2008 Annual financial report

KLEMURS

Société en commandite par actions
with registered capital stock of 82.500.000 euros
Registered office : 21 avenue Kléber – 75116 Paris
419 711 833 RCS Paris

CONTENTS

2008 Annual financial report

MANAGEMENT REPORT

A. Business for the year 2008

1. Rental business

Steady rise in rents

In 2008, Klémurs collected 33.7 million euros in rental income, an increase of 43.3% on a current portfolio basis compared with 2007 (+10.2 million euros).

On a constant portfolio basis, rents rose by 8.2%, reflecting a combination of factors:

- index-linked adjustments of minimum guaranteed rents had an impact of 4.8%; the cost of construction index (ICC) for the 2nd quarter of 2007 (+5.05%) was applied to 94% of the leases in value terms as of January 1, 2008;
- additional variable rents of 0.8 million euros were collected based on revenues earned by the Buffalo Grill restaurants.

The rise in rents on a current portfolio basis is also attributable to:

- the full-year impact of rents from assets acquired in 2007 from Cap Nord (+0.6 million euros);
- the full-year impact of rents from two Sephora stores, one in Metz and one in Avignon acquired in December 2007 (+0.5 million euros);
- for the Buffalo Grill assets, the full-year impact of 8 restaurants (+1.0 million euros) acquired in late 2007;
- the April 30, 2008, acquisition of 77 retail store properties, including 67 operated by Défi Mode, with an impact of +4.2 million euros (of which 3.7 million euros for the Défi Mode stores alone);
- the acquisition in April 2008 of 14 bundled retail assets located in Messac, Avranches and Rochefort-sur-Mer (+0.9 million euros);
- the acquisition of 17 additional Buffalo Grill restaurants in June 2008 (+1.0 million euros).

Rents paid by the Buffalo Grill restaurants accounted for 69% of total rent collected in 2008, compared with 82% for the year ended December 31, 2007. The Vivarte group is the second largest tenant of Klémurs, providing 12% of total rents. These trends reflect the pursuit of diversification in retail partners for Klémurs.

No defaults on rents were observed at the year-end closing.

The financial occupancy rate was 99.6% on December 31, 2008, versus 99.4% on December 31, 2007. The only vacant space in the portfolio (Saint-Étienne-du-Rouvray) was relet to Leader Price, a supermarket chain that plans to open a new store sometime during the 2nd quarter of 2009.

The departure of the BHV department store from the retail space it had occupied on rue de Flandre in the XIXth arrondissement of Paris had no impact on the fiscal year, with rents and charges payable through December 31, 2008. A new lease was signed with Castorama, effective June 1, 2009 for a period of 12 years.

In the course of the year, Klémurs worked on the retail reorganization of commercial premises occupied by the retailer Mondial Moquette in Orléans. This operation led to a smaller sales area for Mondial Moquette and to the creation of a Générale d'Optique outlet (211 sq.m.). This transaction generated a rental capital gain of 25% and the implementation of a 10-year lease that includes a variable rent clause.

The lease on the space occupied by retailer Truffaut in the XIIIth arrondissement of Paris was renewed. The new lease, with a 12-year term, also contains a variable rent clause.

2. Acquisitions made in 2008 and investment outlook for 2009

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

This policy has led to the pursuit of the partnerships initiated with major nationwide retail chains and to targeted acquisitions: Klémurs accordingly made investments totaling 180.4 million euros in the course of fiscal year 2008.

Acquisitions have increased the diversification of retail partners

The year 2008 saw the outsourcing agreement signed with the founders of the Défi Mode chain in late 2007 come to fruition. In April 2008, Klémurs agreed to acquire 77 sites for a total amount of 104.1 million euros, transfer duties included. These assets will generate net rents of 6.1 million euros full year.

In parallel, the Vivarte group took over Défi Mode's business, and thereby became the tenant of Klémurs. Thanks to this transaction, Klémurs was able to begin the process of diversifying its portfolio, with the inclusion of 67 store properties owned by Défi Mode, as well as 10 assets under lease to a variety of retail tenants: King Jouet (4 stores), La Halle aux Chaussures, La Halle aux Vêtements, Mille et une Idées, Orchestra, Chaussea and Leader Price.

Following the sales agreements signed in late 2007, Klémurs completed the acquisition of 14 retail assets located in the retail areas of Avranches, Messac and Rochefort-sur-Mer in April 2008, for a total investment of 17.6 million euros. These assets, which offer 12 752 sq.m. GLA*, host retailers that include La Halle, Aubert, Mobalpa and Gémo, and produce 1.1 million euros of net rents annually. The acquisition of the 15th asset called for under the agreement will be completed between now and June 1, 2009.

The partnership initiated with Buffalo Grill in August 2006, and its additional clause of December 2007, led in the month of June to the acquisition of 17 additional restaurants, 15 of which were already in operation (Lyon Vénissieux, Brignoles, Carvin, Laon, Fougères, Marennes, Lamballe, Chateaubriand, Saint-Germain-lès-Corbeil, Cholet, Bourg-en-Bresse, Arles, Bourg-lès-Valence, Saint-Amand-les-Eaux and Nogent-le-Rotrou), and 2 (located in Achères and Ancenis) were acquired on a future-as-is basis. The total amount of the transaction (including investments for the 2 acquisitions on a future-as-is basis which opened in the course of the 4th quarter of 2008) came to 30.6 million euros, transfer duties included, and will generate net rents of 2.1 mil-

---

* GLA (Gross Leasable Area). The sum of all retail areas, excluding traffic areas and other common areas, if any.

lion euros full year. This brings to 153 the number of Buffalo Grill restaurants owned and managed by Klémurs on December 31, 2008.

In the course of the month of December, Klémurs made two additional acquisitions. On December 22, after an agreement was signed in June 2008 with the founders of Teddy Toys, a company which sold its business in 2005 to the King Jouet group, Klémurs completed the acquisition of 21 stores, of which 20 are operated by King Jouet and 1 by Joupi, for a total investment of 18.3 million euros. These assets, located throughout France in Retail Park type settings around average size cities in the French provinces (15 of them in the same Retail Parks near Défi Mode-Vivarte store properties owned by Klémurs), represent a total GLA of 17 541 sq.m. Together, they will generate 1.4 million euros of net rents full year. They are subject to 10-year leases that include a firm term of 6 years and a variable rent clause.
The same month, Klémurs agreed to pay 2.3 million euros to acquire 3 assets held by Klépierre since 2004. Located in parking lots or adjoining the malls of Carrefour hypermarkets and occupied by a Cafétéria Casino (Saint-Malo), a Twinner store (Berck-sur-Mer) and a Feu Vert point of sale (Wasquehal), the assets will generate net rents of 0.2 million euros. Two other assets of the same type will be added to the Klémurs portfolio in the 1st half of 2009.

Chalon-sur-Saône, first own development project for Klémurs

The first project Klémurs has developed for itself, the Chalon-sur-Saône site was subject to an intense selection process and chosen for the quality of its location. This Retail Park, acquired on a future-as-is basis for a total of 14.3 million euros (of which 7.5 million euros outlaid in 2008), should generate rents of 1.1 million euros full year. Located in the leading commercial area of Chalon-sur-Saône, at the southern entrance to the outlying area and near the downtown area, the site is accessible via a major arterial road and will also benefit from the appeal of a retail mall that includes 50 shops, a Carrefour hypermarket and a Castorama point of sale.

The project consists of building a Retail Park covering a total of 10 000 sq.m. of GLA and comprised of 8 retail spaces spread over two buildings that will house the retailers Milonga, Tati, Générale d'Optique, Maxi-Zoo, Top-Office and Boulanger. The site, currently under construction, is already 87% leased up. The inauguration is set for the early part of September 2009.

Investment outlook for 2009

For Klémurs, the year 2008 provided an opportunity to solidify its positioning as the partner of major retailers for their real estate needs, thanks to the pursuit of the partnership initiated with Buffalo Grill in 2006 and the more recent agreement with Défi Mode-Vivarte.

The collaboration initiated with Buffalo Grill in 2006 should continue throughout 2009: the acquisition of new restaurants is planned for the first half of the year. At the same time, Klémurs and Buffalo Grill will perform a joint review of projects pertaining to the development of new locations.

In the first half of 2009, Klémurs expects to complete the acquisition of additional assets operated by Défi Mode-Vivarte. In parallel, a portfolio of 6 stores flying the Chaussea, Chauss Expo or King Jouet banner, located in the same buildings as the stores that were acquired under the Défi Mode agreement, were definitely acquired on January 15, 2009 for a total amount of 4.4 million euros. They will generate annual net rents of 0.3 million euros.

A King Jouet store, located in Sedan, will be added to the 21 stores operated by the King Jouet group acquired from the founders of Teddy Toys on December 22, 2008. One store was removed from the scope of the initial agreement, which has now reached its term.

The investments for which Klémurs has made firm commitments total 25.0 million euros. Until the conditions on the financial markets improve, these investments will be financed by the parent company Klépierre, in the form of short- or medium-term advances or loans.

3. 2009 outlook

In 2009, the rise in rents collected by Klémurs will be driven by the index-linked adjustments to its minimum guaranteed rents. These index-linked adjustments will be calculated for each tenant on the basis of the French ICC (*Indice du Coût de la Construction* or cost of construction index) or the new ILC (*Indice des Loyers du Commerce*), created specifically for retail rents. The ILC is a combined index published by the INSEE, composed of the ICC (25%); the ICAV (*Indice de Chiffre d'Affaires du Commerce de Détail en Valeur*, 25%), which is the index of retail revenues, and the IPC (*Indice des Prix à la Consommation*, 50%), which is the French consumer price index. The ILC index adjustment will be applied on at least 18% of its lease contracts with effect retroactively to January 1, 2009.

Rental reversion will also be supported by the full-year impact of the acquisitions made in the course of 2008. Accordingly, assets acquired under the Défi Mode-Vivarte agreement will contribute some 6.1 million euros (excluding the impact of index-linked adjustments) net full year, versus 4.1 million euros in 2008. The 21 stores operated by King Jouet and acquired late in the year will add another 1.4 million euros of rents. Rents will also be driven by the contribution made by the assets that will be added to the portfolio in the course of the year 2009.

The extension (until December 31, 2011) of tax provisions designed to facilitate the sale of real estate assets to SIICs (the capital gains made by retailers when they sell these assets to real estate companies that have opted for SIIC status are subject to a 19% tax, compared with 16.5% before and 33.33% under corporate income tax law) has lengthened the time frame over which Klémurs will be able to benefit from new investment opportunities, market conditions permitting.

B. Equity investments and changes in equity security ownership with an impact on the financial statements of Klémurs SCA

The main changes in equity made during the 2008 fiscal year are as follows:

Acquisition of shares in Immo Dauland
Klémurs acquired all the equity shares of Immo Dauland in June 2008 at a cost of 4.0 million euros.

Increased value of Klécapnor shares following recapitalization in the form of a current account cash advance. This recapitalization increases the value of Klécapnor equity shares by 16.9 million euros.

C. Consolidated earnings and cash flow – Parent company earnings

1. Consolidated earnings for the year

	December 31, 2008	December 31, 2007	Change	Change %
Lease income	33.7	23.5	10.2	43.3%
Building expenses	-2.3	-1.6	-0.8	47.9%
Net lease income	**31.3**	**21.9**	**9.4**	**43.0%**
Other operating income	0.2	0.2	0.0	-16.9%
Depreciation and amortization expense	-16.0	-7.3	-8.7	119.8%
Other general expenses	-0.1	-0.1	0.0	-36.7%
Operating result	**15.4**	**14,7**	**0.7**	**4.6%**
Net cost of debt	-13.8	-8.8	-5.0	56.5%
Effect of discounting	0.2	0.0	0.2	–
Pre-tax earnings	**1.8**	**5,9**	**-4.1**	**-68.8%**
Corporate income tax	0.2	-0.3	0.5	-171.5%
Net income	**2.0**	**5.6**	**-3.6**	**-63.6%**

in millions of euros

Building expenses totaled 2.3 million euros, and primarily include 1.4 million euros of rental management fee income, appraisal fees and fees paid to independent auditors.
The change (+0.8 million euros) is due primarily to the rise in fees on rent collected, concomitant to the rent, as well as to the increase in appraisal fees after the Défi Mode assets were purchased.

Other operating income (0.2 million euros) relates mainly to repayments by the notary of remaining fee provisions on recent acquisitions.

On December 31, 2008, depreciation and amortization allowance came to 16.0 million euros, of which 5.1 million euros for asset impairment. It is calculated as the difference between the net book value of the assets on the balance sheet and their market value excluding transfer duties, estimated by an independent appraiser. Of the total, 3.4 million euros reflect the duties on acquisitions made on April 30, 2008 as part of the Défi Mode agreement. The value of transfer duties carried on the balance sheet was compared with a break-up value that is exclusive of transfer duties.

