 7% for retail space in the Tenerife Meridiano shopping center. In addition, MGR should get a boost from the rise in the index (+4.2%).

## Italy

Rents from the Italian shopping center assets totaled 79.2 million euros, an increase of 7.2% that reflected the impact of the Giussano and Varese shopping center extensions, which opened in 2006, and the Bari extension, the first portion of which opened in December 2007.
Additional variable rents came to 1.2 million euros, an increase of 17.6% due to substantial increases in tenant sales revenue.
On a constant portfolio basis, the increase was 5.1%, of which 1.7% is due to index-linked rent adjustments.
Rental reversion in 2006 (+20.6%) made the most significant contribution to this sustained upward trend, which continued in 2007 with:

• 35 relettings to new commercial tenants (+29.2%);
• 60 leases renewed (+26.3%);
• 12 lease-ups.

The default rate was 2.3% on December 31, 2007, a significant improvement compared with June 2007 (3.3%), but slightly higher than at year-end 2006 (2%), attributable to the difficulties encountered by the La Romanina shopping center, which faces an intense competitive environment. A major restructuring plan is in the project phase. The financial occupancy rate stands at 98%, an improvement compared with June 30, 2007 (97.6%) and December 31, 2006 (97.9%).
The occupancy cost ratio has stabilized over the last 18 months. At 9.4% on average, it remains reasonable.
Retail concentration remains low. The largest retail tenant, the Mediaworld group, represents 5.7% of total rents, while the next 9 retailers (Inditex, Benetton, Risto, Miroglio, Oviesse, Piazza Italia, Cisalfa, Scarpe Scarpe, Intimissimi) account individually for between 2.9% and 2%. Together, the top ten retailers provide 27.6% of total rent.

Outlook
In 2008, rents from Italian shopping center properties will get a full-year boost from the retail restructurings at Val Vibrata Colonella and Bari (completed in 2007).
Leases that will come up for renewal between now and the end of the year in Italy represent 11.4% of total leases in value terms, of which about one-third are located in the Le Rondinelle center in Brescia. In addition, guaranteed rents should be supported by the rise in the index (+4.3%).

### Hungary

Rents totaled 29.8 million euros for the year ended December 31, 2007. The 1% increase is attributable to the acquisition of 11 500 sq.m. in June 2007 of office space that is integrated into the Duna Plaza shopping center. This makes Klépierre the sole owner of the real estate complex and should ultimately facilitate the completion of a major extension project. The major merchandising overhaul that was undertaken has been extended to the entire portfolio of properties in Hungary.
Media Markt opened its doors in October 2007 at Duna Plaza, and C&A in May 2007 in Miskloc. For the two centers, the expected capital gain in 2008 versus 2007 rents is an estimated 268 000 euros and 145 000 euros, respectively. Other positive impacts of restructurings under way or completed are expected in the course of 2008, including that linked to the arrival of Hervis at Szeged.
There were a significant number of new contract in this portfolio, with 33% of all leases impacted in 2007 by a rental change: 52 lease-ups (+610 thousand euros), 168 re-lettings to new tenants (-3.2%) and 197 lease renewals (+1%). Results were contrasted depending on the centers, with the Duna Plaza restructuring during fiscal 2007 weighing heavily on the global result. Excluding Duna Plaza, observed improvements came to +1.4% for 134 relettings to new commercial tenants and +3.1% for 162 lease renewals.
On a constant portfolio basis and within the specific context of restructuring, rents declined by 1.1% in spite of index-linked adjustments of 1.6%.
Thanks to the rollout of a system for capturing and verifying sales revenue, a significant increase in additional variable rents was invoiced (361 000 euros in 2007, compared with 50 000 euros in 2006).
The financial occupancy rate (97.1%) for the year ended December 31, 2007 showed improvement over the June 2007 reading (96%), as restructurings were completed. The large number of pending operations explains the slight decline with respect to December 2006 (97.7%).
The default rate was 3.7% at year-end 2007 (3.5% on December 31, 2006).
The retail concentration was relatively low, with the top ten retailers representing 26.1% of total rents. Match remains the largest tenant (4.8%), followed by Mercur Star (3.6%), Pesci Direkt (3.2%), IT Cinema (3%) and Jeans Club (2.4%). The next five retail tenants represent between 2.3% and 1.4% of the total.
The average occupancy cost ratio for tenants, including utilities, was 12% on December 31, 2007. Given the insufficient sample of revenues examined to date, this ratio should not be considered as particularly representative. The increase in additional rents that was mentioned above suggests that there is potential for improvement in the total rent.
Outlook
In 2008, rents for the Hungarian properties will get a boost from the full-year impact of the retail restructurings of Duna Plaza and Miskolc (completed in 2007), as well as the restructuring of Szeged, which should open in the second quarter of 2008.
Leases that will come up for renewal between now and the end of this year represent 20.4% of all leases in value terms. These renewals primarily concern Nyir, recently renovated centers (Debrecen) or those undergoing restructuring (Gyor, Szolnok). MGR should increase in line with the index (+3.1%).

### Portugal

Rents came to 15.7 million euros in 2007, compared with 11.6 million euros for the year ended December 31, 2006, a rise that was attributable to the integration of Minho Center in Braga, which was acquired in December 2006, and full ownership of Parque Nascente in Gondomar following the buyout in September 2007 of shares owned by the other investor.
Additional variable rents (1.1 million euros) continued to rise (+60.3%) thanks to the performance of mid-sized units.
On a constant portfolio basis, the increase of 2.7% is primarily the result of two factors: index-linked rent adjustments (+2.4%) and rental modifications. With respect to the latter, there were 6 lease-ups, 44 re-lettings to new commercial tenants (-17.6%) and 22 leases renewed, mainly involving Lourès, which faces fierce competition (-1.7%).
The re-lettings to new commercial tenants reflect the impact of the restructuring that was completed in 2007 on Parque Nascente, which enabled Media Markt to move in and resulted in changes to the food court. Excluding these operations, relettings to new commercial tenants generated an improvement of 3% compared with the previous rent paid.
The default rate was 5.4%, down from June 30, 2007 (10.1%). Further improvement is expected in 2008 with the restructuring planned for Parque Nascente, which will allow for the settlement of a dispute with the operator of the bowling alley and a reduction in the default rate for the center (from 5.7% at year end 2007 to an estimated 4.0%).
The financial occupancy rate for the year was 97.5%, an improvement since June 30, 2007

# Business activity and earnings by segment for 2007

(95.9%) that came despite a vacancy related primarily to restructurings under way for Parque Nascente.
The occupancy cost ratio was 11.6% on December 31, 2007, compared with 12.6% at year end 2006. It reflects the improvement in retail sales revenue.
The retail concentration showed improvement, with the ten largest retail groups representing 31.1% of total rents, compared with 31.4% on June 30, 2007. The largest tenant is the Aki-Leroy Merlin group (9.5%), followed by Toys'R'Us and Inditex (4.2% and 4.1%, respectively). The next seven retailers account for between 2.7% and 1.5% of total rents.

Outlook
In 2008, Portuguese rents will be boosted by the full-year impact of the retail restructuring of Parque Nascente (completed in 2007).
Leases scheduled for renewal between now and the end of 2008 represent 9.3% of all leases in terms of value and concern the mid-sized unit Leroy Merlin at Parque Nascente. In addition, rents should benefit from the increase in the index (+2.5%).

### The Czech Republic – Slovakia

Rents amounted to 15.5 million euros.
On a current portfolio basis, Czech rents increased by 1.7 million euros with the acquisition of the Novo Plaza center in late June 2006.
On a constant portfolio basis, rents increased by 5%, attributable to the combined impact of index-linked rent adjustments (+1.7%) and rental reversion efforts carried out in both 2006 and 2007. In the course of 2007, a total of 35 relettings to new commercial tenants (+20.8% versus previous lease terms and conditions) and 20 lease renewals (+34.3%) were completed.
In Slovakia, rents collected from tenants in the Danubia mall were up by 11.7% on a constant portfolio basis, reflecting the full impact of the changes in tenant mix that were effected in 2006 for a mid-sized unit and for 2 smaller retail outlets in 2007 (+28.9%). The impact of index-linked rent adjustments was limited to 1.7%.
The financial occupancy rates in the Czech Republic are 100% for Novy Smichov and 89.5% for Novo Plaza (an improvement over June 2007, 84.8%, thanks to changes in tenant mix) and 95.6% for Danubia in Slovakia (compared with 93.8% at the end of 2006). The default rate was 2.3% for Novy Smichov, 29.8% for Novo Plaza and 22.3% for Danubia. This last high rate reflects three legal disputes in the absence of which the rate would be only 6.9%. In the case of Novo Plaza, the liability is partially covered by repayment schedules agreed to with lessees.
The occupancy cost ratios are 10.6% in the Czech Republic and 9.9% in Slovakia.
In the Czech Republic, retail concentration remains fairly low (the top ten retailers represent 26.2% of total rent). The largest commercial tenant is Palace Cinemas (7.4%), followed by H&M and C&A (3% and 2.8%, respectively). The following seven retailers account for between 2.3% and 1.6% of rents.

Outlook
In 2008, rents from Czech shopping center properties will be boosted by the full-year impact of the renewal campaign that was initiated in 2007 at the Novy Smichov shopping center, as well as the lease-ups contracted at Novo Plaza in Prague throughout 2007. In addition, they will be indexed at a rate of +2.6%. Leases still to come up for renewal in 2008 at Novy Smichov represent 10.8% of all leases in terms of value.
In 2008, 3 lease renewals and 2 relettings are planned for the Danubia center in Slovakia, which should lead to full occupation of this site by the end of the year. The applicable index rate will be +2.6%.

### Greece

Rents totaled 6.9 million euros, an increase of 14.4% since December 31, 2006 that reflected in particular the acquisition of the Larissa center in June 2007.
On a constant portfolio basis, they rose by only 0.4%, despite index-linked rental adjustments of 3.5%. The restructuring in process at Athinon is weighing adversely on rents given the high vacancy rate the site is currently experiencing. This restructuring is expected to result in the opening of a mid-sized Sprider clothing outlet on two levels (2 000 sq.m.) in mid-2008.
At the rental management level, there were 7 relettings (+1.8%) and one lease was renewed (+17.1%) during the period.
The financial occupancy rate was 97.2% for all holdings, of which 31.4% was attributable to Athinon. The other centers are fully occupied.
The default rate was 2.9%, a slight improvement.
Rent concentration remains high in Greece, and is accentuated by the modest size of the portfolio. The top ten retailers together account for 67.8% of total rent, the largest being Ster Cinemas (25.2%), followed by Marinopoulos (11.8%) and Stadium Bowling (6.4%). The combined weight of the next seven hovers between 5% and 2.3%.

Outlook
In 2008, rents will be boosted by the impact of restructuring by way of the changes in tenant mix that occurred in 2007, as well as by the 3.9% index-linked rent adjustment. The lease renewals to come are limited: 2.3% of all leases in terms of value.

### Belgium

Rents from the L'esplanade center in Louvain-la-Neuve totaled 12.4 million euros in 2007.
On a constant portfolio basis, rents increased by 7.6% thanks to 6 lease-ups (+520 000 euros) that included the arrival of a Fnac store and 4 relettings to new retail tenants (+24.8%). The impact in 2007 of index-linked rent adjustments was 1.6%.
Additional variable rents (230 000 euros) were invoiced, corresponding to the first full year of operation for this center.
The financial occupancy rate was stable at 97.5%. The default rate was 5.5%. If the pending dispute with the cinema complex was eliminated, the rate would be 2.6%.
The retail concentration is average. UGC represents 10.8% of total rent, Inditex 4.9%, H&M 4.3%, and Esprit 3.6%. Together, the ten largest retail tenants account for 36.8% of total rent.

Outlook
In 2008, rents will be positively impacted full year by the arrival of a Fnac store and a +2.7% index-linked rent adjustment. The possibility of restructuring the cinema complex is currently under consideration.

### Poland

Rents for the year totaled 27 million euros, up by 37%, reflecting the acquisition in May 2007 of the Rybnik and Sosnowiec centers and the July 2007 acquisition of the Lublin center.
On a constant portfolio basis, rents declined by 2.9%. The impact of index-linked rent adjustments was +1.7%, but did not totally offset

the effect of restructuring projects currently under way. Additional variable rents came to 521 000 euros, principally for Poznan Plaza (opened in May 2005) and Sadyba Plaza following the restructurings in 2006.

The Krakow Plaza and Ruda Slaska centers are in the process of being restructured. For the first, this entails the arrival of a Carrefour hypermarket and the mid-sized retail clothing outlet Kappahl. For the second, a Carrefour Express and two mid-sized units, Empik (culture and recreation) and Avans, will be opened.
The impact of Krakow Plaza on relettings to new retail tenants is substantial. A total of 48 leases have been signed with new tenants, lowering previous MGR by 3.1%. Excluding Krakow Plaza, the change would have been 15.5%. Lease-ups involved 5 spaces (140 000 euros) and there were 23 leases renewed (+7.9%).

The default rate at year end 2007 was 6.5%, compared with 6.1% at year end 2006, and includes some receivables of more than one year, which, if excluded, would bring the rate down to 5.3%. The financial occupancy rate improved, to 96.5%, and vacancies mainly concerned the two sites currently being restructured (Krakow, 91.6% and Ruda, 86%).
The concentration of retail tenants is low, with the top ten retailers together representing 25.9% of total rents. The largest retail tenant is Fantasy Park (5.4%), followed by Cinema City (4.1%), Reserved (3.1%), Stokrotka (2.5%) and Rossmann (1.9%).

Outlook
The restructuring projects at Krakow and Ruda will bear fruit as of 2008. In addition, rents will be subject to a 3.1% index-linked adjustment. Leases that will come up for renewal in 2008 represent 6.1% of all leases in terms of value.

## 3 – Development

### Investment market in shopping centers

Fiscal year 2007 was similar in many respects to 2006, characterized by strong demand for this type of commercial asset (shopping centers, retail parks) and relatively short supply, which once again resulted in intense competition among buyers.
The real estate and financial crisis that arose in the middle of 2007 in the United States did nothing to change the competitive environment in the second half of the year.

### Investments made in 2007

The investments made by Klépierre in 2007 are aligned with the same tendency that was observed in 2006, i.e., diverse in terms of type of investment (shopping centers located downtown or in the suburbs, extensions of existing malls, retail parks) as well as geographic origin, since 7 of the 10 countries in which Klépierre is present contributed to these investments.

950.8 million euros invested in shopping centers

Of the 950.8 million euros outlaid in 2007, 591.4 million euros were invested in malls in operation whose yield exceeds 7%. Advances on projects under development totaled 359.4 million euros.

In France, examples include:
- Montpellier Odysseum, with the first payments (34.6 million euros) of the VEFA (purchase on the basis of plans) of the shopping center acquired in partnership with Foncière des Piémonts-Icade;
- Angoulême-Champ de Mars, a downtown mall that opened its doors on September 4, 2007;
- The acquisition in the early part of the year of the Progest assets for 116.1 million euros;
- The acquisition of the hypermarket properties at the Blagnac and Saint-Orens centers, as well as the rights to extensions to adjoining shopping malls for 82 million euros of investment outlaid.

In addition, several projects involving the extension of existing malls also opened their doors to the public, a sign of the partnership established with Carrefour and the development pipeline that this type of transaction constitutes.
Also worth mentioning:
- The Rambouillet extension for 7 million euros outlaid;
- The Orléans-Saran extension for 12.1 million euros outlaid;
- The Brest-Iroise extension for 3.9 million euros outlaid.

Other extensions were also authorized, for example in Nîmes and Noisy Arcades.

Abroad:
- In Poland, the acquisition of three downtown shopping malls for 168 million euros, from the Plaza Centers Europe developer, in Lublin, Rybnik and Sosnowiec;
- In Hungary, for 111 million euros, the acquisition of the land and construction rights for a core downtown project in Budapest, which is particularly well served by mass transit systems and is part of one of the most ambitious urban revival efforts in Europe;
- In Greece, the acquisition of the Larissa mall for 21 million euros.

The determination to also manage the existing portfolio dynamically led to the initiation of the following projects:
- Extension of the Bari shopping center (Italy);
- Extension of the Varese shopping center (Italy);
- Extension of the Kaposvar mall (Hungary);
- Restructuring of the Val Vibrata mall (Italy).

The retail parks (PAC), a new way of organizing retail complexes, have also provided a source of new investments for Klépierre in France:
- Cesson – Cité du Meuble;
- The PAC in Vannes, where Castorama used to be located.

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# MANAGEMENT REPORT

## Business activity and earnings by segment for 2007

| Shopping center investments achieved in 2007 | GLA/sq.m. | Property value in €M | O/w down payments made before 12.31.2006 | 2007 investment outlaid in €M |
|---|---|---|---|---|
| **ACQUISITIONS WITH IMMEDIATE EFFECT AND SHOPPING CENTER INAUGURATION COMPLETED BY SÉGÉCÉ** | | | | |
| **France** | 169222 | 578.0 | 249.1 | 296.4 |
| *o/w Angoulème Champ de Mars (15 500 sq.m.), Toulouse Blagnac hypermarket ( 15 400 sq.m.), and Saint-Orens hypermarket (14 600 sq.m.), Progest porfolio (41 617 sq.m.), Valence Victor Hugo ( 10 341 sq.m.)* | | | | |
| **Spain** | 11754 | 32.0 | 30.6 | 1.4 |
| **Italy** | 32746 | 129.0 | 101.6 | 23.4 |
| *o/w Varese extension (5 463 sq.m.)* | | | | |
| **Portugal** | 25880 | 67.0 | 0.0 | 67.0 |
| *o/w Porto Gondomar (acquisition 50% )* | | | | |
| **Greece** | 13129 | 21.0 | 0.0 | 21.0 |
| *Larissa Thessalia (13 129 sq.m.)* | | | | |
| **Hungary** | 11546 | 14.2 | 0.0 | 14.2 |
| **Poland** | 79705 | 222.9 | 44.9 | 168.0 |
| *o/w Lublin (26 100 sq.m.), Rybnik (18 075 sq.m.), Sosnowiec (13 150 sq.m.)* | | | | |
| **Sub total** | **343982** | **1064.1** | **426.2** | **591.4** |
| **ACQUISITIONS WITH DELAYED EFFECT** | | | | |
| **France** | | 523.2 | 41.7 | 239.4 |
| *– o/w projects* | | *199.8* | *23.8* | *71.6* |
| *– o/w extensions* | | *323.4* | *17.9* | *167.8* |
| **Spain** | 45639 | 225.9 | 90.0 | 6.2 |
| *Vallecas (45 600 sq.m.)* | | | | |
| **Luxembourg** | 21367 | 209.9 | 0.0 | 1.0 |
| *Place de l'Etoile (21 367 sq.m.)* | | | | |
| **Hungary** | 35680 | 231.3 | 0.0 | 112.3 |
| *o/w Corvin Promenade (34 600 sq.m.)* | | | | |
| **Portugal** | 11875 | 52.7 | 0.0 | 0.5 |
| *o/w Portimao (11 875 sq.m.)* | | | | |
| **Sub total** | **114561** | **1 243.0** | **131.7** | **359.4** |
| **TOTAL 2007 PROPERTY ACQUISITIONS** | **458543** | **2307.1** | **557.9** | **950.8** |

in million of euros

### Development potential, 2008-2012

For the 5 years ahead, Klépierre has estimated investment potential of 3.6 billion euros spanning the European shopping center market.
Of this potential, more than 800 million euros represent committed transactions, 1.2 billion represent controlled transactions (control over the real estate and administrative permits non-definitive), and 1.6 billion euros represent identified operations.
In 2008 alone, 800 million euros are considered to be committed or controlled.

Of the 3.6 billion euros, 2 billion correspond to developments and 1.6 billion to acquisitions, of which only 500 million euros have been committed.

#### France

With more than 40% of the total pipeline, France remains the key development market for Klépierre. It is a market in which Klépierre can deploy the full range of expertise that its subsidiary Ségécé has accumulated over more than 50 years.
Out of nearly 1.5 billion euros of potential over 5 years (i.e., 521479 sq.m. GLA), 1.0 billion is allocated to committed or controlled transactions. 1.1 billion euros correspond to development operations, with an expected net yield of 7%, of which 350 million euros will be outlaid in 2008. This latter amount includes the following projects: Cesson, Aubervilliers, Gare Saint-Lazare, and Vannes Nouvelle Coutume, as well as extensions for Claye-Souilly, Laon, Val d'Europe, Noisy Arcades, Vitrolles, Nîmes, and others.
The deployment of development teams at the regional level, alongside the teams in charge of managing and value enhancement of the holdings will ensure proper management of these operations and promote the emergence of new projects.
Nearly 340 million euros correspond to acquisitions from development partners such as Montpellier Odysseum, Blagnac and Saint-Orens in Toulouse and Clermont-Ferrand–Jaude 2, nearly half of which will be outlaid in 2008.
Net expected return based on conservative rental hypotheses is over 6%.

#### International

For the 2008-2012 period, Klépierre expects to invest around 2.1 billion euros outside of France, which is almost 60% of the total pipeline. Since

these investments will be made mostly in regions where Klépierre is already present, they will not lead to significant changes in the geographic distribution of the Group's holdings.
In 2008, development teams will be in place in each country, to facilitate the development of local, internal sourcing of new projects. Nearly 800 million euros concern development operations (300 million euros of which will be outlaid in 2008) for which the expected net yield is slightly above 7%. These are primarily investments in Vallecas (Madrid – Spain), Place de l'Etoile (Luxembourg), Pilzen (Czech Republic) and the extension of 3 centers in Hungary and several malls in Portugal.
1.3 billion euros relate to acquisitions, of which 400 million euros concern committed or controlled transactions (expected average net yield of 6.0%) that include among others Corvin (Budapest), Portimao (Portugal) and the Verone, Lonato and Vittuone shopping centers in Italy.

## 4 – Management companies business

### Operating result up sharply for management subsidiaries

Revenue for all Ségécé entities taken together – for Devimo, the percentage corresponds to equity ownership of 35% - increased by 10.2% between 2006 and 2007. The Development business made a large contribution (+31.8%), as did the Asset Management business (+8.6%). Management companies ended the year 2007 with a 30.8% increase in operating result, to 32.4 million euros.

MANAGEMENT REPORT

| Country | Company | Workforce | Fees (€M) | Net result (€M) | Nb. centers | Nb. leases | Square meters owned * | % Ownership |
|---|---|---|---|---|---|---|---|---|
| France | Ségécé | 374 | 73.2 | 25.5 | 138 | 5 517 | 1 474 577 | 100% |
| | Galae | 5 | – | 0.3 | – | – | – | 100% |
| | Ségécé LT | 0 | 1.0 | 0.8 | – | – | – | 100% |
| Spain | Ségécé España | 115 | 12.4 | 2.5 | 88 | 2 980 | 608 825 | 100% |
| Italy | Ségécé Italia | 106 | 11.9 | 2.5 | 51 | 1 358 | 300 399 | 100% |
| Portugal | Ségécé Portugal | 48 | 3.1 | 1.0 | 12 | 832 | 216 902 | 100% |
| Czech Republic and Slovakia | Ségécé Ceska Republika | 30 | 2.1 | 0.5 | 4 | 389 | 96 948 | 100% |
| Belgium | Devimo | 101 | 8.6 | 2.0 | 21 | 1 147 | 500 410 | 35% |
| Hungary | Ségécé Magyarorszag | 118 | 3.5 | 0.1 | 16 | 1 372 | 217 684 | 100% |
| Greece | Ségécé Hellas | 3 | 0.5 | 0.1 | 5 | 105 | 36 520 | 100% |
| Poland | Ségécé Polska | 56 | 2.5 | 0.8 | 7 | 661 | 142 550 | 100% |
| **TOTAL** | | **956** | **118.9** | **35.9** | **342** | **14 361** | **3 518 728** | |

* Number of sq. m. occupied by all tenants in every shopping center (excluding parking stalls, common areas and vacant premises).

# MANAGEMENT REPORT
## Business activity and earnings by segment for 2007

**Varied and extensive development throughout Continental Europe…**
Development business during the year resulted in:
- extensions/restructurings in France, with Grand Nîmes, Rambouillet, and Orléans-Saran, and in Italy, with Val Vibrata;
- acquisition deals such as the Progest and Cap Nord assets in France; Lublin, Sosnowiec and Rybnik in Poland; and Larissa in Greece;
- development projects, such as Maisonément in Melun-Boissénart, Angoulême Champ de Mars in France, Corvin in Hungary and Vallecas in Spain.

**… which generates additional business for the rental management team…**
730.3 million euros in rents, of which 396.2 million in France, were invoiced by the teams at Ségécé. This is an increase of 10.4% over 2006. In parallel, rental management fee income rose by 9.5%, reflecting:
- Index-linked rent adjustments, including +7.05% for 80% of all rents invoiced in France (i.e., 43% of all European rents) that made a strong contribution to this growth;
- The arrival of new centers under management such as Eragny, Buffalo Grill restaurants and Cap Nord in France, 5 centers owned by Jeronimo Martins in Portugal;
- The full-year contribution from the Tours; Métropole, Montgeron and Valenciennes centers in France; Kleminho, Retail Leiria, Viana and Braga in Portugal; and Novo Plaza in the Czech Republic;
- The impact of renewals/relettings: the Poznan and Sadyba shopping centers in Poland; Woluwé and City 2 in Belgium; Loures in Portugal; and Settimo, Brembate and Pescara in Italy also contributed to this growth.

**…and for property administration**
Property administration and management work extends to 342 European centers, of which 240 are owned by Klépierre. Fee income rose by 10.8% (including fees related to the delegated management of work). On December 31, 2007, with a total of 3 518 728 sq.m. were under management and an operating budget of 272 million euros, the teams in charge of property administration today make a significant contribution.

**Stronger teams in the field…**
In order to make current growth recurrent, Ségécé this year began decentralizing the organization – both in France and for its European subsidiaries – of its development teams, by creating local relays better positioned to anticipate opportunities: in addition to the creation of 4 regional head offices in France, local developers were also hired to work in Hungary, Poland, the Czech Republic and Italy.

**… combined with contained operating expenses…**
Despite the deployment of these new resources, the relocation of subsidiaries to better adapted offices, the completion of the network for the entire European computer base, and foreign currency appreciation (Hungarian +4.9%, Polish +3% and Czech +2.1%) – which penalizes management companies whose fees are listed in euros, unlike their expenses – the increase in operating expenses was limited to 3.2%.

**Positive outlook for management companies**
Accordingly, Ségécé intends to continue the deployment of its expertise and methods through ongoing efforts to locate or create new assets. On December 31, 2007, 922 people were assigned to the management companies full-time, including 416 in France, for a global staffing increase of 8.1%.

### 5 – Segment earnings

| Shopping center segment | 12.31.2007 | 12.31.2006 | % change |
|---|---|---|---|
| **Lease income** | **517.9** | **455.1** | **13.8%** |
| Other rental income | 6.9 | 8.7 | -20.2% |
| **Rental income** | **524.8** | **463.8** | **13.2%** |
| Land expenses (real estate) | -2.3 | -2.3 | 0.5% |
| Non recovered land expenses* | -16.1 | -10.0 | 60.6% |
| Building expenses (owner)* | -27.3 | -24.5 | 11.2% |
| **Net lease income** | **479.3** | **427.0** | **12.2%** |
| Management, administrative and related income | 63.3 | 562 | 12.5% |
| Other operating income | 14.2 | 6.7 | 113.2% |
| Survey and research costs | -1.1 | -1.1 | – |
| Payroll expense | -56.6 | -54.3 | 4.2% |
| Other operating expenses | -20.1 | -17.6 | 13.7% |
| **EBITDA** | **478.9** | **416.8** | **14.9%** |
| D&A allowance on investment and arbitrage property | -150.2 | -126.8 | 18.4% |
| D&A allowance on PPE | -3.3 | -2.2 | 47.5% |
| Provisions | -3.3 | 0.1 | nc |
| **RESULTS OF OPERATIONS** | **322.2** | **287.9** | **11.9%** |
| Share in earnings of equity method investees | 2.6 | 0.7 | – |
| Proceeds of sales | 20.1 | 2.6 | – |
| **SEGMENT EARNINGS** | **345.0** | **291.1** | **18.5%** |

* 2006: After reclassification of property taxes and non-recovered rental charges.

in million of euros

Lease income from shopping center properties rose by 13.2% in 2007, to 524.8 million euros. Other lease income includes entry fees as well as a margin on the supply of electricity to tenants in the Hungarian and Polish shopping centers. The 20.2% decline, to 6.9 million euros, is due primarily to the increase in the cost of energy supply and to the recognition in 2006 of entry fees remaining to be spread after the termination of leases for the Créteil-Soleil and Montesson centers.
Land expenses were stable, and correspond to the allocation over several periods of building leases, mostly in France.
Non-recovered rental charges mainly reflect expenses related to vacant premises and real estate taxes. The 6.1 million euro increase pertains primarily to the reclassification of a loss on the re-invoicing of Spanish shopping center utilities that were previously captured as deductions from rents. These charges also include the coverage of taxes that were previously re-invoiced to tenants (for example, IMI in Portugal) and the vacancy resulting from restructuring projects under way in Hungary at the Duna, Kanizsa, Miskolc and Szeged centers.
The 2.7 million euro increase in owner's building expenses is primarily the result of portfolio growth. It also includes maintenance and repair expenses for French assets and the payment of the *imposta di registro* tax by the Italian property companies (Finance Act of July 2006).

Net lease income was 479.3 million euros, an increase of 12.2%.

Management and administrative income (fees) rose by 12.5% (+7.0 million euros). This increase is primarily comprised of development fees related to the arrangement and acquisition of new centers or projects. Other noteworthy developments concern the rise in real estate management and lease-up fees, particularly in Spain due to the effect of new lease-up mandates for the Pajarete (Algesiras) and San Pablo (Sevilla) malls, on behalf of the San José company.
Other income from operations includes the revenues generated by Galae's specialty leasing business, re-invoicing to tenants, a VAT tax refund and miscellaneous indemnities. It rose by 7.5 million euros.
Research expense was a loss of 1.1 million euros, a figure that was stable compared to December 31, 2006; a portion of this expense was neutralized by the payment of an indemnity.
The moderate rise in payroll expense (+2.3 million euros or +4.2%) reflects an increase in staffing levels, particularly in Poland and the Czech Republic so that the local structure could be adapted to the Group's newest acquisitions.
General expenses rose by 2.4 million euros (+13.7%). Significant changes relate to computer and IT expenses incurred in connection with the rollout of a European network as well as various tax adjustments.

EBITDA came to 478.9 million euros, an increase of 14.9%.

Depreciation and amortization for the period, plus provisions for investment properties, increased by 23.4 million euros, due to portfolio growth, with the acquisition of the Progest assets (3.2 million euros), the Braga center and 50% of the Gondobrico and Parque Nascente centers in Portugal (3.2 million euros), the Rybnick, Sosnowiec and Lublin malls in Poland (3.4 million euros), and the Blagnac and Saint-Orens hypermarkets (1.0 million euros). The change also reflects a depreciation allowance that was set aside mainly for the Polish and Czech centers.

Results from operations totaled 322.2 million euros, an increase of 11.9%.

Proceeds from asset sales totaled 20.1 million euros, attributable exclusively to the sale of a 50% interest in the Poitiers-Cordeliers center at the end of November, for a sale price that was 35% higher than the appraised value on June 30, 2007.
After accounting for the earnings of equity method investees (2.6 million euros), which rose due to the integration of companies in the Progest portfolio, earnings for the shopping center segment came to 345.0 million euros, an increase of 18.5%.

## II – Retail segment

### 1 – Rental business

Retail property rents for the year ended December 31, 2007 totaled 23.5 million euros. On a constant portfolio basis, rents increased by 5.3%, attributable to the impact of index-linked rent adjustments (+7.05%) applied to historical assets only. In fact, the rents for the 128 Buffalo Grill restaurant properties that were added to the portfolio on December 18, 2006 already integrated the new index.

The rise in rents on a current portfolio basis is the result of the following factors:

- The collection of rents over a full year for the 128 Buffalo Grill restaurant properties acquired in December 2006, and the acquisition in 2007 of 8 additional restaurants, for a total impact of 18.6 million euros;
- The acquisition in March 2007 of a portfolio of 14 assets (mainly Mondial Moquette retail facilities) located in various suburban retail parks, for an impact on rents of 1.8 million euros.

The financial occupancy rate was 99.4% for the year ended December 31, 2007, while the default rate for the same period was 0.1%.

Outlook

In 2008, rents should be positively impacted by the acquisition in the course of the second quarter of 88 retail properties owned by Défi Mode, in accordance with the agreement reached at the end of 2007, as well as the ICC cost of construction index adjustment based on 2Q07 (+5.05%), which concerns 91% of Klémurs' leases in value terms.

### 2 – Development

#### Investments made in 2007

Klémurs invested a total of 64.3 million euros in 2007.
The company pursued the partnership entered into with Buffalo Grill in August 2006 with the first implementation of new site development. Klémurs paid 16.8 million euros to acquire 8 Buffalo Grill restaurant properties located in Saint-Lô, Bar-le-Duc, Gien, Montauban, Morlaix, Saint-Pierre-lès-Elbeuf, Roncq – Lille and Dreux, bringing to 136 the number of Buffalo Grill restaurant properties owned

outright (51) or via property finance leases (85). In March 2007, Klémurs acquired a portfolio containing 14 assets integrated into retail areas of the first rank, located on the outskirts of major French metropolitan areas, for a total amount of 37.2 million euros. With this acquisition, Klémurs began the process of diversifying its portfolio, adding in particular the property assets of Mondial Moquette (58% of the transaction in terms of value), as well as those of L'Univers du Sommeil, Gemo, Heytens, King Jouets, Autour de Bébé, Jean Delatour, Kiloutou and Animalis. Finally, since the end of December 2007, Klémurs owns two Sephora retail properties, located on the major retail streets of Metz and Avignon, for an investment of 10.3 million euros.

### Development potential, 2008–2012

Fiscal year 2007 allowed Klémurs to confirm the relevance of its strategic positioning as the real estate partner of choice for major retailers, and to conclude several promising partnership agreements.
After 18 months in partnership, Buffalo Grill and Klémurs decided to extend their agreement on the restaurant chain's development, initially entered into for 5 years, to 30 new sites. Klémurs will now support Buffalo Grill in its development over 10 years, and will have preferential rights to acquire without limitation in terms of number. More than 60 sites have already been proposed to Klémurs, of which nearly a third will open in 2008.
Development potential over the period is estimated to be close to 140 million euros. Klémurs also plans to consider the possibility of proposing possible locations to Buffalo Grill within sites that it owns or that it may acquire, and does not exclude the possibility that some locations may be within the Klépierre portfolio.
One of the highlights of 2007 was the new partnership agreement Klémurs signed late in the year with the retailer Défi Mode, whereby Klémurs will become the owner of 112 retail property assets (99 000 sq.m.) in parallel to the Vivarte group's acquisition of the clothing retailer's operations. The corresponding investment totals 153 million euros, for net expected rents of 9.1 million euros.
The definitive acquisitions will be carried out in two phases and by June 30, 2009 at the latest. With respect to D2B and DBM5 (the real estate holding companies owned by Défi Mode's founding shareholders), Klémurs has been granted a preferential right for a 5-year period over all future disposals of existing sites, and for a 6-year period over all future developments. In the final days of 2007, the exercise of this right resulted in the acquisition outright of 18 additional sites: 1 existing Défi Mode outlet covering 1 410 sq.m. and 17 assets currently under construction (10 962 sq.m.), which will operate as La Halle outlets (owned by the Vivarte group). The acquisition will be definitive when the outlets open for business, and by June 30, 2009 at the latest. The total investment will reach 15.5 million euros, for expected net rents of 1 million euros.
Klémurs also signed a seller's promise on the acquisition of 15 retail assets, two of which are currently under construction, located in 3 retail zones: Rochefort-sur-Mer, Avranches and Messac. The 14 894 sq.m. of GLA house a number of diverse retailers, including La Halle, Aubert, Mobalpa, Gemo, La Générale d'Optique and Casa. The definitive acquisition of existing sites will be completed between now and March 31, 2008. The total amount invested is 19.3 million euros, for expected net rents of 1.2 million euros.
Klémurs is currently looking at other outsourced real estate deals and reiterates its target of bringing the value of its holdings to 1 billion euros between now and 2009.

## 3 – Ségémurs business

Effective January 1, 2008, Ségécé has a branch office: Ségémurs.
Ségémurs was created primarily to manage and lease up the retail properties owned by Klémurs. Ségémurs has been provided with the resources needed to specialize in the management of retail property portfolios located in retail zones, either downtown storefront properties or properties that are outsourced by large retail groups.
Ségémurs currently has a staff of 9 employees and will manage on behalf of Klémurs a portfolio of more than 120 000 sq.m. in 2008, comprised to date of:
- 136 Buffalo Grill restaurant properties (77 500 sq.m.);
- 18 assets integrated into retail zones on the outskirts of major metropolitan areas (21 700 sq.m.) representing 30 leases, including 11 with Mondial Moquette;
- the historic holdings of Klémurs, which include Truffaut (13th arrondissement) and the BHV store on Rue des Flandres in Paris, and the storefront retail shops on Rue de la Champmeslé in Rouen, representing total floor area of 14 200 sq.m.;
- Two Sephora retail stores, located in downtown Metz and Avignon.

In addition, Ségémurs manages the following properties on behalf of third parties:
- Montgeron PAC with 8 leases covering 12 400 sq.m.;
- Corbeil Exona PAC with 19 leases covering 32 000 sq.m.;
- Two retail outlets in downtown Metz operated by Gap and Virgin.

Ségémurs is also taking part in various tasks leading to the leasing of 112 outlets (covering 99 000 sq.m.) that are in the process of being acquired by Klémurs in connection with its partnership with the Vivarte group. This portfolio will be managed by Ségémurs once the acquisition is completed.
In addition, Ségémurs is currently handling the lease-up of the Hérouville-Saint-Clair retail park in Caen, Maisonément in Cesson and La Roche-sur-Yon.

## 4 – Segment earnings

| Retail properties segment | 12.31.2007 | 12.31.2006 | % 2007.2006 |
|---|---|---|---|
| **Lease income** | **23.5** | **2.9** | **x 8.0** |
| Other rental income | – | – | |
| **Rental income** | **23.5** | **2.9** | **x 8.0** |
| Non recovered land expenses | -0.0 | – | – |
| Building expenses (owner) | -0.8 | -0.3 | – |
| **Net lease income** | **22.7** | **2.6** | **x 8.6** |
| Management, administrative and related income | 0.6 | – | – |
| Other operating income | 0.3 | – | – |
| Payroll expense | -1.0 | – | – |
| Other operating expenses | -0.3 | -0.0 | – |
| **EBITDA** | **22.3** | **2.6** | **x 8.6** |
| D&A allowance on investment and arbitrage property | -7.3 | -0.8 | – |
| D&A allowance on PPE | -0.0 | – | – |
| Provisions | – | – | – |
| **RESULTS OF OPERATIONS** | **15.0** | **1.8** | **x 8.5** |
| Proceeds of sales | – | 2.4 | – |
| **SEGMENT EARNINGS** | **15.0** | **4.2** | **x 3.6** |

in million of euros

Lease income from the retail segment totaled 23.5 million euros for the year ended December 31, 2007. The total includes rents from Buffalo Grill restaurants and various retail assets, mostly held by Cap Nord, a company whose equity was acquired on March 29, 2007.
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) came to 0.6 million euros, and relate to fees paid to acquire Cap Nord.
Payroll expense and general expenses totaled 1.3 million euros, and mainly reflect the percentage of head office expenses that are allocated to the beneficiaries of various corporate services.
After an amortization expense of 7.3 million euros, earnings for the retail segment came to 15.0 million euros for the year ended December 31, 2007.

# III – Office segment

## 1 – Office property market trends for Ile-de-France in 2007

*Source: CBRE Richard Ellis*

### Rental market

Rental transactions

With 2 713 000 sq.m. sold or leased, demand in the Ile-de-France office property market remained robust in 2007, despite the financial market turbulence observed in late summer, although it was down slightly from 2006 (2 860 000 sq.m.).
The biggest contributors to the brisk pace of rental transactions were large and small floor area premises.
New or restructured premises represented 36% of spaces let or sold, attesting to the desire on the part of corporate tenants for high quality products.
The West (Paris Center West, the Western Crescent and La Défense) accounted for 57% of the leased volume.
The leading business tenants in the Ile de France office market represent the following sectors of activity: finance and legal counsel (24%), information technology (17%) and the public sector (15%).

Supply

Immediate supply has continued to decline gradually since January 1, 2006, falling to 2.4 million sq.m. at year end 2007.
The percentage of new or restructured supply was unchanged at 20%, attributable to pre-lease-ups that tap into future available supply.
The average vacancy rate for Ile de France fell once again, to 4.8%. For Paris Center West, a significant decline was observed (from 4.4% to 3.3%).
Future supply available in less than one year was 3.8 million sq.m. at year end, versus 3.6 million at year end 2006.

Rental values

Globally, average face rents are on the rise.
Prime property rents in Paris Center West rose during 2007, before stabilizing at the end of the year at 750 euros/sq.m.
Commercial incentives, while declining, continue to be offered.

### Investment market

New record: 27 billion euros in commitments recorded in France last year, including 19.5 billion euros in Ile-de-France.
The percentage share of office properties, which represent 74% of all investment commitments

declined (from 84% in fiscal year 2006), with retail properties picking up the slack.
Paris and West Paris (La Défense and the Western Crescent) together accounted for nearly 63% of all commitments.
With 35% of the total volume invested, French investors – while significantly on the decline versus 2006 (53%) – remain in the lead, followed by North American (22%) and British (13%) investors.
Yields stabilized at the beginning of the second half of the year. 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.

## 2 – Disposals and investments made in 2007

| Office disposals made in 2007 | Floor area (sq.m.) |
|---|---|
| Levallois-Perret (92) – Front de Paris – Ilot 5* | 9990 |
| Paris 8th – 5 rue de Turin | 2596 |
| Champlan 91 – 16 bis rue de Paris | 880 |
| Strasbourg 67 – Rue du Rheinfeld | 15600 |
| 3 assets sold +39.25% of indivisible rights for a total of 74.7 million euros | |

* Remainder of indivisible rights.

In 2007, disposals (three office properties and indivisible rights) involved 29 666 sq.m. for a total amount of 74.7 million euros net seller, for prices that were on average higher (+11.3%) than the last appraised values.

Construction of the Séreinis building in Issy-les-Moulineaux continued in 2007, leading to the outlay of 14.6 million euros in fiscal year 2007. Delivery of the building is still scheduled for year end 2008, and the lease-up process began in January 2008.

## 3 – Rental business

Gross rents for 2007 amounted to 48.8 million euros, a decline of 4.0 million euros compared with 2006. This decrease is the result of property disposals made in late 2006 and early 2007: 7.5 million euros in lost rents on the seven buildings that were disposed of in 2006 and 2007 (including 6.0 million euros for the Front de Paris building in Levallois-Perret).

On a constant portfolio basis, rents increased by 8.1% from 43.1 million euros on December 31, 2006 to 46.6 million euros on December 31, 2007. This 3.5 million euro increase is attributable to:

- Index-linked rent adjustments generated 2.2 million euros in additional rents compared with 2006 (+5.1%);
- Reletting/renewal of leases entered into in 2006 and 2007 produced 1.3 million euros of additional rent (+3.0%).

A total of 8 leases were terminated in the course of 2007, representing total weighted floor area* of 1 480 sq.m. These departures mainly involved early lease termination requests on the part of tenants. The vacated floor area was fully re-let over the course of the year 2007, with the exception of that in the property at 192, avenue Charles-de-Gaulle in Neuilly-sur-Seine, which is being restructured.

19 leases correspond to new leases, lease renewals or additional clauses, which will generate 10.0 million euros full year, i.e., an additional 2.1 million euros in rent. These newly signed contracts involve floor area of 16 649 sq.m. Financial conditions are up by 25.3% compared with the corresponding prior leases, less concessions and step rents granted to tenants.

The most significant transactions in 2007 are described below:

- The renewal of a lease for premises covering 1 090 sq.m. in the building at 46, rue Notre-Dame des-Victoires (Paris, 2nd arrondissement);
- The renegotiation of all leases held by tenant Monte Paschi in the building at 7, rue Meyerbeer (Paris 9th arrondissement), covering 3 725 sq.m.;
- The renewal of the Linklaters lease for 7 928 sq.m. in the building at 23-25 rue Marignan (Paris 8th arrondissement).

For the year ended December 31, 2007, the default rate was 0.02%.

Reflecting the lease-ups completed in 2006 and 2007, the financial occupancy rate was 99.7% on December 31, 2007 (versus 98.7% at year end 2006). On December 31, 2007, the portfolio of leases represented 55.2 million euros in rents, with lease expiration schedules (opt-out clauses and full terms) are provided in the table on the following page:

** 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.*

MANAGEMENT REPORT

| Lease expiration dates | By date of next opt out | As a % of the total | By lease expiration date | As a % of the total |
|---|---|---|---|---|
| 2008 | 5.3 | 9.6% | 3.7 | 6.7% |
| 2009 | 19.9 | 36.0% | 4.5 | 8.2% |
| 2010 | 11.0 | 19.9% | 0.6 | 1.2% |
| 2011 | 14.2 | 25.8% | 8.7 | 15.8% |
| 2012 | 0.0 | 0.0% | 4.9 | 8.9% |
| 2013 | 0.0 | 0.0% | 7.5 | 13.6% |
| 2014 | 0.0 | 0.0% | 3.5 | 6.3% |
| 2015 | 4.7 | 8.5% | 10.3 | 18.6% |
| 2016 and beyond | 0.1 | 0.2% | 11.5 | 20.7% |
| **TOTAL RENTS** | **55.2** | **100.0%** | **55.2** | **100.0%** |

in million of euros

At year end 2007, 6326 sq.m. are to be leased up. Only 8225 sq.m. (9 leases) come up for renewal in 2008, representing 6.7% of total rents. These lease-ups and renewals would increase total rents by 3.4 million euros (+6.1%).

## 4 – Office segment earnings

| Offices segment | 12.31.2007 | 12.31.2006 | % change |
|---|---|---|---|
| **Lease income** | **48.8** | **52.8** | **-7.5%** |
| Other rental income | – | – | – |
| **Rental income** | **48.8** | **52.8** | **-7.5%** |
| Land expenses (real estate) | -0.2 | -0.3 | -27.5% |
| Non recovered land expenses* | -1.1 | -0.8 | 35.9% |
| Building expenses (owner)* | -1.4 | -1.7 | -15.2% |
| **Net lease income** | **46.1** | **50.0** | **-7.9%** |
| Management, administrative and related income | 0.3 | 1.3 | -78.5% |
| Other operating income | 1.1 | 2.8 | -59.4% |
| Payroll expense | -1.9 | -2.2 | -15.3% |
| Other operating expenses | -0.8 | -0.9 | -19.9% |
| **EBITDA** | **44.9** | **50.9** | **-11.9%** |
| D&A allowance on investment and arbitrage property | -11.8 | -13.4 | -11.6% |
| D&A allowance on PPE | -1.0 | -0.8 | 21.0% |
| Provisions | 0.1 | -0.0 | – |
| **RESULTS ON OPERATIONS** | **32.2** | **36.7** | **-12.3%** |
| Proceeds of sales | 20.3 | 27.5 | -26.3% |
| **SEGMENT EARNINGS** | **52.5** | **64.2** | **-18.3%** |

* 2006: After reclassification of property taxes and non-recovered rental charges.

in million of euros

For the full year 2007, lease income from office properties fell by 7.5%, to 48.8 million euros. This decrease reflects the impact of disposals completed in late 2006 and early 2007, primarily the Front de Paris building, whose sale generated a loss of leas income totaling 6.0 million euros.
Land expenses correspond to the amortization of the building lease for the 43 quai de Grenelle building.
Rental expenses not recovered came to 1.1 million euros, and include in particular the cost of vacancies in the property at 192, avenue Charles-de-Gaulle (Neuilly-sur-Seine).
Owner's building expenses fell in line with property disposals.
Net lease income for 2007 was 46.1 million euros, a decline of 7.9%.
Management and administrative income (fees) totaled 0.3 million euros, and includes in particular fees for the management of the Front de Paris building. The mandate has since been terminated, when the asset was sold on January 15, 2007. Included in the total for the previous year were development fees related to the acquisition of the building located at 5, rue Meyerbeer and the Séreinis project in

Issy-les-Moulineaux.
Other operating income includes an indemnity of 0.7 million euros, related to the settlement of a litigation over property damage. At the December 31, 2006 reporting date, this line item mainly included income from tax refunds.
Payroll expense came to 1.9 million euros for fiscal year 2007, compared with 2.2 million euros for fiscal year 2006.
EBITDA reached 44.9 million euros in 2007 (-11.9%).
Depreciation and amortization expense decreased by 11.6%, with disposals accounting for 1.2 million euros of the decline, primarily due to the sale of the Front de Paris building.
The capital gain on the sale of buildings (20.3 million euros) concerns the sale of properties located at 5 rue de Turin (Paris, 8th arrondissement), Champlan (91), the share held in the Front de Paris building and the Rheinfeld warehouse (Strasbourg).
Earnings from the office segment for the full year 2007 amounted to 52.5 million euros, a decline of 18.3%.

## B – EQUITY INTERESTS ACQUIRED AND CHANGES IN EQUITY INVESTMENT SECURITIES WITH A MATERIAL IMPACT ON THE PARENT COMPANY FINANCIAL STATEMENTS OF KLÉPIERRE SA

The principal changes in equity investment securities held over the course of fiscal year 2007 are described below:

### Acquisition of equity interest in SA Holding Gondomar 2 and SAS Holding Gondomar 4

On September 28, 2007, Klépierre acquired all of the equity securities in SA Holding Gondomar 2 and SAS Holding Gondomar 4 for a total amount of 26.3 million euros. Respectively, the two companies own 50% of the Portuguese companies Finascente and Gondobrico.

### Total ownership of Ségécé

Klépierre's equity interest in Ségécé went from 75% to 100% via the acquisitions below:
- in September 2007, a 10% stake held by AXA Reim for a total of 20 million euros;
- in October 2007, a 15% stake held by BNP Paribas.

This transaction was completed via a capital reduction of 240 000 euros, which entailed the cancellation of 15 000 units of stock held by BNP Paribas. In return for this cancellation, a total of 30 million euros was allocated to BNP Paribas.

## C – CONSOLIDATED EARNINGS AND CASH FLOW – PARENT COMPANY EARNINGS

### I – Consolidated earnings and cash flow

| | 12.31.2007 | 12.31.2006 | Change | |
|---|---|---|---|---|
| | | | €M | % |
| Rental income | 597.2 | 519.6 | 77.6 | 14.9% |
| Building expenses | -49.1 | -39.9 | -9.3 | 23.2% |
| **Net lease income** | **548.0** | **479.7** | **68.3** | **14.2%** |
| Management, administrative and related income | 64.2 | 57.5 | 6.7 | 11.7% |
| Other operating income | 18.3 | 9.5 | 8.8 | 92.7% |
| Payroll expense | -64.8 | -59.9 | -4.9 | 8.1% |
| Other operating expenses | -26.3 | -23.3 | -3.0 | 13.1% |
| **EBITDA** | **539.4** | **463.5** | **75.9** | **16.4%** |
| Amortization | -173.7 | -144.1 | -29.6 | 20.5% |
| Allowance to reserves | -2.7 | 0.0 | -2.7 | NC |
| **Results of operations** | **363.0** | **319.4** | **43.7** | **13.7%** |
| Proceeds of sales | 40.4 | 32.5 | 7.9 | 24.2% |
| Financial results | -161.7 | -136.1 | -25.5 | 18.8% |
| Share in earnings of equity method investees | 2.6 | 0.7 | 2.0 | NC |
| **Pre-tax current earnings** | **244.4** | **216.5** | **28.0** | **12.9%** |
| Corporate income tax | -13.5 | -22.0 | 8.5 | -38.7% |
| **Net income** | **231.0** | **194.5** | **36.5** | **18.8%** |
| Minority share | 33.2 | 29.9 | 3.3 | 11.0% |
| **NET INCOME, GROUP SHARE** | **197.7** | **164.5** | **33.2** | **20.2%** |
| | | | | in million of euros |
| **Per share ratios** | | | | |
| Average number of shares | 136 998 849 | 137 536 323 | – | – |
| Net earning per share (euro) | 1.44 | 1.20 | – | 20.7% |
| Pre-tax earning, exclusive sale of assets/share (euro) | 1.21 | 1.08 | – | 11.6% |

**Net lease income for the year ended June 30, 2007 totaled 548.0 million euros, an increase of 14.2% compared with the previous year**

Lease income was 597.2 million euros, with 524.8 million euros provided by shopping centers, 48.8 million euros provided by office properties, and 23.5 million euros provided by retail properties. Compared with December 31, 2006, shopping center rents rose by 13.8% on a current scope basis and by 5.3% on a constant portfolio basis, while office rents fell by 7.5% on a current scope basis due to asset disposals and rose by 8.1% on a constant portfolio basis.
Management and administrative fees totaled 64.2 million euros, a 11.7% increase that is primarily attributable to the shopping center segment, where fee income rose by 12.5%, and more particularly to the rise in property development and management fees billed by Ségécé.
Revenues generated abroad accounted for 41.1% of total revenues, compared with 42.4% for the year ended December 31, 2006. Other operating income was attributable to work re-invoiced to tenants and miscellaneous gains.
Building expenses totaled 49.1 million euros, an increase of 9.3 million euros or 23.2%. This increase reflects portfolio growth as well as the rise in non-recovered tenant charges on vacant spaces and taxes.

Payroll expense for the year came to 64.8 million euros, versus 59.9 million euros for the preceding twelve-month period (+8.1%). This upward trend reflects a higher staffing level (+56 people overall), particularly in France, Poland and the Czech Republic.

Other operating expenses were 26.3 million euros, a 13.1% increase over the twelve months ended December 31, 2006. Significant changes relate in particular to computer and IT costs incurred in connection with the rollout of a European network and tax adjustments. The operating ratio (total expenses/net operating income) for the period was 14.5%, compared with 15.2% for the year ended December 31, 2006.

**EBIDTA for the year totaled 539.4 million euros, a 16.4% increase over December 31, 2006.**

Depreciation and amortization for the period reached 173.7 million euros, a 20.5% increase (+29.6 million euros) that primarily reflects the impact of new shopping center and retail property acquisitions, the impact of which was partly offset by the decline in amortization expense in the office segment following programmed disposals. It also reflects an allowance for depreciation that was reserved for the Polish and Czech shopping centers. The provision for contingences and losses was 2.7 million euros.

**Results from operations totaled 363.0 million euros for the full year 2007, an increase of 13.7% compared with the corresponding period in 2006.**

The financial result for the period is a loss of 161.7 million euros, compared with 136.1 million euros on June 30, 2006. The Group's interest expense rose by 25.5 million euros, reflecting the increase in net debt, which went from 3 804 million euros on December 31, 2007 to 4 652 million euros on December 31, 2007. This increase was due to the significant investments made during the period. The cost of debt was stable at 4.36% for 2007. Klépierre's financing policy and financial structure are both described in more detail below, in paragraph E.

# MANAGEMENT REPORT

## Consolidated earnings and cash flow – parent company earnings

Proceeds from the sale of assets amounted to 40.4 million euros in 2007, versus 32.5 million euros for 2006. This item reflects the result of the sale of the buildings at 5 rue de Turin (Paris, 8th arrondissement), Champlan (91), the share of ownership in the Front de Paris building and the 50% interest in the Poitiers-Cordeliers center.

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, 2007, the global tax expense for these three segments was 13.5 million euros:

- 8.4 million euro tax charge (SIIC segment);
- 8.1 million euro tax charge (French companies not eligible for SIIC status);
- 3.0 million euro tax credit (Foreign affiliates).

Consolidated net income for the year ended December 31, 2007 is 231.0 million euros, an increase of 18.8% in comparison to December 31, 2006.
Minority share of net income for the period is 33.2 million euros, primarily generated by the shopping center segment, which brings the group share of net income to 197.7 million euros, an increase of 20.2%.

| Change in current cash flow | 12.31.2007 | 12.31.2006 | Change | |
|---|---|---|---|---|
| | | | €M | % |
| EBITDA - Shopping centers | 478.9 | 416.8 | 62.1 | 14.9% |
| EBITDA - Offices | 44.9 | 50.9 | -6.1 | -11.9% |
| EBITDA -Retail properties | 22.3 | 2.6 | 19.7 | x 8.6% |
| Corporate and shared expenses | -6.7 | -6.9 | 0.2 | -2.6% |
| **EBITDA** | **539.4** | **463.5** | **75.9** | **16.4%** |
| Restatement of payroll expenses | -2.4 | -1.8 | | 33.3% |
| **Cash flow from operations** | **537.0** | **461.6** | **75.4** | **16.3%** |
| Financial results | -162.4 | -135.0 | | 20.3% |
| Restatement of financial allowances | 1.3 | 1.9 | | -30.3% |
| **Pre-tax current cash flow** | **375.9** | **328.5** | **47.4** | **14.4%** |
| Share in equity method investee earnings | 2.8 | 0.7 | | 319.3% |
| Current tax expenses | -23.7 | -22.0 | | 7.8% |
| **Net current cash flow** | **355.0** | **307.2** | **47.8** | **15.6%** |
| Sale proceeds | 40.4 | 32.5 | | 24.2% |
| Non -Current tax expenses | 10.2 | – | | NC |
| **Net cash flow** | **405.6** | **339.7** | **65.9** | **19.4%** |
| | | | | in million of euros |
| **In Group share** | | | | |
| **Cash flow from operations** | **473.6** | **406.9** | **66.7** | **16.4%** |
| **Pre-tax current cash flow** | **320.6** | **279.7** | **40.9** | **14.6%** |
| **Net current cash flow** | **303.6** | **263.6** | **40.0** | **15.2%** |
| **Net cash flow** | **355.2** | **295.5** | **59.6** | **20.2%** |
| | | | | in million of euros |
| **Per share** | | | | |
| Number of shares | 136 998 849 | 137 536 323 | | |
| **Net current cash flow per share** | **2.2** | **1.9** | **0.3** | **15.6%** |
| **Net cash flow per share** | **2.6** | **2.1** | **0.4** | **20.6%** |
| | | | | in euros |

Pre-tax current cash flow reached 375.9 million euros for the year ended December 31, 2007, a 14.4% increase over December 31, 2006. Expressed in terms of group share, pre-tax current cash flow reached 320.6 million euros, a 15.1% one-year increase that translates into 2.34 euros per share.

After-tax, net current cash flow reached 355.0 million euros, an increase of 15.6%. Group share, the total is 303.6 million euros, i.e. 2.22 euros per share and a 15.6% increase.

