2008
INTERIM FINANCIAL REPORT

KLEPIERRE

Summary

MANAGEMENT REPORT AT 06.30.2008

I– HALF-YEAR BUSINESS AND EARNINGS BY SEGMENT

I – Shopping center segment

1 – Consumption review

1.1. Economic environment[1]

After an unexpected rebound of the 1st quarter, global growth is expected to once again show signs of the weakness observed since mid-2007. The rise in commodity prices (food and oil) and adverse capital market trends will continue to weigh on all economies. Nonetheless, Europe should be able to withstand these setbacks. For the Euro zone, growth is expected to reach 1.7% in 2008, and will in fact come close to the earlier forecast (OECD, November 2007: +1.9%). As with the average for the region, economic growth will remain aligned with earlier forecasts in France (+1.8%), Belgium (+1.7%) and Greece (+3.5%). Conversely, they it will be lower in Portugal (+1.6%), Italy (+0.5%) and Spain (+1.6%). In addition, Spain is undergoing deterioration in its housing market with an impact on domestic demand. The rate of growth will continue to be sustained in Central Europe: Slovakia (+7.3%), Poland (+5.9%), the Czech Republic (+4.5%) and, to a lesser extent, Hungary (+2.0%).
In the countries where Klépierre owns property, household spending remains upbeat despite higher inflation.

1.2. Aggregate revenue trends, January – May 2008.

Over the first five months of the year, revenues generated by Klépierre malls rose by 1.1% over the good level observed last year (January – May 2007 aggregate / 2006: +3.4%).
Trends are contrasting from one country to the next.
In France, revenue growth for the first five months of the year was positive (+1.3%).
In Spain, the worsening economic outlook seems to be having an impact on household spending nationwide, and mall revenues are down by 2.9%.
Italian revenues (-2.2%) are suffering from the competitive environment of the Tor Vergata and La Romanina malls. Apart from these two centers, Italy's decline is much less marked (-0.5%), and the mid-sized retail units are the hardest hit. For the smaller outlets, revenues are up by 2.9%.
The largest increases are observed in Central Europe (+7.9% on average): Poland (+11.8%), with all sites showing significant growth; Hungary (+10,1%), where results were mixed; Slovakia (+9.4%); and the Czech Republic (+2.8%).
Greece also reported excellent revenue growth (+7.1%) and is pursuing its turnaround. In Belgium, revenues from the Louvain-la-Neuve center rose by 12.1%.
Revenues from Portuguese tenants declined by 4.5%, as the economic slump there continued to weigh adversely on performances. At the same time, the restructurings under way and the recent change in hypermarket anchor (from Carrefour to Continente) have not yet had the expected impact.
With the exception of household goods, all retail segments showed growth, in particular Beauty/Health (+4.7%) and Culture/Gifts/Recreation (+2.3%). Personal products (+0.7%) and Restoration showed less rapid growth.

France – assessment of the first half of 2008[2]

In France, retail sales fell in June by 6.2% from the exceptional level reached last year. June 2007 sales (+11.7%) were boosted by the unusually late Mother Day's (in May this year) and an extra Saturday.
The 6-month total thus shows a decline of 0.1%, although the stagnation is at the high level observed in 2007 (1st half of 2007/ 1st half of 2006: +4.7%).
Results for the inter-municipal centers were sustained over the first half of the year, with sales up (+1.4%). Regional centers (-0.8%) and downtown centers (-1.1%) showed a slight decline.
In terms of retail segment, sales remain upbeat in Beauty/Health (+3.3%) and Personal Products (+1.2%).
Declines were observed in the following segments: Culture/Gifts/ Entertainment (-0.9%), Restaurant (-1.0%) and Household Goods (-9.5%).

[1] ***Source: OECD forecasts – December 6, 2007.***
[2] *Excluding Angoulême Champ de Mars, Rambouillet, Orléans Saran.*

	Change in tenants mix		Lease renewals	
	Nbr	Change in %	Nbr	Change in %
FRANCE	72	15.2%	55	15.0%
ITALY	41	5.4%	89	7.5%
SPAIN	22	27.5%	35	36.4%
HUNGARY	80	-0.5%	94	-1.5%
POLAND	14	0.6%	4	1.1%
BELGIQUE	20	4.8%	8	36.9%
PORTUGAL	3	24.5%	2	3.7%
CZECH REPUBLIK	3	-0.2%	3	9.0%
GREECE	5	31.3%	-	-
SLOVAKIA	11	31.7%	14	8.1%
TOTAL EUROPE	**271**	**10.9%**	**304**	**14.1%**

In %	Impact of index-linked rent adjustments	Occupancy rate	Default rate
FRANCE	4.6%	98.9%	0.8%
ITALY	3.9%	96.5%	1.8%
SPAIN	2.1%	98.3%	4.5%
HUNGARY	2.5%	97.6%	7.2%
POLAND	2.3%	95.0%	6.4%
BELGIUM	2.6%	95.7%	5.2%
PORTUGAL	2.6%	97.9%	23.3%
CZECH REPUBLIK	4.3%	100.0%	2.9%
GREECE	2.2%	98.8%	5.8%
SLOVAKIA	3.1%	96.3%	5.1%
TOTAL EUROPE	**3.7%**	**98.2%**	**2.5%**

2 – Rental business

The rental business in Europe grew substantially: Shopping centers rents collected in the first six months to June 30, 2008 amounted to 284.4 million euros (€249.4M at 06.30.2007), up 14%. Of the total, additional variable rent represented 7.7 million euros.
On a constant portfolio basis, growth in rents was 5.2%.

2.1. France

Shopping center rents in France came to 145.7 million euros for the period, up by 16.2 million euros compared with June 30, 2007. That's an increase of 12.5% on a current portfolio basis and of 5.3% on a constant portfolio basis.

The increase on a constant portfolio basis is attributable to:

- The indexation of guaranteed rents, +4.6% on average over the entire portfolio of real estate holdings; it should be noted that most leases (84% in terms of value) are indexed to the cost of construction index for 2Q07, which rose by 5.05%.
- Relettings and lease renewals, which improved the rental value of the portfolio: rents were boosted in particular by transactions completed in the second half of 2007 (135 changes in tenant mix, 156 renewals), producing a positive impact over the full six months ended June 30, 2008.

On a current portfolio basis, rents for the period were boosted by the following items:

- the acquisition of Leclerc hypermarkets and additional plots on the sites of Blagnac and Saint Orens in July 2007, for an impact of 3.2 million euros on rents recorded at the June 30, 2008 reporting date;
- the September 2007 opening of the Angoulême Champ de Mars mall, for an impact of 1.9 million euros ;
- the June 2007 opening of the Rambouillet extension, for an impact of 1.3 million euros on rents;
- the December 2007 acquisition of the Valence Victor Hugo mall, for an impact of 1.6 million euros;
- the October 2007 opening of the Orléans Saran opening, for an impact of 1.4 million euros.

Additional variable rent came to 3.8 million euros, stable versus June 30, 2007.

Rental reversion transactions in the first half of 2008 resulted in 72 changes in tenant mix (with an average increase of 15.2% in MGR) and 55 lease renewals (with an average increase in MGR of 15.0%).

The financial occupancy rate on assets held was 98.9% on June 30, 2008, versus 99.3% on June 30, 2007, due in particular to one-off retail restructurings undertaken at the Créteil Soleil, Clermont Jaude and Lomme malls. The default rate was 0.8% of rents recorded on June 30, 2008, versus 0.7% on June 30, 2007.

The average cost occupancy ratio for tenants is 9.7%, up very slightly compared with June 30, 2007, when it was 9.5%. This ratio is defined as rent plus charges to sales revenue excluding tax.

The concentration of rents among retail partners is particularly low, which helps to limit the rental risk. At June 30, 2008, the PPR group is principal partner (4.2% of rents, including 2.8% for Fnac), followed by Auchan group(4.0%) and Vivarte group(3.0%).

2.2. *Spain*

At the June 30, 2008 reporting date, consolidated rents for all Spanish shopping center holdings came to 34 million euros, compared with 32.1 million euros on June 30, 2007, a progression of 1.9 million euros (+5.9%).

On a constant portfolio basis, the increase was 1.6 million euros (+5.1%). The impact of index-linked adjustments was 3.9%.

The only change in the current portfolio relates to rents received (€238K) for the 14 retail outlets located across from the checkout counters of the Carrefour hypermarket in the Vallecas center, which were acquired in November 2007 (the mall will not open until November 2008).

The principal malls in terms of rent contributions were Gran Sur, Augusta Saragosse, and Madrid Los Angeles.

Additional variable rent came to 0.6 million euros for the period ended June 30, 2008, up by 48% compared to the same period one year earlier.
Since January 1, 2008, 41 leases have been signed with new tenants, up by 5.4%, and 89 leases were renewed (+7.5%). A total of 9 lease-ups were also completed, for an annual MGR of 255 thousand euros.

The average cost occupancy ratio for tenants is 11.3%, a very slight increase compared with June 30, 2007, when it stood at 11.0%.

The default rate was 1.8% in June 30, 2008, up slightly over June 30, 2007 (+1.5%), but still very low.
The financial occupancy rate for the period was 96.5%, virtually unchanged since the end of June 2007 (97%).

2.3. *Italy*

Consolidated rents totaled 43.6 million euros for the six months ended June 30, 2008, up by 10.8% versus the prior year. External growth comes from the acquisition of Lonato and Verona last February and an extension of the Bari mall.

On a constant portfolio basis, Italian rents rose by 1.5 million euros (+3.7%, of which 2.1% linked to index-linked rental adjustments).
Growth is attributable primarily to:

- Retail restructurings:
  - At Val Vibrata (tenant Media Markt moved in December 2006 and opening of 16 new small outlets in the 2nd quarter of 2007)
  - At Paderno-Brianza in 2005/2006, lease-up terminated in 2007
- Rental modifications:
  - At Rondinelle-Brescia (renewal campaign in 2nd quarter 2008) and Pescara (impact of leases renewed in 2007).

At the rental management level, since the beginning of the year, 13 lease-ups have been completed for contractual MGR of 411 thousand euros; 22 changes in tenant mix were also signed for additional MGR of 311 thousand euros annually (+27.5%). Some 35 leases were renewed (including 22 at Rondinelle-Brescia) for additional MGR of 821 thousand euros (+36.4%).

The average cost occupancy ratio for tenants is 9.7%, up slightly compared with June 30, 2007, when it was 9.4%.

The financial occupancy rate as of June 30, 2008 is 98.3%, an improvement over June 30, 2007 (97.6%).

The default rate stood at 4.5% on June 30, 2008, an increase compared with June 30, 2007 (+3.3%), notably for the Capodrise, Tor Vergata, Collegno and Seriate malls.

2.4. *Hungary*

Consolidated rents came to 15.7 million euros for the six months ended June 30, 2008, an increase of 1.1 million euros (+8.0%).

External growth represents 0.7 million euros and pertains to the acquisition of the offices in the Duna center in Budapest and rent adjustments for 2007.

On a constant portfolio basis, Hungarian rents rose by 2.8%, slightly more than the weighted index (+2.5%). Growth was driven primarily by the Duna and Miskolc malls.

The reshuffle that was undertaken in 2006 resulted in a decline in the vacancy rate, particularly with the arrival of Saturn at the Duna mall and of C&A at Miskolc. Conversely, the Alba center is experiencing a temporary financial vacancy due to restructurings under way for 127 thousand euros. The Gyor center has lost some appeal due to local competition, and the vacancy level represents around 150 thousand euros based on contractual MGR.

Since January 1, 2008, 19 leases have been signed for contractual MGR of 304 thousand euros.174 leases have been signed with new tenants, a decline of 1% (-€46K).

The financial occupancy rate stood at 97.6% on June 30, 2008, versus 96% on June 30, 2007.

The default rate rose by 7.2% compared with June 30, 2007 (3.8%), attributable in particular to late payments on re-invoicing of the electricity margin.

2.5. Portugal

Consolidated rents from the Portuguese portfolio totaled 9.3 million euros for the six months ended June 30, 2008, an increase of 33% that reflects the impact of full ownership of the Parque Nascente shopping center in Gondomar following the buy-out of the co-owner's share in September 2007. The change in the portfolio also relates to the mid-sized retail unit Toys 'R Us in the Braga center, acquired in mid-February 2007.

On a constant portfolio basis, Portuguese rents were stable despite an index-linked adjustment of 2.3%. The Portuguese centers are traversing a difficult economic situation, particularly with the departure of Carrefour, which was replaced by Sonae-Continente on January 1, 2008.

The Parque Nascente center showed a decline in lease income versus June 30, 2007 due to the launch of the retail restructuring of Primark, which created an additional vacancy: the decline in rent was only partially offset by the rental gain provided by the opening of Media Markt in July 2007.

In rental management, over the first six months of the year, there were 14 changes in tenant mix and 4 lease renewals, for a rental gain of 0.6% and 1.1%, respectively.

The average cost occupancy ratio for tenant is 11.8%, a decline compared with June 30, 2007, when it was 12.8%.

The financial occupancy rate was 95.0% for the period, a decline compared with June 30, 2007 (95.9%): the decline was attributable to the Loures and Parque Nascente centers (financial vacancy generated by Primark); the Vila Nova de Gaia occupancy rate improved versus June 2007.

The default rate on June 30, 2008 was 6.4%, a marked improvement over June 30, 2007 (10.1% on a comparable portfolio basis).

2.6. Czech Republic – Slovakia

Consolidated rents came to 8.3 million euros for the period ended June 30, 2008. The increase on a constant portfolio basis was 14.5%, exceeding the weighted indexation of 2.6%.
Growth was essentially driven by the Novy Smichov mall (+€840K), boosted by the effects of changes in tenant mix/renewals, mostly signed in the second quarter of 2007 and the first half of 2008 and, to a lesser extent, by Danubia (+€87K).

Since January 1, 2008, 20 changes in tenant mix (+4.8% and +€41K) and 8 lease renewals for a 36.9% increase in contractual MGR (+€97K) have been completed in the Czech Republic, as well as a lease-up for 10 thousand euros at Novo Plaza.
The Danubia center in Slovakia underwent 3 changes in tenant mix and 2 renewals, which generated a rental capital gain of 24.5% (€23K) and 3.7% (€2K), respectively.

In Czech Republic, the financial occupancy rate for Novy Smichov declined slightly, from 100% on June 30, 2007 to 99.4% on June 30, 2008, while for Novo Plaza, it went from 84.8% on June 30, 2007 to 85.7% on June 30, 2008.

In Slovakia, it improved from 90.8% to 97.9% between June 30, 2007 and June 30, 2008.

The default rate declined at Novo Plaza, from 26.1% on June 30, 2007 to 17.2% on June 30, 2008. The same is true for the Novy Smichov center, whose default rate went from 2.9% on June 30, 2007 (2.4% on December 31, 2007) to 1.7% on June 30, 2008 (dispute resolution).

The default rate for the Danubia center deteriorated slightly, going from 21.2% on June 30, 2007 to 23.3% on June 30, 2008, due in particular to the late payment of rental related expenses.

2.7. Greece

Consolidated rents from Greek holdings totaled 4 million euros for the period ended June 30, 2008, an increase of 28.1% that primarily reflects the acquisition of Larissa in June 2007 (+819 thousand euros of additional rent).

On a constant portfolio basis, the increase was limited to 1.8%, despite weighted indexing of an estimated 4.3%. The counter-performance is attributable to Athinon. A restructuring is under way to enable the center to house a mid-sized clothing store on two levels (2000 sq.m.) in the 3rd quarter of 2008.

As for the rental management business, 3 transactions related to changes in tenant mix since the beginning of this year led to a slight decline (-0.2%), and 3 leases were renewed with an increase in contractual MGR of 9%.

The financial occupancy rate, excluding Athinon (acquired less than 2 years ago), was 100% on June 30, 2008

The default rate is 2.9%, relatively stable versus June and December 2007.

2.8. Belgium

Rents for the Louvain-le-Neuve center amounted to 6.4 million euros for the period ended June 30, 2008, an increase of 9.2% (2.2% related to indexation) that reflects the numerous lease-ups in 2007 (the largest being the FNAC in September).

Belgium has reported 5 changes in tenant mix since the beginning of this year, leading to a rental gain of 31.3%: 2 concern the retail mall itself and 3 the ground level store fronts on the adjoining rue Charlemagne.

The average cost occupancy ratio for tenants was virtually unchanged at 11.3% for the period ended June 30, 2008.

The financial occupancy rate went from 97.7% on June 30, 2007 to 98.8% on June 30, 2008, reflecting the impact of lease-ups.
The default rate was 5.8% (2.3% excluding Cinema UGC) on June 30, 2008, compared with 1.8% on June 30, 2007. This change concerns 5 tenants. A dispute with Cinema UGC is ongoing.

2.9. Poland

Polish rents came to 17.4 million euros for the six months ended June 30, 2008, an increase of 6.7 million euros (+63.5%). External growth accounts for 5.9 million euros, and relates to the acquisitions of Rybnik Plaza and Sosnowiec Plaza (May 7, 2007), as well as Lublin Plaza (July 27, 2007).

On a constant portfolio basis, Polish rents increased by 8.8%, (+€854K). Additional variable rent represents 1.3 million euros, 7.6% of the total.

Faced with intense competition, the Krakow mall showed a decline of 146 thousand euros.
Conversely, the Ruda mall (+229 thousand euros compared with June 2007) showed strong growth over 2007, attributable to a lower vacancy rate, changes in tenant mix and more restructurings. The Posnan mall, albeit to a lesser extent, has also been positively impacted by restructurings.

Since January 2008, 5 lease-ups have been completed for annual contractual rent of 282 thousand euros, and 25 changes in tenant mix/renewals have generated an 18.2% increase in contractual MGR.

The default rate was 5.1%, up a slight 0.1% versus June 30, 2007, primarily due to late invoicing of electricity bills (awaiting definitive rates).

The financial occupancy rate for the period was 96.3%, a significant increase compared with June 30, 2007 (93.6%).

2.10. Outlook

France
In France, the Cost of Construction Index for 1Q08, published on July 9, 2008, shows a rise of 8.09% versus the index for 1Q07. It applies to 13% of leases in terms of value, with retroactive effect as of January 1.

In addition, rents will be boosted in the 2nd half of 2008 by the opening of the extension at Laon in June, as well as the end of the extension work at the Saint Orens and the opening of the first portion of the extension of the Blagnac mall, scheduled for the end of the year.

And between now and the year 2010, a total of 696 leases will come up for renewal, representing rents of 40.4 million euros in current value terms.

International
At the international level, a number of restructurings will be finished before the end of 2008, generating rental invoices as of this year, i.e.:

- the opening of the C&A store (730 sq.m.) at Novo Plaza (Czech Republic)
- the second phase of the Duna Plaza restructuring (Hungary), which consists of replacing four movie theaters with two mid-sized retail units, Intersport and Vögele
- the opening of the last mid-sized unit leased at KappAhl (900 sq.m.), on the ground level of Ruda Slaska (Poland)
- and the arrival of the mid-sized unit Sprider (2 060 sq.m.) at Athinon (Greece), with the opening scheduled for September 2008.

2008 is a year of many lease renewal campaigns in various countries:

- the Czech Republic, where lease renewals will be pursued for Novy Smichov: at the end of the first half of 2008, there were 7 renewals, leading to a 37.1% improvement, and by year-end 10 expiring leases will be renewed (+€125K gain is expected, +29.8%) or relet to new tenants (+€125K gain expected, +35.2%).
- at the Meridiano shopping center in Tenerife, Spain, 21 leases will expire in 2008, representing 702 thousand euros of MGR. 17 renewals have already been negotiated, for an average increase of 19.8% (a capital gain of €122K).
- in Italy, leases scheduled for renewal this year concern Le Rondinelle. After 22 leases were renewed in the course of the first six months, up by an average of 40.4%, a rental reversion of 30% is expected for the 21 leases that remain to be renewed by the end of 2008.

- and in Hungary, where renewal campaigns will be carried out by the end of 2008 on the following centers: Miskolc (€265K in expired leases, +10% expected), Nyir (€180K in expired leases, +8.4% expected), and Debrecen (€797 K in expired leases, +13% expected)

Klépierre and Ségécé are also working over a longer time frame on signing mid-sized retail units that will bring in traffic. Primark, for which a lease was signed in June 2008, is expected to open by the 4th quarter of 2009 at the latest. The store will measure 3 728 sq.m. on the R+1 and R+2 levels of the Parque Nascente shopping center in Portugal.
Other discussions for the location of mid-sized retail units (scheduled to open in 2009) are under way in the Czech Republic, Spain, Greece, Hungary and Poland.

3. Development

3.1. The shopping center investment market

Despite a more difficult environment, the retail real estate market remains attractive in Europe. But growth is hampered by the lack of available products, which explains the low number of transactions in the first six months of 2008.
Opportunistic players are less present and the percentage of traditional investors is rising. Yields remain low for prime centers but are beginning to trend upward for higher risk products.

3.2. Investments made in the first half of 2008

In the course of the first six months of 2008, nearly 304 million euros in investments were made on committed transactions, including nearly 110 million euros on own developments and 194 million euros on developments by outside parties or acquisitions.

In France, investments on own development primarily related to:
- the Aubervilliers operation for 24.5 million euros, the building lease was settled and work began in June.
- the La Roche sur Yon (€10.5M) and Cesson – Maisonément (€9.5M) projects.
- extensions such as those completed at Val d'Europe (more than €15M), Clermont Jaude (close to €4.5M) and Nîmes (€3.4M).

With regard to transactions developed by outside parties, the most significant contributions were made by Montpellier Odysseum (€17M), and the extensions at Blagnac and Saint Orens (€16M).

Abroad, the Vallecas project in Southeast Madrid contributed to outlays in the 1st half for 17 million euros, while that in Corvin, in downtown Budapest, contributed 20.6 million. The extension at Kaposvar added another 1 million.
The Italian acquisitions (Verona, €44.8M and Lonato, €84.7M), as well as the extension of the Seriate center (€5M) are the main contributors to investments in the 1st half of 2008.

During this same period of the year, controlled transactions required an investment of 41 million euros.
Highlights include the competitive bid awarded in Szekesfehervar (Hungary) to develop a new shopping center on a parcel of land located across from the Klépierre owned center of Alba (acquisition of the land for €22.5M), a down payment on the signature of a future as is in Clermont Ferrand for a shopping center located near the Jaude center (€2.5M), and the control of the land surrounding the Nevers Marzy (€4.7M) and Rennes Colombia centers (€2.9M).

3.3. Investments planned for the 2nd half of 2008

This 2nd half of the year will be eventful, in particular with the delivery and opening of a large number of committed transactions or operations.
Examples include:
- France: the openings of extensions in Villejuif, Saint Orens, Clermont-Jaude and Nîmes, as well as the retail parks of Vannes, La Roche sur Yon and Maisonément in Cesson.
- abroad: Vallecas and the extension of Seriate.

Work will commence on operations that have been pending for a long time, including the Saint Lazare station in Paris, Aubervilliers, Bègles Goutte d'eau, the restructuring of the Lomme center and the extension of the Noisy le Grand center.

Abroad, the Portimao deal is expected to acquire the status of a committed transaction, and the Pilzen shopping center in the Czech Republic will be acquired.

Agreements that followed bids awarded to the Company, for example in Cahors, where Klépierre will develop an 11 000 sq.m. GLA retail park, should be finalized.
In the second half of 2008, investments on committed transactions are expected to exceed 500 million euros.

3.4. Development potential, 2008-2012

With respect to the development potential over the period 2008 - 2012, projected investments on committed transactions represent 1.3 billion euros, plus around 900 million euros on controlled transactions.

Klépierre therefore confirms its desire to pursue development in every country where the Group is already present by leveraging the knowledge of local markets that teams in the country have acquired. Thanks to this acquired competency at the local level, Klépierre is able to give preference to transactions developed for its own account, and on which it control over the costs.
A full-scale review of the potential for development was conducted in light of new market conditions, which included investment and financing considerations. As a result of that review, Klépierre has decided to rule out more than 900 million euros worth of transactions identified in France and abroad, bringing its investment potential to 3 billion euros over the period from 2008-2012.
In parallel, Klépierre and Ségécé are prospecting in new Continental European markets for opportunities that will lead to a more diverse geographic revenue mix for the Group while also benefiting from differentiated patterns of consumption. This geographic expansion is nonetheless contingent upon market conditions and the resolution of a financial equation whose principal parameters are asset yields, and the fact that their financing conditions have recently become tighter.

4 – Service business

Streamlined organization for management structures

The buyout by Klépierre of the interest in Ségécé it did not already own in the 4th quarter of 2007 allowed for the simplification of management structures and an effort to streamline the organization. Management mandates, corporate accounting, administrative and legal services, as well as office management, were centralized by Ségécé in the course of the first 6 months of 2008.

Multi-skilled staff

Now involved not only in the development and management of shopping centers but also in office property management, as well as the accounting and legal administration of the holding companies, the staff of Ségécé—the workforce counts around 1 040 people across Europe—can now respond to all real estate needs, and now houses all the occupations and functions of the Klépierre Group.

A change in scope: acquisition of Ipeci in France, disposal of Devimo in Belgium

As an extension of the acquisition by Klépierre in December 2006 of the assets of the PHH holdings, Ségécé bought out the management company Ipeci Gestion on April 8, 2008. With a staff of 5, this company provides rental management services for the shopping malls in this portfolio, as well as administrative and accounting for the related assets.

A participant since February 2000 in the reorganization and development of Devimo, in collaboration with the two other shareholders (Fortis and Banimmo), Ségécé considered that this tripartite shareholder structure was not amenable to new developments in the Benelux countries. Accordingly, the 35% interest that Ségécé held in Devimo was sold on June 23, 2008.

Fees representative of each activity

Revenues for all Ségécé entities taken together – on a constant portfolio basis (restatement of Devimo and Ipeci not taken into account) – increased by 7.1%. The Development business made a substantial contribution (+19.5%). Growth in rents – on a current portfolio basis – drove a 4.3% rise in real estate asset management fee income. Also worth noting is the 4.9 million euros in company administration fees, of which 4.2 million euros related to the takeover of this business by Ségécé France (mentioned above) in the first 6 months of 2008.

Ongoing development…

Development business in the first half of the year also included:
- extensions/restructurings in France—Nantes Beaulieu, Blagnac, Saint-Orens, Bègles, Villejuif and Clermont Jaude
- acquisitions—such as Défi Mode/Vivarte property assets, assets located in 3 retail areas (Rochefort-sur-Mer, Avranches and Messac), and the Lonato and Verona centers in Italy.
- development, including La Roche sur Yon and Vannes La Fourchène in France, and Vallecas in Spain.

… by irrigating the rental management business …

761 million euros in lease income, including 323.3 million in France, will be invoiced by Ségécé in 2008, an increase of 7.5% versus 2007.
In addition to the rental management of offices at the end of June 2008, for fee income of 653 thousand euros, in the shopping center segment the impact of renewal campaigns at Bègles Rives d'Arcins, Paris Marché Saint Germain and Toulon Grand Var is noteworthy. The full-year impact of the Polish centers Sosnowiec, Rybnik and Lublin, and the management of the Czech center Pilzen will also contribute to growth in the volume of rents invoiced.

…. and real estate administration

The administrative work of Property Management extends to 318 European centers, of which 248 are owned by Klépierre. Fee income was up by 5.6% for the period (including fee income related to delegated management of works). On June 30, 2008, administrative teams managed 3 213 655 sq.m. and an operating budget of 265 million euros. Thanks to the in-house training modules of Ségécampus, the know-how of Ségécé can be passed on to all of its European subsidiaries.

Toward new horizons: India

In the interest of participating in strong growth in India by applying its management expertise, Ségécé plans to locate in the near future in Delhi. Its first objective is to comprehend and adapt to this market.

5 – Segment earnings

Shopping center segment	06/30/2008	06/30/2007	07/08 (€M)	07/08 (%)
LEASE INCOME	**284.4**	**249.3**	**35.1**	**14.1%**
Other rental income	4.2	2.5	1,6	64.6%
RENTAL INCOME	**288.6**	**251.9**	**36.7**	**14.6%**
Land expenses (real estate)	- 1.2	- 1.1	- 0.0	3.3%
Non recovered land expenses [1]	- 8.9	- 6.5	- 2.4	36.1%
Building expenses (owner) [1]	- 14.5	- 11.6	- 2.9	24.9%
NET LEASE INCOME	**264.1**	**232.6**	**31.5**	**13.5%**
Management, administrative and related income	30.8	29.3	1.6	5.4%
Other operating income	6.0	4.1	1.9	44.8%
Survey and research costs	- 1.4	- 0.6	- 0.8	129.9%
Payroll expense	- 33.0	- 28.9	- 4.1	14.2%
Other operating expenses	- 8.9	- 9.1	0.2	- 2.3%
EBITDA	**257.6**	**227.4**	**30.2**	**13.3%**
D&A allowance on investment and arbitrage property	- 94.4	- 67.3	- 27.1	40.3%
D&A allowance on PPE	- 2.0	- 1.3	- 0.7	56.2%
Provisions	- 0.2	1.0	- 1.2	- 124.3%
RESULTS OF OPERATION	**160.9**	**159.8**	**1.2**	**0.7%**
Share in earnings of equity method investees	0.5	1.1	- 0.6	- 57.4%
Proceeds of sales	21.6	- 0.0	21.6	
SEGMENT EARNINGS	**183.0**	**160.9**	**22.2**	**13.8%**

[1] 2007 : after reclassification of property taxes and non-recovered rental charges

Lease income from shopping center properties rose by 14.6% compared with June 30, 2007, to 288.6 million euros.