The cost of debt rose due to the financing of acquisitions made late in 2007 and throughout 2008. The average cost of debt is 4.6% for the year.

Klécapnor, a wholly-owned subsidiary of Klémurs, opted for SIIC status in the first half of 2008 against the payment of an exit tax totaling 3.5 million euros. This payment was spread over 4 years; accordingly the consolidated financial statements of Klémurs record as the impact of discounting a net gain of 0.2 million euros to take into account the erosion over 4 years of the real value of the tax liability, compared with its nominal value.

Klémurs reports consolidated net earnings of 2.0 million euros for 2008.

2. Change in cash flow per share

	December 31, 2008	December 31, 2007	Change %
Operating result	**15.4**	**14.7**	**4.6%**
+ Depreciation and amortization – investment property	15.6	7.3	
Cash flow from operations	**31.0**	**22.1**	**40.5%**
– Net cost of debt	-13.8	-8.8	
Pre tax current cash flow	**17.2**	**13.2**	**29.8%**
– Corporate income tax	0.0	-0.3	
Net current cash flow	**17.2**	**12.9**	**32.7%**
Per share (in euros)			
Number of shares	8230791	8240024	
Cash flow from operations	3.76	2.68	40.6%
Pre tax current cash flow	2.09	1.61	29.9%
Net current cash flow	2.09	1.57	32.8%

in millions of euros

Net current cash flow per share rose by 32.8% in one year, thanks to the satisfactory performance of rental assets on a constant portfolio basis (+8.2%, i.e. +1.9 million euros), which generates additional cash flow without additional debt. The increase also reflects investments made in late 2007 and throughout 2008. The latter were financed at a reasonable rate thanks to interest rate hedges in place.

3. Parent company earnings

Summarized income statement	December 31, 2008	December 31, 2007	December 31, 2006*	December 7, 2006
Operating revenue	31.6	22.9	1.2	2.0
Operating expenses	-23.8	-12.4	-1.0	-0.7
Operating income	**7.8**	**10.5**	**0.2**	**1.3**
Share of income from subsidiaries	–	–	–	–
Investment income	-8.9	-4.8	-0.2	–
Pre-tax income from operations	**-1.1**	**5.7**	**0.0**	**1.3**
Non-recurring income (loss)	-2.4	-3.2	-0.1	0.3
Corporate tax	–	–	–	–
Net income for the fiscal year	**-3.5**	**2.4**	**-0.1**	**1.6**

* Period from December 8 to December 31, 2006.

in millions of euros

WWW.KLEMURS.FR

Complete information available online

Find the entirety of Klémurs SCA corporate financial statements on the website, heading Documentation.

At December 31, 2008, the SCA Klémurs reported an operating loss of 3.5 million euros. Nonetheless, it closed the year with a taxable gain of 7.1 million euros in its tax-exempt sector. In fact, significant expenses are not tax deductible – for example, asset impairment allowances – the permanent assets of the SCA Klémurs were globally in a situation of unrealized capital gains – and the land portion of the finance lease rents.

Because of its SIIC status, the SCA Klémurs is obliged to distribute 85% of its taxable earnings (exempt sector), limited to its corporate earnings. When that figure is negative, this distribution obligation is carried forward.

For the year ended December 31, 2008, the distribution obligation carried forward from prior periods is 6.7 million euros.

Klépierre Conseil, the Manager of Klémurs, will recommend that the shareholders maintain the distribution of 1 euro per share at its next annual meeting on April 7, 2009, which corresponds to 50% of net current cash flow. As the parent company, Klémurs SCA, reports negative earnings for fiscal year 2008, this distribution will be carried out in the form of a repayment of share premium.

4. Five-year financial summary

Klémurs SCA	December 31, 2008	December 31, 2007	December 31, 2006	December 7, 2006	December 31, 2005
INDICATORS					
CAPITAL AT YEAR-END					
A) Equity capital	82 500	82 500	82 500	15 000	150
B) Number of ordinary shares issued (thousands)	8 250	8 250	8 250	1 500	15
TRANSACTIONS AND INCOME FOR THE FISCAL YEAR					
A) Pre-tax revenue	31 297	21 704	883	2 047	231
B) Income before tax and employee profit sharing, depreciation, amortization and provisions	10 180	7 736	113	2 064	536
C) Corporate income taxes	0	0	0	0	0
D) Income after tax and employee profit sharing, depreciation, amortization and provisions	-2 915	2 438	-97	1 576	456
E) Distributed income*	0	2 131	0	1 402	403
INCOME PER SHARE (in euros)					
A) Income after tax, employee profit sharing, and before depreciation, amortization and provisions	1.23	0.94	0.01	1.38	35.73
B) Income after tax, employee profit sharing, depreciation, amortization and provisions	-0.35	0.30	-0.01	1.05	30.40
C)) Net dividend allocated to each share*	1.00	1.00	0.00	0.17	26.87
o/w distribution as repayment of share premium	*1.00*	*0.74*	–	–	–
STAFFING					
A) Average labor force employed during the fiscal year	0	0	0	0	0
B) Payroll	0	0	0	0	0

* Excluding preferential dividend equivalent to 5% of the accounting profit allocated to the Manager as a result of SCA status.

in thousands of euros

5. Klémurs SCA subsidiaries and holdings

Financial data for Subsidiaries and Holdings	Capital stock	Shareholder equity other than capital stock and income	Percentage holding	Net earnings at year-end	Revenues excluding VAT	Gross carrying amount	Net carrying amount	Guarantees and securities given	Loans and advances granted	Dividends collected
SUBSIDIARIES OWNED BY MORE THAN 50%										
KLÉCAPNOR	1 729	13 650	100%	-4 495	2 409	16 957	16 957	–	15 528	–
IMMO DAULAND	8	7	100%	-15	3	4 000	4 000	2 704	3 260	–
TOTAL	**1 737**	**13 657**	**–**	**-4 510**	**2 412**	**20 957**	**20 957**	**2 704**	**18 788**	**–**

in thousands of euros

D. Valuation of assets and revalued net assets (RNAV)

1. Methodology

RNAV (revalued net assets) per share is calculated each year on December 31 and on June 30. The method used to establish RNAV is to add the unrealized capital gains on the real estate portfolio resulting from the difference between their market values as estimated by an appraiser and the net book values as carried in the Company's consolidated financial statements, which are established using the cost method.

Valuation of real estate assets

For the fiscal year ended December 31, 2008, the task of appraising the assets in the Klémurs portfolio was entrusted to two appraisers: by The Retail Consulting Group (RCG) for the rue de Flandre, Paris Seine Rive Gauche and Rouen Candé assets and the 153 Buffalo Grill restaurants, and by Atisreal for the portfolio of 22 rental units acquired via Cap Nord in 2007, as well as the two Sephora store properties acquired in December 2007 and located in Metz and in Avignon, the portfolio of 14 retail assets located in Avranches, Messac and Rochefort-sur-Mer and acquired in April 2008, and the 77 store properties that are mainly operated by Défi Mode and acquired on April 30 as part of the Défi Mode-Vivarte agreement.

This appraisal was conducted in accordance with the specifications developed by AFREXIM[1] (*Association Française des Sociétés d'Expertise Immobilière*) and with the recommendations issued by the COB/CNC "Barthès de Ruyter Work Group"[2]. 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. Fees paid to appraisers for fiscal year 2008 are itemized below:

	2008	
	Appraisal fees	Consulting fees
RCG	197	30
Atisreal	144	–
Total	**340**	**30**

in thousands of euros

To determine the fair market value of a retail property, appraisers apply a yield rate to annual lease income net of all non-chargeable fees for leased-up premises, and to the net market rental price for vacant properties, discounted for the expected vacancy period. The yield rate is applied after deduction of the net present value of all reductions or rebates on leases with step rents, the net present value of all expenses on vacant premises, and all work carried that is done but not reinvoiced to tenants. A standard vacancy rate is also defined for each asset. The discount rate used is equal to the yield rate applied to determine fair market value.
Gross rent includes the minimum guaranteed rent (MGR), the variable rent, and the going market rate for vacant properties. Net rent is determined by deducting all expenses from gross rent: management fees, expenses that are not reinvoiced to tenants, expenses incurred on vacant buildings, and losses recorded on unpaid receivables past due.

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, comparability with recent market transactions, and sustainability of the rent collected by the landlord.

For the appraisal of the 153 Buffalo Grill restaurant properties, RCG analyzes for each restaurant the estimated occupancy cost ratio and the market rental value. The observed occupancy cost ratio for each restaurant is then compared with the estimated occupancy cost ratio determined by RCG on the basis of occupancy cost ratios for similar theme-based restaurants and also taking into account such factors as the quality of the location, the accessibility of the premises, the visibility of the establishment, the quality of the retail environment and, in particular the competition. RCG also compares the market rental value (less the application of the estimated occupancy cost ratio for each restaurant to revenues for 2007 excluding tax) with the minimum guaranteed rent. To determine the yield rate for each Buffalo Grill restaurant, RCG compare the MGR with the market rental value and takes into account the principal clauses of the lease: indexing of MGR to ICC, variable rent equal to 8.5% of the restaurant's revenue, re-invoicing to the tenant of all relevant building expenses.
Since December 31, 2007, Klémurs 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). 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, to which will be added a risk and liquidity premium based on the location, the key features and the occupation of each property.

Similarly, since December 31, 2007, Klémurs conducts a dual valuation of the assets appraised for the first time. This concerns the 8 Buffalo Grill restaurants acquired in 4th quarter 2007 and the 17 restaurants acquired in June 2008, the two Sephora shops acquired at year-end 2007, the portfolio of retail assets acquired from Cap Nord in 2007, the 14 retail assets located at the Avranches, Messac and Rochefort-sur-Mer sites, which were acquired in April 2008, and the 77 store properties that mostly fly the Défi Mode banner, acquired on April 30.

For the year ended December 31, 2008, the 21 King Jouet stores acquired on December 22, 2008 were not appraised and have been recorded at their purchase price. They will be appraised for the first time for the interim closing (June 30, 2009).

(1) http://www.afrexim.fr
(2) http://www.amf-france.org/documents/general/3401_1.pdf

Valuation of interest rate and debt hedging instruments

In compliance with IAS 39, the fair value of instruments used to hedge future cash flows is directly recorded under consolidated net assets. Consolidated net assets also includes the fair value of interest rate and debt hedging instruments that are not recorded under consolidated net assets, as they primarily involve the marking to market of fixed-rate debt that his not hedged. Conversely, the credit margins on floating or variable rate debt are not revalued.

2. Value of holdings

The change in the value of Klémurs' holdings, transfer duties included, is provided below:

	December 31, 2008	December 31, 2007	Change	Change %
Constant portfolio	452.7	457.2	-4.5	-1.0%
Variable portfolio	189.4	0.0	189.4	n/a
Total holdings	**642.1**	**457.2**	**184.9**	**40.4%**
Per share (in euros)	78.0	55.6		

in millions of euros

The constant portfolio includes the assets already owned on December 31, 2007. The variable portfolio includes the acquisitions made since January 1, 2008, as well as the amounts committed in 2008 as part of a Retail Park development project in Chalon-sur-Saône, which will be inaugurated in September 2009.

The average yield on assets held by Klémurs is 6.22%, versus an average yield rate of 5.75% at year-end 2007. This increase reflects the perception of the appraisers of market trends in commercial and retail real estate in the course of 2008.

3. Determining RNAV (Revalued Net Assets)

Revalued Net Assets (RNAV) evolved as follows:

	December 31, 2008	December 31, 2007	Change %
Net worth	133.1	162.0	-17.8%
of which fair value of financial instruments	*-17.3*	*5.3*	–
Unrealized capital gains in real estate portfolio	94.2	78.2	20.5%
Taxes on unrealized capital gains	0.0	0.0	–
Taxes and fees related to the sales	-37.5	-26.7	40.4%
RNAV excluding transfer duties, after taxes on unrealized capital gains and marking to market of financial instruments	**189.8**	**213.5**	**-11.1%**
Number of shares	8 229 405	8 228 375	
RNAV excluding transfer duties, after taxes on unrealized capital gains and marking to market of financial instruments (euros per share)	**23.07**	**25.94**	**-11.1%**
RNAV including transfer duties, after taxes on unrealized capital gains and marking to market of financial instruments (euros per share)	**27.62**	**29.19**	**-5.4%**

in millions of euros

The decline in RNAV is attributable primarily to the decrease in the fair value of financial instruments. With respect to fixed-rate swaps, market values declined substantially at year end due to the drop in market interest rates.

On December 31, 2008, as was the case on December 31, 2007, duties and fees are calculated by the expert, in accordance with AFREXIM recommendations, as 6.20% of total value, excluding duties, for all of the assets held by the Klémurs Group, including those held under finance leases. This hypothesis results in greater caution with respect to the rate and allows Klémurs to take into account future options to be exercised, following which Klémurs will acquire full ownership of the assets.