## II – Parent company earnings

| Klépierre SA Condensed statement of income | 12.31.2007 | 12.31.2006 |
|---|---|---|
| Operating profits | 51.0 | 50.4 |
| Operating expenses | -27.7 | -31.4 |
| **Operating results** | **23.3** | **19.0** |
| Share in earnings of subsidiaries | 156.0 | 129.2 |
| Financial results | 91.9 | 31.8 |
| **Pre-tax results** | **271.2** | **180.0** |
| Non-recurring results | 29.9 | 33.8 |
| Corporate income tax | -0.2 | -15.3 |
| **Net income for the year** | **300.9** | **198.5** |
| | | in million of euros |

For Klépierre SA, net income for the period amounted to 300.9 million euros. The taxable earnings of the taxable segment totaled 4.6 million euros. The mandatory distribution came to 136.7 million euros, after discharge during the period of the obligation related to capital gains on the sale of assets.

MANAGEMENT REPORT

The Supervisory Board will recommend that the shareholders vote on April 4, 2008 in favor of the payment of a dividend in respect of 2007 of 1.25 euro per share.

The 17.2% increase over the prior year's dividend payment reflects the year's good performance and the desire to offer sustained income growth to Klépierre shareholders over the long term, in line with the Group's key performance indicators. The global distribution is 173.1 million euros, which is equal to 57.0% of net current cash flow and 87.6% of the group share of net income, without taking into account the cancellation of the dividends payable on Klépierre shares that the company had acquired on the dividend payout date.
Conceving dividend payment details, refer to the fifth resolution page 147.

## III – Five-year financial summary

| KLÉPIERRE SA | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| **Type of indicators** | | | | | |
| **Equity capital at end of period** | | | | | |
| A) Share capital(1) | 193 889 761 | 184 656 916 | 184 656 916 | 184 656 916 | 179 039 052 |
| B) Number of ordinary shares in circulation(1) | 138 492 687 | 46 164 229 | 46 164 229 | 46 164 229 | 44 759 763 |
| **Annual operations and results** | | | | | |
| A) Revenues (excluding tax) | 45 808 719 | 49 178 753 | 12 608 279 | 15 638 864 | 19 307 053 |
| B) Earnings before tax, employee profit sharing and D&A allowance | 316 842 226 | 227 810 270 | 188 301 496 | 74 944 756 | 308 448 916 |
| C) Corporate income tax | 245 762 | 15 316 256 | 11 224 483 | -277 475 | -5 961 605 |
| D) Earnings after tax, employee profit sharing and D&A allowance | 300 872 009 | 198 465 416 | 171 752 138 | 77 792 605 | 305 275 354 |
| E) Distributed earnings(2) | 173 115 859 | 147 725 533 | 124 643 418 | 106 177 727 | 89 519 526 |
| **Earnings per share(3)** | | | | | |
| A) Earnings before tax, employee profit sharing and D&A allowance | 2.29 | 4.60 | 3.84 | 1.63 | 7.02 |
| B) Earnings after tax, employee profit sharing and D&A allowance | 2.17 | 4.30 | 3.72 | 1.69 | 6.82 |
| C) Net dividend per share | 1.25 | 3.20 | 2.7 | 2.3 | 2 |
| **Staffing** | | | | | |
| A) Average workforce during the year | 0 | 0 | 0 | 0 | 0 |
| B) Payroll expense for the year | 0 | 0 | 0 | 0 | 0 |
| C) Employee benefits | 0 | 0 | 0 | 0 | 0 |

(1) Capital increase via the capitalization of reserves on August 31, 2007, followed on September 3, 2007 by a three-for-one stock split.
(2) Does not factor in the cancellation of dividends on shares owned by the company on the date of the dividend payout.
(3) 2003 through 2005 data not restated to reflect the September 3, 2007 three-for-one stock split.

in euros

## IV – Subsidiaries and equity interests of Klépierre SA on December 31, 2007

| Financial information subsidiaries and equity investments | Capital | Shareholders' equity other than capital and earnings | Share of capital held % | Net earnings at year end | Revenues excl. VAT | Grosse carrying value | Net carrying value | Sureties and backings given | Loans and advances given | Dividends collected |
|---|---|---|---|---|---|---|---|---|---|---|
| **1. SUBSIDIARIES CONTROLED AT MORE THAN 50%** | | | | | | | | | | |
| Angoumars SNC | 5 131 | 46 165 | 100 | -659 | 2 191 | 51 296 | 51 296 | – | 3 980 | 0 |
| Barjac Victor SNC | 1 053 | 9 462 | 100 | 734 | 3 146 | 11 849 | 11 849 | – | 16 159 | 0 |
| Bègles Papin SCI | 528 | 4 741 | 99 | 47 | 726 | 5 270 | 5 270 | – | 5 641 | 0 |
| Besançon Chazeule SCI | 2 | 0 | 99 | -70 | 3 | 4 | 4 | – | 924 | 0 |
| Capucines BV | 2 400 | 4 800 | 100 | 108 087 | 21 | 7 200 | 7 200 | – | 43 370 | 96 500 |
| CB Pierre SAS | 10 500 | 4 800 | 100 | 5 474 | 2 378 | 1 | 1 | – | 0 | 41 124 |
| Cécoville SAS | 2 307 | 164 437 | 100 | 11 629 | 22 015 | 162 445 | 162 445 | 48 375 | 22 263 | 11 025 |
| Centre Bourse SNC | 3 813 | 0 | 100 | 3 012 | 2 859 | 47 419 | 45 245 | – | 0 | 10 631 |
| Clermont Jaude SAS | 21 686 | 2 169 | 100 | 5 587 | – | 76 396 | 76 396 | – | 4 701 | 4 919 |
| Combault SCI | 778 | 6 984 | 100 | -112 | 267 | 7 762 | 7 762 | – | 3 374 | 0 |
| Foncière de Louvain-la-Neuve SA | 62 | 0 | 100 | -1 976 | -750 | 61 | 61 | – | 29 416 | 0 |
| Foncière Saint-Germain SNC | 756 | 5 368 | 100 | 609 | – | 6 295 | 6 295 | – | 9 405 | 0 |
| Galeria Commerciale Klépierre SARL | 1 560 | 12 412 | 100 | -261 | 4 942 | 15 510 | 15 510 | – | 46 450 | 0 |
| Général Leclerc SNC | 3 270 | 7 067 | 100 | 280 | 2 333 | 7 969 | 7 969 | – | 17 102 | 0 |
| Holding Gondomar 1 SA | 1 501 | 15 649 | 100 | -4 682 | 1 602 | 26 660 | 26 660 | – | 62 216 | 0 |
| Holding Gondomar 2 SA | 38 | 148 | 100 | -595 | – | 25 676 | 25 676 | – | 28 851 | 0 |
| Holding Gondomar 3 SAS | 279 | 2 175 | 100 | -37 | 0 | 2 370 | 2 370 | – | 2 692 | 0 |
| Holding Gondomar 4 SAS | 38 | 1 | 100 | 4 | – | 588 | 588 | – | 4 381 | 0 |
| Immobiliare Commerciale Dodicesima SPA | 520 | 16 739 | 85 | -1 516 | 5 364 | 16 158 | 16 158 | – | 36 758 | 0 |
| Immobiliare Magnolia SRL | 520 | 3 050 | 85 | -634 | 2 210 | 4 904 | 4 904 | – | 11 014 | 0 |
| Jardin des Princes SNC | 800 | 7 185 | 100 | 436 | 1 238 | 9 525 | 9 525 | – | 980 | 0 |
| Kléber La Pérouse SNC | 8 594 | 38 481 | 100 | 11 104 | 19 | 54 413 | 54 413 | – | 195 534 | 1 585 |
| Klécar Europe Sud SCS | 315 260 | 315 157 | 83 | 27 334 | 0 | 523 247 | 523 247 | – | 0 | 25 312 |
| Klécar France SNC | 500 881 | 500 880 | 83 | 89 002 | 67 323 | 831 462 | 831 462 | – | 51 181 | 0 |
| Klécar Participations Italie SAS | 31 471 | 8 318 | 83 | 2 092 | 0 | 33 630 | 33 630 | – | 47 303 | 0 |
| Klefin Italia SPA | 15 450 | 99 913 | 100 | -978 | 568 | 125 625 | 125 625 | – | 186 983 | 0 |
| Klégestion SNC | 640 | 72 | 100 | 586 | 2 792 | 876 | 712 | – | 0 | 0 |
| Klémurs SCA | 82 500 | 71 137 | 84.11 | 2 414 | 21 704 | 124 519 | 124 519 | – | 0 | 0 |
| Klépierre Conseil SAS | 647 | 1 361 | 100 | 182 | 13 063 | 3 319 | 1 960 | – | 0 | 0 |
| Klépierre Finance SAS | 38 | 4 | 100 | 280 | 0 | 38 | 38 | – | 0 | 1 979 |
| Klépierre Participations et Financements SAS | 96 390 | 0 | 100 | 8 893 | 0 | 96 390 | 96 390 | – | 0 | 0 |
| Klépierre Portugal SA | 250 | 4 050 | 100 | 446 | 0 | 4 250 | 4 250 | – | 96 743 | 780 |
| Klépierre Trading SARL | 196 | -17 | 100 | -19 | – | 199 | 160 | 436 | – | – |
| KLÉ 1 SAS | 6 047 | 54 253 | 100 | 3 840 | 340 | 60 154 | 60 154 | – | 3 276 | 7 100 |
| Klépierre Vallecas SA | 60 | 1 | 100 | -4 586 | 1 182 | 12 085 | 12 085 | – | 94 500 | 0 |
| Klépierre Vinaza | 60 | 0 | 100 | -1 737 | 1 945 | 1 535 | 1 535 | – | 30 838 | 0 |
| Klé Projet 1 SAS | 38 | 0 | 100 | -540 | 0 | 37 | 0 | – | 23 868 | 0 |
| Klétransactions SNC | 243 | 2 174 | 100 | -285 | 277 | 2 417 | 2 417 | – | 3 276 | 0 |
| Klépierre Luxembourg SAS | 31 | 0 | 100 | -237 | – | 31 | 31 | – | 7 527 | 0 |
| LP 7 SAS | 46 | 66 | 100 | 8 | 0 | 261 | 261 | – | 5 | 0 |
| Maille Nord SNC | 2 | 0 | 99 | -19 | 0 | 2 | 2 | – | 0 | – |
| Nancy Bonsecours SAS | 38 | 38 | 100 | -18 | 0 | 535 | 76 | – | 0 | 0 |
| Novate SRL | 16 895 | 12 524 | 85 | -3 355 | 11 898 | 28 680 | 28 680 | – | 74 900 | 0 |
| Pasteur SNC | 227 | 1 738 | 100 | -12 | 0 | 2 091 | 1 966 | – | 0 | 0 |
| Poitiers Aliénor SAS | 229 | 51 | 100 | 20 572 | 0 | 267 | 267 | – | 0 | 206 |
| SCOO SNC | 2 845 | 2 135 | 80 | 11 824 | 24 698 | 72 567 | 72 567 | – | 89 877 | 0 |

(continued)

| Financial information subsidiaries and equity investments | Capital | Shareholders' equity other than capital and earnings | Share of capital held % | Net earnings at year end | Revenues excl. VAT | Grosse carrying value | Net carrying value | Sureties and backings given | Loans and advances given | Dividends collected |
|---|---|---|---|---|---|---|---|---|---|---|
| Ségécé SCS | 1 360 | 124 | 100 | 5 286 | 78 892 | 48 428 | 48 428 | – | 30 000 | 16 564 |
| Sodévac SNC | 1 683 | 15 131 | 100 | 970 | 4 898 | 16 814 | 16 814 | – | 24 536 | 0 |
| Société des Centres Toulousains SNC | 37 | 0 | 75 | -9 930 | 0 | 37 | 37 | – | 98 058 | 0 |
| Sovaly SAS | 448 | -180 | 100 | -48 | 0 | 572 | 220 | – | – | – |
| Tour Marcel Brot SCI | 2 | 0 | 99 | -4 | 0 | 0 | – | 0 | 0 | 0 |
| **TOTAL I** | **–** | **–** | **–** | **288 422** | **280 144** | **2 529 839** | **2 525 130** | **48 811** | **1 408 082** | **217 725** |
| **2. EQUITY INVESTMENTS HELD BETWEEN 10% AND 50%** | | | | | | | | | | |
| Antin Vendôme SCI | 15 | 0 | 50 | -1 | 0 | 8 | 8 | | 0 | 0 |
| Bassin Nord SCI | 2 | 0 | 50 | -661 | 0 | 1 | 1 | | 10 517 | 0 |
| Bègles d'Arcins SCS | 26 679 | 21 479 | 50 | 5 128 | 8 354 | 41 837 | 41 837 | | 0 | 2 857 |
| Effe Kappa SRL | 12 | 2 | 50 | 26 | 844 | 6 | 6 | | 0 | 0 |
| Galae SNC | 330 | 0 | 49 | 332 | 1 148 | 490 | 162 | | 0 | 0 |
| La Plaine du Moulin à Vent SCI | 26 293 | 4 585 | 50 | -214 | 0 | 15 439 | 15 439 | | 5 | 0 |
| Le Havre Vauban SNC | 300 | 5 | 50 | 150 | 645 | 237 | 237 | | 0 | 0 |
| Le Havre Lafayette SAS | 525 | 9 | 50 | 1 654 | 5 557 | 983 | 983 | | 0 | 0 |
| Odysseum Place de France SAS | 53 | 1 | 50 | 113 | 66 | 174 | 174 | 104 587 | 35 731 | 0 |
| Socoseine SAS | 38 | 42 | 25 | -6 | 0 | 99 | 19 | | | |
| Solorec | 4 869 | 2 768 | 49 | 20 498 | 27 120 | 124 104 | 124 104 | | 18 995 | 0 |
| Sviluppo Klépierre Finim SPA | 104 | -121 | 50 | -5 | 0 | 245 | 0 | | | |
| **TOTAL II** | | | | **27 014** | **43 734** | **183 623** | **182 970** | **104 587** | **65 248** | **2 857** |
| **3. MISCELLANEOUS** | | | | | | | | | | |
| **TOTAL III** | **–** | **–** | **–** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **GRAND TOTAL I + II + III** | **–** | **–** | **–** | **315 436** | **323 878** | **2 713 462** | **2 708 100** | **153 398** | **1 473 330** | **220 582** |

in thousands of euros

## 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 Klécar Foncier España and Klécar 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 Klécar 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 Evaluation 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.

| | 2007 | |
|---|---|---|
| | Appraisal fees | Consulting fees |
| Retail Consulting Group Expertise | 999 | 121 |
| Icade Expertise | 300 | 203 |
| Cushman & Wakefield | 150 | 29 |
| Foncier Expertise et Atisreal Expertise | 84 | 4 |

Excl. VAT in thousands of euros

#### 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, 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. 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 risk and liquidity 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 and, where applicable, the estimated value of minority interests on that same date.

### Assessing the value of debt and interest-rate 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.

### 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.
Equity interests in other service subsidiaries, including Klégestion and Klépierre Conseil, are not reappraised. 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. At 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.

# MANAGEMENT REPORT
## Revalued net assets

### II – Revalued net assets (RNAV) at December 31, 2007

#### Appraisal results

The value of Klépierre's real estate holdings including transfer duties was 11.3 billion euros (total share) and 10.0 billion euros (group share). Total share, shopping centers represent 86.2%, retail properties represent 4.0%, and offices represent 9.8%, while the group share percentages are 85.2%, 3.8% and 11.0%, respectively. Assets acquired in the second half of the year are carried at their acquisition price and represent 2.3% of all holdings. Projects under development are valued at their cost price, i.e., 4.5% of all holdings. These projects are mainly Vallecas (Spain), Corvin (Hungary), the Blagnac and Saint-Orens extensions (Toulouse) and the office building Séreinis in Issy-les-Moulineaux.
On a constant portfolio basis, shopping center assets increased in value by 7.4% during the six-month period ended, while the value of retail assets grew by 6.4% over the same period and the value of office assets increased by 4.3%. Over 12 months, the respective increases are 12.5% for shopping centers, 14.6% for retail assets and 14.2% for offices.

| Holdings, total share (transfer duties included) | Current portfolio | | | | Constant portfolio | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2007 | 12.31.2006 | Change | | 12.31.2007 | 12.31.2006 | Change | |
| **Shopping centers** | | | | | | | | |
| France | 5564.4 | 4276.3 | 1288.1 | 30.1% | 3912.9 | 3355.0 | 557.9 | 16.6% |
| Spain | 1125.2 | 1084.7 | 40.5 | 3.7% | 1013.8 | 982.2 | 31.6 | 3.2% |
| Italy | 1327.6 | 1173.8 | 153.8 | 13.1% | 1298.9 | 1160.4 | 138.4 | 11.9% |
| Hungary | 496.2 | 350.2 | 146.0 | 41.7% | 362.6 | 350.2 | 12.4 | 3.5% |
| Poland | 390.5 | 211.9 | 178.5 | 84.2% | 216.9 | 211.9 | 5.0 | 2.4% |
| Portugal | 268.3 | 177.8 | 90.5 | 50.9% | 164.0 | 146.1 | 17.9 | 12.2% |
| Others | 581.7 | 487.3 | 94.4 | 19.4% | 558.2 | 487.3 | 70.9 | 14.6% |
| **Total Shopping centers** | **9753.9** | **7762.0** | **1991.8** | **25.7%** | **7527.3** | **6693.1** | **834.1** | **12.5%** |
| **Total Retail properties** | **457.2** | **334.2** | **123.1** | **36.8%** | **42.9** | **37.4** | **5.5** | **14.6%** |
| **Total Offices** | **1101.4** | **1031.2** | **70.2** | **6.8%** | **1052.3** | **921.8** | **130.4** | **14.2%** |
| **TOTAL REAL ESTATE HOLDINGS** | **11312.5** | **9127.4** | **2185.1** | **23.9%** | **8622.4** | **7652.4** | **970.1** | **12.7%** |

in million of euros

| Holdings, group share (transfer duties included) | Current portfolio | | | | Constant portfolio | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2007 | 12.31.2006 | Change | | 12.31.2007 | 12.31.2006 | Change | |
| **Shopping centers** | | | | | | | | |
| France | 4663.5 | 3589.8 | 1073.6 | 29.9% | 3329.2 | 2851.7 | 477.6 | 16.7% |
| Spain | 958.4 | 923.5 | 34.9 | 3.8% | 846.9 | 820.9 | 26.0 | 3.2% |
| Italy | 1205.5 | 1064.5 | 141.0 | 13.2% | 1176.8 | 1051.8 | 125.0 | 11.9% |
| Hungary | 496.2 | 350.2 | 146.0 | 41.7% | 362.6 | 350.2 | 12.4 | 3.5% |
| Poland | 390.5 | 211.9 | 178.5 | 84.2% | 216.9 | 211.9 | 5.0 | 2.4% |
| Portugal | 268.3 | 177.8 | 90.5 | 50.9% | 164.0 | 146.1 | 17.9 | 12.2% |
| Others | 566.7 | 473.7 | 93.1 | 19.7% | 543.2 | 473.7 | 69.6 | 14.7% |
| **Total Shopping centers** | **8549.0** | **6791.5** | **1757.6** | **25.9%** | **6639.7** | **5906.3** | **733.4** | **12.4%** |
| **Total Retail properties** | **384.6** | **281.1** | **103.5** | **36.8%** | **36.1** | **31.5** | **4.6** | **14.7%** |
| **Total Offices** | **1101.4** | **1031.2** | **70.2** | **6.8%** | **1052.3** | **921.8** | **130.4** | **14.2%** |
| **TOTAL REAL ESTATE HOLDINGS** | **10035.0** | **8103.7** | **1931.3** | **23.8%** | **7728.0** | **6859.6** | **868.5** | **12.7%** |

in million of euros

### Offices

The office portfolio is valued at 1 101.4 million euros. 4 of these properties have an estimated unit value that exceeds 75 million euros, representing 45.7% of the total appraised value of this portfolio.
4 have a unit value of between 75 million and 50 million euros, representing 22.6% 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 increased by 14.2% on a total share basis over 12 months (and by 4.3% over six months), of which 7.6% is attributable to higher income and 6.6% reflects the fall in yields.
The 60.2 million euro decline in the value of the portfolio over 12 months is due to the change in scope that resulted from the disposal program, the impact of which was partly neutralized by the progress on the Séreinis construction project in Issy-les-Moulineaux.
Based on appraised values at December 31, 2007 (transfer duties included), the immediate yield on the portfolio was 5.3%, a decline of around 20bps compared with December 31, 2006.

### Shopping centers

Klépierre's shopping center holdings are valued at 9 753.9 million euros (8 549.0 million euros group share), an increase of 1 991.8 million euros on the year (+25.7%).
39 facilities and projects have an estimated unit value that exceeds 75 million euros, representing 58.3% of the total estimated value of this portfolio, 89 have a unit value between 75 million and 15 million euros, and 130 have a unit value of less than 15 million euros.
On a constant portfolio basis, Klépierre's shopping center holdings, including transfer duties, increased in value by 12.5% in light of the rental reversions (5.1%) and the decline in yields (7.3%).
External growth explains 1 157.7 million euros of the rise in value on a current portfolio basis.
The increase in assets includes, in particular:

- in France, the Progest holdings, the opening of the Angoulême – Champs de Mars mall and the appraisal of new extensions (Brest, Laon, Nîmes, Orléans, Rambouillet);
- abroad, the acquisition of the three Polish centers (Rybnik, Sosnowiec and Lublin), the acquisition of the Larissa center (Greece), the purchase of 50% of the Parque Nascente and Gondobrico malls (Portugal), and the opening of the Varese extension (Italy);
- Projects under development also contributed to the increase, in particular via the Corvin operation (Budapest) which counted up to 111 million euros for the part outlaid at December 31, 2007.

The average yield on the portfolio at December 31, 2007 was 5.5%, including transfer duties, based on appraised values at December 31, 2007, down by 40bps compared with December 31, 2006.

### Retail properties

The appraised value of the retail property portfolio is 457.2 million euros (384.6 million euros group share), an increase of 123.1 million euros (+36.8%) over the fiscal year.
On a constant portfolio basis, retail property holdings, including transfer duties, increased in value by 14.6% (5.5 million euros), of which 5.5% is attributable to higher revenues and 9.1% to the fall in yields.
External growth accounted for 117.6 million euros of the rise in the value of the holdings.
On a current portfolio basis, the increase in assets includes the acquisition of the ownership of 8 additional Buffalo Grill restaurant properties (16.8 million euros), the purchase of commercial assets from Cap Nord, appraised for the first time on December 31, 2007, and of two Séphora outlets (10.8 million euros). It also takes into account the reappraised value of the 128 Buffalo Grill restaurant properties versus the price paid to acquire them in December 2006.
The average yield for the portfolio was 5.8% based on appraisals (transfer duties included) at December 31, 2007.

### For the year ended December 31, 2007 RNAV rose by 26.6%.

On the basis of appraisals including transfer duties, revalued net assets after deferred taxes on capital gains and marking to market of debt came to 41.1 euros per share, versus 36.3 euros per share on June 30, 2007 and 32.5 euros on December 31, 2006, a six-month increase of 13.2% and a 26.6% increase in 12 months.

Revalued net assets excluding transfer duties, after deferred taxes on capital gains and marking to market of debt came to 38.6 euros per share, as opposed to 34.2 euros on June 30, 2007 and 30.5 euros on December 31, 2006.

### How RNA is determinated

| Group share | 12.31.2007 | 06.30.2007 | 12.31.2006 |
|---|---|---|---|
| Consolidated shareholder's equity | 2 001 | 1 933 | 1 955 |
| Real estate companies goodwill | -9 | -6 | -9 |
| Unrealized capital gains in real estate portfolio | 3 487 | 2 954 | 2 475 |
| *– Appraised value* | *10 035* | *8 854* | *8 104* |
| *– Net book value* | *-6 548* | *-5 900* | *-5 628* |
| Unrealized capital gains on non-real estate assets | 67 | 103 | 102 |
| *– Ségécé group capital gain* | *67* | *103* | *102* |
| Tax on unrealized capital gains | -172 | -177 | -167 |
| Restatement of deferred taxes on securities | 124 | 125 | 94 |
| Taxes and fees related to the sale of assets | -332 | -283 | -267 |
| **Revalued Net Assets** | **5 167** | **4 648** | **4 182** |
| Marked to market of fixed rate debt excluding IAS 32-39 (million euros) | 70 | 43 | 7 |
| Number of shares, fully diluted and excl. treasury shares | 135 502 224 | 137 004 399 | 137 305 224 |
| **NAV excluding transfer duties, after taxes on unrealized capital gains (in euros per share)** | **38.1** | **33.9** | **30.5** |
| **NAV excluding transfer duties, after taxes on unrealized capital gains and marking to market of fixed-rate debt, in euros per share** | **38.6** | **34.2** | **30.5** |
| **NAV including transfer duties, after taxes on unrealized capital gains and marking to market of fixed-rate debt, in euros per share** | **41.1** | **36.3** | **32.5** |

in million of euros

## E – FINANCING POLICY

The year 2007 marked a major turning point in the trend governing corporate financing conditions, attributable to the impact of the subprime crisis on the credit markets and tension on both long-and short-term interest rates. However, although corporate access to financial resources has since become more difficult and more costly, these modifications have not led Klépierre to fundamentally rethink its financing policy. The broad outlines of this policy include conservative use of debt financing within the limits of a Loan To Value ratio under 50%, the use of diversified financing resources maturing on average in more than five years comprised mainly of bank loans, bonds and commercial paper – a cautious interest-rate hedging strategy with a minimum target of 70% of fixed rate debt and, finally, an average cost of financing resources lower than its real estate yields.

In September 2007, one month after the international financial crisis exploded, Klépierre, aided by its affiliation with BNP Paribas, confirmed its access to the credit markets under satisfactory conditions by putting together a new syndicated line of credit for one billion euros, which in turn offers de facto support for the financing of its 2008 investment plan.

On January 2, 2008, the financial structure of the Group remains aligned with the stated objectives: net financing debt represents 41.1% of the fair market value of its property holdings, the average cost of debt is 4.4% and the ratio of fixed rate debt to total debt is 79%.

### I – Financing resources

Consolidated net debt of Klépierre rose to 4 652 million euros on December 31, 2007, up from 3 804 million euros on December 31, 2006.

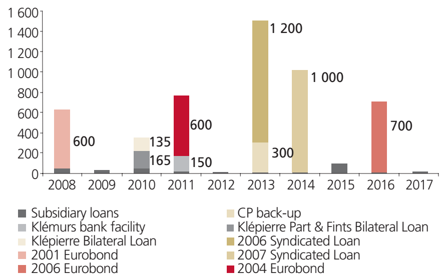
The increase results primarily from investment outflows (1 080 million euros), partly offset by disposals (109 million euros) and free cash flow for the year (after the payment of a dividend of 148 million euros). Klépierre paid 62 million euros in 2007 to buy back its own shares under the stock repurchase program (excluding the liquidity agreement). As part of this effort, Klépierre has set aside 1.27 million shares, to be used for any external growth initiatives that arise, which were purchased in 2007 for an average price of less than 33 euros.

This increased debt was financed using several sources: use of available lines of credit, the stepped-up use of commercial paper, and the implementation in September 2007 of a new syndicated loan with the participation of five banks. In the interest of diversifying its sources of financing, Klépierre also set up a property finance lease with a 12-year term within its subsidiary Cécoville, for a total of 48.4 million euros.

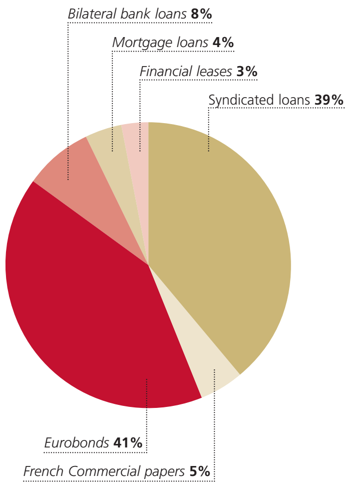
Launched for an initial sum of 800 million euros, the new syndicated credit line presents the following characteristics:
- a maximum amount of one billion euros, of which 450 million euros had been drawn down on December 31, 2007;
- a firm term of 7 years;
- a margin between 0.45% and 0.55%, depending on a Loan To Value ratio grid;
- financial covenants that are identical to those of the club deal signed in January 2006, relating primarily to the Loan To Value ratio (limited to 52%), an EBITDA/interest expense coverage ratio of 2.5 minimum, and a secured debts/revalued assets ratio limited to 20%.

At the December 31, 2007 reporting date, available credit lines totaled 669 million euros, plus a 300 million euro back-up line, which would be used in the event of issuance problems for the immediate refinancing of the outstanding commercial paper. The average duration of the Group's debt is 5.4 years (including the back-up line). Breakdown by type of financing remains diversified.

Financings by due date
*(Authorizations - M€)*




Financings breakdown




### II – Interest rate hedges

Against a backdrop of high volatility and uncertainty over interest rate trends, Klépierre – which was already largely hedged at the beginning of 2007 (85% fixed rate debt) – took steps to limit its exposure to the interest rate risk on its expected financing transactions in 2008:
- Klépierre raised from 300 to 600 million euros the pre-hedge of the refinancing of the bond that will be redeemed in July 2008; it is now entirely

hedged at an average rate of around 4.04% (excluding the credit margin) for an average duration of 5.9 years;

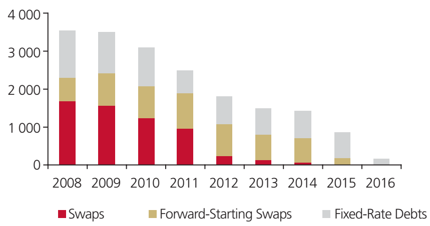
• With the same intention, in late 2007 the Group contracted several other swaps with deferred start dates in 2008 or early 2009, for a total notional amount of 500 million euros. Including the 300 million euros of additional contracts processed in early 2008, this pre-hedge of future debt was contracted over an average duration of 6.3 years for an average fixed rate of 4.17%.

On January 2, 2008, the proportion of Klépierre's fixed-rate debt (after hedges) to total debt was 79%, without taking into account the swaps with deferred start dates. The average duration of fixed rate debt (debt and swaps) is 4.5 years.

Klépierre's swap portfolio is still quasi-exclusively composed of plain vanilla swaps.

Interest-rate hedge profile

*(Average annual amounts of swaps or fixed-rate debts – M€)*




*Situation at December 31, 2007*

## III – Financial ratios and financial rating

Klépierre's financial ratios evolved as follows in 2007:

| Total share | 12.31.2007 | 12.31.2006 |
| --- | --- | --- |
| Loan To Value | 41.1% | 41.7% |
| EBITDA/ Interest expense | 3.31 | 3.42 |
| Net current cash flow/ Net debt | 7.5% | 8.1% |

These levels fall within the range of objectives used by Standard and Poor's for its BBB+ rating of Klépierre's debt, i.e.:

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

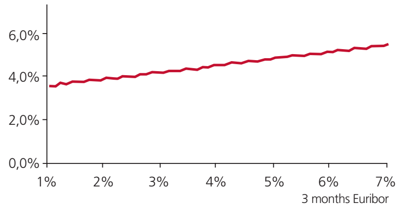
The outlook associated with this rating has been positive since January 2007. Klépierre's short-term rating is A2.

## IV – Cost of debt

The historic cost of Klépierre's debt (ratio of interest expense to average financing debt) was 4.36% in 2007, compared with 4.33% for 2006. This modest rise primarily reflects the impact of higher short-term interest rates for the portion of debt that is floating rate.

The cost of the debt projected on the basis of the financial structure and rates on January 2, 2008 was 4.35%. A 100bp rise in interest rates would lead to an increase in the average cost of debt of 0.21%, with a negative impact on pre-tax net current cash flow of 9.6 million euros.

Changes in projected average cost of debt due to Euribor fluctuations




## V – Outlook for 2008

The financial crisis that began in the summer of 2007 is likely to adversely weigh on corporate financing conditions for a good part of 2008.

On the basis of current conditions in the bond market, Klépierre does not seriously envision an issue in the first half of 2008, barring the appearance of a market window.

Conversely, Klépierre could turn to the bank lending market to top up its available financing resources as needed. This segment remains open, albeit at higher margin terms, which are largely offset by falling long-term interest rates since the second half of 2007.

Accordingly, Klépierre remains confident in its ability to finance its growth in 2008 under financing terms and conditions that are consistent with the average expected yield on its new investments and the reversion potential they present.

## F – HUMAN RESOURCES

With a total of 1 103 employees based in ten European countries, Klépierre has now integrated all of its processes within its subsidiaries and is pursuing efforts to ensure responsible human resource development.

**Human Resources policy focused on staff diversity and retention.**

To support its development, Klépierre seeks to achieve the right fit between staff and needs while also diversifying employee profiles. There were 311 new hires last year, with woman accounting for 61% of the total. In France, 15% of all new hires were over the age of 40. The use of temporary personnel to fill staffing needs was limited last year to 12 temporary staff (in full-time equivalent terms), and the average duration of such assignments was 52 days. These figures attest to Klépierre's desire to capitalize on stable resources. In addition, the rate of attrition is very low (5%), while the rate of absenteeism was limited last year to 1.65% (excluding paid maternity leave).
Individual performance management is based on thorough knowledge of employees and regular opportunities to exchange views. In 2007, the annual performance appraisal process was extended to all of Klépierre's subsidiaries. The Human Resources Department has conducted more than 300 guidance interviews over the last two years in every country of operation, giving employees the opportunity for an in-depth discussion with management on their career prospects. In 2007, this policy led to internal promotions for some sixty employees in France.
In addition, its corporate university Ségécampus trained 284 employees using the 30 modules that have been specifically adapted for Klépierre's business area. Language training, cross-business and personalized (through the use of coaching techniques) was once again offered last year through outside trainers.
Pursuing its commitment to responsible human resource practices, Klépierre last year signed an agreement with French labor relations partners relating to gender equality in the workplace, reiterating its belief in non-discrimination and stressing two points in particular: compensation and paid maternity leave.
Moreover, since the audit conducted in 2006 on the employment of disabled people, Klépierre has entered into a partnership with Hanploi.com, whose aim is to increase the number of disabled applicants. The so-called protected sector is also given preference for catered box meals, receptions and the maintenance of green spaces.

**In a motivating workplace environment, individual performance takes center stage.**

Lively and ongoing discussions with business heads, in addition to interviews conducted by the Corporate Human Resources Department, allows for a refined approach to the annual review of wages, during which 2.36% of total payroll expense was distributed in 2007.
In addition, a variable portion is offered for up to 30% of the annual salary for employees whose role has a strong sales component.
In 2007 and for all of the Group's operations in Europe, the percentage of women receiving promotions rose to 54.5% of all promotions, and more than 100 employees were the recipients of Klépierre stock option awards.
Giving preference to reward for individual performance, Klépierre signed an agreement on wages that gives employees the right to an exceptional bonus equal to one quarter of their monthly pay, representing 1.45% of total payroll expense.
In connection with the additional profit-sharing program, the amount allocated to incentive bonuses increased at the behest of executive management by 20%. In all, various incentive and profit-sharing programs represented more than two months of wages in 2007.
In addition, PERCO employee savings plans and a capital increase allow employees to invest their savings and receive an employer's matching gift.

**Avenues for discussion to be pursued in 2008**

Klépierre expects tangible results from its investment in the employment of disabled workers, particularly in terms of successful recruitment and integration. The findings of the accessibility audit of its buildings will also be available. Moreover, executive management of the Company has committed to initiating a discussion on the issue of forecast-based management of personnel and skills.

| December 31, 2007 | Male | | | Female | | | Total | o/w Managers | % Managers |
|---|---|---|---|---|---|---|---|---|---|
| | Managers | Non Managers | Total | Managers | Non Managers | Total | | | |
| Ségécé | 152 | 5 | 157 | 92 | 130 | 222 | 379 | 244 | |
| Klépierre Services | 44 | 4 | 48 | 56 | 24 | 80 | 128 | 100 | |
| Klégestion | 4 | 0 | 4 | 5 | 3 | 8 | 12 | 9 | |
| CB Pierre | 1 | 0 | 1 | 1 | 0 | 1 | 2 | 2 | |
| **Sub-total France** | **201** | **9** | **210** | **154** | **157** | **311** | **521** | **355** | **68%** |
| Ségécé Italia | 10 | 50 | 60 | 0 | 46 | 46 | 106 | 10 | |
| Effe Kappa | 2 | 1 | 3 | 0 | 2 | 2 | 5 | 2 | |
| Ségécé España | 58 | 0 | 58 | 34 | 23 | 57 | 115 | 92 | |
| Ségécé Portugal | 3 | 10 | 13 | 2 | 33 | 35 | 48 | 5 | |
| Ségécé Ceska Republika | 4 | 2 | 6 | 4 | 20 | 24 | 30 | 8 | |
| Ségécé Hellas | 2 | 0 | 2 | 1 | 0 | 1 | 3 | 3 | |
| Ségécé Magyarorszag | 5 | 40 | 45 | 1 | 72 | 73 | 118 | 6 | |
| Ségécé Polska | 16 | 4 | 20 | 14 | 22 | 36 | 56 | 30 | |
| Devimo (Belgium) | 17 | 25 | 42 | 16 | 43 | 59 | 101 | 33 | |
| **Sub-total International** | **117** | **132** | **249** | **72** | **261** | **333** | **582** | **189** | **32%** |
| **TOTAL** | **318** | **141** | **459** | **226** | **418** | **644** | **1 103** | **544** | **49.3%** |

French perimeter: excl. expatriates, qualifying contracts and trainees.

## G – RECENT TRENDS, OUTLOOK AND RISK FACTORS

### I – Recent trends and outlook

For 2008, the outlook could take a turn for the worse: waning consumer confidence, slower growth in job creations and new inflationary pressures. The outlook for growth in consumption is less rosy for Europe than it was in 2007, except in Hungary and Portugal, where forecasts suggest improvement. Growth in consumption is expected to come in at around 1.8% for France.
This situation is not expected to have a significant impact on Klépierre's business. In 2008, rents will be boosted by high index-linked rent adjustments. In France, the ICC for 2Q 2007 is 5.05%, applicable to 80% of all leases in value terms. Outside of France, index-linked rent adjustment rates are 2.6% in Italy, 4.2% in Spain, and around 3.1%
in Hungary and in Poland.
In parallel, upside rental terms signed in 2007 (+21.6% on average for the 1 434 shopping center leases) will continue to bear fruit in 2008, along with those that will be signed in the course of the year (9% of shopping center leases in value terms will come up for renewal in 2008).
External growth will also continue to generate new rents, and acquisitions completed in 2007, particularly those involving shopping centers in operation, should bring in around 54 million euros full-year, versus 26.0 million euros in 2007.
In addition, Klépierre intends to pursue development at a sustained pace, based on an investment program for the five years to come totaling 3.8 billion euros, of which 2.2 billion euros correspond to transactions that are committed or controlled, with 2008 alone accounting for 1 billion euros.
Although it is likely that the cost of financing resources will rise slightly for Klépierre in 2008, the various positive factors enumerated above should enable Klépierre to once again target double-digit growth in its net current cash flow per share.

### II – Risk factors

#### Risks related to Klépierre's strategy and activities

##### Real estate is a cyclical business

One of the reasons Klépierre has chosen to focus on shopping centers is that it considers this segment to be less cyclical than the other segments of the real estate market. However, 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. Because 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.
Leases may come up for renewal during downside periods and may not reflect the reversion potential assessed in the past.
If several assets were bought at the same time, leases for those assets are likely to be maturing during the same period. This concentration of lease maturities could increase the lease renewal risk and its impact on cash flows.
As a whole, adverse real estate market conditions may weigh negatively on the appraised value of Klépierre's portfolio as well as on the operating results it generates.

##### Development and investment risks

Klépierre does engage real estate development activities from time to time for its own account. Two major risks have been identified:
- 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 may be encountered due to the complexity of some projects, and the prices of construction materials may evolve adversely;
- Klépierre may have difficulty leasing up a project, which may mean that the project is only partly leased up or is being leased up at lower rent levels.

Klépierre's investments (in new projects, existing assets or extensions) are subject to legal authorizations that may be granted later than expected, or Klépierre and/or its partners may fail to obtain them at all. In any case, costs incurred initially (such as internal or external studies) may be impossible to defer or cancel.
The development and investment risks mentioned above could lead to delays, to the cancellation of the contemplated developments or investments, or to their completion at a higher cost than expected. This in turn may have a negative impact on Klépierre's pipeline completion, results and financial situation.

##### Acquisition risks

Klépierre's growth strategy is highly dependent on its ability to acquire real estate assets or companies that own them. This activity entails the following risks:
- Klépierre may have misjudged the expected return on assets, and therefore may have paid an inappropriate price for their acquisition;
- Klépierre may have failed to detect hidden defects such as the existence of sub-leases, tenant practices that are hazardous to the environment, or discrepancies between plans and the actual construction of certain assets;
- Klépierre may have difficulty completing an acquisition because of its impact on internal organization (information technology, human resources).

### Country risks

Klépierre considers Europe as its domestic market, and focuses its investments on the Euro Area and on countries that are likely to adopt the euro over the medium to long term.
Some countries in which Klépierre operates or could operate in the future may present higher risk profiles than Klépierre's historic markets (France, Spain and Italy): the economic and political environment may be more volatile, the regulatory framework – including entry barriers – may be less favorable, and transactions may be completed in local currencies that are possibly more volatile.
Country risks may adversely influence Klépierre's earnings and financial condition.

### Risks related to the focus on the shopping center segment

Klépierre's strong focus on shopping centers makes it more dependent on this market segment, whose performance depends on business conditions in the retail market in general and on the level of consumption in particular. Moreover, competition between assets is specific to the shopping center market, because the appearance of new centers in the vicinity of Klépierre's assets may attract some customers away from the latter.
Therefore, shopping center occupancy rates may not always be at generally high levels – with a potentially negative impact on Klépierre's operating results.

### Tenant insolvency risks

Klépierre's ability to collect rents depends on the solvency of its tenants, in particular those in the office segment, where tenant insolvency risk is not as widely spread. Tenants may not pay on time, or may be in default, or Klépierre may need to reduce the amount of rents invoiced by making concessions that align lease payments with the financial situation of some tenants.
In all these cases, tenant insolvency may hurt Klépierre's operating results.

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

### Interest rate risk

Klépierre finances some of its investments by raising debt with either a fixed or a floating rate of interest. These financing activities generate the following risks:

- The interest expense paid by Klépierre on its floating rate debt is exposed to an increase in the interest rates to which they are indexed;
- The market value of Klépierre's fixed rate debt would increase if market interest rates decreased;
- Klépierre may be exposed to the level of interest rates on a particular date, for example if it has planned to raise fixed rate debt to fund a planned acquisition. 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 floating rate debt. The market value of these instruments also fluctuates with the level of interest rates. Since Klépierre applies IFRS accounting standards, such fluctuations are reflected in Klépierre's balance sheet and may also be reflected in Klépierre's income statement should hedge relationships not be documented or cease to be documented, or should existing hedges be only partially effective.

### 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 may not always have the desired access to capital, or may find it difficult to raise the funds needed or to do so under attractive terms and conditions. This situation may arise due to a crisis in the debt or equity markets, events in the real estate market, a downgrade in Klépierre's corporate credit rating, or any other change in Klépierre's activity, financial situation or shareholder base that could change investor perception of its credit quality or investment appeal. Some of Klépierre's financing includes financial covenants in the legal documentation (mainly outstanding bond issues and syndicated loans). Should Klépierre not be able to maintain the financial ratios set forth in these contracts, it may be subject to early repayment or asked to do so (depending on the particular case), which would force Klépierre to find new sources of funding or renegotiate the debt.

### Currency risk

Klépierre operates in some countries that have not yet joined the Euro area (Slovakia, the Czech Republic, Hungary and Poland to date). In these countries, 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 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 most tenants are invoiced in euros, local currency depreciation may make it difficult for them to meet rent obligations, leading to deterioration in their solvency.

### 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

### Regulatory risks

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, taxation, 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. For example, more stringent safety regulations may generate additional management costs, whereas lower barriers to market entry may weigh negatively on the return on the assets located in that area, or could encourage Klépierre to realign its investment 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.
All of these regulatory risks may negatively affect Klépierre's results and the appraised value of its portfolio.

### Tax risk related to SIIC status

Klépierre has elected SIIC tax status, which makes it exempt from corporate income tax.
To be eligible for this status and the exemption, Klépierre must distribute a significant portion of its profit. Should Klépierre not be able to fulfill this obligation, it may lose SIIC status, an event that is likely to weigh adversely on its business activities and earnings.

### 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

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. Should Klépierre fail to comply with a regulatory requirement or sustain an environmental accident, its properties could lose their appeal and/or Klépierre could be subject to penalties that could generate additional costs and impair the Company's reputation. Costs may also be incurred to defend the Company against such environmental claims or enforce measures designed to remedy the newly identified environmental risks.
To date, no quantified, comprehensive estimate has been made of the Company's environmental risks.

## Insurance risks

### Shopping centers

In 2007, and with few exceptions, Klépierre finished the process of harmonizing its insurance program coverage for assets located in France and abroad (replacement cost in the event of an insured loss, compensation for loss of lease income equal to two years of rent, deductibles, etc.).
New acquisitions automatically integrate Klépierre policies, barring any specific constraints. As in the past, these policies are placed with major insurers and monitored by a dedicated department that works in cooperation with the Group's insurance brokers.
For foreign markets, the decision was made to give preference to local relationships by working through local personnel and broker correspondents on global insurance programs that integrate local lines of insurance.
The program of systematic reappraisal of coverage every five years was continued throughout 2007, to ensure that a perfect fit is maintained between insurance coverage and insurance values.
Overall, the global insurance budget was once again optimized in terms of both premiums paid and level of coverage for 2007, despite the ongoing trend toward higher claims in the operator's general liability market. As a reminder, insurance premiums – with the exception of rental insurance – are passed on to tenants, either directly, or via shared expenses.
The environmental impairment liability policy, which covers protected sites both in France and abroad, was renewed with Assurpol.
Insurance coverage for construction work is always contracted on a one-off basis (structural damage, builders all-risk, contractor's/owner's liability).
In addition, Klépierre and its subsidiaries took steps to harmonize their own coverage (against professional liability and fraud, in particular)
Klépierre also pursued its policy of protecting persons and property by contracting individual accident insurance coverage. All of its assets are fully or partially protected against the risk of terrorist attacks.

**Offices**

To ensure both the value of its real estate assets and their revenue-generating capacity, the properties in Klépierre's portfolio are covered under a fleet policy that includes replacement cost cover for property and compensation for rental income interruption caused by the occurrence of an insured loss (three years).
In the event that Klépierre decides to undertake major renovation work on one of the properties in its office portfolio, special construction coverage is activated on a case-by-case basis.
Klégestion is insured under an ad hoc commercial third-party liability policy for its management business.
The cost of covering the office properties is fully re-invoiced to commercial tenants as part of building operating costs. Notwithstanding, when these policies were renegotiated with a single broker in 2006, Klépierre was awarded (effective January 1, 2007) a reduction of more than 20% in the total amount of premiums payable on these policies as well as more transparency in terms of brokerage fees, on a constant scope of coverage basis.

### Risks related to Klépierre's shareholder base

Klépierre cannot predict the evolution of its shareholder structure. In particular BNP Paribas, Klépierre's current majority shareholder, may choose to decrease or increase its holdings in Klépierre in the future.

## 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

List of offices and positions held by the members of the Company's governing bodies as at 31 December 2007.

#### Executive Board

Michel CLAIR

- **Chairman, Klépierre Executive Board**
- **Chairman, Duna Plaza Management Board (Hungary)**
- **Chairman, Arcol Supervisory Board (Slovakia)**
- **Permanent representative of Klépierre and member of the Supervisory Board of SCS Ségécé**

Member of the Supervisory Board:

- Nyiregyhaza Plaza (Hungary)
- Movement Poland (Poland)

Member of the Executive Board:

- Krakow Plaza (Poland)
- Poznan Plaza (Poland)
- Ruda Slaska Plaza (Poland)
- Sadyba Centre SA (Poland)
- Klépierre Novo (Czech Republic)
- Delcis CR (Czech Republic)

Chairman of the Board of Directors:

- Klépierre Foncier Makédonia (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)
- Kléminho (Portugal)
- Capucines BV (Netherlands)

Director:

- Les Trois Vallées
- France Habitation
- Place de l'Accueil (Belgium)
- GIE Astria
- Klépierre Luxembourg (Luxembourg)
- Klépierre Météores (Luxembourg)

Permanent representative of Klépierre, director:

- SA Holding Gondomar 1
- SA Holding Gondomar 2

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)

Representative of Klépierre, sole director of:

- Klépierre Vallecas (Spain)
- Klépierre Vinaza (Spain)

Representative of Klécar Europe Sud, sole director of Klécar Foncier Iberica (Spain)
Representative of Klécar Europe Sud, sole director of Klécar Foncier Espana (Spain)

Jean-Michel GAULT

- **Member of the Klépierre Executive Board**
- **Director, Soaval**
- **Chairman of the Board of Directors of Place de l'Accueil (Belgium)**
- **Chairman of the Supervisory Board of Arcol (Slovakia)**

Member of the Executive Board:

- Krakow Plaza (Poland)
- Sadyba Centre SA (Poland)
- Delcis CR (Czech Republic)
- 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)

Managing Director:

- Immobiliare Magnolia (Italy)
- Novate (Italy)
- ICD (Italy)

Director:

- Cinémas de L'esplanade (Belgium)
- 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)
- Capucines BV (Netherlands)
- Kléminho (Portugal)
- Klélou-Imobiliaria SA (Portugal)
- Klénord Imobiliaria (Portugal)
- Klépierre Portugal SGPS SA (Portugal)
- Klétel Imobiliaria (Portugal)
- Klépierre Luxembourg (Luxembourg)
- Klépierre Météores (Luxembourg)

Member of the Supervisory Board:

- Klépierre Novo (Czech Republic)

Managing Partner of KPSVR 2002 (Hungary)

Claude LOBJOIE

- **Member of the Klépierre Executive Board**
- **Managing Partner of SNC Klégestion**
- **Sole director of GIE Klépierre Services**
- **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 Executive Board of Delcis CR (Czech Republic)**
- **Member of the Supervisory Board of Duna Plaza (Hungary)**
- **Member of the Supervisory Board of Arcol (Slovakia)**
- **Member of the Supervisory Board of Movement Poland (Poland)**

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

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

Non-voting board member of BNP Paribas REPM France

### Laurent MOREL

- **Member of the Klépierre Executive Board**
- **Managing Partner, SCS Ségécé**
- **Member of the Supervisory Board of Arcol (Slovakia)**
- **Chairman of the Supervisory Board of Delcis CR (Czech Republic)**
- **Chairman of Executive Board of Movement Poland (Poland)**

Chairman of the Board of Directors:
- SAS Soaval
- 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)

Vice-Chairman of the Board of Directors:
- ICD (Italy)
- Immobiliare Magnolia (Italy)
- Novate (Italy)

Member of the Supervisory Board:
- Ségécé Magyarorszag (Hungary)
- Duna Plaza (Hungary)
- Nyiregyhaza Plaza (Hungary)
- Ségécé Ceska Republika (Czech Republic)
- Klépierre Novo (Czech Republic)
- Ségécé Polska (Poland)
- Ségécé Slovensko (Slovakia)

Director:
- Ségécé España (Spain)
- Ségécé Hellas (Greece)
- Ségécé Italia (Italy)
- Ségécé Portugal (Portugal)
- Finascente (Portugal)
- Galeria Parque Nascente (Portugal)
- Gondobrico (Portugal)

Managing Partner:
- Forving
- Proreal
- Belvedere Invest
- GYR 2002 (Hungary)
- UJ Alba 2002 (Hungary)
- Bestes (Czech Republic)
- Entertainment 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)
- Szeged Plaza (Hungary)
- Klépierre Lublin (Poland)
- Klépierre CZ (Czech Republic)
- CSPL 2002 (Hungary)

Permanent representative of Ségécé, director:
- Devimo Sud (Belgium)
- Devimo Consult (Belgium)
- Devimo Progresso (Belgium)

## Supervisory Board

### Dominique HOENN

- **Chairman of the Supervisory Board of Klépierre**
- **Chairman of the Supervisory Board of Klémurs**
- **Senior Adviser of BNP Paribas**
- **Chairman of the Board of Directors of Paribas International**
- **Chairman of the Board of Directors of 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

- **Vice-Chairman of the Supervisory Board of Klépierre**
- **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**
- **Chairman of the Board of Directors of BP2S**
- **Chairman of the Board of Directors of BNP Paribas Luxembourg**

Director:
- Cortal Consors
- BNP Paribas Assurance
- BNP Paribas Suisse
- BNP Paribas UK Holdings Ltd
- BNP Paribas Asset Management Group

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

### Jérôme BÉDIER

- **Member of the Supervisory Board of Klépierre**
- **Member of the Supervisory Board of Générale de Santé**
- 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

### François DEMON

- **Member of the Supervisory Board of Klépierre**
- **Member of the Supervisory Board of Klémurs**

Bertrand de FEYDEAU
- Member of the Supervisory Board of Klépierre
- Member of the Supervisory Board of Klémurs
- CEO of Association Diocésaine de Paris
- Chairman and CEO of AXA Immobilier SAS

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

Independent advisor:
- Affine
- Sefri Cime

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

Bertrand LETAMENDIA
- Member of the Supervisory Board of Klépierre
- Managing Partner, SNC AGF Immobilier
- Managing Partner, SNC Phénix Immobilier

Director:
- Sogeprom
- Immovalor Gestion

Chairman:
- SAS Établissements Paindavoine
- SAS Étoile Foncière et Immobilière
- SAS Financière Cogedim Laennec
- SAS INVCO
- SAS Madeleine Opéra
- SAS Société Foncière Européenne
- SAS Société de Négociations Immobilières et Mobilières Maleville "SONIMM"
- Vernon SAS

Managing Partner:
- SNC Laennec Rive Gauche
- EURL 20/22 rue Le Peletier
- SARL Relais de la Nautique
- Société de Construction et de Gestion Immobilière des Mesoyers
- SCI Tour Michelet
- SCI Remaupin
- SCI 3 Route de la Wantzenau "Les Portes de l'Europe"
- SC Prelloyd Immobilier
- SCI Via Pierre 1
- SCI Le Surmelin

Liquidator of SCCV 33 La Fayette

Vivien LÉVY-GARBOUA
- Member of the Supervisory Board of Klépierre
- Member of the Executive Committee, BNP Paribas
- Head of Compliance and Coordination of Internal Control at BNP Paribas
- Member of the Supervisory Board of BNP Paribas Immobilier
- Member of the Supervisory Board of Presses Universitaires de France

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

Philippe THEL
- Member of the Supervisory Board of Klépierre
- GIPEC
- PSR
- BNP Paribas Immobilier SAS
- Permanent representative of BNP Paribas Immobilier, director of Promogim
- Permanent representative of BNP Paribas, director of Sofibus

## II – Summary of important agreements

### Major investment contracts

**2006**

Partnership agreement and acquisition contract for the real estate assets of the Buffalo Grill group in France:
- Signed on: 3 August 2006, completed with amendments.
- Seller: Buffalo Grill group.
- Purpose:

– acquisition of the premises of 128 restaurants located in France as part of an overall transaction concerning buildings held in full ownership or by virtue of real-estate leasing contracts and subsequent signing of a partnership agreement the term of which was extended to 10 years on 21 December 2007 (exclusive contract awarded to Klémurs);
– right of representation reserved to the buyer, which was exercised on 27 November 2006 in favour of Klémurs.
- amount of the transaction: 300 million euros.

Contract to acquire a portfolio of shopping centres in and commercial premises in France
- Signed on: memorandum of understanding on 21 December 2006 and deed of purchase on 9 January 2007.
- Parties: Henri Hermand Group (seller) and SNC Kléber La Pérouse (buyer).
- Purpose:

– acquisition of the entire capital of Progest, which itself owns 40 investments and owns shopping arcades and commercial spaces.
- Amount of the transaction: 100 million euros.

Memorandum of Understanding and Agreement to sell property in Montpellier
- Signed on: 21 December 2006 and 22 December 2006, with the signing of an off-plan deed of sale on 15 February 2007.
- Parties: SC Odysseum 2 and Société d'Equipement de la Région Montpellieraine for Odysseum Place de France (corporate buyer with a 50/50 partnership with Icade Foncière des Pimonts).
- Purpose:

– creation of a large real estate complex called the Odysseum, made up of a site for recreational activities, a leisure complex, and a shopping complex.
- Amount of the transaction: 200 million euros.

Carrefour agreement – Amendment No. 9 relating to sites in France

- Signed on: 28 September 2006.
- Parties: Klépierre/Carrefour.
- Object:

– extensions and renovations of French shopping arcades;

– definition of basic principles and procedures for setting the economic parameters of the transactions (determination of the value of the extension, definition of the cost price, impacts of operating expenses on land costs) defined separately for each renovation or extension.

**2007**

Contract to acquire extensions and hypermarkets of shopping centres in Blagnac and Saint-Orens

- Signed on: 9 November 2004 (agreement) and 19 July 2007.
- Parties: Rémy Nauleau/Nobladis SA/Sodirev SA (sellers) and Holding Gondomar 1 – Société des Centres Toulousains (buyers).
- Object:

– acquisition of all the companies that are to make up the future extensions of the shopping centres in Blagnac and Saint-Orens and hypermarket premises;

– and signing of property development contracts.

- Amount of the transaction: 229 million euros.

Contract to acquire a shopping centre under development in Hungary, subject to conditions precedent

- Signed on: 15 February 2007 and 30 July 2007.
- Parties: Futureal Real Estate Holding Limited (seller) and Klepierre Corvin (buyer);
- Object:

– acquisition of 60% of partnership shares in Corvin Office Kft., which became "Corvin Retail Kft." after a spin-off. This company has the land, building permits and easements required for a shopping centre project;

– Signing of a property development contract.

- Amount of the transaction: (excluding adjustment and additional price): 219.6 million euros.

Contracts to acquire a portfolio of companies owners of shopping centres in Poland

- Signed on: 7 May 2007.
- Seller: Plaza Centers NV and Centers Classic BV (50% Plaza Centers NV – 50% Classic Or BV).
- Object:

– acquisition of a portfolio of companies owners of shopping centres in Rybnik, Sosnowiec and Lublin.

- Amount of the operation (excluding adjustment and additional price): 168 million euros.

Contract to acquire a company, owner of land in Portugal, subject to conditions precedent

- Signed on: 23 July 2007.
- Parties: Bouygues Imobiliaria SGPS (seller) and Klépierre/Generali Real Estates-Fund (buyers).
- Object:

– acquisition of the securities of BPSA 10, owner of an agreement to sell concerning land on which the shopping centre will be built;

– signing of a property development contract.

- Estimated amount of the transaction: 101.8 million euros.

Contract to acquire a shopping centre under development in Luxembourg, subject to conditions precedent

- Signed on: 27 July 2007 and amendment No. 1 on 22 November 2007.
- Parties: Andromeda Investissement SA (seller) and Klépierre Luxembourg (buyer).
- Object:

– acquisition of all the shares of Étoile Développement Investissement subject to conditions precedent;

– signing of a property development contract.