Other lease income includes entry fees as well as a margin on the provision of electricity to tenants in the Hungarian and Polish shopping centers. The 1.6 million euro increase is primarily attributable to the invoicing of entry fees following the opening of the extensions at Rambouillet and Orléans.

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 2.4 million euro change is primarily attributable to the rise in non-recovered rental expenses from tenants paying a lump sum, in particular in Hungary and Poland, also factor in a portfolio scope effect related to the acquisition of the Lublin, Rybnik and Sosnoviec malls (€0.5M).

The increase in owner's building expenses, which came to 2.9 million euros, is primarily attributable to growth in assets. It also includes one-off expenses related to the set-up of a real estate fund in Italy (€1.2M).

Net lease income was 264.1 million, up by 13.5%.

Management and administrative fee income rose by 5.4%, or 1.6 million euros. This development is primarily due to lease-up fees for the Nantes-Beaujoire center in particular. Other notable developments concern the rise in property management fees.

Other income from operations includes the proceeds from the specialty leasing business (Galae) in particular, and tenant re-invoicing. It was up by 1.9 million euros compared with June 30, 2007.

Research costs, accounted for as a loss, came to 1.4 million euros, an increase of 0.8 million euros compared with June 30, 2007.

The 4.1 million euro increase in payroll expense (+14.2%) is primarily attributable to the higher staffing level, particularly in France, Spain and Eastern Europe, in the interest of adapting local structures to the Group's new projects and acquisitions. In France, the increase also reflects the integration of the management firm IPECI, which is dedicated to the management of the shopping centers in the Progest portfolio.

Operating expenses showed little change at around 9 million euros.

EBITDA was 257.6 million euros, an increase of 13.3%.

Depreciation and amortization for the period and provisions for investment properties increased by 27.1 million euros. This figure includes an allowance for depreciation of 22.7 million euros, primarily to cover the Polish and Czech centers. It is largely attributable to the appreciation of local currencies, which led to a revaluation of these assets after they were translated into euros in the Group's financial statements. Depreciation and amortization also increased due to portfolio growth: in France, with the acquisition of the Angoulême-Champ de Mars (€1.0M) and Valence-Victor Hugo (€0.6M) malls, and of two hypermarkets in the Greater Toulouse area (€0.6M), partly offset by the disposal of a 42.6% interest in the Annecy-Courier mall. Abroad, the increase in depreciation and amortization was due in particular to the acquisition of three malls in Poland (€2.8M), of the Larissa mall in Greece, and of Lonato and Verona in Italy.

Income from operations came to 160.9 million euros, an increase of 0.7%.

Disposals provided 21.6 million euros, reflecting the sale of 42.6% of the Annecy-Courier center at the end of March and the sale of the Group's interest in Devimo (Belgium). Income also includes a 0.3 million euro development margin.

After taking into account the earnings of equity method investees (€0.5M), the change in which is attributable primarily to the disposal of Devimo, earnings for the shopping center segment was 183.0 million euros for the period, up by 13.8%.

II – Retail segment -Klémurs

1 – Rental business

Rents from the Retail segment came to 15.1 million euros, an increase of 3.7 million euros compared with June 30, 2007. This is a 32.3% rise on a current portfolio basis, and an 8.4% increase on a constant portfolio basis.

The rise on a constant portfolio basis is attributable to:

- The impact of index-linked rent adjustments (the French Cost of Construction Index for 2Q07 applied to leases increased by 5.05%);
- The collection of 0.4 million euros in additional variable rent on the Buffalo Grill restaurants; these additional variable rents are based on the sales revenue generated by the restaurants in 2007.

On a current portfolio basis, the change is attributable to the following items:

- The acquisition on April 30 of 77 retail store properties, of which 67 flying the Défi Mode logo, with an impact on rents of 1.0 million euros;
- The acquisition in April of 14 retail assets located at sites in Avranches, Messac and Rochefort (€0.2 M);
- The acquisition in December 2007 of two Sephora retail properties, one in Metz and one in Avignon (€0.3 M);
- For the Buffalo Grill portfolio, the impact over the six-month period of the 8 restaurant properties acquired in late 2007, plus the impact of 15 restaurants acquired in June 2008, for a total of 0.6 million euros;
- The contribution of Cap Nord, a company whose assets were acquired in March 2007, for 1.2 million euros.

It should be noted that Buffalo Grill accounted for 74% of the rents collected by Klémurs on June 30, 2008, versus 82% on December 31, 2007. This change reflects the diversification of the retail partners in the portfolio.

The financial occupancy rate on assets held was 99.6% on June 30, 2008 (one space measuring 1 485 sq.m. vacant in Saint Etienne du Rouvray), compared with 100% on June 30, 2007.

The default rate is very low: 0.1% on June 30, 2008.

The average occupancy cost ratio is 9.1%.

There were no changes in tenant mix or lease renewals with an impact on the lease income recorded for the six months ended June 30, 2008.

Outlook for the 2nd half of 2008

In the 2nd half of 2008, the lease income earned by Klémurs will be positively impacted by the acquisitions made in the course of the 1st half, i.e., the 15 additional Buffalo Grill restaurants, the 77 retail properties acquired on April 30, 2008, and the 14 assets located in Avranches, Rochefort and Messac acquired in April 2008. Over the full six-month period, these assets should produce 4.7 million euros in rents. In the 1st half of 2008, they contributed only 1.3 million euros. The new investments made should be supportive of high growth in net current cash flow per share.

2 – Development

2.1 - Investments made in the 1st half of the year

Klémurs invested 154.5 million euros over the 1st half of 2008.
The Company pursued the partnership it entered into with Buffalo Grill in August 2006 and the terms of the additional agreement of December 2007 with the first implementation of the development of new sites on a future as is basis. It acquired 17 new restaurants in the Buffalo Grill portfolio, including 2 on a future as is basis, located in Lyon Vénissieux, Brignoles, Carvin, Laon, Fougères, Marennes, Lamballe, Ancenis, Achères, Chateaubriand, Saint-Germain Les Corbeil, Cholet, Bourg-en-Bresse, Arles, Bourg Les Valence, Saint Amand Les Eaux, and Nogent le Rotrou, for a total of 28.9 million euros including transfer duties.
The 15 assets in operation will generate 1.8 million euros in net rents annually. The two assets under development will open at the end of the year and are expected to bring in an additional 0.2 million euros in rent.
These acquisitions bring the total number of Buffalo Grill restaurants held by Klémurs to 153.

After signing a purchase agreement at the end of 2007, in April 2008 Klémurs completed the definitive acquisition of the 14 retail assets located in three retail zones (Avranches, Messac and Rochefort-sur-Mer) for 17.6 million euros. These assets, which feature GLA of 15 195 sq.m., have tenants that include nationwide retailers such as La Halle, Aubert, Mobalpa, and Gémo and produce 1.1 million euros in net rents annually. The definitive acquisition of the fifteenth asset will be completed by June 1, 2009.

In April 2008, Klémurs also acquired 77 sites of the 112 assets specified in the Défi Mode outsourcing agreement signed in late 2007 with the founders of the retail chain, for a total of 104.1 million euros. Full year, net rents will reach 6.1 million euros.
In a parallel development, the Vivarte group acquired Défi Mode's operations, a move that makes it the tenant of Klémurs.

In completing this transaction, Klémurs pursued the diversification of its portfolio, integrating 67 retail properties previously owned by Défi Mode as well as the retail properties of King Jouet, Halle aux chaussures, Halle aux vêtements, Mille et une Idées, Orchestra and Leader Price.

A retail park located in the leading retail area of Chalon sur Saône was acquired on a future as is basis for a total amount of 14.8 million euros (€3.8M of which were outlaid during the six-month period) and expected net rent of 1 million euros. The opening is scheduled for the third quarter of 2009.

2.2 – Investments planned for the second half and development potential, 2008 – 2012

In late June 2008, an agreement was reached with the founders of Teddy Toys (a company that was sold in 2005 to the King Jouet group) for the sale of 23 suburban stores (16 400 sq.m.) operated by King Jouet. The agreement calls for the definitive acquisition of the portfolio in the course of the second half of this year, for a total amount of 22.8 million euros and expected net rents of €1.5 M. In parallel, a new 10-year lease will be signed with the tenant, the terms of which include a firm period of 6 years and a variable rent clause.

The 2nd half of 2008 will also see the definitive acquisition of around thirty additional assets out of the 112 stipulated in the Défi Mode agreement.

During the 1st six months of 2008, Klémurs was able to consolidate its positioning in the market for outsourced retail property assets, concluding a number of promising partnership agreements.

The partnership agreement signed in 2007 with the founders of retailer Défi Mode continues to produce benefits, and 17 new stores located in two new sites with a diversified set of retailers were offered under the preferential right to acquire clause.

Concomitantly, agreement with the current owners is expected for a portfolio of 6 stores featuring the retailers Chausséa, Chauss Expo and King Jouet and located in the same buildings as the stores acquired under the Défi Mode agreement. The definitive acquisition of these properties is expected by the end of 2008.

Accordingly, in 2008 Klémurs plans to pursue an acquisition program that is primarily centered on the outsourcing by major retailers of their property assets, and is gradually reaching its objective of owning assets worth one billion euros by the end of 2009. The Company is particularly attentive to the relationships it develops with operating partners in connection with the implementation of new leases that offer long terms, a minimum guaranteed rent that is indexed, and an additional variable rent based on the retailer's revenue growth. However, the supply of retail real estate assets for sale is generally limited, which means that the emergence of new investment projects in the year ahead will depend mainly on market conditions

3 – Segment earnings

Retail properties segment	06/30/2008	06/30/2007	07/08 (€M)	07/08 (%)
Lease income	**15.1**	**11.4**	**3.7**	**32.3%**
Other rental income	-	-	-	
Rental income	**15.1**	**11.4**	**3.7**	**32.3%**
Non recovered land expenses	- 0.0	-	- 0.0	
Building expenses (owner)	- 0.4	- 0.3	- 0.1	18.7%
Net lease income	**14.7**	**11.1**	**3.6**	**32.6%**
Management, administrative and related income	1.4	0.6	0.8	139.3%
Other operating income	0.1	-	0.1	
Survey and research costs	- 0.0	-	- 0.0	
Payroll expenses	- 0.8	- 0.3	- 0.6	192.9%
Other operating expenses	- 0.4	- 0.1	- 0.2	214.3%
EBITDA	**14.9**	**11.2**	**3.7**	**32.6%**
D&A allowance on investment and arbitrage property	- 4.8	- 3.6	- 1.2	32.6%
D&A allowance on PPE	-	- 0.0	0.0	- 100.0%
Provisions	- 0.0	-	- 0.0	
RESULTS OF OPERATION	**10.1**	**7.6**	**2.5**	**32.9%**
Proceeds of sales	-	-	-	
SEGMENT EARNINGS	**10.1**	**7.6**	**2.5**	**32.9%**

Lease income from the Retail segment came to 15.1 million euros for the six months ended June 30, 2008. Lease income includes the acquisition on April 30, 2008 of 77 retail properties, including 67 Défi Mode stores, with an impact of 1.0 million euros on rents, and various commercial assets that are mostly held by Cap Nord, acquired on March 29, 2007.
Building expenses are mainly in the form of fees paid to outside service providers, in particular for asset appraisals. The fee income for rental management and administrative services paid to Klépierre Conseil are eliminated in this presentation.

Management and administrative fee income came to 1.4 million euros, pertaining principally to the fees paid to acquire the Défi Mode retail properties.

Payroll and operating expenses amounted to 1.2 million euros, and include the allocation of the cost of personnel assigned to the management and development of the Company.

Depreciation and amortization for the period totaled 4.8 million euros, an increase of 32.6% that is attributable to the consolidation of Cap Nord and a number of different acquisitions made in the 2nd half of 2007 and in the 1st half of 2008.

Retail segment earnings amounted to 10.1 million euros for the period, up by 32.9% compared with June 30, 2007.

III – Office segment

1. Trends in the office property market in the 1st six months of 2008
Source CBRE – EXA

1.1. The rental market

Rental transactions
With 1 175 000 sq.m. let over the period, placed demand is down compared with the 1st six months of 2007 by 19%, but remains sustained in a climate of economic and financial uncertainty.

Supply
Immediate supply is up by 7% compared with January 1, 2008, reaching 2.6 million sq.m.
Average vacancy in the Ile de France region is up slightly (5.1%), but the changes are quite diverse depending on the sector. For La Défense and Neuilly-sur-Seine, the decline was significant (3.7% and 4.7%), whereas for the Northern Belt, the increase was 30%, to 12.5% vacancy.
Future supply available in less than one year (4.2 million sq.m.) rose slightly from 3.8 million sq.m. on January 1, 2008.

Rental values
Average face rents were up slightly, in particular due to a significant rise in rents for prime properties at La Défense.
Rents for prime products in Paris are stable (€772/sq.m.).
Commercial incentives are once again on the rise.

1.2. The investment market

- A clear slowdown in transaction, with 7.1 billions euros in France, including 4.7 billion euros in Ile de France (10.9 billion euros in the first half of 2007).
- Offices represent 82% of all commitments.
- French investors still lead the pack (39%), followed by the Germans (16%). Conversely, UK investors (6%) and American investors (15%) are less prevalent.
- The absence of significant transactions recently gives little indication of the yields currently in force in the market.

2 – Disposals and investments made in the 1st half of 2008

Over the 1st six months of 2008, no properties were disposed of. But in early July, a purchase agreement on the Notre-Dame-des-Victoires building (Paris 2) was signed for 64.9 million euros (net seller), up by 5.9% over the last appraised value. This sale will be completed at the latest by the 3rd quarter, as part of an asset exchange.

Construction of the Sereinis building at Issy-les-Moulineaux continued, generating an outlay of 11.1 million euros in the first six months of 2008. Lease-up on the building began in the early part of this year, and several large groups have indicated their interest in this office complex. The delivery date on the building is the very beginning of 2009.

3 – Rental business

Gross lease income for the first six months of 2008 was 25.4 million euros, up by 1.1 million euros compared with the first six months of 2007. The rise is primarily relates to relettings and lease renewals completed at the end of 2007: 1.7 million euros of additional rents on a constant portfolio basis, 0.6 million euros of rent lost on the three building sold in 2007.

On a constant portfolio basis, rents rose by 7.1%, from 23.7 million euros on June 30, 2007 to 25.4 million euros on June 30, 2008. This 1.7 million euro increase breaks down as follows:

- index-linked rent adjustments added 1.0 million euros in rent over 2007 (+ 4.1%),
- relets signed in 2007 and 2008 produced 0.9 million euros in additional rents (+4.0%),
- the vacancy at 192, avenue Charles de Gaulle in Neuilly-sur-Seine following the restructuring of one-third of the total floor area, generated a loss of 0.2 million euros over the six-month period.

4 leases were terminated over the course of the first six months of 2008, representing total weighted useful floor area (1) of 4 738 sq.m. Two of these terminations involved small spaces (348 sq.m.), for which a termination payment was granted or the space was taken over by another tenant already present in the building.
The two others concern departures of tenants over the second half of 2008. These spaces are, in one case being relet and, in the other case, being restructured or brought up to standard after the tenant's departure.

6 leases corresponding to new lease-ups, renewals or additional clauses signed will generate 1.3 million euros on the full year. These signatures concern floor area of 2 494 sq.m. Their financial conditions are up by 23.6% compared with previous conditions, after deducting rent holidays or step rent granted to tenants.

The most significant transaction of the first half of 2008 was the signature of an additional clause to extend the floor area (1 097 sq.m.) of a tenant occupying the building at 192, avenue Charles de Gaulle in Neuilly-sur-Seine in return for a 56.1% increase in rent compared with the former terms and conditions. This additional clause was signed for a firm term of 3.75 years.

The financial occupancy rate on June 30, 2008 was 96.1% (versus 99.1% on June 30, 2007). The decline in the occupancy rate is related to vacancies in the building at 192, avenue Charles de Gaulle in Neuilly-sur-Seine.

At June 30, 2008, the lease portfolio represents rental volume of 55.0 million euros. Lease expiration dates are provided in the table below:

	Lease			
Year	Rents (€M) By next exit option	% of total	Rents (€M) by lease end date	% of total
2008	2.2	4.1%	2.2	3.9%
2009	12.9	23.4%	4.5	8.2%
2010	11.7	21.2%	0.7	1.2%
2011	23.1	42.0%	8.2	14.9%
2012	0.0	0.0%	5.1	9.3%
2013	0.0	0.0%	7.7	14.1%
2014	0.0	0.0%	4.0	7.3%
2015	5.0	9.1%	10.6	19.2%
2016 et +	0.1	0.2%	12.0	21.9%
Total rents	55.0	100.0%	55.0	100.0%

As of June 30, 2008, 9 289 sq.m. are in lease-up, representing total potential rent of 3.9 million euros. Renewals coming up in the second half of the year 2008 concern 5 117 sq.m. (8 leases), 2.2 million euros in rent and 4 .1% of total rents. These lease-ups and renewals would increase rental volume by 2.3 million euros (+4.2% compared with total rents today).

4 – Segment earnings

Office segment	06/30/2008	06/30/2007	07/08 (€M)	07/08 (%)
Lease income	**25.4**	**24.3**	**1.1**	**4.5%**
Other rental income	-	-	-	
Rental income	**25.4**	**24.3**	**1.1**	**4.5%**
Land expenses (real estate)	- 0.1	- 0.1	0.0	-2.8%
Non recovered land expenses [1]	- 0.4	- 0.6	0.1	-23.6%
Building expenses (owner) [1]	- 0.4	- 0.4	- 0.0	8.1%
Net lease income	**24.4**	**23.2**	**1.2**	**5.1%**
Management, administrative and related income	0.0	0.2	- 0.1	-82,3%
Other operating income	0.0	1.1	- 1.1	-97.5%
Payroll expenses	- 1.1	- 1.1	- 0.1	5.3%
Other operating expenses	- 0.3	- 0.3	0.0	-11.8%
EBITDA	**23.1**	**23.1**	**- 0.0**	**0.0%**
D&A allowance on investment and arbitrage property	- 5.9	- 6.3	0.3	- 5.4%
D&A allowance on PPE	- 0.5	- 0.4	0.0	8.2%
Provisions	-	-	-	
RESULTS ON OPERATION	**16.7**	**16.4**	**0.3**	**1.8%**
Proceeds of sales	-	21.0	-21.0	-100.0%
SEGMENT EARNINGS	**16.7**	**37.4**	**-20.7**	**- 55.3%**

[1] 2007 : after reclassification of property taxes and non-recovered rental charges

Lease income for office properties rose by 4.5% to 25.4 million euros. This increase is related in particular to the lease renewals and relets completed at year-end 2007.

Land expenses pertain to the amortization of the building lease for the building at 43 Grenelle.
Non-recovered charges came to 0.4 million euros, mainly due to the cost of the vacancy in the building at 192, Charles de Gaulle (Neuilly-sur-Seine).

Owner's building expenses rose slightly. Expenses for the first six months of 2007 included income related to the reinvoicing of work to tenants.

Net rents came to 24.4 million euros, up 5.1%.

[1] 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.

At the June 30, 2007 reporting date, management and administrative fee income was 0.2 million euros, and included fees for the management of the Front de Paris building, the mandate for which ended when the asset was sold on January 15, 2007.

In 2007, other operating income included an indemnity of 0.7 million euros paid in connection with a tenant dispute.

Payroll expense was 1.1 million euros, stable compared with the 1st half of 2007.

EBITDA came to 23.1 million euros, stable compared with the 1st half of 2007.

Depreciation and amortization decreased by 0.3 million euros due to asset sales.

No capital gains were generated in the 1st half of 2008. In the 1st half of 2007, a capital gain of 20.3 million euros was generated on the sale of the building at 5, rue de Turin (Paris 8th) and the indivisible ownership of a share in the Front de Paris building.

Office segment earnings for the six-month period totaled 16.7 million euros, a decline of 55.3%.

II – CONSOLIDATED EARNINGS AND CASH FLOW – PARENT COMPANY EARNINGS

1 – Consolidated earnings and cash flow

	06/30/2008	06/302007	Var.	
			€M	%
Rental income	329.1	287.6	41.5	14.4%
Building expenses	- 25.9	- 20.7	- 5.2	25.3%
Net lease income	**303.2**	**266.9**	**36.3**	**13.6%**
Management, administrative and related income	32.3	30.0	2.3	7.5%
Other operating income	6.7	5.2	1.4	27.5%
Payroll expenses	- 37.7	- 32.4	- 5.3	16.5%
Other operating income	- 13.8	- 12.4	- 1.4	11.3%
EBITDA	**290.5**	**275.3**	**33.2**	**12.9%**
Allowance to reserves	- 107.6	- 78.9	- 28.7	36.4%
	- 0.2	1.1	- 1.3	-117.3%
Results of operation	**182.7**	**179.5**	**3.2**	**1.8%**
Proceed os sales	21.6	21.0	0.7	3.1%
Financial results	- 90.0	- 75.8	- 14.2	18.7%
Share in earnings of equity method investees	0.5	1.1	- 0.6	- 57.4%
Pre-tax current earnings	**114,8**	**125.8**	**- 11.0**	**-8.7%**
Corporate tax income	- 15.4	- 9.9	- 5.5	56.0%
Net income	**99.3**	**115.9**	**- 16.5**	**-14.3%**
Minority share	- 18.8	- 17.5	- 1.3	7.5%
NET INCOME, GROUP SHARE	**80.6**	**98.4**	**- 17.8**	-18.1%
Per share ratios				
Average number of shares	136 188 362	137 265 669		
Net earning per share (euro)	0.59	0.72	- 0.13	-17.5%
Pre-tax, exclusive sale of assets/share (euro)	0.54	0.62	- 0.07	-12.0%

Net lease income for the 1st half of the year came to 303.2 million euros, an increase of 13.6% compared with the same period last year. Lease income amounted to 329.1 million euros, with 288.6 million euros of the total provided by shopping centers, 25.4 million euros provided by office properties and 15.1 million euros provided by retail properties. Compared with June 30, 2007, lease income from shopping centers rose by 14.1% on a current portfolio basis and by 5.2% on a constant portfolio basis. Lease income from retail properties increased by 32.3% on a current basis and by 8.4% on a constant portfolio basis. Lease income from office properties were also up, by 4.5% on a current basis and by 7.1% on a constant portfolio basis.

Management and administrative income (fees) totaled 32.3 million euros, up by 7.5%. This positive development is attributable to the Shopping center and Retail segments, for which fee income increased by 1.6 million euros and 0.8 million euros, respectively. The increase in fee income for the Shopping center segment is attributable in particular to the lease-up of the Nantes-Beaujoire, as well as to higher property management fees. In the Retail segment, fee income was boosted by acquisition fees related to transactions completed in the course of the first half of 2008.

Revenues generated by properties abroad provided 41.2% of total revenues for the period, versus 40.7% for the same period in 2007. Other income from operations corresponds to the re-invoicing of work carried out to tenants and other diverse sources.

Owner's building expenses totaled 25.9 million euros for the period, an increase of 5.2 million euros (+25.3%). This increase reflects the growth in assets as well as the increase in non-recovered rental charges related to tenants who pay a fixed rent and to vacant rental space. It also includes one-off expenses related to the cost of setting up a real estate fund in Italy (€1.2 M).

Payroll expense for the period came to 37.7 million euros, compared with 32.4 million euros for the corresponding prior period. This 16.5% increase reflects the rise in the staffing level (+86 employees), mainly in France, Spain and Eastern Europe. These new hires were required to adjust local HR capacity in light of the Group's new projects and acquisitions.

Other operating expenses (€13.8 M million) were up by 11.3% compared with June 30, 2007, with the significant changes involving in part research fees on abandoned projects and the cost of operating premises.
The operating ratio (total expenses/net operating income) for the period was 15.1%, versus 14,8% in 2007.

EBIDTA for the period was 290.5 million euros, an increase of 12.9% compared with June 30, 2007.

Depreciation and amortization for buildings in 1st half of 2008 came to 107.6 million euros, an increase of 36.4% (€28.7 M). This increase primarily reflects an allowance for depreciation that was reserved for the Polish and Czech shopping centers, which in turn is mainly related to the appreciation of the local currencies that led to an adjustment in the carrying value of these assets after translation into euros in the Group's consolidated financial statements. The rise in depreciation and amortization expense also reflects new acquisitions of shopping center and retail properties.

Depreciation and amortization expense for contingencies and losses came to 0.2 million euros. For the first six months of 2007, a 1.1 million euro allowance was released, primarily reflecting the resolution of a dispute in Greece.

Results from operations totaled 182.7 million euros, an increase of 1.8% compared with June 30, 2007.

The financial result for the period is a loss of 90.0 million euros, compared with a loss of 75.8 million euros for the first six months of 2007. The Group's interest expense rose by 14.2 million euros, reflecting the increase in net debt, which went from 4 108 million euros at the June 30, 2007 interim reporting date to 4 992 million on June 30, 2008. This increase reflects major investments made over the 2nd half of 2007. The cost of debt was stable over the period (4.30%), reflecting the reinforcement of interest rate hedges. Klépierre's financing policy and financial structure are both described in more detail below, in paragraph D.

Proceeds from the sale of assets amounted to 21.6 million euros, versus 21.0 million euros over the same period in 2007. Asset sales during the period include an indivisible share of ownership in the Annecy-Courier mall and the Group's equity interest in Devimo, the Belgian company.

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 six months ended June 30, 2008, the global tax expense for these three segments was 15.4 million euros:

- a tax expense of 7.2 million euros for the SIIC segment, primarily due to the net expense on the exit tax payable for the inclusion of Progest, Holding H1 and Klécapnord in this segment.
- a tax expense of 0.9 million euros for the French companies not eligible for SIIC status.
- for foreign affiliates, the tax expense was 7.3 million euros .

Consolidated net earnings for the first six months of 2008 came to 99.3 million euros, a decline of 14.3% compared with the first six months of 2007.
Minority share of net income for the period is 18.8 million euros, primarily generated
by the shopping center segment, which brings the group share of net income to 80.6 million euros, a decline of 18.1%.

Change in current cash flow

	06/30/2008	06/30/2007	Var. €M	%
EBITDA - Shopping centers	257.6	227.4	30.2	13.3%
EBITDA - Offices	23.1	23.1	- 0.0	0.0%
EBITAD - Retail properties	14.9	11.2	3.7	NC
Corporate and shared expenses	- 5.1	- 4.4	- 0.7	14.7%
EBITDA	**290.5**	**257.3**	**33.2**	12.9%
Restatement of payroll expenses	1.7	1.1	0.6	NC
Restatement of expenses charged over several periods	- 0,2	- 1.3	1.2	NC
Restatement of non current expenses	1.1		1.1	
Cash Flow from operations	**293.2**	**257.1**	**36.1**	**14.0%**
Financial results	- 90.0	- 75.8	- 14.2	18.7%
Restatement income/discounting expenses	- 1.3	0.1	- 1.4	
Restatement of financial allowances	- 0.1	1.2	- 1.3	-108.3%
Pre-tax current cash flow	**201.7**	**182,5**	**19.2**	**10.5%**
Share in equity method investee earnings	0.6	1.2	- 0.6	-52.1%
Current tax expenses	- 10.7	- 9.8	- 0.9	9.4%
Net current cash flow	**191.6**	**173.9**	**17.7**	**10.2%**
In Group share				
Cash flow from operations	**260.8**	**225.4**	**35.4**	**15.7%**
Pre-tax current cash flow	**174.2**	**154.5**	**19.6**	**12.7%**
Net current cash flow	**164.2**	**148.3**	**15.9**	**10.7%**
Per share				
Net current cash flow per share	**1.28**	**1.13**	**0.2**	**13.6%**
Net cash flow per share	**1.20**	**1.08**	**0.1**	**11.5%**
Number of shares	136 188 362	137 265 669		

Pre-tax current cash flow reached 201.9 million euros for the six months ended June 30, 2008, a 10.6% increase over the first half of 2007. Expressed in terms of group share, pre-tax current cash flow reached 174.3 million euros, a 13.3% one-year increase that translates into 1.28 euro per share.