Unrealized capital gains on the investment assets held by Klémurs concerns properties that have SIIC status and are therefore not subject to taxation.

E. Financing policy

1. Financing resources

Klémurs' net debt stood at 389.1 million euros on December 31, 2008, compared with 213.9 million euros on December 31, 2007.

This 175.2 million euro increase is primarily attributable to investment outflows (180.4 million euros), partially offset by free cash flow for the period after the dividend payout for fiscal year 2007.

To respond to these needs, Klémurs contracted a 3-year loan of 130.1 million euros from Klépierre. It is subordinate to its bank loans. The rest was financed using short-term facilities, via the Klépierre Group's cash pooling facility.

On December 31, 2008, the principal financing resources available to Klémurs were the following:

- the club deal of up to 150 million euros that was set up in December 2006 is now fully drawn down. It falls due in December 2011;
- the loan from Klépierre, for 130.1 million euros, is fully repayable in July 2011;
- the property finance leases that were bought when the Buffalo Grill and Cap Nord assets were acquired represent a total outstanding of 52.0 million euros on December 31, 2008; the average residual duration of these finance leases is 6 years;
- Klémurs borrowed 55.0 million euros from the Klépierre Group's cash pooling facility.

The average duration of Klémurs' debt was 3.3 years on December 31, 2008.

2. Interest rate hedges

In light of the investment agreements pending (Défi Mode-Vivarte in particular), Klémurs had good visibility on the upcoming increase in its debt in 2008 as early as year-end 2007. As a result, the Company secured the cost of its future resources by setting up additional swaps in late 2007 and early 2008, with start dates in the 1st quarter of 2008.

On December 31, 2008, 93% of debt incurred by Klémurs was hedged against interest rate fluctuations. The hedge portfolio is entirely comprised of plain vanilla swaps, whose average fixed rate is 4.06% (excluding the credit margin) and whose average duration is 5.9 years.

3. Financial ratios

At the December 31, 2008 reporting date, the principal financial ratios for Klémurs are in line with the targets set and the covenants related to its bank financing:

		Syndicated loan limit	Value at December 31, 2008
Loan To Value	Total	65%	60.6%
	Senior*	55%	40.4%
EBITDA/Net interest expense	Total	1.8	2.2
	Senior*	2.0	3.5
Secured debt/Value of holdings		20%	8.1%

* Senior debt ratio calculation does not include subordinated debt.

4. Cost of debt

The historic cost of Klémurs' debt, calculated as the ratio of interest expense to average financing debt, is 4.6% for fiscal year 2008, versus 4.8% in 2007. While the average credit margin for Klémurs became more expensive in 2008, reflecting the adverse change in credit conditions, the reinforcement of the Klémurs swap portfolio largely offset this development, protecting Klémurs against the sharp tension observed in short-term rates over the first nine months of the year.

The cost of debt calculated on the basis of the financial structure at year-end 2008 also comes to 4.6%. A 100 bp rise in rates would lead to a 5 bp rise in this cost, which would increase the cost of debt by 0.3 million euros.

F. Significant events subsequent to the year-end closing

Consistent with its investment policy, which seeks to ensure a strong retail property presence in several different commercial and retail zones in order to optimize its real estate portfolio, Klémurs, in January of 2009, stepped up as the buyer of a portfolio of 6 retail assets located in the same buildings as the stores acquired under the agreement with Défi Mode-Vivarte. This transaction resulted in the outlay of 4.4 million euros.

Other than this acquisition no events of a material nature that could modify the assessment of the financial condition or position of Klémurs with respect to the presentation that is provided in this report have occurred between the 2008 year-end closing date and the date on which this report was prepared.

G. Risk factors

1. Risks related to the Company's activities

1.1. Market-related risks

Risks related to the economic environment

Since the Company's strategic purpose is to develop and maintain a rental portfolio of real estate assets assembled chiefly as a result of real estate outsourcing by large businesses in the retail sector (restaurants, distribution, goods and services), the trends seen in key French macro-economic indicators are likely, in the long term, to impact on the level of business done by the Company, its rental income and the value of its real estate portfolio, as well as its investment and growth policies, and therefore its future growth prospects. More specifically, the business activities of the Company may be influenced by economic growth, growth in consumption, interest rate trends and the French Cost of construction (ICC) and Commercial rents (ILC) indexes:

- the general economic climate can encourage or discourage the demand and the need to develop new commercial areas dedicated to restaurants, superstores, services and retail stores. It can also have a long-term effect on occupancy rates and the ability of tenants to pay their rent;
- falls in the ICC and ILC indexes published by the Insee (against which the rents charged under the leases operated by the Company are indexed), could also reduce the Company's rental income (including rents billed to tenants and setup fees received);
- interest rate levels influence the general economic climate and especially the growth of GDP and inflation. They also impact on the value of real estate assets, the borrowing capacity of contributors to the economy (see "Risks related to interest rates") and the trends seen in the ICC and ILC;
- although the Company's key assets are characteristically the subject of long leases (of at least 9 years), whose renewal is normally dependent on the continued operation of the sitting tenant, the ability of the Company to raise (or even maintain) rents at the time of lease renewal also depends on the trend in market supply and demand, both of which are influenced by the general economic climate;
- the value of the Company's real estate portfolio depends on many factors, including the level of supply and demand in the commercial real estate market; factors which are themselves driven by the general economic environment.

The level of rental income received by the Company, its financial results, the value of its assets, its financial position and future growth prospects can all be influenced by these factors and be impacted by unfavorable developments.

Risks related to the competitive environment

In conducting its business, the Company must withstand stiff competition from the many other players in the commercial real estate investment market, some of which have significant financial resources, high growth potential and attractive real estate portfolios. Given the activity of some of its competitors and its own investment criteria, the Company may not be in a position to win certain tenders or complete certain OTC transactions.

Against this background, the Company may encounter difficulties in building strategic relationships with new chains and entering into new long-term partnership contracts, the result of which could be to hold back its growth. Such difficulties could have a significant negative impact on the Company's business activity, financial results, financial position and future prospects.

Furthermore, rental levels and commercial real estate values are strongly influenced by supply and demand for commercial real estate properties. An unfavorable commercial real estate market (including where market conditions are affected negatively by changes in planning regulations) may result in the Company being unable to find (or find under the right conditions) new sites or premises suitable for the retailers with whom it has concluded a partnership with. The Company may also be unable to lease its existing assets under beneficial conditions. An unfavorable trend in the commercial real estate market would therefore impact on the Company's business activity, portfolio of assets, financial position and future prospects.

1.2. Risks related to the funding policy and financial activities of Klémurs

Klémurs' exposure to all types of financial risk, and its policy for managing and hedging against these risks, are described in greater detail in note 6 of the notes to the consolidated accounts, described on page 73 and subsequent.

Risks related to interest rates

Klémurs funds part of its investments through corporate debt, arranged at fixed or variable rate. The funding arrangements used by Klémurs generate the following risks:

- the interest charge paid by Klémurs on that part of its borrowings arranged at variable interest rates is exposed to the risk of rises in the rates concerned;
- the market value of that part of Klémurs borrowings arranged at fixed interest rates will increase if market interest rates fall;
- it is possible that Klémurs would be exposed to interest rate risk at a given moment if the Company were to have arranged fixed-rate borrowings to fund a planned acquisition, for example.

To hedge against interest rate risks, Klémurs uses derivatives such as swaps, which enable the Company to access a fixed rate on variable rate borrowings and a variable rate on floating rate borrowings. The market value of these instruments also varies to reflect interest rates.

Given that Klémurs applies IFRS accounting standards, these fluctuations are reflected in the Klémurs balance sheet, and may also impact on its income statement if hedges are not justified by supporting documentation or cease to be so, or if existing hedges are only partially effective.

Quantified modeling of the effects of interest rate fluctuations before and after hedging is shown in note 6.1 of the notes to the consolidated statements, on pages 73 and 74.

Liquidity risk

Klémurs' strategy depends on its ability to raise finance (in the form either of borrowings or equity capital), to fund its investments and acquisitions and to refinance debts approaching their due date.

Klémurs may not always be able to access capital markets to the extent it might prefer, or be able to secure the funding it requires under favorable conditions. Such situations may arise, for example, as a result of a crisis in debt or equity markets, events impacting on the real estate sector or any other change in the business activity, financial position or shareholder structure of Klémurs, where such a change could influence investors' perception of the Company's creditworthiness or attractiveness as an investment.

Some Klémurs funding contracts contain financial commitments or covenants. If Klémurs were to be unable to honor those contractual commitments, it might have to make early repayment of the borrowings concerned, which could in turn oblige the Company to secure new sources of funding or renegotiate the debts concerned.

Quantified illustrations of Klémurs' financial latitude in respect of its financial covenants are shown in note 6.2 of the notes to the consolidated statements, on pages 74 and 75.

Counterparty risk

When Klémurs uses derivatives like swaps to hedge against a financial risk, its counterparty may be required to make certain payments during the period the instrument is in place.

Insolvency of such a counterparty could result in payment delays or defaults, which would have a negative impact on the financial results of Klémurs. Klémurs is also exposed to counterparty risks in respect of its short-term investments. The procedures used to monitor risks and the associated controls implemented by Klémurs are detailed in the notes to the consolidated financial statements.

Exchange-rate risks

Since Klémurs operates exclusively in France, the Company is not exposed to any exchange-rate risk at the present time.

Share-related risks

Klémurs holds no shares other than its own (20 595 shares at December 31, 2008), which are recognized at their historic cost under equity capital. At the present time, these control shares are held exclusively under the Klémurs liquidity contract. In respect of these shares, Klémurs is exposed to fluctuations in its own stock price, and any capital loss suffered as the result of a sale below the acquisition price will be recognized as a reduction in equity capital. The sale of all treasury stock at a price equivalent to 10% below the closing market price of the share on December 31, 2008 would, however, result in a capital loss of approximately 44 thousand euros in Klémurs consolidated equity.

1.3. Risks related to operations

Risks related to the regulation applying to commercial leases

In France, certain legal provisions applying to commercial leases (and especially those relating to their term, cancellation, renewal and rental indexing) are public and offer landlords only limited flexibility to raise rents and bring rents in line with market levels. At the point when a lease is due for renewal, the possibility cannot be ruled out that the Company could find itself confronted by market conditions that have changed to become less favorable to landlords or changes in the law, regulations or jurisprudence which impose new or more stringent restrictions on rent revaluation. Changes to the rules applying to commercial leases, especially those relating to the lease term, cancellation, indexing and upper limits, or to the way in which eviction penalties payable to tenants are calculated, may have a negative impact on the Company's business, financial results, asset value, financial position and future prospects.

Risks related to the retailers

The Company's strategy focuses on the development of a portfolio of real estate assets assembled chiefly as a result of real estate outsourcing by large businesses in the retail sector (restaurants, distribution, goods and services). Difficulties encountered by the Company's existing or future partners, a decline in the popularity of their products, a slowdown or cessation of their business activity (especially in the event of a particularly unfavorable economic climate or reduction in sales of their products) could result in a reduction in the variable element of their rent, or even the non-renewal or termination of their commercial leases (where termination is provided for in the contract). Any reduction in the variable element of the rent payable on the assets leased to these partners, or difficulties encountered by the Company in re-letting them or re-letting them under advantageous conditions, could have a significant negative effect on the total rental yield of the assets concerned and/or their value. Under such circumstances, the Company's business activity, financial results, financial position and future prospects could be affected.

Risks related to the operational management company

The rental management of all the commercial real estate assets held by Klémurs is sub-contracted by the Manager to a company called Ségécé under a management contract. On January 1, 2008, Ségécé set up a specialist department called Ségémurs dedicated solely to manage Klémurs assets. Ségécé therefore provides day-to-day rental management of Klémurs real estate assets (billing and collection of rents, verification of contractual commitments, handling tenant requests, resolving issues with tenants, etc.).
Ségécé also provides management services for all the real estate assets owned by the Klépierre group.
Although the management duties of Ségécé require this company to report to Klémurs concerning its management and representation tasks, Klémurs could be faced with a reduction in the quality of services provided by Ségécé or with failures, faults or actions outside the control of Ségécé.
Such difficulties could also involve increased financial cost to the Company or a reduction in the satisfaction levels of its tenants or partners, which could, in turn, have a significantly unfavourable impact on the Company's business activity, financial results, financial position and future prospects.
Although Ségécé is a wholly-owned subsidiary of Klépierre SA, if the management contract between the two companies were to be terminated, or Ségécé ceases trading or cannot meet its payment obligations, replacing this company could, as a result of the historic relationship between the Company and Ségécé and the recognized expertise of Ségécé, lead to a period of adaptation during which its replacement would have to become familiar with the specific features of the commercial real estate assets held by Klémurs. Such replacement could result in a temporary reduction in the efficiency with which rents are collected, the quality of services delivered and the satisfaction of the Company's tenants during the transition period, as well as the additional costs involved in replacing and/or training new service providers, which could have a significantly unfavorable impact on the Company's business activity, financial results, financial position and future prospects. The management contract with Ségécé could also give rise to conflicts of interest (see paragraph 2. "Risks related to the main shareholder and the risk of conflicts of interest with the latter").