- Amount of the transaction: 215 million euros.

Framework agreement with the Finiper Group

- Signed on: 14 December 2008.
- Seller: Finiper Group.
- Object:

– acquisition (through the acquisitions of shareholdings in companies) of 50% existing shopping arcades (Verona and Lonato) and a shopping arcade to be built (Vittuone).

- Amount of the transaction: 173.7 million euros (for 50%).

## Major financing contracts

**2006**

Finance contract signed on 31 January 2006:

- Object: credit for a maximum amount of 1.5 billion euros.
- Lenders: initial syndication of 6 banks; arranger: BNP Paribas.
- Repayment terms: to be paid back latest by 31 January 2013.
- Terms of use: a first tranche A comprising a swingline loan for a maximum amount of 300 million euros; a medium-term tranche B for a maximum amount of 1.2 billion euros. The two tranches can be used as drawdowns.
- Interests: interests are indexed on the Euribor plus a margin defined according to a Loan To Value ratio. The interest rate used for swingline loans is the Eonia index.
- Non-utilisation fees, if applicable.
- 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%.

Bond loan of 16 March 2006

- Parties: banking syndicate led by BNP Paribas (lead bank and bookrunner) and HSBC (lead bank).
- Object: bond loan for a maximum amount of 700 million euros.
- Repayment terms: 16 March 2016.
- Fixed interest rate of 4.25%/year.
- Listed on the Luxembourg Bourse.
- Standard clauses for Eurobond type bonds.
- Special clauses:

– the option for an early redemption for bearers in the event of a change of ownership of a third of voting right that results in the downgrading of the Standard and Poor's (or another rating agency) rating to below BBB;

– case of default: if the debts backed by assets given as guarantees to third parties exceed 50% of the restated net assets.

**2007**

Finance contract signed on 21 September 2007:

- Object: credit for a maximum amount of 1 billion euros.
- Lenders: initial syndication 5 banks; arranger: BNP Paribas.
- Repayment terms: to be paid back latest by 21 September 2014.
- To be used in the form of drawdowns.
- Interests: indexed on the Euribor rate plus a margin defined according to a Loan To Value ratio.
- Non-utilisation fees, if applicable.
- 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 | Bridge loan | 07.04.2007 |
| BNP Paribas/Klépierre Participations et Financements | Finance contract (165 million euros)<br>Counter-guarantee Klépierre | 12.22.2004 |
| 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. 1612549 | 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 floating rate)/Klécar Italia | Swap no. 1620401 | 12.29.2004 |
| BNP Paribas (payer of the fixed rate)/Klépierre | Swap no. 1910972 & 1901562 | 06.30.2004 |
| BNP Paribas (payer of the floating rate)/Klémurs | Swap no 2244051 | 11.03.2006 |
| BNP Paribas (payer of the floating rate)/Klémurs | Swap no 2244052 | 11.03.2006 |
| BNP Paribas (payer of the floating rate)/Klépierre | Swap no 2508495 | 07.20.2007 |
| BNP Paribas (payer of the floating rate)/Klépierre | Swap no 2521797 | 07.30.2007 |
| BNP Paribas (payer of the floating rate)/Klépierre | Swap no 2550757 | 08.16.2007 |
| BNP Paribas (payer of the floating rate)/Klépierre | Swap no 2682165 | 11.17.2007 |
| BNP Paribas (payer of the floating rate)/Klépierre | Swap no 2678287 | 11.15.2007 |
| BNP Paribas (payer of the floating rate)/Klépierre | Swap no 2687426 | 11.21.2007 |
| BNP Paribas (payer of the floating rate)/Klémurs | Swap no 2669996 | 11.09.2007 |
| BNP Paribas (payer of the floating rate)/Klémurs | Swap no 2679789 | 11.16.2007 |
| BNP Paribas (payer of the floating rate)/Klémurs | Swap no 2682164 | 11.17.2007 |
| BNP Paribas/Klépierre Finance | Automatic cash centralisation agreement | 11.30.2000 |
| BNP Paribas Securities Services/Klépierre | Management mandate contract for stock option plans | July 2006 |
| Ségécé | Search mandate for Klépierre | – Initial: 11.23.1998<br>– General amendment: 12.27.1999<br>– Amendment No. 1 Carrefour: 03.24.2000<br>– Amendment No. 2: 11.03.2000<br>– Amendment No. 2 to the Carrefour transaction: 03.29.2001<br>– Amendment No. 3 to the Carrefour transaction: 01.03.2005 |

| Party to the contract | Object | Date |
| --- | --- | --- |
| | | – Amendment No. 2 to the Valenciennes transaction of 02.27.2006<br>– Substitution amendment to the Toulouse Purpan transaction of 12.08.2006<br>– Amendment to the Vinaroz (Spain) transaction of 04.04.2006<br>– Amendment to the Seville (Spain) transaction of 04.04.2006<br>– Substitution amendment to the Solbiate (Italy) transaction of 02.27.2006<br>– Substitution amendment to the Cavalino Lecce (Italy) transaction of 02.27.2006<br>– Amendment no. 2 to the Assago (Italy) transaction of 01.11.2006<br>– Amendment no. 3 to the 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<br>– Substitution amendment to the Molina (Spain) transaction of 09.14.2006<br>– Substitution amendment to the Czech Republic transaction of 01.12.2006<br>– Amendment no. 2 Prague 4 (RP) of 08.30.2006<br>– Amendment no. 2 Polish SC (Sadyba and Ruda) of 12.20.2006<br>– Amendment no. 2 to the Poznan transaction of 12.20.2006<br>– Amendment no. 2 to the Krakow transaction of 12.20.2006<br>– Amendment no. 3 to the Sadyba and Ruda (Poland) transaction of 03.15.2007<br>– Amendment no. 2 to the Braga (Portugal) transaction of 03.29.2007<br>– Amendment no. 1 to the Varese (Italy) transaction of 06.08.2007<br>– Amendment to the Larissa (Luxembourg) transaction of 10.19.2007<br>– Amendment to the Bari (Italy) transaction of 10.19.2007 |
| Ségécé | Search mandate, loan arrangement, follow-up and operational management for Klépierre in France | – Initial: 04.21.2004<br>– Substitution amendment to the Anger St Serge transaction of 01.04.2006<br>– Substitution amendment to the Orléans Saran transaction of 12.19.2006<br>– Amendment No. 2 to the Rambouillet transaction of 11.14.2006<br>– Substitution amendment to the Rambouillet transaction of 02.13.2006<br>– Substitution amendment to the Rennes Colombia transaction of 02.27.2006<br>– Amendment to the Progest transaction of 05.14.2007<br>– Amendment to the Bari (Italy) transaction of 07.10.2007<br>– Amendment to extend the France Stone Market transaction of 10.04.2007<br>– Amendment to the Besançon Chalezeule transaction of 10.19.2007<br>– Amendment to the Vannes Coutume transaction of 10.19.2007<br>– Amendment to the Hérouville transaction of 10.19.2007<br>– Amendment to the Blagnac transaction of 12.11.2007<br>– Amendment to the St Orens transaction of 12.17.2007 |
| SAS Holding Gondomar 3 | Shareholder's loan | 09.01.2005, Amendment No. 1: 12.01.2006 |
| SA Holding Gondomar 1 | Shareholder's loan | 09.01.2005 |
| Exane BNP Paribas/Klépierre | Liquidity contract | 09.14.2005 |
| Klécar Participations Italie | Shareholder's loan | 12.20.2004, Amendment No. 1: 01.04.2005 |
| Arcol | Shareholder's loan | 04.04.2005 |
| Cinémas de L'esplanade | Shareholder's loan | 04.01.2006 |
| Klépierre Corvin | Shareholder's loan | 07.30.2007 |
| Movement Poland | Shareholder's loan | 07.27.2007 |
| Klépierre Lublin | Shareholder's loan | 07.27.2007 |
| Klépierre Luxembourg | Shareholder's loan | 06.16.2007 |
| Rybnik Plaza | Shareholder's loan | 05.07.2007 |
| Klépierre Rybnik | Shareholder's loan | 05.24.2007 |
| Sosnowiec Plaza | Shareholder's loan | 05.07.2007 |
| Klépierre Sosnowiec | Shareholder's loan | 23.05.2007 |
| Klépierre Poznan | Shareholder's loan | 12.13.2007 |
| Klépierre Krakow | Shareholder's loan | 12.13.2007 |

| Party to the contract | Object | Date |
|---|---|---|
| Klépierre Pologne | Shareholder's loan | 12.13.2007 |
| Ruda | Shareholder's loan | 12.13.2007 |
| Klépierre Sadyba | Shareholder's loan | 12.13.2007 |
| Klépierre Galerie Poznan | Shareholder's loan | 12.13.2007 |
| Klépierre Galerie Krakow | Shareholder's loan | 12.13.2007 |
| Leg II Larissa/Klépierre Larissa | Shareholder's loan | 06.18.2007 |
| Leg II Hellenic Holdings/Klépierre Météores | Shareholder's loan | 07.31.2007 |
| Entertainment Plaza | Shareholder's loan | 09.17.2007 |
| Sviluppo Klépierre Finim SPA | Shareholder's loan | |
| Klépierre Vallecas | Shareholder's loan | 12.01.2004, Amendment No. 1: 01.01.2006, Amendment No. 2: 05.15.2006, Amendment No. 3: 01.01.2007 |
| Novate SRL | Shareholder's loan | 12.01.2004, Amendment No. 1: 05.15.2006 |
| Coimbra | Shareholder's loan | 03.14.2006, Amendment No. 1: 04.01.2006, Amendment No. 2: 01.01.2007 |
| Delcis CR | Shareholder's loan | 04.04.2005, Amendment No. 1: 05.15.2006 |
| Immobiliare Commerciale Dodicesima | Shareholder's loan | 0.19.2006 |
| Klépierre Novo | Shareholder's loan | 06.30.2006, Amendment No. 1: 07.25.2006, Amendment No. 2: 11.30.2006 |
| Bestes | Shareholder's loan | 07.25.2006 |
| Klépierre CZ sro | Shareholder's loan | 01.25.2006, Amendment No. 1: 03.01.2006, Amendment No. 2: 05.15.2006, Amendment No. 3: 01.01.2007 |
| SKF | Shareholder's loan | |
| Place de l'Accueil | Shareholder's loan | 04.01.2006, Amendment No. 1: 01.01.2007 |
| Galeria Commerciale Klépierre | Shareholder's loan | 04.28.2005 |
| Capucines BV | Shareholder's loan | 04.01.2005, Amendment No. 1: 05.22.2006 |
| Foncière de Louvain-la-Neuve | Shareholder's loan | 12.01.2004, Amendment No. 1: 01.01.2006, Amendment No. 2: 04.01.2006, Amendment No. 3: 01.01.2007 |
| Klefin Italia | Shareholder's loan | 12.01.2004, Amendment No. 1: 01.01.2006, Amendment No. 2: 05.23.2006 |
| Klépierre Vinaza | Shareholder's loan | 12.01.2004, Amendment No. 1: 05.15.2006, Amendment No. 2: 01.01.2007 |
| Magnolia | Shareholder's loan | 12.01.2004, Amendment No. 1: 05.15.2006 |
| Besançon Chalezeule | Shareholder's loan | 07.25.2007 |
| Centre Jaude Clermont | Shareholder's loan | 10.09.2007 |
| SA Holding Gondomar 2 | Shareholder's loan | 09.28.2007 |
| SAS Holding Gondomar 4 | Shareholder's loan | 09.28.2007 |
| Klépierre Participations et Financements | Shareholder's loan | 12.14.2007 |
| Klépprojet 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 |
| Opave | Shareholder's loan | |
| Klépierre Conseil | Shareholder's loan | |
| KLE 1 | Shareholder's loan | AGO 04.16.2003 |
| SAS LP 7 | Shareholder's loan | |
| Klécar France SNC | Shareholder's loan | AGO 04.02.2003 |
| SNC Jardins des Princes | Shareholder's loan | |
| Antin Vendôme | Shareholder's loan | 06.25.1999 |
| SNC Barjac Victor | Shareholder's loan | |
| Bassin Nord | Shareholder's loan | 12.18.1998 |
| Cécoville | Shareholder's loan | AGO 06.16.1999 |
| Kléber La Pérouse | Shareholder's loan | AGO 06.03.2003 |
| OPDF | Shareholder's loan | AGO 2003, AGO 03.28.2003 |
| Socoseine | Shareholder's loan | AGO 04.18.2003 |
| Nancy Bonsecours | Shareholder's loan | |
| Sodevac | Shareholder's loan | AGO 03.28.97 |
| Sovaly | Shareholder's loan | |

| Party to the contract | Object | Date |
|---|---|---|
| Bègles Papin | Shareholder's loan | 11.05.2003, + Amendment No. 1: 10.28.2005 |
| Solorec | Shareholder's loan | |
| Le Havre Vauban | Prêt | 12.20.2004 |
| Le Havre Lafayette | Prêt | 12.20.2004 |
| GAM | Shareholder's loan | |
| SNC Général Leclerc no. 11/11 bis Levallois | Shareholder's loan | |
| CB Pierre | Shareholder's loan | |
| Foncière Saint-Germain | Shareholder's loan | 12.05.2003 |
| Tour Marcel Brot | Shareholder's loan | |
| Marseille Le Merlan | Shareholder's loan | 12.23.2002 |
| Angoumars | Shareholder's loan | |
| Combault | Shareholder's loan | |
| Doumer Caen | Shareholder's loan | 07.05.2004 |
| SCOO | Shareholder's loan | AGO 04.23.2003 |
| 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 |
| Klépierre Portugal | Shareholder's loan | 12.01.2004, Amendment No. 1: 10.02.2006, Amendment No. 2: 01.01.2007 |
| Pasteur | Shareholder's loan | 01.16.2003 |
| Klépierre/Klépierre Participations et Financements | Joint surety on a loan of 165,000,000 euros | 12.22.2004 |
| BNP Paribas/Klépierre | Rent payment guarantee | 07.11.2003 |
| BNP Paribas/Ségécé | Hoguet Law guarantees | 03.04.2005 |
| BNP Paribas/Klégestion | Hoguet Law guarantees | 08.07.2007 |
| BNP Paribas/Ségécé L&T | Hoguet Law guarantees | 01.01.2006 |
| BNP Paribas/CB Pierre | Hoguet Law guarantees | 01.01.2006 |
| BNP Paribas/Klépierre Trading | Joint surety (Klépierre counter-guarantee) | 04.12.2007 |
| BNP Paribas/GC Assago | Joint surety | 09.21.2006 |
| BNP Paribas/GC Klépierre | Joint surety | 09.21.2006 |
| BNP Paribas/GC Collegno | Joint surety | 11.29.2006 |
| BNP Paribas/OPDF | First demand guarantee (Klépierre counter-guarantee) | 02.14.2007 |
| BNP Paribas/Klépierre | Joint surety (Seireinis project) | 03.02.2007 |
| BNP Paribas/Klécar Foncier España | Joint sureties (Klépierre counter-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 Office | First demand guarantees (Klépierre counter-guarantees) | 07.27.2007 |
| BNP Paribas/Ségécé Polska | Joint surety | 05.14.2007 |
| BNP Paribas/Ségécé Italia | Joint surety | 07.13.2007 |
| BNP Paribas/Kleminho Immobiliaria | Joint surety (KLÉPIERRE counter-guarantee) | 08.02.2007 |
| BNP Paribas/Secovalde | Completion financial guarantee (Klépierre cross-guarantee) | 10.08.2007 |
| BNP Paribas/Klétransactions | First demand guarantee on the balance of the price of the Nancy Bonsecours land (Klépierre cross-guarantee) | 12.29.2005 |
| BNP Paribas/Klépierre | First demand guarantee on Plaza acquisitions | 07.29.2005 |
| BNP Paribas España/Klépierre | First demand guarantee on Chiclana loan | 07.07.2006 |
| BNP Paribas/GC Assago | First demand guarantee | 09.21.2006 |
| BNP Paribas/GC Klépierre | First demand guarantee | 09.21.2006 |
| BNP Paribas/groupe Klépierre | Bank accounts and securities accounts | |
| Klégestion | Mandate to carry out transactions relating to the "Issy Les Moulineaux" building | 04.07.2006 |
| Klégestion | Management mandate | January 2007 |
| Klégestion | Management mandate for the "Issy Les Moulineaux" building | December 2006 |
| Klégestion | Management mandate for the "Meyerbeer" building | January 2007 |
| Klécar France | Service agreement in view of the purchase of real estate assets | 03.30.2001 |

## List of previously authorised regulated agreements that continued to be implemented in 2007

| Date of authorisation granted by the SB | Regulated convention | | Participants |
|---|---|---|---|
| | Date | Object | |
| 22 June 2001 | 9 July 2001 | Bond loan: Subscription agreement | BNP Paribas |
| 22 June 2001 | 10 July 2001 | Bond loan: Fiscal Agency Agreement | BNP Paribas Luxembourg and BNP Paribas Securities Services |
| 26 May 2004 | 9 July 2004 | Bond loan: Subscription Agreement | BNP Paribas |
| 26 May 2004 | 15 July 2004 | Bond loan: Fiscal Agency Agreement | BNP Paribas Securities Services and BNP Paribas Securities Services, Luxembourg Branch |
| 7 October 2004 | 14 October 2004 | Modification of remuneration – Service agreement (amendment No. 3) | SAS Klépierre Conseil |
| 15 December 2005 | 16 December 2005 | Service agreement relating to the performance of shopping centre consulting and assistance services | Éric Ranjard |
| 8 February 2006 | 13 March 2006 | Bond loan: Subscription Agreement | BNP Paribas, HSBC France and The Royal Bank of Scotland PLC |
| 8 February 2006 | 16 March 2006 | Bond loan: Fiscal Agency Agreement | BNP Paribas Securities Services and BNP Paribas Securities Services Luxembourg Branch |
| 24 October 2006 | 7 December 2006 | Underwriting and placement agreement for Klémurs shares | BNP Paribas - Klémurs |

## List of regulated conventions authorised in 2007

| Date of authorisation granted by the SB | Regulated convention | | Participants |
|---|---|---|---|
| | Date | Object | |
| 26 July 2007 | – | Bond loan: Subscription Agreement | This operation was not carried out in 2007 |
| 26 July 2007 | – | Bond loan: Fiscal Agency Agreement | This transaction was not carried out in 2007 |
| 26 July 2007 | – | Acquisition by Klépierre of 15% of partnership shares of Ségécé with BNP Paribas | This transaction, which was authorised in the form of a transfer of shares, was carried out through a decrease in Ségécé' capital |
| 19 September 2007 | – | Transfer to Klémurs of the La Roche-sur-Yon transaction | This transfer was not carried out in 2007 |
| 13 December 2007 | – | Acquisition of Cardimmo's undivided share in the Tours-Galerie Nationale | This operation was not carried out in 2007 |

# IV – Remuneration and benefits of company officers – Composition of the Supervisory Board and the Executive Board – Sentence for fraud

## Remuneration and benefits of management bodies

| 2007 – Company officers | Gross salaries Fixed | Gross salaries Variable | Directors' fees | Benefits in kind | Total rémunération |
|---|---|---|---|---|---|
| **Executive Board** | | | | | |
| Michel CLAIR | 282 990.00 | 260 000.00 | | 5 241.00 | 548 231.00 |
| Jean-Michel GAULT | 131 100.00 | 125 000.00 | | 4 443.00 | 260 543.00 |
| Claude LOBJOIE | 193 710.00 | 125 000.00 | | 3 287.00 | 321 997.00 |
| Laurent MOREL | 150 740.00 | 150 000.00 | | 3 698.00 | 304 438.00 |
| **Supervisory Board** | | | | | |
| Jérôme BÉDIER | | | 21 487.34 | | 21 487.34 |
| François DEMON | | | 29 680.72 | | 29 680.72* |
| Bertrand de FEYDEAU | | | 40 711.22 | | 40 711.22* |
| Dominique HOENN | | | 40 456.84 | | 40 456.84* |
| Bertrand JACQUILLAT | | | 25 278.39 | | 25 278.39 |
| Bertrand LETAMENDIA | | | 27 352.37 | | 27 352.37 |
| Vivien LÉVY-GARBOUA | | | 16 054.51 | | 16 054.51 |
| Alain PAPIASSE | | | 20 073.98 | | 20 073.98 |
| Philippe THEL | | | 18 904.61 | | 18 904.61 |

* Directors' fees are paid in connection with their positions as Member of the Board both at Klépierre and Klémurs.

in euros

| 2006 – Company officers | Gross salaries Fixed | Gross salaries Variable | Directors' fees | Benefits in kind | Total rémunération |
|---|---|---|---|---|---|
| **Executive Board** | | | | | |
| Michel CLAIR | 282 990.00 | 175 000.00 | | 3 440.00 | 461 430.00 |
| Jean-Michel GAULT | 131 100.00 | 80 000.00 | | 3 240.00 | 214 340.00 |
| Claude LOBJOIE | 193 710.00 | 115 000.00 | | 2 699.00 | 311 409.00 |
| Laurent MOREL | 150 740.00 | 80 000.00 | | 2 762.00 | 233 502.00 |
| **Supervisory Board** | | | | | |
| Jérôme BÉDIER | | | 20 406.72 | | 20 406.72 |
| François DEMON | | | 18 707.57 | | 18 707.57 |
| Bertrand de FEYDEAU | | | 31 679.00 | | 31 679.00 |
| Dominique HOENN | | | 30 936.14 | | 30 936.14 |
| Bertrand JACQUILLAT | | | 25 736.14 | | 25 736.14 |
| Bertrand LETAMENDIA | | | 27 964.71 | | 27 964.71 |
| Vivien LÉVY-GARBOUA | | | 16 376.47 | | 16 376.47 |
| Alain PAPIASSE | | | 18 322.31 | | 18 322.31 |
| Philippe THEL | | | 14 385.25 | | 14 385.25 |

in euros

### 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. The actuarial liability (excluding Michel Clair, for whom BNP Paribas is the plan sponsor) is 694 843 euros.

### Remuneration of members of the Supervisory Board

The amount of directors' fees paid in fiscal 2007 to all the members of the Supervisory Board totalled 210 000 euros.

## Fees paid to independent auditors for fiscal 2006 and 2007

| | 2007 | | | | 2006 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Deloitte | | Mazars & Guérard | | Ernst & Young | | Mazars & Guérard | | Deloitte | |
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| **Audit*** | | | | | | | | | | |
| – Auditing and certification and review of individual and consolidated financial statements | 611 | 88 | 600 | 95 | 47 | 100 | 460 | 95 | 469 | 82 |
| – Additional mandates | 83 | 12 | 29 | 5 | | | 25 | 5 | 102 | 18 |
| **Sub-total** | **694** | **100** | **629** | **100** | **47** | **100** | **485** | **100** | **571** | **100** |
| **Other services** | | | | | | | | | | |
| – Legal, tax and labour-related | – | – | – | – | – | – | – | – | – | – |
| **Sub-total** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL** | **694** | **100** | **629** | **100** | **47** | **100** | **485** | **100** | **571** | **100** |

* Including services of independent accountants or from the network, at the Statutory Auditor's request for the certification of the financial statements.

in thousands of euros

## Supervisory board

Dominique HOENN(2)(3)
21 avenue Kléber – 75116 Paris
Chairman of the Board

Date of first appointment: Annual General Meeting of 8 April 2007.
End of term: Annual General Meeting called to rule on the 2009 financial statements.
Owns 300 shares.

Alain PAPIASSE(1)
21, avenue Kléber – 75116 Paris
Vice-Chairman of the Board

Date of first appointment: Annual General Meeting of 7 April 2005.
End of term: Annual General Meeting called to rule on the 2007 financial statements.
Proposed for re-election by Annual General Meeting of 4 April 2008.
Owns 180 shares.

Jérôme BÉDIER(1)(3)
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 8 April 2004.
End of term: Annual General Meeting called to rule on the 2007 financial statements.
Proposed for re-election by Annual General Meeting of 4 April 2008.
Owns 300 shares.

François DEMON(3)
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 7 April 2005.
End of term: Annual General Meeting called to rule on the 2007 financial statements.
Proposed for re-election by Annual General Meeting of 4 April 2008.
Owns 180 shares.

Bertrand de FEYDEAU(2)(3)
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 21 July 1998.
End of term: Annual General Meeting called to rule on the 2009 financial statements.
Owns 939 shares.

Bertrand JACQUILLAT(1)
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 12 April 2001.
End of term: Annual General Meeting called to rule on the 2008 financial statements.
Owns 1 545 shares.

Bertrand LETAMENDIA(1)(2)
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 21 July 1998.
End of term: Annual General Meeting called to rule on the 2008 financial statements
Owns 936 shares.

Vivien LÉVY-GARBOUA[1][2]
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 12 April 2000.
End of term: Annual General Meeting called to rule on the 2009 financial statements.
Owns 1 800 shares.

Philippe THEL[3]
21, avenue Kléber – 75116 Paris
Board Member

Date of first appointment: Annual General Meeting of 7 April 2006.
End of term: Annual General Meeting called to rule on the 2008 financial statements.
Owns 600 shares.

*(1) Member of the Audit Committee.*
*(2) Member of the Appointments and Remunerations Committee.*
*(3) Member of the Investment Committee.*

### Meetings of the Supervisory Board

The Board held nine meetings in 2007.

### 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 or more 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.

### Executive Board

Michel CLAIR
Chairman of the Executive Board
21, avenue Kléber – 75116 Paris
Owns 57 453 shares

Jean-Michel GAULT
Member of the Executive Board
21, avenue Kléber – 75116 Paris
Owns 981 shares

Claude LOBJOIE
Member of the Executive Board
21, avenue Kléber – 75116 Paris
Owns 30 834 shares

Laurent MOREL
Member of the Executive Board
21, avenue Kléber – 75116 Paris
Owns 420 shares

### Executive Board meetings

The Executive Board meets once every week.

### Appointments, functioning and powers of the Executive Board

The Company is managed by a 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.

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 and grants delegations to its Executive Directors.

**Loans and guarantees granted to members of management bodies.**
None.

**Service agreements binding members of the Company's Supervisory Board or Executive Board to any one of its subsidiaries and which provide for the granting of benefits at the end of the agreement**
A service agreement was signed on 16 December 2005 between Éric RANJARD and U3C, a company of which he is a managing partner. Under this contract, U3C provides the Company with consulting services concerning the search for operations and shopping centre management. As such, U3C steps in at the Company's request for all aspects concerning the development and acquisition of shopping centres as well as the financial arrangement and the follow-up of the files presented to it. This contract is entered into for two years.
Éric RANJARD is no longer a member of the Company's Executive Board since 31 December 2005.

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;
- no member of the Executive Board or Supervisory Board has been prevented by a court from acting in a capacity as a member of an administrative body, a executive or supervisory body of an issuing company or from contributing to the management of an issuing company in the last five years.

**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 split-up 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 centres 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 business sites in Continental Europe by acquiring an initial site in Italy. It develops its French businesses 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 17 July 2000, Klépierre signed a major contract with the Carrefour group concerning the acquisition of 160 shopping centres 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 centres acquired at the end of 2000, Klépierre acquired 74 other centres 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 centres mainly in France and Spain, taking the number of acquisitions required under the agreement to over 96%. 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 centres and the Loures shopping arcade in Portugal (2002).
In 2002, Klépierre shored up its position in Italy by:

- acquiring 11 Carrefour shopping arcades;
- partnering with Finim to create PSG, the leading Italian manager of shopping centres;
- signing a strategic agreement with Finiper to acquire a 40% stake in IGC (owner of nine Finiper shopping arcades) and a partnership to develop new shopping centres.

In 2003, with 28 shopping centres acquired, Klépierre consolidated its existing positions in the shopping centre sector in France, Spain, Italy and Greece. With the addition of two countries, including Portugal, where Klépierre acquired three shopping centres including the Porto Gondomar shopping centre, which was a joint purchase from Eiffage with Prédica, the Group reached its critical mass with 4 owned shopping centres. Klépierre also carried out its first investment in the Czech Republic with the Novy Smichow shopping arcade in Prague.
It extended its network of management subsidiaries with the creation of Sogecaec in Portugal.
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 centres. Klépierre also gained a strategic position in Hungary with the acquisition of 12 shopping centres 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 arcades, 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 centres 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 centre in Louvain-la-Neuve.

In 2006, Klépierre continued its shopping centre 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%).
On December 31, 2007, Klépierre owned 240 shopping centers in Continental Europe and managed 342.

## 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 4 October 1968. Its term was set at 99 years, expiring on 3 October 2067.

# Capital and shareholding structure

## 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 and 26 of the articles of association)

Meetings are called by the Managmeent 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.

## 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.

## Disclosure of thresholds (Article 7 of articles of association)

Any natural or legal person, acting alone or in concert, who directly or indirectly acquires more than 2% of the share capital or any multiple thereof, is required to notify the Company, by registered letter with acknowledgement of receipt, of the total number of shares held, within five trading days after having exceeded each of the aforementioned thresholds.
The Company has adopted specific shareholder disclosure requirements 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.
Should a shareholder fail to make these declarations under the above-mentioned conditions, the shares that exceed the fraction that should have been declared are deprived of their voting rights at Shareholders' Meetings, if the failure to declare is noted at a meeting and if one or more shareholders holding together at least 2% of share capital so request at a Meeting. The forfeiture of voting rights applies to all shareholders' meetings for a period of two years from the date the shareholder makes the notification.
Shareholders are also required to notify the Company, as per the above-mentioned procedures and deadlines, when their interest in the Company falls below any of the foregoing thresholds.

## 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
Tel.: 33 (0)1 40 67 30 01

## III – General information regarding equity capital

### Share capital – Type of shares

As of 31 December 2007, the Company's share capital stood at 193 889 761.80 euros, divided into 138 492 687 fully paid up shares with a par value of one euro forty cents (€1.40). 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 5 April 2007, the Executive Board has received the following authorisations:

| Delegation of authority/Authorisations | Maximum amount of capital increase | Term |
|---|---|---|
| Issue of common shares and/or investment securities giving access to share capital with or without PSR* | 60 000 000 euros | 26 months |
| Capitalisation of reserves, profits, issue, share and contribution premiums | 60 000 000 euros | 26 months |
| Issue of shares in consideration for contributions in kind relating to capital stock or IS that give access to share capital | 10% of share capital | 26 months |
| Bonus issue of existing or future shares | 0.5% of share capital | 26 months |

Abbreviations: PSR - Pre-emptive share rights; IS – Investment securities.
*Additional delegation to the Executive Board to increase the number of shares to be issued in case of a capital increase with or without PSR up to the percentage of the initial issue as per legal or regulatory provisions applicable at the time of the issue.
For the above delegations and authorisations, the maximum increase in share capital social is 70 000 000 euros and the maximum increase in IS representative of the company's debt that give access to share capital is 1 200 000 000 euros. These authorisations are still valid and cancel and supersede all previous authorisations of the same nature.

### Five-year summary of changes in share capital

| Dates | Type of increase | Number of shares issued | Premium | Share capital |
|---|---|---|---|---|
| 4 April 2003 | Reduction of the value of shares from €8 to €4 | 14 919 921 | – | 119 359 368 euros |
| 4 April 2003 | Capital increase through capitalisation of reserves | 14 919 921 | – | 179 039 052 euros |
| 6 May 2004 | Payment of dividend in shares | 1 404 466 | – | 184 656 916 euros |
| 31 August 2007 | Increase of the par value of shares from €4 to €4.20 | – | – | 193 889 761.80 euros |
| 3 September 2007 | Reduction of the par value of shares from €4.20 to €1.40 | 92 328 458 | – | 193 889 761.80 euros |

in euros

### Dividends

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

| Year of distribution | 2003 | 2004* | 2005* | 2006* | 2007* |
|---|---|---|---|---|---|
| Number of shares | 14 919 921 | 44 759 763 | 46 164 229 | 46 164 229 | 46 164 229 |
| Net dividend | 3.50€ | 2€ | 2.30€ | 2.70€ | 3.20€ |
| Tax credit at 50% | 1.75€ | 0.70€ | – | – | – |
| Overall revenue | 5.25€ | 2.70€ | – | – | – |
| Net dividend paid | 52 219 723.50€ | 89 519 526.00€ | 106 177 726.70€ | 124 643 418.30€ | 147 725 532.80€ |

* After the tripling of shares in 2003 following the stock split into two and the allotment of one bonus share for two shares.

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.

# Capital and shareholding structure

### Breakdown of share capital and voting rights (Article 28 of articles of association)

Holders of registered shares or their proxies are entitled to two votes for each share held at ordinary and extraordinary meetings, on condition that their shares are fully paid-up and registered in their name for at least two years, or come from a pool of full paid-up shares, all registered in their owner's names for at least two years.
Shares forfeit their double voting right if they are converted into bearer shares or when ownership is transferred. Nevertheless, in the case of a change of ownership resulting from an inheritance, the liquidation of the joint estate of spouses or a donation *inter vivos* for the benefit of a spouse or relative entitled to inherit does not entail the suppression of the acquired right.
The Company may cancel double voting rights under the conditions provided by law.
As of 31 December 2007, there were 195 596 613 voting rights, 60 094 389 of which were double voting rights.
There are no voting rights attached to treasury shares held by the Company.
As at 31 December 2007, the main owners of the company's 138 492 687 shares were:

| Main shareholders | Number of shares | Total votes | Votes: Simple | Votes: Double | % of capital owned | % voting rights |
|---|---|---|---|---|---|---|
| OGDI | 28 055 733 | 46 597 068 | 9 514 398 | 18 541 335 | 20.26% | 23.82% |
| Foncière de la Compagnie Bancaire | 25 024 380 | 50 048 760 | – | 25 024 380 | 18.07% | 25.59% |
| BNP Paribas SA | 11 877 246 | 23 683 131 | 71 361 | 11 805 885 | 8.58% | 12.11% |
| Compagnie Financière Ottomane | 4 196 634 | 8 198 268 | 195 000 | 4 001 634 | 3.03% | 4.19% |
| SETIC | 310 980 | 621 960 | – | 310 980 | 0.22% | 0.32% |
| UCB Bail | 1 260 | 2 520 | – | 1 260 | ns | ns |
| **Total BNP Paribas Group** | **69 466 233** | **129 151 707** | **9 780 759** | **59 685 474** | **50.16%** | **66.03%** |
| Registered | 496 702 | 905 617 | 87 787 | 408 915 | 0.36% | 0.46% |
| Bearer | 65 539 289 | 65 539 289 | 65 539 289 | – | 47.32% | 33.51% |
| **Floating stock** | **66 035 991** | **66 444 906** | **65 627 076** | **408 915** | **47.68%** | **33.97%** |
| **Treasury shares** | **2 990 463** | **–** | **–** | **–** | **2.16%** | **0.00%** |
| **TOTAL** | **138 492 687** | **195 596 613** | **75 407 835** | **60 094 389** | **100%** | **100%** |

The Company was notified of several cases in which shareholding disclosure requirement thresholds were exceeded during fiscal 2007:
• Morgan Stanley exceeded and fell below the 5% threshold several times.

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

| | Situation as at 12.31.2005 | | | Situation as at 12.31.2006 | | | Situation as at 12.31.2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % of capital | % voting rights | Number of shares | % of capital | % voting rights | Number of shares | % of capital | % voting rights |
| Groupe BNP Paribas | 24 705 411 | 53.52% | 69.39% | 23 155 411 | 50.16% | 65.45% | 69 466 233 | 50.16% | 66.03% |
| Floating stock | 21 271 159 | 46.08% | 30.61% | 22 612 997 | 48.98% | 34.55% | 66 035 991 | 47.68% | 33.97% |
| Treasury shares | 187 659 | 0.41% | – | 395 821 | 0.86% | – | 2 990 463 | 2.16% | – |

As at 31 December 2007, Klépierre held 2 990 463 treasury shares, representing 2.16% of capital.
To the best of the Company's knowledge, there is no:
- agreement, the implementation of which could lead to a change in control over the Company at a later date;
- shareholders' agreement.

## Stock options

At the meeting held on 28 April 1999, shareholders authorised the Executive Board to grant, on one or more occasions, options to subscribe to new Company shares or to purchase existing shares from purchases made by the Company pursuant to applicable laws. This authorisation was valid for four years.
The total number of stock options granted may not entitle beneficiaries to subscribe or buy shares in excess of 3% of the share capital.
Stock options have a vesting period of between five and ten years.
Under this authorisation, 70 600 stock options were granted on 24 June 1999.
Given the two-for-one stock split and the allotment of one bonus share for two existing shares in April 2003, these stock options involve 211 841 shares.
As of 31 December 2007, there were no more stock options that had not yet been exercised. This was because the vesting period of the plan expired on 24 June 2007.

At the meeting held on 7 April 2006, shareholders authorised the Executive Board to grant, on one or more occasions, company stock options from purchases made by the Company pursuant to applicable laws. This authorisation was valid for thirty-eight months.
The total number of stock options granted may not entitle beneficiaries to a total number of shares in excess of 1.1% of the share capital.
Stock options have a vesting period of eight years.
Under this authorisation, 195 000 stock options were granted on 30 May 2006 and 143 000 were granted on 15 May 2007.
As of December 31, 2007, the number of stock options not yet exercised was 1 014 122 (after the three-for-one stock split on September 3, 2007).

Shares acquired by exercising stock options may be freely assigned, on condition that members of the Executive Board and insider staff had complied with the abstention period concerning trading in the Company's securities.

## Employee profit-sharing

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

## Shares

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

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| Market capitalisation (in millions of euros)(1) | 1 927 | 2 135 | 3 008 | 3 661 | 6 601 | 4 843 |
| Number of securities traded(2) | | | | | | |
| Daily average volume | 101 511 | 134 559 | 148 422 | 205 308 | 336 090 | 466 896 |
| Share price(2) | | | | | | |
| High | 14.95 | 16.30 | 22.00 | 28.32 | 47.76 | 54.90 |
| Low | 12.02 | 12.77 | 15.71 | 20.20 | 26.23 | 31.21 |
| Last | 14.34 | 15.90 | 21.72 | 26.43 | 47.67 | 34.97 |

(1) Last quotation of the year.
(2) Data restated of the stock split of 3 September 2007.
Source: Euronext

### 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) |
|---|---|---|---|---|
| **2006** | | | | |
| September | 39.60 | 35.17 | 4 950 963 | 183.64 |
| October | 40.87 | 37.87 | 6 988 377 | 274.69 |
| November | 42.13 | 39.00 | 4 453 356 | 180.20 |
| December | 47.77 | 40.17 | 4 538 868 | 199.90 |
| **2007** | | | | |
| January | 48.23 | 43.60 | 8 594 223 | 391.47 |
| February | 54.90 | 45.17 | 9 814 551 | 495.58 |
| March | 50.63 | 42.46 | 15 118 011 | 699.85 |
| April | 52.33 | 46.43 | 8 644 344 | 416.32 |
| May | 49.33 | 45.64 | 8 384 292 | 396.89 |
| June | 49.40 | 40.68 | 9 705 381 | 424.47 |
| July | 42.62 | 36.00 | 10 096 146 | 398.96 |
| August | 39.42 | 33.70 | 12 926 973 | 479.41 |
| September | 41.82 | 36.23 | 9 194 506 | 358.89 |
| October | 41.81 | 36.22 | 9 205 180 | 358.88 |
| November | 37.55 | 31.21 | 9 432 901 | 319.73 |
| December | 37.50 | 33.22 | 7 245 796 | 254.06 |
| **2008** | | | | |
| January | 37.00 | 27.84 | 14 734 781 | 476.78 |
| February | 40.77 | 32.75 | 14 332 236 | 534.53 |

Source: Traderforce

### July 2008 bonds

Description:

| | |
|---|---|
| Amount of the issue | 600 million euros |
| Issue price | 99.557% for a principal amount of up to 500 million euros<br>99.006% for a principal amount of up to 100 million euros |
| Maturity | July 10, 2008 |
| Annual interest | 6.125% |
| ISIN Code | FR0000486516 |
| Quotation | Luxembourg Stock Exchange |

A prospectus dated July 9, 2001 is available from the Company.

### 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

### I – Social indicators pursuant to the new economic regulations act (NRE)

| | Social indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| 1. | Total compensation and all benefits paid during the fiscal year to each company officer | See page 43 | |
| 2. | Total compensation and all benefits received during the fiscal year by each company officer from controlled companies within the meaning of Article L. 233-13 of the French Commercial Code | See page 43 | |
| 3. | 3. List of all offices and functions held in all companies by each of these officers during the fiscal year | See pages 34 to 36 | |
| 4. | Total company headcount including fixed-term contracts | At the end of December 2007, the Group had 1 103 employees, representing an increase of 71 (26 in France and 45 outside France) compared with December 2006.<br>The workforce under management in France totalled 521 employees (512.8 full-time equivalent), including 17 fixed-term contracts.<br>This increase in the workforce is the result of the structuring of existing teams without resorting to external development. In France, these were operational staff, mainly working in Development. Outside France, it was Italy, with 19 more employees, Poland with 12 more employees and the Czech Republic with 7 more employees, who had the largest increases in workforce.<br>Although the concept of "cadre," loosely translated as "executive," cannot be transposed to other countries, we have analyzed this group: in France, executives account for 68% of the workforce.<br>In our foreign subsidiaries, 32% of employees occupy executive positions.<br>The breakdown of the Group workforce in 2007 – 47% in France and 53% abroad – confirm that Klépierre is gaining ground abroad with each year. | Group |
| 5. | Recruitment, analyzed by fixed-term and open-ended contracts | In 2007, Klépierre recruited 311 employees in the various consolidated entities, broken down as follows:<br>– 171 with open-ended contracts (55%) and 140 fixed-term contracts;<br>– 191 women (61%) and 120 men.<br>Foreign subsidiaries represent more than 70% of recruitments made by Klépierre.<br>The Group recruited 91 people in France, broken down as follows: 70 open-ended contracts and 21 fixed-term contracts, 58 women and 33 men, 60 executives and 31 workers or supervisors. The breakdown of recruitments by age shows the high proportion (nearly 50%) of young graduates, either freshly graduated or with a first work experience. Nearly 15% of new hires were over 40, an increase of over 3 points compared with 2006.<br>Of the 70 open-ended contracts signed in France, 5 were existing employees benefitting from the Group mobility scheme, 16 resulted from the conversion of open-ended contracts and temporary employment contracts, one resulted from the conversion of an apprenticeship contract and the last one was a trainee who was permanently employed.<br>There were 220 recruitments in the foreign subsidiaries, broken down as follows: 101 open-ended contracts and 119 fixed-term contracts, 133 women and 87 men. The Belgian subsidiary accounted for more than half of fixed-term contracts, with 60 recruitments. The specific nature of the Belgian labour market, in particular the extreme difficulty in resorting to overtime work, and the needs generated by the manning of stands in shopping centres have made it necessary to employ students from time to time.<br>Between 2006 and 2007, the number of group-wide recruitments with open-ended contracts increased by over 18%, going from 144 to 171. There was a sharp increase in new hires in France (40%), whereas the situation remained stable in all the foreign subsidiaries. This increase was due to the reinforcement of the Development business (recruitment of real estate project managers and lawyers specialising in building and zoning law) and shopping centre management teams. | Group |

| | Social indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **6.** | Recruitment difficulties | In France, Klépierre received 1800 résumés in 2007. This represented a significant drop compared with the 2600 received in 2006. This was explained by the French labour market tension. A number of professions specific to the real estate sector, such as asset managers, project managers, vendors and accounts managers, have been particularly affected by this shortage of applications.<br>Klépierre subsidiaries also faced relatively high tensions on the other European job markets.<br>This was especially true for the Eastern European countries. In Hungary for example, it is very difficult to hire employees with a solid financial background (accountant, financial controller, etc.): they are a rare and volatile resource. Another example is Segécé Polska, which has to operate with an ever-changing labour market, where employers find it very difficult to find the right employees. This is mainly because Polish workers are migrating to Western Europe.<br>As in 2006, in 2007, the Spanish market, especially Madrid, was characterised by strong tension and increased salaries. | Group |
| **7.** | Dismissals and grounds for dismissal | There were 21 dismissals across the Group in 2007, four of which were in France.<br>The main reasons for dismissal were professional inadequacy and gross misconduct. | Group |
| **8.** | Overtime | A total of 628 hours were worked in 2007, a figure 38% lower than in 2006.<br>This was mainly the result of the switching of certain employees who benefited from overtime in 2006 to contracts based on a fixed number of working days per year. | France |
| **9.** | Non-company labour | The monthly average for temporary staff was kept to a level equal to 12 full-time equivalent employees.<br>This was an increase of two full-time equivalent employees as compared with 2006, although the workforce increased by 25.4 full-time equivalent employees.<br>The average term of these contracts was 52 days compared with 36 days in 2006, thus confirming the trend towards long-term assignments. Nine temporary staff were hired with open-ended contracts and four others with fixed-term contracts.<br>Expenditure on temporary staff is as follows: 2005: 401000 euros (excluding VAT)<br>2006: 475000 euros (excluding VAT)<br>2007: 536000 euros (excluding VAT)<br>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. | France |
| **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.<br>Whenever necessary, it examines all career change opportunities within the Klépierre Group and the BNP Paribas Group.<br>57 employees thus changed jobs within the Klépierre Group as part of a personal career management plan and during internal promotions. About 20 of them were after reorganisations in the Development and Legal divisions. | Group |
| **11.** | Organisation of working hours | Since November 2000, the legal workweek in France has been 35 hours. As part of the standard number of hours worked during the year, all employees receive 28 days' paid leave, as well as May 1st, all national public holidays and rest days (RTT).<br>Klépierre Group employees work on Whit Monday in accordance with the *Journée de Solidarité* (day of solidarity) legislation.<br>Employees with over 12 months of service may join a Time Savings Account (*Compte Épargne Temps*) scheme, where they accumulate paid leave and/or time off earned under the working hours reduction (RTT) legislation.<br>The maximum number of entitlements (each equivalent to 1 day) that can be added to the Compte Épargne Temps in one calendar year is 10 (the maximum rises to 15 for employees whose working hours cannot be predetermined, and those over 50 years of age).<br>In addition to being taken as additional paid leave, saved days can also be used to offset hours or days not worked as a result of switching to part-time work, for training received outside working hours, or as Fongecif unpaid training leave.<br>In 2007, 44 employees opened a Time Savings Account, representing a total savings of 199.4 days (compared with 26 accounts opened in 2006). At the end of 2007, 149 employees had opened a time savings account, representing a total savings of 1877 days.<br>In 2007 85 employees transferred paid leave days to their time savings account, compared with 52 in 2006 and 60 in 2005.<br>In April 2007, a company-wide agreement was signed to allow the conversion of the days saved into units of the company savings plan or corporate collective pension plan (up to 8 days for employees whose contract provides for an overall work period and 4 days for employees on collectively determined hours). | France |

| | Social indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **12.** | Working hours for full-time employees | In France, the general rule is that full-time employees work a 35-hour week on average.<br>In the Group's other European subsidiaries, the full-time working week is between 38 and 40 hours. | Group |
| **13.** | Working hours for part-time employees | At the end of December 2007, the Group had 33 part-time employees, representing 6.3% of the French workforce.<br>All the part-time employees were women.<br>85% of these employees had opted to work at 80% of the full-time equivalent.<br>Outside France, there were 35 part-time employees, representing 6% of the workforce of subsidiaries. They were mainly women (a single man), 37% were working at 80% of the full-time equivalent and 31% at 50% of the full-time equivalent. | Group |
| **14.** | Absenteeism and its causes | The absenteeism rate is 1.65% for illness alone and 4.72% when maternity leave is included.<br>The number of days of sickness-related absence rose 30% compared with 2006, while absence due to maternity leave rose 26%. | France |
| **15.** | Pay | The average gross annual salary was 40 100 euros, for open-ended and fixed-term contracts and for all companies in France.<br>25.5% of employees received pay rises in 2007.<br>16% of employees were promoted in 2007.<br>In companies outside France, the average gross annual salary (open-ended and fixed-term contracts) was 29 500 euros in Southern Europe (Spain, Italy, Portugal and Greece) and 18 200 euros in Eastern Europe (Poland, Hungary, Czech Republic). | Group<br>(excluding Belgium) |
| **16.** | Salary trends | The 2007 wage negotiation resulted in the application of an exceptional bonus. In May 2007, employees who qualified under the agreement received an exceptional bonus corresponding to 25% of a month's salary capped at 550 euros for a full-time employee.<br>This total amount paid under this measure was 379 000 euros, representing 1.45% of total payroll.<br>Furthermore, under the "supplemental profit-sharing" scheme, the Management decided to increase the amount allocated to profit-sharing by 20%, which came to a total amount of 351 000 euros.<br>In 2007, Klépierre paid 2.36% of total gross salaries in individual performance bonuses. | France |
| **17.** | Payroll taxes | Payroll taxes for the Group on the average changed as follows:<br>2006 \| 2007<br>(in millions of euros) 13.1 \| 14.8 | Group<br>(excluding Belgium) |
| **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. In 2007, Klépierre also signed a new employee profit-sharing agreement for 2007-2008-2009. In 2007, employees received 16.4% of their compensation under these two plans, compared with 15% in 2006. This increase was the result of the "supplemental profit-sharing" scheme decided by the Management Board in 2007.<br>The sums received, together with voluntary payments may be invested in a Company Savings Plan or a collective retirement savings plan, to which the company makes an additional contribution.<br>Current and retired employees of French companies were also able to subscribe to the BNP Paribas capital increase: in 2007, the subscription rate was 72%, slightly down on 2006 (75%).<br>As at 31 December 2007, the amount of assets held by former and current employees of the group under the employee savings plan was equivalent to 24.4 million euros. It was held by 664 people.<br>In 2007, for the first time, employees of wholly-owned Klépierre subsidiaries took par in the BNP Paribas capital increase through voluntary payments.<br>The operation was warmly received by subsidiaries with a total subscription rate of 22.4%. Subscription rates were higher than 40% for subsidiaries in Greece, the Czech Republic and Portugal. | France<br><br><br><br><br><br><br><br><br><br>Group<br>(excluding Belgium) |
| **19.** | Gender equality within the Company | A company-wide agreement on gender equality was signed in France in 2007. The agreement reaffirmed the principle of non-discrimination within the company and underlined two essential points: remuneration and maternity leave. In 2007, the Group took concrete steps to rectify differences that were not justified.<br>Klépierre had a workforce of 1 103, made up of 644 women and 459 men. Women accounted for 58.3% of the workforce, which was a stable proportion compared with 2006.<br>In 2007, 61.4% of new hires were women.<br>Outside France, 23 out of 38 promotions concerned women, representing 60.5% of promotions as compared with 52.5% in 2006.<br>In France, 38 women were promoted in 2007, representing 51.4% of all promotions.<br>In France, 43.4% of women hold executive positions, compared with 42% in 2006 and 41.4% in 2005.<br>Outside France, 32.5% of all female staff members hold executive positions (see indicator 4 of the NRE appendix). | Group |

| | Social indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **20.** | Labour relations and review of collective agreements | There were good labour relations within the Group in 2007.<br>In addition to the mandatory annual negotiation agreement (see indicator 16 of the NRE appendix), the signing of an agreement on gender equality in April 2007 marked the Group's commitment to take the situation of women in the company into account and to correct any identified differences in remuneration. | France |
| **21.** | Health and safety conditions | In 2007, company doctors at corporate headquarters completed 308 consultations: including 187 annual check-ups, 81 recruitment check-ups, 16 post-natal exams, 8 post-illness reinstatement exam, 3 post-accident reinstatement exam, 8 consultations at a doctor's request and 5 at an employee's request. Of these 308 checkups, 27 employees were referred to specialists and 6 to attending doctors.<br>Employees who work in shopping centres are monitored by the local company doctor. There were 49 medical check-ups in 2007: including 24 annual check-ups, 18 recruitment check-ups, 5 post-natal exams, 1 post-illness reinstatement exam, 1 post-accident reinstatement exam.<br>In 2007, Klépierre carried follow-up and preventive actions concerning health and safety conditions, with the following focuses:<br>– Ergonomics: documentation on IT workstation ergonomics is distributed during medical check-ups and employees are given personalised advice on how to avoid high-risk behaviour that can cause musculo-skeletal disorders, for example;<br>– 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;<br>– Other main activities: two blood donation campaigns and a flu vaccination campaign (which resulted in 63 free vaccinations) were organised. A relaxing chair and a first-aid kit for emergencies are available in each building in Paris. Machines such as paper shredders, trimmers and binders were counted and inspected for compliance with safety standards. | France |
| **22.** | Training | The Group offered 1 230 training courses in 2007, representing over 11 000 hours of training. This was 30% higher than in 2006. 454 employees attended these courses, giving a training access rate of 87%. This high figure is mainly due to the setting up of a new document management application, which required a large-scale training campaign.<br>Ségécampus, the vocational training school created by Ségécé at the end of 2005, was the venue of nearly 70% of the training courses offered. It thus plays a key role in transmitting the specific competencies of the commercial real estate sector to Group employees. Since the end of 2006, Ségécampus has also been organising the "*Journées d'accueil*", which are part of the induction process for new hires. There were two sessions in 2007, each lasting two days.<br>The hours of training taken under the legal personal training programme (DIF) accounted 55% of the total training hours given in 2007.<br>In 2007, Klépierre took in 35 trainees, 60% of which worked in shopping centre head offices. | France |
| **23.** | Employment and integration of disabled employees | In 2007, Klépierre had three disabled employees. It also gave business amounting to nearly 50 000 euros to companies working in the protected sector.<br>In 2007, Klépierre became actively involved in the issue of disability.<br>The identification of new recruitment channels, the development of service provision relationships with work rehabilitation centres as well as the raising of awareness among employees to the relationship with the protected sector were some of the priorities of a recently hired employee in charge of the integration of disabled workers.<br>In 2008, Klépierre set itself the objective of ensuring continued relations with work rehabilitation centres and service providers specialised in the recruitment of disabled workers by creating partnerships that should enable it to increase the number of employees recruited as well as the business given to the protected sector.<br>To promote the professional integration of disabled students, Klépierre donated 8 000 euros to the Association "*Baisser les Barrières*" (bring down the barriers) which digitises university textbooks for the visually impaired. | France |

| | Social indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **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.<br>Local initiatives are managed by the individual works councils of each company.<br>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.<br>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 | Throughout the year, Klépierre maintained contacts with higher educational institutions whose areas of specialty correspond to its own businesses: the school of real estate professions (ESPI), Negocia business schools and ESTP, the civil engineering and building school. In particular, Klépierre employees took part in the ESPI forum and also made two presentations to Masters students of Université Paris 12 and ESTP students.<br>Klépierre set itself the target of increasing its initiatives with educational institutions in 2007 through closer coordination with other Group entities.<br>In France and abroad, most Group shopping centres are engaged in philanthropy or programs to foster the economic and social development of the country or region in which they operate.<br>Shopping centres are not only places to shop and enjoy leisure activities, but have also become real atriums that are open to community life. In France and abroad, shopping centres now host many events organised by the stakeholders of the civil society. Such efforts may range from making space available (permanent spaces in some centres, especially in Spain) and organizing forums to actions to promote employment, providing grants and establishing partnerships.<br>In the so-called difficult neighbourhoods, where Klépierre owns and manages many sites, the company has established close relationships with local stakeholders. An excellent example of this initiative has been the work accomplished in Saint-Denis, a suburb in northern Paris, as part of the Forum de la Cité scheme. For example, actions carried out by the shopping centre management, through the youth insertion association Z'iva, have enabled about 60 young people to land jobs, apprenticeship contracts, training courses and first interviews.<br>As a partner to the French Myopathy Association, Ségécé and 28 shopping centres in France took part in the Telethon for the fourth year running. The principle, which was renewed in 2007 consisted in proposing to shopping centres to buy back fictitious floor space, to ultimately create a virtual shopping centre. They raised approximately 65000 euros was raised through events held at shopping centres, donations from merchants, grants and other contributions.<br>In addition, Galae broadcast free infomercials on the Telethon for two weeks. This year, these infomercials were shown on 967 plasma screens in 69 shopping centres. The cost of showing them across the entire portfolio was 150000 euros.<br>Klépierre and Ségécé also renewed their support to La Lampe Magique, an association that works in hospitals in the Ile-de-France region to brighten the lives of children in hospitals and with which they have been partnered 2004. Over 4000 children benefitted from these initiatives in 2007. | Group |
| **26.** | Methods used by the company to assess the regional impact of its business activities on regional employment and development | In 2007, Klépierre projects authorised by the Commission Nationale or Départementale d'Équipement created 499 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.<br>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 centres 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.<br>In France, regular checks are made to ensure that these commitments are honoured. These checks will also be extended to cover foreign centres. | Group |

| | Social indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| 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 centres and their suppliers.<br>Nearly 80% of its shopping centres have adopted clauses requiring compliance with environmental standards.<br>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 |

## II – Environmental indicators pursuant to the new economic regulations act (NRE)

### Shopping centres

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 centres. 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 centres, the monitoring of the NRE law environmental indicators below concerns assets owned and managed by Klépierre (hereafter called PKlp) in France and abroad.

### Offices

The office business is a secondary activity that represents 10% 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.