After-tax, net current cash flow reached 192.0 million euros, an increase of 10.4%. Group share, the total is 164.6 million euros, i.e. 1.20 euro per share and an 11.5% increase.

II – Parent company earnings

Condensed statement of income (€M)

	06/30/2008	06/30/2007
Operating profits	24.2	24.1
Operating expenses	-13.3	-12.7
Operating results	**10.9**	**11.4**
Share in earnings of subsidiaries	67.5	92.3
Financial results	19.6	30.6
Pre-tax results	**98.0**	**134.3**
Non-recurring results	-0.1	31.2
Corporate income tax	0.1	-0.4
Net earnings for the first six months	**98.0**	**165.1**

III– REVALUED NET ASSETS (RNAV)

I – Methodology

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

- Valuation of holdings

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

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

All of these appraisal assignments are awarded on the basis of the Real Estate Appraisal Guidelines (*Charte de l'Expertise en 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.

	June 2008	
	Appraisal fees	Consulting fees
RETAIL CONSULTING GROUP EXPERTISE		0
ICADE	130	268
CUSHMAN & WAKEFIELD	75	0
FONCIER EXPERTISES et ATISREAL	31	0

excl VTA 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 1st 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.

II – Revalued net assets au June 30, 2008

Appraisal results

The value of Klépierre's real estate holdings including transfer duties was 12.0 billion euros (total share) and 10.7 billion euros (group share). Total share, shopping centers represent 85.3%, retail properties represent 5.2%, and offices represent 9.5%, while the group share percentages are 84.5%, 4.9% and 10.6%, respectively.

Assets acquired during the course of the 1st half are carried at their acquisition price and represent 2.4% of all holdings. Projects under development are valued at their cost price, i.e. 5.1% of all holdings. These projects are mainly Vallecas (Spain), Corvin (Hungary), the Séreinis office building in Issy-Les-Moulineaux, and the Montpellier Odysseum Place de France shopping center.

On a constant portfolio basis, shopping center assets increased in value by 1.1% during the six-month period ended, while the value of retail assets grew by 0.6% over the same period and the value of office assets increased by 2.4%. Over 12 months, the respective increases are 8.3% for shopping centers, 7% for retail assets and 6.9% for offices.

HOLDINGS, TOTAL SHARE (transfer duties included)

Change over 6 months

In million of euros	June 30,2008	December 31, 2008	Change, current portfolio		June 30,2008	December 31, 2008	Change, current portfolio	
Shopping centers								
France	5 739,6	5 564,4	175,2	3,1%	4 818,8	4 782,0	36,8	0,8%
Spain	1 127,3	1 125,2	2,0	0,2%	1 013,3	1 013,8	-0,5	0,0%
Italy	1 504,4	1 327,6	176,8	13,3%	1 334,4	1 302,2	32,2	2,5%
Hungary	589,6	496,2	93,4	18,8%	381,2	380,1	1,1	0,3%
Poland	399,9	390,5	9,5	2,4%	314,6	309,2	5,4	1,8%
Portugal	273,7	268,3	5,4	2,0%	273,7	268,3	5,4	2,0%
Others	595,7	581,7	14,1	2,4%	595,7	581,7	14,1	2,4%
Total Shopping centers	**10 230,2**	**9 753,9**	**476,3**	**4,9%**	**8 731,7**	**8 637,1**	**94,6**	**1,1%**
Total Retail properties	**621,5**	**457,2**	**164,2**	**35,9%**	**432,8**	**430,0**	**2,7**	**0,6%**
Total Offices	**1 135,4**	**1 101,4**	**34,0**	**3,1%**	**1 077,9**	**1 052,3**	**25,6**	**2,4%**
Total Real estate holdings	**11 987,1**	**11 312,5**	**674,5**	**6,0%**	**10 242,3**	**10 119,4**	**122,9**	**1,2%**

Change over 12 months

In million of euros	June 30,2008	June 30, 2007	Change, current portfolio		June 30,2008	June 30, 2007	Change, current portfolio	
Shopping centers								
France	5 739,6	4 764,7	975,0	20,5%	3 999,3	3 594,2	405,1	11,3%
Spain	1 127,3	1 119,4	7,9	0,7%	1 013,3	1 013,3	0,0	0,0%
Italy	1 504,4	1 264,6	239,8	19,0%	1 304,9	1 217,0	87,9	7,2%
Hungary	589,6	370,3	219,2	59,2%	364,8	354,3	10,4	2,9%
Poland	399,9	293,0	106,9	36,5%	224,7	211,8	12,9	6,1%
Portugal	273,7	190,4	83,3	43,8%	207,6	190,4	17,2	9,1%
Others	595,7	542,4	53,3	9,8%	595,2	540,3	54,9	10,2%
Total Shopping centers	**10 230,2**	**8 544,9**	**1 685,3**	**19,7%**	**7 709,8**	**7 121,4**	**588,4**	**8,3%**
Total Retail properties	**621,5**	**405,5**	**216,0**	**53,3%**	**391,7**	**365,9**	**25,8**	**7,0%**
Total Offices	**1 135,4**	**1 047,5**	**87,9**	**8,4%**	**1 077,9**	**1 008,5**	**69,3**	**6,9%**
Total Real estate holdings	**11 987,1**	**9 997,9**	**1 989,2**	**19,9%**	**9 179,3**	**8 495,8**	**683,4**	**8,0%**

HOLDINGS, GROUP SHARE (transfer duties included)

Change over 6 months

In million of euros	June 30,2008	December 31, 2008	Change, current portfolio		June 30,2008	December 31, 2008	Change, current portfolio	
Shopping centers								
France	4 823,7	4 663,5	160,2	3,4%	3 985,4	3 952,7	32,7	0,8%
Spain	960,1	958,4	1,7	0,2%	846,1	846,9	-0,8	-0,1%
Italy	1 379,5	1 205,5	173,9	14,4%	1 210,0	1 180,1	29,8	2,5%
Hungary	589,6	496,2	93,4	18,8%	381,2	380,1	1,1	0,3%
Poland	399,9	390,5	9,5	2,4%	314,6	309,2	5,4	1,8%
Portugal	273,7	268,3	5,4	2,0%	273,7	268,3	5,4	2,0%
Others	580,0	566,7	13,2	2,3%	580,0	566,7	13,2	2,3%
Total Shopping centers	**9 006,4**	**8 549,0**	**457,4**	**5,4%**	**7 590,9**	**7 504,0**	**87,0**	**1,2%**
Total Retail properties	**522,7**	**384,6**	**138,1**	**35,9%**	**364,0**	**361,7**	**2,3**	**0,6%**
Total Offices	**1 135,4**	**1 101,4**	**34,0**	**3,1%**	**1 077,9**	**1 052,3**	**25,6**	**2,4%**
Total Real estate holdings	**10 664,6**	**10 035,0**	**629,5**	**6,3%**	**9 032,8**	**8 918,0**	**114,8**	**1,3%**

Change over 12 months

In million of euros	June 30,2008	June 30, 2007	Change, current portfolio		June 30,2008	June 30, 2007	Change, current portfolio	
Shopping centers								
France	4 823,7	3 984,4	839,3	21,1%	3 409,7	3 062,1	347,5	11,3%
Spain	960,1	952,6	7,5	0,8%	846,1	846,6	-0,5	-0,1%
Italy	1 379,5	1 148,2	231,3	20,1%	1 180,5	1 100,6	79,9	7,3%
Hungary	589,6	370,3	219,2	59,2%	364,8	354,3	10,4	2,9%
Poland	399,9	293,0	106,9	36,5%	224,7	211,8	12,9	6,1%
Portugal	273,7	190,4	83,3	43,8%	207,6	190,4	17,2	9,1%
Others	580,0	527,9	52,1	9,9%	579,5	525,8	53,6	10,2%
Total Shopping centers	**9 006,4**	**7 466,8**	**1 539,6**	**20,6%**	**6 812,7**	**6 291,6**	**521,1**	**8,3%**
Total Retail properties	**522,7**	**341,1**	**181,7**	**53,3%**	**329,4**	**307,8**	**21,7**	**7,0%**
Total Offices	**1 135,4**	**1 047,5**	**87,9**	**8,4%**	**1 077,9**	**1 008,5**	**69,3**	**6,9%**
Total Real estate holdings	**10 664,6**	**8 855,4**	**1 809,2**	**20,4%**	**8 220,0**	**7 607,9**	**612,1**	**8,0%**

Offices

The office portfolio is valued at 1 135.4 million euros.

4 of these properties have an estimated unit value that exceeds 75 million euros, representing 48.8% of the total appraised value of this portfolio. 4 have a unit value of between 75 million and 50 million euros, representing 23.7% of the total appraised value of this portfolio, and 12 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 2.4% on a total share basis over 6 months (6.9% over 12 months), of which 4.3% is attributable to higher income, partly offset by higher yields (-1.9%).

On a current portfolio basis, the change is 3.1% over 6 months (8.4% over 12 months) and takes into account the status of the Séreinis project in Issy-les-Moulineaux.

Based on appraised values at June 30, 2008 (transfer duties included), the immediate yield on the portfolio was 5.4%, up by 10bps base compared with 31 December 2007 (5.3%).

Shopping centers

Klépierre’s shopping center holdings are valued at 10 230 million euros (9 006 million euros, group share), an increase of 476 million euros compared with December 31, 2007 (+4.9%). Over 12 months, the portfolio increased by 1 685 million euros compared with the first six months of 2007 (+19.7%).
40 facilities and projects have an estimated unit value that exceeds 75 million euros, representing 57.5% of the total estimated value of this portfolio, 98 have a unit value between 75 million and 15 million euros, and 127 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 1.1% over 6 months (8.3% over 12 months), of which 2.2% is attributable to higher income, partly offset by higher yields (-1.1%).

External growth explains 382 million euros of the rise in value on a current portfolio basis. The increase in assets includes, in particular:

- in France, the valuation of new extensions (Laon, Nîmes, Orléans, Rambouillet), hypermarkets and extension projects in the Toulouse region, and the Valence-Victor Hugo center.

- abroad, the acquisition of the Lublin center in Poland, the Italian centers of Lonato and Verona, and the opening of the Varese extension (Italy).

- projects under development also contribute to the increase, via the progress made on the Corvin project (Budapest) for 67 million euros, and the Alba extension project (Hungary) for 24 million euros; in France, the Aubervilliers and Montpellier-Place de France projects.

The average yield on the portfolio at June 30, 2008 was 5.5%, including transfer duties, based on appraised values at June 30, 2008.

Retail

The value of the retail property portfolio was 621.5 million euros (€522.7M, group share), an increase of 35.9% over 6 months (53.3% over 12 months).

On a constant portfolio basis, the value of retail properties (transfer duties included) rose by 0.6% (€2.7M) over 6 months (7.0% over 12 months), of which 0.9% attributable to higher income and -0.3% to higher yields.

External growth provided 161.5 million euros to the increased value of the portfolio. On a current portfolio basis, the increase in assets includes the acquisition of 77 assets, mostly from Défi Mode (€116.6 M), and 14 assets located in Avranches, Messac and Rochefort-sur-mer (€17.7M).

The average yield on the portfolio is 5.8% based on the appraised values (transfer duties included) on June 30, 2008.

On June 30, 2008, revalued net assets were up by 3.5% over 6 months

Based on transfer duties included appraisals, revalued net assets after deferred taxation and marking to market of debt came to 42.5 euros per share, compared with 41.1 euros per share on December 31, 2007 and 36.3 euros per share on June 30, 2007 (increases of 17.1% over 12 months and 3.5% over 6 months.

Transfer duties excluded, revalued net assets after deferred taxation and marking to market of debt came to 40.0 euros per share, versus 38.6 euros per share on December 31, 2007 and 34.2 euros per share on June 30, 2007.

How RNA is determined (€M)

	06/30/2008		12/31/2007		06/30/2007
	Group share	Over 6 months	Group share	Over 6 months	Group share
Consolidated shareholder's equity	2 184		2 001		1 933
Real estate companies goodwill	-9		-9		-6
Unrealized portfolio	3 665		3 487		2 954
Appraised value	*10 664*		*10 035*		*8 854*
Net book value	*-6 999*		*-6 548*		*-5 900*
Unrealized capital gains on non-real estate assets	49		67		103
Ségécé group capital gain	*49*		*67*		*103*
Tax on unrealized capital gains	-199		-172		-177
Restatement of deffered taxes on securities	112		124		125
Taxes and fees related to the sale of assets	-344		-332		-283
Revalued Net Assets	5 457		5 166		4 648
Marked to market of fixed rate debt excluding IAS 32-39 (€M)	129		70		43
Number of shares, fully diluted	139 493 023		135 502 224		137 004 399
NAV excluding transfer duties, after taxes on unrealized capital gains (in € per share)	**39.1**	**2.6%**	**38.1**	**12.4%**	**33.9**
NAV excluding transfer duties, after taxes on unrealized capital gains and marking to market of fixed-rate debt, in € per share	**40.0**	**3.6%**	**38.6**	**12.9%**	**34.2**
NAV including transfer duties, after taxes on unrealized capital gains and marking to market of fixed-rate debt, in € per share	**42.5**	**3.5%**	**41.1**	**13.2%**	**36.3**

IV– FINANCING POLICY

In a climate of financial market tension, the financing policy conducted by Klépierre during the first six months of 2008 sought to simultaneously secure its financing capacity and reinforce its capital structure. In mid-July 2008, after refinancing a 600 million euro bond, Klépierre has 645 million euros in available credit lines, and has also diversified its financing resources (new syndicated loan for 750 million euros, as well as new finance leases and mortgage loans). The proposed payment of the dividend in the form of shares also reinforced shareholders' equity by 131 million euros.

1 – Financing resources

Consolidated net debt of Klépierre rose from 4 652 million euros on December 31, 2007 to 4 992 million euros on June 30, 2008.[1]

This 340 million euro rise is attributable primarily to the following financial transactions:

- outlays: Investments represented 539.1 million euros and 38.4 million euros were paid out on dividend for 2007 (77.3% of the shareholders opted to receive their dividend in shares).
- payments: Most amounts paid in reflected the sale of assets (42.9 million euros) and free cash flow for the period.

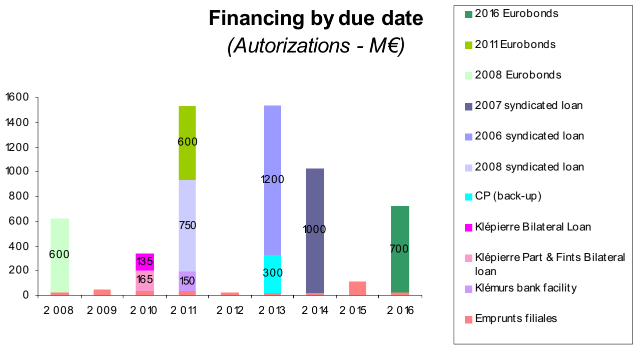
The sources of financing were broadly diversified in the course of the six-month period ended:

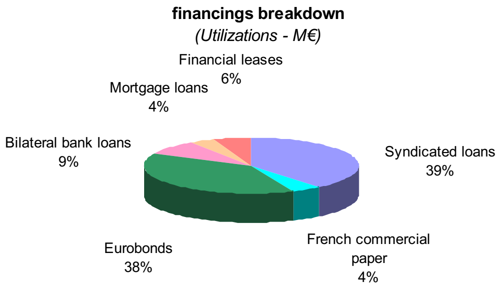
- in March, the acquisition of Verona and Lonato assets in Italy was partly financed by finance leases of an average duration of 11.7 years. The unpaid principal amount on June 30, 2008 was 82.4 million euros, carried in the consolidated financial statements of Klépierre. Three other Klépierre subsidiaries (ICD, Novate and Magnolia) restructured their existing debt for a residual amount of about 53 million euros for an average duration of 4.5 years, in new 15-year mortgage loans, for 60 million euros.
- in April, Cecoville in France refinanced one of its assets by way of a property finance lease with a 12-year term for a total of 70 million euros.
- in May, the success of the proposal to pay the dividend in shares, which 77.3% of the shareholders opted for, allowed Klépierre to increase its shareholders' equity by 131 million euros.
- in June, Klépierre signed a 3-year term loan for 750 million euros, syndicated with 6 banks. This financing comes with the same financial covenants as for the syndicated loans signed in January 2006 and September 2007, related primarily to the Loan-To-Value ratio (limited to 52%), coverage of interest expense by EBITDA (minimum 2.5) and the secured financing debt to RNAV ratio (limited to 20%).

These transactions were completed in early July by the signature of two mortgage loans with 7-year terms by the Italian subsidiaries GC Assago and GC Collegno, for a total amount of 125.75 million euros.

As of June 30, 2008, Klépierre has 1 235 million euros in unused lines of credit. Its commercial paper outstanding (215 million euros) is entirely secured by an equal amount of additional available credit lines, which would allow for the immediate refinancing in the event that an issue is impossible. The average duration of the debt is 4.9 years (including the back-up line).

In mid-July, after refinancing the bond and signing the Italian mortgage loans, the average duration of the debt is 5 years and available credit lines total 645 million euros.
Does not include reappraisal of debt related to Fair Value Jedge Swap.



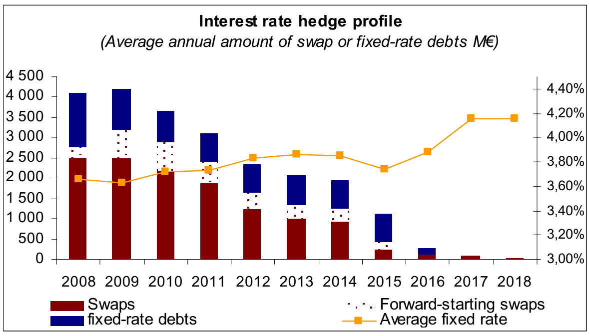


2– Interest rate hedges

The Group took advantage of a few windows of easing on long-term interest rates in the first quarter of 2008 to enter into new fixed-rate payer swaps for a notional amount of 600 million euros in total, for an average duration of 7.7 years and an average fixed rate of 4.3%.

As of June 30, 2008, the proportion of Klépierre's fixed-rate or fixed-rate hedged debt to total financing debt was 85%, without taking into account the swaps with deferred start dates. The average duration of fixed rate debt (debt and swaps) is 4.9 years for an average rate of 4.36% (excluding credit margin).

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



Situation as of June 30, 2008

3 – Financing ratios and financial rating

Klépierre's financial ratios have evolved as follows:

(total share)	June 30, 2007	December 31, 2007	June 30, 2008
Loan-to-value	41.1%	41.1%	41.7%
EBITDA/Interest expense	3.40	3.31	3.21
Net current cash flow/Net debt	8.5% (annual basis)	7.5%	7.7% (annual basis)

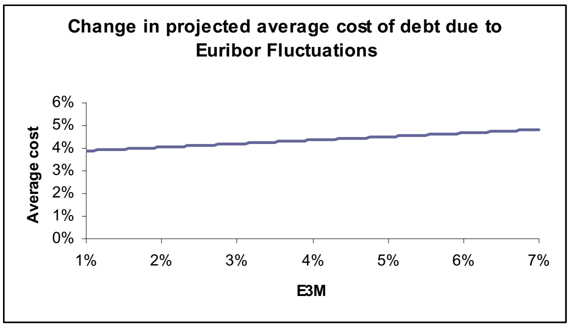
These levels fall within the range of objectives used by Standard and Poor's for its BBB+ rating of Klépierre's debt, i.e.:
- Loan-to-value ≤ 50%
- Net current cash flow / Net debt ≥ 7%
- EBITDA / Interest expense ≥ 2.5%.

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

4– Cost of debt

The historic cost of Klépierre's debt (ratio of interest expense to average financing debt) was stable versus 2007 over the first six months of 2008 at around 4.30%. This positive development is attributable to an increase in interest rate hedging. It is calculated as the ratio of interest expense to average financing debt.

The cost of the debt projected on the basis of the financial structure and rates on June 30, 2008 was 4.49% (Euribor 3 months at 4.947%). A 100bp rise in interest rates would lead to an increase in the average cost of debt of 0.16%, with a negative impact on pre-tax net current cash flow of 7.4 million euros.



V- RECENT TRENDS AND OUTLOOK

I. Recent developments

Subsequently to the June 30, 2008 closing, Klépierre acquired the Polish mall in Pilzen for a total investment of 61.4 million euros (signed on July 11, outlay planned for July 31, 2008), bringing to 8 the number of assets owned in Poland.
A purchase agreement was also signed in July pertaining to an asset swap: sale of the office building at 46 rue Notre-Dame-des-Victoires and the acquisition of the Drancy shopping center.
Finally, on July 21 Klépierre signed a purchase agreement on the Caen Paul Doumer center for a total of 28 million euros (net seller).

Also in July, Klépierre was granted the permit needed to begin work on the shopping mall at Gare Saint Lazare in Paris (the *Autorisation d'Occupation Temporaire*).
Work on the future shopping center in Aubervilliers also commenced.

Pursuing plans to create Europe's leading shopping center and retail owner, developer and manager and to diversify its economic base, Klépierre has just announced—pending the customary regulatory approvals—the joint acquisition with the Dutch pension fund ABP—of the number 1 in Scandinavia, Norway's Steen & Strøm, for 2.7 billion euros. Steen & Strøm own 30 shopping centers in Norway, Sweden, and Denmark that together represent holdings valued at nearly 2.5 billion euros in total. Full year, net rents are expected to reach 154 million euros. The company also has a pipeline of quality development projects in its Scandinavian portfolio worth more than 1 billion euros, including 0.5 billion euros in committed projects.
When this transaction is completed, the total share value of Klépierre's holdings will be 14.5 billion euros, and its development project pipeline will be worth 4 billion euros, of which 1.8 billion euros committed.

In light of existing debt and its 56.1% interest (to ABP's 43.9%), the total investment for Klépierre is around 600 million euros. It is expected that the deal will close in early September 2008. Klépierre has the ability to mobilize adequate resources to pay the amount falling due at this time, but plans to refinance possibly one-third to one-half of this investment subsequently by increasing capital (with preferential rights maintained). The principle, the procedures and the detailed timetable of this deal, which will be described in a prospectus submitted to the approval of the AMF (Autorité des marchés financiers), will be determined at a later date. BNP Paribas, the biggest shareholder of Klépierre, has already notified the Company of its intention in principle to participate for at least the value of its current equity interest in Klépierre.

To the best of the Company's knowledge, there are no risks or uncertainties likely to impact the second half of 2008 apart from those risk factors described on pages 30-33 of Klépierre's 2007 Shelf Registration Document.

Consolidated Financial Statements

as of June 30, 2008

Income statement as of June 30, 2008

In thousands of euros	Notes	June 30, 2008	December 31, 2007	June 30, 2007
Lease income	*5.2*	329 071	597 178	287 562
Land expenses (real estate)	*5.3*	-1 301	-2 515	-1 271
Non-recovered rental expenses	*5.3*	-9 327	-17 189	-4 043
Building expenses (owner)	*5.3*	-15 276	-29 440	-15 360
Net lease income		***303 167***	***548 034***	***266 888***
Management, administrative and related income	*5.2*	32 259	64 195	30 002
Other operating income		6 665	18 265	5 226
Survey and research costs		-1 446	-1 146	-611
Payroll expense	*8.1*	-37 740	-64 810	-32 406
Other general expenses		-12 368	-25 165	-11 807
Depreciation and amortization allowance on investment property	*5.3*	-105 025	-169 297	-77 132
Depreciation and amortization allowance on PPE	*5.3*	-2 614	-4 365	-1 784
Provisions		-197	-2 663	1 140
Results of operations		**182 701**	**363 048**	**179 516**
Gains on the sale of investment property and equity interests	*5.4*	79 352	96 113	75 475
Net book value of investment property and equity investment sold	*5.4*	-58 042	-55 740	-54 517
Results of the sale of investment property and equity interests		***21 310***	***40 373***	***20 958***
Profit on the sale of short term assets		***318***	***46***	***17***
Net dividends and provisions on non-consolidated investments		26	549	468
Net cost of debt	*5.5*	-91 386	-162 931	-76 224
Change in the fair value of financial instruments		17	0	7
Effect of discounting		1 335	726	-75
Profit on the sale of short term assets		466	2 634	1 093
Pre-tax earnings		**114 787**	**244 445**	**125 760**
Corporate income tax	*5.6*	-15 443	-13 493	-9 897
Net income of consolidated entity		**99 344**	**230 952**	**115 863**
of which				
Group share		*80 530*	*197 712*	*98 430*
Minority interests		*18 814*	*33 239*	*17 434*
Net income per share in euros		**0,6**	**1,4**	**0,7**
Net income fully diluted share in euros		**0,6**	**1,4**	**0,7**

Balance sheet as of June 30, 2008

In thousands of euros	Notes	June 30, 2008	December 31, 2007	June 30, 2007
Non-allocated goodwill	*4.1*	84 927	84 653	41 180
Intangible assets	*4.2*	11 504	7 269	7 497
Tangible assets	*4.3*	41 086	41 340	40 768
Investment property	*4.4*	6 857 500	6 670 090	6 164 662
Fixed assets in progress	*4.4*	677 080	463 983	322 340
Property held for sale	*4.5*	89 088	36 200	22 444
Equity method securities	*4.6*	44 026	46 600	44 320
Non-consolidated securities	*4.8*	324	512	1 272
Other non-current assets	*4.9*	28 440	33 846	25 246
Interest rate swaps	*4.16*	156 953	84 011	107 487
Deferred tax assets	*4.18*	34 351	33 675	28 530
NON-CURRENT ASSETS		***8 025 279***	***7 502 179***	***6 805 746***
Inventory	*4.10*	11 580	11 684	5 425
Trade accounts and notes receivable	*4.11*	75 271	57 287	51 931
Other receivables	*4.12*	281 341	215 688	223 396
Tax receivables		*63 398*	*49 645*	*57 053*
Other debtors		*217 943*	*166 043*	*166 343*
Cash and near cash	*4.13*	291 412	195 476	201 543
CURRENT ASSETS		***659 604***	***480 135***	***482 295***
TOTAL ASSETS		**8 684 883**	**7 982 314**	**7 288 041**
Capital		199 457	193 890	184 657
Additional paid-in capital		960 429	835 187	830 622
Statutory reserve		19 389	18 466	18 466
Consolidated reserves		924 038	756 275	800 444
Treasury shares		*-95 466*	*-96 168*	*-47 056*
Fair value of financial instruments		*104 935*	*51 922*	*75 789*
Other consolidated reserves		*914 569*	*800 521*	*771 711*
Consolidated earnings		80 530	197 712	98 430
Shareholders' equity, group share		2 183 843	2 001 530	1 932 619
Minority interests		499 668	480 502	442 462
SHAREHOLDERS' EQUITY		***2 683 511***	***2 482 032***	***2 375 081***
Non-current financial liabilities	*4.15*	4 709 342	4 400 820	3 849 337
Long-term allowances	*4.17*	11 866	11 425	8 138
Interest rate swaps	*4.16*	1 760	7 731	
Security deposits and guarantees		118 357	107 899	100 383
Deferred tax liabilities	*4.18*	201 395	219 069	199 803
NON-CURRENT LIABILITIES		***5 042 720***	***4 746 944***	***4 157 661***
Current financial liabilities	*4.15*	555 048	439 195	446 718
Trade payables		86 869	62 991	65 073
Payables to fixed asset suppliers		15 138	8 354	25 002
Other liabilities	*4.19*	212 863	163 209	161 154
Social and tax liabilities	*4.19*	88 734	79 589	57 352
Short-term allowances		0	0	0
CURRENT LIABILITIES		***958 652***	***753 338***	***755 299***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8 684 883**	**7 982 314**	**7 288 041**