Insurance risks

Changes in global and European economic and financial trends could affect the nature of insurance cover.
Klémurs is covered by the Klépierre Group insurance program.
The main purpose of this insurance is:
- to protect the capital value of the Klémurs portfolio and the cash flow generated as a result of its operation (the majority of the cost of this insurance is rebilled to tenants); and
- to cover those risks inherent in Klépierre's real estate development activities.

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

Risks related to information systems

The Company's Manager and service providers use a number of computer resources and information systems, such as the software packages used to monitor the legal and rental management aspects of the assets (property rents and expenses). Although the Company's Manager and service providers do have backup computer systems, the sheer number of leasing agreements entered into by the Company means that if the information systems and databases used in conducting its business become damaged or are destroyed for any reason whatsoever, the Company's rental management procedures could be disrupted, impacting negatively on its business activity, financial results, financial position and future prospects.
The Company's Manager and service providers also use information systems and resources that are essential for the accountancy and management control functions. The failure of one of these systems could also have a significant negative impact on the Company's business activity, financial results, financial position and growth.

1.4. Risks related to the assets

Risks related to the estimation of asset values

The Company's entire portfolio is appraised every six months by independent appraisers working in accordance with the specification set by AFREXIM (the French Association of Real Estate Valuers) and the recommendations contained in the COB/CNC "Barthès de Ruyter Working Group" report of February 3, 2000. The value of a real estate asset portfolio depends on the balance between supply and demand and many other factors capable of influencing the valuation of the Company's assets as stated in appraisal reports.
On the basis of the valuation provided by the appraisers, the Company may be obliged to recognize provisions for depreciation of its assets in accordance with the relevant accounting standards, whenever the professional valuation falls below the net carrying amount. In the event of a disposal, the value of the Company's assets may not match their realizable value.

Risks related to the non-realization of the Company's investment plans

Investment plans intended to increase the Company's asset base may involve uncertainties arising principally as a result of the procedures involved in securing the official permissions required for their implementation, as well as the risks of delay and non-realization, most of which arise as a result of project complexity.
Similarly, the growth of the Company's business and profits could be affected if, in the context of applying its strategy, it cannot identify new partner chains or complete new acquisitions or development projects under financially acceptable conditions. Under some circumstances, the business relationship between the Company and its partners may also expose the Company to the risk that the developers it works with might suffer financial failure.
The delay, abandonment or failure of certain investment plans or partnerships, or the realization of investment plans or partnerships under onerous conditions (in addition to the costs generated in the study phase), would be likely to hold back the Company's growth strategy and to impact negatively on its business activity, financial results, financial position and growth.

Risks related to acquisitions

The acquisition of real estate assets or companies involves a certain number of valuation-related risks:
(I) the benefits, weaknesses and potential rental yield of such assets;
(II) the short-term effects on Company operating income;
(III) the commitment of managers and key partners to such transactions;
(IV) the risks related to discovering problems inherent in these acquisitions (retail floor areas greater than those permitted, hazardous or toxic contamination, environmental issues, etc.).
Such transactions are also exposed to other risks, including poor asset valuation and a failure to realize the rental yield and occupancy rate targets for the commercial real estate acquired.
Furthermore, the Company cannot guarantee that such acquisition opportunities will occur, or that the acquisitions it does make will prove profitable. Added to which, the realization of such external growth transactions could require the commitment of significant levels of funds involving recourse to corporate debt or the issue of equity shares, as well as putting significant pressure on the Company's management and operational systems.

Risks affecting the liquidity of commercial real estate assets

Since the supply of commercial real estate assets is restricted due to their relatively scarcity, their acquisition can prove problematic in terms both of time and price. As a result, the Company cannot guarantee that acquisition opportunities will be available at satisfactory market conditions. This situation could result in a slowdown of the rate at which new assets can be acquired or, more generally, act as a restraining factor on its growth strategy.
In addition to the tax restrictions governing the length of time over which certain assets can be held, the Company could also be unable to dispose of some of its real estate assets rapidly under satisfactory conditions in the event of a decline in the economic climate or other need. Such difficulties could be further exacerbated if the assets to be disposed of are closely associated with the identity of a given partner chain.
The inability of the Company to make acquisitions or disposals under satisfactory conditions could have a negative effect on its business activity, financial results, financial position and growth.

Risks related to applicable regulations

In conducting its business of holding and managing commercial real estate assets, the Company is obliged (in addition to the tax rules inherent in its status as a SIIC (French REIT) to comply with many specific and general regulations regarding aspects that include commercial use and operating consents, building construction, public health, environmental issues, safety and commercial leases. Any substantial change to these regulations is likely to impact on its business activity, financial results, financial position and development/growth prospects.
Furthermore, as is usually the case with owners of commercial premises, the Company cannot guarantee that all its tenants, and especially those occupying recently acquired sites, comply fully with all applicable regulations, especially in respect of public health, environmental issues, safety, planning and commercial use consents. The consequences of any such irregularities could result in sanctions being imposed upon the Company as owner of the property in question; such sanctions could impact on its business activity, financial results, financial position and growth.

Risks related to applicable regulations governing planning, environmental and public health issues, as well as construction, safety and operation of commercial premises

The business activity of the Company is subject to laws and regulations governing planning, environmental and public health issues. These laws and regulations include, for example, the safety requirements imposed on premises accessed by the public, the ownership and/or operation of premises capable of generating pollution (classified premises), the use of toxic substances or materials in buildings and the handling and storage of such substances or materials.
Any changes to the planning, public health and environmental regulations applying to commercial premises, or changes resulting in increased restrictions or constraints being imposed on the development of such commercial premises could limit the Company's options, compromise its future growth prospects or generate additional costs. Conversely, any deregulation of commercial planning regulations could have the effect of reducing the value of the Company's assets. The Company, its suppliers and sub-contractors are also required to comply with many regulations, changes to which could have important financial consequences.
Any tightening of construction regulations, safety rules, the planning process or the procedure governing operation (commercial operation consent) could also have a negative influence on the profitability and operating income of the Company by increasing its operating, maintenance and improvement costs, as well as the administration costs inherent in assets for commercial use.

Risks related to restrictions imposed by the tax arrangements (SIIC) applicable to real estate investment trusts, any changes in the procedures specific to this status or the loss of this status

The Company has opted for the SIIC status, under which the profits made from eligible business activities are exempt from corporate tax.
The benefits granted by this tax status are subject to compliance with the obligation to distribute a major part of its profits, and could be reviewed if the Company were to fail to comply with the relevant conditions. Furthermore, the obligation to retain acquired assets for at least 5 years means that disposals are subject to the conditions imposed under article 210E of the French general tax code, which could therefore limit the possibility of the Company pursuing a dynamic asset management strategy, and therefore have a negative effect on its performance and results. Failure to comply with this commitment is punished by the application of a penalty equivalent to 25% of the disposal value of the asset concerned. Lastly, the loss of the SIIC status and the corresponding tax savings, or the fact of any substantial changes being made to the provisions governing SIIC would be likely to impact on the Company's business activity, financial results and financial position.
Further details regarding the SIIC regime are provided on page 95 of this shelf registration document.

Environmental and health-related risks

The Company's buildings may be exposed to public health and/or safety issues such as asbestos, legionella, termites or lead. Although their occurrence would primarily affect its service providers and subcontractors, the Company may nevertheless be liable in the event that it had failed in its duty to supervise and inspect the premises it owns. Such problems could have a negative impact on the Company's financial position, financial results and reputation.
Similarly, the occurrence of such incidents in a restaurant operated by the Buffalo Grill group or a commercial premises operated by a different chain could have an unfavorable impact on the image of an entire site containing other assets owned by the Company or on the image of all the locations operated by the chain concerned.
Lastly, the Company's real estate assets could be exposed to the risk of flooding and structural failure; especially those built on old mines or quarries, or be rated badly by safety commissions. Such occurrences could result in the total or partial closure of the premises concerned for commercial purposes, and have a significant negative effect on the image and reputation of the Company, its business activity and financial results and the attractiveness of its assets.

2. Risks related to the Company

Risks related to dependency on the business activity of the Buffalo Grill group

Although Klémurs has successfully diversified its sources of revenue, the Buffalo Grill group still contributes a major part of the Company's gross rental income (over 64% of the gross rentals received by Klémurs in 2008).
Any acquisition, change of strategy or commercial, operational or financial problems involving the Buffalo Grill group resulting in a failure to pay the rent would be likely to have a significant negative effect on the Company's business activity, financial results, financial position and future prospects.
Furthermore, the Company depends on the marketing strategy of the Buffalo Grill group, as well as its image and the geographical location of its restaurants. Any decline in the appeal or reputation of the Buffalo Grill brand would be likely to have a significant negative effect on the Company's business activity, financial results, financial position and future prospects. Any failure to renew leases signed with the Buffalo Grill group or its cessation of trading would force the Company to find new tenants. As a result, the Company might not be able to maintain a high occupancy rate or find new tenants under satisfactory conditions. Furthermore, in circumstances such as these, the very specific character of the Buffalo Grill restaurants could give rise to high building restructuring costs prior to attracting new tenants.

Risks of operational dependency on the Klépierre group

Whether assumed directly by the Manager or sub-contracted, all the operational and support functions required for the operation of the Company are supplied to it by the Klépierre group. These functions include setting the Company's growth strategy, risk management, rental management, administrative services and financial services. In return, Klépierre group companies pay a fee based on market conditions. The relationship between the Company and the Klépierre group also gives the Company access to the real estate expertise and technical resources of the Klépierre group development teams, especially in respect of development transactions undertaken by the Company on its own account and major restructuring transactions.
Through the Manager and its various service providers (e.g. Ségécé), the Company has access to some Klépierre group teams and, more generally, has the possibility of drawing on their service and experience. The success of the Company's business activities therefore depends to a large degree on the availability of Klépierre group team members, the quality of the services they provide and their involvement in the Company's business activity. The Company can guarantee only that the key Klépierre group team members dedicated to the Company's business activity will continue their involvement with the Klépierre group. The loss of one or more key Klépierre group team members would result in a loss of specific experience and expertise, which could have a significant negative effect on the Company's business activity, financial results, financial position and future prospects. The extended non-availability of one or more key Klépierre group team members could compromise the competitive position of the Company and (at least temporarily) its ability to achieve its targets.

Risks related to the legal structure of Klémurs

The Company is a société en commandite par actions (limited partnership by shares) managed by Klépierre Conseil SAS (the "Manager"), whose controlling shareholder and Chairman is Klépierre SA. The Manager is appointed for an unlimited term.
Under the terms of the Klémurs articles of association, the Manager may be dismissed at any time by means of a unanimous decision of the general partners. Since Klépierre Conseil SAS is the only general partner, any decision to dismiss the Manager is its and its alone, and therefore requires only a decision to do so on the part of Klépierre SA. Furthermore, in a limited partnership by shares, the disposal of corporate rights held by a general partner is subject to the prior agreement of all general partners. Since the only general partner of Klémurs is controlled by Klépierre SA, any new general partner must

secure the prior approval of Klépierre SA. The result is that, in accordance with the Company's current articles of association, Klépierre SA has sole control over the current Manager and the appointment and dismissal of any Company Manager.
Furthermore, under the terms of the Company's articles of association, the general partners receive a preferential dividend equivalent to 5% of distributable profits.

Risks related to the majority shareholder and the risk of conflicts of interest with the latter

Klépierre is Klémurs' majority shareholder and exercises significant influence over the resolutions submitted for the approval of Klémurs General Meetings of Shareholders.
The combination of its functions as Manager, General Partner and majority shareholder means the Klépierre group (including its major shareholder) will continue to exercise significant influence over the Company in the future, and will be unilaterally able to take important decisions concerning the Company. More specifically, as Manager, General Partner and majority shareholder, the Klépierre group will have significant influence over certain strategic decisions, such as the investment and disinvestment transactions undertaken by Klémurs.
Furthermore, the strategic positioning of the Company differs from that of its majority shareholder inasmuch as the mission of the Company is to invest in real estate properties outsourced by retail chains, whilst Klépierre is focused on shopping centers and, more specifically, on shopping malls attached to hypermarkets. Nevertheless, it is possible that where certain development opportunities are concerned, these two investment principles may not be sufficiently distinct. The difficulty involved in determining which company should make which investment could create a conflict of interest. The possibility cannot be excluded that the Klépierre group (the Company's majority shareholder) could put its own interests first to the detriment of those of the Company, which could impact negatively on the Company's business activity, financial results, financial position and future prospects.
In order to prevent and regularize any potential conflict of interest between Klémurs and Klépierre, the Klémurs Supervisory Board meeting of October 19, 2007 considered proposals put forward by an ad-hoc committee (whose members were the Chairmen of the Klémurs' Supervisory Board and Investment Committee and their counterparts from Klépierre) when setting criteria to govern the division of investment between the companies and outlining procedures for resolving any conflict of interest that may arise as a result.
Henceforth, investment opportunities will be presented as follows:
- opportunities involving shopping centers containing a collection of individual retail units under the same roof will be offered to Klépierre;
- opportunities involving retail units on the ground floor of buildings in retail or mixed commercial areas and the outsourced portfolios of retail chains will be offered to Klémurs.