It also specifies information concerning the management of head office buildings.

| | Environmental indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| 1. | 1. Water consumption | In 2007, Klépierre continued measure the environmental impact of water consumption in shopping centres with the installation of 2 500 sub-meters in French property. This allows water consumption to be managed more accurately and to pinpoint any corrective action that has to be taken in the common areas. It also makes it possible to carry out any actions to raise the awareness of tenants directly in the private areas.<br>However, the gradual installation of these sub-meters during the year did not enable us to consolidate the full-year data for French property. In 2008, this information will be disclosed using a different basis.<br>The consolidated data for French shopping centres are presented on the table on page 65.<br>The installation of water-saving processes or devices continued in shopping centres and today concerns half of French shopping centres and over two-thirds of foreign shopping centres. For example, toilets with neither water nor chemical products were installed in the Paul Doumer shopping centre in Caen, France. These systems save 100 cubic metres of water per toilet fitted, which represents significant reductions for an entire shopping centre. There are already plans to extend the process to other sites.<br>In 2007, Klépierre also continued thoughts on water consumption for watering green spaces in many shopping centres. Several existing centres, in particular in Spain, have thus changed or even abandoned their sprinkling circuits and replaced them with more efficient sprinkling systems (for example, hydroponic systems in Santa Cruz), or by planting plants that use up less water and are more adapted to the local biodiversity.<br>The recovery of rainwater has also been integrated into new projects or during extensions of existing centres, in France and outside France, for sprinkling needs as well as for cleaning and toilets (depending on local authorisations). This system is already being used in the Debrecen Plaza shopping centre in Hungary (open in 1999), where 200 cubic metres of rain water was recovered in 2007. | Group (PKlp shopping centres) |

| | Environmental indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **2.** | Consumption of raw materials | Klépierre's own activities (services) do not actually directly consume raw materials. The main problem during operation finally consists in processing and converting the waste generated by the provision of services to tenants (see indicator 9).<br>During the development phase, the Group works in collaboration with developers who apply an industry-recognised environmental approach. The Group pays attention to the setting up of "green projects" by developers and deals systematically with the issue of the choice of materials based on environmental criteria.<br>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 future Boissénart Retail Park.<br>Most of the head offices of Group subsidiaries have adopted policies seeking to limit paper consumption. Selective paper sorting was introduced at corporate headquarters in Paris, as well as at the head offices of the Greek and Portuguese subsidiaries. The Czech, Italian and Spanish subsidiaries use recycled paper or paper from eco-certified suppliers.<br>In 2007, nearly 250 cubic meters. of paper was collected at the Klépierre corporate headquarters and recycled by an ISO 14001 certified company. | Group (head office and PKlp shopping centres) |
| **3.** | Energy consumption | The data concerning energy consumption by French and international buildings are presented in the table on page 65, Electricity, heating and air-conditioning consumption is broken down and detailed. | Group (PKlp shopping centres) |
| **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 for management. Feedback and suggestions from the operating teams concerning energy efficiency are integrated upstream, right from the building design phase. Klépierre also brings in design offices specialising in energy issues.<br>**Bioclimatic approach:** For all new projects, the teams first gives priority to a bioclimatic approach by preferring passive measures to reduce energy consumption. The aim of this initial stage is to focus on the compactness and insulation of buildings to improve the thermal inertia of future buildings and to cut down on heat losses. they also carry out a study of the climactic and meteorological characteristics of the sites for optimum use of dominant winds and the sun.<br>**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.<br>The results of the various measures taken after these audits were satisfactory. The audit conducted in 2005 on the Parque Nascente shopping centre in Portugal made it possible to save 18% on electricity consumption from one year to another. The audit on the Danubia shopping centre in Slovakia in 2004, brought down consumption by 15%.<br>**Automation of technical installations** The search for optimum energy efficiency also includes the installation and management of efficient technical equipment. 13 central technical management systems were installed again this year on existing property, five of which were in Italy. Today, over 90% of PKlp shopping centres outside France are equipped with these systems.<br>The new central technical management systems have rapidly proved to be worthwhile. For example, there was a drop of nearly 25% in electricity consumption in the Pontault-Combault shopping centre in 2007.<br>**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. It also guided the environmental approach implemented on the Moulin des Landes project in Quimper, Brittany: awnings that are oriented according to the results of a detailed study about sunlight will be used to take advantage of the sun in winter and offer maximum protection in summer.<br>Renovations in existing shopping centres 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.<br>With respect to artificial lighting, shopping centres give preference to energy-saving light bulbs and fluorescent tubes when fixtures are replaced or during renovations. An example is the Nancy St-Sébastien shopping centre which has totally redesigned its internal (T5 tubes) and external (LED) lighting. | Group (PKlp offices and shopping centres) |

| | Environmental indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **5.** | Use of renewable energy sources | The possibilities offered by renewable energies are systematically studied on new projects. In 2007, further thought was given to this issue in several operating shopping centres, in particular in Italy and Spain.<br>In 2007, Klépierre decided to invest 320 000 euros in the installation of 900 sq.m. of photovoltaic panels during the extension of the Nîmes-Etoile shopping centre, which should be opened to the public in 2008. It will also be installing solar panels for the production of domestic hot water on the Portimão project in Portugal, scheduled for 2010.<br>It is also interesting to note that in Poland, renewable sources from suppliers also account for 5% of total energy consumption at the shopping centres (for a total of nearly 522 000 kWh). | Group (PKlp shopping centres) |
| **6.** | Land use | Environmental impact studies are conducted for all construction and renovation projects, in accordance with current regulations. The Company also ensures that the land used for its construction projects is clean. Soil pollution studies are conducted systematically on new-build land.<br>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:**<br>Klépierre has decided to measure its precise impact with respect to climate change and greenhouse gas emissions made directly and indirectly by its activities.<br>In 2007, it carried out a *Bilan Carbone*™ (greenhouse gas count) on the activities of its head office (see the results and interpretations on page 65).<br>In 2007, the group also carried out a *Bilan Carbone*™ assessment of the Bègles Rives d'Arcins shopping centre. This is the first time in France that an exhaustive inventory of greenhouse gases will be conducted on an asset of this type. In 2008, this quantification will be continued on an office building and on a shopping centre construction site. In the long term, it will enable the group to draw up a complete panorama of the impacts of its various activities on climate change.<br>The first quantification of greenhouse gas emissions that was conducted in 2006 regarding the direct responsibility of shopping centres highlighted the considerable impact of chlorofluorocarbon leaks, and particular through the refrigerant gas R22. Klépierre continued to replace it with more neutral gases on existing shopping centres, in France (10 sites concerned) and outside France.<br>**Water discharges:**<br>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 centre (common and private areas).<br>We reduce peak floods and create temporary water storage through with roof gardens (sometimes built on new projects in particular on the future Moulin des Landes Retail Park in Quimper) or by creating landscaped retention basins. We can also give priority to direct infiltration by complying with authorised pollution levels.<br>Operational shopping centres 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.<br>**Ground discharges:**<br>The main risk factors of ground pollution on the Group's various properties are petrol tanks and oil interceptors on car parks. On more than half of our sites, these facilities in shopping centres (especially petrol tanks) are managed by the hypermarkets. When it is the Group that manages them, it carries out regular maintenance through specialised service providers. | Group |
| **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.<br>To reduce odour nuisances, which in any case are not very significant, and in accordance with regulations in force, with shopping centres use special containers and air-conditioned facilities.<br>The prevention of noise entails the use of suitable equipment and timetables for deliveries (nearly all shopping centres) and also during construction work. For example, the construction mode chosen for the Séreinis office building project cuts down the structural works period by half, reducing the noise pollution for local residents accordingly. | Group (PKlp offices and shopping centres) |

| | Environmental indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| **9.** | Waste treatment | Unlike the other indicators monitored, the Group does not control the quantity of waste produced in shopping centres and offices. This is because the quantities produced depend on customers and tenants of the sites.<br>The Group's efforts in the operational phase therefore consist in ensuring the treatment and conversion of waste (see the tables on page 64).<br>Selective sorting of cardboard is now widespread on most sites in France and outside France. Sorting is done correctly as is proved by the very low percentage of refusals recorded on sites (for example, no refusals in the Barentin and Tourville shopping centres).<br>Shopping centres are also active in the conversion of other waste such as plastics, organic waste, glass and batteries. In 2007, the Group continued its reflection on ways of converting and retrieving waste. A new generation of waste compactors was thus installed in France, in particular in the Val d'Europe and the Portet shopping centres.<br>New waste compactors that use the Valpak® technology reduce the shifts required to remove rubbish by half, and therefore also reduce greenhouse emissions by half because of the decreased transport required. | Group |
| **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.<br>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. Special attention is paid to the integration of the facilities essential for the efficient management of the site (landscaped retention basins, camouflage of service rooms using strips of plants on the future Boissénart Retail Park) and the enhancing of the value of surrounding areas by promoting gentle linkage modes.<br>Aside from their intrinsic qualities of reducing peak floods from rainwater and insulation, roof gardens are also used to increase vegetalisation in peri-urban areas (Moulin des Landes Retail Park project in Quimper) and the creation from scratch of green spaces in urban environments (for example, the Séreinis office building project in Issy-les-Moulineaux).<br>The average surface area of green spaces in PKlp shopping centres is in the region of 2800 sq.m. per site. This commitment to offer shoppers a landscaped environment is implemented on new development projects. The future Boissénart Retail Park, in the heart of a protected natural site in the Ile de France region, will be embellished by 2000 trees, 24000 shrubs and a lawn covering 18000 sq.m., all watered with rainwater.<br>In its management of green spaces, the Group gives preference to local trees, in harmony with the surrounding biodiversity and to reduce sprinkling needs (see indicator 1).<br>The Group also wishes to cut down on the impermeabilisation of its sites and therefore aimed at keeping its impact on the natural water cycle to a minimum. It has therefore created areas that favour the natural infiltration of water on some of its ongoing projects. | Group (PKlp shopping centres) |
| **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 | For four 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 and Aspi Eurozone. Although the fact that Klépierre has been included in these indices cannot be construed in itself as a form of evaluation or certification, it does provide a positive indication of the way in which Klépierre addresses its social and environmental responsibilities.<br>The Group also plays an active role in the various national initiatives aimed at establishing an environmental certification programme. In particular, the Sustainable Development Division took part in the working group on the drafting of the HQE® benchmark for "Service buildings – Stores" conducted by Certivéa. The Aubervilliers project is actually one of the four pilot sites identified to test the implementation of this benchmark.<br>To highlight the technical accomplishments made on some of our shopping centres and to quantify the actual energy savings made on our property, Klépierre had filed the first applications for white certificates with official bodies. These specific operations (on surface areas of more than 3 000 sq.m.) will enable the Group to take part in the commitments made by France especially in the Grenelle de l'Environnement project (factor 4 in particular).<br>With the Group's property management activities, it has also taken steps to harmonize the contractual obligations of subcontractors to ensure that all of them comply with our own ethical and environmental commitments. | Group |

| | Environmental indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| | | All our partner companies are therefore contractually bound to comply with these commitments. It should be noted that Klépierre gives preference to partners such as La Providence, which are already ISO 14001-certified or who are seeking certification. In 2008, we will develop the control of compliance with these ethical and environmental principles with our main service providers. | |
| **13.** | Expenditures on preventing environmental damage caused as a result of company activities | Klépierre's expenditures in this area are an integral part of its business activities and are can therefore not be easily separated.<br>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.<br>In France, the operations department pools the data from shopping centres and the various environmental risk factors (asbestos, Legionnaire's disease, water, other pollutions, etc.). A number of early warning tools and systems generate systematic and varied data for dealing with problems that may arise.<br>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.<br>A sustainable development department was also created in early 2007. 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 | The year was marked by the stepping up of employee training and information on subjects relating to sustainable development.<br>For example, Klépierre created a new Sustainable Development newsletter called Quintessence, which is published every quarter. It is sent to all group employees as well as external stakeholders. It may also be consulted on the Klépierre website.<br>Sustainable development is a theme that is increasingly present in the main in-house communication channels. For example, the Bilan Carbone™ assessment of the Paris head office was the opportunity to directly raise awareness in employees to the problem of climate change. They were invited to take part in the assessment by directly filling in information on an intranet about emissions generated by their commuting from home to work. They were also invited to a presentation on the theme of climate change, with the contribution of experts.<br>The working groups created to identify avenues for reduction is proof of the Group's desire to give a participatory dimension to its approach.<br>The recent public transportation strikes in France also provided an opportunity to develop car pooling in the head office through an Intranet, which brought together offers and requests from employees. This initiative was an unqualified success and the file was consulted more than 600 times in two weeks.<br>Klépierre is thinking about out to set up specific e-learning modules on the sustainable development theme, which would be adapted to the various sectors of the Group's activity. | Group |
| **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:<br>– a Legionnaire's Disease alert tool;<br>– setting up of natural and technological risk prevention plans on all Klépierre shopping centres since June 2006.<br>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.<br>With respect to legionnaire's disease, it must be noted that cooling towers are being gradually removed. However, shopping centres 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 centres 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. A total of 693 analyses including water samples were conducted in cooling towers at French shopping centres. 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.<br>In 2008, the Group will test the treatment by ultraviolet of water in the cooling towers of its buildings in France. | Group (PKlp offices and shopping centres) |

| | Environmental indicators under NRE | Fiscal 2007 | Scope |
|---|---|---|---|
| | | This process will eliminate the use of chemical products, primarily with chlorine, thus reducing waste water pollution. With respect to offices, the Group's overriding concern is to anticipate future legal standards in the area of employee safety.<br>The main efforts carried out by our operational departments to limit the risks to those who shop or work at our shopping centres 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.<br>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. | |
| **17.** | Organisational 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, financial stability and environment Group cope with accidental pollution incidents of shopping centres under management, and therefore our company, is a crisis situation".<br>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. | |
| **18.** | Amount of provisions and guarantees in place to cover environmental risks | None | |
| **19.** | Amount of fines paid during the fiscal year subsequent to legal prosecutions over environmental issues | None | |
| **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.<br>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 study of the installation of central technical management and means of producing renewable energy are some of the issues that are analysed on a case-by-case basis. | Foreign subsidiaries in which Klépierre has at least a 50% holding |

## III – Environmental reporting

The following tables give a historic overview of fluid consumption and waste production on the Group's shopping centres over the last three years.
The report covers property owned and managed by Klépierre for at least one year, which is why the scope changes continually. The square metre ratios enable the changes in each of these areas to be monitored more precisely.

To ensure consistency (in particular, geographical and climatic), it has been decided to divide the assets into three separate geographical areas:
- Southern Europe (Spain, Greece, Portugal);
- Central Europe (Hungary, Poland, Czech Republic, Slovakia) and Belgium;
- France.

On the whole, the changes observed between 2006 and 2007 can be explained by the setting up of a more efficient property management policy that is more structured in terms of environmental monitoring. This consists, in particular, in the increased awareness of employees, the implementation of more sophisticated organisational resources (more efficient monitoring management tools, surveillance and self-checking procedures, etc.), or in the increased installation of systems for managing technical equipment in shopping centres.
Climatic data can also contribute to raising or lowering fluid consumption. For example, there was a generally mild summer and winter all over Europe in 2007.

### Waste

| | France | | | Southern Europe | | | Central Europe + Belgium | | |
|---|---|---|---|---|---|---|---|---|---|
| **Non-hazardous industrial waste (NHIW)** | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| No. of shopping centres monitored | 24 | 26 | 29 | 19 | 18 | 28 | 16 | 19 | 22 |
| Total amount processed (in tonnes) | 15 305 | 12 324 | 17 822 | 6 197 | 5 616 | 8 975 | 4 563 | 5 297 | 5 927 |
| Total area in sq.m. (GLA) | 492 274 | 503 378 | 610 831 | 264 222 | 259 469 | 364 017 | 291 989 | 370 314 | 417 672 |
| Ratio kg/sq.m. GLA | 31.1 | 24.5 | 29.2 | 23.5 | 21.6 | 24.7 | 15.6 | 14.3 | 14.2 |
| | Δ 2007/2006 | | | Δ 2007/2006 | | | Δ 2007/2006 | | |
| **Ratio kg/sq.m. GLA** | **19.1%** | | | **14.1%** | | | **-0.8%** | | |

| | France | | | Southern Europe | | | Central Europe + Belgium | | |
|---|---|---|---|---|---|---|---|---|---|
| **Cardboard** | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| No. of shopping centres monitored | 22 | 31 | 27 | 9 | 11 | 22 | 1 | 11 | 14 |
| Total amount processed (in tonnes) | 3 224 | 3 916 | 3 433 | 915 | 1 002 | 2 136 | 174 | 773 | 964 |
| Total area in sq.m. (GLA) | 478 922 | 544 835 | 477 395 | 197 042 | 207 910 | 345 572 | 37 556 | 211 346 | 268 925 |
| Ratio kg/sq.m. GLA | 6.7 | 7.2 | 7.2 | 4.6 | 4.8 | 6.0 | 4.6 | 3.7 | 3.6 |
| **TOTAL CARDBOARD/TOTAL WASTE%** | **21.5%** | **29.3%** | **24.8%** | **19.8%** | **22.3%** | **24.4%** | **29.6%** | **25.5%** | **25.4%** |
| | Δ 2007/2006 | | | Δ 2007/2006 | | | Δ 2007/2006 | | |
| **Ratio kg/sq.m. GLA** | **0.0%** | | | **25.4%** | | | **-2.7%** | | |
| **% CARTONS/WASTE** | **-18.1%** | | | **9.4%** | | | **-0.4%** | | |

## Energy

| Electricity | France 2005 | France 2006 | France 2007 | Southern Europe 2005 | Southern Europe 2006 | Southern Europe 2007 | Central Europe + Belgium 2005 | Central Europe + Belgium 2006 | Central Europe + Belgium 2007 |
|---|---|---|---|---|---|---|---|---|---|
| No. of shopping centres monitored | 32 | 74 | 75 | 34 | 29 | 42 | 17 | 19 | 22 |
| Total consumption in MWh | 67 698 | 102 234 | 95 976 | 75 149 | 66 587 | 79 561 | 48 061 | 58 199 | 64 997 |
| Total mall area in sq.m. | 192 150 | 293 277 | 286 804 | 156 907 | 141 435 | 199 509 | 71 256 | 87 394 | 110 222 |
| Ratio of kWh/mall sq.m. | 352 | 349 | 334 | 479 | 471 | 399 | 675 | 666 | 590 |
| | Δ 2007/2006 | | | Δ 2007/2006 | | | Δ 2007/2006 | | |
| **Ratio of kWh/mall sq.m.** | **-4.3%** | | | **-15.3%** | | | **-11.4%** | | |

| Gas + Heating | France 2005 | France 2006 | France 2007 | Southern Europe 2005 | Southern Europe 2006 | Southern Europe 2007 | Central Europe + Belgium 2005 | Central Europe + Belgium 2006 | Central Europe + Belgium 2007 |
|---|---|---|---|---|---|---|---|---|---|
| No. of shopping centres monitored | 21 | 28 | 21 | 17 | 17 | 27 | 17 | 18 | 20 |
| Total consumption in MWh | 20 206 | 25 753 | 19 126 | 15 523 | 12 574 | 22 083 | 25 428 | 30 385 | 26 704 |
| Total mall area in sq.m. | 147 413 | 163 877 | 134 060 | 65 679 | 63 307 | 111 205 | 75 110 | 91 249 | 95 661 |
| Ratio of kWh/mall sq.m. | 137 | 157 | 142 | 236 | 199 | 199 | 339 | 333 | 279 |
| | Δ 2007/2006 | | | Δ 2007/2006 | | | Δ 2007/2006 | | |
| **Ratio of kWh/mall sq.m.** | **-9.2%** | | | **0.0%** | | | **-16.2%** | | |

## Water

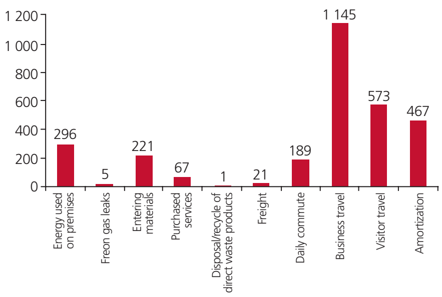
| | France 2005 | France 2006 | France 2007* | Southern Europe 2005 | Southern Europe 2006 | Southern Europe 2007 | Central Europe + Belgium 2005 | Central Europe + Belgium 2006 | Central Europe + Belgium 2007 |
|---|---|---|---|---|---|---|---|---|---|
| No. of shopping centres monitored | 28 | 33 | N/A | 28 | 27 | 41 | 17 | 19 | 22 |
| Total consumption in cubic metres | 746 287 | 735 246 | N/A | 638 101 | 582 413 | 730 403 | 201 113 | 230 074 | 259 295 |
| Total mall area in sq.m. | 175 894 | 181 321 | N/A | 133 070 | 134 109 | 188 358 | 71 256 | 87 394 | 110 222 |
| Ratio of cubic metres/mall sq.m. | 4.2 | 4.1 | N/A | 4.8 | 4.3 | 3.9 | 2.8 | 2.6 | 2.4 |
| | | | | Δ 2007/2006 | | | Δ 2007/2006 | | |
| **Ratio of cubic metre/mall sq.m.** | | | | **-9.8%** | | | **-7.7%** | | |

* With the setting up of a new water consumption meter system in France on French buildings, which is gradually being rolled out, we cannot give complete data for 2007. We will provide you with more information in 2008.

## IV – Bilan Carbone™

Klépierre has decided to measure its precise impact with respect to climate change and greenhouse gas emissions made directly and indirectly by its activities. The first stage of this quantification is was the Paris head office, while waiting to finalise the Bilan Carbone™ of a shopping centre and to roll out the method on the other areas of the Group's activity.
Version 4.0 of the Bilan Carbone™ method used strives not only to assess the direct emissions, but also those caused indirectly by the Group's activities. This broadens and completes the scope of the "carbon" issue.
The study concerned 2006 and covered 380 employees.

Emissions by type of activity in $CO_2$ Equivalent Tons




The results below show that the travel budget item as a whole (professional trips, home-work commute, visitors received, etc.) accounted for nearly two-thirds of emissions. It must be noted that this figure conceals two different trends: most employees use public transport to go to work, which more than the average employee in the Paris region. However, the Group's international dimension generates a lot of professional trips over long distances.
Teams drawn from across the entire company have already been created to find solutions to reduce Klépierre's impact on climate change.

# 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 2007, the Executive Board did not use authorisation that was granted to it by the ordinary and extraordinary general meeting of 5 April 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;
- Company 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 since 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 (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, 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 5 April 2007.

# SPECIAL REPORT OF THE EXECUTIVE BOARD

## in relation to the share buyback

### PURSUANT TO ARTICLE L. 225-209 OF THE FRENCH COMMERCIAL CODE

After the debates of 7 April 2006 (ninth and tenth resolutions), the General Meeting authorised the Executive Board to buy back the Company's own shares in accordance with Article L. 225-209 of the French Commercial Code, in particular, for the purpose of:
• 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;
• implementing all employee savings plans pursuant to the law, in particular articles L. 443-1 and following of the French Labour Code;
• 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;
• cancelling all or part of the shares bought under these plans, subject to the adoption by the Extraordinary General Meeting of the tenth resolution hereafter under the terms set forth herein;
• 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*;
• delivering them during the exercise of rights attached to investment securities representing debt securities that entitle the holder, immediately or in the future, to to be allotted Company shares;
• 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 market 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 the subject of a programme description that was published on the website of the *Autorité des marchés financiers* on 16 March 2006.

The main characteristics of the authorisation granted by the General Meeting on 7 April 2006 are as follows:
• maximum authorised purchase price per share: 150 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 692 463 300 euros;
• duration of the programme authorised by the General Meeting: 18 months as from the General Meeting of 7 April 2006;
• 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 5 April 2007 (eighth and ninth 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:
• to cover all the Company's stock option plans in accordance pursuant to articles L. 225-177 and following of the French Commercial Code;
• implement all employee savings plans pursuant to the law, in particular articles L. 443-1 and following of the French Labour Code;
• 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;
• cancel 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;
• 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*;
• allot the shares during the exercise of securities *cum* rights that give access to the Company's capital through redemption, conversion, swap, presentation of a coupon or any other procedure;
• 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 market 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 the subject of a programme description that was published on the website of the *Autorité des marchés financiers* on 5 April 2007.

The main characteristics of the authorisation granted by the General Meeting on 5 April 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

# Special report of the Executive Board

acquired: not more than 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 5 April 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 table below sums up the operations on treasury shares carried out by the Company in fiscal 2007 under the two authorisations mentioned above:

| In number of treasury shares | Liquidity agreement | Stock-options | | | Stock-options futures | External growth | Total |
|---|---|---|---|---|---|---|---|
| | | 1999 plan | 2006 plan | 2007 plan | | | |
| **Situation as at 31 December 2006** | **76 401** | **97 794** | **585 000** | **0** | **428 268** | **0** | **1 187 463** |
| Assignment of stock option plans | | -10 803 | -34 500 | 426 121 | -380 818 | | 0 |
| *- Allotment of the 2007 plan* | | | | *429 122* | *-429 122* | | *0* |
| *- Adjustments following departures or failure to exercise stock options before maturity* | | *-10 803* | *-34 500* | *-3 001* | *48 304* | | *0* |
| Options exercised during the year | | -86 991 | | | | | -86 991 |
| Purchased | 950 575 | | | | 499 347 | 1 271 752 | 2 721 674 |
| Sold | -831 683 | | | | | | -831 683 |
| **Situation as at 31 December 2007** | **195 293** | **0** | **550 500** | **426 121** | **546 797** | **1 271 752** | **2 990 463** |
| As a percentage of share capital (138 492 687 shares) | 0.14% | 0.00% | 0.40% | 0.31% | 0.39% | 0.92% | 2.16% |

As at 31 December 2007, the Company had 2 990 463 treasury shares, representing 2.16% of its share capital. This figure was 1 803 000 securities more as compared with 31 December 2006, 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 the118 892 securities: Klépierre bought 950 575 shares at an average price of 43.16 euros and sold 831 683 shares at an average price of 43.76 euros;
- the exercise of stock options under the stock option plan of 24 June 1999 led to the disposal of 86,991 shares;
- 499 347 shares were bought to cover stock option plans for an average price of 40.24 euros;
- 1 271 752 shares were bought in view of possible external growth operations, at an average price of 32.97 euros.

The following objectives were also reassigned during fiscal 2007:
- 10 803 securities covering stock options of the 1999 plan that had not been exercised before the maturity of the plan (2007) were reassigned to future stock-options plans;
- A plan of 429 122 securities was allotted by a decision of the Management Board on 15 May 2007;
- 34 500 securities and 300 securities covering the 2006 and 2007 stock options plans respectively were reassigned to future stock options plans following the departure of beneficiaries from the Company.

At the annual general meeting to be held on 4 April 2008, the Management 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 60 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 Annual General Meeting pursuant to Article L. 225-184 is summarised in the table below:

**Table of stock options granted by Klépierre and exercised by company officers during the fiscal year**

| Stock-options | Grant date | Number of options granted(1) | Exercise period | Exercise price (in euros)(1) | Number of options exercised in 2007 | Options remain ing to be exercised |
|---|---|---|---|---|---|---|
| **Executive Board** | | | | | | |
| Michel CLAIR | 24 June 1999(2) | 54 012 | 25 June 2004 to 24 June 2007 | 12.22 | 38 712 | 0 |
| | 30 May 2006(3) | 45 000 | 31 May 2010 to 30 May 2014 | 30.50 | – | 45 000 |
| | 15 May 2007(3) | 33 000 | 16 May 2011 to 15 May 2015 | 47.96 | – | 33 000 |
| Jean-Michel GAULT | 30 May 2006(3) | 30 000 | 31 May 2010 to 30 May 2014 | 30.50 | – | 30 000 |
| | 15 May 2007(3) | 24 000 | 16 May 2011 to 15 May 2015 | 47.96 | – | 24 000 |
| Claude LOBJOIE | 24 June 1999(2) | 31 506 | 25 June 2004 to 24 June 2007 | 12.22 | 16 815 | 0 |
| | 30 May 2006(3) | 30 000 | 31 May 2010 to 30 May 2014 | 30.50 | – | 30 000 |
| | 15 May 2007(3) | 15 000 | 16 May 2011 to 15 May 2015 | 47.96 | – | 15 000 |
| Laurent MOREL | 30 May 2006(3) | 30 000 | 31 May 2010 to 30 May 2014 | 30.50 | – | 30 000 |
| | 5 May 2007(3) | 27 000 | 16 May 2011 to 15 May 2015 | 47.96 | – | 27 000 |

(1) After stock split intervened in 2003 (for the plan of June 24, 1999) and in 2007 (for the other ones).
(2) Date of the AGM that authorised the rollout of a stock option plan: 28 April 1999.
(3) Date of the EGM that authorised the rollout of a stock option plan, restated by the three-for-one split: 7 April 2006.

# 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 2007

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 which has just been read to you as well as concerning the corporate and consolidated financial statements for the year ended 31 December 2007.
The Executive Board has regularly kept the Supervisory Board up to date 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 three specialised committees: the Investment Committee, the Audit Committee and the Appointments and Remunerations Committee.
The Supervisory Board has no special observations to make concerning the Executive Board's report and the results of fiscal 2007. It therefore invites you to approve the financial statements and the resolutions proposed.

The Supervisory Board wishes to thank the Executive Board and all the Company staff for their work and effort in 2007.

**The Supervisory Board**

MANAGEMENT REPORT

# REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

## Supervisory Board meeting held on February 8, 2008 to review fiscal year 2007

This report has been drawn up in compliance with Article L. 255-68 of the French Commercial Code, relating to the preparation and organization of the Supervisory Board's work and internal control procedures established by the Klépierre group.

### 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. To this end, it carries out audits and controls as needed and makes the requests for information it deems necessary. 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 also authorizes the Executive Board to carry out the following operations:
- acquire or dispose of interests in all companies;
- acquire or dispose of all real property;
- in the event of a dispute, enter into agreements or settlements and accept any compromises.

The Supervisory Board has delegated to the Executive Board the power to carry out these operations, provided that each individual transaction does not involve more than 8 million euros or its foreign currency equivalent.
The Supervisory Board has delegated to its Chairman the powers to authorize the Executive Board to carry out the foregoing operations, provided that each individual transaction does not involve more than 46 million euros or its foreign currency equivalent and that the Investment Committee has issued a positive opinion on the project.
The Chairman of the Supervisory Board as well as the Executive Board must report on the use of these authorizations to the Supervisory Board.

#### The Supervisory Board

The list of the nine members of the Supervisory Board can be found in the section entitled "Supervisory Board" of the annual report.
Independent members are members who have no relation whatsoever to the Company, the Group or its management, that could affect their freedom of judgment. According to these criteria, four out of the nine members of the Supervisory Board are independent.
The Supervisory Board meets as a group and also in smaller sub-committees devoted to specific issues. The work of the Board, like that of the special committees, is prepared and organized by their respective chairmen. The Supervisory Board makes its decisions after all of its members have debated the issue, expressed their opinion freely and asked for any specific clarifications they may require.
The Supervisory Board met nine times during the 2007 fiscal year. The attendance rate was 85.19%. The main items discussed at these meetings are listed below:
- the annual parent company and consolidated financial statements for 2006 and the management report on these statements;
- the parent company and consolidated interim financial statements;
- the Executive Board's quarterly business review;
- Investments and divestments in France and abroad;
- financing transactions;
- the review of a stock option plan;
- reappointment of the Chairman of the Supervisory Board in April 2007;
- reappointments to the Executive Board and reappointment of its Chairman;
- the annual authorization granted to the Executive Board to deliver guarantees and pledges and post collateral;
- the regulated agreements;
- the strategic orientations to be adopted in light of the rapid changes in the economic and financial environment since the summer of 2007.

In addition, the Chairmen of the various special-purpose committees regularly present summaries to the Supervisory Board of the work conducted by the committees they chair.

#### Remuneration of Members of the Supervisory Board

Director's fees for fiscal year 2007 were set at a total of 210 000 euros to be divided among the Members, payable in accordance with the following terms and conditions:
- 50 000 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 Appointments and Compensation (a fixed sum of 10 000 euros for each);
- 108 000 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;
  – 36 000 euros to be divided among the Members on a variable basis, depending on their actual attendance at Board meetings;
- 52 000 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.

**Special-purpose committees:**

To carry out its duties, the Supervisory Board has formed special-purpose committees. Additional information regarding the composition, duties and functioning of these committees are developed in the section entitled "Committees" of the annual report. These special-purpose committees are:

Investment Committee

The role of the Investment Committee is to study the investment and divestment plans that are submitted to it before they are formally authorized 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. The Committee met nine times during the year ended, with an attendance rate of 93.33%.
Its proceedings pertained to 49 planned investments or divestments, 14 of which were or are to be carried out, 29 of which are controlled or being negotiated, and 6 (generally large-scale) of which were refused or deferred, mainly due to the cost of acquisition.

The most significant projects concerned:

- Lonato, Verona and Vittuone in Italy;
- Lublin, Rybnik and Sosnowiec in Poland;
- Plzen in the Czech Republic;
- The Victor Hugo center in Valence and the Avenir center in Drancy (both in France).

Audit Committee

This Committee is responsible for assessing the major accounting decisions, financial data, quality of procedures and the budget allocated to pay the fees of the Statutory Auditors.
The main topics that the Committee examined during the year ended are listed below:

- parent company and consolidated financial statements (interim and annual): accounting and financial disclosures and principal highlights of the year or half-year;
- presentation of restructuring projects involving the Group's French or foreign affiliates: accounting and tax aspects;
- presentation of specific accounting methods and principles;
- statutory Auditors:
Statutory Auditors' budget for 2008;
- ssystem of internal control:
Annual report on periodic and ongoing controls, and the compliance and ethics function for the year 2007.

The Committee met four times in 2007, with an attendance rate of 85%.

Selection and Compensation Committee

This Committee makes recommendations to the Supervisory Board concerning the appointment and compensation of Executive Board members, pensions and employee benefits, benefits in kind, and stock option grants and plans. The Committee met twice during the year. Meetings were attended by all Members.

The Committee recommended to the Supervisory Board a set of methods for determining the variable pay for 2007 for Executive Committee Members. 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 Members of the Executive Committee 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 60%) and pre-tax earnings (for 40%). This global sum is divided among the Members of the Executive Committee (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 Members of the Executive Committee, for which the portion of the cost corresponding to personal use is payable by the beneficiary and subject to tax and social charges.

In addition, the Committee drew up a formal policy for granting stock options to Group employees in 2007, and prepared the Supervisory Board's decision to grant options to Members of the Executive Board. The total number of options granted in 2007 was 429 122, to 102 grantees.

## 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 system of internal control is based on the following broad principles:

• All of the Group's employees contribute to the internal control system. All employees have a duty, at their individual level, to carry out the required controls for the activity or area for which they are responsible;
• There is a strict separation of power between those who exercise independent controls and those who are involved in operations;
• The system is universal. No area of the Klépierre Group, either in France or abroad, falls outside the scope of the internal control system.

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

• **Ongoing control** is a process based on the continuous implementation of five components, using a set of appropriate resources:
– **The identification and assessment of risks:** these involve the analysis and measurement of risks that are regularly updated, and that take controls and procedures into account;
Klépierre has set up a tool known as the "Risk Assessment Matrix". This tool maps the Group's exposure to risk, based on ten identified risk families (unreliable information, loss of competitiveness, excessive costs, interruption of business, non-compliance with laws and regulations, loss of assets, disclosure of sensitive information, commercial and reputation, human resources, ethical compliance).

– **Procedures:** They provide a precise framework for the business, exactly where the risks have been identified. They are easily accessible on the Group's Intranet site and the Group has provided training and information about them. They are updated as needed (to comply with changes in laws, regulations, business and organization) and at least every eighteen months. The process was launched in 2002 for all of the Group's French entities. The purpose was to map all procedures and best practices to be implemented. It was also to be used as a tool for carrying out first and second level controls of these procedures and best practices if necessary. As was announced in 2006, the Klépierre Group revised all of the processes already formalized, in order to update them, and wrote up all missing processes. After beginning with all affiliates in France, this approach was extended to foreign affiliates thereafter. It is expected to reach completion in 2008.

– **Controls:** the frequency, intensity and organization of controls depend on the level of risk. When this is necessary, 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. The internal audit also conducts controls to ensure that the FSPs are correctly monitored, qualitatively as well as quantitatively. There were twenty-one FSPs in 2006, two new ones were added in 2007, and the process of updating them is ongoing in 2008, with a particular focus on operations outside France.
In addition, a matrix of risks dedicated to ongoing control was gradually rolled out in order to ensure that the major risks to which each activity is exposed are adequately covered by procedures and control processes, and that they are subject to adequate reporting.

– **Reporting:** the reporting system must provide managers with visibility over risks (and in particular of the main incidents that occur), controls and procedures, as well as ongoing corrective actions. Reports are made quarterly to the Executive Board and twice a year to the Audit Committee of the Supervisory Board.

– **Steering:** a regular examination of reports submitted, in particular by the Coordination Committee of the Internal Control Department that was formed in March 2007, serves as a basis for making decisions about changes to be implemented in the system. This committee is chaired by the Chairman of the Executive Board.

• **Periodic control**, exercised by the Klépierre Group's internal audit Department, is an independent activity that has direct reporting ties to the Executive Board. The purpose of the missions of internal control is to provide a systematic and methodical approach to the assessment and improvement of processes related to risk management, control and corporate governance.
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.
In 2006, the Group took steps to separate the managers of Ongoing Control from those responsible for Periodic Control. In so doing, they adopted best practices in the area of internal control. Accordingly, in 2006, the position of Permanent Control Coordinator, reporting to the Head of Group Organization, was created. The principal duties are listed below:
– coordinating the development and setting up of actions to improve permanent control;
– coordinating methodological choices and tools;
– circulating directives regarding control and monitoring changes to the internal control system;
– consolidating reporting media.

The Group has designated correspondents for each business, function and subsidiary, whose duties include:
– coordinating the implementation on the ground of the methodological choices made by the Group;
– regularly designing and adapting the reporting of the system by indicating the most relevant indicators that will provide managers with the best possible visibility about their permanent control system;
– ensuring that reports are regularly passed on to reporting officers and then to the Permanent Control Coordinator.

# Report of the chairman of the Supervisory Board

## The internal control system is based on three levels of control.

• **Two levels of ongoing control:** the first level of control is performed by each employee on the specific operations carried out, in accordance with operating procedures in force, while the second level is performed by the business area or functional manager, in accordance with the FSPs.

Two dedicated teams are also part of this system.

• Two employees from Accounting Procedures and Audit in France and abroad, which reports to the Corporate Accounting Department, have been specifically appointed:
– to draw up applicable procedures;
– to define the first and second level controls applicable to the closing of the Group's corporate and consolidated financial statements;
– to carry out horizontal controls;
– to monitor the implementation of recommendations made by external auditors;
– to verify from time to time that subsidiaries are correctly implementing the Group's benchmark relating to the preparation of consolidated financial statements;
– to verify that the accounting and financial information sent to the Company's governing bodies provide a fair and accurate picture of the Company's business and position.

At Klépierre and Ségécé, one employee is assigned with the task of coordinating ongoing control activities for the various operational and corporate level departments.

• Two specialized functions have been created to perform second-level controls:
– this is the case of the Ethics and Compliance Department, which is responsible for ensuring compliance with prevailing standards of professional conduct and anti-money laundering;
– this is also the case of the Organization Function, which is responsible for Business Continuity Planning, which encompasses all of the measures designed to maintain business or mission critical services in operation and ensure that operations can be set up and run at another physical location in the event of a serious loss. Since 2005, a business continuity drill is conducted annually to ensure readiness.

These functions report directly to the Executive Board and the Audit Committee.

• **The periodic control exercises the third level of control:** It is performed by the Klépierre Group's internal audit department.
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 a standard benchmark that covers 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.
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. This system does allow for assurances of the existence, the knowledge of and the compliance with procedures enforced by the Group.

## Financial management and communications

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 Finance & 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 stock buyback programs.

## 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 corporate accounting department under the responsibility of the Chief Financial Officer.
The financial statements of French companies are prepared centrally at Klépierre's corporate headquarters on a pooled information system.
The Group has set up procedures to formalize audit working papers and accounting justification records to ensure that accounting operations are accurate and complete.
A second level of control ensures that the supporting documentation used to prepare the financial statements exists, is accurate and complete.
A process has been created to certify the data produced by the Group's foreign subsidiaries that are included in the scope of consolidation.
Every quarter, the finance managers of these subsidiaries certify:
• 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.

Furthermore, off-balance sheet procedures and events that occur after year-end closing are issued and complied with under the responsibility of the Corporate Accounting Department.

Each foreign affiliate has a correspondent in the Corporate Accounting Department who reports to the person in charge of consolidation. The consolidated financial statements are drawn up in accordance with a defined process that includes explicit instructions sent out to all consolidated accounting departments, which promotes the production of consistent accounting and financial information, compliant with Group accounting standards.
Each of the Group's local units does a quarterly accounting cut-off and produces a consolidation package within deadlines set by the Group. The consolidation department ensures that French and non-French accounting policies have been correctly applied. In addition, it justifies and analyzes all consolidation restatements to ensure their compliance with IFRS standards. Klépierre also uses external consulting services, primarily for tax matters, both in France and abroad.

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.
The management controls for each business area or support unit identify and validate the management information for each entity on a quarterly basis. The consolidated management data are then sent to Group management control. Each management control consists of consistency and plausibility tests on financial statements and intermediate balances, which also ensures additional second level control.
At the level of each entity, the principal management aggregates are reconciled with the accounting aggregates. In addition, a global reconciliation is carried out by the Group level management control to ensure that accounting results are compatible with the consolidated management results. These two stages of reconciliation contribute to the internal of both accounting and management information.
Naturally, this system was adapted with the application of IFRS.
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 Corporate Accounting 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.

# STATUTORY AUDITORS' REPORT

## prepared pursuant to Article L. 225-235 of the French Commercial Code on the report of the Chairman of the Supervisory Board of Klépierre with respect to the internal control procedures for the preparation and treatment of accounting and financial information

### YEAR ENDED 31 DECEMBER 2007

Dear Shareholders,

In our capacity as statutory auditors of Klépierre, and pursuant to 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 31 December 2007.

In his report, the Chairman reports, in particular, on the conditions for the preparation and organisation of the Supervisory Board's work and the internal control procedures implemented by the Company.

It is our responsibility to report to you our observations on the information and assertions set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and treatment of financial and accounting information underlying the information presented in the Chairman's report and existing documentation;
- obtaining an understanding of the work performed in the preparation of this information and existing documentation;
- determining whether any major internal control weaknesses regarding the preparation and treatment of financial and accounting information identified by us during the course of our audit have been appropriately disclosed in the Chairman's report.

On the basis of our procedures, we have no comment to make on the information given in respect of the internal control procedures relating to the preparation and treatment of financial and accounting information, set forth in the report of the Chairman of the Supervisory Board, prepared in accordance with Article L. 225-68 of the French Commercial Code.

Signed in Courbevoie
and Neuilly-sur-Seine, 7 March 2008

The Statutory Auditors

Mazars & Guérard
Julien Marin-Pache

Deloitte & Associés
Pascal Colin
Laure Silvestre-Siaz

*This is a free translation of the original French language text for information purposes only.*

02



# CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007

# INCOME
## Statement

### AS OF DECEMBER 31, 2007

| | Note | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Lease income | 5.2 | 597 178 | 519 570 | 449 017 |
| Land expenses (real estate) | 5.3 | -2 515 | -2 598 | -2 296 |
| Non-recovered rental expenses | 5.3 | -17 189 | -6 296 | -5 240 |
| Building expenses (owner) | 5.3 | -29 440 | -30 990 | -32 379 |
| **Net lease income** | | **548 034** | **479 686** | **409 102** |
| Management, administrative and related income | 5.2 | 64 195 | 57 497 | 46 362 |
| Other operating income | 5.2 | 18 265 | 9 480 | 7 217 |
| Survey and research costs | | -1 146 | -1 124 | -835 |
| Payroll expense | 8.1 | -64 810 | -59 938 | -52 365 |
| Other general expenses | | -25 165 | -22 145 | -19 040 |
| Depreciation and amortization allowance on investment property | 5.3 | -169 297 | -140 968 | -125 535 |
| Depreciation and amortization allowance on PPE | 5.3 | -4 365 | -3 126 | -4 587 |
| Provisions | 5.3 | -2 663 | 12 | -3 111 |
| **RESULTS OF OPERATIONS** | | **363 048** | **319 374** | **257 208** |
| Gains on the sale of investment property and equity interests | 5.4 | 96 113 | 122 459 | 163 831 |
| Net book value of investment property and equity investment sold | 5.4 | -55 740 | -91 399 | -143 597 |
| *Results of the sale of investment property and equity interests* | | *40 373* | *31 060* | *20 234* |
| *Profit on the sale of short term assets* | | *46* | *1 490* | *129* |
| Net dividends and provisions on non-consolidated investments | | 549 | -161 | -247 |
| Net cost of debt | 5.5 | -162 931 | -134 806 | -112 700 |
| Change in the fair value of financial instruments | | 0 | 55 | -40 |
| Effect of discounting | | 726 | -1 200 | -1 330 |
| Share in earnings of equity-method investees | | 2 634 | 671 | 557 |
| **PRE-TAX EARNINGS** | | **244 445** | **216 483** | **163 811** |
| Corporate income tax | 5.6 | -13 493 | -22 016 | -17 909 |
| **NET INCOME OF CONSOLIDATED ENTITY** | | **230 952** | **194 467** | **145 902** |
| of which | | | | |
| *Group share* | | *197 712* | *164 534* | *120 449* |
| *Minority interests* | | *33 239* | *29 933* | *25 453* |
| **Net income in share in euros** | | **1,4** | **1,2** | **0.9** |
| **Net income fully diluted share in euros** | | **1,4** | **1,2** | **0.9** |

In thousands of euros unless otherwise indicated

# BALANCE

## sheet

### ASSETS, AS OF DECEMBER 31

| | Note | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Non-allocated goodwill | 4.1 | 84 653 | 41 555 | 33 410 |
| Intangible assets | 4.2 | 7 269 | 7 478 | 6 033 |
| Tangible assets | 4.3 | 41 340 | 41 482 | 42 167 |
| Investment property | 4.4 | 6 670 090 | 5 930 744 | 5 487 725 |
| Fixed assets in progress | 4.4 | 463 983 | 207 825 | 107 692 |
| Property held for sale | 4.5 | 36 200 | 46 985 | 48 857 |
| Equity method securities | 4.6 | 46 600 | 3 023 | 2 877 |
| Non-consolidated securities | 4.8 | 512 | 585 | 609 |
| Other non-current assets | 4.9 | 33 846 | 17 104 | 18 743 |
| Interest rate swaps | 4.16 | 84 011 | 65 139 | 36 037 |
| Deferred tax assets | 4.18 | 33 675 | 26 275 | 33 417 |
| **NON-CURRENT ASSETS** | | **7 502 179** | **6 388 195** | **5 817 567** |
| Inventory | 4.10 | 11 684 | 2 463 | 7 895 |
| Trade accounts and notes receivable | 4.11 | 57 287 | 46 159 | 42 437 |
| Other receivables | 4.12 | 215 688 | 264 364 | 207 788 |
| *– Tax receivables* | | *49 645* | *111 048* | *62 685* |
| *– Other debtors* | | *166 043* | *153 316* | *145 103* |
| Cash and near cash | 4.13 | 195 476 | 157 696 | 166 663 |
| **CURRENT ASSETS** | | **480 135** | **470 682** | **424 783** |
| **TOTAL ASSETS** | | **7 982 314** | **6 858 877** | **6 242 350** |

In thousands of euros

## LIABILITIES, AS OF DECEMBER 31

| | Note | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Capital | | 193 890 | 184 657 | 184 657 |
| Additional paid-in capital | | 835 187 | 830 622 | 743 166 |
| Statutory reserve | | 18 466 | 18 466 | 18 466 |
| Consolidated reserves | | 756 275 | 756 865 | 813 021 |
| – *Treasury shares* | | *-96 168* | *-30 823* | *-9 096* |
| – *Fair value of financial instruments* | | *51 922* | *39 734* | *-9 201* |
| – *Other consolidated reserves* | | *800 521* | *747 954* | *831 318* |
| Consolidated earnings | | 197 712 | 164 534 | 120 449 |
| Shareholders' equity, group share | | 2 001 530 | 1 955 144 | 1 879 759 |
| Minority interests | | 480 502 | 436 961 | 424 829 |
| **SHAREHOLDERS' EQUITY** | | **2 482 032** | **2 392 105** | **2 304 588** |
| Non-current financial liabilities | 4.15 | 4 400 820 | 3 680 254 | 2 633 906 |
| Long-term allowances | 4.17 | 11 425 | 8 572 | 7 579 |
| Interest rate swaps | 4.16 | 7 731 | 0 | 4 009 |
| Security deposits and guarantees | | 107 899 | 93 900 | 81 338 |
| Deferred tax liabilities | 4.18 | 219 069 | 127 986 | 158 124 |
| **NON-CURRENT LIABILITIES** | | **4 746 944** | **3 910 712** | **2 884 956** |
| Current financial liabilities | 4.15 | 439 195 | 281 441 | 789 941 |
| Trade payables | | 62 991 | 61 772 | 55 790 |
| Payables to fixed asset suppliers | | 8 354 | 13 017 | 21 579 |
| Other liabilities | 4.19 | 163 209 | 135 017 | 115 847 |
| Social and tax liabilities | 4.19 | 79 589 | 64 813 | 69 649 |
| Short-term allowances | | 0 | 0 | 0 |
| **CURRENT LIABILITIES** | | **753 338** | **556 060** | **1 052 806** |
| **TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY** | | **7 982 314** | **6 858 877** | **6 242 350** |

In thousands of euros

# CONSOLIDATED CASH FLOW

## statement

### AS OF DECEMBER 31, 2007

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net income from consolidated companies | 230 951 | 194 467 | 145 902 |
| Elimination of expenditure and income with no cash effect or not related to operating activities | | | |
| – Amortizations and provisions | 179 462 | 141 302 | 135 657 |
| – Capital gains and losses on asset sales net of taxes and deferred taxes | -28 849 | -3 607 | -3 338 |
| – Reclassification of financial interests and other items | 191 156 | 142 079 | 122 544 |
| **Gross cash flow from consolidated companies** | **572 720** | **474 241** | **400 765** |
| Paid Taxes | -28 505 | -79 349 | -46 612 |
| Change in operating working capital requirements | 72 379 | -1 633 | 8 158 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **616 594** | **393 259** | **362 311** |
| **Cash flow from investment activities** | | | |
| Income from fixed assets sales | 99 949 | 120 773 | 163 893 |
| Acquisitions of intangible assets | -2 228 | -822 | – |
| Acquisitions of tangible assets | -856 | -1 461 | – |
| Acquisitions of investment properties | -362 016 | -671 972 | -479 378 |
| Acquisitions of subsidiaries through deduction of acquired cash | -515 541 | -66 180 | -130 145 |
| Change in loans and advance payments granted and other investments | 1 055 | 2 925 | 24 335 |
| **NET CASH FLOW FROM INVESTMENT ACTIVITIES** | **-779 637** | **-616 737** | **-421 295** |
| **Cash flow from financing activities** | | | |
| Dividends paid to the parent company's shareholders | -146 395 | -124 163 | -105 727 |
| Dividends paid to minorities | -58 796 | -39 782 | -23 186 |
| Dividends payable | 59 | – | – |
| Change in net position | 82 | 21 105 | – |
| Repayment of share premium | – | – | – |
| Acquisitions/Sale of treasury shares | -65 394 | -19 869 | 1 826 |
| New loans, financial debts and hedging instruments | 1 432 914 | 1 918 290 | 590 238 |
| Repayment of loans, financial debts and hedging instruments | -799 887 | -1 409 199 | -302 764 |
| Financial interests paid | -167 114 | -115 260 | -113 020 |
| **NET CASH FLOWS FROM FINANCING TRANSACTIONS** | **195 469** | **231 122** | **47 367** |
| Currency fluctuations | -1 556 | 36 | 1 765 |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **30 870** | **7 680** | **-9 852** |
| *Cash at beginning of fiscal year* | *62 697* | *55 017* | *64 869* |
| *Cash at close of fiscal period* | *93 567* | *62 697* | *55 017* |

In thousands of euros

# STATEMENT OF CHANGES

## in consolidated equity

### AS OF DECEMBER 31, 2007

| | | | | Consolidated reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Additional paid-capital | Statutory reserve | Treasury shares | Change in fair value | Currency translation reserves | Other consolidated reserves | Total | Net income/loss for the year | Shareholders' equity (group share) | Minority interests | Total equity |
| **December 31, 2005** | **184 657** | **743 166** | **18 466** | **-9 096** | **-9 201** | **0** | **831 318** | **813 021** | **120 449** | **1 879 759** | **424 829** | **2 304 588** |
| Change in the capital of the consolidating company | | 87 456 | | | | | -87 456 | -87 456 | | – | | – |
| Acquisitions and sale of treasury shares | | | | -21 727 | | | 2 218 | -19 509 | | -19 509 | | -19 509 |
| Transaction costs in capital | | | | | | | -1 855 | -1 855 | | -1 855 | | -1 855 |
| Consolidated earnings for the year | | | | | | | | – | 164 534 | 164 534 | 29 933 | 194 467 |
| Assignment of earnings and dividends paid to the parent company's shareholders | | | | | | | -3 714 | -3 714 | -120 449 | -124 163 | | -163 945 |
| Change in the fair value of financial instruments | | | | | 48 935 | | | 48 935 | | 48 935 | | 48 935 |
| Change in translation adjustment | | | | | | | 6 651 | 6 651 | | 6 651 | 42 | 6 693 |
| Changes in accounting methodss | | | | | | | | – | | – | | – |
| Change in the scope of consolidation and% of interest | | | | | | | | – | | – | 22 124 | 22 124 |
| Dividends paid to minorities | | | | | | | | – | | – | -39 782 | – |
| Repayments of equity to minorities | | | | | | | | – | | – | | – |
| Other movements | | | | | | | 792 | 792 | | 792 | -185 | 607 |
| **December 31, 2006** | **184 657** | **830 622** | **18 466** | **-30 823** | **39 734** | **0** | **747 954** | **756 865** | **164 534** | **1 955 144** | **436 961** | **2 392 105** |
| Change in the capital of the consolidating company | 9 233 | 4 565 | | | | | -13 798 | -13 798 | | – | | – |
| Acquisitions and sale of treasury shares | | | | -65 345 | | | -345 | -65 690 | | -65 690 | | -65 690 |
| Transaction costs in capital | | | | | | | | – | | – | | – |
| Consolidated earnings for the year | | | | | | | | – | 197 712 | 197 712 | 33 239 | 230 951 |
| Assignment of earnings and dividends paid to the parent company's shareholders | | | | | | | 18 139 | 18 139 | -164 534 | -146 395 | | -175 191 |
| Change in the fair value of financial instruments | | | | | 12 188 | | | 12 188 | | 12 188 | | 12 188 |
| Change in translation adjustment | | | | | | | 25 647 | 25 647 | | 25 647 | 122 | 25 769 |
| Changes in accounting methods | | | | | | | | – | | – | | – |
| Change in the scope of consolidation and% of interest | | | | | | | 19 073 | 19 073 | | 19 073 | 38 272 | 57 345 |
| Dividends paid to minorities | | | | | | | | – | | – | -28 796 | – |
| Repayments of equity to minorities | | | | | | | | – | | – | | – |
| Other movements | | | | | | | 3 851 | 3 851 | | 3 851 | 704 | 4 555 |
| **December 31, 2007** | **193 890** | **835 187** | **18 466** | **-96 168** | **51 922** | **0** | **800 521** | **756 275** | **197 712** | **2 001 530** | **480 502** | **2 482 032** |

In thousands of euros

# NOTES TO
## the consolidated financial statements

## 1. SIGNIFICANT EVENTS OF FISCAL YEAR 2007 AND PRIOR EXERCISE

### Fiscal year 2007

**Change in Klépierre group's shopping center holdings**

Poland
On May 7, 2007 Klépierre acquired Polish shopping centers located in the downtown areas of Rybnik and Sosnowiec, and on July 27 acquired the one in downtown Lublin from Plaza Centers Europe (PCE), for a total of 168 million euros. This transaction was made under the terms of the development agreement concluded with PCE in 2005, pertaining in particular to 3 shopping centers in Poland and 2 in the Czech Republic. The centers, which were inaugurated in March and May 2007, are fully leased up. Rybnik Plaza offers gross leasable floor area (GLA) of 18 057 sq.m. and 81 retail outlets, Sosnowiec Plaza has 13 157 sq.m. GLA and 75 retail outlets, and Lublin has 26 100 sq.m. GLA and 91 retail outlets.

Hungary
Klépierre paid 14.2 million euros to acquire 11 566 sq.m. of office space located in the real estate complex within the Duna Plaza shopping center that the Group already owns. The primary aim of this transaction was to facilitate the completion of an extension project for the center, which currently has 224 retail outlets covering GLA of 36 040 sq.m.
Klépierre also offered to acquire from Futureal Real Estate Holding Ltd. a shopping center project located within the last major real estate development deal in downtown Budapest. The project, covering 22 hectares and including 2 800 new apartments, is the largest service-oriented real estate development initiative in downtown Budapest, and includes 150 000 sq.m. of office space featuring a scientific R&D center and 10 000 sq.m. of public space surrounded by 20 000 sq.m. dedicated to public access leisure and recreation.
The shopping center will cover 34 600 sq.m. of leasable area spread over 4 levels, one of which will be entirely devoted to food and entertainment/recreation. It will also include 3 levels of underground parking for 1 200 vehicles. After obtaining a definitive building permit, Klépierre acquired the real estate base and, in addition, signed a property development agreement with the seller to carry out the construction work on the related development. Ségécé Hungary is responsible for the lease-up phase. Work commenced in August, and delivery is scheduled for the third quarter of 2009. Klépierre estimates put the total investment at 229 million euros, including interest expense carried until the completed project is open for business, including the 111 million euros outlay to date.

Italy
The restructured Val Vibrata shopping center in Colonella, on the Adriatic coast, was inaugurated on April 19, 2007. In an enlarged and renovated mall, the range of retailers has expanded with the arrival of 20 new outlets, including Esprit and Camaieu.

Portugal
Klépierre increased its equity interest from 50% to 100% in the Parque Nascente shopping center in Gondomar, when it paid 64.8 million euros in September to acquire the 50% stake held by Predica.

Greece
Klépierre paid 21 million euros to acquire the Carrefour Larissa shopping mall.

France
Klépierre paid 116 million euros for interests in 13 shopping centers or retail facilities under the terms of an agreement entered into on December 21, 2006 with Mr. Henri Hermand. They represent total useable retail floor area of more than 88 000 sq.m., 36 000 sq.m. of which is the share that was sold. In completing this transaction, Klépierre has acquired a stake in a number of large shopping centers, including Creil Saint-Maximin, Tourville-la-Rivière near Rouen and Le Belvédère in Dieppe. Four plots of land are also part of the agreement. The projected use for the main one, located in Forbach (57), is the creation of a business park covering 42 000 sq.m. next to a shopping mall and hypermarket.
In July, Klépierre acquired the two Leclerc hypermarkets adjoining the existing Blagnac and Saint-Orens malls in Toulouse, which it already owns.
After 19 months of work, the extension of the Belair center in Rambouillet was inaugurated in May 2007. The hypermarket was expanded by 2 450 sq.m., while the size of the mall grew fourfold. The retail mall now has a total of 45 retail outlets (there were 25 in 2005), including 5 mid-sized units (with Zara and Darty).

Klépierre invested 33 million euros to transform the Cap Saran mall, located north of Orléans, which reopened its doors on October 17, 2007. After 11 months of work, shoppers at the center are discovering 35 new retailers that reflect current consumption patterns and preferences, particularly in the area of fashion.

The extension of the Iroise shopping center in Brest was inaugurated on October 25, allowing for the integration of several new and particularly dynamic retailers such as H&M and Darty.

In addition, Klépierre inaugurated on September 4 the Champ de Mars shopping center in Angoulême. Developed by Ségécé, the downtown mall covers 15 500 sq.m. of retail floor area and includes a "city market" Monoprix, 3 mid-sized units, 36 retail outlets, and an array of restaurants and services. This shopping center represents an investment of 63 million euros.
Finally, Klépierre sold its 50% interest in the Cordeliers center in Poitiers for a total of 34.2 million euros in late November.
The sale price exceeded the June 30, 2007 appraisal by 35%.