Consolidated cash flow statement as of June 30, 2008

In thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Cash flow from operating activities			
Net income from consolidated companies	99 344	230 951	115 864
Elimination of expenditure and income with no cash effect or not related to operating activities			
- Amortizations and provisions	108 559	179 462	80 720
- Capital gains and losses on asset sales net of taxes and deferred taxes	- 8 519	- 28 849	- 10 958
- Reclassification of financial interests and other items	109 292	191 156	83 797
Gross cash flow from consolidated companies	**308 676**	**572 720**	**269 423**
Paid taxes	- 23 096	- 28 505	- 10 211
Change in operating working capital requirements	20 543	72 379	37 460
Cash flow from operating activities	**306 123**	**616 594**	**296 672**
Cash flow from investment activities			
Income from fixed assets sales	80 496	99 949	75 530
Acquisitions of intangible assets	- 182	- 2 228	- 1 014
Acquisitions of tangible assets	- 779	- 856	- 233
Acquisitions of investment properties	- 355 081	- 362 016	- 143 240
Acquisitions of subsidiaries through deduction of acquired cash	- 119 681	- 515 541	- 164 075
Change in loans and advance payments granted and other investments	- 5 214	1 055	- 2 175
Net cash flow from investment activities	**- 400 441**	**- 779 637**	**- 235 207**
Cash flow from financing activities			
Dividends paid to the parent company's shareholders	- 169 416	- 146 395	- 146 395
Dividends paid to minorities	- 24 423	- 58 796	- 26 670
Dividends payable	3 807	59	1 729
Change in net position	129 837	82	-
Repayment of share premium			-
Acquisitions/Sale of treasury shares	767	- 65 394	- 15 527
New loans, financial debts and hedging instruments	937 929	1 432 914	375 581
Repayment of loans, financial debts and hedging instruments	- 729 640	- 799 887	- 202 621
Financial interest paid	- 79 715	- 167 114	- 51 635
Net cash flows from financing transactions	**69 146**	**195 469**	**- 65 538**
Currency fluctuations	**4 355**	**- 1 556**	**294**
CHANGE IN CASH AND CASH EQUIVALENTS	**- 20 817**	**30 870**	**- 3 779**
Cash at beginning of period	***93 567***	***62 697***	***62 697***
Cash at end of period	***72 750***	***93 567***	***58 918***

Statement of changes in consolidated equity as of June 30, 2008

In thousands of euros	Capital	Additional paid-in 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)	Intérêts minoritaires	Total equity
June 30, 2007	**184 657**	**830 622**	**18 466**	**-47 056**	**75 789**	**0**	**771 711**	**800 444**	**98 430**	**1 932 619**	**442 462**	**2 375 081**
Change in the capital of the consolidating company	9 233	4 565						**-**		**13 798**		**13 798**
Acquisitions and sales of treasury shares				- 49 112			- 1 051	**- 50 163**		**- 50 163**		**- 50 163**
Capital transaction costs								**-**		**-**		**-**
Consolidated earnings for the year								**-**	99 282	**99 282**	15 805	**115 087**
Assignment of earnings and dividends paid to the parent company's shareholders								**-**		**-**		**-**
Change in the fair value of financial instruments					- 23 867			**- 23 867**		**- 23 867**		**- 23 867**
Change in translation adjustment							7 075	**7 075**		**7 075**	122	**7 197**
Changes in accounting methods								**-**		**-**		**-**
Change in the scope of consolidation and % of interest							19 073	**19 073**		**19 073**	24 603	**43 676**
Dividends paid to minorities								**-**		**-**		**-**
Repayments of equity to minorities	-		-	-				**-**		**-**		**-**
Other movements							3 713	**3 713**		**3 713**	- 2 490	**1 223**
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**
Change in the capital of the consolidating company								**-**		**-**		**-**
Acquisitions and sales of treasury shares				702			803	**1 505**		**1 505**		**1 505**
Capital transaction costs								**-**		**-**		**-**
Consolidated earnings for the year								**-**	80 530	**80 530**	18 814	**99 344**
Assignment of earnings and dividends paid to the parent company's shareholders	5 567	125 242	923				28 394	**28 394**	- 197 712	**- 37 586**		**- 37 586**
Change in the fair value of financial instruments					53 013		9 182	**62 195**		**62 195**		**62 195**
Change in translation adjustment							79 776	**79 776**		**79 776**	44	**79 820**
Changes in accounting methods								**-**		**-**		**-**
Change in the scope of consolidation and % of interest								**-**		**-**	24 121	**24 121**
Dividends paid to minorities								**-**		**-**	- 24 336	**- 24 336**
Repayments of equity to minorities								**-**		**-**	- 972	**- 972**
Other movements							- 4 107	**- 4 107**		**- 4 107**	1 495	**- 2 612**
June 30, 2008	**199 457**	**960 429**	**19 389**	**-95 466**	**104 935**	**0**	**914 569**	**924 038**	**80 530**	**2 183 843**	**499 668**	**2 683 511**

1. Significant events of the first half of 2008 and the previous fiscal year

First half of 2008

Developments in the Klépierre group shopping center asset portfolio

In Italy, Klépierre continued its growth with the acquisition of three new shopping centers at a total cost of 174 million euros. Lonato and Verona were acquired on February 27, 2008. The purchase of Vittuone will be finalized by 2009. Klépierre owns these 3 centers 50/50 with the development and marketing company Finiper. Ségécé Italia will take over rental management of these properties in 2009.

Opened at the end of 2006, the Verona development is 9 kilometers from the historic center of Verona. The mall covers a GLA of nearly 16,000 sq.m. offering 64 retail outlets, including 6 mid-sized units with a 9,000 sq.m. Iper hypermarket (Finiper group).
The Lonato shopping center on the road between Milan and Venice opened in May 2007, and offers a GLA of 30,326 sq.m. It features 111 retail outlets, 11 mid-sized units, one of which is occupied by a 9,000 sq.m. Iper hypermarket.
The Vittuone shopping center in the western suburbs of Milan is currently under construction, and is expected to open early in 2009.

In Hungary, following public consultations, Klépierre has paid 22.5 million euros for a land and the construction permits required to build a project that will create a GLA of approximately 20,000 sq.m. in the center of Székesfehérvar, right next to the company's existing Alba mall.

Retail property

On April 30, 2008 Klémurs acquired the first block of 77 outlets under the agreement signed with Foncière Montel and Vivarte in December 2007 in an investment transaction totaling 104 million euros. 10 further acquisitions are planned for 2008.
Distributed throughout France, the retail floor area of these 77 units totals 66,250 sq.m., 69 are owned outright, 6 are financed by property finance leases and 2 by construction leases. Together, they will generate 6.1 million euros in net lease income in a full year.
Under the terms of the original agreement, 10 further units are subject to a firm option to buy on completion of due diligences (no later than December 31, 2008), and another 25 new outlets now under construction will be acquired in 2009.
As part of the acquisition, Klépierre signed new leases with Vivarte, the group that operates Défi Mode (67 stores), la Halle aux Vêtements (1 store) and la Halle aux Chaussures (1 store). These new 12-year leases have a 6-year firm period and include indexing and variable rents clauses. The other 8 leases with retailers Chaussea, King Jouet (4 stores), Mille et une idées, Orchestra and Leader Price remain unchanged.

❑ *Disposals*

Klépierre has sold 41.62% of its Courier shopping mall in Annecy to SCI Vendôme Commerces (AXA Group) for 37 million euros. Klépierre retains ownership of the remaining 58.38%.

Ségécé has owned 35% of Devimo since February 2000; the remaining shares are split equally between Fortis and Banimmo, each with a 32.5% stake. Under an agreement signed on June 23, 2008 Fortis now owns 100% of Devimo equity.
Klépierre's L'esplanade shopping center in Louvain-la-Neuve will continue to be managed by Devimo for at least 3 more years.

❑ *Changes in borrowing and related conditions*

On June 11 and 12, 2008 Klépierre signed a 750 million euro term loan agreement, syndicated by 6 banks. With a due date of June 2011, this new funding was secured primarily to refinance a 600 million euro bond issue, with 6.125% in coupon interest, maturing on July 10, 2008.
The mandated arrangers and lenders are BNP Paribas (coordinator, documentation agent and credit agent), Banque de l'Economie du Commerce et de la Monétique (Crédit Mutuel group), Crédit Foncier de France (Caisse d'Epargne group), ING Real Estate Finance, Landesbank Hessen-Thüringen Girozentrale and Intesa San Paolo (lender).
Anticipated by the negotiation of interest rate hedges over the past two years, this new funding will cost 5.05% in total. The loan is accompanied by financial covenants identical to those applying to the syndications signed in January 2006 and September 2007, the key conditions being the Loan-To-Value ratio (capped at 52%), Interest/EBITDA coverage (at least 2.5) and the secured debt/RNAV ratio (capped at 20%).

❑ *Dividend payment*

The annual general meeting of shareholders held on April 4, 2008 approved the payment of a net dividend of 1.25 euros per share in respect of the 2007 fiscal year The payment is to be made in cash or in shares, based on a price per share of 32.94 euros. 77.3% of the shareholders opted to receive their dividend in the form of shares, which represents a rate of 53.5% for the free float alone (excluding BNP Paribas).
The resulting capital increase totals 130,996,648.44 euros funded by the issue of 3,976,826 new shares, which were first listed on May 7, 2008.
The cash dividend payment therefore totaled 37.6 million euros.

Fiscal year of 2007

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

In Poland, Klépierre paid Plaza Centers Europe (PCE) a total of 168 million euros to acquire the shopping centers in central Rybnik, central Sosnowiec (both acquired on May 7, 2007) and central Lublin (acquired on July 27). This transaction was made under the terms of the development agreement signed with PCE in 2005, covering 3 shopping centers in Poland and 2 in the Czech Republic.

The centers were officially opened in March and May 2007, and are fully rented. Rybnik Plaza offers 81 retail outlets with a gross leasable floor area (GLA) of 18,075 sq.m. Sosnowiec Plaza has 75 retail outlets with a GLA of 13,150 sq.m., and Lublin has 91 retail outlets with a GLA of 26,100 sq.m.

In Hungary, Klépierre paid 14.2 million euros to acquire 11,566 sq.m. of office space forming part of the Duna Plaza shopping center already owned by the Group. The primary aim of the transaction is to facilitate the planned extension of the center, which currently has 224 retail outlets covering a GLA of 36,040 sq.m.

Klépierre has made an offer to Futureal Real Estate Holding Ltd. for the purchase of a planned shopping center forming part of the latest large-scale development in central Budapest. Covering 22 hectares and including 2,800 new apartments, this project is the largest service industry development initiative in the Hungarian capital, and includes 150,000 sq.m. of office space featuring a science R&D center and 10,000 sq.m. of public space surrounded by 20,000 sq.m. of leisure facilities.
The shopping center will offer 34,600 sq.m. of leasable area on four levels, one of which will be entirely devoted to food and leisure. It will also include three levels of underground parking for 1,200 vehicles.
Having obtained final construction permission, Klépierre then acquired the land base and signed a property development agreement with the seller to carry out the construction work. Ségécé Hungary is responsible for the marketing. Work started in August, and the handover is scheduled for Q3 of 2009.
Klépierre estimates the total investment at 229 million euros, including the cost of bridging finance to the point when the completed project is open for business (this figure includes the 111 million euros spent to date).

In Italy, work began on April 19, 2007 to restructure the Val Vibrata shopping center in Colonella on the Adriatic coast. The enlarged and renovated mall offers a broader choice of retailers with the arrival of 20 new outlets, including Esprit and Camaieu.

In Portugal, Klépierre increased its equity interest in the Parque Nascente shopping center in Gondomar from 50% to 100%, with the payment of 64.8 million euros in September to acquire the 50% stake held by Prédica.

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

In France, Klépierre paid 116 million euros for interests in 13 shopping centers and retail developments under the terms of an agreement signed with Mr. Henri Hermand on December 21, 2006. The entire portfolio includes over 88,000 sq.m. of total useable retail floor, of which 36,000 sq.m. was sold under this deal, which gives Klépierre a stake in a series of major shopping centers, including Creil Saint-Maximin, Tourville-la-Rivière near Rouen and Le Belvédère in Dieppe. The agreement also includes four plots of land, the largest of which is in Forbach, where plans are in place to build a 42,000 sq.m. business park next to an existing shopping mall and a hypermarket.

In July 2007, Klépierre made an offer for two Leclerc hypermarkets adjoining the existing Blagnac and Saint Orens malls in Toulouse, both of which are already owned by the Group.

After 19 months in construction, the extension to the Belair center in Rambouillet was officially opened in May 2007. The hypermarket was enlarged by 2,450 sq.m., and the mall quadrupled in area. The shopping mall now offers 45 retail outlets compared to 25 in 2005, including 5 mid-sized units (with Zara and Darty).

The Cap Saran shopping mall north of Orléans reopened to customers on October 17, 2007 following completion of a 33 million euro conversion funded by Klépierre. After 11 months of work, shoppers at the center now have 35 new retailers to choose from, reflecting current shopping trends and preferences, with the emphasis on fashion.

The extension to the Iroise shopping center in Brest was officially opened on October 25, 2007 allowing the inclusion of several new and particularly dynamic retailers, such as H&M and Darty.

Klépierre officially opened the Champ de Mars shopping center in Angoulême on September 4, 2007. Developed by Ségécé, this city center mall offers 15,500 sq.m. of retail floor area and includes a Monoprix "City-Marché", 3 mid-sized units, 36 retail outlets, 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 was 35% higher than the appraised value stated on June 30, 2007.

❑ *Retail space: Klémurs continues to apply its growth strategy*

In March 2007, Klémurs paid 37.2 million euros to acquire a portfolio of 14 assets in first-rate out-of-town retail locations near major French cities.

This acquisition by Klémurs initiated the diversification of its portfolio, in particular with the addition of Mondial Moquette (which represents 58% of the investment in terms of value).

The partnership with Buffalo Grill entered its development phase during the year 2007, with the acquisition of 8 new restaurants at a cost of 16.8 million euros, bringing to 136 the total number of Buffalo Grill restaurant properties owned outright (51) or via finance leases (85).

Finally, Klémurs paid 10.3 million euros at the end of December 2007 to acquire two Sephora outlets in prime shopping street locations in Metz and Avignon.

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

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

Construction work continued on the Sereinis building in Issy-les-Moulineaux, resulting in capital expenditure of 14.6 million euros in 2007. Handover of the building is still scheduled for late 2008, and the letting phase is expected to begin shortly.

❑ *Full ownership of Ségécé strengthens group cohesion*

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

❑ *Changes in debt and debt financing terms*

On Friday, September 21, 2007, Klépierre signed a contract for a syndicated line of credit for 1 billion euros with five banks.

Initially launched at 800 million euros, this new syndicated loan is subject to the following conditions:

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

The participating banks are: BNP Paribas (lead arranger), BECM (Crédit Mutuel), Cicobail (Caisse d'Epargne group), Helaba and ING (co-arrangers).

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

❑ *Dividend payment*

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

❑ *Stock split*

In accordance with the resolution adopted by the ordinary and extraordinary general meeting of shareholders held on April 5, 2007, Klépierre implemented a 3-for-1 stock split on September 3, 2007, reducing the per share value from 4.20 euros to 1.40 euro. As a result, the number of shares was simultaneously multiplied by a factor of 3 to a new total of 138,492,687.

This transaction was preceded on August 31, 2007 by a capital increase via the capitalization of reserves in the amount of 9,232,845.80 euros, increasing the per share value from 4 euros to 4.20 euros.

Following these transactions, on September 3, 2007, the share capital of Klépierre totaled 193,889,761.80 euros in the form of 138,492,687 shares, each with a par value of 1.40 euro.

2. Accounting principles and methods

Corporate reporting

Klépierre is a French *société anonyme* (SA), subject to all the texts applicable to business corporations 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 July 22, 2008, the Executive Board closed and authorized the publication of Klépierre SA's consolidated financial statements for the period of January 1, 2008 to June 30, 2008.

Klépierre SA's shares are listed on Eurolist of Euronext Paris (Compartment A).

Principles of financial statement preparation

In accordance with European Regulation 1606/2002 dated July 19, 2002 on international accounting standards, Klépierre SA's consolidated financial statements as of June 30, 2008 have been drawn up in accordance with IFRS rules, as adopted by the European Union and applicable as of 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 financial statements for the half-year until June 30, 2008 are presented in the form of complete accounts including all the information required by the IFRS framework.

The accounting principles applied to the consolidated financial statements of June 30, 2008 are identical to those used in the Consolidated financial statements of December 31, 2007, except for the interpretation of IFRIC 11 (intergroup and treasury share transactions), which must be applied to all fiscal years started after March 1, 2007, but which have no significant effect on the Group's financial statements.

This interpretation requires that agreements which, on termination, confer rights to ownership of an entity's equity instruments to the entity's employees must be recognized as regulated equity instrument transactions regardless of the methods used by the entity to meet its obligations, whether by acquisition of the said instruments by a third party or by its stockholders.

The Group has also decided not to opt for early application of the following IFRS standards and interpretations, whose application becomes obligatory on January 1, 2009:

- IAS 1 revised: Presentation of Financial Statements
- IAS 23 revised: Borrowing costs
- IFRS 8 Operating segments

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 consist of the financial statements of Klépierre SA and its subsidiaries as of June 30, 2008. The financial statements of the subsidiaries are prepared using the same accounting period and the same method as the parent company.

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*

While preparing these consolidated financial statements in accordance with IFRS rules, the 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:

- Measurement of goodwill

The Group tests goodwill for depreciation at least once a year. This involves estimating the value in use of the cash-generating units to which the goodwill is allocated to. In order to determine their value in use, Klépierre prepares estimates based on expected future cash flows from each cash-generating unit, and applies 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 8.1. The appraisers use assumptions as to future flows and rates that have a direct impact on the value of the buildings.

The IFRS reference table can be consulted on the European Commission's web site:
http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

2.1. Scope and method of consolidation

- *Scope of consolidation*

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 when 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 and 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 consolidation. 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 minus impairment.

- No influence: the company is non-consolidated.

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 purchasing companies is eliminated.

Financial items billed to property development companies are listed among their inventories or capital assets and recognized in the income statement.

2.2. Accounting for business combinations

According to IFRS 3, all business combinations covered by the standard must be accounted for using the purchase method.

A business combination is defined as bringing together separate entities or businesses into one reporting entity.

The acquirer must initially allocate the cost of the acquisition by posting 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 frequently in case any events or changes in circumstances indicate a possible impairment.

In this testing, goodwill is broken down by cash-generating units (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 can be separated from the activities of the entity acquired and are expected to generate future economic benefits.

Any adjustments of the assets and liabilities recognized on a provisional basis must be made within 12 months of the acquisition date.

- ***Recognition of the acquisition of additional stock in a controlled entity***

The purchase of a minority interest by the parent is not treated as a business combination within the terms of 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 to develop a relevant accounting policy. When accounting for such an acquisition of the minority interest in a previously-controlled subsidiary, Klépierre’s approach is to recognize the purchased goodwill and to re-measure (at fair value on the date of acquisition) the additional portion of the net assets acquired. The previous holding is not revalued.

2.3. Foreign currency translation

The consolidated financial statements are presented in euro, which is Klépierre’s operating and reporting currency. Each of the Group’s subsidiaries determines its operating currency, and all items in its financial statements are stated in this operating currency.

The Group’s foreign subsidiaries carry out some transactions in currencies other than their operating currency. These transactions are initially recorded in the operating currency at the exchange rate on the date of the transaction.

On the balance sheet date, monetary assets and liabilities stated in foreign currencies are converted to the operating currency at the exchange rate of the given day. Non-monetary items stated in foreign currencies and measured at historical cost are converted using the exchange rate applied on the date of the initial transaction. Non-monetary items stated in foreign currency and carried at fair value are converted using the exchange rate that existed when the fair value was determined.

On the balance sheet date, the assets and liabilities of these subsidiaries are converted into Klépierre S.A.’s reporting currency (euro), at the exchange rate of the given date. Their profit and loss accounts are converted at the average weighted exchange rate for the year. Any resulting conversion differences are allocated directly to the shareholders’ equity as a separate item. In the event of the disposal of a foreign operation, the total accrued deferred exchange gain/loss on that foreign operation recognized as a separate component of the 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)

Almost all Klépierre real estate meets this definition of "investment property". Buildings occupied by the Group are recognized as "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.

The Supervisory Board meeting of May 26, 2004 voted that Klépierre should adopt the IAS 40 cost model.

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) are recorded at cost, including duties and fees, and are 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,
- or 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 are measured at their 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 are 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 recognized (cf §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 adopted the option offered by IFRS 1 to recognize the initial cost of its buildings (as shown in the opening balance sheet) as the revalued amount stated at January 1, 2003, the point at which the Group adopted SIIC status, this being their deemed market value at that date. The amounts concerned have been apportioned between land and buildings in accordance with the method set by the appraisers:

- on the basis of land/building apportionment rates for office property;
- by comparison with rebuilding costs for shopping centers.

An age weighting ratio has been applied to the cost of refurbishment to "as new" condition, which is then added to the rebuilding cost.

Properties acquired after January 1, 2003 and extension and refurbishment work impacting on reappraised investment property have been recognized in the balance sheet at their acquisition cost.

❑ *The component method*

The component method is applied principally 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 (sometimes for long periods), components are broken down into four categories: business premises, shopping centers, offices and residential properties.

Four components were identified for each of these asset types (in addition to land):

- Structures
- Facades, waterproofing and 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 the property concerned is calculated on the basis on the percentage attributed to each component as a proportion of the reappraisal values adopted as presumed cost at January 1, 2003.

	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 the proportions applied to fittings, MEPs and facades as of January 1, 2003 on the basis of the useful life periods shown in the table above, calculated from the date of construction or latest major refurbishment of the property. The percentage for structures is calculated using the figures shown for the other components, and is amortized over the residual term set by the appraisers in 2003.

Purchase costs are divided between land and buildings. The part 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 already had the age and would be in the condition it will be at the end of its useful life.

Given the useful life period applied, the residual value of components is zero.

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 net carrying value or net fair value, whichever is the lower;
- 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,
- or significant changes in the technological, economic or legal environment.

For testing purposes, assets are grouped into cash-generating units (CGUs). These are standardized groups 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 the recoverable amount is below the 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 non-allocated goodwill is prohibited.

The Klépierre group treats each property and shopping center as a CGU.

In addition, the Group's goodwill mainly concerns Ségécé and its subsidiaries. Impairment tests are performed at least annually by an independent appraiser, and are updated whenever a significant event occurs during 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 progress and intended for sale and materials and supplies (raw materials) intended for use in products and services.

Impairment must be recognized if the net realizable price (fair value net of exit costs) is lower than the 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.

❑ *Recognition of 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 adopted is the first firm lease term.

- ***Entry fees***

Entry fees received by the lessor are recognized as supplementary rent.

Entry fees are part of the net amount exchanged between the lessor and the lessee under a lease 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 expiry date are liable to an early termination charge.

Such charges are imputed to the terminated contract and credited to income for the period in which they are recognized.

- ***Eviction indemnities***

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

(i) Replacement of a tenant:

In cases where paying eviction indemnity enables asset performance to be maintained or improved (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 recognized as an expense.

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

If eviction compensation is paid as a result of major renovation or reconstruction work on a property requiring the prior removal of tenants, the cost is included 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 indefinite, unless title is intended to be transferred to the lessee at the end of the lease term, the majority of the risks and rewards inherent in 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. Bad debts are estimated when it is likely that the entire amount receivable will not be recovered. When identified as such, non-recoverable receivables are recognized as losses.

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 at least an 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 shareholders held on September 26, 2003 authorized Klépierre to opt into the new SIIC status, with retrospective effect from January 1, 2003.

■ **Discounting exit tax liability**

The exit tax liability is discounted on the basis of its payment schedule. This liability is payable over a 4-year period, starting at the point when the entity concerned adopts SIIC status.

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 on that date. The discount rate is calculated on the basis of the interest rate curve, plus the period of deferment and Klépierre refinancing spread.

■ **Corporate income tax on companies not eligible for SIIC status**

Since adopting SIIC status in 2003, Klépierre SA has made a distinction between SIICs that are exempt from property leasing and capital gains 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 recognized as equity.

Deferred tax is calculated at those local rates applicable at the balance sheet date. The main rates applied 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 recognized as equity so that disposal gains/losses do not impact on 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 less than 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 provides centralized management of interest and exchange rate risks. This financial policy has required Klépierre to implement the facilities and associated hedging instruments required 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

The Klépierre portfolio meets all IAS 39 hedge definition and effectiveness criteria.

The adoption of hedge accounting has the following consequences:

- fair value hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted at fair value in the balance sheet. The gain or loss from the change in fair value is recognized immediately in the income statement. 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 the income statement.

❑ *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 the 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 therefore liquid market is any market in which transactions regularly take place and in which there is a reliable level of supply and demand, or in 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 underlying values.

❑ *Tax treatment of changes in fair value*

In the case of Klépierre:

- the non-SIIC part of the deferred tax on Klépierre SA financial instruments recognized at fair value is calculated pro-rata of financial profit/loss;
- the financial instruments of foreign subsidiaries recognized at fair value generate a deferred tax calculation at the rates applying in the country concerned.

2.17. Employee benefits

Employee benefits are recognized as set out in IAS 19, which applies to all payments made 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 be identified as belonging to one of the following 4 main classifications:

- short-term benefits, such as salaries and wages, annual leave, profit sharing, share savings schemes and company contributions;
- post-employment benefits: these relate primarily to supplementary bank pension payments in France, and private pension schemes elsewhere;
- other long-term benefits, including paid leave and seniority payments, and some deferred compensation schemes paying out in monetary units;
- severance pay.

Recognition and measurement varies depending on the classification into which the benefit falls.

❑ *Short-term benefits*

The company recognizes a loss when it uses services provided by its employees and pays agreed benefits in return.

❑ *Post-employment benefits*

In accordance with generally-accepted principles, the Group makes a distinction between defined contribution and defined benefit plans.

Defined contribution plans do not generate any liability for the company, and therefore are not provisioned. Contributions paid during the period are recognized as a loss.

Defined benefit plans do generate a liability for the company, and are therefore measured and provisioned.

The classification of a benefit as either of the above is made on the economic basis of the benefit, which is used to determine whether the Group is required to provide the promised benefit to the employee under the terms of an agreement or an implicit obligation.

Post-employment benefits classified as defined benefit plans are quantified actuarially to reflect demographic and financial factors.

The amount of the provision to be recognized for the commitment will be calculated on the basis of the actuarial assumptions adopted by the company and by applying the Projected Unit Credit Method. The value of any hedging assets (plan assets and redemption rights) will be deducted from the resulting figure.

The measurement of plan liabilities and the value of its hedging assets may vary considerably from one accounting period to another as actuarial assumptions change, and may therefore give rise to actuarial gains or 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 benefits, which exclude post-employment benefits or severance pay, are not fully payable 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 or losses are recognized immediately and there is no corridor. Furthermore, any gain or loss resulting from changes to the plan, but deemed to apply to previous services, is recognized immediately.

- ***Severance pay***

Employees receive severance pay if their employment with the Group is terminated before they reach the statutory retirement age or if they accept voluntary redundancy. Severance pay falling due more than twelve months after the balance sheet date is discounted.

2.18. Share-based payment

IFRS 2 provides that all share-based payments must be recognized as expenses when use is made of the goods or services provided in return for these payments.

For the Klépierre group, this standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option scheme.

In accordance with IFRS 1, only plans awarded after November 7, 2002 whose rights had not been exercised at January 1, 2005 need be recognized. Consequently, 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 for 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 by reducing the threshold by 10% to reach 75%.

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 its sector information at two levels: level one is by business segment and level two is by geographical area.

- Level 1 - business segment: shopping centers, retail property and office property
- Level 2 - geographic area: France, Spain, Portugal, Italy, Greece, Hungary, Poland and “other” European countries.