The only exception will be where independent retail units form part of a shopping center owned by Klépierre; these will be offered first to Klépierre.

3. Legal intelligence

In order to comply with changes relating to the adoption of new legislation or regulations capable of impacting significantly on the position of Klémurs and the growth of its business, Klémurs is advised by the Legal Affairs Department of Klépierre, assisted by the various functions involved, which work together with the network of external advisers retained by Klépierre and Klémurs to gather and process relevant information concerning French legislation and distribute it to Klémurs.

H. Corporate governance

As part of its policy to ensure transparency and the publication of information, Klémurs has put in place a package of measures based on recommendations regarding corporate governance. These include the constitution of committees and the appointment of independent Members to the Supervisory Board. The Company has also decided to apply the recommendations made by AFEP-MEDEF regarding the remuneration of corporate officers, and believes that its system of governance ensures full compliance with the corporate governance regime applicable in France.

1. List of directorships and positions

Dominique HOENN - Business address: 21, avenue Kléber 75116 Paris

Chairman of the Supervisory Board[1]
Date of first appointment: October 31, 2006
Period of appointment: October 31, 2006 – 2009 AGM[2]
Member of the Investment Committee
Number of shares: 1

Current appointments:

- **Chairman of the Supervisory Board of Klépierre**
- **Senior Adviser of BNP Paribas**
- **Chairman of the Board of Directors of:**
  - Paribas International
  - BNP Private Equity
- **Member of the Supervisory Board of:**
  - Euronext NV (Amsterdam)
  - NYSE Euronext Group
- **Member of the Collège of Autorité des marchés financiers**
- **Director:**
  - BNP Paribas Securities Services
  - BNP Paribas Luxembourg SA
  - Clearstream International (Luxemburg)
  - LCH Clearnet (London)

Appointments expired during the last five fiscal years:

- **Vice-Chairman of the Supervisory Board of Euronext NV (Amsterdam)**
- **Director of Cobépa (Brussels)**

Catherine BRÉART DE BOISANGER - Business address: 21, avenue Kléber 75116 Paris

Member of the Supervisory Board
Date of first appointment: October 31, 2006
Period of appointment: October 31, 2006 – AGM 2009[2]
Member of the Investment Committee
Number of shares: 1

Current appointments:

- **Member of the Board of Directors:**
  - SPPICAV « La Banque Postale Immobilier »
  - SPPICAV « Écureuil Immo + »

Appointments expired during the last five fiscal years:

- **Director of Foncière des Pimonts**
- **Investment and Asset Management Director of A3C**
- **Portfolio Director of IXIS AEW**

François DEMON - Business address: 21, avenue Kléber 75116 Paris

Member of the Supervisory Board
Date of first appointment: October 31, 2006
Period of appointment: October 31, 2006 – 31 December 2008 inclusive[3]
Member of the Audit Committee
Number of shares: 1

Current appointments:
- **Member of the Supervisory Board of Klépierre**

Appointments expired during the last five fiscal years:
- **Chairman and CEO:**
  - KLE 66
  - Société de Participations Mobilières
- **Chairman of SAS BNP Paribas Participations**
- **Non-executive Chief Executive Officer:**
  - OGDI
  - Paribas International
- **Director:**
  - Cobépa Technology (Belgium)
  - Claireville (Belgium)
  - Sagip (Belgium)
  - BNP Paribas International BV (Netherlands)
- **Managing Director of Paribas Dérivés Garantis**
- **Permanent representative:**
  - SAS BNP Paribas Participations, itself director of Capefi
  - Compagnie Auxiliaire d'Entreprises et de Chemins de Fer, itself director of KLE 73 and of Société Centrale d'Investissements

Bertrand DE FEYDEAU – Business address: 21, avenue Kléber 75116 Paris

Member of the Supervisory Board
Date of first appointment: October 31, 2006
Period of appointment: October 31, 2006 – 2009 AGM[2]
Member of the Investment Committee
Number of shares: 501

Current appointments:
- **Member of the Supervisory Board of Klépierre**
- **CEO of the Association Diocésaine de Paris**
- **Chairman and CEO of AXA Immobilier SAS**
- **Non-executive Chairman of Foncière Développement Logement**
- **Director:**
  - AXA Aedificandi
  - Foncière des Régions
  - Société Beaujon SAS
  - SITC SAS
  - Association KTO
- **Independent adviser:**
  - Affine
  - Sefri Cime
- **Chairman of the Association pour la Formation Supérieure aux Métiers de l'Immobilier (AFSMI)**
- **Member of the Royal Institution of Chartered Surveyors (UK)**
- **Representative of Vieilles Maisons Françaises for the département of Vienne**
- **Director:**
  - Ahorro Familiar
  - Bail Investissement
  - Fondation du Patrimoine
  - Gécina
  - SIMCO
- **Permanent representative:**
  - AXA Immobilier SAS
  - AXA Conseil Vie Assurance Mutuelle
  - AXA Conseil Vie Logement Français
  - SNC Transacxim

Appointments expired during the last five fiscal years:
- **Chairman and CEO:**
  - AXA Aedificandi "Cœur défense" (SICAV)
  - Immoconcept

Benoît FOURNIAL – Business address: 21, avenue Kléber 75116 Paris

Member of the Supervisory Board

Date of first appointment: October 31, 2006

Period of appointment: October 31, 2006 – 2009 AGM(2)

Member of the Audit Committee

Number of shares: 118

Current appointments:

- **Chairman of Compagnie de Romas**
- **CEO of Saggel Holding**
- **Director:**
  - Saggel Gestion
  - Saggel Transaction
  - Sotragim
- **Member of the Supervisory Committee of Abigest SAS**
- **Member of the Supervisory Board of:**
  - Logement Français
  - Immobilière Dassault
- **Member of the Strategy Committee at Consultim Finance SAS**

Appointments expired during the last five fiscal years:

- **Member of the Supervisory Board of:**
  - Saggel Holding
  - Foncière Masséna SCA
  - Société Anonyme d'Habitations à Loyer Modéré de Paris et ses Environs (SAPE)
- **Director of Dolmea Real Estate**

(1) Domique HOENN was succeeded by Michel CLAIR as Chairman of the Supervisory Board with effect from January 1, 2009.
(2) Proposed for reappointment by the Ordinary General Meeting of Shareholders held on April 7, 2009.
(3) François DEMON was succeeded by Michel CLAIR as Member of the Supervisory Board with effect from January 1, 2009.

During the year, the Company has received no information regarding any transaction involving anyone associated with the corporate officers of the Company within the meaning of article L.621-18-2 of the French monetary and financial Code in relation to acquisitions, disposals, the subscription or exchange of treasury shares or transactions involving the financial instruments with which those shares may be connected.

2. Summary of major agreements

Major financing contracts

2007

None

2008

Loan from Klépierre with a maturity date of July 31, 2011
- Lender: Klépierre
- Purpose: to fund Klémurs acquisitions
- Amount: 130 056 526.60 euros
- Repayment conditions: in fine by July 31, 2011
- Interest: interest is indexed against 3-month Euribor plus a margin

Major investment contracts

2007

Purchase contract for real estate in France
- Date of completion: March 29, 2007
- Parties: Mitiska NV (vendor) and Klécapnor (purchaser)
- Purpose:
  - acquisition of a 100% holding in Cap Nord SNC, the owner of 13 retail premises;
  - contract value: 23 million euros.

Partnership agreement and purchase contract for real estate assets in France previously the property of the Défi Mode group
- Contract date: November 15, 2007
- Parties: The companies owning the assets of the Défi Mode group (vendor) and Klémurs (purchaser)
- Purpose of the agreement:
  - acquisition during the 1st half of 2008 of 87 retail premises in France as part of a larger transaction involving buildings owned outright or under real estate leases and 43 projects under construction;
  - deadline for completion: June 30, 2009;
  - signature of a 6-year partnership agreement;
  - acquisition of clothing chain operations by Vivarte;
  - transaction value: approximately 115 million euros (excluding the finance lease rebate).

2008

Acquisition of real estate assets in France: the Akene portfolio
- Contract date: April 16, 2008
- Parties: Various companies owned by a group of private individuals (vendors) and Klémurs (purchaser)
- Purpose of the disposals:
  - acquisition of 14 retail units in France;
  - total acquisition cost of approximately 18 million euros.

Acquisition of 77 real estate assets in France from the Défi Mode Group under the terms of the partnership agreement signed on November 15, 2007
- Contract date: April 30, 2008
- Parties: The companies in ownership of the assets of the Défi Mode Group (vendor) and Klémurs (purchaser)
- Purpose of the disposals:
  - acquisition of 77 wholly-owned and leased retail assets in France;
  - total acquisition cost: approximately 100 million euros (excluding the finance lease rebate).

Acquisition of a French company in ownership of approved plans for a Retail Park in Chalon-sur-Saône
– Contract date: June 13, 2008
– Parties: Klémurs (purchaser) and Européenne de Transaction (vendor)
– Purpose:
  - acquisition of a 100% equity stake in Immo Dauland SARL, a company with the construction and operating permissions required to develop a Retail Park on its own land;
  - contract value: 14.3 million euros.

Acquisition of real estate assets in France under the terms of the agreement signed with Buffalo Grill on August 30, 2006
– Contract date: June 18 and 30, 2008
– Parties: Buffalo Grill Group (vendor) and Klémurs (purchaser)
– Purpose:
  - acquisition of 17 wholly-owned and leased retail assets in France;
  - total contract value of approximately 30 million euros (excluding the finance lease rebate).

Contract to acquire a portfolio of real estate assets in France
– Contract date: December 22, 2008
– Parties: GPE12 (vendor) and Klémurs (purchaser)
– Purpose:
  - acquisition of 22 wholly-owned and leased retail assets in France, all of which are operated by the King Jouet chain;
  - total contract value of approximately 18.5 million euros (excluding the finance lease rebate).

3. List of standard and regulated agreements

List of active agreements concluded under normal and standard conditions

Party to the agreement	Purpose	Date
BNP Paribas Securities Services	Finance contract	11.27.2006
Exane BNP Paribas	Liquidity agreement	11.27.2006
BNP Paribas	Swap No. 2244051	12.05.2006
BNP Paribas	Swap No. 2244052	12.05.2006
BNP Paribas	Swap No. 2669996	11.09.2007
BNP Paribas	Swap No. 2679789	11.16.2007
BNP Paribas	Swap No. 2682164	11.19.2007
BNP Paribas	Swap No. 2783994	01.21.2008
BNP Paribas/Klépierre Finance	Automated cash centralization agreement and internal cash management agreement	04.17.2003

List of previously-authorized regulated agreements remaining effective in 2008

Date of Supervisory Board authorization	Date	Purpose	Party to the agreement
November 27, 2006	December 12, 2006	Agreement to open a credit line of a maximum amount of 150 000 000 euros	BNP Paribas and Banque de l'Économie du Commerce et de la Monétique

List of regulated agreements authorized in 2008

Date of Supervisory Board authorization	Date	Purpose	Party to the agreement
July 25, 2008	October 17, 2008	Intragroup loan agreement	Klépierre
November 17, 2008	December 23, 2008	Acquisition of commercial premises in Saint-Malo (Casino Cafétéria) Acquisition of commercial premises situé à Berck-sur-Mer (Twinner)	SNC Klétransactions
November 17, 2008	December 30, 2008	Acquisition d'un local commercial in Wasquehal (Feu Vert)	SNC Klétransactions
November 17, 2008	–	Acquisition of two commercial premises in Barentin and Toulon Grand Var (Feu Vert)	These transactions were not completed in 2008

4. Remuneration and benefits of corporate officers – Composition of the Supervisory Board – Sentence for fraud – Conflicts of interest

	2008			2007		
	Amount for Klémurs	Amount for Klépierre	Total amount	Amount for Klémurs	Amount for Klépierre	Total amount
Supervisory Board Members						
Dominique HOENN	10000.00	35257.95	45257.95	10000.00	30456.84	40456.84
Catherine BRÉART de BOISANGER	10000.00	–	10000.00	10000.00	–	10000.00
François DEMON	10000.00	20808.96	30808.96	10000.00	19680.72	29680.72
Bertrand de FEYDEAU	10000.00	41671.47	51671.47	10000.00	30711.22	40711,22
Benoît FOURNIAL	10000.00	–	10000.00	10000.00	–	10000.00
TOTAL	**50000.00**	**97738.38**	**147738.38**	**50000.00**	**80848.78**	**130848.78**
Manager						
Klépierre Conseil	1310568.20	–	1310568.20	1514447.68	–	1514447.68

in euros

Remuneration paid to Supervisory Board Members

Director's fees totaling 50 000 euros were paid to Supervisory Board Members in respect of the 2008 fiscal year.