## Retail segment: Klémurs pursues its development strategy

In March 2007, Klémurs acquired a portfolio of 14 assets integrated into business zones of the first rank, located on the outskirts of large metropolitan areas in France, for 37.2 million euros.
With this acquisition, Klémurs initiated the diversification of its portfolio, with the addition in particular of the Mondial Moquette retail outlets (58% of the investment in value terms).
The first stage in the development partnership with Buffalo Grill was carried out with the acquisition of 8 new restaurants for 16.8 million euros, bringing to 136 the number of Buffalo Grill restaurant properties owned outright (51) or via property finance leases (85).
At the end of December 2007, Klémurs acquired two Sephora retail outlet properties, located in the main shopping streets of Metz and Avignon, for an investment of 10.3 million euros.
Also at the end of 2007, Klémurs entered into a new partnership agreement with Défi Mode and the Vivarte group, under the terms of which Klémurs will become the owner of 112 outlets (99 000 sq.m.) in parallel to the acquisition by the Vivarte group of the clothing retailer's operation. The investment, which will be finalized in two phases – 87 existing assets will be acquired over the first quarter of 2008, and 25 under construction will be acquired at the latest on June 30, 2009 – will total 153 million euros for expected net rents of 9.1 million euros, full year. This transaction is consistent with the Group's strategy of developing real estate partnerships with major retailers.

## Offices: four disposals and pursuit of the Séreinis project

Klépierre sold two office buildings located in Levallois-Perret (Front de Paris) and rue de Turin (Paris, 8th arrondissement), as well as two minor assets (in Champlan-91 and a warehouse in Strasbourg) for a total amount of 74.7 million euros. These 4 assets contributed 0.4 million euros to rents in 2007. The related transactions were completed at a price that exceeded the latest appraisals by more than 11%.
Finally, construction work continued on the Séreinis building in Issy-les-Moulineaux, leading to capital expenditure of 14.6 million euros in 2007. The delivery of the building is maintained for late 2008, and the lease-up phase is expected to begin shortly.

## Full ownership of Ségécé strengthens Group cohesion

Klépierre acquired full ownership of Ségécé by purchasing the minority interests held by AXA Reim and BNP Paribas for 20 million euros (10%) and 30 million euros (15%), respectively.

## Change in debt and debt financing terms

On Friday 21 September 2007, Klépierre contracted a syndicated line of credit for 1 billion euros with 5 banks.
Launched for an initial amount of 800 million euros, this new syndicated loan has the following features:

- firm term of 7 years;
- margin of between 0.45% and 0.55%, based on a Loan To Value grid (net debt/RNAV);
- financial covenants, identical to those contracted with a banking syndicate in January 2006, pertaining primarily to the Loan To Value ratio (limited to 52%), EBITDA/interest expense (minimum 2.5), secured financing debt/RVAV ratio (limited to 20%).

The banks participating in the loan are BNP Paribas (lead arranger), BECM (Crédit Mutuel), Cicobail (Caisse d'Épargne Group), Helaba and ING (co-arrangers).

In January 2008, Standard & Poor's confirmed Klépierre's rating: BBB+ positive outlook.

## Dividend payment

On April 5, 2007, the shareholders at the general meeting determined a dividend of 3.2 euros per share (1.06 euro after the 3-for-1 stock split), up by 18.5%.
The dividend was paid on April 13, 2007.

## Stock split

Pursuant to the decision made by the shareholders at their annual general meeting on April 5, 2007, Klépierre performed a 3-for-1 stock split on September 3, 2007, bringing the unit price per share from 4.20 euros to 1.40 euros. As a result, the number of shares was simultaneously multiplied by 3 to reach 138 492 687 shares.
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, bringing the par value of the share from 4 euros to 4.20 euros.
Following these transactions, on September 3, 2007 the share capital of Klépierre was 193 889 761.80 euros, divided into 138 492 687 shares, each with a par value of 1.40 euro.

# Significant events of fiscal year 2007 and prior exercise

## Fiscal year 2006

### Change in Klépierre group's shopping center holdings

France
The Place d'Armes shopping center located in downtown Valenciennes was inaugurated on April 18. For Klépierre, the investment was 51.8 million euros, for full-year rents of 4.6 million euros.
Featuring 16 000 sq.m. GLA over two levels, the Place d'Armes center offers 60 new retail outlets (FNAC, H&M, Match supermarket, Zara, Sephora).
The acquisition of the Toulouse Purpan shopping center comes after the completion of major renovation work on the mall and the Carrefour hypermarket. The new center covers 7 220 sq.m. of GLA and counts 32 retail outlets.
In addition, Klépierre raised its stake in the company that owns the Val d'Europe shopping center by 15% (64 046 sq.m. GLA), brining its total ownership to 55%.

Italy
Investments were primarily focused on the extension of existing centers, in particular with the Giussano shopping center (10.2 million euros), located to the northwest of Milan, and in Varese (5.6 million euros).
Created in 1997, the Giussano shopping center was previously composed of a Carrefour hypermarket (14 000 sq.m.) and a 2 800 sq.m. mall. Now that the extension has been completed, the hypermarket covers 15 800 sq.m. and the size of the mall has been expanded to 8 200 sq.m., with 25 new retail anchors. There are three mid-sized units, including a Darty.
On January 5, 2006, Ségécé, a 75% subsidiary of Klépierre, acquired the outstanding capital of the Italian management company (PSG, which has since become Ségécé Italia), of which it previously owned 50%. The amount invested was 9.1 million euros.

Spain
Klépierre acquired the Molina de Segura shopping center (Autonomus Community of Valence) on June 30, 2006. This 10 651 sq.m. mall features 79 retail outlets and a Supercor supermarket, as well as a 600-space parking lot. The total amount of the investment was 29.3 million euros, for estimated rents of 1.9 million euros.

Portugal
Klépierre acquired the Braga shopping center (9 293 sq.m.) on December 28, 2006.

Czech Republic
Klépierre acquired the Novodvorska Plaza on June 29, 2006, located in the 4th district of Prague. Covering 26 000 sq.m., the center offers a Tesco (6 300 sq.m. GLA), around a hundred retail shops, an entertainment center composed of a Cinéma City and a bowling alley, as well as a parking for 870 vehicles. Klépierre invested 38.6 million euros.

### Investment in the real estate of major retailers

Klémurs, an 84.1% subsidiary of Klépierre after the IPO (Initial Public Offering) carried out in December 2006, acquired ownership of 128 Buffalo Grill restaurant properties in France. The investment was 296.2 million euros (including transfer duties and acquisition fees), and constitutes the first step in the strategic partnership agreement between Klémurs and Buffalo Grill, which also calls for the involvement of Klémurs in the development of the brand in France and across Europe.

### Office buildings: pursuit of divestment program and repositioning in acquisition

In accordance with its opportunistic investment policy for office properties, Klépierre both pursued its planned disposal program for mature assets and resumed its position as a buyer, making two acquisitions:

- The first covers 4 000 sq.m. and is located at 7 rue Meyerbeer, in the heart of the central business district of Paris (Opéra). This prime location should ultimately generate genuine reversion potential;
- The second involves the acquisition of an office building to be constructed in the ZAC Forum Seine in Issy-les-Moulineaux, in connection with the Property Development Contract (PDC). The building, which is scheduled for delivery at the end of 2008, will feature nearly 12 000 sq.m. of office space spread over 7 floors and more than 300 parking lots. The project is adjacent to another building owned by Klépierre, which is currently fully occupied by Steria.

These two transactions represent an investment of 112.9 million euros, including 67.0 million euros in 2006 and 45.9 million euros spread over 2007 and 2008 as par of the PDC of Issy-les-Moulineaux.
In addition, L'Espace Kléber, located at 25 avenue Kléber (Paris, 16th arrondissement), is developing 9 866 sq.m. of useful weighted space and was taken up by the Crédit Suisse group (9 years firm), for two third of the total space, and by Veolia Environnement (5 years), for the remaining third.
The leases went into effect on February 1, 2006 and will generate annual revenue of 6.45 million euros.
In parallel, 4 office assets were sold (28 025 sq.m. in total) for 112.6 million euros. These assets contributed rents of 3.3 million euros in fiscal year 2006.

### Change in debt financing terms

On January 31, 2006, Klépierre opened a line of credit for 1.5 billion euros, syndicated with 6 banks.
This credit facility was used to early refinance lines of credit expiring in 2006, 2007 and 2009, while also opening up new sources of financing. In particular, Klépierre redeemed early the club deals it had set up in 2003 and 2004, which included a back-up line of 300 million euros due in March 2006, as well as medium-term lines that were fully drawn down, for a total of 750 million euros. The bridge loan that was set up in the second half of 2005, for up to 400 million euros and drawn down for 275 million euros, was also fully repaid.
A new seven-year syndicated loan was

contracted, with a back-up commercial paper facility of 300 million euros and a long-term line of credit for 1.2 billion euros. Its principal features are indicated below:

- an initial margin of 0.35%, which is subject to adjustments based on a loan to value grid (ratio of net debt to revalued net assets);
- financing covenants that primarily concern the Loan To Value ratio (limited to 52%), the coverage of interest expense by EBITDA (minimum 2.5), and the secured financing to revalued net assets ratio (limited to 20%).

On February 28, 2006, Klépierre issued a 10-year bond, expiring on March 16, 2016, paying a coupon rate of 4.25%. The margin was set at 70bps above the 10-year swap rate.
In response to the significant over-subscription, Klépierre decided to raise the face value of the bond to 700 million euros (versus the originally contemplated sum of 500 to 600 million euros). The bonds are listed on the Luxemburg Stock Exchange.
Klépierre decided to use the proceeds to refinance bank loans expiring on 2006 and to meet the funding needs generated by its investment program.

### Dividend payment

On April 7, 2006, the general meeting decided to set the dividend at 2.7 euros per share (0.9 euro after the 3-for-1 stock split). The dividend was paid on April 13, 2006.

## 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 4, 2008, the Executive Board closed and authorized the publication of Klépierre SA's consolidated financial statements for the period from January 1, 2007 to December 31, 2007.
Klépierre shares are listed on 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, 2007 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, 2007 are presented in the form of complete accounts including all the information required by the IFRS framework.

During the past fiscal year, the Group adopted the new standards and amendments to existing standards, as well as the new IFRIC interpretations described below. Adoption of these new standards and revised interpretations had no impact on the Group's financial position or performance. However, it required additional notes to the consolidated financial statements:

- IFRS 7 Financial instruments: Disclosures;
- IAS 1 Amendments – Presentation of financial statements;
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of embedded derivatives;
- IFRIC 10 Interim financial reporting and impairment.

The main effects of these changes are as follows:

IFRS 7 Financial instruments – Disclosures
This standard stipulates that the notes to the financial statements should enable users to assess the significance of the financial instruments held by the Group as well as the nature and extent of risks arising from such instruments. The new disclosures required are to be included in the financial statements.

IAS 1 Presentation of financial statements
This amendment requires the Group to make additional disclosures that enable users of its financial statements to assess the objectives, policies and processes for managing capital.

IFRIC 8 Scope of IFRS 2
This interpretation states that IFRS 2 applies to all transactions in which the entity cannot identify specifically some or all of the goods or services received, particularly in cases where equity instruments are issued, when the identifiable counterparty received by the entity appears to be less than the fair value of the equity instruments granted. This interpretation has no bearing on the Group's financial position or performance.

IFRIC 9 Reassessment
of embedded derivatives
IFRIC 9 requires an entity, when it becomes party to a contract, to assess whether any embedded derivatives contained in the contract must be separated, while subsequent reassessment is prohibited except where changes to the contract significantly modify cash flow. Given that the Group holds no embedded derivative requiring separation from a host contract, this interpretation has no impact on the Group's financial position or performance.

IFRIC 10 Interim financial reporting
and impairment
This interpretation states that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Given that the Group has not recognized any such reversals, this interpretation has no impact on the Group's financial position or performance.

Moreover, the Group has decided against early application of the following IFRS standards and interpretations:
- IFRS 8 Operating segments;
- IFRIC 11 IFRS 2 – Group and treasury share transactions.

IFRS 8 Operating segments
This standard requires the Group to present specific information on its operating segments. It replaces the previous IFRS guidance on determining primary (business segment) and secondary reporting formats (geographic segments).

IFRIC 11 IFRS 2 –
Group and treasury share transactions
This interpretation stipulates that the entity must account for any share-based payment arrangements granting its employees rights to its equity instruments must be accounted for as equity-settled transactions, whatever means the entity uses to settle the related obligation, whether the necessary instruments are purchased from third parties or provided by the entity's shareholders.

### IFRS 1: Overview of methods for first-time adoption of IFRS in the financial statements at December 31, 2005

As a first-time adopter of IFRS standards at December 31, 2005, Klépierre applied the specific provisions of IFRS 1 relating to first-time adoption.
For preparing the January 1, 2004 opening balance sheet, the retrospective application of the standards applicable at December 31, 2005 means the following:

- the assets and liabilities to be included in the opening balance sheet at January 1, 2005 are all assets and liabilities that meet the accounting definitions and criteria of IFRS, and only these;
- the assets and liabilities are classified in accordance with IFRS;
- the assets and liabilities are measured in accordance with IFRS;
- the impact of adjustments is booked in equity at the beginning of the year.

The impacts of first-time adoption of IFRS are detailed on page 137 in the 2005 reference document.

The IAS 32-39 standards on financial instruments are applied as from January 1, 2005 (with no comparative data, in accordance with paragraph 36 a of IFRS 1).
The impacts of the application of IAS 32-39 are detailed in paragraph 10.5 of the notes to the consolidated financial statements included in the 2005 reference document.

As a first-time adopter at December 31, 2005, IFRS allows derogations from certain optional provisions:
- business combinations: non-restatement of business combinations that occurred prior to January 1, 2004 is allowed;
- fair value or revaluation as presumed cost: the amount recorded in the January 1, 2003 opening balance sheet as a result of the revaluation of property, plant and equipment and investment property to fair value, following adoption of SIIC status, has been used as the presumed cost of those assets;
- employee benefits: in the case of post-employment benefits under defined benefit plans, the Group has elected to apply the so-called "corridor" approach for posting actuarial gains and losses on the company's commitments;
- equity-settled transactions: only plans granted after November 7, 2002 and for which there were no vested rights at January 1, 2005 have been recognized in the accounts.

### Compliance with accounting standards

The consolidated financial statements of Klépierre SA 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 SA and of its subsidiaries at December 31, 2007.
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 9.1. 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-consolidates company.

The goodwill of equity-accounted companies is included in the carrying amount of "equity-accounted investments" and may not be amortized.

### Inter-company transactions

Inter-company balances together with profits resulting from transactions between Group companies are eliminated. Since January 1, 2005, any internal margin on development fees incorporated into the cost price of capitalized assets or inventories by the companies that purchased them is eliminated.
Financial products billed to property development companies are listed among their inventories 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 SA'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 |
| Structures | 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 proportions for fittings, technical services and façades at January 1, 2003 using the useful lives shown in the above grid, calculated from the date of construction or latest general 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 recovable 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 investment 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 SA 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%), 21% in the Czech Republic and 19% in Slovakia.

## 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 valuation models that apply market criteria. The term "model" refers to mathematical methods based on generally accepted financial theories.
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 prices are quoted on an active market, they 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 deferred 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 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, Spain, Portugal, Italy, Greece, Hungary, Poland and "other" Europe.

## 3. SCOPE OF CONSOLIDATION

| Companies | Siren n° | Head office | Methods December 2007* | % of interest | | % of holding | |
|---|---|---|---|---|---|---|---|
| | | | | 2007 | 2006 | 2007 | 2006 |
| 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 MALLS – FRANCE** | | | | | | | |
| SNC Kléber La Perouse | 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 | 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 Begles 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% | 75.25% | 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% |
| SAS Poitiers Aliénor | 410 245 757 | 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 | PC | 50.00% | 37.50% | 50.00% | 50.00% |
| SCA Klémurs | 419 711 833 | Paris | FC | 84.11% | 84.11% | 84.11% | 84.11% |
| SAS Cécobil | 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% |

| Companies | Siren n° | Head office | Methods December 2007* | % of interest | | % of holding | |
|---|---|---|---|---|---|---|---|
| | | | | 2007 | 2006 | 2007 | 2006 |
| SAS Odysseum Place de France | 428 788 525 | Paris | PC | 50.00% | 50.00% | 50.00% | 50.00% |
| SAS Klecar Participations Italy | 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% |
| 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% | – |
| SCI La Rocade | 319 524 070 | Paris | EM | 38.00% | – | 38.00% | – |
| SCI l'Emperi | 421 021 346 | Paris | EM | 15.00% | – | 15.00% | – |
| SCI Girardin | 339 293 532 | Paris | PC | 33.40% | – | 33.40% | – |
| SC Boutiques Saint-Maximin | 314 866 484 | Paris | FC | 42.50% | – | 42.50% | – |
| SARL Belvédère Invest | 418 124 475 | Paris | FC | 62.00% | – | 62.00% | – |
| SCI Haies Haute Pommeraie | 437 731 664 | Paris | EM | 43.00% | – | 43.00% | – |
| SCI Plateau des Haies | 423 665 413 | Paris | FC | 90.00% | – | 90.00% | – |
| SCI Halles Plérin | 340 255 280 | Joinville-le-Pont | EM | 25.00% | – | 25.00% | – |
| SCI Boutiques d'Osny | 339 797 607 | Paris | FC | 38.26% | – | 67.00% | – |
| SCI Plateau de Plérin | 329 393 805 | Paris | EM | 25.00% | – | 25.00% | – |
| SCI la Rocade Ouest | 319 658 399 | Paris | EM | 36.73% | – | 36.73% | – |
| SARL Forving | 442 692 539 | Paris | FC | 90.00% | – | 90.00% | – |
| SCI du Plateau | 382 949 873 | Boulogne-Billancourt | EM | 17.76% | – | 26.50% | – |
| SA Rezé Sud | 413 251 216 | Rézé | EM | 15.00% | – | 15.00% | – |
| SCI Maximeuble | 347 879 306 | Paris | FC | 100.00% | – | 100.00% | – |
| SCI Saint-Maximin Construction | 347 879 405 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI Immobilière de la Pommeraie | 348 268 996 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI Pommeraie Parc | 350 236 337 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI Champs des Haies | 351 335 914 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI La Rive | 348 974 080 | Paris | FC | 47.30% | – | 47.30% | – |
| SCI Rebecca | 428 291 520 | Paris | FC | 70.00% | – | 70.00% | – |
| SCI Aulnes developpement | 448 080 861 | Paris | FC | 25.50% | – | 50.00% | – |
| SARL Proreal | 447 572 686 | Paris | FC | 51.00% | – | 51.00% | – |
| SCI Sandri-Rome | 423 680 917 | Paris | EM | 15.00% | – | 15.00% | – |
| SCI La Roche Invest | 448 055 798 | Paris | EM | 32.50% | – | 32.50% | – |
| SCI Osny Invest | 420 796 708 | Paris | FC | 57.12% | – | 57.12% | – |
| SNC Parc de Coquelles | 348 281 965 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI Sogegamar | 950 591 792 | Paris | EM | 33.12% | – | 33.12% | – |
| SCI Achères 2000 | 422 380 576 | Paris | EM | 30.00% | – | 30.00% | – |
| SCI Le Mais | 378 907 000 | Paris | FC | 55.00% | – | 55.00% | – |
| SCI le Grand Pré | 352 765 994 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI Champs de Mais | 379 159 338 | Paris | EM | 25.00% | – | 25.00% | – |
| SCI des Salines | 394 253 959 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI les Bas Champs | 394 253 710 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI Des dunes | 394 253 819 | Paris | PC | 50.00% | – | 50.00% | – |
| SCI la Française | 394 253 264 | Paris | PC | 50.00% | – | 50.00% | – |

| Companies | Siren n° | Head office | Methods December 2007* | % of interest 2007 | % of interest 2006 | % of holding 2007 | % of holding 2006 |
|---|---|---|---|---|---|---|---|
| SCI LC | 422 654 392 | Paris | FC | 33.00% | – | 60.00% | – |
| SARL Société du bois des fenêtres | 418 683 124 | Vélizy-Villacoublay | EM | 20.00% | – | 20.00% | – |
| SAS KLE PROJET 1 | 493 511 620 | Paris | FC | 100.00% | – | 100.00% | – |
| SAS KLECAPNOR | 494 808 603 | Paris | FC | 84.11% | – | 100.00% | – |
| SNC CAP NORD | 332 024 926 | Lille | FC | 84.11% | – | 100.00% | – |
| SAS Vannes Coutume | 495 178 055 | Paris | FC | 100.00% | – | 100.00% | – |
| SAS KLE PROJET 2 | 479 506 345 | Paris | FC | 100.00% | – | 100.00% | – |
| Société des Centre Toulousains | 499 084 903 | Paris | FC | 75.81% | – | 75.81% | – |
| SA Holding Gondomar 2 | 438 567 265 | Paris | FC | 100.00% | – | 100.00% | – |
| SAS Holding Gondomar 4 | 438 567 331 | Paris | FC | 100.00% | – | 100.00% | – |
| SCI Noblespécialiste | 389 308 339 | Paris | FC | 75.81% | – | 100.00% | – |
| SNC La Marquayssonne | 379 881 121 | Paris | FC | 75.81% | – | 100.00% | – |
| SCI Restorens | 380 667 790 | Paris | FC | 75.81% | – | 100.00% | – |
| SNC Sodirev | 377 807 367 | Paris | FC | 75.81% | – | 100.00% | – |
| SCI Besançon Chalezeule | 498 801 778 | Paris | FC | 100.00% | – | 100.00% | – |
| **SERVICE PROVIDERS – FRANCE** | | | | | | | |
| SCS Ségécé | 562 100 214 | Paris | FC | 100.00% | 75.00% | 100.00% | 75.00% |
| SNC Klégestion | 398 058 149 | Paris | FC | 100.00% | 100.00% | 100.00% | 100.00% |
| SNC Ségécé Loisirs et Transactions | 421 220 252 | Paris | FC | 100.00% | 75.00% | 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% | 87.25% | 100.00% | 100.00% |
| Gie Klépierre Services | 435 194 725 | Paris | FC | 100.00% | 87.75% | 100.00% | 100.00% |

| Companies | Country | Head office | Methods December 2007* | % of interest 2007 | % of interest 2006 | % of holding 2007 | % of holding 2006 |
|---|---|---|---|---|---|---|---|
| **SHOPPING MALLS – 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% |
| 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 | Athens | FC | 83.00% | 83.00% | 100.00% | 100.00% |
| Klépierre Larissa | Greece | Athens | FC | 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% |

| Companies | Country | Head office | Methods December 2007* | % of interest | | % of holding | |
|---|---|---|---|---|---|---|---|
| | | | | 2007 | 2006 | 2007 | 2006 |
| 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% |
| 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% | – |
| Klépierre Corvin | Hungary | Budapest | FC | 100.00% | – | 100.00% | – |
| Corvin Retail | Hungary | Budapest | FC | 100.00% | – | 100.00% | – |
| Srl Immobiliare Magnolia | Italy | Milan | FC | 85.00% | 85.00% | 85.00% | 85.00% |
| Spa ICD | Italy | Milan | FC | 85.00% | 85.00% | 85.00% | 85.00% |
| Spa IGC | Italy | Milan | PC | 50.00% | 50.00% | 50.00% | 50.00% |
| Srl Novate | Italy | Milan | FC | 85.00% | 85.00% | 85.00% | 85.00% |
| 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% |
| Sarl Klépierre Météores | Luxemburg | Luxemburg | FC | 100.00% | – | 100.00% | – |
| SA Klépierre Luxembourg | Luxemburg | Luxemburg | FC | 100.00% | – | 100.00% | – |
| Besloten vennootschap Capucines BV | Netherlands | Amsterdam | FC | 100.00% | 100.00% | 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 | Cracovia | FC | 100.00% | 100.00% | 100.00% | 100.00% |
| Poznan SA | Poland | Cracovia | FC | 100.00% | 100.00% | 100.00% | 100.00% |
| Klépierre Poland | Poland | Warsaw | FC | 100.00% | 100.00% | 100.00% | 100.00% |
| Rybnik Plaza Spzoo | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| Sosnowiec Plaza Spzoo | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| Klépierre Rybnik | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| Klépierre Sosnowiec | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| Movement Poland Spzoo | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| Klépierre Lublin | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| Klépierre Galeria Poznan Spzoo | Poland | Cracovia | FC | 100.00% | – | 100.00% | – |
| Klépierre Galeria Krakow Spzoo | Poland | Cracovia | FC | 100.00% | – | 100.00% | – |
| Klépierre Warsaw Spzoo | Poland | Warsaw | FC | 100.00% | – | 100.00% | – |
| SA Finascente | Portugal | Carnaxide | FC | 100.00% | 50.00% | 100.00% | 50.00% |
| 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 | Lisboa | FC | 100.00% | 50.00% | 100.00% | 50.00% |
| SA Gondobrico | Portugal | Lisboa | FC | 100.00% | 50.00% | 100.00% | 50.00% |
| 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% |
| SA Delcis Cr | Czech Republic | Prague | FC | 100.00% | 100.00% | 100.00% | 100.00% |
| 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 Novo | Czech Republic | Prague | FC | 100.00% | 100.00% | 100.00% | 100.00% |

## Scope of consolidation

| Companies | Country | Head office | Methods December 2007* | % of interest 2007 | % of interest 2006 | % of holding 2007 | % of holding 2006 |
|---|---|---|---|---|---|---|---|
| Akciova Spolocnost ARCOL | Slovakia | Bratislava | FC | 100.00% | 100.00% | 100.00% | 100.00% |
| **SERVICE PROVIDERS – INTERNATIONAL** | | | | | | | |
| Ségécé España | Spain | Madrid Alcobendas | FC | 100.00% | 75.00% | 100.00% | 100.00% |
| SA Devimo Consult | Belgium | Brussels | EM | 35.00% | 26.25% | 35.00% | 35.00% |
| Srl Effe Kappa | Italy | Milan | PC | 50.00% | 50.00% | 50.00% | 50.00% |
| Ségécé Italia | Italy | Milan | FC | 100.00% | 75.00% | 100.00% | 100.00% |
| Ségécé Ceska Républika | Czech Republic | Prague | FC | 100.00% | 75.00% | 100.00% | 100.00% |
| SA Ségécé Portugal | Portugal | Carnaxide | FC | 100.00% | 75.00% | 100.00% | 100.00% |
| Ségécé Magyarorszag | Hungary | Budapest | FC | 100.00% | 75.00% | 100.00% | 100.00% |
| Ségécé Hellas | Greece | Athens | FC | 100.00% | 75.01% | 100.00% | 100.00% |
| Ségécé Polska | Poland | Warsaw | FC | 100.00% | 75.50% | 100.00% | 100.00% |
| Ségécé Slovensko | Slovakia | Bratislava | FC | 100.00% | 75.00% | 100.00% | 100.00% |

| Companies | Siren n° Country | Head office | Methods December 2007* | % of interest 2007 | % of interest 2006 | % of holding 2007 | % of holding 2006 |
|---|---|---|---|---|---|---|---|
| **DECONSOLIDATED COMPANIES** | | | | | | | |
| SAS Opale (simplified merger [TUP]) | 398 968 735 | Paris | NC | – | 100.00% | – | 100.00% |
| SAS Socoseine | 389 287 871 | Paris | NC | – | 93.75% | – | 100.00% |
| SAS 5 Turin (simplified merger [TUP]) | 398 969 014 | Paris | NC | – | 100.00% | – | 100.00% |
| SAS Le Havre Tourneville (simplified merger [TUP]) | 407 799 493 | Paris | NC | – | 100.00% | – | 100.00% |
| SAS Le Havre Capelet (simplified merger [TUP]) | 410 336 564 | Paris | NC | – | 100.00% | – | 100.00% |
| AMC Prague | Czech Republic | Prague | NC | – | 75.00% | – | 100.00% |
| SNC Espace Cordeliers | 421 101 882 | Paris | NC | – | 50.00% | – | 50.00% |

* FC: Full consolidation. – PC: Proportionate consolidation. – EM: Equity method consolidation. – NC: Deconsolidated during the year.

### Equity interests in subsidiaries

The Group consolidated 195 companies at December 31, 2007 against 135 at December 31, 2006.

• **39 entries resulted from the acquisition of Progest group by Kléber La Pérouse.**

– 14 companies were fully consolidated: Progest, SC Boutiques Saint-Maximim, SARL Belvédère Invest, SCI Plateau des Haies, SCI Boutiques d'Osny, SARL Forving, SCI Maximeuble, SCI La Rive, SCI Rebecca, SCI Aulnes Developpement, SARL Proreal, SCI Osny Invest, SCI Le Mais, and SCI LC.

– 11 companies were consolidated on a proportionate basis: SCI Girardin, SCI Saint-Maximin Construction, SCI Immobilière de la Pommeraie, SCI Pommeraie Parc, SCI Champs des Haies, SNC Parc de Coquelles, SCI le Grand Pré, SCI des Salines, SCI les Bas Champs, SCI des Dunes, and SCI la Française.

– 14 companies were consolidated under the equity method: SCI La Rocade, SCI l'Empéri, SCI Haies Haute Pommeraie, SCI Halles Plérin, SCI Plateau de Plérin, SCI La Rocade Ouest, SCI du Plateau, SA Rézé Sud, SCI Sandri-Rome, SCI Sogegamar, SCI Achères 2000, SCI Champs de Mais, SCI La Roche Invest and SARL Bois des fenêtres.

Goodwill on acquisition, 115.7 million euros, was fully assigned to property assets.

• **9 Polish companies were fully consolidated.**

– Rybnik Plaza Spzoo and Sosnowiec Plaza Spzoo were acquired in 2007. As part of the reorganization of Polish structures, they transferred their malls to their parent company Klépierre Rybnik and Klépierre Sosnowiec at the end of 2007, and received equity interest securities from them in exchange. Rybnik Plaza Spzoo and Sosnowiec Plaza Spzoo are 99% owned by Capucines BV and 1% by LP7.

– Klepierre Galeria Poznan and Klepierre Galeria Krakow hold the Poznan and Krakow centers received as a contribution from Poznan Plaza and Krakow plaza. They are 99.98% owned by Capucines BV.
– Klepierre Warsaw was also created during the reorganization of the Polish structures. It is a holding company that is 99.8% controlled by Capucines BV.
– Klépierre Lublin was fully created by Capucines BV which is the 100% owner. In the second quarter of 2007, Klépierre Lublin made an offer to buy 100% of the securities of Movement Poland, owner of the Lublin shopping mall. The Polish acquisitions generated overall goodwill on acquisition of 47.2 million euros fully assigned to property assets.

• 3 companies were fully consolidated following the acquisition, on June 11, 2007 of Galerie Larissa Thessalia in Greece.
– Klépierre Larissa, owner of the mall, its parent, the Luxembourg company Klépierre Méteores, which is a subsidiary of Klépierre Luxembourg.

Goodwill on acquisition, 7.6 million euros, was fully assigned to property assets.

• Acquisition of 2 companies in the context of the Porto Gondomar transaction.
– Klépierre's equity interests in the Gondobrico and Galeria Parque Nascente (held by Finascente) malls was increased from 50% to 100%. This transaction entailed the buyout of two companies: SA Holding Gondomar 2 and SAS Holding Gondomar 4 which hold respectively 50% of the securities of Finascente and Gondobrico. It also leads to a change of consolidation method for Finascente, Galeria Parque Nascente and Gondobrico which are now fully consolidated.

Goodwill on acquisition, 23.4 million euros, was fully assigned to property assets. A free revaluation of 19.4 million euros was first recorded in order to adjust the value of the initial investment.

• Entry of 5 companies in the context of the Toulouse Mermoz transaction:
– Created and 75.81% owned by Klépierre SA, Société des Centers Toulousains bought SCI Noblespécialiste in Blagnac, SNC Sodirev, SNC La Marquayssonne, and SCI Restorens in Saint-Orens de Gameville.
Goodwill on acquisition, 118.2 million euros, was assigned to property assets.

• The acquisition of 14 commercial assets from the group Mitiska NV on March 29 2007 resulted in the consolidation of 2 French companies.
– Cap Nord, owner of the assets and its parent, Klécapnor, holding company created and 100% owned by Klémurs.

Goodwill on acquisition, 24.8 million euros, was fully assigned to property assets. The two companies are fully consolidated.

• Klé Projet 1 is fully consolidated for the first time.
– A 100% French subsidiary of Klépierre, Klé Projet 1 was created for the purpose of carrying different development projects. In June 2007, it acquired the Castorama store in Vannes.

• Klé Projet 2 was fully consolidated in the context of an extension of the Givors mall.
– Klé Projet 2, 100% subsidiary of Klé Projet 1, was created to acquire 100% of SCI Roseaux and SNC GSE GIER Services Entreprises, companies which operate the plots of land on which the future extension will be built. During the fourth quarter 2007, the entire assets and liabilities of the two subsidiaries were fully transferred into Klé Projet 2.

Goodwill on acquisition, 7.8 million euros, was fully assigned to property assets.

• Creation of SAS Vannes Coutumes and SCI Besançon Chalezeule
– SAS Vannes Coutumes is 99.97% owned by SAS Cécoville and by LP7; SCI Besançon Chalezeule is 100% owned by Klépierre. Their assets comprise ground floor retail outlets or isolated lots.

• 3 entries into the basis according to the full consolidation method in Hungary.
– Created at the beginning of the year, Duna Plaza Offices, a Hungarian company 100% owned by Klépierre Participations et Financements, acquired the offices located in the Duna Plaza shopping center which has been owned by the group since 2004.
– Klépierre Participation Financements owns 100% of Klépierre Corvin, an entity created in January 2007 with a view to buying 100% of the securities of the Hungarian company Corvin Retail owner of the land on which the Corvin mall will be built.

Goodwill on acquisition, 104.6 million euros, was fully assigned to property assets.

• 7 companies were removed from the scope of consolidation following mergers, total transfer of assets and liabilities, disposals or deconsolidations.
– Four companies merged with and into Klépierre, they include: SAS Opale, SAS 5 Turin, SAS Le Havre Capelet and SAS Le Havre Tourneville.
– AMC Prague was taken over by Ségécé Ceska Republika, with retroactive effect to January 1, 2007.
– Socoseine was deconsolidated as it has neither assets nor activity.
– Poitiers Aliénor sold its entire share (50%) in Espace Cordeliers outside the group.

• Klépierre's interest percentage in Ségécé rose from 75% to 100% leading to the recognition of goodwill of 43.7 million euros.
– In September 2007, Klépierre bought 10% of Ségécé securities from AXA for 20 million euros;
– In October 2007, Ségécé reduced its capital by 240 000 euros by cancelling the 15 000 equity shares held by BNP Paribas and giving it the sum of 30 million euros in return for the cancellation of its equity shares (15%).

Lastly, the company Hypernoble, acquired in the third quarter of 2007 by Holding Gondomar 1 was taken over by Holding Gondomar 1.
The goodwill determined prior to the merger, 42.3 million euros, was fully assigned to property assets.

## Scope of consolidation

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:

| 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 indebtedness including bank overdrafts |
|---|---|---|---|---|---|---|---|---|---|---|
| Progest Group | France | 09.01.2007 | 7 187 | 4 256 | 4 538 | – | – | 167 423 | 167 423 | 8 194 |
| SNC CAP NORD | France | 29.03.2007 | 1 786 | 1 152 | -331 | – | – | 39 277 | 39 277 | 2 482 |
| Klépierre Larissa | Greece | 11.06.2007 | 851 | -45 | 886 | – | – | 23 676 | 23 676 | -324 |
| Klépierre Météores | Luxemburg | 11.06.2007 | – | -12 | -262 | – | – | – | – | -4 |
| Rybnick Plaza Spzoo | Poland | 07.05.2007 | 2 177 | -1 043 | 271 | – | – | – | – | -247 |
| Sosnowiec Plaza Spzoo | Poland | 07.05.2007 | 1 826 | -343 | 685 | – | – | – | – | -182 |
| SA Holding Gondomar 2 | France | 28.09.2007 | | -26 | -175 | – | | – | | -51 |
| SAS Holding Gondomar 4 | France | 28.09.2007 | | -10 | -17 | – | | – | | -163 |
| SCI Noblespécialiste | France | 19.07.2007 | 58 | 56 | 5 | – | | 47 024 | | -103 |
| SNC Sodirev | France | 19.07.2007 | 1 476 | 431 | 226 | – | | 37 955 | | 4 646 |
| SNC La Marquayssonne | France | 19.07.2007 | – | 17 | 20 | | | – | | -255 |
| SCI Restorens | France | 19.07.2007 | 43 | 32 | -13 | | | 52 504 | | 488 |
| Corvin Retail | Hungary | 30.07.2007 | – | – | – | | | 141 508 | | -404 |
| Movement Poland Spzoo | Poland | 27.07.2007 | 2 494 | -1 419 | -225 | | | – | | -1 291 |
| **TOTAL** | | | **17 898** | **3 046** | **5 608** | **–** | **–** | **509 367** | **230 376** | **12 786** |

in thousands of euros

In addition, the purchase price and the amount paid out for the equity interest securities in 2007 are:

| | Purchase price of securities | Amount paid in 2007 for acquisition of securities | Amount paid in 2007 for buyback of current accounts | Cash position on the acquisition date |
|---|---|---|---|---|
| Progest | 125 160 | 125 160 | 1 295 | 4 072 |
| Corvin Retail | 109 460 | 109 460 | – | – |
| HyperNoble (Gondomar 1)* | 43 304 | 43 304 | 170 | 44 |
| SNC La Marquayssonne | 39 150 | 39 150 | 117 | 305 |
| SNC Sodirev | 33 724 | 33 724 | 3 468 | 463 |
| SCI Restorens | 26 433 | 26 433 | 1 154 | 28 |
| SA Holding Gondomar 2 | 25 696 | 25 696 | 40 989 | 10 338 |
| Cap Nord | 24 160 | 24 160 | 5 208 | 591 |
| SCI Noblespécialiste | 23 595 | 23 595 | 1 989 | 153 |
| Movement Poland Spzoo | 21 859 | 21 859 | 14 794 | 2 156 |
| Klépierre Larissa | 13 752 | 13 752 | – | 962 |
| Rybnik Plaza Spzoo | 13 248 | 13 248 | 8 851 | 1 743 |
| Sosnowiec Plaza Spzoo | 11 271 | 11 271 | 15 532 | 1 699 |
| SCI des Roseaux, GSE GIER Services Entreprises (Klé Projet 2)* | 9 415 | 9 415 | 132 | 539 |
| Klépierre Météores | 5 597 | 5 597 | – | 20 |
| SAS Holding Gondomar 4 | 608 | 608 | 5 644 | 1 175 |

* The assets and liabilities of SCI les Roseaux, GSE GIER Services Entreprises and Hypernoble were completely transferred in fiscal year 2007.

in thousands of euros

# 4. NOTES TO THE FINANCIAL STATEMENTS: BALANCE SHEET

## 4.1. Non-allocated goodwill

| | 2005 December | 2006 December | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Other movements, reclassification | 2007 December |
|---|---|---|---|---|---|---|
| Metropoli | 913 | 913 | | | | 913 |
| Vignate | – | 897 | | -377 | | 520 |
| Galeria Parque Nascente | 1 713 | 1 713 | | | | 1 713 |
| Ségécé España | 11 977 | 11 977 | | | | 11 977 |
| Ségécé | 9 111 | 9 111 | 43 264 | | | 52 375 |
| Ségécé Magyarorszag | 3 174 | 3 174 | 215 | | | 3 389 |
| Scoo | 814 | 814 | | | | 814 |
| ICD (Brescia) | 909 | 909 | | | | 909 |
| IGC | 3 209 | 3 209 | | | | 3 209 |
| Ségécé Italia | 902 | 8 150 | | | | 8 150 |
| Other differences | 688 | 688 | | | -4 | 684 |
| **NET GOODWILL** | **33 410** | **41 555** | **43 479** | **-377** | **-4** | **84 653** |

in thousands of euros

Non-allocated goodwill amounted to 84.7 million euros on December 31, 2007, up by 43.1 million euros primarily due to the additional equity stake of 25% taken in Ségécé.

## 4.2. Intangible assets

Intangible assets mainly comprise software amortized over a straight line periods of 1 to 4 years.

| | 2005 December | 2006 December | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Allowances for the period | Changes in consolidation scope | Currency fluctuations | Other movements, reclassification | 2007 December |
|---|---|---|---|---|---|---|---|---|---|
| Leasehold | 460 | 461 | | | | | | | 461 |
| Business concerns | 1 531 | 2 023 | | -76 | | -390 | -39 | -817 | 701 |
| Software | 10 921 | 11 193 | 351 | -27 | | -3 | 2 | 237 | 11 753 |
| Other intangible assets | 3 923 | 4 803 | 1 877 | | | | 43 | -637 | 6 087 |
| **Total gross value** | **16 835** | **18 480** | **2 228** | **-103** | **0** | **-393** | **6** | **-1 217** | **19 001** |
| Leasehold | – | – | | | | | | | |
| Business concerns | – | – | | | | | | | – |
| Software | -7 872 | -8 742 | | | -1 838 | 3 | 37 | 1 108 | -9 432 |
| Other intangible assets | -2 930 | -2 260 | | | -347 | | -12 | 319 | -2 300 |
| **Total amortizations** | **-10 802** | **-11 002** | **0** | **0** | **-2 185** | **3** | **25** | **1 427** | **-11 732** |
| **INTANGIBLE ASSETS – NET VALUE** | **6 033** | **7 478** | **2 228** | **-103** | **-2 185** | **-390** | **31** | **210** | **7 269** |

in thousands of euros

## 4.3. Tangible assets

Tangible assets include two buildings in Paris operated by the Group: 21, rue La Pérouse and Espace Dumont d'Urville together with the equipment and furniture allocated for the operation.

| | 2005 December | 2006 December | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Allowances for the period | Currency fluctuations | Changes in consolidation scope | Other movements, reclassification | 2007 December |
|---|---|---|---|---|---|---|---|---|---|
| Land | 23 030 | 23 030 | | | | | | | 23 030 |
| Constructions and fixtures | 17 683 | 17 683 | | | | | | | 17 683 |
| Furniture and equipment | 6 965 | 8 410 | 856 | -141 | | 50 | 108 | -97 | 9 186 |
| **Total gross value** | **47 678** | **49 123** | **856** | **-141** | **–** | **50** | **108** | **-97** | **49 899** |
| Constructions and fixtures | -1 994 | -2 655 | | | -664 | | | | -3 319 |
| Furniture and equipment | -3 517 | -4 986 | | 98 | -1 291 | -5 | -105 | 1 049 | -5 240 |
| **Total amortizations** | **-5 511** | **-7 641** | **–** | **98** | **-1 955** | **-5** | **-105** | **1 049** | **-8 559** |
| Provision for impairment | | | | | | | | | – |
| **TANGIBLE ASSETS – NET VALUE** | **42 167** | **41 482** | **856** | **-43** | **-1 955** | **45** | **3** | **952** | **41 340** |

in thousands of euros

## 4.4. Investment property and fixed assets in progress

| | 2005 December | 2006 December | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Amortization allowance and changes in provisions | Currency fluctuations | Changes in consolidation scope | Other movements, reclassification | 2007 December |
|---|---|---|---|---|---|---|---|---|---|
| Land | 2 763 216 | 2 944 625 | 65 460 | -5 836 | | 6 245 | 198 130 | 123 857 | 3 332 481 |
| Constructions and fixtures | 3 040 215 | 3 434 790 | 79 480 | -6 014 | | 26 400 | 329 629 | 105 263 | 3 969 548 |
| **Total gross value** | **5 803 431** | **6 379 415** | **144 940** | **-11 850** | **–** | **32 645** | **527 759** | **229 120** | **7 302 029** |
| Constructions and fixtures | -308 650 | -438 963 | | 977 | -153 964 | -2 088 | -19 618 | 7 352 | -606 304 |
| **Total amortizations** | **-308 650** | **-438 963** | **–** | **977** | **-153 964** | **-2 088** | **-19 618** | **7 352** | **-606 304** |
| Provision for impairment | -7 056 | -9 708 | | 175 | -15 333 | -769 | | | -25 635 |
| **INVESTMENT PROPERTY – NET VALUE** | **5 487 725** | **5 930 744** | **144 940** | **-10 698** | **-169 297** | **29 788** | **508 141** | **236 472** | **6 670 090** |

in thousands of euros

**Investments for the year, excluding fixed assets in progress totalled 144.9 million euros.**

In France, the principal operation concerns the finance lease acquisition of the Valence center for 49 million euros.

Klémurs paid 16.8 million euros for the real-estate property of 8 Buffalo Grill restaurants located in Saint-Lô, Bar-le-Duc, Gien, Montauban, Morlaix, Saint-Pierre-lès-Elbeuf, Roncq – Lille and Dreux, raising the number of Buffalo Grill restaurants to 136, 51 in full ownership and 85 of them via finance lease agreements.

The other increases in assets concern the acquisitions of three Sephora shops including the two acquired by Klémurs (Metz: 6 million euros, Rennes: 5.3 million euros, Avignon: 4.4 million euros), of a cafeteria in Tourville (3.4 million euros), of several plots of land for the Toulouse shopping centers (2.6 million euros), of the land and the premises located Rue du Méne (2.3 million euros), of a Feu Vert shop in Hérouville (1.9 million euros), of two premises in Cholet (1.6 million euros), of an earnout on the Givors land (1.4 million euros), of three shopping premises in Besançon Chalezeule (1 million euros).

Outside France, the most significant investments included: in Italy with the restructuring of the Varese center (13.9 million euros) and in Hungary with the acquisition of land for the construction of a Corvin shopping center right in the heart of Budapest (10 million euros). The other investments concerned in Belgium, the development of the FNAC store in the Louvain-la-Neuve mall (4.6 million euros), in southern Italy, the restructuring of the Bari center (3 million euros) and in Portugal, the acquisition of a Toy's R'Us store in Braga (2.6 million euros).

**Changes in the scope totalled 527.8 million euros and comprised the transactions below:**

- Progest and its subsidiaries, for which the assets distributed over 13 French sites represent total investment of 159.7 million euros including the goodwill on acquisition assigned to investment property;
- The Rybnik, Sosnowiec and Lublin malls for 164,6 million euros;
- The Restorens, Noblespécialiste and Sodirev malls for 55.6 million euros;
- Hypernoble for 56 million euros, Cap Nord for 38.4 million euros, Larissa Thessalia for 24 million euros, Duna Plaza Office for 13.3 million euros, Givors (Klé Projet 2) for 15.3 million euros.

**Other movements and reclassification for 229.1 million euros, including:**

- The impact of the consolidation method change for Galeria Parque Nascente and Gondobrico as well as the free revaluation of their assets and the assignment of goodwill which leads to an overall increase in investment property of 110.7 million euros;
- commissionings for the year, from "fixed assets in progress" 190 million euros;
- a reduction of -33.2 million euros after the reclassification of property held for sale under the item "buildings held for sale";
- various other movements for -38 million euros: disposal of the Cordeliers mall in Poitiers, reclassification towards other balance sheet items especially inventories.

The "Provision for impairment" line item includes a property provision of 16.0 million euros on shopping centers located in Poland, 5.2 million euros in the Czech Republic, 1.8 million euros in Italy and 1 million in Spain.

| | 2005 December | 2006 December | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Amortization allowance and provisions | Currency fluctuations | Changes into consolidation scope | Other movements, reclassifica-tion | 2007 December |
|---|---|---|---|---|---|---|---|---|---|
| FIXED ASSETS IN PROGRESS | 107 692 | 207 825 | 212 496 | -409 | | -3 625 | 238 191 | -190 495 | 463 983 |

in thousands of euros

The increase in fixed assets in progress was due to ongoing constructions managed by the Group or supervised by third parties under Property Development Contracts (PDC):

**In France:** Séreinis office buildings (14.6 million euros), Odysseum in Montpellier (34.5 million euros), extensions of the Claye-Souilly malls (16.2 million euros), Cabestany (13.1 million euros), Val d'Europe (12.9 million euros), Rambouillet (12.6 million euros), Saran (15.2 million euros), Angoulême (10.6 million euros), Combault (5.7 million euros), Laon (5.5 million euros), Grand Nîmes (7.9 million euros), Cesson (4.7 million euros), Jaude (4.1 million euros), Vitrolles (3.4 million euros), Vaulx-en-Velin (2.5 million euros), Portet-sur-Garonne (3.3 million euros) and Aubervilliers (2 million euros).

**Outside France:** Vallecas (Spain for 5.9 million euros) and Corvin (Hungary for 4.6 million euros).

Entries in the scope of consolidation also had an impact on fixed assets in progress with Corvin Retail (130.7 million euros), Noblespecialist and Restorens (91.9 million euros) and Progest (11 million euros).

At December 31, 2007, the net carrying amount of investment property by business and by geographic sector was as follows:

| | Net carrying value of investment property |
|---|---|
| **Shopping centers** | **5 749 612** |
| France | 2 864 676 |
| Italy | 874 614 |
| Spain | 734 324 |
| Poland | 389 594 |
| Hungary | 248 108 |
| Belgium | 154 178 |
| Portugal | 257 226 |
| Czech Republic | 141 698 |
| Greece | 70 820 |
| Other | 14 374 |
| **Shops** | **339 749** |
| **Office buildings** | **580 729** |
| **TOTAL** | **6 670 090** |

in thousands of euros

## 4.5. Properties held for sale

| | 2005 December | 2006 December | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Other movements, reclassification | 2007 December |
|---|---|---|---|---|---|---|
| BUILDINGS HELD FOR SALE | 48 857 | 46 985 | | -43 984 | 33 199 | 36 200 |

in thousands of euros

The "other movements" line item includes reclassifications of the Hungarian malls Zalaegerszed and Csepel, and part of the Annecy mall (41.72%).
The "decreases" reflect the divestments of two office buildings, 5 Turin and Front de Paris, and of the Rheinfeld warehouse in Strasbourg.

## 4.6. Equity method securities

| | |
|---|---|
| INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD DECEMBER 31, 2005 | 2 877 |
| INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD DECEMBER 31, 2006 | 3 023 |
| % of earnings from companies accounted for by the equity method for 2007 | 2 634 |
| Dividends received from companies accounted for by the equity method | -630 |
| Other movements | 41 573 |
| INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD DECEMBER 31, 2007 | 46 600 |

in thousands of euros

The Group consolidated 15 companies under the equity method at December 31, 2007 against 1 at December 31, 2006.
The "Other movements" line item includes, for 41.8 million euros, the goodwill on acquisition of the 12 Progest subsidiaries consolidated under the equity method.

## 4.7. Non-consolidates securities

Joint companies are consolidated on a proportionate basis.

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Share in the balance sheet of associate companies** | | | |
| Current assets | 7554 | 15531 | 24393 |
| Non current assets | 193189 | 183707 | 180677 |
| **Total assets** | **200743** | **199238** | **205070** |
| Current liabilities | 112186 | 122182 | 117281 |
| Non current liabilities | 88557 | 77056 | 87789 |
| **Total liabilities** | **200743** | **199238** | **205070** |
| **Share in the earnings of associate companies** | | | |
| Income from regular business | 23840 | 26265 | 25267 |
| Operating expenses | -10602 | -11106 | -9178 |
| Financial result | -5012 | -5355 | -5237 |
| Pre tax earning | 8228 | 9803 | 10852 |
| Corporate Income tax | 3275 | -2603 | -4632 |
| **NET INCOME** | **11503** | **7200** | **6220** |

in thousands of euros

## 4.8. Non-consolidated securities

The "financial assets" line item comprises the securities below:

| | December 31, 2007 | | | | | December 31, 2006 | | | | | December 31, 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity | Earning for the period | % of holding | Gross value of securities | Net value of securities | Equity | Earning for the period | % of holding | Gross value of securities | Net value of securities | Net value of securities |
| **Principal securities** | | | | **1650** | **475** | | | | **1442** | **404** | **493** |
| SAS Sovaly | 268 | -48 | 100% | 572 | 220 | 308 | -41 | 100% | 572 | 309 | 308 |
| SARL Klépierre Trading | 179 | -19 | 100% | 199 | 160 | | | | | | |
| SAS Socoseine | 80 | -6 | 100% | 99 | 19 | | | | | | |
| SAS Nancy Bonsecours | 76 | -18 | 100% | 535 | 76 | 77 | -19 | 100% | 535 | 95 | 75 |
| SKF Spa | 3 | -2 | 50% | 245 | – | nc | nc | 50% | 245 | – | – |
| SAS Opave | | | 100% | | | 34 | -8 | 100% | 90 | – | 24 |
| SNC Pasteur | | | | | | | | | | | 86 |
| **Other investment securities** | | | | **58** | **37** | | | | **228** | **181** | **116** |
| **TOTAL** | | | | **1708** | **512** | | | | **1670** | **585** | **609** |

in thousands of euross

SA Sovaly is an entity with the purpose of developing the Gare de Lyon planning project.

### 4.9. Other non current assets

The other non-current assets mainly include advances and loans granted to unconsolidated companies, and under equity-method or on a proportionate basis consolidated companies. The residual value of the leased building (Lille), is considered as a finance-lease transaction recognized in non-current receivables.

| | 2005 December | 2006 December | Entries into scope of consolidation | Increases | Decreases | Other | 2007 December |
|---|---|---|---|---|---|---|---|
| Finance lease fixed assets | 2 107 | 1 905 | | | | -226 | 1 679 |
| Advance payments to non consolidated, under the equity method or proportionate consolidation companies **(A)** | 8 589 | 6 580 | 7 228 | 14 172 | -3 152 | -3 179 | 21 649 |
| Loans | 31 | 19 | 245 | 753 | -661 | 1 | 357 |
| Other long-term investments | – | – | | | | | – |
| Security deposits | 7 812 | 8 544 | 25 | 1 399 | -875 | 7 | 9 100 |
| Other long-term financial | 204 | 56 | 5 | 1 023 | -22 | | 1 062 |
| **TOTAL** | **18 743** | **17 104** | **7 503** | **17 347** | **-4 710** | **-3 397** | **33 846** |

in thousands of euros

**(A)** Itemized statement of advance payments:

| | 2005 December | 2006 December | Entries into scope of consolidation | Increases | Decreases | Other | 2007 December |
|---|---|---|---|---|---|---|---|
| SCI du Bassin Nord | 2 962 | 3 442 | | 79 | 24 | -1 316 | 2 229 |
| SA Soaval | 1 443 | 1 514 | | | -1 514 | | – |
| SAS Bègles d'Arcins | | | | | | 627 | 627 |
| SCI La Roche Invest | | | | 12 512 | | 326 | 12 838 |
| SCI Plateau des Haies | | | 572 | | | | 572 |
| SARL Forving | | | 936 | | | | 936 |
| SCI La Rive | | | 319 | | | | 319 |
| Other advance payments | 4 184 | 1 624 | 5 401 | 1 581 | -1 662 | -2 816 | 4 128 |
| **TOTAL** | **8 589** | **6 580** | **7 228** | **14 172** | **-3 152** | **-3 179** | **21 649** |

in thousands of euros

### 4.10. Inventories

As of December 31, 2007, inventories were comprised of lots acquired under the "estate agent" status.

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Group share | 11 684 | 2 463 | 6 704 |
| Share of external associates | – | – | 1 191 |
| **TOTAL** | **11 684** | **2 463** | **7 895** |

in thousands of euros

### 4.11. Trade accounts and notes receivables

Trade accounts include the spreading effect of benefits granted to tenants of office property and shopping centers.

| | Rental activities | Other activities | 2007 December | 2006 December | 2005 December |
|---|---|---|---|---|---|
| Receivables | 50 827 | 17 000 | 67 827 | 55 694 | 50 609 |
| Provisions | -9 384 | -1 156 | -10 540 | -9 535 | -8 173 |
| **TOTAL** | **41 443** | **15 844** | **57 287** | **46 159** | **42 437** |

in thousands of euros

### 4.12. Other receivables

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Tax receivables** | **49 645** | **111 048** | **62 685** |
| – Corporation tax | 8 622 | 4 378 | 1 327 |
| – VAT | 41 023 | 106 670 | 61 358 |
| **Other debtors** | **166 043** | **153 316** | **145 103** |
| – Calls for funds | 78 828 | 68 389 | 59 812 |
| – Down payments to suppliers | 4 234 | 2 408 | 1 549 |
| – Other deferred charges | – | 84 | 253 |
| – Prepaid expenses | 66 067 | 66 657 | 70 133 |
| – Other | 16 914 | 15 778 | 13 356 |
| **TOTAL** | **215 688** | **264 364** | **207 788** |

in thousands of euros

| **December 2007 by due date** | 2007 December | Less than one year | More than one year |
|---|---|---|---|
| **Tax receivables** | **49 645** | **49 645** | **0** |
| – Corporation tax | 8 622 | 8 622 | |
| – VAT | 41 023 | 41 023 | |
| **Other debtors** | **166 043** | **139 129** | **26 914** |
| – Calls for funds | 78 828 | 78 828 | – |
| – Down payments to suppliers | 4 234 | 4 234 | – |
| – Other deferred charges | – | – | – |
| – Prepaid expenses | 66 067 | 39 153 | 26 914 |
| – Other | 16 914 | 16 914 | – |
| **TOTAL** | **215 688** | **188 774** | **26 914** |

in thousands of euros

The VAT item includes amounts pending refund from the local tax administration for recent acquisitions (or constructions in progress): Milan Assago (7.8 million euros), Tor Vergata (8 million euros).
Note that the main VAT receivables outstanding as of December 31, 2006 were refunded over fiscal year 2007: Buffalo grill – Klémurs (35.6 million euros), Toulouse Purpan and Rambouillet (9 million euros), Vinaza (4.6 million euros), and Braga (6.2 million euros).

The main pre-lease payments 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 procured include: Oviedo for 10.2 million euros, Val d'Europe for 16.2 million euros and 6 malls with Klécar France for 19 million euros.

## 4.13. Cash and near cash

They are comprised of money market open-end and mutual funds or SICAV-FCP in France, certificates of deposits in Italy for 3.4 million euros (one month maturity) and Spanish treasury bills for 3.4 million euros (maturity within one week).

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Near cash** | **56 504** | **52 084** | **41 858** |
| – Treasury bills and certificates of deposit | 6 804 | 8 903 | 9 603 |
| – Other fixed revenue securities | | – | |
| – Money market investments | 49 700 | 43 181 | 32 255 |
| **Cash** | **138 972** | **105 612** | **124 805** |
| **TOTAL** | **195 476** | **157 696** | **166 663** |

in thousands of euros

The Group reported net cash of:

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Near cash | 56 504 | 52 084 | 41 858 |
| Cash | 138 972 | 105 612 | 124 805 |
| **Gross cash and near cash** | **195 476** | **157 696** | **166 663** |
| Bank overdraft | 101 909 | 94 999 | 111 646 |
| **Net cash and near cash** | **93 567** | **62 697** | **55 017** |

in thousands of euros

## 4.14. Equity

### Share capital

Share capital at December 31, 2007 was 138 492 687 shares worth a nominal value of 1.40 euros each. It is fully paid. The shares are in registered or bearer form.

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Authorized** | | | |
| Ordinary shares worth 1.40 euro each* | 138 492 687 | 46 164 229 | 46 164 229 |
| Refundable convertible preferential shares | NA | NA | NA |
| **TOTAL** | **138 492 687** | **46 164 229** | **46 164 229** |

in number of shares

* Nominal value of 1.40 euro as of December 31, 2007, versus nominal value of 4.20 euros as of December 31, 2006.