3. Scope of consolidation

COMPANIES	SIREN no.	Head office	Methods June 2008 (1)	% interest		% holding	
				June 2008	December 2007	June 2008	December 2007
SA Klépierre	780 152 914	Paris	FC	100.00%	100.00%	100.00%	100.00%
Office buildings							
SAS Klépierre Finance	433 613 312	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS LP7	428 782 486	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS CB Pierre	343 146 932	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Général Leclerc n°11 Levallois	381 986 363	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Jardins des Princes	391 237 716	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Barjac Victor	390 123 057	Paris	FC	100.00%	100.00%	100.00%	100.00%
Shopping centers - France							
SNC Kléber La 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 (ex-Secmarne)	309 660 504	Paris	FC	79.94%	79.94%	79.94%	79.94%
SNC Angoumars	451 149 405	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Klécar France	433 496 965	Paris	FC	83.00%	83.00%	83.00%	83.00%
SNC KC1	433 816 501	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC2	433 816 444	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC3	433 816 725	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC4	433 816 774	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC5	433 817 269	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC6	433 842 549	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC7	433 842 515	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC8	433 842 564	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC9	433 816 246	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC10	433 816 220	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC11	433 894 243	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC12	433 894 102	Paris	FC	83.00%	83.00%	100.00%	100.00%
SNC KC20	449 054 949	Paris	FC	83.00%	83.00%	100.00%	100.00%
SAS Centre Jaude Clermont	398 960 963	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCS Klécar Europe Sud	428 864 268	Paris	FC	83.00%	83.00%	83.00%	83.00%
SC Solorec	320 217 391	Paris	FC	80.00%	80.00%	80.00%	80.00%
SNC Centre Bourse	300 985 462	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCS 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%	100.00%	100.00%	100.00%
SCI Sécovalde	405 362 682	Paris	FC	55.00%	55.00%	55.00%	55.00%
SAS Cécoville	409 547 015	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Foncière Saint-Germain	378 668 875	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Soaval	419 620 075	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCA Klémurs (2)	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 St 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%
SAS Odysseum Place de France	428 788 525	Paris	PC	50.00%	50.00%	50.00%	50.00%
SAS Klécar 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%	100.00%	100.00%
SCI La Rocade	319 524 070	Paris	EM	38.00%	38.00%	38.00%	38.00%
SCI l'Emperi	421 021 346	Paris	EM	15.00%	15.00%	15.00%	15.00%
SCI Girardin	339 293 532	Paris	PC	33.40%	33.40%	33.40%	33.40%
SC Boutiques St Maximin	314 866 484	Paris	EM	42.50%	42.50%	42.50%	42.50%
SARL Belvedere Invest	418 124 475	Paris	FC	75.00%	62.00%	75.00%	62.00%
SCI Haies Haute Pommeraie	437 731 664	Paris	EM	43.00%	43.00%	43.00%	43.00%
SCI Plateau des Haies	423 665 413	Paris	FC	90.00%	90.00%	90.00%	90.00%
SCI Halles Plérin	340 255 280	Joinville Le Pont	EM	25.00%	25.00%	25.00%	25.00%
SCI Boutiques d'Osny	339 797 607	Paris	FC	38.27%	38.27%	67.00%	67.00%
SCI Plateau de Plérin	329 393 805	Paris	EM	25.00%	25.00%	25.00%	25.00%
SCI la Rocade Ouest	319 658 399	Paris	EM	36.73%	36.73%	36.73%	36.73%
SARL Forving	442 692 539	Paris	FC	90.00%	90.00%	90.00%	90.00%
SCI du Plateau	382 949 873	Boulogne-Billancourt	EM	24.25%	17.76%	30.00%	26.50%
SA Rezé Sud	413 251 216	Rézé	EM	15.00%	15.00%	15.00%	15.00%
SCI Maximeuble	347 879 306	Paris	FC	100.00%	100.00%	100.00%	100.00%

COMPANIES			Methods June 2008 (1)	% interest		% holding	
	SIREN no.	*Head office*		June 2008	December 2007	June 2008	December 2007
Shopping centers - France (cont.)							
SCI Saint Maximin Construction	347 879 405	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Immobilière de la Pommeraie	348 268 996	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Pommeraie Parc	350 236 337	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Champs des Haies	351 335 914	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI La Rive	348 974 080	Paris	FC	47.30%	47.30%	47.30%	47.30%
SCI Rebecca	428 291 520	Paris	FC	70.00%	70.00%	70.00%	70.00%
SCI Aulnes developpement	448 080 861	Paris	FC	25.50%	25.50%	50.00%	50.00%
SARL Proreal	447 572 686	Paris	FC	51.00%	51.00%	51.00%	51.00%
SCI Sandri-Rome	423 680 917	Paris	EM	15.00%	15.00%	15.00%	15.00%
SCI La Roche Invest	484 674 643	Paris	FC	100.00%	32.50%	100.00%	32.50%
SCI Osny Invest	420 796 708	Paris	FC	57.12%	57.12%	57.12%	57.12%
SNC Parc de Coquelles	348 281 965	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Sogegamar	950 591 792	Paris	EM	33.12%	33.12%	33.12%	33.12%
SCI Achères 2000	422 380 576	Paris	EM	30.00%	30.00%	30.00%	30.00%
SCI Le Mais	378 907 000	Paris	FC	55.00%	55.00%	55.00%	55.00%
SCI le Grand Pré	352 765 994	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Champs de Mais	379 159 338	Paris	EM	25.00%	25.00%	25.00%	25.00%
SCI des Salines	394 253 959	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI les Bas Champs	394 253 710	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Des dunes	394 253 819	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI la Française	394 253 264	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI LC	422 654 392	Paris	FC	33.00%	33.00%	60.00%	60.00%
SARL Société du bois des fenêtres	418 683 124	Vélizy Villacoublay	EM	20.00%	20.00%	20.00%	20.00%
SAS KLE PROJET 1	493 511 620	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLECAPNOR	494 808 603	Paris	FC	84.11%	84.11%	100.00%	100.00%
SAS Vannes Coutume	495 178 055	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLE PROJET 2	479 506 345	Paris	FC	100.00%	100.00%	100.00%	100.00%
Société des Centre Toulousains	499 084 903	Paris	FC	75.81%	75.81%	75.81%	75.81%
SA Holding Gondomar 2	438 567 265	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Holding Gondomar 4	438 567 331	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Noblespécialiste	389 308 339	Paris	FC	75.81%	75.81%	100.00%	100.00%
SNC La Marquayssonne	379 881 121	Paris	FC	75.81%	75.81%	100.00%	100.00%
SCI Restorens	380 667 790	Paris	FC	75.81%	75.81%	100.00%	100.00%
SNC Sodirev	377 807 367	Paris	FC	75.81%	75.81%	100.00%	100.00%
SCI Besançon Chalezeule	498 801 778	Paris	FC	100.00%	100.00%	100.00%	100.00%
Edamarzy	489 704 809	Pougues les eaux	FC	100.00%	0.00%	100.00%	0.00%
Immo Dauland	443 572 037	Chalons sur Saone	FC	84.11%	0.00%	100.00%	0.00%
Carré Jaude 2	504 363 565	Paris	FC	100.00%	0.00%	100.00%	0.00%
Service providers - France							
SCS Ségécé	562 100 214	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Conseil	398 967 000	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Galae	433 909 165	Paris	FC	100.00%	100.00%	100.00%	100.00%
	Country	*Head office*					
Shopping centers - International							
SA Coimbra	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Cinémas de l'Esplanade	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Foncière de Louvain La Neuve	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Place de l'acceuil	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Klecar Foncier Iberica	Spain	Madrid Alcobendas	FC	83.00%	83.00%	100.00%	100.00%
SA Klecar Foncier Espana	Spain	Madrid Alcobendas	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Vinaza	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Vallecas	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Nea Efkarpia	Greece	Athens	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Foncier Makedonia	Greece	Athens	FC	83.01%	83.01%	100.00%	100.00%
SA Klépierre Athinon A.E.	Greece	Athens	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Peribola Patras	Greece	Neo Psyhiko	FC	83.00%	83.00%	100.00%	100.00%
Klépierre Larissa	Greece	Athens	FC	100.00%	100.00%	100.00%	100.00%
Sarl Szeged plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Szolnok plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Zalaegerszeg plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Nyiregyhaza Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
SA Duna Plaza	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl CSPL 2002 (Cespel)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl GYR 2002 (Gyor)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Debrecen 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%

COMPANIES			Methods June 2008 (1)	% interest		% holding	
	SIREN no.	*Head office*		June 2008	December 2007	June 2008	December 2007
Sarl Uj Alba 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Miskolc 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Kanizsa 2002	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl KPSVR 2002 (Kaposvar)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Sarl Duna Plaza Offices	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Corvin	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Corvin Retail (Ex: Corvin Office)	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Trading	Hungary	Budapest	FC	100.00%		100.00%	
Srl Immobiliare Magnolia	Italy	Milan	FC	100.00%	85.00%	100.00%	85.00%
Spa ICD	Italy	Milan	FC	100.00%	85.00%	100.00%	85.00%
Spa IGC	Italy	Milan	PC	50.00%	50.00%	50.00%	50.00%
Srl Novate	Italy	Milan	FC	100.00%	85.00%	100.00%	85.00%
Spa Klecar 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%
Spa Clivia	Italy	Milan	PC	50.00%	0.00%	50.00%	50.00%
K2	Italy		FC	85.00%	0.00%	85.00%	0.00%
Klépierre Matera	Italy	Milan	FC	100.00%	0.00%	100.00%	0.00%
Sarl Klépierre Météores	Luxemburg	Luxemburg	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Luxembourg	Luxemburg	Luxemburg	FC	100.00%	100.00%	100.00%	100.00%
Besloten vennootschap Capucine 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	Krakow	FC	100.00%	100.00%	100.00%	100.00%
Poznan SA	Poland	Krakow	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Poland	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Rybnik Plaza Sp.z.o.o	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Sosnowiec Plaza Sp.z.o.o	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Rybnik	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Sosnowiec	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Movement Poland SA	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Lublin	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Galeria Poznan Sp.z.o.o	Poland	Krakow	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Galeria Krakow Sp.z.o.o	Poland	Krakow	FC	100.00%	100.00%	100.00%	100.00%
Klépierre Warsaw Sp.z.o.o	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
SA Finascente	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klélou-Immobiliare	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Portugal SGPS SA	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Galeria Parque Nascente	Portugal	Lisbon	FC	100.00%	100.00%	100.00%	100.00%
SA Gondobrico	Portugal	Lisbon	FC	100.00%	100.00%	100.00%	100.00%
SA Klenor Imobiliaria	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
SA Klétel Imobiliaria	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
Kleminho	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
Kléaveiro	Portugal	Carnaxide	FC	100.00%		100.00%	
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%
Entertaimnent 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%
Akciova Spolocnost ARCOL	Slovakia	Bratislava	FC	100.00%	100.00%	100.00%	100.00%
Service providers - International							
Ségécé Espana	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
Srl Effe Kappa	Italy	Milan	FC	100.00%	50.00%	100.00%	50.00%
Ségécé Italia	Italy	Milan	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Ceska Républika	Czech Republic	Prague	FC	100.00%	100.00%	100.00%	100.00%
SA Ségécé Portugal	Portugal	Carnaxide	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Magyarorszag	Hungary	Budapest	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Hellas	Greece	Athens	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Polska	Poland	Warsaw	FC	100.00%	100.00%	100.00%	100.00%
Ségécé Slovensko	Slovakia	Bratislava	FC	100.00%	100.00%	100.00%	100.00%

COMPANIES			Methods June 2008 (1)	% interest		% holding	
	SIREN no.	*Head office*		June 2008	December 2007	June 2008	December 2007
Deconsolidated companies							
SA Delcis Cr	Czech Republic	Prague	NC	0.00%	100.00%	0.00%	100.00%
SA Devimo Consult	Belgium	Brussels	NC	0.00%	35.00%	0.00%	35.00%
SNC Klégestion	398 058 149	Paris	NC	0.00%	100.00%	0.00%	100.00%
SNC Ségécé Loisirs et Transactions	421 220 252	Paris	NC	0.00%	100.00%	0.00%	100.00%
SAS Poitiers Aliénor	410 245 757	Paris	NC	0.00%	100.00%	0.00%	100.00%
SNC CAP NORD	332 024 926	Lille	NC	0.00%	84.11%	0.00%	100.00%
Gie Klépierre Services	435 194 725	Paris	NC	0.00%	100.00%	0.00%	100.00%

(1) FC: Full consolidation
PC: Proportional consolidation
EM: Equity method consolidation
NC: Deconsolidated during the period

(2) Including treasury shares

❑ *Equity interests in subsidiaries*

The Group consolidated 196 companies as of June 30, 2008, against 195 on December 31, 2007.

- 3 French companies are fully consolidated.

    - **Edamarzy,** which owns land in Nervers, acquired by Kléprojet 1. The 0.9 million euros of goodwill on acquisition was recognized as property assets.

    - **Immo Dauland**, acquired by Klémurs for a property development at Chalon sur Saône. The 4.2 million euros of goodwill on acquisition was recognized as property assets.

    - **Carré Jaude 2,** a 100% owned subsidiary of Clermont Jaude was created to manage the construction works required to extend the Centre Jaude mall in Clermont-Ferrand.

- Acquisition of the Italian company **Clivia,** which owns the Verona and Lonato malls.

Under an agreement signed with the Italian group Finiper on February 20, 2008, Klépierre Luxembourg has acquired 50% of Verona and Lonato by subscribing to a capital increase in their holding company Clivia. Reserved exclusively for the buyer, this increase resulted in a 50% dilution of Finiper group equity.

The funds injected by Klépierre Luxembourg will enable Clivia to purchase the Vittuone mall (now under construction in Milan) in 2009.

Clivia is proportionately consolidated. The 17.5 million euros of goodwill on acquisition is recognized as property assets.

- Foundation of 2 Italian companies as part of the transaction to incorporate Italian assets into the K2 fund.

    - **K2**

On May 29, 2008, the Italian K2 fund received the malls owned by the 3 Italian companies Magnolia, ICD and Novate in exchange for an equity share.

Prior to this incorporation of assets, the Klépierre group increased its holding in Magnolia, ICD and Novate to 100% with the acquisition of the Finim group's 15% share in all three companies.

On June 10, 2008, Finim reconstituted its minority interests in these Italian assets by acquiring 15% of K2 equity from Klépierre Luxembourg and Novate. As of June 30, 2008, the equity profile of the fund was as follows:

- Klépierre Luxembourg: 54.96%
- Novate: 18.09%
- Finim: 15%
- ICD: 8.57%
- Magnolia: 3.38%

- **Klépierre Matera**

Created in May 2008 as a 100% owned subsidiary of Novate, this company will take control of the Matera mall, initially owned by Novate, but, unlike the other Novate malls (Cienneo and Vignate), it wiil not be incorporated into the K2 fund.

- Full consolidation of the company Kléaveiro in Portugal

The limited liability company **Kléaveiro** was created in January 2008 for the purpose of acquiring the Aveiro center.

- Full consolidation of the company Klépierre Trading in Hungary.

Created in 2007 as a 100% owned subsidiary of Klépierre, **Klépierre Trading** bills the electricity supplied by the Hungarian shopping centers to their tenants.

- Acquisition of IPECI Gestion, followed by merger with Ségécé.

In April 2008, Ségécé acquired 100% of the equity of **IPECI Gestion**, the management company of the Progest group. IPECI was absorbed by Ségécé on June 30, 2008. The goodwill released on acquisition of the shares is recognized as goodwill valued at 1.6 million euros.

- 7 companies are no longer consolidated as a result of mergers, universal transfers of assets and liabilities and disposals:
  - **Klégestion, Klépierre Services and Ségécé Loisirs et Transactions** were absorbed by Ségécé
  - **Poitiers Alienor** was absorbed by Klépierre
  - **Cap Nord** was absorbed by Klecapnor
  - **Delcis** was absorbed by Klépierre Cz with retrospective effect from July 1, 2007
  - Ségécé disposed of its entire holding (35%) in **Devimo Consult** to a buyer outside the group

- The Group increased its percentage of interest in 4 companies:

    - 67.5% in SC Roche Invest, resulting in a change of consolidation method from the equity method to full consolidation. The 1.2 million euros of goodwill on acquisition is recognized as property assets. A free revaluation of 1.9 million euros was first recorded in order to adjust the value of the initial investment;

    - 100% in Effe Kappa. Consolidated proportionally on December 31, 2007, the company was fully consolidated on June 30, 2008;

    - 13% in Belvedère Invest, with the acquisition of IPECI Gestion;

    - 6.49% in SCI du Plateau, with the acquisition of IPECI Gestion and a direct purchase by Kléber La Pérouse.

❑ ***The contribution of entities acquired during the year to main line items in the financial statements, which have a material impact on Group accounts, is analyzed as follows:***

in thousands of euros

Entity	*Country*	*Acquisition date*	**lease income**	**operating income/loss**	**net earnings**	**intangible fixed assets**	**tangible fixed assets**	**investment property and fixed assets in progress**	**net fixed assets**	**net indebtedness including bank overdrafts**
Spa Clivia	Italy	February-08	2 533	1 405	439	1 862	279	139 746	141 887	80 713
SARL Edarmarzy	France	June-08						2 605	2 605	4
SARL Immo Dauland	France	June-08						7 468	7 468	2 710
TOTAL			**2 533**	**1 405**	**439**	**1 862**	**279**	**149 819**	**151 960**	**83 427**

In addition, the purchase prices and amounts paid to acquire equity shares as of June 30, 2008 were:

in thousands of euros	**Purchase price of securities**	**Amount paid for the acquisition in June 2008**	**Amount paid for buyback of current accounts in June 2008**	**Cash position on the acquisition date**
Spa Clivia	**97 839**	**96 289**	**-**	**22 395**
SARL Edarmarzy	**716**	**716**	**-**	**-**
SARL Immo Dauland	**4 190**	**3 990**	**-**	**294**

4. Notes to the financial statements: Balance sheet

4.1. Non-allocated goodwill

in thousands of euros	June 30, 2007	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Other movements, reclassification	June 30, 2008
* Metropoli	913	913				913
* Vignate	520	520				520
* Galeria Parque Nascente	1 713	1 713				1 713
* Ségécé Espana	11 977	11 977				11 977
* Ségécé	9 111	52 375				52 375
* Ségécé Magyarorszag	3 176	3 389				3 389
* Scoo	814	814				814
* ICD (Brescia)	909	909				909
* IGC	3 209	3 209				3 209
* Ségécé Italia	8 150	8 150				8 150
* Effe Kappa		-	274			274
* Other goodwill	688	684				684
NET GOODWILL	41 180	84 653	274	0	0	84 927

4.2. Intangible assets

The main item of intangible assets is software, which is straight-line amortized over periods of 1 to 4 years.

in thousands of euros	June 30, 2007	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Changes in consolidation scope	Currency fluctuations	Other movements, reclassification	June 30, 2008
Leasehold	460	461	- 2					1	460
Business concerns	1 933	701				3 759	738	811	6 009
Software	11 289	11 753	123	- 3 806		26	48	- 1 351	6 793
Other intangible assets	5 464	6 087	1 135	- 291	- 221	293	138	1 215	8 356
Total gross value	19 145	19 001	1 256	-4 097	-221	4 078	924	676	21 617
Leasehold	- 11	-							-
Business concerns	- 99	-			- 170	- 401	- 739	- 426	- 1 736
Software	- 9 172	- 9 432		4 058	- 645	- 25	- 37	72	- 6 009
Other intangible assets	- 2 366	- 2 300			- 32		- 20	- 15	- 2 367
Total amortizations	-11 648	-11 732	0	4 058	-847	-426	-796	- 369	- 10 112
INTANGIBLE ASSETS - NET VALUE	7 497	7 269	1 256	-39	-1 068	3 652	128	307	11 504

4.3. Tangible assets

Tangible assets include two buildings operated by the Group: 21, rue La Pérouse and Espace Dumont D'Urville in Paris, together with the fixtures and fittings required for operation.

in thousands of euros	June 30, 2007	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	June 30, 2008
Land	23 030	23 030							23 030
Constructions and fixtures	17 683	17 683							17 683
Furniture and equipment	8 252	9 186	549	- 546		424	452	707	10 772
Gross total value	48 965	49 899	549	- 546	-	424	452	707	51 485
Constructions and fixtures	- 2 984	- 3 319			- 330				- 3 649
Furniture and equipment	- 5 213	- 5 240		520	- 1 683	- 179	- 150	- 19	- 6 751
Total amortizations	- 8 197	- 8 559	-	520	- 2 013	- 179	- 150	- 19	- 10 400
Provision for impairment									-
TANGIBLE ASSETS - NET VALUE	40 768	41 340	549	-26	-2 013	245	302	688	41 086

4.4. Investment property and fixed assets in progress

in thousands of euros	June 30, 2007	December 31, 2007	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	June 30, 2008
Land	3 094 454	3 332 481	86 327	- 419		15 750	74 064	- 58 950	3 449 253
Constructions and fixtures	3 598 115	3 969 548	92 320	- 206	- 213	59 668	69 952	- 57 984	4 133 085
Gross total value	6 692 569	7 302 029	178 647	- 625	- 213	75 418	144 016	- 116 934	7 582 338
Constructions and fixtures	- 514 004	- 606 304		2 059	- 81 113	- 7 300		17 120	- 675 538
Total amortizations	- 514 004	- 606 304	-	2 059	- 81 113	- 7 300	-	17 120	- 675 538
Provision for impairment	- 13 903	- 25 635			- 23 346	- 1 140		821	- 49 300
INVESTMENT PROPERTY - NET VALUE	6 164 662	6 670 090	178 647	1 434	-104 672	66 978	144 016	-98 993	6 857 500

Excluding the investments in progress, investments for the half year totaled 178.6 million euros. In France, the largest transaction completed in the first half of 2008 was done by Klémurs in its 154 million euro acquisition of 77 shops under its partnership with the Defimode chain and the Vivarte group, 14 retail assets in Avranches, Messac and Rochefort and 15 Buffalo Grill restaurants.

Other increases in France during this period included the acquisition of a 25% share in the Galerie Nationale in Tours (10.4 million euros), Nevers (4 million euros) and premises in Cholet (2.8 million euros).

Outside of France, the most significant investments were made in Italy at Pescara (2.8 million euros), Val Vibrata (1.5 million euros) and in Hungary with the extension of the Kaspovar center (1.7 million euros).

At 144 million euros, "Changes in consolidation scope" result from the following transactions: Clivia (139.8 million euros) and Immo Dauland (4.1 million euros).

At 116.9 million euros, "Other movements and reclassifications" includes essentially the reclassification of buildings under negotiation to the "Buildings held for sale" items (71 million euros), assets commissioned during the period, reclassified from "Fixed assets in progress" (18 million euros) and miscellaneous other movements between balance sheet items.

"Provision for impairment" includes property provisions in respect of shopping centers in Poland (31.4 million euros), the Czech Republic (9.8 million euros), Italy (1.9 million euros), Spain (2.9 million euros), Greece (1 million euros), Portugal (1.2 million euros) and France (1.1 million euros).

in thousands of euros	June 30, 2007	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Amortization allowance and provisions	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	June 30, 2008
FIXED ASSETS IN PROGRESS	322 340	463 983	183 651	-33		13 996	6 206	9 277	677 080

The following factors contributed to the increase in fixed assets in progress as a result of ongoing constructions managed by the Group or delegated to third parties under Property Development Contracts (PDC):

In France: the Séreinis office building (9.8 million euros), Odysseum in Montpellier (17.3 million euros), Saint Orens (16.7 million euros), Val d'Europe (13.9 million euros), Cesson (9.2 million euros), Grand Nîmes (9.1million euros), La Roche-sur-Yon (6.5 million euros), Laon (5.9 million euros), Centre Jaude in Clermont Ferrand (5.6 million euros), Aubervilliers Bassin Nord (3.6 million euros), Rennes Columbia (3 million euros), Vitrolles (2.9 million euros), Vaulx-en-Velin (2.7 million euros), Cap Saran (2.5 million euros), Galerie nationale in Tours (1.9 million euros), Villejuif (1.3 million euros), Blagnac (1.1 million euros) and Centre Bourse in Marseille (1.1 million euros).

Newly consolidated companies during the period also contributed to fixed assets in progress: Edamarzy (2.5million euros) amd Immo Dauland (3.3 million euros).

Outside France: The Alba and Corvin centers in Hungary (22.9 and 12 million euros respectively), Seriate in Italy (3.6 million euros) and Vallecas in Spain (2.1 million euros).

As of June 30, 2007, the net carrying amount of investment property by business segment and geographic area was analyzed as follows:

in thousands of euros	Net carrying value of investment property
Shopping centers	**5 758 946**
France	*2 805 440*
Italy	*1 014 036*
Spain	*725 663*
Poland	*394 615*
Hungary	*286 721*
Belgium	*151 108*
Portugal	*245 966*
Czech Republic	*49 797*
Greece	*69 742*
Other	*15 858*
Shops	**529 474**
Office buildings	**569 080**
Total	6 857 500

4.5. Properties held for sale

in thousands of euros	June 30, 2007	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Other movements, reclassification	June 30, 2008
BUILDINGS HELD FOR SALE	22 444	36 200		-17 680	70 568	89 088

The "Other movements" item refers to the reclassification of buildings where a sale has been agreed (the Bordeaux Saint Christoly mall and the building in the Rue Notre Dame des Victoires, Paris) or buildings held for sale (2 small French centers) offset by the reclassification of the Hungarian Zalaegerszeg and Csepel malls investment property.

The "reduction" refers to the disposal of the Courier mall in Annecy.

4.6. Equity method securities

in thousands of euros	
Investments in companies accounted for by the equity method at June 30, 2007	**44 320**
Investments in companies accounted for by the equity method at December 31, 2007	**46 600**
% of earnings from companies accounted for by the equity method for 2008	466
Dividends received from companies accounted for by the equity method	- 1 830
Other movements	
. Sale of Devimo Consult	- 2 652
. Increased holding in SC Plateau	1 843
. Other movements	- 401
Investments in companies accounted for by the equity method at June 30, 2008	**44 026**

As of June 30, 2008, 14 group companies were consolidated under the equity method, against 15 on December 31, 2007.

4.7. Non-consolidated securities

Joint companies are proportionally consolidated.

in thousands of euros	**June 30, 2008**	**December 31, 2007**	**June 30, 2007**
Share in the balance sheet of associate companies			
Current assets	51 310	7 554	19 945
Non-current assets	271 683	193 189	227 449
Total assets	**322 993**	**200 743**	**247 394**
Current liabilities	144 363	112 186	152 381
Non-current liabilities	178 630	88 557	95 013
Total liabilities	**322 993**	**200 743**	**247 394**
Share in the earnings of associate companies			
Income from regular business	15 199	23 840	14 082
Operating expenses	- 5 120	- 10 602	- 5 969
Financial result	- 3 081	- 5 012	- 3 376
Pre-tax earnings	6 998	8 228	4 740
Corporate income tax	- 1 823	3 275	- 1 662
Net income	**5 175**	**11 503**	**3 078**

4.8. Financial assets

The "Financial assets" item contains the following securities:

in thousands of euros	June 30, 2008					December 31, 2007					June 30, 2007
	Equity	Earnings for the period	% holding	Gross value of shares	Net value of shares	Equity	Earnings for the period	% holding	Gross value of shares	Net value of shares	Net value of shares
Principle securities				*1 451*	*315*				*1 650*	*475*	*1 140*
SAS Sovaly	198	-22	100%	572	220	268	-48	100%	572	220	309
SARL Klépierre Trading						179	-19	100%	199	160	199
SAS Socoseine	74	-	25%	99	19	80	-6	100%	99	19	
SAS Nancy Bonsecours	69	-7	100%	535	76	76	-18	100%	535	76	95
SKF Spa						3	-2	50%	245	-	
SVILUPPO KLEPIERRE FINIM	-	-	50%	245	-						
SNC Immo Basse											177
SARL Ollioules Restauration											100
HSC											200
SARL Vigne											60
Other investment securities				*30*	*9*				*58*	*37*	*132*
Total				**1 481**	**324**				**1 708**	**512**	**1 272**

4.9. Other non-current assets

The main items included in "Other non-current assets" are advances and loans granted to non-consolidated, equity-method and proportionally consolidated companies.

The residual value of the leased building (Lille) is treated as a finance-lease transaction recognized in non-current receivables.

in thousands of euros	June 30, 2007	December 31, 2007	Entries into scope of consolidation	Increases	Reductions	Other	June 30, 2008
Finance lease fixed assets	**1 795**	**1 679**				-122	**1 557**
Advance payments to non-consolidated companies and companies consolidated using the equity method or proportionally **(A)**	**14 147**	**21 649**	-	8 443	-2 093	-12 754	**15 245**
Loans	**124**	**357**			-17	18	**358**
Other long-term investments	**-**	**-**					**-**
Security deposits	**9 140**	**9 100**	23	2 115	-1 055	36	**10 219**
Other long-term financial investments	**40**	**1 062**		4		-4	**1 062**
TOTAL	**25 246**	**33 846**	**23**	**10 562**	**-3 165**	**-12 826**	**28 440**

(A) Itemized statement of advance payments:

in thousands of euros	June 30, 2007	December 31, 2007	Entries into scope of consolidation	Increases	Reductions	Other	June 30, 2008
SCI du Bassin Nord	**4 024**	**2 229**		7 564	-	36	**9 829**
SA Soaval	**1 554**	**-**					**-**
SAS Bègles d'Arcins		**627**					**627**
SCI La Roche Invest		**12 838**				- 12 838	**-**
SCI Plateau des Haies		**572**					**572**
SARL Forving		**936**					**936**
SCI La Rive		**319**					**319**
Gondobrico SA						435	**435**
Other advance payments	**8 569**	**4 128**		879	- 2 093	- 387	**2 527**
Total	**14 147**	**21 649**	**0**	**8 443**	**-2 093**	**-12 754**	**15 245**

4.10. Inventories

As of June 30, 2008, inventories were comprised of lots acquired under the “real estate agent” status.