Remuneration of the Manager

The remuneration paid to the Manager in respect of the 2008 fiscal year was 1 310 568.20 euros, in accordance with article 13 the Klémurs articles of association.
This total can be broken down into a fixed sum of 170430 euros, an amount proportional to rent received of 1006138.20 euros and an amount proportional to acquisitions of 134000 euros.

The method used for calculating the variable elements of remuneration is described in article 13 of the Company's articles of association.
Klémurs pays remuneration only to the General Partner Klépierre Conseil; no payment is made to the Chairman or Executive Board of Klépierre (see article 13 of the articles of association).
The corporate officers of Klépierre receive no special remuneration in respect of the work they do for Klémurs.

Fees paid to independent auditors

	2008				2007			
	Deloitte & Associés		Mazars		Deloitte & Associés		Mazars	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit*								
– Auditing and certification and review of individual and consolidated financial statements	53	100%	45	100%	76	100%	24	100%
– Additional mandates	–	–	–	–	–	–	–	–
Sub-total	**53**	**100%**	**45**	**100%**	**76**	**100%**	**24**	**100%**
Other services								
– Legal, tax and labour-related	–	–	–	–	–	–	–	–
Sub-total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL	**53**	**100%**	**45**	**100%**	**76**	**100%**	**24**	**100%**

* Including services provided by independent and network specialists at the request of the auditors as part of certifying the financial statements.

in thousands of euros

The Manager

In accordance with article 12 of the articles of association, the Company is administered by one or more managers, which may be physical persons or legal entities, chosen from amongst the general partners or elsewhere.
Klépierre Conseil, a société par actions simplifiée (simplified joint stock company) capitalized at 708 304 euros with its registered office at 21, avenue Kléber – 75116 PARIS and registered in the Paris Trade and Companies Register under number 398 967 000, was appointed as Manager at the General Meeting of Shareholders held on October 31, 2006.
During the life of the Company, any new Manager must be appointed with the unanimous agreement of all partners.
The Manager is granted the most extensive powers to act on behalf of the Company in any circumstances whatsoever within the limits of the Company purpose, and subject to those powers expressly granted to Shareholders Meetings and the Supervisory Board by law or under the articles of incorporation.
The responsibilities of the Manager cease on the resignation or dismissal of the latter.
These responsibilities may be revoked at any time for reasons of incompetence or any other reason unanimously agreed upon by all partners. They may also be revoked for any legitimate purpose pursuant to a legal verdict.
In the event of a single Manager relinquishing these responsibilities, the latter will be reappointed or one or more new Managers will be appointed. In the interim period prior to such an appointment or appointments being made, the management functions will be fulfilled by the partner(s), which may then delegate all the necessary powers to conduct the business of the Company until the appointment of the new manager(s) is completed.

Supervisory Board meetings

The Supervisory Board met six times in 2008. All other information relating to the Supervisory Board is contained in its Chairman's report.

Supervisory Board appointments, operation and powers

The Supervisory Board comprises between three and twelve Members, and does not act as either partner or Manager. The Members of the Supervisory Board are appointed by the General Meeting of Shareholders. Shareholders who are also partners may not vote on the corresponding resolutions.
Each member of the Supervisory Board is required to hold at least one share in the Company for the full duration of his or her appointment.
The responsibilities of a Supervisory Board Member cease at the end of the Ordinary General Meeting of Shareholders called to approve the financial statements for the year ended, where this meeting is held in the year during which the appointment of that Supervisory Board Member expires.
The Board elects a Chairman from amongst its number.
The Supervisory Board meets as often as required by the best interest of the Company at the invitation of its Chairman, but at least 4 times a year, to consider the Manager's report on the business conducted by the Company. Meetings may be held either at the head office or in any other location.
A quorum of at least half the Members of the Supervisory Board is required in order to conduct business.
Resolutions will be adopted on the basis of a majority vote of those Members present or represented.
The Supervisory Board fulfils those functions provided for by law and is responsible for exercising permanent control over the management of the Company. In accordance with French law, the Supervisory Board prepares an annual report for submission to the Ordinary General Meeting called to approve the financial statements of the Company.
It may conduct any verifications or checks it sees fit at any time of the year, and may request any and all documents it believes useful for the accomplishment of its mission.
The Supervisory Board may form committees to assist it in its work, and is empowered to define the composition and authorities delegated to the committees it forms.
The Supervisory Board uses an internal rule to set the methods governing the way it exercises its powers and delegates responsibility to its Chairman.

Service contracts between the management or Supervisory Board Members and the Company or any subsidiary company, and the granting of benefits under the terms of such contracts

No such contract has been signed between the Management (or any Member(s) of the Supervisory Board) and the Company or any subsidiary company.
To the best knowledge of the Company:
- there are no family ties between the General Partner and Manager and/or the Members of the Supervisory Board;
- neither the General Partner and Manager and/or any Member of the Supervisory Board has been convicted for fraud during the past five years;
- neither the General Partner and Manager nor any Member of the Supervisory Board has been associated with any bankruptcy, receivership or liquidation during the last five years, whether in a directorial, executive or supervisory capacity, or as a Chief Executive Officer;
- no conviction and/or official public sanction has been pronounced against the General Partner and Manager and/or any Member of the Supervisory Board;
- there is no potential conflict of interest between the duties exercised on behalf of the Company by the General Partner and Manager and/or any Member of the Supervisory Board and their private interests and/or other duties;
- neither the General Partner and Manager nor any Member of the Supervisory Board has been prohibited by a court of law, within the last five years, from acting in a directorial, executive or supervisory capacity on behalf of a Company or from involvement in the business management or conduct of a Company.

Insiders

In accordance with applicable regulations, the Management, Members of the Supervisory Board, persons closely connected with senior executives and co-opted directors are required to declare any transactions that involve the Company shares and agree to refrain from personal dealings in Klémurs shares during the following periods:
- for each quarter of the calendar year, during the period running between the first day of the quarter and the day on which Klémurs consolidated revenues are published for the quarter under consideration;

- for each six-month period of the calendar year, between the first day of the six-month period and the day on which the annual or interim financial statements of Klémurs are published for the half-year period under consideration;
- during the period running between the date on which Klémurs is privy to an item of information which, if it were made public, could have a material impact on the price of the securities and the date on which this information is made public.

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

I. Capital and shareholding structure

1. Background

Since its formation, Klémurs has acted as a property management company concerned with the holding and management of real estate assets for rental as commercial premises. These assets are located in France, and comprise essentially retail stores, most of which are in out-of-town commercial areas, although some are in town/city centers.
Klémurs was formed in July 1998 as a simplified joint-stock company.
Until its market flotation Klémurs was acting as the real estate company of Klépierre: its historic asset base was made up of stores on the ground floor of buildings located in rue de la Champmeslé in Rouen, a retail space located Quai de la Gare in the XIX[th] arrondissement of Paris and a building in rue de Flandre in the XIX[th] arrondissement of Paris.
Klémurs was converted into a partnership limited by shares on October 31, 2006, prior to its market flotation on December 7, 2006. It was in this year that the Company adopted the SIIC regime, and this option had no implication for its previous status as the subsidiary of an SIIC (Klépierre SA). Since then, Klémurs has grown at a faster and more sustained rate.
Klémurs first substituted for Klépierre in the December 2006 acquisition of 128 Buffalo Grill restaurant properties under the terms of an outsourcing agreement.
In 2007, Klémurs continued with its acquisition of Buffalo Grill restaurant properties, bringing the total to 136. The initial agreement between Klémurs and Buffalo Grill was extended in 2007 to give Klémurs preferential right on the acquisition of an unlimited number of new sites over a period of 10 years. The Company also began to diversify its sources of revenue with the acquisition (via Cap Nord) of 14 retail assets in a number of out-of-town Retail Parks and 2 Sephora outlets in Metz and Avignon.

In 2008, Klémurs finalized the outline agreement signed at the end of 2007 with the founders of the Défi Mode retail chain. Under the terms of this agreement, the Company took over ownership of 77 stores (67 of which were operated under the Défi Mode brand) in parallel with the purchase of the clothing chain by the Vivarte Group. This agreement has also granted Klémurs a four-year preferential right on all subsequent disposals of existing sites, and a five-year preferential right on all future developments. Klémurs also acquired 17 additional Buffalo Grill restaurants during the year, bringing the total number of restaurants owned and managed at the end of the 2008 fiscal year to 153.
Klémurs also extended its portfolio of assets during 2008 as a result of the following acquisitions:

- 14 retail assets in Messac, Avranches and Rochefort-sur-Mer, which entered Klémurs' portfolio under the terms of purchase commitments signed in 2007;
- 21 stores operated by the King Jouet Group (20 flying the King Jouet banner and 1 occupied by a Joupi retail store) were acquired in the 4[th] quarter of 2008;
- 3 assets owned since 2004 by Klépierre in Berck-sur-Mer, Wasquehal and Saint-Malo joined the Klémurs portfolio in December 2008.

These acquisitions have enabled Klémurs not only to extend its French regional coverage, but also to widen its presence in many business retail areas.

In the 1[st] half of 2008, Klémurs also acquired a Retail Park on a future-as-is basis. Now under construction, this project is located in the most desirable retail area of Chalon-sur-Saône, and is due to be opened to the public in September 2009. This is the first property development project undertaken by Klémurs on its own account.

2. General information

Company name

Klémurs

Company registration details

SIREN: 419 711 833
SIRET: 419 711 833 00022
NAF/APE: 6820B

Term of the Company

The Company was registered as a simplified joint-stock company on July 29, 1998. Its term was set at 99 years, expiring on July 29, 2097.
The Company was converted into a limited partnership by shares on October 31, 2006.

Legal form

Klémurs is a French limited partnership by shares governed by the provisions of the French commercial code, and specifically articles L. 226-1 to L. 226-14, R. 226-1 to R. 226-3 of that code, and by its own articles of association.

Registered office

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

Company purpose (article 3 of articles of association)

The purpose of the Company in France and abroad is:

- to acquire any lands, land titles or buildings located in France or abroad, as well as all goods and rights that may constitute an addition or annex to said buildings;
- to construct buildings and engage in all operations directly or indirectly related to the construction of these buildings;
- to operate and enhance property value by leasing such properties or by other means;
- to enter into all lease agreements for premises or buildings in France or abroad;
- to acquire direct or indirect interests in the entities indicated in article 8 and in paragraphs 1, 2 and 3 of article 206 of the French General Tax Code and, more generally, to acquire interests in all companies whose purpose is to operate rental properties;
- to acquire or enter into real estate leases of any nature acting in the capacity of finance lessee with a view to the rental or sale of leased buildings;
- incidentally, to acquire interests in any company or enterprise engaged in any activities whatsoever in the real estate sector;
- and more generally, to engage in all types of civil, commercial, financial, investment and real estate transactions directly related to the abovementioned purpose or in the furtherance thereof, in particular, borrowing and the granting of any related guarantees or sureties.

Ownership and sale of shares (article 9 of articles of association)

Shares are registered in the name of their owner, in accordance with the terms, conditions and procedures established by law and regulations in force.

Share ownership may be sold or transferred freely, pursuant to aplicable legislation and regulations in force. In particular, with regard to the Company or third parties, shares that are sold are transferred from account to account.

Voting rights (article 11 of articles of association)

Each share confers entitlement to part ownership of the Company's assets, any liquidation surplus and a share of its profits in proportion to the share capital it represents.

During any distribution of profit, and also during the total or partial refund of their nominal capital, shares receive the same net amount, and all the taxes and duties to which they may be subject is divided evenly among them.

Partners' rights (article 20 of articles of association)

Whether managers or otherwise, the partners exercise all the privileges attaching to this status under the law and the articles of association, including the right to information provided for in article L. 221-8 of the French commercial code.

Furthermore, and as a result of this indefinite and collective responsibility, they are entitled to specific remuneration calculated in accordance with the provisions of dispositions of article 28 of the articles of association.

Decisions of the partners (article 21 of articles of association)

Decisions may be taken by the partner(s) either during meetings or by correspondence.