### Treasury shares

The Group used the authorizations granted by the ordinary general meetings to acquire shares of Klépierre SA.
There was a total of 2 990 463 treasury shares as of December 31, 2007 (against 395 821 as of December 31, 2006) for an acquisition value of 96.2 million euros.
Capital gains on disposals of treasury shares were booked in equity for an amount of -0.3 million euros as of December 31, 2007, +1.9 million euros at December 31, 2006 and +2.1 million euros at December 31, 2005.
The acquisition cost of purchased securities as well as gains on the sale of securities were respectively debited from and credited to equity.

## 4.15. Current and non-current financial liabilities

### Change in indebtedness

The total amount of current and non-current financial liabilities totalled 4 840 million euros as of December 31, 2007.

Net financial debt totalled 4 652 million euroscompared to 3 804 million euros as of December 31, 2006. Net financial debt corresponds to the difference between financial liabilities (excluding revaluation linked to the Fair Value Hedge) and cash and near cash.

The increase of 848 million euros primarily corresponds to investment flows (1 080 million euros) and the dividend payout (148 million euros), partially offset by disposals (109 million euros) and free cash flow for the year.

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **NON CURRENT** | | | |
| Bond issues net costs/premiums | 1 880 378 | 1 885 596 | 1 220 845 |
| *– Of which reevaluation linked to Fair Value Hedges* | *-7 701* | *228* | *28 189* |
| Borrowings and debts from credit institutions over 1 year | 2 362 682 | 1 668 921 | 1 294 394 |
| Sundry loans and financial debts | 157 760 | 125 737 | 118 667 |
| *– Other loans* | | *232* | |
| *– Advance payments to the group and associates* | *157 760* | *125 505* | *118 667* |
| **TOTAL OF NON CURRENT FINANCIAL LIABILITIES** | **4 400 820** | **3 680 254** | **2 633 906** |
| **CURRENT** | | | |
| Borrowings and debts from credit institutions under 1 year | 44 632 | 34 217 | 514 248 |
| Accrued interests | 66 943 | 61 743 | 38 460 |
| *– on bond issues* | *54 263* | *54 263* | *30 545* |
| *– on loans from credit institutions* | *4 445* | *3 104* | *2 565* |
| *– on advance payments to groups and associates* | *8 235* | *4 376* | *5 350* |
| Bank overdrafts | 101 909 | 94 999 | 111 646 |
| Commercial paper | 220 000 | 90 000 | 125 000 |
| Sundry loans and financial debts | 5 711 | 482 | 587 |
| *– Other loans* | *–* | *154* | *277* |
| *– Advance payments to the group and associates* | *5 711* | *328* | *310* |
| **TOTAL OF CURRENT FINANCIAL LIABILITIES** | **439 195** | **281 441** | **789 941** |

in thousands of euros

CONSOLIDATED FINANCIAL STATEMENTS

### Main financing

The Group's main financing lines are as follows:

- the table below provides the characteristics of three bond issues set up in 2001 (maturity 2008), 2004 (maturity 2011), and 2006 (maturity 2016). At December 31, 2007, Klépierre had total outstanding bonds of 1 900 million euros;
- arrangement of a syndicated loan in January 2006:
  – At December 31, 2007, the medium term facility of 1 200 million euros had been fully used. It matures on January 31, 2013;
  – The commercial paper back-up line (300 million euros) has not been used;
- a syndicated loan set up in September 2007 for up to 1 000 million euros, of which 450 million euros had been used as of December 31, 2007;
- a credit facility of 150 million euros set up in December 2006 by Klémurs and fully used as of December 31, 2007;
- a bilateral loan of 135 million euros set up in 2004 by Klépierre;
- a bilateral loan of 165 million euros set up in 2004 by Klépierre Participations et Financements;
- borrowings on the Italian subsidiaries (mainly Klecar Italia: 114 million euros);
- commercial paper for 220 million euros.

| Financing | Borrower | % holding/ Klépierre | Reference rate | Maturity date | Maximum amount | Repayment profile | Amount |
|---|---|---|---|---|---|---|---|
| **Bond issues** | | | | | | | |
| | Klépierre | 100% | 6.125% | 10.07.2008 | 600 | *in fine* | 600 |
| | Klépierre | 100% | 4.625% | 15.07.2011 | 600 | *in fine* | 600 |
| | Klépierre | 100% | 4.250% | 16.03.2016 | 700 | *in fine* | 700 |
| **Borrowings from credit institutions** | | | | | | | |
| Syndicated loans | Klépierre (Tranche A: back-up) | 100% | Euribor | 31.01.2013 | 300 | *in fine* | – |
| | Klépierre (Tranche B) | 100% | Euribor | 31.01.2013 | 1 200 | *in fine* | 1 200 |
| | Klépierre | 100% | Euribor | 21.09.2014 | 1 000 | *in fine* | 450 |
| | Klémurs | 84.11% | Euribor | 12.12.2011 | 150 | *in fine* | 150 |
| Bilateral loans | Klépierre | 100% | Fixed rate | 22.03.2010 | 135 | *in fine* | 135 |
| | Klépierre Participations & Financements | 100% | Fixed rate | 22.03.2010 | 165 | *in fine* | 165 |
| | Novate | 85% | E3m | 15.12.2008 | 4 | amortisable | 4 |
| | Novate | 85% | E3m | 31.01.2008 | 2 | amortisable | 2 |
| | Magnolia | 85% | E3m | 15.12.2008 | 1 | amortisable | 1 |
| | Magnolia | 85% | E3m | 31.01.2008 | 0 | amortisable | 0 |
| | ICD | 85% | E6m | 01.02.2008 | 7 | *in fine* | 7 |
| | Restorens | 100% | E3m | 21.10.2011 | 1 | *in fine* | 1 |
| Mortgage loans | Klécar Italia | 83% | E3m | 30.06.2015 | 114 | amortisable | 114 |
| | Novate | 85% | E6m | 15.10.2016 | 15 | amortisable | 15 |
| | Novate | 85% | E6m | 15.12.2013 | 12 | amortisable | 12 |
| | ICD | 85% | E3m | 10.05.2011 | 9 | amortisable | 9 |
| | Magnolia | 85% | E3m | 15.07.2011 | 3 | amortisable | 3 |
| | Magnolia | 85% | E3m | 15.01.2018 | 1 | amortisable | 1 |
| | Hypernoble | 100% | E3m | 14.12.2011 | 1 | amortisable | 1 |
| | Hypernoble | 100% | E3m | 02.01.2012 | 1 | amortisable | 1 |
| | Sodirev | 100% | E3m | 05.02.2012 | 4 | amortisable | 4 |
| | Sodirev | 100% | E3m | 05.04.2010 | 1 | amortisable | 1 |
| | LC | 33% | E3m | 02.01.2012 | 0 | amortisable | 0 |
| | Rebecca | 70% | E3m | 30.07.2014 | 3 | amortisable | 3 |
| | Rebecca | 70% | E3m | 31.07.2015 | 1 | amortisable | 1 |
| Finance lease agreements | IGC | 50% | E3m | 01.08.2011 | 4 | amortisable | 4 |
| | IGC | 50% | E3m | 31.07.2011 | 6 | amortisable | 6 |
| | IGC | 50% | E3m | 24.07.2011 | 6 | amortisable | 6 |
| | IGC | 50% | E3m | 12.03.2022 | 17 | amortisable | 17 |
| | Cécoville | 100% | E3m | 27.12.2019 | 48 | amortisable | 48 |
| | Hypernoble | 100% | E3m | 01.07.2008 | 1 | amortisable | 1 |
| | Klémurs/Cap Nord | 84.11% | 63% at E3m<br>37% Fixed rate | (1) | 47 | amortisable | 47 |
| Short-term line | IGC | 50% | E3m | 13.12.2007 | 4 | *in fine* | 4 |
| Overdrafts | Klépierre Finance | 100% | Eonia | – | 50 | | 11 |
| | Klépierre | 100% | Eonia | – | 23 | | 23 |
| Commercial paper | Klépierre | 100% | – | – | 300 | *in fine* | 220 |
| **TOTALS(2)** | | | | | **5 236** | | **4 567** |

(1) Klémurs contracts (Buffalo Grill assets) and its Cap Nord subsidiary; residual average length of 4.3 years at December 31, 2007 (2.1 years taking into account the dates of early exercise of options).

(2) The totals are calculated without the back-up line given that the maximum amount of the "commercial paper" line corresponds to the amount of the back-up line.

in millions of euros

Interests on the variable-rate financial instruments are revalued regularly at six months or less. Interests on the fixed-rate financial instruments are fixed until the instrument's maturity date.

### Financial covenants linked to financing and rating

In January 2008, Standard & Poor's confirmed Klépierre's rating of BBB+, and maintained the "positive" outlook. The rating agency then defined the goals below for Klépierre in order to retain the rating:
– EBITDA/Net financial costs included ≥ 2.5;
– Net debt/Revalued net assets (loan to value) ≤ 50%;
– Gross cash flow/Net debt ≥ 7%.

In addition, Klépierre's main credit agreements include the following clauses, failure to comply with them may result in demand for the early refund of the relevant financing:

- For the syndicated loans and bilateral loans of Klépierre and Klépierre Participations et Financements:
– EBITDA/Net financial costs ≥ 2.5;
– Secured financial debt/Revalued net assets ≤ 20%;
– Net debt/Revalued net assets (loan to value) ≤ 52%;
– Revalued asset group share ≥ 5 billion euros;
- For bond issues:
– Capping of asset-backed debts given as guarantee to third parties at 50% of the revalued net asset;
– Should there be a change of ownership of one third of the voting rights which would result in Standard and Poor's rating falling below BBB-, investors would have a put that can force Klépierre to an early refund.

### Breakdown of financial debts by maturity date

- Breakdown of current and non-current financial liabilities:

| | Total | Less than one year | From one to five years | More than five years |
|---|---|---|---|---|
| **NON CURRENT** | | | | |
| Bonds issues net costs/premiums | 1 880 378 | 591 901 | 596 543 | 691 934 |
| *– Of which reevaluation linked to Fair Value Hedges* | *-7 701* | *-7 701* | – | – |
| Borrowings and debts from credit institutions over 1 year | 2 362 682 | – | 418 982 | 1 943 700 |
| Sundry loans and financial debts | 157 760 | – | – | 157 760 |
| *– Other loans* | – | – | – | – |
| *– Advance payments to the group and associates* | *157 760* | – | | *157 760* |
| **TOTAL OF NON CURRENT FINANCIAL LIABILITIES** | **4 400 820** | **591 901** | **1 015 525** | **2 793 394** |
| **COURANTS** | | | | |
| Borrowings and debts from credit institutions under 1 year | 44 632 | 44 632 | – | – |
| Accrued interest | 66 943 | 66 943 | – | – |
| *– on bond issues* | *54 263* | *54 263* | – | – |
| *– on loans from credit institutions* | *4 445* | *4 445* | – | – |
| *– on advance payments to groups and associates* | *8 235* | *8 235* | – | – |
| Bank overdrafts | 101 909 | 101 909 | – | – |
| Commercial paper | 220 000 | 220 000 | – | – |
| Sundry loans and financial debts | 5 711 | 5 711 | – | – |
| *– Other loans* | – | – | – | – |
| *– Advance payments to the group and associates* | *5 711* | *5 711* | – | – |
| **TOTAL OF CURRENT FINANCIAL LIABILITIES** | **439 195** | **439 195** | **–** | **–** |

in thousands of euros

- Financing amortization table (amounts used in millions of euros):

| Repayment year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 + | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 bond issues | 600 | – | – | – | – | – | – | – | – | – | 600 |
| 2011 bond issues | – | – | – | 600 | – | – | – | – | – | – | 600 |
| 2016 bond issues | – | – | – | – | – | – | – | – | 700 | – | 700 |
| 2006 syndicated loan | – | – | – | – | – | 1 200 | – | – | – | – | 1 200 |
| 2007 syndicated loan | – | – | – | – | – | – | 450 | – | – | – | 450 |
| Klémurs bank loan | – | – | – | 150 | – | – | – | – | – | – | 150 |
| Klépierre bilateral | – | – | 135 | – | – | – | – | – | – | – | 135 |
| Klépierre Participations & Financements bilateral | – | – | 165 | – | – | – | – | – | – | – | 165 |
| Klémurs & Cap Nord finance lease | 8 | 19 | 4 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 47 |
| Subsidiary loans | 38 | 20 | 20 | 22 | 12 | 12 | 10 | 98 | 9 | 24 | 266 |
| Commercial paper | 220 | – | – | – | – | – | – | – | – | – | 220 |
| Overdrafts | 34 | – | – | – | – | – | – | – | – | – | 34 |
| **TOTAL** | **900** | **39** | **324** | **776** | **15** | **1 214** | **463** | **100** | **710** | **26** | **4 567** |

in millions of euros

The contractual flows including principal and interests (not discounted) by maturity date are as follows (in millions of euros):

| Repayment year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 + | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 bond issues | 619 | – | – | – | – | – | – | – | – | – | 619 |
| 2011 bond issues | 28 | 27 | 28 | 615 | – | – | – | – | – | – | 698 |
| 2016 bond issues | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 706 | – | 944 |
| 2006 syndicated loan | 56 | 56 | 56 | 56 | 56 | 1 206 | – | – | – | – | 1 486 |
| 2007syndicated loan | 23 | 23 | 23 | 23 | 23 | 23 | 467 | – | – | – | 605 |
| Klémurs bank loan | 8 | 8 | 8 | 157 | – | – | – | – | – | – | 181 |
| Klépierre bilateral | 5 | 5 | 136 | – | – | – | – | – | – | – | 146 |
| Klépierre Participations & Financements bilateral | 6 | 6 | 166 | – | – | – | – | – | – | – | 178 |
| Klémurs & Cap Nord finance lease | 11 | 21 | 5 | 5 | 4 | 4 | 2 | 2 | 1 | 1 | 56 |
| Subsidiary loans | 50 | 32 | 31 | 32 | 21 | 20 | 18 | 102 | 11 | 26 | 343 |
| Commercial paper | 220 | – | – | – | – | – | – | – | – | – | 220 |
| Overdrafts | 34 | – | – | – | – | – | – | – | – | – | 34 |
| **TOTAL** | **1 090** | **208** | **483** | **918** | **134** | **1 283** | **517** | **134** | **718** | **27** | **5 510** |

Calculation on the basis of the interest rates as of 31 December 2007.

in millions of euros

As of December 31, 2006, the amortization table of these contractual flows was as follows:

| Repayment year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 + | Totaux |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 bond issues | 37 | 619 | – | – | – | – | – | – | – | – | – | 656 |
| 2011 bond issues | 28 | 28 | 28 | 28 | 615 | – | – | – | – | – | – | 727 |
| 2016 bond issues | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 706 | – | 974 |
| 2006 syndicated loan | 35 | 35 | 35 | 35 | 35 | 35 | 954 | – | – | – | – | 1 164 |
| 2007 syndicated loan | – | – | – | – | – | – | – | – | – | – | – | 0 |
| Klémurs bank loan | 6 | 6 | 6 | 6 | 149 | – | – | – | – | – | – | 173 |
| Klépierre bilateral | 5 | 5 | 5 | 135 | – | – | – | – | – | – | – | 150 |
| Klépierre Participations & Financements bilateral | 6 | 6 | 6 | 166 | – | – | – | – | – | – | – | 184 |
| Klémurs & Cap Nord finance lease | 9 | 12 | 20 | 5 | 4 | 3 | 2 | 2 | 1 | 1 | – | 59 |
| Subsidiary loans | 47 | 27 | 44 | 54 | 21 | 12 | 11 | 9 | 94 | 3 | 1 | 323 |
| Commercial paper | 90 | – | – | – | – | – | – | – | – | – | – | 90 |
| Overdrafts | 32 | – | – | – | – | – | – | – | – | – | – | 32 |
| **TOTAL** | **325** | **768** | **174** | **459** | **854** | **80** | **997** | **41** | **125** | **710** | **1** | **4 532** |

Calculation on the basis of the interest rates as of 31.12.06.

in millions of euros

## 4.16. Interest rate hedging instruments

### Rate hedging portfolio

As part of its risk management policy (cf. corresponding section), Klépierre has underwritten swap agreements allowing it to pass from variable rate to fixed rate debt or inversely. Thanks to these instruments, Klépierre's hedge rate, defined as the proportion of fixed rate debts after hedging in gross financial debt, stood at 70% as of December 31, 2007 and 79% as of January 2, 2008.
As of December 31, 2007, the Group's swap contracts included:

**CASHFLOW HEDGING RELATIONSHIPS**

| Fixed rate paying agent | Amount (million euros) | Maturity date | Forward start date |
|---|---|---|---|
| Klépierre | 100 | 12.22.2008 | no |
| Klépierre | 300 | 12.22.2009 | no |
| Klépierre | 200 | 12.22.2010 | no |
| Klépierre | 500 | 12.22.2011 | no |
| Klépierre | 100 | 04.15.2012 | no |
| Klépierre | 100 | 07.11.2012 | no |
| Klépierre | 100 | 09.02.2012 | no |
| Klépierre | 100 | 01.02.2011 | 01.02.2008 |
| Klépierre | 100 | 01.02.2013 | 01.02.2008 |
| Klépierre | 150 | 01.02.2015 | 01.02.2008 |
| Klépierre | 600 | 07.10.2015 | 07.10.2008 |
| Klécar Italia | 90 | 12.31.2010 | no |
| Klémurs | 50 | 01.01.2014 | no |
| Klémurs | 50 | 12.31.2014 | no |
| Klémurs | 150 | 01.02.2015 | 01.02.2008 |

**FAIR VALUE HEDGE RELATIONSHIPS**

| Fixed rate paying agent | Amount (million euros) | Maturity date | Forward start date |
|---|---|---|---|
| Klépierre | 600 | 07.15.2011 | no |

Furthermore, the Italian company IGC (50%) contracted an amortizable tunnel (maturity date August 2009), whose notional amount on December 31, 2007 was 8.1 million euros. It was recorded as a trading instrument (change in value recognized in income).

#### Breakdown by maturity date

As of December 31, 2007, the breakdown of derivatives by maturity was as follows:

| | Hedging relationship | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Klépierre fixed rate paying agent | 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 paying agent | Fair value hedge | – | – | – | 600 | – | – | – | – | 600 |
| Klécar Italia fixed rate paying agent | Cashflow hedge | – | – | 90 | – | – | – | – | – | 90 |
| Klépierre fixed rate paying agent | 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** |

in millions of euros

Corresponding contractual flows (interests) break down as follows (positive flows = payer flows):

| | Hedging relationship | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Spot start swaps | Cashflow hedge | -24 | -22 | -17 | -14 | -4 | -1 | -0 | – | -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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | | **-24** | **-24** | **-19** | **-16** | **-9** | **-6** | **-5** | **-2** | **-105** |

Calculation on the basis of the interest rates as of December 31, 2007.

in millions of euros

As of December 31, 2006, the breakdown of derivatives by maturity and the amortization table of the corresponding interest flows were as follows:

| | Hedging relationship | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Totaux |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Klépierre fixed rate paying agent | Cashflow hedge | – | 100 | 300 | 200 | 500 | 300 | – | – | 300 | 1 700 |
| | – Of which spot start swaps | – | 100 | 300 | 200 | 500 | 300 | – | – | – | 1 400 |
| | – Of which forward start swaps | – | – | – | – | – | – | – | – | 300 | 300 |
| Klépierre floating rate paying agent | Fair value hedge | – | – | – | – | 600 | – | – | – | – | 600 |
| Klécar Italia fixed rate paying agent | Cashflow hedge | – | – | – | 90 | – | – | – | – | – | 90 |
| Klépierre fixed rate paying agent | Cashflow hedge | – | – | – | – | – | – | – | 100 | – | 100 |
| | – Of which spot start swaps | – | – | – | – | – | – | – | 100 | – | 100 |
| IGC (collar) | Trading | – | – | 5 | – | – | – | – | – | – | 5 |
| **TOTAL** | | **–** | **100** | **305** | **290** | **1 100** | **300** | **–** | **100** | **300** | **2 495** |

in millions of euros

| | Hedging relationship | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Totaux |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Spot start swaps | Cashflow hedge | -9 | -9 | -8 | -6 | -5 | -1 | – | – | – | – | -38 |
| Forward start swaps | Cashflow hedge | 0 | -0 | -1 | -1 | -1 | -1 | -1 | – | -0 | – | -5 |
| Spot start swaps | Fair value hedge | -2 | -2 | -1 | -1 | – | – | – | – | – | – | -6 |
| Collar | Trading | – | – | – | – | – | – | – | – | – | – | – |
| **TOTAL** | | **-11** | **-11** | **-10** | **-8** | **-6** | **-2** | **-1** | **-1** | **-0** | **–** | **-49** |

Calculation on the basis of the interest rates as of December 31, 2006.

in millions of euros

### Fair Value

As of December 31, 2007, unrealized capital gain on Klépierre's portfolio of derivatives, calculated as the sum of their fair value excluding accrued interests, was 68.8 million euros. The full coupon fair value is recognized on the balance sheet for 84.0 million euros under assets and 7.7 million euros as liabilities. During the year, Klépierre's derivatives recorded an increase in their fair value of 11.7 million euros.

| Derivatives | Fair value net of accrued interest as of 2007 | Fair value change in 2007 | Counterparty |
|---|---|---|---|
| Cashflow hedge | 79.8 | 18.7 | Stockholders' equity |
| Fair value hedge | -11.0 | -7.0 | Financial liabilities |
| Trading | 0.0 | 0.0 | Income statement |
| **TOTAL** | **68.8** | **11.7** | |

in millions of euros



## 4.17. Long-term and short-term allowances

| | 2005 December | 2006 December | Allowances for the period | Releases (provision used) | Releases (provision not used) | Other movements | Changes in scope of consolidation | 2007 December |
|---|---|---|---|---|---|---|---|---|
| **NON CURRENT** | | | | | | | | |
| Provisions for human resource commitments | | | | | | | | – |
| – Defined-benefits scheme | 3 415 | 4 166 | 633 | | -1 | 1 | | 4 799 |
| – Post-employment medical assistance | – | – | | | | | | – |
| – Early retirement and EAP | 124 | – | | | | | | – |
| – Other long-term benefits | 1 241 | 1 669 | | | -33 | -19 | | 1 617 |
| Other provisions for contingencies and losses | 2 799 | 2 737 | 3 913 | -634 | -1 205 | 228 | -30 | 5 009 |
| **TOTAL NON CURRENT PROVISIONS** | **7 579** | **8 572** | **4 546** | **-634** | **-1 239** | **210** | **-30** | **11 425** |

in thousands of euros

# Notes to the financial statements: balance sheet

## 4.18. Deferred taxes

| | 2005 December | 2006 December | Change in Earnings | Other changes | 2007 December |
|---|---|---|---|---|---|
| Buildings | -154 269 | -123 484 | 25 925 | -105 163 | -202 722 |
| Other items | -3 855 | -4 502 | -5 273 | -6 572 | -16 347 |
| **Total deferred tax liabilities** | **-158 124** | **-127 986** | **20 652** | **-111 735** | **-219 069** |
| Buildings | | | | | – |
| Other items | 33 417 | 26 275 | 3 839 | 3 561 | 33 675 |
| **Total deferred tax assets** | **33 417** | **26 275** | **3 839** | **3 561** | **33 675** |
| **NET POSITIONS** | **-124 707** | **-101 711** | **24 491** | **-108 174** | **-185 394** |

in thousands of euros

"Other changes" record the impact of:

- entries and changes to the scope of consolidation: Progest (-40.8 million euros), Corvin Retail (-25.4 million euros), Gondomar (-16.6 million euros), Hypernoble (-8.7 million euros), Cap Nord (-4.9 million euros), Givors (-4.2 million euros), Rybnik, Sosnowiec and Lublin (-3.4 million euros) and Larissa (-2.7 million euros);
- restatements on hedging instruments for -2.4 million euros.

## 4.19. Tax liabilities, staff benefits and other payables

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Social and tax liabilities** | **79 589** | **64 813** | **69 649** |
| Personnel and related accounts | 15 138 | 13 570 | 11 540 |
| Social security and other bodies | 4 196 | 3 927 | 2 807 |
| State | | | |
| – Corporation tax | 40 436 | 35 988 | 46 253 |
| – VAT | 10 732 | 7 310 | 7 556 |
| Other taxes and duties | 9 087 | 4 018 | 1 493 |
| **Other liabilities** | **163 209** | **135 017** | **115 847** |
| Creditor customers | 69 561 | 58 981 | 50 752 |
| Deferred income | 13 135 | 4 372 | 1 880 |
| Other liabilities | 80 513 | 71 664 | 63 215 |

in thousands of euros

Since 2006 and 2007, Klépierre SA has been subject to tax assessment by the tax authorities for financial years 2003 and 2004. The Group has funded under the item "Corporate income tax" a liability of 11.5 million euros corresponding to the notice received in December 2006 for financial year 2003 increased by the interests normally due on late payments. This notice, linked to the adoption of the SIIC status, is currently being contested by Klépierre. The notice received in May 2007 for financial year 2004 was accepted by Klépierre; this notice amounted to 33 000 euros. Advance payments received from tenants as advance payments for expenses are recorded in "Creditor customers" for 69.6 million euros. The other liabilities are primarily comprised of funds corresponding to the management accounts of principals of Ségécé group with in return an amount equal to the cash on the asset side of the balance sheet. These funds amounted to 54.4 million euros on December 31, 2007.

# 5. NOTES TO THE FINANCIAL STATEMENTS: INCOME STATEMENT

## 5.1. Segment Income Statement as of December 31, 2007

### Shopping centers

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| *Lease income* | *517.9* | *455.2* | *390.6* |
| *Other rental income* | *6.9* | *8.6* | *5.6* |
| Lease income | 524.8 | 463.8 | 396.1 |
| Land expenses (real estate) | -2.3 | -2.3 | -2.0 |
| Non-recovered rental expenses | -16.1 | -5.9 | -4.0 |
| Building expenses (owner) | -27.1 | -28.6 | -30.1 |
| **Net lease income** | **479.3** | **427.1** | **360.0** |
| Management, administrative and related income | 63.3 | 56.2 | 45.9 |
| Other operating income | 14.2 | 6.7 | 5.5 |
| Survey and research costs | -1.1 | -1.1 | -0.8 |
| Payroll expense | -56.6 | -54.3 | -46.9 |
| Other general expenses | -20.1 | -17.7 | -15.0 |
| Depreciation and amortization allowance on investment property | -150.2 | -126.8 | -106.8 |
| Depreciation and amortization allowance on PPE | -3.3 | -2.2 | -3.5 |
| Provisions | -3.3 | 0.1 | -3.0 |
| **Results of operations, shopping center segment** | **322.1** | **287.8** | **235.3** |
| Gains on the sale of investment property and equity interests | 21.4 | 11.0 | 39.0 |
| Net book value of investment property and equity investment sold | -1.3 | -7.5 | -36.3 |
| **Gains from the sale of investment property and equity investment securities** | **20.1** | **3.5** | **2.6** |
| Gains on the sale of short term assets | 1.2 | 5.2 | 0.6 |
| Net book value of short term assets sold | -1.1 | -3.7 | -0.5 |
| **Profit on the sale of short term assets** | **-0.0** | **1.5** | **0.1** |
| **Share in earnings of equity-method investees** | **2.6** | **0.7** | **0.6** |
| **SEGMENT EARNINGS, SHOPPING CENTER SEGMENT** | **345.0** | **293.5** | **238.7** |

In million of euros

## Retail

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| *Lease income* | *23.5* | *2.9* | |
| *Other rental income* | | | |
| Lease income | 23.5 | 2.9 | |
| Land expenses (real estate) | | | |
| Non-recovered rental expenses | | | |
| Building expenses (owner) | -0.8 | -0.3 | |
| **Net lease income** | **22.7** | **2.7** | **0** |
| Management, administrative and related income | 0.6 | | |
| Other operating income | 0.3 | | |
| Survey and research costs | – | | |
| Payroll expense | -1.0 | | |
| Other general expenses | -0.3 | | |
| Depreciation and amortization allowance on investment property | -7.3 | -0.8 | |
| Depreciation and amortization allowance on PPE | – | | |
| Provisions | – | | |
| **Results of operations, retail segment** | **15.0** | **1.8** | **0** |
| **SEGMENT EARNINGS, RETAIL SEGMENT** | **15.0** | **1.8** | **0** |

In million of euros

## Office buildings

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| *Lease income* | *48.8* | *52.8* | *52.9* |
| *Other rental income* | – | – | – |
| Lease income | 48.8 | 52.8 | 52.9 |
| Land expenses (real estate) | -0.2 | -0.3 | -0.3 |
| Non-recovered rental expenses | -1.1 | -0.4 | -1.2 |
| Building expenses (owner) | -1.4 | -2.0 | -2.3 |
| **Net lease income** | **46.1** | **50.0** | **49.1** |
| Management, administrative and related income | 0.3 | 1.3 | 0.5 |
| Other operating income | 1.1 | 2.8 | 1.7 |
| Survey and research costs | – | – | – |
| Payroll expense | -1.9 | -2.2 | -2.1 |
| Other general expenses | -0.8 | -0.9 | -1.2 |
| Depreciation and amortization allowance on investment property | -11.8 | -13.4 | -18.5 |
| Depreciation and amortization allowance on PPE | -1.0 | -0.8 | -1.1 |
| Provisions | 0.1 | – | -0.1 |
| **Results of operations, office segment** | **32.1** | **36.7** | **28.2** |
| Gains on the sale of investment property and equity interests | | | |
| Net book value of investment property and equity investment sold | | | |
| **Gains from the sale of investment property and equity investment securities** | **20.3** | **27.5** | **17.5** |
| **SEGMENT EARNINGS, OFFICE SEGMENT** | **52.4** | **64.2** | **45.8** |

In million of euros

### Corporate

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Corporate and shared expenses | -6.2 | -7.0 | -6.3 |
| Profit on sale of short-term assets | – | – | – |
| Net dividends and provisions on non-consolidated securities | 0.5 | -0.2 | -0.2 |
| Net cost of debt | -162.9 | -134.8 | -112.7 |
| Change in the fair value of financial instruments | – | – | – |
| Effect of discounting | 0.7 | -1.2 | -1.3 |
| **Pre-tax earnings** | **244.5** | **216.3** | **163.8** |
| Corporate income tax | -13.5 | -22.0 | -17.9 |
| **NET INCOME OF CONSOLIDATED ENTITY** | **231.0** | **194.4** | **145.9** |

In million of euros

## 5.2. Operating revenue

Lease income comprises all the lease payments from office buildings, shopping centers and stores, together with other income similar to lease income such as parking rentals, termination indemnities and received entry fees. Rental income is lease income excluding income from entry fees and other sundry income. The Group's revenues comprise lease income and management and administration income received by the service provider companies. The other operating income comprises re-invoicing of works to tenants and sundry income. As of December 31, 2007, the amount of rental income stood at 590.2 million euros of which 517.9 million euros for shopping centers and 23.5 million euros for shops and 48.8 million euros for office buildings.

| Analysis of revenues by geographical area | Lease income | Management income | Total |
|---|---|---|---|
| **Shopping centers** | **517.9** | **63.3** | **581.2** |
| France | 266.0 | 46.0 | 312.0 |
| Italy | 79.2 | 5.8 | 85.0 |
| Spain | 65.3 | 7.2 | 72.5 |
| Hungary | 29.8 | 1.2 | 31.1 |
| Poland | 27.0 | 0.5 | 27.5 |
| Belgium | 12.4 | – | 12.4 |
| Portugal | 15.7 | 1.8 | 17.4 |
| Czech Republic | 14.0 | 0.6 | 14.6 |
| Greece | 6.9 | 0.1 | 7.0 |
| Other | 1.6 | 0.0 | 1.6 |
| **Shops** | **23.5** | **0.6** | **24.1** |
| **Office buildings** | **48.8** | **0.3** | **49.1** |
| **TOTAL** | **590.2** | **64.2** | **654.4** |

in millions of euros

Revenues generated from business outside France accounted for 41.1% of the Group's business, compared to 42.4% as of December 31, 2006. In relation to December 31, 2006, rental income from Shopping centers increased by 13.8%. Slightly more than 60% of this increase, being 38.6 million euros, were derived from mergers and acquisitions with:

- the acquisitions carried out in 2007 for 26.0 million euros in particular: the Polish centers of Rybnik, Sosnowiec and Lublin for 7.9 million euros, Progest portfolio including equity interests in 9 French shopping malls with in particular 7.2 million euros, Leclerc hypermarket et in Blagnac and Saint-Orens adjacent to the existing malls for 3.2 million euros;
- inaugurations during the year: opening of the Champ de Mars mall in Angoulême (+2.2 million euros), extensions of the Rambouillet, Orléans-Saran and Brest Iroise malls (+2.2 million euros in all). Rental income from office buildings have shrunk by 4.0 million euros as a result of the disposals which occurred at the end of 2006 and early 2007. In 2007, rental income from Klémurs shops totalled 23.5 million euros versus 2.9 million euros in 2006. 18.6 million euros of this figure is from the rental income of assets operated by Buffalo Grill, 3.1 million euros from Klémurs

historic assets (Truffaut, BHV rue de Flandre and rue de la Champmeslé in Rouen), and 1.8 million euros from the assets held by Cap Nord acquired on March 29, 2007. Shopping center management income from the activities carried out by Ségécé and its subsidiaries in third-party management and development reached 64.2 million euros, up by 12.5% compared to December 31, 2006. This increase can be primarily explained by the rise in the amount of development fees and an increase in the number of leasing mandates outside the group internationally.

### 5.3. Operating expenses

Land expenses correspond to amortizations and fees on construction lease. Non-recovered rental expenses are mainly from expenses on vacant premises. Building expenses are posted net of re-invoicing to tenants and only include the amounts at the owner's expense.

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **OPERATING EXPENDITURE (excluding Corporate activities)** | **-49 146** | **-39 884** | **-39 915** |
| **Land expenses (real estate)** | **-2 515** | **-2 598** | **-2 296** |
| – Office property businesses | -248 | -342 | -290 |
| – Shopping malls businesses | -2 267 | -2 256 | -2 006 |
| – Retail | | | |
| **Unrecovered rental expenses** | **-17 189** | **-6 296** | **-5 240** |
| – Office property businesses | -1 113 | -428 | -1 221 |
| – Shopping malls businesses | -16 066 | -5 868 | -4 019 |
| – Retail | -10 | | |
| **Building expenses** | **-29 442** | **-30 990** | **-32 379** |
| – Office property businesses | -1 402 | -2 151 | -2 270 |
| – Shopping malls businesses | -27 254 | -28 836 | -30 109 |
| – Retail | -786 | -3 | |
| **DEPRECIATION AND AMORTIZATION ALLOWANCE** | **-173 662** | **-144 094** | **-130 122** |
| Depreciation and amortization allowance on investment property | -169 297 | -140 968 | -125 535 |
| Depreciation and amortization allowance on property, plant & equipment | -4 365 | -3 126 | -4 587 |
| Amortization of goodwill | 0 | 0 | 0 |
| **TOTAL** | **-222 808** | **-183 978** | **-170 037** |

in thousands of euros

Amortizations and provisions for investment property rose by 29.7 million euros over December 31, 2006. This change stems from:

- the full year impact on 2007 of the portfolio increase in 2006 with the Buffalo Grill restaurants (6 million euros) and various other malls for a total amount of 3.7 million euros;
- portfolio increases in 2007 with Progest (3.2 million euros), the Gondobrico and Parque Nascente Portuguese shopping centers (2.2 million euros), the Polish centers of Rybnik, Sosnowiec and Lublin (3.4 million euros), Blagnac and Saint-Orens (1 million euros) and various other malls for a total amount of 1.9 million euros;
- disposals of office buildings in 2005 and 2006 resulted in a reduction of amortization allowance of 1.2 million euros;
- property provisions net of reversals. They include a property provision of 15.3 million euros versus 5.8 million euros as of December 31, 2006 and mostly correspond to provisions on shopping centers located in Poland and in the Czech Republic.

CONSOLIDATED FINANCIAL STATEMENTS

## 5.4. Results of the sale of investment property and equity interests

Income from the sale totalled 40.4 million euros and includes:

- 20.3 million euros in investment property primarily from the sale of Front de Paris and Rue de Turin buildings for a total sum of 73.8 million euros. Capital gains amounted respectively to 16.6 million euros and 4.5 million euros. Various premises, including a warehouse (Rheinfeld) and parking lots were also sold to generate income of 1.3 million euros and a capital gain of 0.8 million euros;
- and 20.1 million euros in equity securities with the sale of all of the securities of Espace Cordeliers owner of the Les Cordeliers center in Poitiers.

## 5.5. Net cost of debt

The cost of debt rose to 162.9 million euros at December 31, 2007 versus 134.8 million euros at December 31, 2006 reflecting the increase in debt for the period. The main components of this change were as follows:

- Interests on bond issues rose by 6.2 million euros, due to the full year impact of the issue of March 2006, where the nominal amount was 700 million euros;
- Interests on loans from credit institutions rose by 46.8 million euros driven by the effect of the increase in outstanding (1.7 billion euros in 2006 versus 2.4 billion euros at the end of 2007) and the strong tension on short term interest rates, in particular during the second half of 2007 due to the financial crises. The Euribor 3-month index rose from 3.08% on average in 2006 to 4.27% on average in 2007. In order to curb the impact of this interest rate environment on its financial costs, Klépierre reduced the duration of its drawdowns on syndicated loans from three months to one month in the second half of 2007, so as to benefit from the greater difference between the respective Euribor benchmark indices since the financial crisis;
- The impact of the interest rate increase was also limited by Klépierre's hedging portfolio: therefore, income net of interests on swaps rose by 11.2 million euros, for a significantly identical outstanding (50 million euros);
- The "transfer of financial charges" line item records the commissions and costs linked to new loans set up during the year; it corresponded, in 2007, to the expenses of the euro syndicated loan signed on September 21, 2007 and in 2006 to the expenses of the syndicated credit signed on January 31 and the bond issue of March 16.

The recognized financial expenses represent 18.4 million euros over the 2007 period versus 7.7 million euros in 2006. They are broken down over the line items below:

- 16.0 million euros in the "interest on advance payment to partners" line item;
- 2.4 million euros in the "interest on loans from credit institutions" line item.

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Investment revenues** | | | |
| Income from sale of securities | 2 468 | 1 217 | 1 033 |
| Net interest revenue on Swaps | 14 456 | 3 211 | – |
| Net deferal of payments on swaps | 535 | 516 | – |
| Interest on advance payment to partners | 16 755 | 8 326 | 4 004 |
| Sundry interests received | 1 103 | 513 | 1 128 |
| Other revenues and financial income | 3 074 | 1 661 | 1 035 |
| Currency translation income | 9 797 | 1 099 | 6 640 |
| **TOTAL** | **48 188** | **16 543** | **13 840** |
| **Financial expenses** | | | |
| Interests on bond issues | -96 044 | -89 873 | -65 644 |
| Interests on loans from credit institutions | -93 261 | -48 849 | -43 199 |
| Other bank interests | -2 309 | -1 835 | -1 400 |
| Net interest expense on Swaps | – | – | -2 228 |
| Net deferal of payments on swaps | – | – | -591 |
| Interest on advance payment to partners | -7 130 | -5 330 | -5 343 |
| Other financial expenses | -7 330 | -10 707 | -6 189 |
| Transfer of financial charges | 2 968 | 5 907 | 4 902 |
| Currency translation losses | -8 003 | -662 | -6 819 |
| Allowance to provisions for other long-term investments | -10 | – | -29 |
| **TOTAL** | **-211 119** | **-151 349** | **-126 540** |
| **COST OF INDEBTEDNESS** | **-162 931** | **-134 806** | **-112 700** |

in thousands of euros

## 5.6. Corporate income tax

| | 2007 December | 2006 December | 2006 December |
|---|---|---|---|
| Current taxes payable | -37 982 | -64 756 | -26 464 |
| Deferred tax | 24 489 | 42 740 | 8 555 |
| **TOTAL** | **-13 493** | **-22 016** | **-17 909** |

in thousands of euros

Klépierre identifies three income tax segments:
- the SIIC segment that includes Klépierre and all eligible French real-estate affiliates;
- Some of these companies have elected for the common law tax status;
- companies incorporated under French law; foreign affiliates.

The tax expense for 2007 represents 13.5 million euros.

**Expense on the SIIC segment, i.e., 8.4 million euros, analyzed as follows:**
- 2.6 million euros expense on the segment's taxable earnings. These earnings are mainly connected to the financial business of the relevant companies;
- a tax income linked to the tax audits and to tax credits of 1.4 million euros;
- a net expense of 4.6 million euros as provision for a tax of 7.5 million euros will also be paid for the entry of Cecobil in the SIIC plan on January 1, 2008 and less the reversals of provisions for deferred tax liabilities recognized by Cecobil for 2.9 million euros;
- an expense of 2.6 million euros of deferred taxes mainly calculated on cash payment deferrals and the recognition of deficits on the balance sheet.

**Other French companies not dependent on the SIIC segment recorded an expense of 8.1 million euros comprised of:**
- 2.6 million euros of income tax for the limited partners of Ségécé and Klécar Europe Sud;
- 4.1 million euros representing the income expense actually due for the period by the segment's entities;
- a tax expense of 1.5 million euros of deferred taxes on the recognition of deficits, pensions and amortization restatements;
- an extraordinary tax of 1.8 million euros recorded by Klécapnor for the revaluation of Cap Nord's equity assets which will be included in the SIIC plan in 2008. In return, a provision for a deferred tax liability of 1.9 million euros was reversed by Cap Nord.

**Foreign companies recorded a tax gain of 3.0 million euros comprised of:**
- 13.6 million euros of current tax, primarily in Italy (8.4 million euros), Czech Republic (1.7 million euros), and Poland (1.1 million euros);
- 7.1 million euros of expenses funded by the Italian companies ICD, Magnolia and Novate for the estimated tax liability due in 2008 for the contribution of their assets to an Italian common fund;
- an extraordinary deferred tax gain of 12.9 million euros generated on the readjustment of the taxable base of the Polish malls of Krakow and Poznan;
- an extraordinary deferred tax gain of 12.1 million euros on the reduced income tax rate in Italy, Czech Republic, Spain and Portugal;
- 3.8 million euros of deferred tax expenses primarily calculated on allowances to restated amortization according to the component-based method;
- 2.5 million euros of income from the capitalization of tax deficits.

| Reconciliation between theoretical tax and actual tax as of December 31, 2007 | SIIC sector | | | Non SIIC sector France | Foreign companies | Total |
|---|---|---|---|---|---|---|
| | Tax-free earnings | Taxable earnings | Total | | | |
| Pre-tax earnings and earnings from equity-method companies | 196 256 | -46 957 | 149 299 | 63 059 | 29 453 | 241 811 |
| **THEORETICAL TAX EXPENSE AT 34.43%** | **-67 571** | **16 167** | **-51 404** | **-21 711** | **-10 141** | **-83 256** |
| **Exonerated earnings of the SIIC sector** | **71 059** | | **71 059** | | | **71 059** |
| **Taxable sectors** | | | | | | |
| Impact of permanent time lags | 10 463 | -21 093 | -10 630 | 16 578 | 28 464 | 34 412 |
| Restatements of untaxed consolidations | -15 518 | 1 269 | -14 249 | -388 | -28 289 | -42 926 |
| Impacts of non activated deficits | -210 | -1 240 | -1 450 | -2 158 | -6 299 | -9 907 |
| Assignment of non activated deficits | 1 425 | 634 | 2 059 | 932 | 7 896 | 10 887 |
| Exit tax for LT capital gains special reserve | – | – | – | – | – | – |
| Change of tax regime | – | – | – | – | – | – |
| Discounting of deferred taxes following restructuring | – | – | – | – | – | – |
| Discounting rates and other taxes to present value | 4 164 | -8 200 | -4 036 | -1 107 | 10 352 | 5 209 |
| Rate differences outside France | – | 264 | 264 | -251 | 1 016 | 1 029 |
| **ACTUAL TAX EXPENSE** | **3 812** | **-12 199** | **-8 387** | **-8 105** | **2 999** | **-13 493** |

in thousands of euros

Ordinary deficits are capitalized if their recovery is deemed probable:

| Entities | Statutory tax rate | Inventory of ordinary deficits Dec. 31, 2006 | Inventory of ordinary deficits Dec. 31, 2007 | Change in OD in 2007 | Capitalized deferred tax as of Dec. 31, 2006 | Amounts capitalized as of Dec. 31, 2007 | Change in capitalized amounts | Regulari-zation | Amounts capitalized as of Dec. 12, 2007 | Amounts non capitalized as of Dec.31,2007 | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Portugal** | | | | | | | | | | | **Deficits deferrable over 6 years** |
| Finascente | 26.50% | -23 | – | 23 | 6 | – | -6 | – | -0 | – | |
| Kleminho | 26.50% | -20 | -567 | -547 | – | 150 | 145 | 5 | 150 | – | |
| SA Holding Gondomar 1 (French company) | 16.50% | -4 204 | -6 587 | -2 383 | 1 447 | 1 087 | 393 | -754 | 1 086 | – | |
| SA Holding Gondomar 3 (French company) | 16.50% | -698 | -841 | -143 | 240 | 139 | 24 | -125 | 139 | – | |
| **Spain** | | | | | | | | | | | **Deficits deferrable over 15 years** |
| Klécar Foncier Iberia | 30.00% | -8 811 | – | 8 811 | 2 864 | – | -2 643 | -221 | -0 | – | |
| KKlécar Foncier España | 30.00% | -13 371 | -13 139 | 232 | 3 609 | 3 942 | -70 | -277 | 3 262 | 679 | Unrecognized losses prior to tax consolidation |
| Vinaza | 30.00% | -1 500 | -3 236 | -1 736 | 488 | 971 | 521 | -38 | 971 | – | |
| Vallecas | 30.00% | -12 046 | -16 632 | -4 586 | 3 915 | 4 990 | 1 376 | -301 | 4 990 | -0 | |
| **Belgium** | | | | | | | | | | | **Unlimited deferral of ordinary losses** |
| Cinémas Louvain-la-Neuve | 34.00% | -2 181 | -2 564 | -383 | 742 | 872 | 130 | – | 872 | -0 | |
| Coimbra | 34.00% | -4 368 | -5 218 | -850 | 1 485 | 1 774 | 289 | – | 1 774 | – | |
| Foncière Louvain-la-Neuve | 34.00% | -4 623 | -6 599 | -1 976 | – | 2 244 | – | – | – | 2 244 | Unrecognized tax losses |
| Place de l'Accueil | 34.00% | -133 | -258 | -125 | 45 | 88 | 43 | – | 88 | – | |
| **Hungary** | | | | | | | | | | | **Unlimited deferral of ordinary losses** |
| Klépierre Part. et Fin. (French company) | 33.00% | -3 435 | – | 3 435 | 1 183 | – | -1 134 | -49 | 0 | -0 | |
| Hungarian real-estate companies | 16.00% | -16 448 | -13 204 | 3 244 | 2 630 | 2 113 | -519 | 2 | 2 113 | -0 | |
| **Czech Republic** | | | | | | | | | | | |
| Czech holdings | 21.00% | | -6 171 | -6 171 | | 1 296 | 1 044 | – | 1 044 | 252 | Unrecognized tax losses |
| Bestes | 21.00% | – | | – | – | – | – | – | – | – | |
| AMC Prague | 21.00% | -69 | – | 69 | 17 | – | – | -17 | – | – | |
| **Greece** | | | | | | | | | | | **Deficits deferrable over 5 years** |
| Klépierre Larissa | 25.00% | – | -4 928 | -4 928 | – | 1 232 | 1 232 | – | 1 232 | – | |
| Ségécé Hellas | 25.00% | – | | – | – | – | – | – | | – | |
| KFM | 25.00% | -1 019 | – | 1 019 | 255 | – | -255 | – | – | -0 | |
| Patras | 25.00% | -635 | -492 | 143 | 159 | 123 | -36 | – | 123 | -0 | |
| Efkarpia | 25.00% | -125 | -56 | 69 | 31 | 14 | -17 | – | 14 | – | |
| Athinon | 25.00% | -563 | -896 | -333 | 141 | 224 | 83 | – | 224 | -0 | |
| **Italy** | | | | | | | | | | | **Ordinary deficits deferrable** |
| Assago | 31.40% | -760 | – | 760 | 239 | – | -239 | – | – | – | **over 5 years except the** |
| Klefin | 27.50% | -5 823 | -7 333 | -1 510 | 1 921 | 2 017 | 415 | -320 | 2 016 | – | **first 3 years indefinitely deferrable** |
| Serravalle | 31.40% | -515 | -534 | -19 | 192 | 168 | 6 | -30 | 168 | – | |
| Galleria Commerciale Klépierre | 31.40% | -911 | -749 | 162 | 339 | 235 | -51 | -53 | 235 | – | |
| Collegno | 31.40% | -2 717 | -3 069 | -352 | 1 012 | 964 | 111 | -159 | 964 | – | |
| **Poland** | | | | | | | | | | | **Deficits deferrable over 5 years** |
| Sadyba (real estate and holding) | 19.00% | -117 | -4 843 | -4 726 | 22 | 920 | 898 | – | 920 | – | |
| Krakow (real estate and holdings) | 19.00% | -1 474 | -3 919 | -2 445 | 280 | 745 | 56 | – | 336 | 409 | Unrecognized tax losses |
| Ruda (real estate) | 19.00% | -790 | -3 325 | -2 535 | 144 | 632 | 309 | – | 453 | 179 | Unrecognized tax losses |
| Poznan (real estate and holding) | 19.00% | – | -3 407 | -3 407 | – | 647 | 647 | – | 647 | – | |
| Rybnik (real estate and holding) | 19.00% | – | -1 659 | -1 659 | – | 315 | 282 | – | 282 | 33 | Unrecognized tax losses |
| Sosnowiec (real estate and holding) | 19.00% | – | -1 404 | -1 404 | – | 267 | 234 | – | 234 | 33 | Unrecognized tax losses |
| Lublin (real estate and holding) | 19.00% | – | -4 904 | -4 904 | – | 932 | 426 | – | 426 | 506 | Unrecognized tax losses |
| Other Polish holdings | 19.00% | – | -1 073 | -1 073 | – | 204 | -0 | – | -0 | 204 | Unrecognized tax losses |
| Ségécé Poland | 19.00% | -702 | -59 | 643 | 147 | 0 | -122 | -25 | -0 | – | |

in thousands of euros

| Entities | Statutory tax rate | Inventory of ordinary deficits Dec 31, 2006 | Inventory of ordinary deficits Dec 31, 2007 | Change in OD in 2007 | Capitalized deferred tax as of Dec 31, 2006 | Amounts capitalized as of Dec 31, 2007 | Change in capitalized amounts | Regulari-zation | Amounts capitalized as of Dec 12, 2007 | Amounts non capitalized as of Dec.31, 2007 | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Netherlands** | | | | | | – | | | | | Holding: dividends and capital gains |
| Capucines BV | 25.50% | -1 659 | -1 715 | -56 | – | 437 | – | | – | 437 | from sale of tax-free |
| **Luxemburg** | | | | | | – | | | | | |
| Luxemburg holdings | 20.00% | | -624 | -624 | – | 125 | – | | – | 125 | Unrecognized tax losses |
| **France** | | | | | | | | – | | | **Unlimited deferral of ordinary losses** |
| Kléber La Pérouse | 16.50% | -1 850 | -156 | 1 694 | 637 | 26 | -280 | -332 | 25 | 0 | |
| Cap Nord | 34.43% | – | -833 | -833 | – | 287 | – | | – | 287 | Unrecognized tax losses |
| Klécapnord | 16.50% | – | -1 087 | -1 087 | – | 179 | 179 | | 179 | – | |
| KLE Projet 2 | 16.50% | – | -1 558 | -1 558 | – | 257 | 257 | | 257 | – | |
| H2 | 16.50% | – | -209 | -209 | – | 34 | 34 | | 34 | – | |
| H4 | 16.50% | – | -147 | -147 | – | 24 | 24 | | 24 | – | |
| Other French companies | 34.43% | | -2 143 | -2 143 | – | 738 | | | – | 738 | Unrecognized tax losses |
| **TOTAL** | | **-88 777** | **-126 139** | **-34 549** | **24 190** | **31 409** | **3 787** | **-2 694** | **25 283** | **6 126** | |

in thousands of euros

## 6. EXPOSURE TO RISKS AND HEDGING STRATEGY

Klépierre is attentive to the management of the financial risks inherent in its activity and in the financial instruments that it uses. The Group identifies and regularly measures its exposure to the different sources of risks (rate, liquidity, foreign exchange, counterparty, equity markets) and defines the applicable management policies, where appropriate.

### 6.1. Interest rate risk

#### A) Cash Flow Hedge rate risk

**Recurrence of floating rate financing requirement**
Variable rate debts structurally represent a significant portion of the Group's debt (52% of debt on December 31, 2007, before hedging): they include bank loans (standard or mortgage), drawdowns from syndicated loans, commercial paper and the use of authorized overdrafts.

**Identified risk**
An interest rate increase on which the variable rate debts are indexed (Euribor 3 months primarily) could lead to an increase of future interest rate expense.

**Measurement of risk exposure:**
The two tables below measure the exposure of Klépierre's income to an interest rate hike, before and after hedging.

| Interest rate position before hedging | Amount | Change in financial expenses caused by a 1% increase in interest rates |
|---|---|---|
| **Gross position (variable rate debts and debts under one year)** | **2 357** | **23.6** |
| – Marketable securities | -56 | -0.6 |
| **NET POSITION BEFORE HEDGING** | **2 301** | **23.0** |

in millions of euros

| Interest rate position after hedging | Amount | Change in financial expenses caused by a 1% increase in interest rates |
|---|---|---|
| **Gross position before hedging** | **2 357** | **23.6** |
| – Net hedge | -990 | -9.9 |
| **Gross position after hedging** | **1 367** | **13.7** |
| – Marketable securities | -56 | -0.6 |
| **NET POSITION AFTER HEDGING** | **1 311** | **13.1** |

in millions of euros

In addition, as the fair value changes of Cash Flow Hedge swap hedges are recognized in equity, the statement below assesses the probable impact of an interest rate hike on equity based on Klépierre's Cash Flow Hedge swaps portfolio at year end (including deferred swaps).

| Fair value of the Cash flow Hedge rate | Fair Value | Change in equity caused by a 1% increase in interest rates |
|---|---|---|
| **Cash Flow Hedge Swaps as of December 31, 2007 (notional: 2 690 millions euros)** | **80** | **89.8** |
| Cash Flow Hedge Swaps as of Dec. 31, 2006 (notional: 1 890 millions euros) | 61 | 71.5 |

in millions of euros

# Exposure to risks and hedging strategy

Financial debt after hedging breaks down as follows:

| | Fixed rate debts | | | Floating rate debts | | | Total gross financial debts | | Average cost of the projected debt |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Rates | Fixed portion | Amount | Rates | Variable portion | Amount | Rates | |
| 12.31.2005 | 2434 | 4.30% | 74% | 851 | 3.00% | 26% | 3285 | 3.96% | 4.09% |
| 12.31.2006 | 3159 | 4.22% | 85% | 570 | 4.27% | 15% | 3729 | 4.23% | 4.28% |
| 12.31.2007 | 3200 | 4.20% | 70% | 1367 | 5.35% | 30% | 4567 | 4.54% | 4.65% |

The rates above are calculated, for the variable portion, on the basis of the market rates as of December 31, 2007. They do not include non-utilization commissions, spread of cash payments on swaps and spread of loan premiums and costs (hence the variance between the weighted average rate and the average cost of the projected debt).

in millions of euros

First, given the particularly high interest rate levels at December 31, 2007 (impact of the financial crisis on liquidity at the end of the year) and second, the start on January 2, 2008 of several hedging instruments subscribed by Klépierre in 2007, it can be noticed that the **projected average cost of the debt on January 2, 2008 stands at 4.35%.**

### Hedging strategy

Klépierre has set itself a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed rate debts (after hedging) in gross financial debts. As shown by the table above, it was 70% on December 31, 2007.
Given that Klépierre took advantage of the drop in interest rates to reinforce its hedging portfolio in the second half of 2007, the hedging rate was 79% on January 2, 2008.
To reach its key level, Klépierre primarily uses swap agreements, enabling the fixing of variable rate financing rates or inversely to convert fixed rate financings into variable rate financing.
Klépierre could also use its Cash Flow Hedge by limiting the possible variations of the reference index, for example by buying a cap on this index.
Considering its strategy and investment program, Klépierre is structurally a borrower; the current financing plan states a debt increase of more than 300 million euros per annum in coming years.
Since the Group does not seek to reduce the proportion of its short-term debt, it is therefore highly probable that the short-term variable rate loans will be renewed in the medium term.
That is why the Klépierre's hedging strategy concerns both the long-term and short-term parts of its indebtedness.
Generally, the term of the hedging instrument can exceed that of hedged debts on condition that Klépierre's financing plan underlines the highly probable aspect of renewing these debts.

## B) Fair Value Hedge interest risk rate

### Description of fixed rate indebtedness

Today, Klépierre's fixed rate indebtedness primarily corresponds to bond issues and two bilateral bank loans subscribed in 2004 by Klépierre and Klépierre Participations et Financements.

The principal sources of fixed rate additional debt may come from resorting again to the bond market or the convertible bonds and other "equity-linked" products.

### Identified risk

On its fixed rate indebtedness, Klépierre is exposed to the fluctuations of the risk-free market interest rates, in so far as the fair value of fixed rate debts increases when the rates fall and inversely.
Furthermore, Klépierre may be in a position to know, at a given date, that it should raise the fixed rate debt at a later date (e.g.: scheduled acquisition). It would then be exposed to the risk of interest rate change before setting up the loan. Klépierre could then envisage hedging this risk – considered as a« cash flow hedge » risk under IFRS.

### Measuring risk exposure and hedging strategy

As of December 31, 2007, debts subscribed at a fixed rate represent 2210 million euros before hedging.
The "Fair Value Hedge" strategy is calibrated to reflect the objective of the overall hedge rate. It is also based on the use of rate swaps enabling the replacement of fixed rate payments by variable rate payments. The "credit margin" component is not hedged.
The duration of the "Fair Value Hedge" hedging instruments is never higher than the duration of the hedged debt, since Klépierre wishes to obtain very strong "efficiency" as defined by IAS 32/39.

## C) Investment securities

As of December 31, 2007, Klépierre's marketable securities represented 56.5 million euros.
They are mainly comprised of money market open-end and mutual funds or SICAV-FCP in France, as well as certificates of deposits in Italy for 3.4 million euros (one month maturity) and Spanish treasury bills for 3.4 million euros (maturity within one week).

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

## D) Fair value of financial assets and liabilities

Under IFRS, financial debts are posted in the balance sheet at amortized cost and not at fair value.
The table below enables a comparison of the fair values of debts and their face value. Fair values are drawn up according to the following principles:
- variable rate bank debts: fair value equal to the nominal amount, unless major credit event not impacted on the financial conditions of the debt;
- fixed rate bank debts: fair value calculated on the basis of the equal to the nominal amount, unless major credit event not impacted on the financial conditions of the debt;
- bond issues (and convertible where applicable): utilization of market quotations if they are available, fair value calculated on the basis of rate changes and credit margin in the contrary case.