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Group share	11 580	11 684	5 425
Share of external associates	-	-	
Total	**11 580**	**11 684**	**5 425**

4.11. Trade accounts and related receivables

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

in thousands of euros	Rental activities	Other activities	June 30, 2008	December 31, 2007	June 30, 2007
Receivables	64 524	22 387	86 911	67 827	59 939
Provisions	- 10 314	- 1 326	- 11 640	- 10 540	- 8 008
Total	**54 210**	**21 061**	**75 271**	**57 287**	**51 931**

4.12. Other receivables

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Tax receivables	***63 398***	***49 645***	***57 053***
- Corporate income tax	*7 365*	*8 622*	*3 586*
- V.A.T.	*56 033*	*41 023*	*53 467*
Other debtors	***217 943***	***166 043***	***166 343***
- Calls for funds	*96 768*	*78 828*	*75 870*
- Down payments to suppliers	*10 855*	*4 234*	*3 078*
- Other deferred charges		*-*	*-*
- Prepaid expenses	*89 458*	*66 067*	*68 741*
- Other	*20 862*	*16 914*	*18 654*
Total	**281 341**	**215 688**	**223 396**

June 2008 by due date

in thousands of euros	June 30, 2008	Less than one year	More than one year
Tax receivables	***63 398***	***63 398***	***0***
- Corporate income tax	*7 365*	*7 365*	
- V.A.T.	*56 033*	*56 033*	
Other debtors	***217 943***	***173 926***	***44 017***
- Calls for funds	*96 768*	96 768	-
- Down payments to suppliers	*10 855*	10 855	-
- Other deferred charges	*-*	-	-
- Prepaid expenses	*89 458*	45 441	44 017
- Other	*20 862*	20 862	-
Total	**281 341**	**237 324**	**44 017**

The VAT item consists mainly of pending refunds from local tax authorities in respect of recent acquisitions (or construction projects in progress): Bassin Nord Aubervilliers (5.3 million euros), Alba (4.2 million euros), Saint-Orens (2.3 million euros), Assago (7.8million euros), Tor Vergata (8.3million euros) and La Roche Invest (3.1 million euros).

The main pre-lease payments received under construction leases or long-term lease rights are recognized as prepaid expenses and amortized over the term of the lease agreement in accordance with benefits received: Val d’Europe (16.2 million euros), 6 Klécar France malls (19.5 million euros) and Oviedo (10.1 million euros).

4.13. Cash and near cash

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Near cash	***120 108***	***56 504***	***51 980***
- Treasury bills and certificates of deposit	*17 809*	*6 804*	*8 280*
- Other fixed revenue securities		*-*	
- Money market investments	*102 299*	*49 700*	*43 700*
Cash	***171 304***	***138 972***	***149 563***
Total	**291 412**	**195 476**	**201 543**

Near cash refers to French money market open-end and mutual funds (SICAV-FCP) (102.3 million euros), Italian one-month deposit certificates (8.9 million euros) and Spanish one-week treasury bills (8.9 million euros).

The Group reported a net cash of:

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Near cash	*120 108*	*56 504*	*51 980*
Cash	*171 304*	*138 972*	*149 563*
Gross cash and near cash	**291 412**	**195 476**	**201 543**
Bank overdrafts	*218 662*	*101 909*	*142 625*
Net cash and near cash	**72 750**	**93 567**	**58 918**

4.14. Equity

- ***Share capital:***

As of June 30, 2008, capital was represented by 142,469,513 shares each of 1.40 euros nominal value. The share capital is fully paid , and shares are either registered or bearer.

	June 30, 2008	December 31, 2007	June 30, 2007
Authorized			
*ordinary shares of 1.4 euros**	*142 469 513*	*138 492 687*	*46 164 229*
refundable convertible preferential shares	*NA*	*NA*	*NA*
Total	***142 469 513***	***138 492 687***	***46 164 229***

** The nominal value of 1.40 euros at June 30, 2008 is identical to that at December 31, 2007*

- *Treasury shares:*

The Group acquired shares in Klépierre S.A. as authorized by the ordinary general meeting of shareholders.

As of June 30, 2008, treasury shares totaled 2,976,490 with an acquisition value of 95.5 million euros (compared to 2,990,463 shares on December 31, 2007).

As of June 30, 2008, the capital gains or losses made on sales of treasury shares were recognized under equity at 0.8 million euros, compared to 0.3 million euros on December 31, 2007 and 0.7 million euros on June 30, 2007. The cost of acquiring shares and the revenue from share sales were respectively debited from, and credited to, equity.

4.15. Current and non-current financial liabilities

- *Change in indebtedness*

Current and non-current financial liabilities totaled 5,264.4 million euros as of June 30, 2008.

Net financial debt totaled 4,992 million euros, compared to 4,652 million euros on December 31, 2007. Net financial debt is the difference between financial liabilities (excluding Fair Value Hedge revaluation) and cash and near cash.

This increase of 340 million euros results principally from investment flows (539.1 million euros) and dividend pay outs (37.6 million euros), partially offset by disposals (42.9 million euros) and free cash flow for the half-year.

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
NON-CURRENT			
Bond issues net costs/premiums	**1 870 859**	**1 880 378**	**1 872 287**
*of which reevaluation of Fair Value Hedges	- 18 578	- 7 701	- 14 418
Borrowings and debts from credit institutions over 1 year	**2 680 381**	**2 362 682**	**1 833 145**
Italy loan reclassification			
Sundry loans and financial debts	**158 102**	**157 760**	**143 905**
* Other loans			
* Advance payments to the group and associates	158 102	157 760	143 905
Total non-current financial liabilities	**4 709 342**	**4 400 820**	**3 849 337**
CURRENT			
Borrowings and debts from credit institutions under 1 year	**37 144**	**44 632**	**37 401**
Accrued interests	**79 882**	**66 943**	**79 393**
* on bond issues	71 315	54 263	71 251
* on loans from credit institutions	4 414	4 445	4 368
* on advance payments to the group and associates	4 153	8 235	3 774
Bank overdrafts	**218 662**	**101 909**	**142 437**
Commercial paper	**215 000**	**220 000**	**185 000**
Sundry loans and financial debts	**4 360**	**5 711**	**2 487**
* Other loans	-	-	
* Advance payments to the group and associates	4 360	5 711	2 487
Total current financial liabilities	**555 048**	**439 195**	**446 718**

Principal sources of finance

As of June 30, 2008, the main sources of finance available to the Group were as follows:

- the table below contains details of the three bond issues set up in 2001 (maturity 2008), 2004 (maturity 2011), and 2006 (maturity 2016). At June 30, 2008, Klépierre had total outstanding bonds of 1,900 million euros;
- Arrangement of a syndicated loan in January 2006:
  - As of June 30, 2008, 1,050 million euros of the 1,200 million euro medium-term facility had been used. It matures on January 31, 2013
  - The commercial paper back-up line (300 million euros) had not been used as of June 30, 2008
- A syndicated loan of up to 1,000 million euros set up in September 2007 is still unused as of June 30, 2008;
- A syndicated loan of up to 750 million euros set up in June 2008 and fully used as of June 30, 2008;
- A credit facility of 150 million euros set up in December 2006 by Klémurs and fully used as of June 30, 2008;
- 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: 112 million euros);
- 215 million euros in commercial papers.

Financing (in millions of euros)	Borrower	% holding / Klépierre	Reference rate	Maturity date	Maximum amount	Repayment profile	Amount used
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 line)	100%	Euribor	31/01/2013	300	in fine	-
	Klépierre (Tranche B)	100%	Euribor	31/01/2013	1200	in fine	1050
	Klépierre	100%	Euribor	21/09/2014	1000	in fine	-
	Klépierre	100%	Euribor	11/06/2011	750	in fine	750
	Klémurs	84%	Euribor	12/12/2011	150	in fine	150
Bilateral loans	Klépierre	100%	Fixed rate	22/03/2010	135	in fine	135
	Klépierre Part. & Fints	100%	Fixed rate	22/03/2010	165	in fine	165
	Restorens	100%	E3m	21/10/2011	0.5	in fine	1
Mortgages	Klecar Italia	83%	E3m	30/06/2015	112	amortizable	112
	Novate	85%	E3m	15/01/2023	36	amortizable	35
	ICD	85%	E6m	15/01/2023	18	amortizable	18
	Magnolia	85%	E3m	15/01/2023	7	amortizable	7
	Hypernoble	100%	E3m	14/12/2011	1	amortizable	1
	Hypernoble	100%	E3m	02/01/2012	1	amortizable	1
	Sodirev	100%	E3m	05/02/2012	3	amortizable	3
	Sodirev	100%	E3m	05/04/2010	1	amortizable	1
	LC	33%	E3m	02/01/2012	0	amortizable	0
	LC	33%	Fixed rate	05/09/2018	1	amortizable	1
	Rebecca	70%	E3m	30/07/2014	3	amortizable	3
	Rebecca	70%	E3m	31/07/2015	1	amortizable	1
Finance lease agreements	IGC	50%	E3m	01/08/2011	4	amortizable	4
	IGC	50%	E3m	31/07/2011	6	amortizable	6
	IGC	50%	E3m	24/07/2011	6	amortizable	6
	IGC	50%	E3m	12/03/2022	16	amortizable	16
	Cecoville	100%	E3m	27/12/2019	47	amortizable	47
	Cecoville 2020	100%	E3m	03/04/2020	69	amortizable	69
	Clivia	50%	E3m	02/07/2022	82	amortizable	82
	Kleprojet 1	100%	E3m	13/12/2013	0	amortizable	0
	Klémurs & Klecapnord	84%	81% E3m 19% fixed	(1)	56	amortizable	56
Short-term line	IGC	50%	E3m	13/12/2007	7	in fine	7
Overdrafts	Klépierre Finance	100%	Eonia	-	105		105
	Klépierre	100%	Eonia	-	23		23
Commercial paper	Klépierre	100%	-	-	300	in fine	215
TOTALS(2)					**6 204**		**4 969**

(1) Klémurs contracts (Buffalo Grill assets) and its Cap Nord subsidiary; average residual lenth of 6.4 years at June 30, 2008(3.1 years taking into account the dates of early exercise of options)

(2) totals are calculated without the back-up line, since the maximum amount of the "commercial paper" line is the same figure as the total amount of the back-up line

Interest on variable-rate financial instruments is revalued at six monthly intervals or more frequently. Interest on fixed-rate financial instruments is fixed until the maturity date of the instrument concerned.

❑ *Financial covenants relating to finance and rating*

On January 8, 2008, Standard & Poor's confirmed Klépierre's rating of BBB+ and maintained the "positive" outlook rating. The ratings agency then defined the following goals for Klépierre to achieve in order to retain its rating:

- EBITDA / Total net financial costs ≥ 2.5
- Net debt/Revalued net assets (loan to value) ≤ 50%

. Gross cash flow/Net debt ≥ 7%.

Klépierre's main credit agreements also include the following clauses. Failure to comply with these clauses could result in demands for early refund of the relevant finance.

- ✓ In respect of the syndicated 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:
  - . Asset-backed debts pledged as guarantees to third parties capped at 50% of the revalued net asset
  - . In the event of a change of ownership regarding one third of the voting rights leading to the Standard and Poor's rating being reduced to below BBB-, investors have a put option that can force Klépierre to an early refund.

❑ *Breakdown of financial debts by maturity date*

– Breakdown of current and non-current financial liabilities:

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
NON-CURRENT				
Bond issues net costs/premiums	**1 870 859**	**- 18 578**	**1 889 437**	
*of which reevaluation of Fair Value Hedges	- 18 578	- 18 578	-	-
Borrowings and debts from credit institutions over 1 year	**2 680 381**		**2 385 515**	**294 866**
Italy loan reclassification	**158 102**	**-**	-	**158 102**
Sundry loans and financial debts	-	-	-	-
* Other loans	158 102	-		158 102
* Advance payments to the group and associates				
Total non-current financial liabilities	**4 709 342**	**-18 578**	**4 274 952**	**452 968**
CURRENT				
Borrowings and debts from credit institutions under 1 year	**37 144**	**37 144**	-	-
Accrued interests	**79 882**	**79 882**	-	-
* on bond issues	71 315	71 315	-	-
* on loans from credit institutions	4 414	4 414	-	-
* on advance payments to the group and associates	4 153	4 153	-	-
Bank overdrafts	**218 662**	**218 662**	-	-
Commercial paper	**215 000**	**215 000**	-	-
Other			-	-
Sundry loans and financial debts	**4 360**	**4 360**	-	-
* Other loans	-	-	-	-
* Advance payments to the group and associates	4 360	4 360	-	-
Total current financial liabilities	**555 048**	**555 048**	**-**	**-**

– Financing amortization table (in millions of euros):

Repayment year	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTAL
2008 bond issues	600	-	-	-	-	-	-	-	-	-	**600**
2011 bond issues	-	-	-	600	-	-	-	-	-	-	**600**
2016 bond issues	-	-	-	-	-	-	-	-	700	-	**700**
2006 syndicated loans	-	-	-	-	-	1050	-	-	-	-	**1050**
2007 syndicated loans	-	-	-	-	-	-	-	-	-	-	**0**
2008 syndicated loans	-	-	-	750	-	-	-	-	-	-	**750**
Klémurs bank loan	-	-	-	150	-	-	-	-	-	-	**150**
Klépierre bilateral loan	-	-	135	-	-	-	-	-	-	-	**135**
Klépierre Part & Fints bilateral loan	-	-	165	-	-	-	-	-	-	-	**165**
Klémurs & Klecapnord finance leases	5	19	5	5	4	4	4	3	3	6	**56**
Subsidiary loans	20	27	27	31	24	24	24	112	22	108	**419**
Commercial paper	215	-	-	-	-	-	-	-	-	-	**215**
Overdrafts	128	-	-	-	-	-	-	-	-	-	**128**
TOTAL	**968**	**46**	**332**	**1 536**	**28**	**1 078**	**28**	**115**	**725**	**113**	**4 969**

Contractual flows including principal and interest (not discounted) by maturity date (in millions of euros) are as follows:

Repayment year	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTAL
2008 bond issues	601	-	-	-	-	-	-	-	-	-	**601**
2011 bond issues	14	28	28	615	-	-	-	-	-	-	**684**
2016 bond issues	15	30	30	30	30	30	30	30	706	-	**929**
2006 syndicated loans	28	56	56	56	56	1 055	-	-	-	-	**1 305**
2007 syndicated loans	-	-	-	-	-	-	-	-	-	-	**-**
2008 syndicated loans	22	44	44	769	-	-	-	-	-	-	**879**
Klémurs bank loan	4	8	8	158	-	-	-	-	-	-	**178**
Klépierre bilateral loan	2	5	136	-	-	-	-	-	-	-	**143**
Klépierre Part & Fints bilateral loan	3	6	166	-	-	-	-	-	-	-	**175**
Klémurs & Klecapnord finance leases	7	21	7	6	5	5	4	4	3	6	**68**
Subsidiary loans	31	49	48	50	41	40	39	123	29	111	**562**
Commercial paper	219	-	-	-	-	-	-	-	-	-	**219**
Overdrafts	128	-	-	-	-	-	-	-	-	-	**128**
TOTAL	**1 074**	**246**	**522**	**1 684**	**131**	**1 129**	**73**	**156**	**738**	**117**	**5 871**

As of June 30, 2007, the amortization table of these contractual flows was as follows (in millions of euros):

Repayment year	2 007	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTAL
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 loans	35	35	35	35	35	35	954	-	-	-	-	**1164**
2007 syndicated loans	-	-	-	-	-	-	-	-	-	-	-	**0**
Klémurs bank loan	6	6	6	6	149	-	-	-	-	-	-	**173**
Klépierre bilateral loan	5	5	5	135	-	-	-	-	-	-	-	**150**
Klépierre Part & Fints bilateral loan	6	6	6	166	-	-	-	-	-	-	-	**184**
Klémurs & Klecapnord finance leases	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**

Calculations based on interest rates at December 31, 2006

4.16. Interest rate hedging instruments

❑ *Rate hedging portfolio*

As part of its risk management policy (cf. corresponding section), Klépierre has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and vice-versa. This arrangement meant that the Klépierre hedge rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 85% as of June 30, 2008.

As of June 30, 2008, the Group had the following swap contracts in place:

CASHFLOW HEDGING RELATIONSHIPS			
Fixed rate paying agent	Amount (€M)	Maturity date	Forward start date
Klépierre	100	22/12/2008	no
Klépierre	300	22/12/2009	no
Klépierre	200	22/12/2010	no
Klépierre	500	22/12/2011	no
Klépierre	300	15/04/2012	no
Klépierre	150	02/01/2015	no
Klépierre	100	02/01/2013	no
Klépierre	200	01/02/2015	no
Klépierre	100	07/02/2015	no
Klépierre	100	12/03/2016	no
Klépierre	100	12/03/2018	no
Klépierre	200	10/07/2011	10/07/2008
Klépierre	100	02/01/2011	02/01/2009
Klépierre	100	10/07/2013	10/07/2008
Klépierre	300	10/072015	10/07/2008
Klecar Italia	90	31/12/2010	no
Klémurs	50	01/01/2014	no
Klémurs	50	31/12/2014	no
Klémurs	150	02/01/2015	no
Klémurs	100	01/04/2015	no
FAIR VALUE HEDGE RELATIONSHIPS			
Variable rate paying agent	Amount (€M)	Maturity date	Forward start date
Klépierre	600	15/07/2011	no

The Italian company IGC (50%) also contracted an amortizable tunnel (maturity date August 2009), whose notional amount as of June 30, 2008 was 3.7 million euros, recognized as a trading instrument (change in value recognized in income).

❑ *Breakdown by maturity date*

As of June 30, 2008, the breakdown of derivatives by maturity date was as follows:

in millions of euros	Hedging relationship	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Klépierre fixed rate paying agent	Cash flow hedge	100	300	200	800	300	200	-	750	100	-	100	2850
	. Of which spot start swaps	*100*	*300*	*200*	*500*	*300*	*100*	-	*450*	*100*	-	*100*	2150
	. Of which forward start swaps	-	-	-	*300*	-	*100*	-	*300*	-	-	-	700
Klépierre variable rate paying agent	Fair value hedge	-	-	-	600	-	-	-	-	-	-	-	600
Klecar Italia fixed rate paying agent	Cash flow hedge	-	-	90	-	-	-	-	-	-	-	-	90
Klémurs fixed rate paying agent	Cash flow hedge	-	-	-	-	-	-	100	250	-	-	-	350
	. Of which spot start swaps	-	-	-	-	-	-	100	250	-	-	-	350
	. Of which forward start swaps	-	-	-	-	-	-	-	-	-	-	-	-
IGC (collar)	Trading	-	3.7	-	-	-	-	-	-	-	-	-	4
Total		**100**	**304**	**290**	**1400**	**300**	**200**	**100**	**1000**	**100**	**-**	**100**	**3894**

The corresponding contractual flows (interest) break down as follows (positive flows = payer flows):

in millions of euros	Hedging relationship	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Spot start swaps	Cash flow hedge	-18	-35	-29	-25.0	-13	-9	-8	-2	-1	-1	-	-141
Forward start swaps	Cash flow hedge	-1	-6	-6	-4.0	-4	-5	-4	-2	-	-	-	-32
Spot start swaps	Fair value hedge	3	6	6	4.0	-	-	-	-	-	-	-	19
Collar	Trading	-	-	-	-	-	-	-	-	-	-	-	-
Total		**-16**	**-35**	**-29**	**-25**	**-17**	**-14**	**-12**	**-4**	**-1**	**-1**	**-**	**-154**

As of June 30, 2007, the breakdown of derivatives by maturity date and the amortization schedule for the corresponding interest flows were as follows (in millions of euros):

in millions of euros	Hedging relationship	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Klépierre fixed rate paying agent	Cash flow hedge	-	100	300	200	500	300	-	-	300	-	1700
	. Of which spot start swaps	-	*100*	*300*	*200*	*500*	*300*	-	-	-	-	*1400*
	. Of which forward start swaps (July 2008)	-	-	-	-	-	-	-	-	*300*	-	*300*
Klépierre variable rate paying agent	Fair value hedge	-	-	-	-	600	-	-	-	-	-	600
Klecar Italia fixed rate paying agent	Cash flow hedge	-	-	-	90	-	-	-	-	-	-	90
Klémurs fixed rate paying agent	Cash flow hedge	-	-	-	-	-	-	-	100	-	-	100
	. Of which spot start swaps	-	-	-	-	-	-	-	50	-	-	50
	. Of which forward start swaps (Jan and Dec 2007)	-	-	-	-	-	-	-	50	-	-	50
IGC (collar)	Trading	-	-	4	-	-	-	-	-	-	-	4
Total		**-**	**100**	**304**	**290**	**1100**	**300**	**-**	**100**	**300**	**-**	**2494**

in millions of euros	Hedging relationship	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Spot start swaps	Cash flow hedge	-9	-9	-8	-6	-5	-1	-	-	-		-38
Forward start swaps	Cash flow hedge	-	-	-1	-1	-1	-1	-1	-	-		-5
Spot start swaps	Fair value hedge	-2	-2	-1	-1	-	-	-	-	-		-6
Collar	Trading	-	-	-	-	-	-	-	-	-		-
Total		**-11**	**-11**	**-10**	**-8**	**-6**	**-2**	**-1**	**-**	**-**	**-**	**-49**

Calculated on the basis of interest rates at December 31, 2006

❑ *Fair value*

As of June 30, 2008, the unrealized capital gain on the Klépierre portfolio of derivatives, calculated as the sum of their fair value excluding accrued interest, was 132.9 million euros. The full coupon fair value recognized on the assets side of the balance sheet is 157 million euros, with 1.8 million euros on the liabilities side.

During the half year, the fair value of the Klépierre portfolio of derivatives increased by 64.1 million euros.

Derivatives	Fair value net of accrued interest as of June 30, 2008 (€M)	Fair value change as of June 30, 2008 (€M)	Counterparty
Cash flow hedge	154.4	74.6	Shareholders' equity
Fair value hedge	-21.5	-10.5	Financial laibilities
Trading	0.0	0.0	Income/Loss
Total	**132.9**	**64.1**	

4.17. Long-term and short-term allowances

in thousands of euros	June 30, 2007	December 31, 2007	Allowances for the period	Reversals (provision used)	Reversals (provision unused)	Other movements	Changes in consolidation scope	June 30, 2008
NON-CURRENT								
Provisions for human resource commitments								-
. Defined-benefits scheme	4 465	4 799	480	-				5 279
. Post-employment medical assistance		-						-
. Early retirement and EAP		-						-
. Other long-term benefits	1 802	1 617	269	- 1	- 17			1 868
Other provisions for contingencies and losses	1 871	5 009	671	- 881	- 88	6	2	4 719
Total non-current provisions	**8 138**	**11 425**	**1 420**	**-882**	**-105**	**6**	**2**	**11 866**

4.18. Deferred taxes

in thousands of euros	June 30, 2007	December 31, 2007	Change in earnings	Other earnings	June 30, 2008
Buildings	- 185 629	- 202 722	11 848	15 940	- 174 934
Other items	- 14 174	- 16 347	- 426	- 9 688	- 26 461
Total deferred tax liabilities	***-199 803***	***-219 069***	***11 422***	***6 252***	***-201 395***

in thousands of euros	June 30, 2007	December 31, 2007	Change in earnings	Other earnings	June 30, 2008
Buildings					-
Other items	28 530	33 675	1 131	- 455	34 351
Total deferred tax assets	***28 530***	***33 675***	***1 131***	***-455***	***34 351***
NET POSITIONS	**-171 273**	**-185 394**	**12 553**	**5 797**	**-167 044**

The "Other changes" item records the impact of changes in accounting scope, exchange rate fluctuations and the restatement of hedging instruments.

4.19. Tax liabilities, staff benefits and other payables

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Social and tax liabilities	***88 734***	***79 589***	***57 352***
Personnel and related accounts	14 662	15 138	14 060
Social security and other bodies	4 435	4 196	3 644
State			
* Corporate income tax	44 906	40 436	21 423
* V.A.T.	13 270	10 732	7 963
Other taxes and duties	11 461	9 087	10 262
Other liabilities	***212 863***	***163 209***	***161 154***
Creditor customers	89 207	69 561	71 384
Deferred income	16 058	13 135	7 005
Other liabilities	107 598	80 513	82 765

The 89.2 million euros in advance payments received from tenants in respect of charges are recognized in "Creditor customers".

"Other liabilities" consist primarily of funds representing the management accounts of Ségécé group principals, balanced by an equal amount of cash on the asset side of the balance sheet. These funds totaled 68.7 million euros as of June 30, 2008.

5. Notes to the financial statements: Income statement

5.1. Segment Income Statement as of June 30, 2008

❑ Shopping centers

in millions of euros	June 30, 2008	December 31, 2007	June 30, 2007
Lease income	284.4	517.9	249.2
Other rental income	4.2	6.9	2.5
Lease income	288.6	524.8	251.7
Land expenses (real estate)	- 1.2	- 2.3	- 1.1
Non-recovered rental expenses	- 8.9	- 16.1	- 3.7
Building expenses (owner)	- 14.4	- 27.1	- 14.5
Net lease income	*264.1*	*479.4*	*232.5*
Management, administrative and related income	30.8	63.3	29.3
Other operating income	6.0	14.2	4.1
Survey and research costs	- 1.4	- 1.1	- 0.6
Payroll expense	- 33.0	- 56.6	- 28.9
Other general expenses	- 8.9	- 20.1	- 9.1
Depreciation and amortization allowance on investment property	- 94.4	- 150.2	- 67.3
Depreciation and amortization allowance on PPE	- 2.0	- 3.3	- 1.3
Provisions	- 0.2	- 3.3	1.0
Results of operations, shopping center segment	***160.8***	***322.2***	***159.7***
Gains on the sale of investment property and equity interests	79.4	21.4	
Net book value of investment property and equity investment sold	- 58.1	- 1.3	
Gains from the sale of investment property and equity investment securities	***21.3***	***20.1***	***-***
Gains on the sale of short term assets	2.5	1.2	
Net book value of short term assets sold	- 2.2	- 1.1	
Profit on the sale of short term assets	***0.2***	***0.1***	***-***
Share in earnings of equity-method investees	0.5	2.6	1.1
Segment earnings, shopping center segment	***183.0***	***345.0***	***160.8***

Shops

in millions of euros	June 30, 2008	December 31, 2007	June 30, 2007
Lease income	15.1	23.5	11.4
Other rental income			
Lease income	15.1	23.5	11.4
Land expenses (real estate)			
Non-recovered rental expenses	- 0.0		
Building expenses (owner)	- 0.4	- 0.8	- 0.3
Net lease income	*14.7*	*22.7*	*11.1*
Management, administrative and related income	1.4	0.6	0.6
Other operating income	0.1	0.5	
Survey and research costs	- 0.0	-	
Payroll expense	- 0.8	- 1.0	- 0.3
Other general expenses	- 0.4	- 0.3	- 0.1
Depreciation and amortization allowance on investment property	- 4.8	- 7.3	- 3.6
Depreciation and amortization allowance on PPE		-	
Provisions	- 0.0	-	
Results of operations, retail segment	***10.1***	***15.0***	***7.6***
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	***-***	***-***	***-***
Gains on the sale of short term assets	-		
Net book value of short term assets sold	-		
Profit on the sale of short term assets	***-***	***-***	
Share in earnings of equity-method investees	-		
Segment earnings, retail segment	***10.1***	***15.0***	***7.6***

Office buildings

in millions of euros	June 30, 2008	December 31, 2007	June 30, 2007
Lease income	25.4	48.8	24.4
Other rental income	-	-	-
Lease income	25.4	48.8	24.4
Land expenses (real estate)	- 0.1	- 0.2	- 0.1
Non-recovered rental expenses	- 0.4	- 1.1	- 0.4
Building expenses (owner)	- 0.4	- 1.4	- 0.5
Net lease income	*24.6*	*46.1*	*23.4*
Management, administrative and related income	0.0	0.3	0.2
Other operating income	0.0	1.1	1.1
Survey and research costs	-	-	-
Payroll expense	- 1.1	- 1.9	- 1.1
Other general expenses	- 0.3	- 0.8	- 0.3
Depreciation and amortization allowance on investment property	- 5.9	- 11.8	- 6.3
Depreciation and amortization allowance on PPE	- 0.5	- 1.0	- 0.4
Provisions	-	0.1	
Results of operations, office segment	***16.9***	***32.1***	***16.5***
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***	***21.0***
Profit on the sale of short term assets	***-***	***-***	***-***
Segment earnings, office segment	***16.9***	***52.4***	***37.5***

- **Corporate**

in millions of euros	June 30, 2008	December 31, 2007	June 30, 2007
Corporate and shared expenses	- 5.1	- 6.2	- 4.3
Profit on the sale of short term assets	-	-	-
Net dividends and provisions on non-consolidated securities	0.0	0.5	0.5
Net cost of debt	- 91.4	- 162.9	- 76.2
Change in the fair value of financial instruments	0.0	-	-
Effect of discounting	1.3	0.7	- 0.1
Pre-tax earnings	***114.8***	***244.5***	***125.8***
Corporate income tax	- 15.4	- 13.5	- 9.9
Net income of consolidated entity	***99.3***	***231.0***	***115.9***

5.2. Operating revenue

Lease income comprises all the lease payments received in respect of office buildings, shopping centers and shops, as well as other similar income, such as car park rentals, termination penalties and entry fees received.