The general partners are notified of meetings fifteen calendar days in advance of the meeting date.

Where decisions are to be taken by correspondence, each partner has a period of fifteen days in which to notify the management of his/her decision on each resolution.

General Meetings of Shareholders (articles 22, 23, 24, 25 and 26 of articles of association)

General Meetings of Shareholders may be attended by all shareholders. Meetings are call by the Management, the Supervisory Board or, in the absence of these, by the auditor or any other legally authorized person, and in accordance with the applicable legal provisions.

Any shareholder able to provide evidence of identity is entitled to attend General Meetings of Shareholders and participate in its proceedings, regardless of the number of shares held.

This participation is however subject to their shares having been registered, either in the accounts of registered shares kept by the Company or in the accounts of bearer shares held by an authorized intermediary, within the deadlines and according to the terms required under the applicable legislation. In the case of bearer shares, registration is evidenced by a holdings certificate issued by the authorized intermediary.

Shareholders may submit postal votes to all meetings, subject to compliance with the relevant legal provisions.

With the exception of votes relating to the election, dismissal or revocation of Supervisory Board Members, no resolution may be adopted at an Ordinary General Meeting of Shareholders without the prior unanimous agreement of the partner(s).

No resolution may be adopted at an Extraordinary General Meeting of Shareholders without the prior unanimous agreement of the partner(s).

The agreement of the partner(s) must be sought and secured by the management prior to the General Meeting of Shareholders concerned.

Fiscal year (article 27 of articles of association)

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

Statutory distribution of profits (article 28 of articles of association)

At least 5% of profits for the fiscal year, less any prior losses, are set aside to establish the legally required reserve fund, until such fund equals one-tenth of the share capital.

The balance, together with any retained earnings, constitutes the distributable profit. A sum equivalent to 5% of the distributable profit for each fiscal year is deducted from the said profit to paid to the general partners, regardless of whether or not they are managers or not. Where appropriate, this preferential dividend will be shared equally amongst the said partners.

The balance of the distributable profit is then made available to the General Meeting of Shareholders, at the proposal of the management, for full or partial distribution to shareholders in the form of a dividend, allocated to the reserve accounts, allocated to cover capital depreciation or carried forward as retained earnings.

The General Meeting of Shareholders called to approve the annual financial statements may grant shareholders the option of receiving all or part of the distributed dividend in cash or in shares.

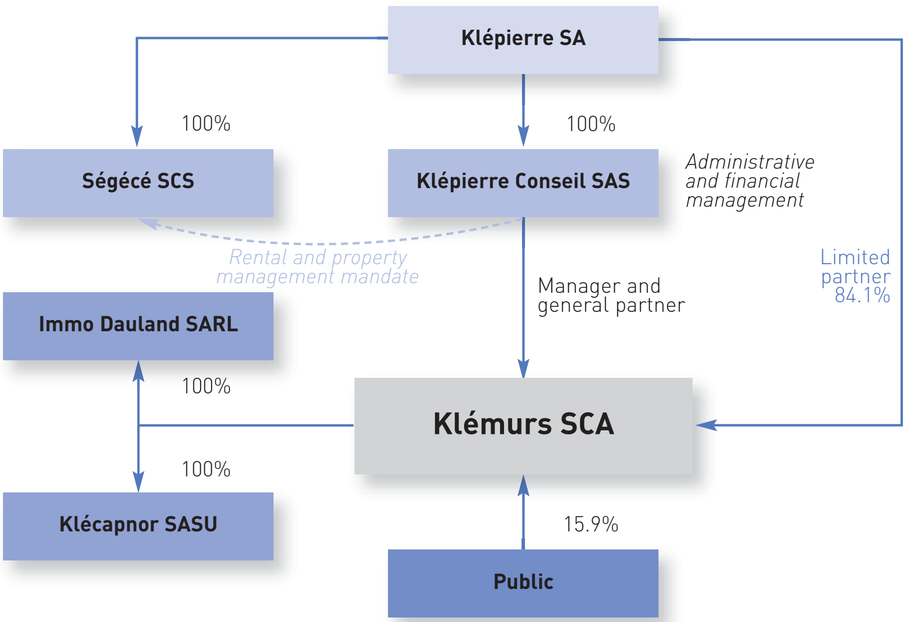
This option may also be granted for the payment of interim dividends.

The statutory regulations governing deductions contained in the provisions of articles 208-C and subsequent of the French general tax code have been adopted by the Company in respect of certain categories of shareholders.

Tax status

Klémurs has opted for the tax status of *Sociétés d'Investissements Immobiliers Cotées* (SIIC) under article 208-C of the French General Tax Code. As such, it is exempt from corporate income tax on:

- income from rents, on condition that 85% of said income is distributed to shareholders before the end of the fiscal year following the year in which the income was earned;
- capital gains from the sale of buildings, equity interests in real estate partnerships (sociétés de personnes) or in subsidiaries that have opted for the new tax status, provided that 50% of these capital gains are distributed to shareholders before the end of the second fiscal year in which they were realized;
- dividends received from subsidiaries that have opted for the SIIC status and from profits and/or capital gains that are tax exempt under this system provided that they are distributed in the fiscal year following the year in which they were earned.



Klépierre Conseil, the Manager of Klémurs, is responsible for the administrative and financial management of Klémurs, including the rental and property management of the assets owned by Klémurs. Detailed information about compensation for these services is provided in article 13 of the articles of association of Klémurs, available on the Company's website. The rental and property management services for the assets of Klémurs have been subcontracted to Ségémurs, a department of Ségécé that was specially formed for this purpose, pursuant to the mandate entrusted to it by Klépierre Conseil. Accordingly, Ségécé does not bill any fees to Klémurs.

Legal proceedings and arbitration

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

Consultation of documents and information regarding the Company

The articles of association, minutes of general meetings and other corporate documents, as well as historical financial information, all appraisals and disclosures made by experts at the Company's request, and all other documents legally required to be made available to shareholders may be consulted at the Company's head office:
21, avenue Kléber – 75116 Paris
Tel.: 33 (0) 1 40 67 55 50

3. General information regarding equity capital

Share capital – Type of shares

At December 31, 2008, the Company's share capital stood at 82 500 000 euros, divided into 8 250 000 fully paid up shares with a par value of 10 euros each.
Shares may be either registered or bearer shares at the shareholder's discretion, and are all the same category.
The share capital may be modified under the conditions provided by law.

Authorizations to increase share capital

Under resolutions adopted by the Extraordinary General Meeting of Shareholders held on April 2, 2008, the Management has received the following authorizations:

Description of delegations and authorizations	Amount	Term
Authorization for the Company to buy back its own shares	Maximum program amount: 33 million euros Maximum purchase price: 40 euros	18 months from the General Meeting held on April 2, 2008
Capital increase **by rights issue** of shares or securities conferring rights to receive shares and/or the issue of securities conferring rights to receive the allocation of negotiable debt securities[1]	100 million euros 300 million euros: negotiable debt securities	26 months from the General Meeting held on April 2, 2008
Capital increase **by non-rights issue** of shares or securities conferring rights to receive shares and/or the issue of securities conferring rights rights to receive the allocation of negotiable debt securities[1][2]	100 million euros 300 million euros: negotiable debt securities	26 months from the General Meeting held on April 2, 2008
Capital increase by incorporation of reserves, profits, premiums or other amounts eligible for capitalization	100 million euros	26 months from the General Meeting held on April 2, 2008
Capital increase by the non-rights issue of shares or securities conferring rights to receive shares to fund contributions in kind granted to the Company in respect of equity shares or securities conferring rights to receive shares	10% of share capital adjusted at the time of capital increase	26 months from the General Meeting held on April 2, 2008
Maximum nominal amount of immediate or future share capital increases likely to be completed as a result of the authorizations granted: 200 million euros Maximum nominal amount of investment securities conferring rights to receive shares: 300 million euros		
Authorization to reduce the share capital by canceling shares	10% of capital in a 24 month period	26 months from the General Meeting held on April 2, 2008

(1) The Manager was authorized by the General Meeting held on April 2, 2008 to increase the number of shares to be issued by up to 15% of the initial issue, and to do so within 30 days of the end of the subscription period.
(2) The Manager is authorized to set the price at an amount equivalent to at least 85% of the average weighted share price for the three trading days preceding the date on which conditions of issue are set, and to exercise this authority in respect of up to 10% of share capital per year.

Changes in share capital over the last five years

Actual date of transaction	Transaction	Number of shares issued	Amount of change in capital (in euros)	Total amount of nominal share capital (in euros)	Total number of shares	Nominal value per share (in euros)
December 19, 2003	Capital reduction by means of reducing the nominal value of shares	–	78 674	150 000	15 000	10
December 19, 2003	Capital increase by payment of debts	42 501	425 010	575 010	57 501	10
December 19, 2003	Capital reduction by means of retiring shares	–	425 010	150 000	15 000	10
December 31, 2006	Capital increase by payment of debts	1 485 000	14 850 000	15 000 000	1 500 000	10
December 12, 2006	Capital increase in the form of cash	6 750 000	67 500 000	82 500 000	8 250 000	10

Dividends

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

Fiscal year	December 31, 2005	December 7, 2006[1]	December 31, 2006	December 31, 2007	December 31, 2008[2]
Number of shares	15 000	8 250 000	8 250 000	8 250 000	8 250 000
Net dividend	26.87 €	0.17 €	–	1 €	1 €
Net dividend paid	403 050 €	1 402 500 €	–	8 250 000 €	8 250 000 €

(1) Payment of interim dividends.
(2) Distribution as repayment of share premium.

Dividends that remain unclaimed automatically lapse in favor of the State after five years from the date of distribution.
Treasury shares held by the Company do not qualify for dividends.

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

Any physical or legal person, acting alone or in concert, directly or indirectly acquiring or disposing of 2% of the share capital (or any multiple thereof), is required to notify the Company of the total number of shares and voting rights held, and to do so by means of registered letter with acknowledgement of receipt addressed to the head office within five trading days of the date on which each threshold is breached.

The statutory regulations governing shareholder disclosure requirements, as contained in the provisions of articles 208-C and subsequent of the French general tax code, have been adopted by the Company in respect of certain categories of shareholder.
Where these disclosures are not made under the conditions referred to above, those shares exceeding the percentage and which should have been declared will be deprived of their voting rights at a Meeting of Shareholders at the request of one or more shareholders together holding at least 2% of the share capital or voting rights.
The number of voting rights at December 31, 2008 was 8 250 000. No voting rights accompany the treasury shares held by the Company.
At December 31, 2008, the main shareholders of the Company's 8 250 000 shares were as follows:

Shareholders	Number of shares	% of capital and voting rights
Klépierre SA	6 939 372	84.11%
Other registered shareholders	2 617	0,03%
Bearer shares	1 287 416	15.61%
TOTAL FLOATING STOCK	**1 290 033**	**15.64%**
Treasury shares*	20 595	0.25%
TOTAL	**8 250 000**	**100%**

* Under the terms of article L. 225-210 of the French commercial code, treasury shares have no voting rights.
Klépierre is the majority shareholder of Klémurs and the legal representative of Klépierre Conseil, which is the sole General Partner of Klémurs. The related risk factors are described on pages 27 and 28 of this shelf registration document.

Breakdown of share capital for the last three years

	Situation at December 31, 2006		Situation at December 31, 2007		Situation at December 31, 2008	
	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
Klépierre	6 939 372	84.11%	6 939 372	84.11%	6 939 372	84.11%
Other registered shareholders	528	0.01%	1 686	0.02%	2 617	0.03%
Floating stock	1 305 935	15.83%	1 287 317	15.61%	1 290 033	15.64%
Treasury shares	4 165	0.05%	21 625	0.26%	20 595	0.25%

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

Employee profit sharing

There is no agreement entitling employees to share in the Company's capital.

4. Share Capital and Market trading

Shares

All the Company's equity shares are listed on Euronext Paris™ (Compartment C).

	2006[1]	2007	2008
Market capitalization (in millions of euros)[2]	258.89	146.85	103.13
Number of shares traded (daily average)	40315	2518	1161
Share price			
– High	40.49	34.88	23.99
– Low	20.00	15.40	8.60
– Last	31.38	17.80	12.50

(1) Since the market flotation on December 8, 2006.
(2) Based on the closing price of the last trading day of the year.