Derivative instruments are posted in the balance sheet at their fair value. As of December 31, 2007, a 1% increase in the rate curve would lead to a rise of 71.4 million euros in the value of the Group's interest rate swaps (Cash Flow Hedge and Fair Value Hedge).
On the asset side, unconsolidated securities are classified in the category of securities "available for sale" and are therefore valued at their fair value. Given the activity of the concerned companies, it is estimated that the net book value is close to the fair value.

### E) Measurements and resources for managing exposure

Given the importance of its rate risk management for Klépierre, general management is involved in any decision concerning the hedging portfolio. The Financial Division has IT tools enabling it to first, track market place trends in real time, and second to calculate the market values of its financial instruments including derivative instruments.

| | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Face values | Fair Value | Change in FV caused by a 1% increase in interest rates* | Face values | Fair Value | Change in FV caused by a 1% increase in interest rates* |
| Fixed rate bond issues | 1 900 | 1 829 | 62 | 1 900 | 1 898 | 81 |
| Fixed rate bank loans | 310 | 300 | 6 | 319 | 310 | 8 |
| Variable rate bank loans | 2 357 | 2 357 | – | 1 510 | 1 510 | – |
| **TOTAL** | **4 567** | **4 486** | **68** | **3 729** | **3 718** | **89** |

* Drop in the fair value of the debt following a parallel shift of the rate curve.

in millions of euros

## 6.2. Liquidity risk

Klépierre focuses on refinancing its long-term activity and diversifying maturity dates and the Group's financing sources, so as to facilitate renewals.
Accordingly, bond issues represented 41% of financial debts at December 31, 2007, the duration of the debt was brought to 5.4 years, and bank debt is spread out in different products (club deals, mortgage loans, etc.) and various international scale counterparties.
Outstanding commercial paper (representing the bulk of short-term financing) never exceeds the amount of the club deal "back-up" line with several banks and which would enable immediate refinancing of this outstanding in the event of renewal difficulty on this market.
Additionally, Klépierre had 669 million euros of unutilized credit lines (including bank overdrafts) on December 31, 2007.
Generally, access to the financing of real-estate companies is facilitated by the security received by lenders from their property assets.
Some Klépierre financings (club deals, bond issues) come with financial covenants which must be complied with under pain of the application of an early payability clause (c.f. also the note on financial liabilities).
These agreements concern ratios monitored by standard tracking for property professionals and the imposed constraints that leave sufficient flexibility to Klépierre to maintain liquidity risk at a low level.

| Principal Covenants | Maximum amount of the relevant financing (€M) | Contractual limit | Impact of non compliance | Level as of December 31, 2007 |
|---|---|---|---|---|
| **Klépierre financing** | | | | |
| Loan-To-value | 2 800 | ≤ 52% | Default case | 41.1% |
| EBITDA/FFI | | ≥ 2.5 | | 3.31 |
| Secured debt/ Revalued assets | | ≤ 20% | | 2.6% |
| Revalued asset value group share | | ≥ 5 Md€ | | 10.0 |
| Secured debt/RNAV | 1 900 | ≤ 50% | Default case | 5.3% |
| **Klémurs financing** | | | | |
| Loan-To-value | 150 | ≤ 55%(1) | Default case | 46.8% |
| EBITDA/FFI | | ≥ 2(2) | | 2.5 |
| Secured debt/ Revalued assets | | ≤ 20% | | 10.4% |
| Revalued asset value group share | | ≥ 300 M€ | | 457.2 |

(1) 65% including subordinated debts.
(2) 1.8% including financial costs on subordinated debts.

The bond issues (1 900 million euros) include a bearer option, giving them the possibility of requesting early repayment in case of change of control that would change Klépierre's rating into "non-investment grade". Apart from this clause, no financial agreement refers to Standard & Poor's rating for Klépierre.

## 6.3. Currency risk

Klépierre's business is mainly located in Euro zone countries. As of December 31, 2007, the exceptions were the Czech Republic, Slovakia, Hungary and Poland.
In these countries, to date, the currency risk was not considered sufficiently important to be hedged by derivative instruments.
As acquisitions and their financing are carried out in euros, currency risk mainly concerned the commercial activity of subsidiaries.
Generally, rents are invoiced to lessees in euro with the conversion into local currency on the invoicing date. Lessees have the choice of paying their rents in local currency or in euros (or in dollars for some minority leases). Currency risk is therefore limited to the variance, if any, between the invoiced rent and the collected rent when the currency loses value towards the euro between the invoice date and the actual payment in local currency by the lessee.
At the same time, Klépierre makes sure that lease payments from tenants do not represent an overly large portion of their revenues so as to avoid, in case of a sharp increase in the value of the euro, a degradation of their financial situation which could increase the risk of default payments for Klépierre.

## 6.4. Counterparty risk

Counterparty risk is limited by the fact that Klépierre is structurally a borrower. It only concerns investments carried out by the Group and the Group's counterparties in derivative product transactions.

### Counterparty risk on investment securities

Counterparty risk on investments is limited by the type of products used:
- UCITS managed by recognized firms, and therefore concerning diversified signatures;
- government loans from countries where Klépierre is present (in the form of loan/borrowing);
- occasionally, certificates of deposit issued by leading banks.

### Counterparty risk on hedging instruments

Klépierre gets involved in derivative instrument transactions only with world-class financial firms. Today, all swap contracts have an "AA" counterparty rating. Whatever the case, the Group would not accept to deal with a firm rated lower than A- by S&P or an equivalent agency.

## 6.5. Equity risk

Klépierre has no other shares in addition to its own shares (2 990 463 securities on December 31, 2007), which are booked in equity at historic cost.

## 7. FINANCING AND GUARANTEE COMMITMENTS

### 7.1. Reciprocal commitments

Reciprocal commitments correspond to reciprocal guarantees in the context of a property development contract or a sale before completion contract (payment guaranteed by the buyer and completion guaranteed by the developer).

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Guarantee within the context of a Property Development Contract/Sale before completion | 297 541 | 192 512 | 79 324 |
| **TOTAL** | **297 541** | **192 512** | **79 324** |

in thousands of euros

### 7.2. Commitments given and received

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Commitments given** | | | |
| – Security deposits on loans to employees | 12 659 | 8 910 | 6 687 |
| – Guarantees, deposits and mortgages | 16 445 | 8 273 | 7 159 |
| – Purchase commitments | 999 286 | 568 886 | 562 462 |
| **TOTAL** | **1 028 390** | **586 069** | **576 308** |
| **Commitments received** | | | |
| – Deposits received as guarantee for the activity of real-estate management and transactions | 145 340 | 120 340 | 120 340 |
| – Sale Commitments | 107 000 | 58 875 | 52 484 |
| – Deposits received from tenants | 62 595 | 53 638 | 46 780 |
| – Other guarantees received | 649 | 109 838 | 112 956 |
| – Unutilised confirmed credit lines | 630 000 | 467 000 | 306 757 |
| **TOTAL** | **945 584** | **809 691** | **639 317** |

in thousands of euros

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**Purchase commitments**

Purchase commitments primarily correspond to preliminary purchase contracts for the construction of the Vallécas (Madrid) center for 113 million euros, the Claye-Souilly shopping center for 13.2 million euros, the Vanne city center mall for 50.5 million euros and the Montpellier Odysseum for 18.7 million euros. Klémurs signed a preliminary purchase contract for 88 “Défi Mode” outlets and 42 other forthcoming projects for 163.2 million euros and also committed to the acquisition of 15 commercial assets located on three business zones (Avranches, Rochefort-sur-Mer and Messac) for 18.2 million euros.

Klépierre also acquired, under various conditions precedent, the Place de l’Etoile center in Luxemburg (21 500 sq.m. GLA, projected opening in 2011) for an amount of 215 million euros (1 million euros paid out to date).

An agreement concerning the acquisition of a finance lease contract for the Cesson (77) shopping mall was signed for an amount of 70 million euros.

Klépierre also committed to acquiring in the context of its partnership with Finiper, 50% of the Il Leone centers in Lonato (15 987 sq.m. GLA, 84 million euros of investment for its shares) and Le Corti Venete in Vérone (30 181 sq.m. GLA, 40.7 million euros for its shares). The final acquisitions will take place on the first quarter 2008. A 3rd center under construction will also be acquired at its opening scheduled for the first quarter 2009: 29.952 sq.m. GLA, located in Vittuone, on the western outskirt of Milan, for an investment of 44.2 million euros (50%). Lastly, an agreement subject to conditions precedent was also signed for the purpose of acquiring the Aqua Portimao shopping center in Portugal for 52.7 million euros in partnership with Generali (0.5 million euros paid out). The commissioning is scheduled for 2010.

Furthermore, there are earnout clauses for some acquisitions. Pursuant to IFRS 3 and its articles 32 and 34, the price adjustment in the cost of the business combination on the acquisition date must be recognized if the adjustment is probable 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 for the center but holds a lease set to expire on July 31, 2021. An earnout will be paid to the seller if it obtains an extension or full ownership of the lease within a period of 10 years as from July 2005.
As the probability of the lease being extended or full ownership being obtained cannot be measured, this earnout was not booked.

### Preliminary sale agreements

A preliminary sale agreement was signed for 41.62% of the Annecy building for 37 million euros. Klépierre also agreed to transfer to Cicobail (in the context of a finance lease transfer agreement) the Cesson (77) property complex for 70 million euros.

### Unutilized confirmed credit lines

At December 31, 2007, Klépierre had 669 million euros of unutilized credit lines comprising the following:

- 630 million euros of confirmed credit lines:
  – 550 million euros of credit line available on the syndicated loan set up in 2007;
  – 80 million euros of possible commercial paper issue (variance between the amount of the back-up line and the outstanding issued paper);
- 39 million euros authorized under a partially used overdraft.

### Other guarantees received

In the context of Vallécas, Klépierre had a security deposit of 110 million euros euros in the event of failure of the Madrid City Hall to obtain a building permit. The permit was obtained and the guarantees matured on June 30, 2007.
To our knowledge, there is no omission of a material or potentially material off-balance sheet commitment according to applicable accounting standards.

## 7.3. Guarantees

| | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Guaranteed debts | 371 655 | 386 424 | 619 319 |
| **TOTAL** | **371 655** | **386 424** | **619 319** |

in thousands of euros

Secured debts mainly include:

- mortgage on the shopping centers owned by Klécar Italia to hedge a 114.7 million euros bank loan;
- security deposit given by Klépierre to hedge the 165 million euros debt of Klépierre Participations et Financement;
- Klépierre also guaranteed finance lease payments for 48.3 million euros for the entire Cesson (77) property complex.

Generally, the Group finances its assets by equity or debts contracted by the parent without pledging these assets.
The details of debts secured by pledges are as follows:

| | Loan amount as of 31.12.07 | Mortgage amount | Pledge start date | Pledge due date | Social NBV of pledged assets |
|---|---|---|---|---|---|
| **on tangible assets** | | | | | **460 325** |
| Novate | 26 187 | | | | |
| – Metropoli | | 61 975 | 04.16.1999 | 12.15.2013 | 85 473 |
| – Vignate | | 28 000 | 12.19.2003 | 10.15.2016 | 61 791 |
| Immobiliare Magnolia | 4 790 | 20 789 | 09.08.1999<br>04.18.2003 | 07.15.2011<br>01.15.2018 | 23 255 |
| ICD | 9 296 | 43 282 | 06.30.1996 | 05.11.2011 | 73 627 |
| Klécar Italia | 113 911 | 331 500 | 06.30.2003 | 06.30.2015 | 210 259 |
| SCI Rebecca | 3 923 | 5 764 | 10.17.2002<br>07.20.2000 | 12.30.2014<br>07.31.2015 | 4 976 |
| SCI LC | 173 | 377 | 01.05.2000 | 01.02.2012 | 944 |
| **On long-term financial assets** | | | | | **0** |
| **TOTAL** | | | | | **460 325** |

in thousands of euros

## 7.4. Shareholders' agreement

### Shareholders' agreements concerning Klécar France, Klécar Europe Sud, Solorec and Klécar Participations Italie

The shareholders' agreement binding Klépierre and CNP Assurances and Ecureuil Vie were amended by rider signed on December 30, 2004 in order to cancel the liquidity commitments of Klépierre towards its partners.
The 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.

**Shareholders' agreement signed between SNC Kléber la Pérouse and SCI Vendôme Commerces on SCS Cecobil**

Signed on October 25, 2007, this agreement, after the conversion of Cecobil into a general partnership, provides for the usual protections regarding the planned sale of equity shares to a third party (first refusal right and total joint exit right) and in the area of change of control of a partner.

**Shareholders' agreement signed between SNC Kléber la Pérouse and SCI Vendôme Commerces on 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 right and total joint exit right) and regarding the change of control of a partner.

**Shareholder's agreement signed by Klépierre, Klefin, Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper and Cedro 99 on Immobiliari Galerie Commerciali (IGC) and on Clivia**

During the acquisition IGC shares by Klépierre, a shareholders' agreement was signed in 2002.

Its main provisions – including those regarding Klépierre's primitive right – were repeated in a new agreement which now concerns IGC and Clivia (owner of Lonato, Verone and Vittuone malls).

It also includes a PUT in favour of Finiper enabling the latter to sell to Klépierre the shares that it holds in IGC and/or Clivia. The PUT has a duration of 10 years and cannot be split on IGC (exercise of all the shares held by Finiper), but can on Clivia in two parts (25% each). In case of refusal by Klépierre, an indemnity is owed to Finiper.

**Agreement signed with AXA France Vie in case of disposal of equity shares constituting Ségécé's capital**

The AXA France Vie company transferred all the corporate shares that it had in the capital of Ségécé to Klépierre on September 5, 2007. This transfer resulted in the early termination of the shareholders' agreement signed on November 7, 2003 for AXA France Vie.

## 7.5. Commitments on operating leases – Lessors

General description of the main clauses of the lessor's lease agreement

**Shopping centers**

The agreement stipulates rental terms ranging from 5 years in Spain to 12 years in France (with three-year periods); Italy offering a mixed system of 5 to 12 years. The terms for fixing and indexing rents are determined in the contract. Indexing allows re-pricing of the guaranteed minimum rent, by the application of a country-specific index.

Indexing specific to each country

In France, the applicable index used is the ICC, the reference construction cost, published each quarter. The index retained and applied corresponds to that of the "anniversary" quarter of the lease. The ICC for the second quarter of each year (published in October) applies to about 70% of leases in Klépierre's rental property in France.
In Spain, the consumer price index (IPC) is recorded annually every January 1.
In Italy, the system is based on the consumer price indices for working class and junior management (excluding tobacco) households (ISTAT). But implementing the index system is more complex: depending on the leases, we either apply the ISTAT at 75%, or the reference segment index at 100%.
In Portugal, the retained index is the consumer price excluding property (IPC).
The Consumer Price Index (CPI) is applied in Greece.
In central Europe, the IPCH euro zone index, published by Eurostat, is based on the consumer price of the countries of the European monetary union.

Guaranteed minimal rent and variable rent

Appraised year in and year out, rent corresponds to a percentage of the revenues earned by the lessee during the civil year under consideration. The applied rates differ depending on the activity carried out. This binary rent (fixed + variable) cannot be less than the minimum guaranteed rent (MGR). The MGR is re-priced every year with the indexing rate. The variable rent corresponds to the variance between the percentage of the revenues as fixed in the lease and the minimum guaranteed rent after indexing.
At the renewal of the lease, consolidating all or part of the variable rent in the MGR becomes an issue. For example, the variable rent is often reduced to zero at the end of the lease (every 5 to 12 years, as the case may be). Each year, it is also deducted from the progression of MGR in the application of the invoicing.
The variable rent clause which is mainly found in the leases of historic French and Italian assets, has been gradually included in other leases whenever they come up for renewal or renegotiation.

**Office buildings**

100% of Klépierre's property assets are located in France and therefore governed by French law.
For commercial activities the following apply: articles L. 145-1 to L. 145-60 of the Commercial code and the non codified articles of n° 53-960 of September 30, 1953 (the "bylaw"). A certain number of these clauses are in the public domain. For example: contracts cannot be shorter than 9 years (regarding the lessor's commitment), the right to renewal, the formal conditions to comply with in the event of cancellation, leave, renewal, and eviction, etc.
Very exceptionally, leases exempted from the status, by no more than two years can be made compliant.
The term of the lease is often 9 years, only the lessee can terminate it 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 every quarter, a quarter early and is annually and totally indexed on the INSEE construction cost index. The rent may be progressive or gradual and may include rent-free periods but whatever the case, determined when the lease is signed and for the entire term (apart from riders during the lease).
All expenses including property taxes and taxes on offices are generally at the lessee's expense, apart from the works regulated by article 606 of the Civil code which is usually at the lessor's expense.

**For professionals (lawyers, chartered accountants, architects, etc.),** the status is not applicable. The minimum duration is 6 year, and the lessee can leave at any time by giving 6 months prior notice. These agreements are not renewable. The other conditions are based more closely on the provisions of commercial leases.

**The total amount of conditional rents recognized in income.**
the **conditional rent** refers to the part of payments made for the rental whose amount is not fixed but which is established on the basis of a factor other than time laps (e. g. percentage of revenues, degree of utilisation, price indices, market interest rate).

Under the lease, **minimum payments** refer to the payments which the lessee is, or can 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, 2007, the accumulated minimal future rents receivable pursuant to the non-cancellable operating lease agreements were as follows:

| | 2007 December |
|---|---|
| Less than one year | 563 646 |
| Between 1 and 5 years | 1 030 472 |
| More than 5 years | 292 922 |
| **TOTAL** | **1 887 040** |

in thousands of euros

## 7.6. Commitments on lease agreements – financing

Klépierre has a finance lease agreement for the office space located in Lille, rue Nationale. This contract is valid for 18 years until July 31, 2009. On the expiration date of the treaty term of the finance lease, the lessee may elect to buy the building at his discretion. The reconciliation between the minimal future payments under the lease-financing agreement and the discounted value of the net minimal payments pursuant to the leases are presented as follows:

| | December 31, 2007 | |
|---|---|---|
| | Minimal payments | Discounted value of payments |
| Less than one year | 426 | 252 |
| More than one year but at least five yearss | 320 | 208 |
| More than five years | 0 | 0 |
| **Total minimum payments for the lease** | **746** | **460** |
| **Minus the amounts representing financial charges** | **-286** | |
| **DISCOUNTED VALUE OF MINIMAL PAYMENTS** | **460** | **460** |

in thousands of euros

## 7.7. Holding commitments

The buildings or finance lease acquired during the Buffalo Grill transaction are placed under the tax status of article 210-E of the French General Tax Code. Buildings are protected by a preservation commitment during five years as from their acquisition.

## 8. COMPENSATIONS AND EMPLOYEE BENEFITS

### 8.1. Payroll expenses

The amount of payroll expenses amounted to 64.8 million euros at December 31, 2007. Fixed and variable salaries and wages, together with incentives and profit sharing, totalled 46.1 million euros, expenses related to retirement indemnities, retirement expenses and other staff benefit expenses at 17.7 million euros, and income tax, taxes and similar payments at 1.0 million euros.
The Group employed a total of 1 103 people as of December 31, 2007.

In addition, the Group's staff benefits from treaty 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) type of plan. The amount due by the employer at the termination of the employment contract (resignation, dismissal, retirement) is calculated by the application of an annual coefficient for each year worked without this amount exceeding a certain threshold. As the corresponding liability is certain, it can be posted under other debts and not as a provision for contingencies.

In Spain, a provision for retirement commitments can be funded in the case of a special clause in the collective agreement, but the staff of Spanish subsidiaries of the Klépierre group is not concerned.

The existing commitments for post-employment medical assistance plans are valued by using the change assumptions for 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.

### 8.2. Retirement commitments

**Post-employment plans with defined contributions**
In France, Klépierre group contributes to different national and inter-professional basic and supplementary pension bodies.

**Fixed benefits post-employment plans**
The still existing fixed benefit plans in France and in Italy are subject to independent actuarial assessments according to the projected unit credit methods in order to determine the expense corresponding to the rights acquired by employees and the outstanding benefits to be paid to pre-retirees and retirees. The demographical and financial assumptions used to estimate the discounted value of hedge bonds and assets for these plans take into consideration the economic conditions specific to the monetary zone under consideration. The fraction of actuarial variances to be amortized, after application of the treaty limit of 10% (corridor method) is calculated separately for each defined-benefit plan.
The provisions funded for fixed-benefit post-employment plans amounted to 4.8 million euros at December 31, 2007.
Klépierre has set up supplementary retirement plans by corporate agreement. Under the supplementary plans, employee beneficiaries will receive at the time of their retirement, additional income to their pensions (where applicable) paid by the national plans, according to the kind of plan they are entitled to.

• Reconciliation between assets and liabilities posted on the balance sheet

| | December 31, 2007 |
|---|---|
| **Surplus of obligations over the assets of financed schemes** | **6 206** |
| Gross discounted value of obligations fully or partly financed by assets | 8 664 |
| Fair value of the plan's assets | -2 458 |
| **Discounted value of non financed liabilities** | **6 206** |
| Not yet recognized costs in application of the provisions of IAS19 | |
| Cost of past services | -1 468 |
| Actuarial net losses or gains | 61 |
| **Net obligation recognized in the balance sheet for defined-benefits plans** | **4 799** |

In thousands of euros

• Movements on the net liability/asset posted in the balance sheet

| | December 31, 2007 |
|---|---|
| **Net obligation at the beginning of the period** | **4 166** |
| Retirement expense recorded in income for the period | 633 |
| 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** | **4 799** |

In thousands of euros

• Components of the retirement expense

| | December 31, 2007 |
|---|---|
| Cost of services rendered during the year | 460 |
| Financial cost | 285 |
| Expected yield from the plan's assets | -115 |
| Amortization of actuarial gains and losses | -1 |
| Amortization of past services | 4 |
| Effect of plan reductions or wind up | |
| **Total recognized in "payroll expenses"** | **633** |

In thousands of euros

• Other long-term benefits
Provision for long-service awards and time-savings account totalled 1.6 million euros at December 31, 2007.

• Principal actuarial assumptions used for calculating on the balance sheet date

| | France |
|---|---|
| Discounting rate | 3.92% – 4.11% |
| Expected yield rate from the plan's assets | 4.00% |
| Expected yield rate from reimbursement rights | n/a |
| Future salary increase rate | 2.5% – 5% |

In percentage, as of January 1, 2007

## 8.3. Stock options

At the beginning of the period, there were 3 stock-option plans for Group executives and members of staff.
These are standard stock options, in other words, they are not subject to performance conditions.
Only stock options granted after November 7, 2002 are booked according to IFRS in application of IFRS 1.
In accordance with IFRS 2, Klépierre appraised the market value of options on their grant date and recognized a proportionate expense during the vesting period. The valuation is carried out by a third-party specialized company. The model retained respects the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of options (in particular dividends in discrete amounts and the possibility of exercising as from May 31, 2010 for the plan authorized in 2006 and as from May 16, 2011 for the plan authorized in 2007).
The calculated expense also takes into account an estimate of the population of beneficiaries at the end of each vesting period, since a beneficiary may lose his rights if he leaves Klépierre group during this period.

**Plan authorized in 2006**
585,000 options (after splitting the face value by 3) were granted under the stock option plan authorized by the Executive Board of May 30, 2006.
These options may be freely exercised as from May 30 2010 and until May 30, 2014 included.
A total expense of 623 thousand euros was recognized in profit and loss in fiscal year 2007 for the stock option plans.
The unit value of stock options granted in 2006 was valued at 4.60 euros (after splitting the face value by 3). The main data taken into account for the valuation include an exercise price of 30.50 euros (after splitting the face value by 3), a share price on the grant date of 27.90 euros (after splitting the face value by 3), volatility of 21.5%, a risk-free interest rate of 4.1% for 8 years maturity and a dividend of 1 euro per share in 2006 then a growth assumption calculated from a straight-line regression on previous year dividends.

**Plan authorized in 2007**
429 122 options (after splitting the face value by 3) were granted under the stock option plan authorized by the Executive Board of May 15, 2007.
These options may be freely exercised as from May 16, 2011 and until May 15, 2015 included.
A total expense of 676 000 euros was recognized in profit and loss in fiscal year 2007 for the stock option plans.
The unit value of stock options granted in 2007 was valued at 10.40 euros (after splitting the face value by 3). The main data taken into account for the valuation include an exercise price of 47.90 euros (after splitting the face value by 3), a share price on the grant date of 47.30 euros (after splitting the face value by 3), volatility of 21.2%, a risk-free interest rate of 4.51% for 8 years maturity and a dividend of roughly 10% in 2007 then a growth assumption calculated from a straight-line regression on previous year dividends.

| | Plan 1 | Plan 1 | Plan 2 | Plan 3 |
|---|---|---|---|---|
| **Date of the General Meeting** | 04.28.1999 | 04.28.1999 | 04.07.2006 | 04.07.2006 |
| **Date of Executive Board Meeting** | 06.24.1999 | 06.24.1999 | 05.30.2006 | 05.15.2007 |
| **Total number of shares potentially subscribable or purchasable by:** | | | | |
| (i) company executives[3] | 148 530 | 67 509 | 135 000 | 99 000 |
| (ii) the first ten employee allottees[1][3] | 0 | 225 030 | 123 000 | 141 000 |
| Starting date of exercise of options | 06.25.2004 | 06.25.2004 | 05.31.2010 | 05.16.2011 |
| Expiry date | 06.24.2007 | 06.24.2007 | 05.30.2014 | 05.15.2015 |
| Subscription or purchase price[3] | 12.22 | 9.44 | 30.50 | 47.96 |
| Number of shares subscribed to at December 31, 2007 | 148 530 | 454 584 | 0 | 0 |
| Subscription or purchase options of cancelled shares | 0 | 296 886 | 34 500 | 3 001 |
| Outstanding subscription or purchase options as of December 31, 2007[1][2] | 0 | 0 | 550 500 | 426 121 |

(1) The number of employees mentioned may exceed ten in the event of identical number of options, or may be lower than ten in case there are less than ten employees on a plan.
(2) Concern officers and the first 10 employee allottees alone.
(3) After dividing the face value in 2003 (for the plan suscripbed in January 24, 2003) and in 2007 (fot the other plans).

| Stocks options – Executive Board | Date granted | Number of alloted options[1] | Exercise period | Exercise price in euro[1] | Outstanding options as of 12.31.2006 | Number of options exercised in 2007 | Number of options cancelled in 2007 | Outstanding options as of 12.31.2007 |
|---|---|---|---|---|---|---|---|---|
| **Michel CLAIR** | 24.06.1999[2] | 54 012[1] | 25.06.2004 to 24.06.2007 | 12,22 | 38 712 | 38 712 | | 0 |
| | 30.05.2006[3] | 45 000 | 31.05.2010 to 30.05.2014 | 30,50 | 45 000 | | | 45 000 |
| | 15.05.2007[3] | 33 000 | 16.05.2011 to 15.05.2015 | 47,96 | | | | 33 000 |
| **Claude LOBJOIE** | 24.06.1999[2] | 31 506[1] | 25.06.2004 to 24.06.2007 | 12,22 | 16 815 | 16 815 | | 0 |
| | 30.05.2006[3] | 30 000 | 31.05.2010 to 30.05.2014 | 30,50 | 30 000 | | | 30 000 |
| | 15.05.2007[3] | 15 000 | 16.05.2011 to 15.05.2015 | 47,96 | | | | 15 000 |
| **Jean-Michel GAULT** | 30.05.2006[3] | 30 000 | 31.05.2010 to 30.05.2014 | 30,50 | 30 000 | | | 30 000 |
| | 15.05.2007[3] | 24 000 | 16.05.2011 to 15.05.2015 | 47,96 | | | | 24 000 |
| **Laurent MOREL** | 30.05.2006[3] | 30 000 | 31.05.2010 to 30.05.2014 | 30,50 | 30 000 | | | 30 000 |
| | 15.05.2007[3] | 27 000 | 16.05.2011 to 15.05.2015 | 47,96 | | | | 27 000 |

(1) After dividing the face value in 2003 (for the plan suscripbed in January 24, 2003) and in 2007 (fot the other plans).
(2) Decision of the EGM of April 28, 1999.
(3) Decision of the EGM of April 7, 2006 and restatement of the division of the face value by 3 in 2007.

The granting of stock options to Executive Board members was decided by the Supervisory Board of May 24, 2006 for plan n°2 and by that of May 15, 2007 for plan n°3.

## 9. ADDITIONAL INFORMATION

### 9.1. Disclosures on the fair-value model

| Income statement (fair value) | 12.31.2007 | Fair value restatements | 12.31.2007 Fair value model | 12.31.2006 Fair value model |
|---|---|---|---|---|
| Lease income | 597 178 | | 597 178 | 519 570 |
| Land expenses (real estate) | -2 515 | 2 515 | 0 | 2 |
| Non-recovered rental expenses | -17 189 | | -17 189 | -6 296 |
| Building expenses (owner) | -29 440 | | -29 440 | -31 018 |
| **Net lease income** | **548 034** | **2 515** | **550 549** | **482 258** |
| Management, administrative and related income | 64 195 | | 64 195 | 57 497 |
| Other operating income | 18 265 | | 18 265 | 9 480 |
| Change in the fair value of investment property | | 911 522 | 911 522 | 998 230 |
| Survey and research costs | -1 146 | | -1 146 | -1 124 |
| Payroll expense | -64 810 | | -64 810 | -59 938 |
| Other general expenses | -25 165 | | -25 165 | -22 145 |
| Depreciation and amortization allowance on investment property | -169 297 | 167 822 | -1 475 | -1 909 |
| Depreciation and amortization allowance on PPE | -4 365 | | -4 365 | -3 126 |
| Provisions | -2 663 | | -2 663 | 12 |
| **RESULTS OF OPERATIONS** | **363 048** | **1 081 859** | **1 444 907** | **1 459 235** |
| Gains on the sale of investment property and equity interests | 96 113 | | 96 113 | 122 459 |
| Net book value of investment property and equity investment sold | -55 740 | -30 133 | -85 873 | -111 466 |
| **Results of the sale of investment property and equity interests** | **40 373** | **-30 133** | **10 240** | **10 993** |
| **Profit on the sale of short term assets** | **46** | | **46** | **1 490** |
| Net dividends and provisions on non-consolidated investments | 549 | | 549 | -161 |
| Net cost of debt | -162 931 | | -162 931 | -134 806 |
| Change in the fair value of financial instruments | 0 | | 0 | 55 |
| Effect of discounting | 726 | | 726 | -1 200 |
| Share in earnings of equity-method investees | 2 634 | 2 822 | 5 456 | 671 |
| **PRE-TAX EARNINGS** | **244 445** | **1 054 548** | **1 298 993** | **1 336 277** |
| Corporate income tax | -13 493 | 32 174 | 18 681 | -136 570 |
| **NET INCOME OF CONSOLIDATED ENTITY** | **230 952** | **1 086 722** | **1 317 674** | **1 199 707** |
| **of which** | | | | |
| *Group share* | *197 712* | *951 279* | *1 148 991* | *1 036 657* |
| *Minority interests* | *33 239* | *135 443* | *168 682* | *163 050* |

in thousands of euros

| Balance sheet (fair value) | 12.31.2007 | Fair value restatements | 12.31.2007 Fair value model | 12.31.2006 Fair value model |
|---|---|---|---|---|
| Non-allocated goodwill | 84 653 | -8 761 | 75 892 | 32 417 |
| Intangible assets | 7 269 | 0 | 7 269 | 7 478 |
| Tangible assets | 41 340 | 0 | 41 340 | 41 482 |
| Investment property | 6 670 090 | -6 656 962 | 13 128 | 7 312 |
| Fair value of investment property | | 10 425 230 | 10 425 230 | 8 382 413 |
| Fixed assets in progress | 463 983 | -273 476 | 190 507 | 195 718 |
| Fair value of buildings held for sale | 36 200 | 25 064 | 61 264 | 63 213 |
| Equity method security | 46 600 | 2 822 | 49 422 | 3 023 |
| Non consolidated securities | 512 | 0 | 512 | 585 |
| Other non current assets | 33 846 | 0 | 33 846 | 17 104 |
| Interest rate swaps | 84 011 | 0 | 84 011 | 65 139 |
| Deferred tax assets | 33 675 | | 33 675 | 26 275 |
| **NON CURRENT ASSETS** | **7 502 179** | **3 513 917** | **11 016 096** | **8 842 159** |
| Inventory | 11 684 | | 11 684 | 2 463 |
| Trade receivables and related accounts | 57 287 | | 57 287 | 46 159 |
| Other receivables | 215 688 | -62 497 | 153 191 | 199 726 |
| *– Tax receivables* | *49 645* | | *49 645* | *111 048* |
| *– Other debtors* | *166 043* | *-62 497* | *103 546* | *88 678* |
| Cash and near cash | 195 476 | | 195 476 | 157 696 |
| **CURRENT ASSETS** | **480 135** | **-62 497** | **417 638** | **406 044** |
| **TOTAL ASSETS** | **7 982 314** | **3 451 420** | **11 433 734** | **9 248 203** |
| Capital | 193 890 | | 193 890 | 184 657 |
| Additional paid-in capital | 835 187 | | 835 187 | 830 622 |
| Statutory reserves | 18 466 | | 18 466 | 18 466 |
| Consolidated reserves | 756 275 | 1 832 635 | 2 588 910 | 1 715 625 |
| *– Treasury shares* | *-96 168* | | *-96 168* | *-30 823* |
| *– Fair value of financial instruments* | *51 922* | | *51 922* | *39 734* |
| *– Fair value of investment property* | | *1 828 969* | *1 828 969* | *955 729* |
| *– Other consolidated reserves* | *800 521* | *3 666* | *804 187* | *750 985* |
| Consolidated earnings | 197 712 | 951 279 | 1 148 991 | 1 036 657 |
| Shareholders' equity, group share | 2 001 530 | 2 783 914 | 4 785 444 | 3 786 027 |
| Minority interests | 480 502 | 447 922 | 928 424 | 749 444 |
| **SHAREHOLDERS' EQUITY** | **2 482 032** | **3 231 836** | **5 713 868** | **4 535 471** |
| Non current financial liabilities | 4 400 820 | | 4 400 820 | 3 680 254 |
| Long-term allowances | 11 425 | | 11 425 | 8 572 |
| Interest rate swaps | 7 731 | | 7 731 | 0 |
| Security deposits and guarantees | 107 899 | | 107 899 | 93 900 |
| Deferred tax liabilities | 219 069 | 219 584 | 438 653 | 373 946 |
| **NON CURRENT LIABILITIES** | **4 746 944** | **219 584** | **4 966 528** | **4 156 672** |
| **CURRENT LIABILITIES** | **753 338** | | **753 338** | **556 060** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **7 982 314** | **3 451 420** | **11 433 734** | **9 248 203** |

in thousands of euros

Fair value refers to the amount for which an asset may be exchanged between properly informed, consenting parties acting under the conditions of normal competition.
The fair value is the most probable price (excluding transactions fees and costs) that can be reasonably obtained on the market on the balance sheet date.

The fair value of Klépierre buildings is determined by third-party appraisers.
Klépierre has entrusted the task of assessing the value of its holdings to various appraisers. Atisreal Expertise and Foncier Expertise are jointly responsible for appraising office property holdings.

Appraisal of the shopping centers shall be conducted by the appraisers below:

- Retail Consulting Group Expertise (RCGE) shall appraise all French assets excluding the Progest portfolio, approximately 50% of Spanish assets (centers held by Klécar Foncier Espana and Klecar Foncier Vinaza), as well as the full Italian, Czech, Slovakian, Belgian, Portuguese and Greek portfolios;
- Cushman & Wakefield shall appraise the other half of the Spanish portfolio (centers held by Klecar Foncier Iberica);
- Icade Expertise is in charge of appraisals of the Progest portfolio for France as well as all appraisals of Polish and Hungarian assets.

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.
The market value is the value determined by third-party appraisers who value the Group's holdings on June 30 and December 31 of each year excluding transfer duties and fees (the fees are assessed on the basis of the direct sale of the building, even if these costs can, in certain cases, be reduced when the company which owns the asset is sold).

### Office buildings

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 recognised revenue or estimated asset.
An analysis of these revenues 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 on 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. 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. If lease income is higher than market value, the financial capital gain observed was added to the appraised value derived which is equal to the discounted value (at a rate of 5.5%) of the difference between actual lease income and market price until expiry of the first firm period of the lease. In the third case, a capital loss was deducted from the derived value. It corresponds 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 has been reasoning on the basis of the rate of return (yield) and not on the basis of the capitalization rate. That is, 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 country-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 leased-up premises, and to discounted net market price depending on the projected vacancy period for vacant properties. From this initial value obtained through capitalization of net lease income is deducted the discounted value of minimum guaranteed rent, charges on current vacant properties, non chargeable works to be carried out. In addition, a normative vacancy rate is defined for each asset. The discount rate used is equal to the yield rate applied to determine fair market value.
Gross lease income 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: management costs, non chargeable expenses, charges on provision for vacant premises and average losses over recognized outstanding rents for the last 5 years.

The yield rate is set by the appraiser based on defined parameters and especially: retail sales area, layout, competition, type and percentage of ownership, rental reversion and extension potential, and comparability with recent market transactions.

Through the structure of its portfolio and in a concern for savings and efficiency, Klepierre uses two methods to conduct its appraisals as the assets have specific valuation challenges.
Accordingly, the assets appraised for the first time and assets whose last appraisal value is at most greater than 110% of the net carrying value (excluding deferred taxes) are subject to dual valuation: measurement based on return, as explained above, and measurement through the discounted future flows method.
The second method determines the value of a real asset by the sum of discounted financial flows based on a discount rate defined by the appraiser.
The appraiser estimates the expected overall revenues and expenses on the asset side then measures an "ultimate value" at the end of the analysis period (an average of 10 years). By comparing the market rental values and facial

rental values, the appraiser takes into consideration the rental potential of the property asset while retaining the market rental values at the end of the leases after deducting costs incurred by these changes in tenant mix. Lastly, the appraiser discounts the expected cash flow in order 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, a specific premium for the asset, depending on its location, characteristics and the tenant mix of each building.

## 9.2. Earnings per share

Basic earnings per share is computed by dividing the net income for the period attributable to ordinary shares by the weighted average number of current shares in the period, excluding treasury shares.
Diluted earnings per share is computed by dividing the net income for the period attributable to ordinary shares by the weighted average number of current shares in the year, excluding treasury shares adjusted to reflect the effects of the diluting options.

| | | December 31, 2007 | December 31, 2006 | December 31, 2005 |
|---|---|---|---|---|
| **Numerator** | | | | |
| Net income, group share (in thousands of euros) | a | 197 712 | 164 534 | 120 449 |
| **Denominator** | | | | |
| **Average weighted number of shares before diluting effect*** | **b** | **136 998 849** | **137 536 323** | **137 896 395** |
| Effect of dilutive options | | 0 | 0 | 0 |
| Share purchase options | | | | |
| **Total potential dilutive effect** | **c** | **0** | **0** | **0** |
| **Average weighted number of shares before diluting effect** | **d = b + c** | **136 998 849** | **137 536 323** | **137 896 395** |
| **Group share of net income per undiluted share (in euros)** | **a/b** | **1.4** | **1.2** | **0.9** |
| **Group share of net income per diluted share (in euros)** | **a/d** | **1.4** | **1.2** | **0.9** |

* Fiscal years 2006 and 2005 adjusted to reflect the nominal division.

## 9.3. Affiliated companies

As of December 31, 2007 the share of BNP Paribas in bank loans totalled 1 571 million euros, of which 1 257 million euros have been used. This equity interest must be compared to a total authorized amount of 3,036 million euros, of which 2 247 million euros have been used. These figures do not include the commercial paper back-up line (not drawn) of an amount of 300 million euros, and in which BNP Paribas has an interest of 150 million euros.
The transactions between affiliated parties were carried out under terms equivalent to those prevailing in the case of transactions subject to normal conditions of competition.

## 9.4. Compensation of Directors and Officers

The directors' fees paid to members of the Supervisory Board totalled 210 000 euros. The overall amount of compensations paid in 2007 to Executive Committee members was 2 059 000 euros.

## 9.5. Post balance sheet date events

In January 2008, Klépierre group reinforced its interest rate risk hedge for its future refinancing by subscribing 3 swap agreements for total notional amount of 300 million euros, of which 100 million euros were subscribed by Klémurs. These hedges expire in February and April 2015.

## 9.6. Identity of the consolidating company

As of December 31, 2007, Klépierre was fully consolidated by BNP Paribas group. BNP Paribas holds an equity stake of 50.16% in Klépierre.

# STATUTORY AUDITORS' REPORT

## on the consolidated financial statements

### YEAR ENDED 31 DECEMBER 2007

Dear Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Klépierre for the year ended 31 December 2007.
The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.

### I – Opinion on the consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
We believe that our audit provides 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 at 31 December 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

### II – Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As indicated in Notes 2.5 and 9.1 to the consolidated financial statements, the real estate assets are assessed by independent real estate experts. Our procedures consisted in examining the valuation method used by these experts and to ensure ourselves that any possible impairment as well as the determination of the fair value of the buildings were performed on the basis of external assessments.
- As indicated in Note 2.7 to the consolidated financial statements, the Group uses certain estimates when monitoring 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 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.
- As indicated in Note 2.16 to the consolidated financial statements, your company recognises its derivative instruments using hedge accounting as set forth in IAS 39. We examined the classification and documentation criteria specific to this standard.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### III – Specific verifications

In accordance with professional standards applicable in France, we also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Signed in Courbevoie
and Neuilly-sur-Seine, 7 March 2008

The Statutory Auditors

**Mazars & Guérard**
Julien Marin-Pache

**Deloitte & Associés**
Pascal Colin
Laure Silvestre-Siaz

*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.*

# ANNUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007

## INCOME STATEMENT
(in thousands of €)

| | | 2007 December | 2006 December | 2005 December |
|---|---|---|---|---|
| **OPERATING INCOME/LOSS** | | | | |
| Rental income: | | 45 666 | 47 477 | 12 593 |
| Rental income | | 43 573 | 45 285 | 11 806 |
| Repayment of expenses | | 2 093 | 2 192 | 787 |
| Reversal of provisions (and amortization) and transfer of charges | | 1 036 | 1 022 | 748 |
| Other revenues | | 1 753 | 1 911 | 121 |
| | **TOTAL I** | **48 455** | **50 410** | **13 462** |
| **OPERATING EXPENDITURE** | | | | |
| Purchases and external expenses | | - 12 445 | - 13 770 | - 10 571 |
| Taxes, duties and similar payments | | - 3 269 | - 4 192 | - 1 044 |
| Wages and salaries | | - | - | - |
| Depreciation, amortization and contingencies: | | | | |
| - On fixed assets and deferred charges: depreciations and amortizations | | - 11 179 | - 13 099 | - 4 438 |
| - On fixed assets: provisions | | - | - | - 510 |
| - On current assets: provisions | | - | - | - 23 |
| - For contingencies and losses: provisions | | - 124 | - 66 | - |
| Other expenses | | - 713 | - 306 | - 281 |
| | **TOTAL II** | **- 27 730** | **- 31 433** | **- 16 867** |
| **OPERATING INCOME/LOSS (I-II)** | | **20 725** | **18 977** | **- 3 405** |
| **SHARE IN RESULTS FROM JOINT VENTURE TRANSACTIONS** | | | | |
| Assigned profits or transferred losses | **III** | **165 211** | **137 987** | **155 764** |
| Losses suffered or profits transferred | **IV** | **- 9 182** | **- 8 832** | **- 983** |
| **FINANCIAL REVENUES** (note 15) | | | | |
| From equity interests | | 272 240 | 173 796 | 104 158 |
| From other marketable securities and receivables from fixed assets | | - | - | - |
| Other Interests and related revenues | | 226 | 674 | 306 |
| Reversal of reserves and transfer of charges | | 6 174 | 7 637 | 2 400 |
| Net earnings from sale of marketable securities | | 208 | 187 | 107 |
| | **TOTAL V** | **278 849** | **182 294** | **106 971** |
| **FINANCIAL EXPENSES** (note 16) | | | | |
| Depreciations and provisions | | - 8 362 | - 3 352 | - 3 283 |
| Interest expenses | | - 178 626 | - 147 094 | - 120 696 |
| Net expense from disposals of marketable securities | | - | - | - |
| | **TOTAL VI** | **- 186 987** | **- 150 446** | **- 123 979** |
| **FINANCIAL EARNINGS (III-IV)** | | **91 861** | **31 848** | **- 17 008** |
| **CURRENT INCOME BEFORE TAX (I-II+III-IV)** | | **268 616** | **179 980** | **134 367** |
| **EXTRAORDINARY INCOME** | | | | |
| On management operations | | 2 599 | 505 | 143 |
| On capital transactions | | 50 866 | 197 996 | 91 903 |
| Reversal of reserves and transfer of charges | | - | - | - |
| | **TOTAL VII** | **53 464** | **198 501** | **92 046** |
| **EXTRAORDINARY CHARGES** | | | | |
| On management operations | | - 2 | - | - 132 |
| On capital transactions | | - 20 960 | - 164 699 | - 43 275 |
| Depreciations and provisions | | - | - | - 31 |
| | **TOTAL VIII** | **- 20 962** | **- 164 699** | **- 43 438** |
| **EXTRAORDINARY ITEMS (V-VI)** (note 17) | | **32 502** | **33 802** | **48 608** |
| **EMPLOYEE PROFIT SHARING** | **IX** | **-** | **-** | **-** |
| **CORPORATE INCOME TAX** (note 18) | **X** | **- 246** | **- 15 316** | **- 11 224** |
| **TOTAL INCOME (I+III+V+VII)** | | **545 980** | **569 192** | **368 243** |
| **TOTAL CHARGES (II+IV+VI+VIII+IX+X)** | | **- 245 107** | **- 370 726** | **- 196 491** |
| **INCOME OR LOSS FOR THE PERIOD** | | **300 872** | **198 466** | **171 752** |

## BALANCE SHEET
**(in thousands of €)**

| ASSETS | 2007 December Gross | 2007 December Amortizations and provisions | 2007 December Net | 2006 December Net | 2005 December Net |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| **INTANGIBLE ASSETS** (note 1, 2 and 3) | **5 858** | **246** | **5 613** | **4 791** | **20** |
| Setting-up charges | 614 | 246 | 369 | 492 | - |
| Research and development costs | - | - | - | - | - |
| Concessions, patents and similar rights | 19 | - | 19 | 19 | 19 |
| Business concerns | 5 225 | - | 5 225 | 4 280 | 1 |
| **INTANGIBLE ASSETS** (note 1, 2 and 3) | **662 672** | **77 290** | **585 381** | **597 435** | **126 307** |
| Land | 323 449 | - | 323 449 | 327 323 | 58 275 |
| Constructions and fixtures | 287 590 | 76 896 | 210 694 | 235 220 | 68 032 |
| - Structural works | 177 065 | 29 896 | 147 168 | 167 237 | 51 528 |
| - Facades, cladding and roofing | 36 510 | 9 583 | 26 927 | 27 952 | 5 920 |
| - General and technical installations | 36 754 | 14 595 | 22 160 | 24 351 | 7 020 |
| - Fixtures | 37 261 | 22 822 | 14 439 | 15 680 | 3 564 |
| Technical installations, equipment and tools | 389 | 383 | 5 | 55 | - |
| Other | 27 | 11 | 15 | 15 | - |
| Tangible fixed assets in process | 51 218 | - | 51 218 | 34 822 | - |
| Down payments received | - | - | - | - | - |
| **LONG-TERM FINANCIAL ASSETS** | **5 265 699** | **5 541** | **5 260 159** | **4 279 031** | **4 036 542** |
| Equity interests (note 4 and 5) | 2 713 448 | 5 362 | 2 708 086 | 2 630 083 | 2 460 262 |
| Receivables from controlled entities (note 6) | 2 492 421 | - | 2 492 421 | 1 617 276 | 1 543 240 |
| Other long-term investments | 179 | 179 | - | - | - |
| Loans | 17 597 | - | 17 597 | 31 544 | 33 031 |
| Other | 42 055 | - | 42 055 | 128 | 9 |
| **TOTAL I** | **5 934 229** | **83 077** | **5 851 153** | **4 881 257** | **4 162 869** |
| **CURRENT ASSETS** | | | | | |
| **ADVANCES AND DOWN PAYMENTS TO SUPPLIERS** | **265** | **-** | **265** | **310** | **25** |
| **ACCOUNTS RECEIVABLE** | **30 992** | **-** | **30 992** | **32 596** | **18 199** |
| Trade receivable and related accounts | 5 995 | - | 5 995 | 6 210 | 634 |
| Other (note 7) | 24 997 | - | 24 997 | 26 386 | 17 565 |
| **MARKETABLE SECURITIES** | **57 819** | **2 930** | **54 889** | **38 372** | **15 833** |
| Treasury shares | 54 230 | 2 930 | 51 300 | 30 783 | 9 096 |
| Other investments | 3 589 | | 3 589 | 7 589 | 6 737 |
| **CASH AND CASH EQUIVALENTS** | **8 108** | **-** | **8 108** | **850** | **46** |
| **PREPAID EXPENSES** (note 8) | **48 321** | **-** | **48 321** | **77 804** | **102 694** |
| **TOTAL II** | **145 506** | **2 930** | **142 575** | **149 932** | **136 797** |
| Deferred charges (III) (note 8) | 8 487 | - | 8 487 | 6 847 | 2 589 |
| Loan issue charges (IV) (note 8) | 8 166 | - | 8 166 | 9 960 | 4 755 |
| Translation adjustment - asset (V) | - | - | - | | - |
| **TOTAL EQUITY AND LIABILITIES (I+II+III + IV + V)** | **6 096 388** | **86 007** | **6 010 381** | **5 047 996** | **4 307 010** |

## BALANCE SHEET
**(in thousands of €)**

| LIABILITIES | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **EQUITY** (note 9) | | | |
| Capital (of which 193,890 paid) | 193 890 | 184 657 | 184 657 |
| Additional paid-in capital (from share issues, mergers & contributions) | 629 430 | 629 430 | 629 430 |
| Positive variance from merger | 187 452 | 187 452 | 113 736 |
| Positive variance on cancelled shares | 18 305 | 13 740 | 2 160 |
| Revaluation surplus | - | | - |
| Statutory reserve | 18 466 | 18 466 | 18 466 |
| Other reserves | 168 055 | 177 287 | 177 287 |
| Retained earnings | 302 964 | 250 894 | 203 305 |
| **Net income/loss for the year** | 300 872 | 198 466 | 171 752 |
| Investment subsidies | - | - | - |
| Regulated reserves | - | - | - |
| **TOTAL I** | **1 819 432** | **1 660 392** | **1 500 793** |
| **PROVISIONS FOR CONTINGENCIES AND LOSSES** (note 10) | **242** | **875** | **776** |
| Contingent liability allowance | 208 | 841 | 776 |
| Provision for losses | 34 | 34 | - |
| **TOTAL II** | **242** | **875** | **776** |
| **LIABILITIES** | | | |
| **FINANCIAL LIABILITIES** (note 11) | **4 147 257** | **3 328 361** | **2 722 820** |
| Other bond loans | 1 954 263 | 1 954 263 | 1 230 544 |
| Borrowings and debts from lending institutions | 1 815 859 | 1 123 858 | 1 185 579 |
| Loans and sundry debts | 377 135 | 250 240 | 306 697 |
| **TRADE RECEIVABLES AND RELATED ACCOUNTS** | **570** | **540** | **161** |
| **TRADE PAYABLES** | **18 050** | **20 435** | **35 404** |
| Trade payables and related accounts | 3 227 | 2 365 | 3 357 |
| Social and tax liabilities (note 12) | 14 823 | 18 070 | 32 047 |
| **SUNDRY ACCOUNTS PAYABLE** | **14 082** | **12 958** | **9 934** |
| Payables to fixed asset suppliers | 1 553 | 1 501 | 182 |
| Other (note 13) | 12 529 | 11 457 | 9 752 |
| **ACCRUED INCOME** (note 14) | **10 748** | **24 435** | **37 122** |
| **TOTAL III** | **4 190 707** | **3 386 729** | **2 805 441** |
| Translation adjustment - loss (V) | **-** | **-** | **-** |
| **TOTAL EQUITY AND LIABILITIES (I+II+III + IV)** | **6 010 381** | **5 047 996** | **4 307 010** |

# 1. HIGHLIGHTS IN 2007

## 1.1. Capital increase and 1 for 3 split of the share face value

Pursuant to the decision taken by the ordinary and extraordinary general meeting of shareholders last April 5, Klépierre carried out on September 3, 2007 the 1 for 3 split of the nominal value of its share bringing it down from 4.20 euros to 1.40 euros. As a result, the number of shares has been simultaneously multiplied by 3 to reach 138,492,687 shares.
Previously, a capital increase had been carried out on August 31, 2007 through the capitalisation of reserves of 9,232,845.80 euros in order to raise the share nominal value from 4 euros to 4.20 euros.
At the end of these transactions, Klépierre's share capital totalled 193,889,761.80 euros divided into 138,492,687 shares of 1.40 euros of nominal value.

## 1.2. Dividend payment

The general meeting of April 5 2007 set the net divided per share for 2006 at €3.20, i.e., €2.75 for SIIC earnings and €0.45 for non SIIC earnings.

## 1.3. Continuation of the disposal program

Klépierre SA continued its arbitrage policy and sold the following office buildings:

- 100% of 3, rue de Dieppe in Strasbourg 67
- 32.25% of 32, rue Jacques Ibert – "Front de Paris" in Levallois Perret 92 (building held in undivided co-ownership);
- 50% of 16 bis rue de Paris in Champlan (building held in undivided co-ownership)

## 1.4. Internal restructuring of the offices segment

### *Complete transfer of assets and liabilities (CTAL)*

On May 29, 2007, Klépierre SA decided to carry out a simplified dissolution without liquidation with retroactive tax effect to January 1, 2007 of the companies below:

- 5 Turin SAS;
- Godefroy N°8 Puteaux SNC;
- Odysseum Place d'Alexandrie "OPALE" SAS;
- Odysseum Place de Venise "OPAVE" SAS.

On August 31, 2007, Klépierre SA decided to carry out a simplified dissolution without liquidation with retroactive tax effect to January 1, 2007 of the companies below:

- Le Havre Tourneville SAS;
- Le Havre Capelet SAS;

These transactions were placed under the preferred tax plan covered by Article 210 of the French GTC (General tax code).

## 1.5. New financing

On September 21, 2007, Klépierre SA signed a new credit facility agreement for an amount of 1 billion euros, syndicated with 5 banks.

The new syndicated loan has the following characteristics:

- firm duration of 7 years;
- a margin between 0.45% and 0.55%, based on a Loan-To-Value grid (ratio of net debt to revalued net assets);
- financing arrangements identical to those of the deal signed in January 2006, pertaining mainly to the "Loan-To-Value" ratio (limited to 52%), the coverage of interest expense by EBITDA (minimum 2.5), and the secured financing to revalued net assets ratio (limited to 20%).

Members of the club deal include BNP Paribas (lead arranger), BECM (Groupe Crédit Mutuel), Cicobail (Groupe Caisse d'Epargne), Helaba, and ING (arrangers).

At the end of this transaction and after the early repayment of a loan of 400 million euros maturing on January 4, 2008, the average term of the debt was set at 5.6 years (including the swing line) and Klépierre has more than 630 million euros of unused credit lines. These facilities partly cover the financing of the investment program for 2008, on financial terms in line with the Group's profitability objectives.

## 1.6. 100% takeover of Ségécé

Klépierre acquired from Axa Reim and BNP Paribas their minority holdings in the capital of Ségécé and therefore has 100 % of Ségécé.

# 2. SIGNIFICANT ACCOUNTING AND MEASUREMENT POLICIES

The annual financial statements of December 31, 2007 have been drawn up in accordance with generally accepted accounting principles.

The generally accepted accounting principles were applied in compliance with the principles of:

- conservatism;
- separation of accounting periods;
- compliance with the general rules for preparing and presenting annual financial statements; and operating under the assumption of business continuity.

In the previous financial year, no changes occurred in accounting and measurement policies.

## 2.1. Capital assets

### 2.1.1. 2.1.1. INTANGIBLE ASSETS: TECHNICAL NEGATIVE VARIANCE

Generally recognized for mergers or complete transfer of assets and liabilities measured by their carrying value, the technical negative variance or "false" negative variance is recognized where the net value of the securities of the absorbed company carried on the assets of the absorbing company is higher than the contributed net book asset.

To measure if the merger's negative variance is "true" or "false", it must be compared to the underlying capital gains on the asset items recognized or not in the accounts of the absorbed company after deducting un-booked liabilities in the absence of accounting obligation in the accounts of the absorbed company (accruals for retirement, deferred tax liabilities).

The technical negative variance, presented in the "Business assets" item, is not an item that can be amortized because the consumption time of its future economic benefits cannot be determined in a reliable manner.

#### *Writing down the technical negative variance*

The negative variance is written down where the present value (the highest value of the market value or the value in use) of one or several underlying assets to which a percentage of negative variance has been assigned falls below the carrying value of the aforementioned asset or assets increased by the percentage of negative variance assigned.

### 2.1.2. TANGIBLE FIXED ASSETS

#### *Measurement of assets on their entry date*

On the date of their entry into the company's assets, the value of assets is determined under the following conditions:

- assets acquired for valuable consideration are recognized at their acquisition cost;
- assets produced by the entity are recognized at their production cost;
- assets acquired on a complimentary basis as well as assets acquired through exchange are recognized at their fair market value.

### *Definition and recognition of components*

Based on the recommendations issued by the *Fédération des Sociétés Immobilières et Foncières* regarding components and useful lives, the component-based method is applied as follows:

- concerning buildings developed by the companies themselves, precise analysis of assets by component type and posting at realization cost;
- concerning buildings held in portfolio, sometimes for a long time, components identification was based on four property asset types: business premises, shopping centres, offices and residential property.

Four components were identified for each of these asset types apart from the land:

- Structural works;
- Facades, cladding and roofing;
- General and technical installations (GTI);
- Fixtures.

During the application of this new rule, the existing office constructions were broken down according to the percentages below (prepared in reference to the FSIF grid):

| Components | Office buildings | Amortization period (Straight line) |
|---|---|---|
| Structural works | 60% | 60 years |
| Facades, cladding | 15% | 30 years |
| GTI | 15% | 20 years |
| Fixtures | 10% | 12 years |

The components matrix is a "new matrix". As a result, Klépierre calculated the shares of the components of fixtures, technical installations and cladding according to the periods outlined in the matrix applied from the construction date or the last major renovation for fixed assets. The share of the structural works component is deducted from the share of other components.

Pursuant to the recommendations of the *Fédération des Sociétés Immobilières et Foncières*, the amortization periods have been determined in such a way as to obtain zero residual value at the end of the amortization plan.