Rental income is lease income, excluding income from entry fees and other sundry income.

Group revenue comprises lease income and management and administration income received by the service provider companies.

Other operating income comprises building works re-billed to tenants and sundry income.

As of June 30, 2008, rental income totaled 324.9 million euros, of which 284.4 million related to shopping centers, 15.1 million to shops and 25.4 million to office buildings.

in millions of euros	Lease income	Maangement income	Total
Shopping centers	***284.4***	***30.8***	***315.2***
France	***145.7***	***22.5***	***168.2***
Italy	***43.6***	***2.9***	***46.5***
Spain	***34.0***	***3.0***	***37.0***
Hungary	***15.7***	***0.7***	***16.4***
Poland	***17.4***	***0.2***	***17.6***
Belgium	***6.4***	-	***6.4***
Portugal	***9.3***	***0.8***	***10.1***
Czech Republic	***7.5***	***0.6***	***8.1***
Greece	***3.9***	***0.0***	***3.9***
Other	***0.9***	-	***0.9***
Shops	***15.1***	***1.4***	***16.5***
Office buildings	***25.4***	-	***25.4***
Total	**324.9**	**32.2**	**357.1**

Revenues generated from business outside France represented 41.2%, compared to 41.1% as of December 31, 2007.

Compared to June 30, 2007, rental income from shopping centers increased by 14.1%. 8.9% of this increase (22.4 million euros) came from external growth in 2007, to which the major contributors were: the acquisition of two hypermarkets in Toulouse (+3.1 million euros), the Victor Hugo center in Valence (1.6 million euros), the opening of the Angoulême Champs de Mars center (+1.9 million euros), the extension of Rambouillet (+1.3 million euros), the acquisition of the Larissa mall in Greece (+0.8 million euros), the Rybnick, Sosnowiec and Lublin malls in Poland (5.9 million euros) and the purchase of a 50% stake in the Parque Nascente and Gondobrico centers in Portugal (+2.2 million euros). The Lonato and Verona malls acquired in 2008 also contributed to the growth (+2.5 million euros).

5.3. Operating expenses

Land expenses correspond to amortizations and fees on construction leases.

Non-recovered rental expenses primarily come from expenses on vacant premises.

Building expenses are posted net of re-invoicing to tenants, and only include amounts at the owner's expense.

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
OPERATING EXPENDITURE (excluding Corporate activities)	*-25 904*	*-49 146*	*-20 674*
Land expenses (real estate)	**-1 301**	**-2 515**	**-1 271**
* *Office buildings*	*-139*	*-248*	*-144*
* *Shopping centers*	*-1 162*	*-2 267*	*-1 127*
* *Shops*			
Unrecovered rental expenses	**-9 327**	**-17 189**	**-4 043**
* *Office buildings*	*-424*	*-1 113*	*-376*
* *Shopping centers*	*-8 895*	*-16 066*	*-3 667*
* *Shops*	*-8*	*-10*	
Building expenses	**-15 276**	**-29 442**	**-15 360**
* *Office buildings*	*-387*	*-1 402*	*-536*
* *Shopping centers*	*-14 483*	*-27 254*	*-14 482*
* *Shops*	*-406*	*-786*	*-342*
DEPRECIATION AND AMORTIZATION ALLOWANCE	*-107 639*	*-173 662*	*-78 916*
Depreciation and amortization allowance on investment property	-105 025	-169 297	-77 132
Depreciation and amortization allowance on property, plant & equipment	-2 614	-4 365	-1 784
Amortization of goodwill	0	0	0
Total	**-133 543**	**-222 808**	**-99 590**

Amortizations and provisions for investment property increased by 28.7 million euros, compared to June 30, 2007.

This increase results from:

- expansion of the portfolio in 2007 and 2008, with the acquisition of three malls in Poland (2.8 million euros), shops (1.2 million euros), the Angoulême-Champs de Mars mall (1.0 million euros), the Valence-Victor Hugo mall (0.6 million euros), two hypermarkets near Toulouse (0.6 million euros) and the Larissa mall in Greece (0.5 million euros);

- disposals of office buildings, resulting in a decrease of amortization allowances by 0.2 million euros;

- property provisions net of reversals totaling 22.7 million euros and mainly related to provisions on shopping centers in Poland and the Czech Republic. The appreciation of local currencies, which has led to a revaluation of assets following conversion to euros in the Group financial statements.

5.4. Income from sales of investment property and equity interests

Income from sales totaled 21.3 million euros, they can be broken down as follows:

- 18.1 million euros from investment property, most of which is related to the sale of the Courier mall in Annecy,

- 3.7 million euros in equity securities arising as a result of selling all shares in the Belgian management company Devimo Consult.

5.5. Net cost of debt

As of June 30, 2008, the cost of debt was 91.4 million euros, compared to 76.2 million euros as of June 30, 2007, reflecting the increase of interest rates and the outstanding debt.

Recognized financial expenses totaled 12.2 million euros for the first half of 2008, compared to 18.4 million euros as of December 31, 2007.

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Investment revenues			
Income from sale of securities	1 652	2 468	1 235
Net interest revenue on swaps	12 378	14 456	5 570
Net deferal of payments on swaps	992	535	-
Interest on advance payment to partners	11 652	16 755	6 367
Sundry interests received	784	1 103	266
Other revenues and financial income	1 130	3 074	1 488
Currency translation income	4 238	9 797	479
Total	**32 826**	**48 188**	**15 405**

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Financial expenses			
Interest on bond issues	-47 759	-96 044	-47 628
Interest on loans from credit institutions	-63 948	-93 261	-38 705
Other bank interest	-999	-2 309	-1 146
Net interest expense on swaps			
Net deferal of payments on swaps			272
Payments on cancellation of swaps		-	
Interest on advance payment to partners	-4 310	-7 130	-3 200
Other financial expenses	-4 973	-7 330	-1 786
Transfer of financial charges	3 100	2 968	1 091
Currency translation losses	-5 318	-8 003	-326
Allowance on provisions for loan issue expenses (1)			0
Allowance on provisions for on repayment premiums (1)			0
Allowance on provisions for loan issue expenses			-
Allowance on provisions for on repayment premiums			-
Allowance on provisions for other long-term investments	-5	-10	-201
Total	**-124 213**	**-211 119**	**-91 629**
Cost of indebtedness	**-91 386**	**-162 931**	**-76 224**

(1) Application of actual tax charge since January 1, 2005

5.6. Corporate income tax

in thousands of euros	June 30, 2008	December 31, 2007	June 30, 2007
Current taxes payable	- 27 996	- 37 982	- 6 686
Deferred tax	12 553	24 489	- 3 211
Total	**- 15 443**	**- 13 493**	**- 9 897**

Klépierre identifies three income tax segments:

- the SIIC segment, which includes Klépierre and all eligible French real-estate affiliates. Some of these companies remain under French common law tax rates;
- companies under French common law tax status;
- foreign companies.

The tax expense for the first half of 2008 is 15.4 million euros.

❑ The reported SIIC tax expenses of 7.2 million euros are as follows:

- a charge of 0.3 million euros on the segment's taxable earnings. These earnings relate mainly to financial transactions conducted by the relevant companies;
- a net charge of 4.8 million euros as provision for a tax of 17.4 million euros which will be paid in respect of the entry of Progest, Holding H1 and Klecapnor to the SIIC scheme, minus the reversals of provisions for deferred tax liabilities held by the 3 entities and totaling 12.5 million euros;
- a charge of 2.1 million euros in deferred taxes calculated primarily on the basis of cash payment deferrals and the recognition of deficits on the balance sheet.

❑ Other French companies outside the SIIC segment reported a tax charge of 0.9 million euros:

- 0.8 million euros in current tax relating to the limited partners of Klécar Europe Sud;
- 0.4 million euros in due tax payable for the period by the entities of this segment;

- 0.3 million euro income form deferred taxes by recognizing deficits, withdrawal and restatement of amortization.

❑ Foreign companies recorded a tax charge of 7.3 million euros:

- 8.6 million euros in current tax payable, the majority of which relates to Italy (3.9 million euros), Hungary (2.1 million euros) and Poland (1.1 million euros);
- 0.9 million euros of additional tax reported by the Italian companies ICD, Magnolia and Novate as a result of their assets being incorporated into the Italian K2 fund;
- 4.0 million euro income from deferred taxes, mainly a result of unrealized exchange rate gains and income and allowances related to restatement of amortization using the component method;
- 1.8 million euros in tax, as a result of discounting tax deficits.

Reconciliation of theoretical tax and actual tax as of June 30, 2008:

in thousands of euros	SIIC sector			Non-SIIC sector France	Foreign companies	Total
	tax-free earnings	taxable earnings	Total			
Pre-tax earnings and earnings from equity method companies	104 316	-13 618	**90 698**	19 403	4 220	**114 321**
Theoretical tax charge at 34.43%	**-35 916**	**4 689**	**-31 227**	**-6 680**	**-1 453**	**-39 361**
Tax exempt SIIC sector income	**50 485**		**50 485**			**50 485**
Taxable sectors						
Impact of permanent time lags	-3 457	-5 198	**-8 655**	6 627	-1 171	**-3 199**
Restatements of untaxed consolidations	-10 551	-	**-10 551**	-517	363	**-10 705**
Impacts of non activated deficits	-956	-2 389	**-3 345**	-1 277	-2 914	**-7 536**
Assignment of non activated deficits	417	67	**484**	757	2 905	**4 146**
Exit tax for long-term special capital gains reserve			**-**			**-**
Change of tax regime			**-**			**-**
Discounting of deferred taxes following restructuring			**-**			**-**
discounting rates and other taxes to present value	-4 934	532	**-4 402**	206	-4 655	**-8 851**
Rate differences outside France			**-**		-422	**-422**
Actual tax expense	**-4 912**	**-2 299**	**-7 211**	**-884**	**-7 347**	**-15 443**

Ordinary deficits are capitalized when their recovery is deemed probable:

Entities	Statutory tax rate	Inventory of ordinary deficits Dec. 31, 2007	Inventory of ordinary deficits June 30, 2008	Change in OD in 2008	Capitalized deferred tax at Dec. 31, 2007	Amounts capitalizable at June 30, 2008	Change in capitalized amounts	Regularization	Amounts capitalized at June 30, 2008	Amounts not capitalized at June 30, 2008	Remarks
Portugal											**losses deferrable over 6 years**
Finascente	26.50%	-	-	-	-	-	-		-	-	
Kleminho	26.50%	(567)	(586)	(19)	150	155	5		155	0	
Holding Gondormar 1 (French company)	16.50%	(6 587)	(1 189)	5 398	1 086	196	-1 087		(0)	197	all deferred tax on tax losses used
Holding Gondormar 3 (French company)	16.50%	(841)	(871)	(30)	139	144	5		144	0	
Spain											**losses deferrable over 15 years**
KFI	30.00%	-	-	-	(0)	-	-		0	0	
KFE	30.00%	(13 139)	(7 375)	5 764	3 262	2 213	-1 729		1 532	680	unrecognized losses prior to tax consolidation
Vinaza	30.00%	(3 236)	(4 174)	(938)	971	1 252	281		1 252	0	
Vallecas	30.00%	(16 632)	(18 074)	(1 442)	4 990	5 422	433		5 422	0	
Belgium											**unlimited deferral of ordinary losses**
Cinémas LLN	34.00%	(2 564)	(2 701)	(137)	872	918	47		919	0	
Coimbra	34.00%	(5 218)	(5 292)	(74)	1 774	1 799	25		1 799	0	
Foncière LLN	34.00%	(6 599)	(7 595)	(996)	-	2 582	0		0	2 582	unrecognized tax losses
Place de l'accueil	34.00%	(258)	(258)	-	88	88	0		88	0	
Hungary											**unlimited deferral of ordinary losses**
Klépierre Participations et Financements (French company)	34.43%	-	(648)	(648)	0	223	223	(4)	220	4	
Hungarian real estate companies	16.00%	(13 204)	(13 501)	(297)	2 113	2 160	48		2 160	0	
Czech Republic											
Czech holding comoanies	20.00%	(1 202)	(11)	1 191	-	2	-		0	2	unrecognized tax losses
Klépierre CZ	20.00%	(4 969)	-	4 969	1 044	-	(1 246)	202	0	0	
Bestes	20.00%			-	-	-	-		0	0	
AMC Prague	20.00%	-		-	-	-	-				
Greece				-							**losses deferrable over 5 years**
Klépierre Larissa	25.00%	(4 928)	(4 518)	410	1 232	1 130	-103		1 130	-	
Ségécé Hellas	25.00%		-	-		-	-		-	-	
KFM	25.00%	-	-	-	0	-	-		0	0	
Patras	25.00%	(492)	(334)	158	123	84	-40		84	(0)	
Efkarpia	25.00%	(56)	(50)	6	14	13	-2		12	0	
Athinon	25.00%	(896)	(1 117)	(221)	224	279	55		280	(0)	
Italy				-							**ordinary losses deferrable over 5 years except**
Assago	31.40%	-	-	-	-	-	-		-	-	**the first 3 years, which have unlimited deferral**
Kléfin	27.50%	(7 333)	(7 118)	215	2 016	1 957	(59)		1 957	-	
Serravalle	31.40%	(534)	(303)	231	168	95	(73)		95	(0)	
Galleria Commerciale Klépierre	31.40%	(749)	-	749	235	-	(235)		(0)	0	
Collegno	31.40%	(3 069)	(2 721)	348	964	854	(109)		854	0	
Clivia	31.40%		(254)	(254)		80	80		80	-	
Other Italian companies	31.40%	-	(1 346)	(1 346)		423	(0)		(0)	423	unrecognized tax losses
Poland				-							**losses deferrable over 5 years**
Sadyba (real estate and holding)	19.00%	(4 843)	(5 197)	(354)	920	987	67		987	0	
Krakow (real estate and holdings)	19.00%	(3 919)	(2 439)	1 481	336	463	(311)		24	439	unrecognized tax losses
Ruda (foncière)	19.00%	(3 325)	(3 557)	(232)	453	676	44	7	504	172	unrecognized tax losses
Poznan (real estate and holding)	19.00%	(3 407)	(3 656)	(249)	647	695	47		695	-	
Rybnick (real estate and holding)	19.00%	(1 659)	(386)	1 273	282	73	(209)		73	-	
Sosnowiec (real estate and holding)	19.00%	(1 404)	(379)	1 025	234	72	(162)		72	-	
Lublin (real estate and holding)	19.00%	(4 904)	(5 188)	(284)	426	986	(243)		183	803	unrecognized tax losses
Other Polish holdings	19.00%	(1 073)	-	1 073	(0)	-	0		-	-	unrecognized tax losses
Segece Poland (Ex PCMP)	19.00%	(59)	-	59	(0)	-	(11)		(11)	11	
Netherlands						-					
Capucine BV	25.50%	(1 715)	(2 795)	(1 080)	-	713	0		-	713	holding company: dividends and capital gains from share sales ate tax exempt
Luxemburg						-					
Luxembourg holding companies	20.00%	(624)	(3 192)	(2 568)	-	638	0		-	638	unrecognized tax losses
France				-					-	-	unlimited deferral of ordinary losses
Kléber La Pérouse	0.00%	(156)	(376)	(220)	25	-	-	(25)	0	(0)	deferred tax on 2007 losses used in 2008
Cap Nord	34.43%	(833)	(1 623)	(790)	-	559	-		-	559	unrecognized tax losses
Klécapnord	16.50%	(1 087)	-	1 087	179	-	(179)		-	-	company merged with Cap Nord
KLE Projet 2	16.50%	(1 558)	(1 767)	(209)	257	292	34		292	-	
Holding Gondormar 2	0.00%	(209)	(708)	(499)	34	-	-	(34)	0	(0)	deferred tax on 2007 losses used in 2008
Holding Gondormar 4	16.50%	(147)	(231)	(84)	24	38	14		38	-	
Other French companies	34.43%	(2 143)	(9 791)	(7 648)	-	3 371	0		0	3 371	unrecognized tax losses
TOTAL		**-126 140**	**-121 321**	**4 819**	**25 283**	**31 632**	**-4 389**	**146**	**21 039**	**10 593**	

6. Exposure to risks and hedging strategy

Klépierre pays close attention to managing the financial risks inherent in its business activity and the financial instruments it uses. The Group identifies and regularly measures its exposure to the various sources of risk (interest rates, liquidity, foreign exchange, counterparties, equity markets, etc.) and defines applicable management policies if necessary.

6.1. Interest rate risk

A) Cash Flow Hedge rate risk

- ***Recurrence of variable rate financing requirement***

  In structural terms, variable rate debt represents a significant proportion of the Group's borrowings (55.4% of debt at June 30, 2008, before hedging). It includes: bank loans (standard and mortgages), drawdowns on syndicated loans, commercial papers and the use of agreed overdrafts.

- ***Identified risk***

  An increase in the interest rate against which variable rate debts are indexed (primarily 3-month EURIBOR) could result in an increase in future interest rate expenses.

- ***Measurement of risk exposure***

  The first two of the following tables show the exposure of Klépierre's income to an increasing interest rate, before and after hedging.

Interest rate position before hedging (in millions of euros)	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position (variable rate debts and debts due in less than one year)	**2 757**	**27.6**
- Marketable securities	-120	-1.2
Net position before hedging	**2637**	**26.4**

Interest rate position after hedging (in millions of euros)	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position before hedging	**2 757**	**27.6**
- Net hedge	-1990	-19.9
Gross position after hedging	**767**	**7.7**
- Marketable securities	-120	-1.2
Net position after hedging	**647**	**6.5**

Given that changes in the fair value of Cash Flow Hedge swaps are recognized in the equity, the following table quantifies the likely impact of an increased interest rate on equity, based on the Klépierre Cash Flow Hedge swaps portfolio at the end of the period (including deferred swaps).

Fair Value of the Cash Flow Hedge (in millions of euros)	Fair Value	Change in financial expenses caused by a 1% increase in interest rates
Cash Flow Hedge swaps as of June 30, 2008 (notional: 2,690 million euros)	**154**	**113.5**
Cash Flow Hedge swaps as of December 31, 2007 (notional: 2,690 million euros)	80	89.8

Financial debt after hedging can be broken down as follows:

in millions of euros	Fixed rate debt			Variable rate debt			Total gross financial debt		Average cost of forecasted debt
	Amount	Rate	Fixed part	Amount	Rate	Fixed part	Amount	Rate	
31/12/2006	3 159	4.22%	85%	570	4.27%	15%	3 729	4.23%	4.28%
31/12/2007	3 200	4.20%	70%	1 367	5.35%	30%	4 567	4.54%	4.65%
30/06/2008	4 202	4.36%	85%	767	4.47%	15%	4 969	4.38%	4.49%

- ***Hedging strategy***

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross financial debts. As the previous table shows, this proportion was 85% as of June 30, 2008.

In order to achieve its target level, Klépierre focuses on the use of swap agreements, allowing him to freeze the rate of financing to variable rates or the other way, to convert fixed rate financing into variable rate financing.

Klépierre can also cover its Cash Flow Hedge rate risk by limiting the variation around the benchmark index, for example by buying a cap on that index,.

Given its strategy and investment program, Klépierre is structurally a borrower, and the current finance plan allows for a debt increase by over 300 million euros per year in the coming years. Since the Group is not seeking to reduce the proportion of its short-term debts, it is likely that its short-term variable rate loans will be renewed and turned into in the medium-term loans. This is the reason why the Klépierre hedging strategy addresses both the long-term and short-term aspects of its borrowings.

Generally, the term of the hedging instrument may exceed that of the hedged debt, on condition that Klépierre's financing plan emphasizes the high probability of these debts being renewed.

B) Fair Value Hedge rate risk

- ***Description of fixed rate indebtedness***

The majority of Klépierre's fixed rate borrowing currently consists of bond issues and two bilateral bank loans subscribed in 2004 by Klépierre and Klépierre Participations et Financements.

The main source of additional fixed rate debt is potentially the bond market or 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, insofar as the fair value of fixed-rate debt increases when rates fall, and vice-versa.
At any given time, Klépierre may also find itself in the position of needing to increase its fixed-rate debt at a future date (e.g.: to fund a planned acquisition). The Group would then be exposed to the risk of a change in interest rate prior to arrangement of the loan. Klépierre may then consider hedging against this risk, which is treated as a "cash flow hedge" risk under IFRS.

❑ *Measurement of risk exposure and hedging strategy*

As of June 30, 2008, fixed rate debt totaled 2,212 million euros before hedging.

The "Fair Value Hedge" strategy is calibrated to correspond to the overall hedge rate target. It is also based on the use of rate swaps allowing fixed rate payments to be swapped to variable rate payments. The "credit margin" component is not hedged.

The duration of "Fair Value Hedge" instruments is never longer than that of the debt hedged, since Klépierre wishes to obtain a very high level of "efficiency", as defined by IAS 32/39.

C) Investment securities

As of June 30, 2008, Klépierre held investment securities in the value of 120.1 million euros.

These investments are mainly composed of French money market open-end and mutual funds (SICAV-FCP) (102.3 million euros), Italian one-month deposit certificates (8.9 million euros) and Spanish one-week treasury bills (8.9 million euros).

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

D) Fair value of financial assets and liabilities

Under IFRS norms, financial debts are recognized in the balance sheet at amortized cost and not at fair value.

The following table compares the fair values of debts with their nominal value. Fair values are drawn up according to the following principles:

- Variable rate bank debt: the fair value is equal to the nominal amount (unless there is a major credit event not reflected in the financial conditions of the debt);
- Fixed rate bank debt: the fair value is calculated solely on the basis of rate fluctuations (unless there is a major credit event not reflected in the financial conditions of the debt);
- Bond issues (and convertibles, if applicable): market prices are used where available, in any other case, fair value is calculated on the basis of rate fluctuations and credit margin.

	2008			2007		
in millions of euros	Face value	Fair value	Change in FV caused by a 1% increase of interest rates*	Face value	Fair value	Change in FV caused by a 1% increase of interest rates*
Fixed rate bond issues	1 900	1 761	51	1 900	1 829	62
Fixed rate bank loans	312	301	5	310	300	6
Variable rate bank loans	2 757	2757	-	2 357	2357	-
Total	**4969**	**4819**	**55**	**4567**	**4486**	**68**

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

Derivatives are recognized in the balance sheet at their fair value. As of June 30, 2008, a 1% increase in rates would lead to an increase of 98 million euros in the value of the Group's interest rate swaps (Cash Flow Hedge and Fair Value Hedge).

On the asset side, non-consolidated securities are recognized as “securities available for sale”, and are therefore measured 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) Measures and resources for managing interest rate exposure

Given the importance to Klépierre of managing interest rate risk, its management team is involved in all decisions concerning the hedging portfolio. The Financial Division uses IT systems to provide real-time tracking of market trends and calculate the market values of its financial instruments, including derivatives.

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 38.1% of financial debt as of June 30, 2008. The average duration of the debt is 4.9 years, and bank debt is spread across a range of financial products (club deals, mortgage loans, etc.) and various international scale counterparties.

Outstanding commercial paper (which represents the bulk of short-term financing) never exceeds the amount of the “back-up” line syndicated amongst several banks, which would enable immediate refinancing of this borrowing in the event of renewal problems in the market.

Klépierre also had unused credit lines (including bank overdrafts) totaling 1,235 million euros as of June 30, 2008.

Generally speaking, the access to the financing of real-estate companies is facilitated by the security that their property assets offer to the lenders.

Some Klépierre financings (syndicated loans, bond issues, etc.) are accompanied by financial covenants. Failure to comply with these covenants may result in compulsory early repayment (cf. the note concerning financial liabilities). These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klépierre with sufficient flexibility to ensure that liquidity risk remains low.

Bond issues (1,900 million euros) include a bearer option, of requesting early repayment in the event of a change of control that would change Klépierre’s rating to “non-investment grade”. Apart from this clause, no other financial covenant refers to Standard & Poor’s rating for Klépierre.

Principal Covenants	Maximum amount of the relevant finance (€M)	Contractual limit	Impact of non-compliance	Level as of June 3, 2008
Klépierre financing				
"Loan to value"	3 550	≤ 52%	Default case	41.7%
EBITDA / FFI		≥ 2,5		3.21
Secured debt / Revalued assets		≤ 20%		3.9%
Revalued asset value - group share		≥ 6000 M€		10.7
Secured debt / RNAV	1 900	≤ 50%	Default case	8.1%
Klémurs financing				
"Loan to value"	150	≤ 65% *	Default case	60.0%
EBITDA / FFI		≥ 1,8 **		2.49
Secured debt / Revalued assets		≤ 20%		9.1%
Revalued asset value - group share		≥ 300 M€		621.5

** 55% excluding subordinated loans*

*** 2 excluding financial expenses on subordinated loans*

6.3. Currency risk

Klépierre's business is mainly located in Euro zone countries. As of June 30, 2008, the only 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 tenants in euros and converted into the local currency on the invoicing date. Lessees have the choice of paying their rents in local currency or in euros (or in dollars for a small number of leases). The currency risk is therefore limited to the difference between the invoiced rent and the rent actually collected when the currency loses value towards the euro between the invoice date and the actual payment in local currency by the tenant.

At the same time, Klépierre ensures that lease payments from tenants do not represent an excessively high proportion of their revenue in order to avoid any worsening of their financial position in the event of a high increase in the value of the euro, which could increase the risk of default payments for Klépierre.

6.4. Counterparty risk

It only concerns investments carried out by the Group and the Group's counterparties in derivative product transactions.

Counterparty risk on investment securities

The counterparty risk on investments is limited by the type of products used:

- UCITS managed by recognized institutions, 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 holds no equities other than its own shares (2,976,490 shares as of June 30, 2008), which are booked in equity at historic cost.

7. Finance 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).

in thousands of euros	June 30 2008	December 31 2007	June 30 2007
Guarantees within the context of a Property Development Contract / Sale Before Completion Contract	331 193	297 541	142 390
Total	**331 193**	**297 541**	**142 390**

7.2. Commitments given and received

in thousands of euros	June 30 2008	December 31 2007	June 30 2007
Commitments given			
- Security deposits on loans to employees	12 075	12 659	10 053
- Guarantees, deposits and mortgages	16 890	16 445	10 957
- Purchase commitments	709 918	999 286	486 885
Total	**738 883**	**1 028 390**	**507 895**
Commitments received			
- Deposits received as guarantee for the activity of real-estate management and transactions	145 340	145 340	145 340
- Sale commitments	-	107 000	920
- Deposits received from tenants	64 559	62 595	52 195
- Other guarantees received	149	649	109 838
- Unutilised confirmed credit lines	1 235 000	630 000	158 500
Total	**1 445 048**	**945 584**	**466 793**

❑ ***Purchase commitments***

Purchase commitments primarily correspond to preliminary purchase contracts for the construction of the Vallécas center in Madrid (113 million euros), the Claye Souilly shopping center (16 million euros), the Vanne city center mall (50.5 million euros) and the Montpellier Odysseum (17.7 million euros).

In 2007, Klémurs signed a preliminary purchase contract valued at 163.2 million euros for 88 "Défimode" shops and 42 other future projects, and is also committed to the acquisition of 15 retail assets located in retail parks at Avranches, Rochefort sur Mer and Messac (18.2 million euros). As of June 30, 2008, the balances yet to be paid were respectively 62.8 million euros and 1.5 million euros. In accordance with the terms of the original agreement, 10 units remain subject a promise for definitive acquisition, before December 31, 2008. During the fiscal year of 2009, 25 new shops now under development will be added.

In 2008, Klémurs signed a commitment to buy 23 King Jouet units at a total cost of 21.8 million euros.

Subject to various conditions, Klépierre has acquired the Place de l'Etoile center in Luxembourg (21,500 m² GLA, with a provisional opening date of 2011) at a cost of 215 million euros, of which 1million euro has been paid to this date.

In 2007, Klépierre gave a commitment under its partnership with Finiper to buy 50% of the Il Leone center in Lonato (15,987 m² GLA, and a 84 million euro share of the investment) and the Le Corti Venete center in Vérone (30,181 m² GLA and a 40.7 million euro share of the investment). The acquisitions were completed in Q1 of 2008.

A third center currently under construction will also be acquired when it opens in Q1 2009. The Vittuone center in the western suburbs of Milan covers 29,952 m² GLA and will involve an investment of 44.2 million euros (for a 50% stake).

Earnout clauses also exist for some acquisitions. In accordance with Articles 32 and 34 of IFRS 3, the price adjustment applied to the cost of the business combination on the acquisition date must be recognized where adjustment is likely and can be reliably estimated on the balance sheet date.

The price paid for Sadyba (part of the Polish acquisitions made in 2005) is subject to an earnout clause. Klépierre does not fully own the land on which the center is built, but holds a lease with an expiry date of July

31st, 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 starting from July 2005.

Since the likelihood of the lease being extended or full ownership being obtained cannot be measured, this earnout is not booked.

- ***Preliminary sale agreements***

A preliminary sale agreement was signed for the disposal of 41.62% of the Annecy building at a price of 37 million euros. Klépierre also agreed to sell to Cicobail (in the context of a finance lease agreement) the Cesson (77) property complex for 70 million euros. These transfers were completed in the first half of 2008.

- ***Credit lines confirmed but not used:***

As of June 30, 2008, Klépierre had access to 1,235 million euros in credit lines confirmed but not used. This total was made up as follows:

- 1,000 million euros line of credit available under the syndicated loan granted in 2007;
- 150 million euros line of credit available under the syndicated loan granted in 2006;
- 85 million euros of possible commercial paper issue (variance between the amount of the back-up line and the outstanding issued paper).

- ***Other guarantees received***

To our knowledge, we have not omitted any significant or potentially-significant off-balance sheet commitments as defined by the applicable accounting standards.

7.3. Guarantees

in thousands of euros	June 30 2008	December 31 2007	June 30 2007
Guaranteed debts	223 702	371 655	327 380
Total	**223 702**	**371 655**	**327 380**

In general terms, the Group finances its assets from equity or debt contracted by its parent company, rather than pledging its own assets.

The details of those debts secured by pledges are as follows:

in thousands of euros	Loan amount as of June 30, 2008	Mortgage amount	Pledge start date	Pledge expiry date	NBV of the pledged asssets in the corporate
on tangible assets					*515 289*
K2	69 000				
Metropoli		52 500	19/03/2008	15/01/2023	100 058
Vignate					81 347
Settimo		10 500	19/03/2008	15/01/2023	34 220
Roncadelle		27 000	19/03/2008	15/01/2023	87 050
Klecar Italia	111 593	331 500	30/06/2003	30/06/2015	206 795
SCI Rebecca	3 686	5 764	17/10/2002 20/07/2000	30/12/2014 31/072015	4 877
SCI LC	173	377	05/01/2000	02/01/2012	943
on long-term financial assets					*0*
TOTAL					**515 289**

7.4. Shareholders’ agreements

- ***Shareholders’ agreements concerning Klécar France, Klécar Europe Sud, Solorec and Klécar Participations Italie***

The shareholders’ agreements between Klépierre and CNP Assurances and Ecureuil Vie were amended by a rider signed on December 30, 2004, in order to cancel the liquidity commitments given by Klépierre to its partners.

The agreement provides for the usual minority protections: pre-emptive share right, joint exit right and the decision-making process applying to investment or disinvestment. Each agreement contains two additional clauses:

- one in favor of Klépierre: an obligation for the minority shareholders to exit at the request of Klépierre in the event of Klécar’s assets being sold to a third party
- the other in favor of the minority shareholders: a process enabling the latter to consider a range of exit scenarios in 2011, 2016 and 2017 (for the Italian companies) or 2010, 2014 and 2015 (for the other malls):
    - asset sharing or sale;
    - outright purchase of minority shareholdings by Klépierre (with no obligation for Klépierre);
    - sale to a third party with payment of a discount by Klépierre if the offer is less than the Revalued Net Asset Value.

- ***Partners’ agreement between SNC Kléber la Pérouse and SCI Vendôme Commerces in respect of SCS Cecobil***

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

- ***Partners' agreement between SNC Kléber la Pérouse and SCI Vendôme Commerces in respect of SCI Secovalde***

Signed on October 25, 2007, this agreement provides for the usual protections regarding the planned sale of equity shares to a third party (first refusal and total joint exit rights) and change of control of a partner.

- ***Partners' agreement between Klépierre, Klefin Italia, Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper et Cedro 99 in respect of Immobiliari Galerie Commerciali (IGC) and Clivia***

A partners' agreement was signed in 2002 during the acquisition of IGC shares by Klépierre.

Its main provisions – including those regarding Klépierre's preemptive right – were restated in a new agreement that includes IGC and Clivia (owner of the Lonato, Verone and Vittuone malls).

It also includes a put (option to sell) in favor of Finiper, enabling the latter to sell its shares in IGC and/or Clivia to Klépierre. This 10-year put cannot be split for IGC (it must be exercised on all the shares held by Finiper), but may be split into two parts (each of 25%) for Clivia. Any refusal by Klépierre gives Finiper entitlement to a penalty.

- ***Partners' agreement between Klépierre Luxembourg and ISC Spa***

This agreement includes a put (option to sell) enabling the Finim Group the sale of its holding in the event that the investment committee adopts a resolution to realize the following transactions despite contrary votes of the representatives of Finim:

- fund investment or disinvestment transactions relating to assets whose gross value is greater than 5% of the total value of fund assets or 20% of the value of a single property development owned by the fund;
- a reduction of the holding maintained by Klépierre unit holders to below 50% in case no offer has been made to Finim to participate in this disengagement.

This agreement will be effective for an initial period of five years, after which it will be tacitly renewed for a further period of two years (and thereafter on the same two-year basis).

- ***Preferential sale agreement between Progest, Kléber La Pérouse and certain associates of IPECI***

Under the terms of this preferential sale agreement of April 8, 2008, the associates of IPECI, which also hold stakes in several Progest group companies, must first propose the shares in theses holdings to Kléber La Pérouse and Progest. These two companies will, depending on the circumstances, have the right of first or second rank stock purchase right over those shares destined for transfer.

The agreement was signed for a period of 8 years, and is tacitly renewable for further periods of 2 years unless terminated 6 months prior to expiry of the period concerned.

7.5. Commitments on operating leases - Lessors

General description of the main clauses contained in the lessor's lease agreement:

- ***Shopping centers***

Lease agreement periods range from 5 years in Spain to 12 years in France (with 3-year periods), whilst Italy operates a mixed system that varies from 5 years to 12 years. The terms of fixing and indexing of rents are set determined in the agreement.

Indexation enables the reappraisal of the minimum guaranteed rent. The indices used vary from country to country.

- **Indexation specific to each country**

In France, the index used is the quarterly French Cost-of-Construction Index (ICC). The indexing figure applied is that which corresponds to the "anniversary" quarter of the lease. Approximately 70% of Klépierre's French leases are subject to application of the ICC for the second quarter of each year (published in October).

In Spain, the consumer price index (CPI) is recorded annually every January 1st.

In Italy, the system is based on the consumer price indices (excluding tobacco) for working class and junior management (ISTAT). But implementation of the indexation system is more complex: depending on the lease, either the ISTAT is applied at 75%, or the full reference segment index is applied.

In Portugal, the retained index is the consumer price index (CPI), excluding property.

The Consumer Price Index (CPI) is applied in Greece.

The Eurostat IPCH eurozone index used in Central Europe, which is based on consumer prices in the EMU countries.

- **Guaranteed minimum rent and variable rent**

Appraised on a year-by-year basis, the rent payable is equivalent to a percentage of the revenue generated by the lessee during the calendar year concerned. The rate applied differs depending on business type. The total amount of this two-part rent (a fixed part + a variable part) can never be less than the Minimum Guaranteed Rent (MGR). The MGR is reappraised annually by application of the index. The variable part of the rent is equivalent to the difference between the revenue percentage fixed in the lease and the minimum guaranteed rent after indexation.

At lease renewal, all or part of the variable rent may be consolidated into the MGR, with the result that the variable part of the rent is often reduced to zero at the end of the lease (every 5 to 12 years, depending on the nature of the lease). It is also deducted annually from the indexation rise in MGR.

The variable rent clause traditionally included in most existing French and Italian real estate leases has gradually been incorporated into other leases at the point of renewal or renegotiation.

- ***Office buildings***

100% of Klépierre's office building property is 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 derogatory from the status, of two years or more, can be settled.

The most usual lease term is 9 years, during which only the lessee may terminate the lease at the end of each three-year period by sending a six-month prior notice by extrajudicial act. The parties may be exempt from this clause of three-year termination.

The rent is usually paid quarterly in advance and is indexed in full annually against the INSEE construction cost index. The rent may be progressive or constant, and may include rent-free periods, but is always determined at the point when the lease is signed and for its full term (apart from riders added during the lease term).

All charges, including property and office taxes, are usually met by the tenant, with the exception of works regulated by Article 606 of the Civil Code, which are usually paid for by the lessor.

For Professionals (lawyers, chartered accountants, architects, etc.) the status is not applicable. The minimum duration for such leases is six years, with the lessee free to terminate at any time by giving six months' notice. These agreements do not include the right to renewal, but all 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 is that portion of the total rent which is not a fixed amount, but is a variable amount based on a factor other than time (e.g. percentage of revenue, degree of use, price indices, market interest rates, etc.).

Minimum payments made under the lease are those payments which the lessee is, or may be, required to make during the term of the lease, excluding the conditional rent, the cost of services and taxes to be paid or refunded to the lessor.

As of June 30, 2008, the accumulated minimal future rents receivable pursuant to the non-cancellable operating lease agreements were as follows:

in thousands of euros	**June 2008**
less than 1 year	563 999
between 1 and 5 years	988 313
more than 5 years	279 286
Total	**1 831 598**

7.6. Commitments on lease agreements - financing

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

in thousands of euros	June 30, 2008	
	minimum payments	discounted value of payments
less than 1 year	426	266
betwen 1 and 5 years	107	71
more than 5 years	0	0
Total minimum payments under the terms of the lease	***533***	***337***
Less financial charges	***-196***	
Discounted value of minimum payments	**337**	**337**

7.7. Retention commitments

The buildings and finance leases acquired as part of the Buffalo Grill transaction are covered by the tax status governed by Article 210 E of the French General Tax Code. The buildings concerned are protected by a retention commitment for five years from the date of acquisition.

8. Compensations and employee benefits

8.1. Payroll expenses

As of June 30, 2008, the total amount of payroll expenses was 37.8 million euros.

Fixed and variable salaries and wages plus incentives and profit sharing, totaled 26.5 million euros, pension-related expenses, retirement expenses and other staff benefits were 10.7 million euros and income tax, and similar compensation-related payments were 0.6 million euros.

As of June 30, 2008, the Group employed a total of 1,038 people.

8.2. Retirement commitments

- ***Post-employment plans with defined contributions***

In France, the Klépierre group contributes to a number of national and inter-profession basic and supplementary pension organizations.

- ***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 5.2 million euros as of June 30, 2008.

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.

In addition, the Group's staff benefits from treaty or contractual personal protection plans in various forms such as retirement gratuities.

In Italy, the plan in place for 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 on the basis of an assumed increase of medical costs. These assumptions, based on historic observations, take into account the estimated future changes in the cost of medical services resulting both from the cost of medical benefits and inflation.

Reconciliation of assets and liabilities posted in the balance sheet

in thousands of euros		June 30, 2008
Surplus of obligations over the assets of financed schemes		6 610
Gross discounted value of obligations fully or partly financed by assets		8 934
Fair value of plan assets	-	2 323
Discounted value of non financed liabilities		6 611
Not yet recognized costs in application of the provisions of IAS19		
Cost of past services	-	1 383
Actuarial net losses or gains		51
Net obligation recognized in the balance sheet for defined-benefits plans		5 279

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

in thousands of euros	June 30, 2008
Net obligation at the beginning of the period	4 799
Retirement expense recorded in income for the period	480
Contributions paid by Klépierre in income for the period	
Acquisition/Disposal	
Benefits paid to the beneficiaries of benefits non financed	
Net obligation at the end of the period	5 279

Components of the retirement expense

in thousands of euros		June 30, 2008
Cost of services rendered during the year		302
Financial cost		189
Expected yield from the plan's assets	-	44
Amortization of actuarial gains and losses	-	10
Amortization of past services		43
Effect of plan reductions or wind up		-
Total recognized in "payroll expenses"		480

Other long-term benefits

As of June 30, 2008, provisions to cover long-service awards and time-savings accounts totaled 1.9 million euros.

Principal actuarial assumptions used for calculation in the balance sheet

Actuarial assumptions	
In percentage, as of January 1, 2008	
Discounting rate	4.20%
Expected yield rate from plan assets	4.60%
Expected yield rate from reimbursement rights	n/a
Future salary increase rate	2.65 % - 5.72 %

8.3. Stock options

At the beginning of the period, there were 2 stock option plans for Group executives and employees.

These are standard stock option plans, and are therefore not performance linked.

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 recognizes a *pro rata (proportionate)* expense during the vesting period. This appraisal is made by a specialist third-party company. The model adopted complies with the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of the options concerned (particularly dividends in discrete amounts and the possibility of exercising options from May 31, 2010 for the plan authorized in 2006 and from May 16, 2011 for the plan authorized in 2007).

The calculated expense also reflects the estimated population of beneficiaries at the end of each vesting period, because beneficiaries may lose their rights if they leave the Klépierre group during this period.

- ***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 meeting on May 15, 2007.

These options may be freely exercised between May 16, 2011 and May 15, 2015 included.

The expense recognized in the income statement for the first half of 2008 in respect of stock options was 534,000 euros.

The unit value of stock options granted in 2007 was valued at 10.4 euros (after splitting the face value by 3). The key data used for the appraisal include an exercise price of 47.9 euros (after splitting the face value by 3), the share price on the grant date of 47.3 euros (after splitting the face value by 3), volatility of 21.2 %, a risk-free interest rate of 4.51% for an 8-year maturity period and a dividend of roughly 10% in 2007, followed by assumed growth calculated as a straight-line regression of the dividends for previous years.

	Plan 1	Plan 2
Date of General Meeting	April 7, 2006	April 7, 2006
Date of Executive Board Meeting	May 30, 2006	May 15, 2007
Total number of shares potentially subscribable or purchasable by		
(i) company officers (3)	135 000	99 000
(ii) the first ten employee recipients (1)(3)	123 000	141 000
Starting date of exercise of options	May 31, 2010	May 16, 2011
Expiry date	May 30, 2014	May 15, 2015
Subscription or purchase price (3)	30.50	47.96
Number of shares subscribed to at June 30, 2008 (3)	0	0
Subscription or purchase options of cancelled shares (3)	37 500	4 503
Outstanding subscription or purchase options at June 30, 2008 (1) (2)	547 500	424 783

(1) The number of employees shown may exceed ten where the number of options is identical, or less than ten wheer there are fewer than ten employees in a plan

(2) Applies only to officers and the first 10 employee recipients

(3) After face value divison in 2003 (for the plan suscripbed in January 24, 2003) and in 2007 (for other plans)

Stock options Executive Board	Date granted	Number of shares granted (1)	Exercise period	Exercise price (euros) (1)	Options outstanding at December 31, 2007	Number of options exercieed in H1 2008	Number of options cancelled in H1 2008	Options reMayning at June 30, 2008
Michel Clair	May 30, 2006 (2)	45 000	May 31, 2010 to May 30, 2014	30.50	45 000			45 000
	May 15, 2007 (2)	33 000	May 16, 2011 to May 15, 2015	47.96	33 000			33 000
Claude Lobjoie	May 30, 2006 (2)	30 000	May 31, 2010 to May 30, 2014	30.50	30 000			30 000
	May 15, 2007 (2)	15 000	May 16, 2011 to May 15, 2015	47.96	15 000			15 000
Jean Michel Gault	May 30, 2006 (2)	30 000	May 31, 2010 to May 30, 2014	30.50	30 000			30 000
	May 15, 2007 (2)	24 000	May 16, 2011 to May 15, 2015	47.96	24 000			24 000
Laurent Morel	May 30, 2006 (2)	30 000	May 31, 2010 to May 30, 2014	30.50	30 000			30 000
	May 15, 2007 (2)	27 000	May 16, 2011 to May 15, 2015	47.96	27 000			27 000

(1) After the face value division of 2007

(2) Resolution of the EGM of April 7, 2006 and restatement of the division of the face value by 3 in 2007

9. Additional information

9.1. Disclosures of the fair value model

in thousands of euros	June 30, 2008	fair value restatements	June 30, 2008 fair value model	December 31, 2007 fair value model
Lease income	329 071		329 071	597 178
Land expenses (real estate)	-1 301	1 301	0	0
Non-recovered rental expenses	-9 327		-9 327	-17 189
Building expenses (owner)	-15 276		-15 276	-29 440
Net lease income	***303 167***	***1 301***	***304 468***	***550 549***
Management, administrative and related income	32 259		32 259	64 195
Other operating income	6 665		6 665	18 265
Change in the fair value of investment property		79 033	79 033	911 522
Survey and research costs	-1 446		-1 446	-1 146
Payroll expense	-37 740		-37 740	-64 810
Other general expenses	-12 368		-12 368	-25 165
Depreciation and amortization allowance on investment property	-105 025	104 276	-749	-1 475
Depreciation and amortization allowance on PPE	-2 614		-2 614	-4 365
Provisions	-197		-197	-2 663
Results of operations	**182 701**	**184 610**	**367 311**	**1 444 907**
Gains on the sale of investment property and equity interests	79 352		79 352	96 113
Net book value of investment property and equity investment sold	-58 042	-18 594	-76 636	-85 873
Gains from the sale of investment property and equity investment securities	***21 310***	***-18 594***	***2 716***	***10 240***
Profit on the sale of short term assets	***318***		***318***	***46***
Net dividends and provisions on non-consolidated investments	26		26	549
Net cost of debt	-91 386		-91 386	-162 931
Change in the fair value of financial instruments	17		17	0
Effect of discounting	1 335		1 335	726
Share in earnings of equity-method investees	466	1 726	2 192	5 456
Pre-tax earnings	**114 787**	**167 742**	**282 529**	**1 298 993**
Corporate income tax	-15 443	-21 885	-37 328	18 681
Net income of consolidated entity	**99 344**	**145 857**	**245 201**	**1 317 674**
of which				
Group share	*80 530*	*130 113*	*210 643*	*1 148 991*
Minority interests	*18 814*	*15 744*	*34 558*	*168 682*

in thousands of euros	June 30, 2008	fair value restatements	June 30, 2008 fair value model	December 31, 2007 fair value model
Non-allocated goodwill	84 927	-8 761	76 166	75 892
Intangible assets	11 504	0	11 504	7 269
Tangible assets	41 086	0	41 086	41 340
Investment property	6 857 500	-6 847 771	9 729	13 128
Fair value of investment property		10 712 449	10 712 449	10 425 230
Fixed assets in progress	677 080	-207 155	469 925	190 507
Fair value of buildings held for sale	89 088	59 008	148 096	61 264
Equity method security	44 026	4 548	48 574	49 422
Non consolidated securities	324	0	324	512
Other non current assets	28 440	0	28 440	33 846
Interest rate swaps	156 953	0	156 953	84 011
Deferred tax assets	34 351		34 351	33 675
NON-CURRENT ASSETS	***8 025 279***	***3 712 318***	***11 737 597***	***11 016 096***
Inventory	11 580		11 580	11 684
Trade receivables and related accounts	75 271		75 271	57 287
Other receivables	281 341	-81 870	199 471	153 191
Tax receivables	63 398	*0*	*63 398*	*49 645*
Other debtors	217 943	*-81 870*	*136 073*	*103 546*
Cash and near cash	291 412	0	291 412	195 476
CURRENT ASSETS	***659 604***	***-81 870***	***577 734***	***417 638***
TOTAL ASSETS	**8 684 883**	**3 630 448**	**12 315 331**	**11 433 734**
Capital	199 457		199 457	193 890
Additional paid-in capital	960 429		960 429	835 187
Statutory reserves	19 389		19 389	18 466
Consolidated reserves	924 038	2 792 627	3 716 665	2 588 910
Treasury shares	-95 466	*0*	*-95 466*	*-96 168*
Fair value of financial instruments	104 935	*0*	*104 935*	*51 922*
Fair value of investment property		*2 792 627*	*2 792 627*	*1 828 969*
Other consolidated reserves	914 569	*0*	*914 569*	*804 187*
Consolidated earnings	80 530	130 114	210 644	1 148 991
Shareholders' equity, group share	2 183 843	2 922 741	5 106 584	4 785 444
Minority interests	499 668	463 670	963 338	928 424
SHAREHOLDERS' EQUITY	***2 683 511***	***3 386 411***	***6 069 922***	***5 713 868***
Non-current financial liabilities	4 709 342		4 709 342	4 400 820
Long-term allowances	11 866		11 866	11 425
Interest rate swaps	1 760		1 760	7 731
Security deposits and guarantees	118 357		118 357	107 899
Deferred tax liabilities	201 395	244 037	445 432	438 653
NON-CURRENT LIABILITIES	***5 042 720***	***244 037***	***5 286 757***	***4 966 528***
CURRENT LIABILITIES	***958 652***		***958 652***	***753 338***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8 684 883**	**3 630 448**	**12 315 331**	**11 433 734**

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 likely price (excluding transaction fees and expenses) that could 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 appraising the value of its holdings to a number of appraisers. Atisreal Expertise and Foncier Expertise are jointly responsible for appraising office property holdings.

The Group's shopping centers are appraised by the following appraisers:

- Retail Consulting Group Expertise (RCGE) appraises all French assets (with the exception of the Progest portfolio), approximately 50% of Spanish assets (the centers held by Klecar Foncier Espana and Klecar Foncier Vinaza) and all the Italian, Czech, Slovakian, Belgian, Portuguese and Greek portfolios
- Cushman & Wakefield appraises the other half of the Spanish portfolio (the centers held by Klecar Foncier Iberica);
- ICADE Expertise is responsible for appraising the Progest portfolio in France and all Polish and Hungarian assets;
- Atisreal appraises the Cap Nord portfolio and shop premises.

All appraisals are carried out in accordance with the principles of the Real Estate Appraisal Guidelines (*Charte de l'Expertise en Evaluation Immobilière*) and the "Barthès de Ruyter" COB/CNC working group recommendations.

The market value is the value as appraised by the independent appraisers responsible for valuing the Group's holdings on June 30 and December 31 of each year, but excludes transfer duties and fees (fees are measured on the basis of a direct sale of the building, even though these costs can, in some cases, be reduced by selling the company that owns the asset).

❑ *Office buildings*

The appraisers use two approaches: the first involves a direct comparison with similar transactions completed in the market during the period, whilst the second involves capitalizing recognized revenue or estimated asset.

Analysis of this revenue identifies one of three scenarios depending on whether the lease income is substantially equal to, higher or lower than the market value.

Where lease income and market value substantially equal, the lease income used for the purpose of the appraisal is the actual lease income earned from the property. Where the lease income is higher than the market value, the appraisal uses the market value and takes into account the capital gain arising from the difference between the actual lease income and the market value.

Where lease income is lower than the market value, the appraisers take into account the remaining time before the lease will be reviewed and the rental amount will be aligned with the market rate. In accordance with the French decree of September 30, 1953, the rental amounts payable on properties used solely as office premises are automatically aligned with market rates when their leases come up for renewal.

The appraisers therefore worked on the assumption that the owners of such property would be able to align rents with market rates when the leases concerned come up for renewal, and have reflected the current occupancy circumstances in the form of a capital loss calculated as described above. The appraisers did not limit their approach to properties coming up for renewal in the forthcoming three years, on the grounds that the investors involved in current market transactions plan further ahead than three years.

Where lease income is higher than market value, the financial capital gain stated has been added to the calculated value, which is equal to the (5.5%) discounted value of the difference between the actual lease income and the market price until the expiration of the first firm period of the lease. In the third scenario, the capital loss has been deducted from the calculated value. This equates to the (5.5%) discounted value of the difference between the actual lease income and the market price until the lease expires.

Since December 31, 2005, appraisers have based their work on the rate of return (yield) rather than the capitalization rate. In other words, the rate used was that applied to the income calculated as described above in order to arrive to an appraised value inclusive of transfer duties. Previously, the rate used resulted in a valuation exclusive of transfer duties. The decision to use this rate is the result of observing the market from the point of view of transactions actually completed by investors. To arrive to the appraised value exclusive of transfer duties, the transfer duties and fees were deducted using a 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

The basic earnings per share is calculated by dividing net income for the period attributable to ordinary shares by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

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

			June 30, 2008	December 31, 2007	June 30, 2007
Numerator					
Net income, group share (in thousands of euros)		***a***	**80 530**	**197 712**	**98 430**
Denominator					
Average weighted number of shares before diluting effect	**'(1)**	***b***	**136 696 511**	**136 998 849**	**137 265 670**
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***	**136 696 511**	**136 998 849**	**137 265 670**
Group share of net income per undiluted share (in euros)		***a/b***	**0.6**	**1.4**	**0.7**
Group share of net income per diluted share (in euros)		***a/d***	**0.6**	**1.4**	**0.7**

(1) The data as of June 30, 2007 is corrected to reflect the nominal division

9.3. Affiliated companies

As of June 30, 2008, the share of BNP Paribas bank loans totaled 2,051 million euros, of which 1,475 million euros have been used. This equity interest must be compared to a total authorized amount of 4,003 million euros, of which 2,854 million euros have been used. These figures do not include the 300 million euros represented by the back-up line of commercial papers (not drawn down) in which BNP Paribas has an interest of 150 million euros.

Transactions between affiliated parties were governed by the same terms as those applying to transactions subject to normal conditions of competition.

9.4. Post balance sheet date events

In July 2008, Klépierre acquired the Plzen center in the Czech Republic, valued at 61.4 million euros.

Two commitments have been signed:

- An exchange commitment on July 7, 2008 under which the Group will sell the building in the Rue Notre Dame des Victoires in Paris for 64.9 million euros in exchange for a shopping mall in Drancy.
- A commitment signed on July 11, 2008 to sell the Paul Doumer center in Caen for 28 million euros.

9.5. Identity of the consolidating company

Klépierre was fully consolidated by the BNP Paribas group as of June 30, 2008. BNP Paribas holds a 51.79% equity stake in Klépierre (excluding treasury shares).

KLEPIERRE

Limited Liability Company (*Société Anonyme*)

21, Avenue Kléber
75016 PARIS

Statutory Auditors' review report on the first half year financial information for 2008

Period from 1 January 2008 to 30 June 2008

Mazars & Guérard
61, rue Henri Regnault
92400 Courbevoie

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

KLEPIERRE

Limited Liability Company *(Société Anonyme)*

21, Avenue Kléber
75016 PARIS

Statutory Auditors' review report on the first half-year financial information for 2008

Period from 1 January 2008 to 30 June 2008

This is a free translation into English of the statutory auditors' review report issued in the French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 232-7 of the French Commercial Law ("*Code de Commerce*"), and L. 451-1-2 III of Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying half-year consolidated financial statements of Klépierre covering the period January 1 to June 30, 2008;
- the verification of the information contained in the interim management report.

These half-year consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying half-year consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2008 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

2. Specific verification

We have also verified the information given in the interim management report commenting the half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-year consolidated financial statements.

Signed in Courbevoie and Neuilly-sur-Seine, July 28, 2008

The Statutory Auditors

French original signed by

Mazars & Guérard **Deloitte & Associés**

Julien Marin-Pache Pascal Colin Laure Silvestre-Siaz

STATEMENT OF THE PERSON RESPONSIBLE OF THE INTERIM FINANCIAL REPORT

I certify that, to the best of my knowledge, these complete financial statements for the 1st half of the year, 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 interim management report (on pages 3 to 25) presents a faithful description of the important events arisen during the first six months of the fiscal year, their incidence on the accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

Paris, August 29, 2008
Michel Clair,
Chairman of the Executive Board of Klépierre

PERSONS RESPONSIBLE FOR AUDITS

Statutory auditors

DELOITTE & ASSOCIÉS
Member of the Compagnie Régionale de Versailles.
Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
Pascal Colin/Laure Silvestre-Siaz
1st appointed: GM of June 28, 2006.
End of term: Fiscal year 2009.

MAZARS & 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
RCS 315 172445 NANTERRE
1st appointed: GM of July 12, 2006
End of term: Fiscal year 2009.

Patrick de Cambourg
Le Vinci – 4, allée de l'Arche
92075 Paris La Défense Cedex
1st appointed: GM of December 13, 2007.
End of term: Fiscal year 2012.

RESPONSIBLE FOR FINANCIAL DISCLOSURES

Jean-Michel GAULT
Member of the Executive Board of Klépierre, CFO
Phone: 33 +1 40 67 55 05