Amortizations are now calculated according to the different useful lives specific to each component.

### *Impairment of buildings*

At each balance sheet date and each interim report, the company carries out an appraisal to determine any sign showing that the asset could have suffered a significant loss in value.

Recording impairment for an asset is the recognition that its current value has become inferior to its carrying value. Current value is the highest fair market value or value in use (PCG art 322-1). The fair market value of the retained asset is determined by third-party property appraisers.

All buildings covered by a contract to sell (*mandat de vente*) are appraised at their sale price net of exit costs.

### 2.1.3. FINANCIAL ASSETS

Equity interests are booked at their acquisition cost.

At the end of the year, provisions for impairment may be funded if the acquisition value of the Equity interests is lower than their current value. The current value of securities correspond to their value in use determined by taking into account the revalued net position and profitability outlook.

The securities of management companies were valued at December 31, 2007 by a third party appraiser. In light of these appraisals, it does not seem necessary to book a provision for the impairment of these securities.

Provisions are accrued for corporate shares acquired and held for sale in the context of an external growth operation if the average stock market price of the last month in the fiscal year is lower than the acquisition value.

### 2.1.4. ACQUISITION COSTS OF PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM INVESTMENTS

Transfer duties, fees or commissions and legal fees and expenses were previously excluded from the acquisition costs of fixed assets and expensed over several financial years through the heading "expenses to amortize over several periods".

Klépierre opted to expense the acquisition costs of financial assets in its subsidiary accounts (PCG art.321-10 and 321-15). These expenses correspond to the transfer duties, fees or commissions and legal fees and expenses.

### 2.1.5. EVICTION INDEMNITIES

When the lessor terminates an ongoing lease, he pays an eviction indemnity to the existing tenant.
If eviction indemnities are paid in the context of major renovation or reconstruction of a building requiring the prior departure of the existing tenants, these costs are considered as preliminary expenses treated as additional components after the renovation.

As a result, these indemnities are capitalized and integrated into the cost price of the structural works.

Expenditure that does not correspond to the aggregate criteria of assets definition and posting and which cannot be allocated to acquisition or production cost is booked as an expense: therefore, eviction indemnities paid to tenants during commercial restructuring are recognized in expenses for the year.

### 2.1.6. MARKETING COSTS

Marketing, reselling and renewal fees are expenses for the year.

## 2.2. Mergers and similar transactions

Opinion n°2004-01 of March 25, 2004 of the CNC 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 variance on cancelled shares:

### *Negative variance*

The negative variance from these transactions must be treated in the same way as the negative variance from the merger:

- posting of technical negative variance under intangible assets;
- posting the balance of the negative variance as financial expenses.

### *Positive variance*

The positive variance from these transactions must be treated in the same way as the positive variance from a merger: For the percentage of the earnings accumulated by the merged entity (from the acquisition of the securities of the company absorbed by the absorbing company) and undistributed, the positive variance must be recorded in the investment earnings of the absorbing company. The residual amount if any will be recognized in shareholders' equity.

## 2.3. Trade receivables

### *Provisions for bad debts*

Provisions for bad debts concern receivables from tenants. They are determined for each specific tenancy agreement and calculated on the pre-tax amount of the receivable.

## 2.4. Short-term investment securities

Short-term investment securities are recorded at their acquisition cost.

Provisions for loss of value are determined according to the rules below:

- *Treasury shares in the context of a market liquidity agreement*: A provision is funded if the current value determined in relation to the average market price of the last month of the year is lower than the acquisition value.
- *Stocks allotted to employees*: a provision is funded if the average purchase price exceeds the purchase option price offered to employees.

## 2.5. Deferred charges: Debt issuance costs

Expenditure that does not meet the aggregate criteria of asset definition and posting must be posted as an expense. This expenditure can no longer be deferred over several periods.

The CNC's opinion n°2004-15 on assets dated June 23, 2004 excludes from its scope of application, financial instruments as well as related expenditure such as debt issuance costs, share premiums and loan repayment premiums.

The costs of bonded debt issues and the commissions and costs related to bank loans are spread over the durations of the said loans.

## 2.6. Forward Financial Instruments

Expenses and gains on forward financial instruments (swaps) entered into in the context of hedging the group's currency risks are recorded on a time proportionate basis in the income statement.

Unrealized losses and gains resulting from the difference between the estimated market value of agreements at the end of the year and their nominal value are not posted.

## 2.7. Operating income and expenses

Rental income is booked on a straight line over the duration of the lease agreement, building expenses are re-invoiced to clients during their payment, interests are recorded when they are collected or paid. At the end of the year, gains and expenses are increased by the accrued amounts not yet due and decreased by the pre-posted non accrued amounts.

Accruals for building expenses are booked under payables in the line item "Non received invoices from suppliers".

### 2.7.1. Leases

Rental income is recognized on a straight line throughout the period of the lease agreement.

Stepped rents and rent-free periods are accounted for as an increase or decrease to lease income for the financial year over the life of the lease. The period of reference is the first firm lease term.

### 2.7.2. Termination indemnities

Tenants who terminate their leases prior to the expiration date are liable for early termination fees. These fees are allocated to the terminated agreement and are credited to income in the period in which they are recognized.

## 2.8. Income tax

Following its decision to opt for the application of the tax regime of article 11 of France's Finance Act of December 30, 2002, Klépierre benefits from the corporate income tax exemption and accordingly undertakes to abide by the three distribution conditions below:

- distribution of up to 85% of the profits from its property leasing activities before the end of the year following the year in which the profits were earned;
- distribution of up to 50% of the capital gains from the disposal of buildings, equity interests in companies referred to in article 8 with a similar object to the SIIC or the securities of subsidiaries liable to corporate income tax and having elected for this tax regime, before the end of the second financial year following the year in which they were earned;
- distribution of all the dividends received from subsidiaries having elected, in the course of the year following the year in which they were collected.

The earnings of the exempted sector and the taxable sector are determined in accordance with the regulation below:

- Direct assignment as much as possible of expenses and income;
- Assignment of general expenses in proportion to the income of each of the sectors;
- Assignment of net financial costs in proportion to the gross fixed assets of each of the sectors;

Furthermore, Klépierre determines the taxable income of the sector subject to corporation tax.

Following the application of the historic cost reconstitution in line with the implementation of the components method, the new article 237 *septies* of the French general tax code stipulates that the resulting recovery of net amortizations must be reincorporated for tax purposes, in equal portions over five years.

The adjustment which corresponds to the excess amortization of the period preceding the SIIC option is not reintegrated for tax purposes as it is included in the basis of the exit tax. Only the excess amortization recognized over the period after the SIIC option leads to a tax reintegration by one fifth.

# 3. NOTES TO: BALANCE SHEET - ASSETS

## 3.1. Intangible assets and property, plant and equipment

### 3.1.1. GROSS FIXED ASSETS

| *in thousands of €* | Gross values at Dec. 31, 2006 | Acquisitions, new businesses and spinoffs | Reductions by disposals, retirement of assets | Transfers from item to item | Merger | Gross values at year end |
|---|---|---|---|---|---|---|
| **INTANGIBLE ASSETS** | | | | | | |
| **Setting-up charges** | **614** | **-** | | | | **614** |
| **Other intangible assets** | **4 299** | **-** | **-** | **-** | **945** | **5 244** |
| - Technical negative variance | 4 280 | | | | 945 | 5 225 |
| - Other | 19 | | - | | | 19 |
| **Total** | **4 913** | **-** | **-** | **-** | **945** | **5 858** |
| **TANGIBLE ASSETS** | | | | | | |
| **Land** | **327 323** | **-** | **- 7 022** | **3 148** | **-** | **323 449** |
| - Finance lease | 280 | - | | | | 280 |
| - Operating leases | 304 013 | - | - 7 022 | 3 148 | | 300 139 |
| - Operation lease | 23 030 | - | | - | | 23 030 |
| **Structural works** | **200 510** | **-** | **- 15 261** | **- 8 184** | **-** | **177 065** |
| - Finance lease | 1 638 | - | | | - | 1 638 |
| - Operating leases | 187 015 | | - 15 261 | - 8 184 | | 163 570 |
| - Operation lease | 11 857 | - | | - | - | 11 857 |
| **- Facades, cladding and roofing** | **38 393** | **97** | **- 3 868** | **1 888** | **-** | **36 510** |
| - Finance lease | 409 | | | - | - | 409 |
| - Operating leases | 35 726 | 97 | - 3 869 | 1 888 | - | 33 842 |
| - Operation lease | 2 257 | | | - | - | 2 257 |
| **General and technical installations** | **41 796** | **372** | **- 7 303** | **1 889** | **-** | **36 754** |
| - Finance lease | 409 | | | | | 409 |
| - Operating leases | 39 297 | 372 | - 7 303 | 1 889 | - | 34 255 |
| - Operation lease | 2 090 | | | - | - | 2 090 |
| **Fixtures** | **38 288** | **926** | **- 3 212** | **1 259** | **-** | **37 261** |
| - Finance lease | 273 | | | | | 273 |
| - Operating leases | 36 534 | 926 | - 3 212 | 1 259 | - | 35 507 |
| - Operation lease | 1 481 | | | - | - | 1 481 |
| **Fixtures and work in progress** | **34 822** | **16 396** | **-** | **-** | **-** | **51 218** |
| **Other fixed assets** | **415** | **-** | **-** | **-** | **-** | **415** |
| **Total** | **681 547** | **17 791** | **- 36 666** | **-** | **-** | **662 672** |
| **TOTAL GROSS FIXED ASSETS** | **686 460** | **17 791** | **- 36 666** | **-** | **945** | **668 530** |

In 2006, Klépierre SA acquired in the context of a Property Development Contract (PDC) an office building to be built in the ZAC Forum Seine in Issy Les Moulineaux. Calls for a total of 14.5 million euros tax included were settled in 2007. The ongoing fixtures and constructions concern this contract.

Transfers correspond to the sale of the office buildings below:

- 100% of 3, rue de Dieppe in Strasbourg 67
- 32.25% of 32, rue Jacques Ibert – "Front de Paris" in Levallois Perret 92 (building held in undivided co-ownership);
- 50% of 16 bis rue de Paris in Champlan (building held in undivided co-ownership)

### 3.1.2. AMORTIZATIONS AND PROVISIONS.

| *in thousands of €* | Amortizations as of December 31, 2006 | Increases | Disposals | Other movements | Merger | Amortizations at the end of the year |
|---|---|---|---|---|---|---|
| **INTANGIBLE ASSETS** | | | | | | |
| **Setting-up charges** | **122** | **124** | **-** | **-** | **-** | **246** |
| **Other intangible assets** | - | - | - | - | - | - |
| - Technical negative variance | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - |
| **Total** | **122** | **124** | **-** | **-** | **-** | **246** |
| **TANGIBLE ASSETS** | | | | | | |
| **Structural works** | **33 233** | **4 433** | **- 7 770** | **-** | **-** | **29 896** |
| - Finance lease | 932 | 48 | - | - | - | 980 |
| - Operating leases | 31 244 | 4 121 | - 7 770 | - | | 27 595 |
| - Operation lease | 1 057 | 264 | - | - | | 1 321 |
| **- Facades, cladding and roofing** | **10 366** | **1 360** | **- 2 143** | **-** | **-** | **9 583** |
| - Finance lease | 177 | 9 | | | | 186 |
| - Operating leases | 9 842 | 1 264 | - 2 143 | | | 8 963 |
| - Operation lease | 347 | 87 | | - | | 434 |
| **General and technical installations** | **17 330** | **2 172** | **- 4 907** | **-** | **-** | **14 595** |
| - Finance lease | 225 | 11 | - | - | - | 236 |
| - Operating leases | 16 583 | 2 031 | - 4 907 | - | | 13 707 |
| - Operation lease | 522 | 130 | | - | | 652 |
| **Fixtures** | **22 578** | **2 869** | **- 2 625** | **-** | **-** | **22 822** |
| - Finance lease | 193 | 10 | | | | 203 |
| - Operating leases | 21 656 | 2 677 | - 2 625 | - | | 21 708 |
| - Operation lease | 729 | 182 | | - | | 911 |
| **Other fixed assets** | **345** | **50** | **-** | **-** | | **394** |
| **Total** | **83 852** | **10 884** | **- 17 445** | **-** | **-** | **77 291** |
| **TOTAL AMORTIZATIONS** | **83 974** | **11 008** | **- 17 445** | **-** | **-** | **77 538** |

***Note 2 - Provisions***

| *in thousands of €* | Provisions as of December 31, 2006 | Increases | Reversals | Transfers from item to item | Merger | Provisions at the end of the year |
|---|---|---|---|---|---|---|
| **TANGIBLE ASSETS** | | | | | | |
| **Constructions and fixtures** | - | - | - | - | - | - |
| - Operating leases | - | - | - | | | - |
| **Structural works** | **40** | **-** | **- 40** | **-** | **-** | **-** |
| - Operating leases | 40 | - | - 40 | - | | - |
| **- Facades, cladding and roofing** | **75** | **-** | **- 75** | **-** | **-** | **-** |
| - Operating leases | 75 | - | - 75 | - | | - |
| **General and technical installations** | **115** | **-** | **- 115** | **-** | **-** | **-** |
| - Operating leases | 115 | - | - 115 | - | | - |
| **Fixtures** | **30** | **-** | **- 30** | **-** | **-** | **-** |
| - Operating leases | 30 | - | - 30 | - | | - |
| **TOTAL PROVISIONS** | **260** | **-** | **- 260** | **-** | **-** | **-** |
| **TOTAL AMORT. AND PROVISIONS** | **84 234** | **11 008** | **- 17 705** | **-** | **-** | **77 538** |

The reversal of the recognized impairment expense corresponds to the transfer of the Rheinfeld building.

## 3.1.3. NET FIXED ASSETS

*Note 3 Net fixed assets*

| *in thousands of €* | Net values at Dec. 31, 2006 | Net increases in allowances | Decrease net of reversals | Transfers from item to item | Merger | Net values at year end |
|---|---|---|---|---|---|---|
| **INTANGIBLE ASSETS** | | | | | | |
| **Setting-up charges** | 492 | - 124 | - | - | - | 368 |
| **Other intangible assets** | 4 299 | - | - | - | 945 | 5 244 |
| - Technical negative variance | 4 280 | - | - | - | 945 | 5 225 |
| - Other | 19 | - | - | - | - | 19 |
| **Total** | **4 791** | **- 124** | **-** | **-** | **945** | **5 613** |
| **TANGIBLE ASSETS** | | | | | | |
| **Land** | 327 323 | - | - 7 022 | 3 148 | - | 323 449 |
| - Finance lease | 280 | - | - | - | - | 280 |
| - Operating leases | 304 013 | - | - 7 022 | 3 148 | - | 300 139 |
| - Operation lease | 23 030 | - | - | - | - | 23 030 |
| **Structural works** | 167 237 | - 4 433 | - 7 451 | - 8 184 | - | 147 168 |
| - Finance lease | 706 | - 48 | - | - | - | 658 |
| - Operating leases | 155 731 | - 4 121 | - 7 451 | - 8 184 | | 135 975 |
| - Operation lease | 10 800 | - 264 | - | - | | 10 536 |
| **- Facades, cladding and roofing** | 27 952 | - 1 263 | - 1 651 | 1 888 | - | 26 927 |
| - Finance lease | 232 | - 9 | - | - | - | 223 |
| - Operating leases | 25 810 | - 1 167 | - 1 651 | 1 888 | | 24 880 |
| - Operation lease | 1 910 | - 87 | - | - | | 1 823 |
| **General and technical installations** | 24 351 | - 1 800 | - 2 281 | 1 889 | - | 22 160 |
| - Finance lease | 184 | - 11 | - | - | - | 173 |
| - Operating leases | 22 599 | - 1 659 | - 2 281 | 1 889 | | 20 548 |
| - Operation lease | 1 568 | - 130 | - | - | | 1 438 |
| **Fixtures** | 15 680 | - 1 943 | - 557 | 1 259 | - | 14 439 |
| - Finance lease | 80 | - 10 | - | - | - | 70 |
| - Operating leases | 14 848 | - 1 751 | - 557 | 1 259 | | 13 799 |
| - Operation lease | 752 | - 182 | - | - | | 570 |
| **Fixtures and work in progress** | 34 822 | 16 396 | - | | | 51 218 |
| **Other fixed assets** | 70 | - 50 | - | - | - | 20 |
| **Total** | **597 435** | **6 907** | **- 18 962** | **-** | **-** | **585 381** |
| **TOTAL NET FIXED ASSETS** | **602 226** | **6 783** | **- 18 962** | **-** | **945** | **590 994** |

## 3.2. Financial assets

### 3.2.1. EQUITY INTEREST SECURITIES

*Changes in equity interest securities*

*Note 4 Changes in equity interest securities*

| *in thousands of €* | |
|---|---|
| **Gross equity interest securities at beginning of year** | **2 633 827** |
| **Purchase of securities** | **327 300** |
| * received in compensation for contributed buildings or securities to subsidiaries | - |
| * received as compensation for equity interst securities (share) | 1 384 |
| *acquisitions, new equity issue and spinoffs | 325 916 |
| **Decreases of securities** | **- 239 415** |
| *Decreases, capital reduction and spinoffs | - 239 415 |
| **Disposal or transfer of securities** | **- 8 264** |
| * cancellation of securities | - 8 264 |
| * disposal of securities | - |
| * reimbursement of contributions | - |
| * other | - |
| **Gross equity interst securities at year end** | **2 713 448** |

The change in "securities acquisition" is mainly due to:

- payment in stock of the dividend due by Centre Bourse in the form of 1,165 units of company SCOO for an overall amount of €5.5 M;
- capital increase by raising the face value and recapitalization by offsetting with debts due and payable from the following companies:
  - Cécoville SAS for an amount of 20 million euros
  - Klé 1 SAS for an amount of 60 million euros
  - Kléber la Pérouse SA for an amount of 42.9 million euros
  - Sodevac SNC for an amount of 16.8 million euros
  - Général Leclerc SNC for an amount of 7.9 million euros
  - Foncière Saint Germain for an amount of 5.9 million euros
- recapitalization by offsetting with debts due and payable from the following companies:
  - H1 SAS for an amount of €14.5 million euros.
  - Angoumars SNC for an amount of 51.2 million euros
  - Klépierre Vallecas SAS for an amount of €6.5 million;
  - Klécar Participations Italie SAS for an amount of 7.6 million euros
  - Barjac Victor for an amount of 10.5 million euros
  - Bégles Papin for an amount of 5.2 million euros
  - Jardins des Princes SNC for an amount of 7.9 million euros
  - Combault SCI for an amount of 7.7 million euros
  - The capital increase by offsetting with debts due and payable from the company La Plaine du Moulin à Vent for 4.5 million euros

- The acquisition of H2 and H4 securities for an overall amount of €26.2 million
- The buyback of SEGECE securities for an overall amount of 20 million euros
- Reduction of the capital of CB PIERRE for an overall amount of 22.3 million euros.
- Repayment of the paid-in capital of Clermont Jaude for an overall amount of €7.4 million.
- The capital reduction of KLEPIERRE PARTICIPATIONS ET FINANCEMENTS for an overall amount of €56.6 million and the reimbursement of the share premium for a total amount of €153 million.

The item "Retirement of shares" correspond to the complete transfer of assets and liabilities operations.

*Detailed information*

## *Note 5 - Long-term financial assets*

| Financial Reporting Subsidiaries and Controlled Entities<br>in thousands of € | Increase | Shareholders' equity other than capital & earnings | Share of capital held % | Taxable income at year end | Pre-tax revenues | Gross carrying value | Net carrying value | Guarantees and sureties given | Loans and advances given | Dividends collected |
|---|---|---|---|---|---|---|---|---|---|---|
| **1. SUBSIDIARIES CONTROLLED AT MORE THAN 50%** | | | | | | | | | | |
| Holding Gondomar 4 S.C.A | 38 | 1 | 100 | 4 | | 588 | 588 | | 4 381 | 0 |
| Angoumars SNC | 5 131 | 46 165 | 100 | -659 | 2 191 | 51 296 | 51 296 | | 3 980 | 0 |
| Barjac Victor SNC | 1 053 | 9 462 | 100 | 734 | 3 146 | 11 849 | 11 849 | | 16 159 | 0 |
| Bègles Papin SCI | 528 | 4 741 | 99 | 47 | 726 | 5 270 | 5 270 | | 5 641 | 0 |
| Capucines BV | 2 400 | 4 800 | 100 | 108 087 | 21 | 7 200 | 7 200 | | 43 370 | 96 500 |
| CB Pierre SAS | 10 500 | 4 800 | 100 | 5 474 | 2 378 | 1 | 1 | | 0 | 41 124 |
| Cécoville SAS | 2 307 | 164 437 | 100 | 11 629 | 22 015 | 162 445 | 162 445 | 48 375 | 22 263 | 11 025 |
| Centre Bourse SNC | 3 813 | 0 | 100 | 3 012 | 2 859 | 47 419 | 45 245 | | 0 | 10 631 |
| Clermont Jaude SAS | 21 686 | 2 169 | 100 | 5 587 | | 76 396 | 76 396 | | 4 701 | 4 919 |
| Combault SCI | 778 | 6 984 | 100 | -112 | 267 | 7 762 | 7 762 | | 3 374 | 0 |
| Foncière de louvain la neuve SA | 62 | 0 | 100 | -1 976 | -750 | 61 | 61 | | 29 416 | 0 |
| Foncière Saint Germain SNC | 756 | 5 368 | 100 | 609 | | 6 295 | 6 295 | | 9 405 | 0 |
| Galeria Commerciale KLEPIERRE SARL | 1 560 | 12 412 | 100 | -261 | 4 942 | 15 510 | 15 510 | | 46 450 | 0 |
| Général Leclerc SNC | 3 270 | 7 067 | 100 | 280 | 2 333 | 7 969 | 7 969 | | 17 102 | 0 |
| Holding Gondomar 2 SAS | 38 | 148 | 100 | -595 | | 25 676 | 25 676 | | 28 851 | 0 |
| H1 SA | 1 501 | 15 649 | 100 | -4 682 | 1 602 | 26 660 | 26 660 | | 62 216 | 0 |
| H3 SAS | 279 | 2 175 | 100 | -37 | 0 | 2 370 | 2 370 | | 2 692 | 0 |
| Immobiliare Commerciale Dodicesima SPA | 520 | 16 739 | 85 | -1 516 | 5 364 | 16 158 | 16 158 | | 36 758 | 0 |
| Immobiliare Magnolia SRL | 520 | 3 050 | 85 | -634 | 2 210 | 4 904 | 4 904 | | 11 014 | 0 |
| Jardin des Princes SNC | 800 | 7 185 | 100 | 436 | 1 238 | 9 525 | 9 525 | | 980 | 0 |
| Kléber La Pérouse SNC | 8 594 | 38 481 | 100 | 11 104 | 19 | 54 413 | 54 413 | | 195 534 | 1 585 |
| Klécar Europe Sud SCS | 315 260 | 315 157 | 83 | 27 334 | 0 | 523 247 | 523 247 | | 0 | 25 312 |
| Klécar France SNC | 500 881 | 500 880 | 83 | 89 002 | 67 323 | 831 462 | 831 462 | | 51 181 | 0 |
| Klécar participations Italy SAS | 31 471 | 8 318 | 83 | 2 092 | 0 | 33 630 | 33 630 | | 47 303 | 0 |
| Kléfin Italia SPA | 15 450 | 99 913 | 100 | -978 | 568 | 125 625 | 125 625 | | 186 983 | 0 |
| Klégestion SNC | 640 | 72 | 100 | 586 | 2 792 | 876 | 712 | | 0 | 0 |
| Klémurs SCA | 82 500 | 71 137 | 84 | 2 414 | 21 704 | 124 519 | 124 519 | | 0 | 0 |
| Klépierre Conseil SAS | 647 | 1 361 | 100 | 182 | 13 063 | 3 319 | 1 960 | | 0 | 0 |
| Klépierre Finance SAS | 38 | 4 | 100 | 280 | 0 | 38 | 38 | | 0 | 1 979 |
| Klépierre Participation et financt SAS | 96 390 | 0 | 100 | 8 893 | 0 | 96 390 | 96 390 | | 0 | 0 |
| Klépierre Portugal SA | 250 | 4 050 | 100 | 446 | 0 | 4 250 | 4 250 | | 96 743 | 780 |
| KLE 1 SAS | 6 047 | 54 253 | 100 | 3 840 | 340 | 60 154 | 60 154 | | 3 276 | 7 100 |
| Klépierre Vallecas SA | 60 | 1 | 100 | -4 586 | 1 182 | 12 085 | 12 085 | | 94 500 | 0 |
| Klépierre Vinaza | 60 | 0 | 100 | -1 737 | 1 945 | 1 535 | 1 535 | | 30 838 | 0 |
| Klé Projet 1 SAS | 38 | 0 | 100 | -540 | 0 | 37 | 0 | | 23 868 | 0 |
| Klétransactions SNC | 243 | 2 174 | 100 | -285 | 277 | 2 417 | 2 417 | | 3 276 | 0 |
| Klépierre Luxembourg SAS | 31 | 0 | 100 | -237 | | 31 | 31 | | 7 527 | 0 |
| LP 7 SAS | 46 | 66 | 100 | 8 | 0 | 261 | 261 | | 5 | 0 |
| Maille Nord SNC | 2 | 0 | 99 | -19 | 0 | 2 | 2 | | 0 | |
| Nancy Bonsecours SAS | 38 | 38 | 100 | -18 | 0 | 535 | 76 | | 0 | 0 |
| Novate SRL | 16 895 | 12 524 | 85 | -3 355 | 11 898 | 28 680 | 28 680 | | 74 900 | 0 |
| Besançon Chazeule SCI | 2 | 0 | 99 | -70 | 3 | 4 | 4 | | 924 | 0 |
| Société des Centres Toulousains SNC | 37 | 0 | 75 | -9 930 | 0 | 37 | 37 | | 98 058 | 0 |
| Pasteur SNC | 227 | 1 738 | 100 | -12 | 0 | 2 091 | 1 966 | | 0 | 0 |
| Poitiers Aliénor SAS | 229 | 51 | 100 | 20 572 | 0 | 267 | 267 | | 0 | 206 |
| SCOO SNC | 2 845 | 2 135 | 80 | 11 824 | 24 698 | 72 567 | 72 567 | | 89 877 | 0 |
| Ségécé SCS | 1 360 | 124 | 100 | 5 286 | 78 892 | 48 428 | 48 428 | | 30 000 | 16 564 |
| Sodévac SNC | 1 683 | 15 131 | 100 | 970 | 4 898 | 16 814 | 16 814 | | 24 536 | 0 |
| Sovaly SAS | 448 | -180 | 100 | -48 | 0 | 572 | 220 | | | |
| Tour Marcel Brot SCI | 2 | 0 | 99 | -4 | 0 | 0 | | 0 | 0 | 0 |
| Klépierre Trading Sarl | 196 | -17 | 100 | -19 | | 199 | 160 | 436 | | |
| **TOTAL I** | | | | **288 422** | **280 144** | **2 529 839** | **2 525 130** | **48 811** | **1 408 082** | **217 725** |

| Financial Reporting Subsidiaries and Controlled Entities<br>in thousands of € | Increase | Shareholders' equity other than capital & earnings | Share of capital held % | Taxable income at year end | Pre-tax revenues | Gross carrying value | Net carrying value | Guarantees and sureties given | Loans and advances given | Dividends collected |
|---|---|---|---|---|---|---|---|---|---|---|
| **2. INVESTMENTS HELD BETWEEN 10 AND 50%** | | | | | | | | | | |
| Antin Vendôme SCI | 15 | 0 | 50 | -1 | 0 | 8 | 8 | | 0 | 0 |
| SNC Le Havre Vauban | 2 | 0 | 50 | -661 | 0 | | 1 | | 10 517 | 0 |
| Havre Lafayette SAS | 26 679 | 21 479 | 50 | 5 128 | 8 354 | 41 837 | 41 837 | | 0 | 2 857 |
| Bassin Nord SCI | 12 | 2 | 50 | 26 | 844 | 6 | 6 | | 0 | 0 |
| Bègles d'Arcins SCS | 330 | 0 | 49 | 332 | 1 148 | 490 | 162 | | 0 | 0 |
| Effe Kappa SRL | 525 | 9 | 50 | 1 654 | 5 557 | 983 | 983 | | 0 | 0 |
| Galae SNC | 26 293 | 4 585 | 50 | -214 | 0 | 15 439 | 15 439 | | 5 | 0 |
| La Plaine du Moulin à Vent SCI | 300 | 5 | 50 | 150 | 645 | 237 | 237 | | 0 | 0 |
| Socoseine SAS | 53 | 1 | 50 | 113 | 66 | 174 | 174 | 104 587 | 35 731 | 0 |
| Solorec | 38 | 42 | 25 | -6 | 0 | 99 | 19 | | | |
| Sviluppo Klépierre Finim SPA | 4 869 | 2 768 | 49 | 20 498 | 27 120 | 124 104 | 124 104 | | 18 995 | 0 |
| Odysseum Place de France SAS | 104 | -121 | 50 | -5 | 0 | 245 | 0 | | | |
| **TOTAL II** | | | | **27 014** | **43 734** | **183 623** | **182 970** | **104 587** | **65 248** | **2 857** |
| **3. MISCELLANEOUS** | | | | | | | | | | |
| **TOTAL III** | | | | **0** | **0** | **0** | **0** | **0** | **0** | |
| **GRAND TOTAL I + II + III** | | | | **315 436** | **323 878** | **2 713 462** | **2 708 100** | **153 398** | **1 473 330** | **220 582** |

### 3.2.2. RECEIVABLES FROM EQUITY INTERESTS

## *Note 6 - Receivables from controlled entities*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Net advances on equity securities | **2 284 951** | **1 484 767** | 1 410 805 |
| Interest accrued on advances | **106 245** | **52 967** | 55 986 |
| Share in earnings | **101 225** | **79 542** | 76 449 |
| **Total** | **2 492 421** | **1 617 276** | **1 543 240** |

The increase in the line item "net receivables from equity interests" is mainly due to:

- advance payments to
  - Klépierre Corvin for a total amount of 111 million euros regarding a shopping center project located in Budapest in Hungary.
  - Klépierre Rybnic, a Polish company regarding a shopping center in Rybnic for a total amount of 37.3 million euros;
  - Klépierre Sosnowiec, a Polish company with a shopping center project in Rybnic for a total amount of 31.5 million euros;
  - Klépierre Lublin, a Polish company with a shopping center project in Lublin for a total amount of 59.2 million euros;
  - Kléber La Pérouse for 80 million euros carrying the SA Progest securities;
  - Société des Centres Toulousains for an amount of 98 million euros carrying the securities of five companies owners of shopping centers;
  - Klépierre CZ SRO for an amount of 136.5 million euros for the buyback for the Delcis securities;
  - Klépierre Portugal for an amount of 48.1 million euros in order to reimburse bank loans.

### 3.2.3. LOANS

The loans granted by Klépierre amounted to 19 million euros interests included. They are granted to directly-controlled companies, Le Havre Lafayette and Le Havre Vauban and Espace Cordeliers held directly by Poitiers Aliénors. Repayments of advances and interests were carried out in 2007 for a total amount of 13.8 million euros.

## 3.3. Trade receivables and other receivables

All trade receivables (5.9 million euros) are due within less than one year.

The other receivables and their breakdown by due date are itemized in the tables below:

### *Note 7 – Sundry receivables*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **French State** | **6 523** | **8 240** | **268** |
| * V.A.T. | 1 780 | 8 206 | 214 |
| * Accrued income | 2 613 | 34 | 54 |
| * French State - Corporation tax | 2 130 | - | - |
| **Other receivables** | **18 474** | **18 146** | **17 297** |
| * Receivables from the disposal of fixed assets | 3 | 14 | - |
| * Interest accrued on rate SWAPs | 16 402 | 15 735 | 14 646 |
| * Others | - | 2 397 | 2 651 |
| **Total** | **24 997** | **26 386** | **17 565** |

### *Maturity date of the receivable*

| *in thousands of €* | Total | Less than one year | From one to five years | More than five years |
|---|---|---|---|---|
| **French State** | **6 523** | **6 523** | **-** | **-** |
| * V.A.T. | 1 780 | 1 780 | | |
| * Accrued income | 2 613 | 2 613 | | |
| * French State - Corporation tax | 2 130 | 2 130 | | |
| **Other receivables** | **18 474** | **18 474** | **-** | **-** |
| * Receivables from the disposal of fixed assets | 3 | 3 | | |
| * Interest accrued on rate SWAPs | 16 402 | 16 402 | | |
| * Others | - | - | | |
| **Total** | **24 997** | **24 997** | **-** | **-** |

The reduction of the VAT line item corresponds mainly to a reimbursement of an amount of 4 million euros.

The line item "State – Corporation income taxes" corresponds to:

- a net debt of €2.1 million euros recognized as corporation income tax for 2007;
- tax credits for an amount of 0.2 million euros.

## 3.4. Marketable securities and treasury shares

Marketable securities include an inventory of 2,990,463 shareholders' equity, i.e., 2.16 % of the number of issued securities, for an acquisition value of 96.2 million euros.

This inventory is allocated as follows:

- 1,523,418 stocks under the stock-option plan, of which 429,000 authorised by management on May 15, 2007;
- 1,271,752 stocks to hedge external growth transactions, they were posted under financial real assets as of December 31 2007.
- 195,293 stocks in the context of the liquidity agreement for regulating its share market price;

428,815 treasury shares under the liquidity agreement were sold in 2007. These transactions resulted in a net capital loss of €0.3 million.

Other securities amounted to €3.5 million and are represented by short term cash investments.

Provision for impairment of the marketable securities (stock options) was recognized for financial year 2007 for an amount of €2.4 million.

## 3.5. Prepaid charges - Deferred charges

***Note 8- Prepayments and deferred income***

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Accrued expenses** | **48 321** | **77 804** | **102 694** |
| * deferment of cash payment on swaps | 42 732 | 71 994 | 102 378 |
| * Parking concession | 49 | 63 | 77 |
| * construction lease | 5 210 | 5 486 | - |
| * other | 330 | 261 | 239 |
| **Deferred charges over several years** | **8 487** | **6 847** | **2 589** |
| * Bond loan issue costs | 3 755 | 4 672 | 2 589 |
| * loan issue costs from lending institutions | 4 732 | 2 175 | - |
| * other (acquisition costs, deferral of cash payment on swaps, loan fees, etc.) | - | - | |
| **Bond issue share premium** | **8 166** | **9 960** | **4 755** |
| **Total** | **64 974** | **94 611** | **110 038** |

The construction lease concerns the building in Paris 15th - 43 rue de Grenelle (following the merger of the SAS 43 Grenelle).

# 4. NOTES TO: BALANCE SHEET - LIABILITIES

## 4.1. Shareholders' equity

*Note 9 - Equity*

| *in thousands of €* | As of December 31, 2006 | Allocation of income | Distribution | Other | | At year-end |
|---|---|---|---|---|---|---|
| **Share capital (1)** | **184 657** | | | **9 233** | **(1)** | **193 890** |
| **Additional paid-in capital (from share issues, mergers & spinoffs)** | | | | | | |
| * Share premium | 82 803 | | | | | 82 803 |
| * Share premium from the EOC | 174 012 | | | | | 174 012 |
| *Contribution premium | 259 318 | | | | | 259 318 |
| * Merger premium | 113 297 | | | | | 113 297 |
| Positive variance from merger | 187 452 | | | | | 187 452 |
| Positive variance on cancelled shares | 13 740 | | | 4 565 | (2) | 18 305 |
| Statutory reserve | 18 466 | | | | | 18 466 |
| **Other reserves** | | | | | | |
| * Regulated reserves | - | - | | | | - |
| * Other reserves | 177 287 | | | - 9 233 | (1) | 168 055 |
| **Retained earnings** | **250 894** | **198 466** | **- 147 726** | **1 329** | **(3)** | **302 964** |
| **Net income/loss for the year** | **198 466** | **- 198 466** | | **300 872** | | **300 872** |
| **Total** | **1 660 392** | **-** | **- 147 726** | **306 766** | | **1 819 432** |

| **(1) Composition of share capital** | | | | | | |
|---|---|---|---|---|---|---|
| Ordinary shares | 46 164 229 | | | | | 138 492 687 |
| face value in € | 4 | | | | | 1 |

(1) Capital increase through incorporation of reserves
(2) The increase in the positive variance on cancelled shares is mainly due to the total transfer of assets and liabilities from SAS 5 Turin
(3) The increase in retained earnings corresponds to dividends linked to equity assigned for €1,329 K

## 4.2. Provisions for contingencies and losses

***Note 10 – Provisons for contingencies and losses***

| *in thousands of €* | 2007 December | Increases | Reversals | Merger | 2006 December | 2005 December |
|---|---|---|---|---|---|---|
| Administrative expenses | - | - | - | - | - | - |
| Other provisions for contingencies and losses | 242 | 124 | - 758 | | 875 | 776 |
| **Total** | **242** | **124** | **- 758** | **-** | **875** | **776** |

The allowances mainly correspond to risks linked to canvassing activities.

The available reversals mainly correspond to finance lease provisions for an amount of €0.5 million.

## 4.3. Borrowings and other debts

*Note 11 - Borrowings and other debts*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Other bond loans** | **1 954 263** | **1 954 263** | **1 230 544** |
| * Main debt | 1 900 000 | 1 900 000 | 1 200 000 |
| * Accrued interest (1) | 54 263 | 54 263 | 30 544 |
| **Borrowings and debts from lending institutions** | **1 815 859** | **1 123 858** | **1 185 579** |
| * Bridge loan | - | - | 275 000 |
| * Accrued interest on bridge loan | - | - | 622 |
| * Syndicated bank loan | 1 650 000 | 950 000 | 750 000 |
| * Interest accrued on syndicated bank loans | 1 818 | 1 922 | 1 393 |
| * Bilateral contract | 135 000 | 135 000 | 135 000 |
| * Bilateral contract accrued interests | 118 | 118 | 118 |
| * Bank overdrafts | 28 843 | 36 747 | 23 400 |
| * Interests accrued on bank accounts | 80 | 71 | 46 |
| **Loans and sundry debts** | **377 135** | **250 240** | **306 697** |
| * Securities and deposits received | 3 319 | 3 553 | 1 452 |
| * Cash pool | 144 672 | 155 427 | 179 323 |
| * Commercial paper | 220 000 | 90 000 | 125 000 |
| * Share in earnings | 9 144 | 1 260 | 922 |
| **Total** | **4 147 257** | **3 328 361** | **2 722 820** |

(1) Coupon payable on July 10, July 15 and March 16.

As of December 31, 2007, loans comprised the main credit lines below:

- bonded debt of €600 million issued in July 2001, with a coupon of 6.125% and maturing in July 2008;
- bonded debt of €600 million issued in July 2004, with a coupon of 4.625% and maturing in July 2011;
- bonded debt of €700 million issued in March 2006, with a coupon of 4.25% and maturing in March 2016;
- club deal opened in 2006 from which €1,200 million has been tapped (maximum authorized contract of €1,200 million).
- club deal opened in 2007 from which €450 million has been tapped (maximum authorized contract of €1,000 million).
- bilateral loan of €135 million issued in December 2004;
- commercial paper facility issued for €220 million (secured by a swing line of €300 million).

**The table below shows a breakdown by due date as of December 31, 2007:**

*Note 12 - Borrowings and other debts*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Other bond loans** | **1 954 263** | **1 954 263** | **1 230 544** |
| * Main debt | 1 900 000 | 1 900 000 | 1 200 000 |
| * Accrued interest (1) | 54 263 | 54 263 | 30 544 |
| **Borrowings and debts from lending institutions** | **1 815 859** | **1 123 858** | **1 185 579** |
| * Bridge loan | - | - | 275 000 |
| * Accrued interest on bridge loan | - | - | 622 |
| * Syndicated bank loan | 1 650 000 | 950 000 | 750 000 |
| * Interest accrued on syndicated bank loans | 1 818 | 1 922 | 1 393 |
| * Bilateral contract | 135 000 | 135 000 | 135 000 |
| * Bilateral contract accrued interests | 118 | 118 | 118 |
| * Bank overdrafts | 28 843 | 36 747 | 23 400 |
| * Interests accrued on bank accounts | 80 | 71 | 46 |
| **Loans and sundry debts** | **377 135** | **250 240** | **306 697** |
| * Securities and deposits received | 3 319 | 3 553 | 1 452 |
| * Cash pool | 144 672 | 155 427 | 179 323 |
| * Commercial paper | 220 000 | 90 000 | 125 000 |
| * Share in earnings | 9 144 | 1 260 | 922 |
| **Total** | **4 147 257** | **3 328 361** | **2 722 820** |

(1) Coupon payable on July 10, July 15 and March 16.

*Debt maturity date*

| *in thousands of €* | Total | Up to one year | | between 1 year and 5 years | | over more than five years | |
|---|---|---|---|---|---|---|---|
| **Other bond loans** | **1 954 263** | **654 263** | | **600 000** | | **700 000** | |
| * Main debt | 1 900 000 | 600 000 | (1) | 600 000 | (2) | 700 000 | (3) |
| * Accrued interests | 54 263 | 54 263 | | | | | |
| **Borrowings and debts from lending institutions** | **1 815 859** | **30 859** | | **135 000** | | **1 650 000** | |
| * Bridge loan | - | - | | | | | |
| * Accrued interest on bridge loan | - | - | | | | | |
| * Syndicated bank loans | 1 650 000 | | | | | 1 650 000 | |
| * Interest accrued on syndicated bank loans | 1 818 | 1 818 | | | | | |
| * Bilateral contract | 135 000 | | | 135 000 | | | |
| * Bilateral contract accrued interests | 118 | 118 | | | | | |
| * Bank overdrafts | 28 843 | 28 843 | | | | | |
| * Interests accrued on bank accounts | 80 | 80 | | | | | |
| **Loans and sundry debts** | **377 135** | **373 816** | | **-** | | **3 319** | |
| * Securities and deposits received | 3 319 | | | | | 3 319 | |
| * Cash pool | 144 672 | 144 672 | | | | | |
| * Commercial paper | 220 000 | 220 000 | | | | | |
| * Share in earnings | 9 144 | 9 144 | | | | | |
| **Total** | **4 147 257** | **1 058 938** | | **735 000** | | **2 353 319** | |

(1) July 2008 €600,000 K
(2) July 2011 €600,000 K
(3) March 2016 €700,000 K

## 4.4. Trade accounts payable and related payables

All trade payables are due in less than one year.

## 4.5. Taxes and social contributions

*Note 12 - INCOME TAX and EXIT TAX*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **EXIT TAX** | **3 675** | **5 512** | **26 034** |
| *SA Klépierre | - | - | 8 693 |
| * Klébureaux (fully transferred in 2003) | - | - | 1 997 |
| * Klébureaux (fully transferred in 2003) | - | - | 7 921 |
| * Baudot Massy SAS (fully transferred in 2005) | - | - | 73 |
| * SCOO SNC | 3 675 | 5 512 | 7 350 |
| **Income tax** | **-** | **- 825** | **3 707** |
| **OTHER TAXES** | **11 148** | **13 383** | **2 306** |
| **Total** | **14 823** | **18 070** | **32 047** |

**1°) EXIT TAX:**

The company's debt towards the French treasury changed as follows:

- €1.8 million had been paid in 2007 for the 2nd quarter exit tax corresponding to the entry in 2005 of SNC SCOO's securities in the SIIC plan.

**2°) OTHER TAXES:**

In addition, the line item "other taxes" corresponds to:

- a tax debt for an amount of €10.8 million. Since 2006, Klépierre is being audited by the tax authorities for financial years 2003 and 2004. A notice was received in 2006 for financial year 2003. This notice is currently being contested by the company.

## 4.6. Other debts

***Note 13 – Other debts***

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Advances and interests on current accounts | | 511 | 501 |
| Interest accrued on rate SWAPs | 9 256 | 7 751 | 6 030 |
| Other | 3 273 | 3 195 | 3 221 |
| **Total** | **12 529** | **11 457** | **9 752** |

### The table below shows a breakdown by due date:

***Debt maturity date***

| *in thousands of €* | Total | Less than one year | From one to five years | More than five years |
|---|---|---|---|---|
| Advances and interests on current accounts | - | - | - | - |
| Interest accrued on rate SWAPs | 9 256 | 9 256 | - | - |
| Other | 3 273 | 3 273 | - | - |
| **Total** | **12 529** | **12 529** | - | - |

## 4.7. Prepaid income

***Note 14- Prepayments and accrued liabilities***

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Deferred income** | **10 748** | **24 435** | **37 122** |
| * deferment of cash payment on swaps | 10 748 | 24 435 | 37 122 |
| * Sundry | - | - | |
| **Total** | **10 748** | **24 435** | **37 122** |

# 5. NOTES TO INCOME STATEMENT

## 5.1. Operating income

As of December 31, 2007, the €3.3 million decline in revenues followed the disposal of office buildings. The revenues were exclusively constituted of rents from offices and warehouses. It was mostly earned in Paris and in the Paris region.

Operating income was up €1.7 million compared to December 31, 2006.

## 5.2. Share in income from joint operations

This item amounted to €156.03 million as of December 31, 2007.

It mainly includes:

- the share in the 2006 earnings of SCS Ségécé, Klécar Europe Sud and Bègles d'Arcins for an amount of €24 million; which corresponds to the assignment of the profits from limited partnerships;
- the share in the 2006 earnings of Centre Bourse for an amount of €10.6 million following the signature of a clause for the automatic reporting of earnings;
- the advance loans on the share in the 2007 earnings of SCS Klécar Europe Sud and Bègles d'Arcins for an amount of €21 million;
- the share in the 2007 earnings of SNC Klécar France for an amount of €73.9 million, that of Solorec for an amount of €10 million.

## 5.3. Financial income/loss

The investment result at December 31, 2007 was a gain of €91.8 million, to be compared to the €31.8 million earned at December 31, 2006.

### 5.3.1. FINANCIAL REVENUES

***Note 15 - Investment Result***

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Income from sale of securities | 208 | 188 | 107 |
| Income on rate Swaps* | | - | - |
| Income from controlled entities | 166 257 | 79 154 | 36 989 |
| Positive variance from merger and cancelled shares | 5 041 | 29 543 | 48 |
| Interest on advance payment to partners | 100 942 | 65 099 | 67 121 |
| Sundry interests received | 194 | 357 | 8 |
| Other revenues and financial income | 32 | 316 | 298 |
| Reversal of financial provisions | 819 | 2 850 | 2 260 |
| Transfer of financial charges | 5 356 | 4 787 | 140 |
| **Total investment result** | 278 849 | **182 294** | **106 971** |

* since fiscal 2004 income and expenses on Swaps are netted

The change in revenues from equity interests is mainly due to:

- A dividend distribution from CAPUCINE BV for an amount of €96.5 million.

The item « Positive variance from merger and cancelled shares » corresponds to the positive variance of the complete transfer of assets and liabilities (CTAL) of SAS 5 Turin for €5 million euros.

The reversal of financial provisions corresponds to CTALs on Opale securities for €0.7 million and the release of provisions on Opave securities for an amount of €0.1 million.

Transfer of financial expenses on December 31, 2007 comprises the spread of bank commissions on borrowings. Its increase is explained by the deferral of financial costs of the new club deal for an amount of 3 million euros.

### 5.3.2. FINANCIAL EXPENSES

***Note 16 - Financial expenses***

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Interests on bond issues | 94 250 | 88 219 | 64 535 |
| Interests on borrowings from lending institutions | 67 984 | 29 271 | 28 060 |
| Other bank interests | 14 | 22 | 20 |
| Cash payment on swaps* | 2 118 | 13 220 | 19 199 |
| Interests on current accounts & and credit deposits | 9 983 | 10 557 | 8 033 |
| Loss on cancelled shares TTAL | 367 | - | 13 |
| Other financial expenses | 3 910 | 5 806 | 836 |
| Amortization expense for bond refund premiums | 1 794 | 1 655 | 1 109 |
| Amortisation expense for loan issue costs | 1 244 | 1 042 | 1 862 |
| Financial amortization expense | 5 324 | 654 | 312 |
| **Total Financial expenses** | **186 987** | **150 446** | **123 979** |

* as from fiscal 2004 income and expenses on Swaps are netted

The increase in bond loans was mainly driven by the €1,000 million club deal issued in September 2007.

Interests on borrowings from credit institutions included:

- €53.6 million of interests for club deals;
- €7.0 million for commercial paper;
- €2.4 million as bridge loan;
- €4.8 million for the bilateral agreement.

As of December 31, 2007, the net expense on swaps corresponded to:

- Net income of 13.5 million euros;
- and the spread of the cash balances on swaps for which the net expense is €15.6 million.

The interests on current accounts and credit deposits correspond to:

- €8.9 million of interests for cash centralization;
- €0.9 million of interests on bank overdrafts.

The other financial charges are mainly comprised of commissions on loans and primarily €0.1 million for the bonded loan of €3.8 million for the club deal.

## 5.4. Extraordinary income/loss

***Note 17 – Extraordinary income/loss***

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Capital gains or losses from sale of tangible and financial assets. | 30 252 | 31 310 | 46 528 |
| Capital gains/losses on treasury shares | - 346 | 1 987 | 2 101 |
| Positive variance on complete transfer of assets and liabilities | | - | - |
| Net reversals of depreciation, amortization and provisions | | - | - |
| Negative variance on complete transfer of assets and liabilities | | - | - |
| Other extraordinary income and expenses | 2 596 | 505 | 10 |
| Net allowances and reversals of provisions | - | - | - 31 |
| **Total** | **32 502** | **33 802** | **48 608** |

The net capital gain of €30.3 million was mainly derived from:

- €30 million capital gain from the sale of Front de Paris buildings;

Other extraordinary income mainly correspond to the VAT tax rebate for fiscal years 2000 to 2003, for an amount of 2.5 million euros.

## 5.5. Corporate Income Tax

### *Note 18 – Income tax on profits*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| Tax and contributions | - 211 | - 15 105 | - 3 234 |
| Income tax - Exit Tax | - | - | - 7 407 |
| Tax - Discontinuance of activity and contributions | - | - | - |
| Income tax are discount rate and contributions | - 35 | - 211 | - 583 |
| **Total** | **- 246** | **- 15 316** | **- 11 224** |

The line item "taxes and contributions" corresponds to:

- €0.2 million as tax on the earnings of the taxable sector;

For fiscal 2006, corporate tax on taxable income was 3.2 million euros in addition to a provision of 12.1 millions euros following the tax audit concerning fiscal years 2003 and 2004. The notification received in December 2006 is still being challenged by the company.

# 6. NOTES TO OFF-BALANCE SHEET COMMITMENTS

## 6.1. Reciprocal commitments on interest rate hedging instruments

As of December 31, 2007 Klépierre had a portfolio of interest rate hedging instruments fully aimed at hedging a fraction of the current debt and future debt, according to overall need and the foreseeable term of the financing estimated in the context of the financial policy set up by the group.

Unrealized capital gains as of December 31, 2007 on interest rate hedging instruments totalled €60.5 million (excluding accrued coupons).

***Note 19 – Reciprocal commitments - Rate swaps***

***Firm transactions***

| Firm transactions<br>*in thousands of €* | 2007<br>December | 2006<br>December | 2005<br>December |
|---|---|---|---|
| Klépierre fixed rate paying agent - BNP-Paribas floating rate paying agent | 2 350 000 | 1 700 000 | 1 400 000 |
| BNP-Paribas fixed rate paying agent - Klépierre floating rate paying agent | 600 000 | 600 000 | 600 000 |

***Impact on income***

| Impact on income (reference capital from 1 to 10 years)<br>*in thousands of €* | déc-07<br>Income | <br>Expenses |
|---|---|---|
| Klépierre fixed rate paying agent - BNP-Paribas floating rate paying agent | 58 808 | 43 972 |
| BNP-Paribas fixed rate paying agent - Klépierre floating rate paying agent | 27 750 | 29 127 |

## 6.2. Commitments given and received

*Note 20 – Off-balance sheet commitments*

| *in thousands of €* | 2007 December | 2006 December | 2005 December |
|---|---|---|---|
| **Commitments given** | | | |
| Commitments on purchases of securities and malls | 355 364 | 428 047 | 335 059 |
| Commitments on preliminary sale agreement | 11 767 | 11 767 | 9 809 |
| Financing commitments given to credit institutions | 426 449 | 227 752 | 267 515 |
| Other commitments given | - | 7 388 | - |
| **Total** | **793 580** | **674 954** | **612 383** |
| **Commitments received** | | | |
| Deposits received from tenants | 6 294 | 4 095 | 209 |
| Financing commitments received from credit institutions | 630 000 | 460 000 | 300 000 |
| Commitments of purchase of securities | | - | - |
| Commitments on sale of buildings | - | 48 375 | 24 184 |
| **Total** | **636 294** | **512 470** | **324 393** |

"Commitments on purchases of securities and malls" mainly correspond to:

- the acquisition protocol subject to conditions precedent for shopping centres in Italy, in the Czech republic for an amount of €144 million;
- an agreement protocol with Eiffage concerning a shopping centre in Vannes for an amount of €50.5 million.
- other commitments for €44 million.

The line item "commitments given on sale promises" corresponds to a planned transaction abroad.

The change in commitments received from credit institutions can be explained by the non-utilisation of an amount of €630 million on the 2006 and 2007 club deal.

Furthermore, Klépierre SA signed a property development contract for the construction of an office building at Issy Les Moulineaux. Payment outstanding for this project totalled €31,525 k euros as of December 31, 2007.

❑ *Shareholders' agreement concerning Klécar France, Klécar Europe Sud, Solorec and Klécar Participations Italie*

The shareholders' agreement binding Klépierre, CNP Assurances and Ecureuil Vie were amended by rider signed on December 30, 2004 in order to cancel the liquidity commitments of Klépierre towards its partners.

The agreement provides for the usual minority protections: pre-emptive share right, joint exit right, decision process in case of investment or disinvestment.

It also includes two additional dispositions:

- One in favour of Klépierre: obligation of minorities to exit at the request of Klépierre in the event of the sale of assets to a third party;
- The other in favour of minorities: process enabling the latter, in 2011, 2016 and 2017 for Italian malls 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 capped discount by Klépierre if the offer is less than the Revalued Net Asset.

### ❑ *Ségécé contra guarantee*

Klépierre signed a covenant with its subsidiary Ségécé giving it a global mandate to search for new investment projects. Pursuant to this agreement, the expenses linked to these development projects and stocked by SCS Ségécé until the settlement of the operation are guaranteed by Klépierre SA for 75% of the invested amounts.

# 7. ITEMS CONCERNING AFFILIATED COMPANIES

*Note 21*

| Line items<br>*in thousands of €* | Amounts |
|---|---|
| Advances and installments on fixed assets | - |
| Net equity interest securities | 2 713 448 |
| Receivables from controlled entities | 2 492 416 |
| Loans | - |
| Advances and down payments to suppliers (current asset) | - |
| Trade receivable and related accounts | 1 184 |
| Sundry receivables | 16 913 |
| Accruals and deferred income | - |
| Unpaid called subscribed capital | - |
| Convertible bond loans | - |
| Other bond loans | - |
| Borrowings and debts from credit institutions | 967 108 |
| Loans and sundry debts | 373 816 |
| Down payments from clients | - |
| Trade payables and related accounts | 907 |
| Other debts | |
| Operating revenues | 168 316 |
| Operating expenses | 7 361 |
| Investment revenues | 375 001 |
| Financial expenses | 156 375 |

Based on the situation at December 31, 2007, the share of BNP Paribas in bank loans totalled €1,235 million, of which 960 million euros were used. This equity interest must be compared to a total authorized amount of 2,358 million euros, of which 1,808 million euros are used. These amounts do not include the commercial paper swing line (not drawn) of an amount of €300 million, and in which BNP Paribas has an interest of €150 million.

# 8. OTHER DISCLOSURES

## 8.1. Subsequent Events

None.

## 8.2. Employees

The company has no employees.

## 8.3. Loans and guarantees granted and set up for senior officers and members of the Supervisory Board

None.

## 8.4. Compensation for Supervisory Board members

The amount of directors' fees allocated in 2007 amounted to €210,000.

## 9. INFORMATION ON CONSOLIDATION

Klépierre's parent company accounts are fully consolidated by Klépierre SA, which is in turn included in the accounts of BNP-Paribas.

# Klépierre

Société Anonyme

21, avenue Kléber
75016 PARIS

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## Statutory auditors' report on the financial statements

Year ended 31 December 2007

**Mazars & Guérard**
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

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## Statutory auditors' report on the financial statements

Year ended 31 December 2007

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In accordance with our appointment as auditor at your Annual General Meeting, we hereby report to you for the year ended 31 December 2007 on:

- the audit of the accompanying financial statements of Klépierre,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Management 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, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 at 31 December 2007 and the results of its operations for the year then ended in accordance with French accounting regulations.

## II. Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code governing the justification of our assessments, we bring your attention to the following matters:

- As indicated in Note 2.1.2 to the financial statements, the real estate assets are assessed by independent real estate experts. Our procedures consisted in examining the valuation methods used by these experts and to ensure ourselves that any possible impairments were performed on the basis of external assessments.
- The participating interests recorded in assets are valued as shown in Note 2.1.3 to the financial statements. Our assessment of these valuations was based on the process implemented by the Company to determine the value of the investments. Our work mainly involved assessing, in regard to the experts' valuations, the data used by the Company to determine the value of the buildings owned by its subsidiaries as well as that of the management companies. We have assessed the reasonableness of the valuations used.

Such assessments were 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.

## III. Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to:

- the fair presentation and consistency with the financial statements of the information given in the Management Board'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 the management report on the compensation and benefits paid to the corporate officers concerned, as well as commitments granted in their favour when they assumed, changed or terminated their duties or subsequent thereto.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of shareholders and the percentage interests and votes held.

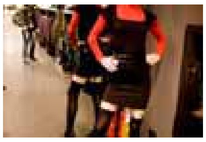
Courbevoie and Neuilly-sur-Seine, 7 March 2008

The Statutory Auditors

**Mazars & Guérard** **Deloitte & Associés**

Julien Marin-Pache Pascal Colin Laure Silvestre-Siaz

*This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditors' report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the statutory auditors' report addressing financial reporting in the management report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.*


## STATEMENT OF THE PERSON RESPONSIBLE

**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 2-76) 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 29, 2008**
**Michel Clair**
Chairman of the Executive Board

## PERSONS REPSONSIBLE FOR AUDITS

***Statutory auditors :***

**DELOITTE & ASSOCIES**
Member of the *Compagnie régionale de Versailles.*
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 & GUÉRARD**
Member of the *Compagnie régionale de Versailles.*
Exaltis – 61, rue Henri Regnault
92075 La Défense Cedex
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**
Exaltis – 61, rue Henri Regnault
92075 La Défense Cedex
End of term: Fiscal year 2009.

## RESPONSIBLE FOR FINANCIAL DISCLOSURES

Jean-Michel GAULT
Member of the Executive Board – Chief Financial Officer
Phone : + 33 1 40 67 35 05