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

Month	Highest price	Lowest price	Number of securities traded	Amount of equity traded (in thousands of euros)
September	20.63	15.40	38302	724.21
October	22.80	20.00	16147	342.02
November	21.23	19.60	17976	364.84
December	21.00	17.30	55023	1002.52
2008				
January	17.80	13.90	51626	790.24
February	22.50	14.60	61280	1130.07
March	22.49	19.11	26714	579.63
April	23.99	19.11	31867	689.38
May	21.50	20.50	9892	207.43
June	21.80	18.10	30496	590.41
July	19.00	15.10	11590	199.16
August	18.05	15.35	14360	231.34
September	16.80	14.51	9536	147.43
October	14.75	10.40	10925	130.68
November	11.10	9.00	11055	111.85
December	12.50	8.60	27795	262.26
2009				
January	13.59	11.70	18641	237.48
February	13.97	12.10	8116	106.84

J. Sustainable development

The presence of retail premises in city centers and out of town sites is not without its environmental, employment and social impacts. The diversity of the Klémurs real estate portfolio and the acquisitions made since its market flotation at the end of 2006, create an even greater responsibility in this respect.

For these reasons, Klémurs is committed to implementing a sustainable development policy that fully reflects the nature of its business. In this respect, Klémurs can rely on the organization adopted, and values conveyed by Klépierre and Ségécé. The sustainable development policy implemented in respect of Klémurs real estate assets also form an integral part of the approach adopted by other Klépierre group entities.

Employment sustainability

Klémurs has no workforce of its own. The employees responsible for the Klémurs real estate assets are seconded from the Klépierre group, via Ségémurs (a department of Ségécé). They are therefore subject to all the agreements and provisions of the Klépierre group in terms of profit sharing, incentive schemes, training, etc.

Environmental sustainability

With support from the Group Sustainable Development Department, the operational teams aim to minimize the impacts imposed by the design and management of retail premises, which includes providing tenants with advice, recommendations and incentives.
The special nature of the Klémurs owner/tenant model is based on the fact that tenant chains retain control over the use and day-to-day management of their premises, which they have often also designed themselves. For example, energy consumption and waste management are the direct responsibility of tenant chains and their on-site personnel, and therefore fall outside the direct scope of responsibility attributable to Klémurs.
Where the premises of retail operators are outsourced, one of the main challenges is to develop close relationships with the chains. The key to improving energy efficiency and environmental integration therefore lies in sharing knowledge, developing partnerships and incentive schemes or even by passing on crucial environmental, listing and risk data, for example.
This is the way in which environmental protection issues have been addressed with the teams of Buffalo Grill, which has implemented a voluntary environmental policy for many years now.
Since 2007 and 2008 were both years of substantial external growth, the primary mission of the Ségémurs teams is to list and map the environmental risks posed by the portfolio of acquisitions. This mission will continue in 2009, and provides the teams of Klémurs with an excellent opportunity to gain a full understanding of the concepts and expectations of the Company's partner chains. It also provides an opportunity to support the development of retailers by offering them appropriate environmental solutions (HQE® approach, energy efficiency improvements, etc.).

Manager's special report in relation to the share buyback program pursuant to article L. 225-209 of the French commercial code

Having adopted resolutions nineteen and ten, the General Meeting of Shareholders held on April 2, 2007 authorized the Manager to buy the Company's own shares in accordance with the provisions of articles L. 226-1 and L. 225-209 of the French commercial code, for the specific purpose of:

- stimulating the secondary market or share liquidity through an investment service provider under a liquidity agreement consistent with the French Association of Investment Companies (AFEI) code of ethics of March 14, 2005 as recognized by the *Autorité des Marchés Financiers*;
- delivery or exchange of shares during the exercise of rights attached to securities that entitle the holder to a share in the capital of the Company;
- purchasing shares for retention and subsequent delivery in exchange for payment for transactions relating to external growth; and
- retirement, within the legal limits, of all part of the shares thus bought back, subject to adoption by the General Meeting of Shareholders of resolution ten below under the terms shown, or the granting of a similar authorization.

The main characteristics of the authorization granted by the General Meeting of Shareholders held on April 2, 2007 are as follows:

- maximum authorized unit purchase price: 50 euros for a share with a par value of 10 euros;
- maximum number of shares that may be acquired at the date of this report: a maximum of 10% of share capital, i.e. 825000 shares at a maximum amount of 5000000 euros;
- duration of the program authorized by the General Meeting of Shareholders: 18 months from the General Meeting of Shareholders held on April 2, 2007;
- maximum percentage of capital that may be retired under the authorization given by the General Meeting of Shareholders: 10% of share capital per 24-month period.

No share was cancelled under this authorization.

The unused part of this authorization is cancelled in accordance with resolutions five and six of the General Meeting of Shareholders held on April 2, 2008, under which the Shareholders agreed to renew the authorization granted to the Management to buy back the Company's own shares for the following purposes:

- stimulating trading in the secondary market or Klémurs share liquidity under the terms of a liquidity agreement that complies with the code of conduct recognized by the AMF; or
- delivering shares as part of external growth or merger transactions, spin-offs or partial transfers of business assets (whether in exchange for payment or otherwise); or
- delivering shares when exercising rights attaching to securities that confer rights to receive shares by way of redemption, conversion, exchange, presentation of a warrant or in any other manner; or
- conducting buy, sell or transfer transactions in any form via an investment services supplier, and specifically in the context of OTC transactions; or
- cancelling some or all of the shares acquired in this manner, contingent upon the adoption by the Shareholders of the sixth extraordinary resolution which is submitted to their vote on the meeting of April 2, 2008, under the terms and conditions set forth; or
- granting or selling shares to employees as part of a profit-sharing plan or Company Savings Plan subject to the applicable legal conditions, and more specifically to the provisions contained in articles L. 443-1 and subsequent of the French Labor Code.

This authorization was the subject of a program description published on the respective websites of the *Autorité des marchés financiers* and Klémurs on April 2, 2008.

The main characteristics of the authorization granted by the General Meeting of Shareholders held on April 2, 2008 are as follows:

- maximum authorized purchase price per share: 40 euros for a share with a par value of 10 euros;
- maximum number of shares that may be acquired at the date of this report: a maximum of 10% of share capital, i.e. 825000 shares at a maximum amount of 33000000 euros;
- duration of the program authorized by the General Meeting of Shareholders: 18 months from the General Meeting of Shareholders held on April 2, 2008;
- maximum percentage of capital that may be cancelled under the authorization given by the General Meeting of Shareholders: 10% of share capital per 24-month period.

No share was cancelled under this authorization.

The following table summarizes the treasury stock transactions completed by the Company during the 2008 fiscal year under the authorizations referred to above:

	Liquidity agreement	Total
Situation at December 31, 2007	**21625**	**21625**
Purchased	34039	
Sold	-35069	
Situation at December 31, 2008	**20595**	**20595**
As a percentage of share capital (8250000 shares)	*0.25%*	*0.25%*

by number of treasury shares

As a result of these transactions, the stock of treasury shares held at December 31, 2008 was 20 595, representing 0.25% of the Company's share capital.

This figure is 1 030 shares lower than that for December 31, 2007 as a result of the liquidity agreement, under which 34 039 shares were bought at an average price of 15.48 euros, and 35 069 shares were sold at an average price of 16.46 euros.

No Klémurs shares were bought or sold outside transactions covered by the liquidity agreement.

At the General Meeting of Shareholders to be held on April 7, 2009, the Manager will ask Shareholders to renew this authorization for a further period of eighteen months under similar conditions. The maximum purchase price will be 30 euros for each share with a par value of 10 euros.

Report of the Supervisory Board to the combined ordinary and extraordinary General Meeting of Shareholders

Approval of financial statements for the fiscal year ended December 31, 2008

Dear Shareholders,

Under the provisions of article L. 226-9 of the French commercial code, we are required to provide you with our observations concerning the report produced by the Manager, which has just been read to you, and to comment on the corporate financial statements for the fiscal year ended December 31, 2008.

The Manager has kept the Supervisory Board regularly informed of the Company's business activities and has carried out the required audits and controls.

The Board is supported in the fulfillment of its mission by two special-purpose committees: the Investment Committee and the Audit Committee.

The Supervisory Board has no special observations to make concerning the Manager's report or the financial statements for the 2008 fiscal year, and therefore invites you to approve the financial statements and the resolutions proposed, with the exception of resolution twenty-first.

The Supervisory Board thanks the Manager and all the staff of the Company for their hard work during the fiscal year.

The Supervisory Board

Report of the Chairman of the Supervisory Board

Supervisory Board Meeting of February 5, 2009 called to review fiscal year 2008

In accordance with article L 226-10-1 of the French commercial code, and in my capacity as Chairman of the Klémurs Supervisory Board, it is my honor to present you with this report on the 2008 fiscal year, as approved by the Supervisory Board at its meeting of February 5, 2009. It contains information relating to:
- the composition of the Supervisory Board and the way in which its work is prepared and organized;
- the internal control and risk management procedures implemented by the Company;
- the corporate governance of the Company;
- and the methods governing the participation of Shareholders in the General Meetings of the Company.

I. Preparation and organization of the Supervisory Board's work

The composition, missions and obligations of the Supervisory Board and its operation are governed by the provisions of the French commercial code applicable to partnerships limited by shares and by Chapter IV of the Company's articles of association.

The Supervisory Board carries out the functions required of it by law, and is responsible for the permanent oversight of the way in which the Company is managed. For this purpose, the Supervisory Board carries out any and all checks and controls it sees fit at any point during the year. Every Supervisory Board Member receives all the documents and information required to fulfill this mission.

In accordance with article 16 of the Company's articles of association, the Supervisory Board authorizes the Manager to conduct the following transactions subject to the proviso that their value exceeds eight million euros:
- acquisitions and disposals of equity holdings in all existing or future companies, with the exception of those controlled by the Company within the meaning of article L. 233-3 of the French commercial code, for the purpose of contributing or disposing of buildings owned by the Company or by other companies over which it exercises direct or indirect control within the meaning of article L. 233-3 of the French commercial code;
- acquisitions and disposals in kind of all buildings, with the exception of disposals or contributions to a company directly or indirectly controlled by the Company within the meaning of article L. 233-3 of the French commercial code;
- conclusion of all agreements, transactions and acceptation of any compromise in the event of legal proceedings.

The Supervisory Board has delegated to its Chairman the powers to authorize the Manager to complete all the aforementioned transactions, where the individual value of such transactions does not exceed 46 million euros.

Composition of the Supervisory Board

The Supervisory Board is composed of a minimum of 3 and a maximum of 12 Members, and does not act as either partner or Manager. Members are appointed or removed from office by the Ordinary General Meeting of Shareholders on the basis of a three-year appointment.

The Board appoints a Chairman from amongst its Members. The Chairman prepares and organizes the work of the Board.

During the 2008 fiscal year, there were 5 Supervisory Board Members: Dominique Hoenn (Chairman), Bertrand de Feydeau, François Demon, Catherine Bréart de Boisanger and Benoît Fournial.

At its meeting of December 19, 2008, the Supervisory Board co-opted Mr Michel Clair as a Member, replacing Mr François Demon, who resigned with effect from January 1, 2009 for the period of appointment remaining until the end of the 2009 General Meeting of Shareholders called to approve the financial statements of the 2008 fiscal year.

Also at this meeting, the Supervisory Board appointed Mr Michel Clair as its Chairman, replacing Mr Dominique Hoenn, who resigns as Chairman with effect from January 1, 2009.

The two following Members are considered by the Supervisory Board as independent: Mrs Catherine Bréart de Boisanger and Mr Benoît Fournial.

Supervisory Board meetings

The Supervisory Board meets as often as required by the interests of the Company, but at least four times a year, to consider the Manager's report on the business conducted by the Company.

Meetings may be convened by the Supervisory Board, at least half of its Members or by any of the Company's Managers or General Partners.

A quorum of at least half the Members is required in order to conduct business. Resolutions are adopted on the basis of a majority vote of those Members present or represented.

The statutory auditors are invited to attend Supervisory Board meetings which rewiew the annual and interim financial statements

The Supervisory Board met 6 times in 2008, with an attendance rate of 96.67%. The main points discussed during these meetings were:
- the Management reports and financial statements for the year ended December 31, 2008;
- the quarterly business report prepared by the Management;
- the interim corporate financial statements;
- investments and disinvestments;
- the coopted appointment of a new Member of the Supervisory Board, with effect from January 1, 2009;
- the appointment of a new Supervisory Board Chairman, with effect from January 1, 2009;
- the AFEP and MEDEF recommendations on remuneration for corporate officers;
- the annual authorization of the Management to grant guarantees, endorsements and sureties;
- regulated agreements.

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

On October 31, 2006, the Supervisory Board set up special-purpose committees to help it in fulfilling its missions. These committees do not relieve the Supervisory Board of its responsibilities as the representative of the shareholding partners and the body charged with maintaining management control of the Company. Acting within its own area of expertise, each committee puts forward proposals, recommendations and opinions, and reports on its proceedings to the Supervisory Board.

These special-purpose committees are:

Audit Committee

This committee has at least two Members, who are appointed by the Supervisory Board from amongst its Members.

During the 2008 fiscal year, the committee Members were: Benoît Fournial (Chairman of the Audit Committee) and François Demon.

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

The committee met 2 times during the year, with an attendance rate of 100%. The key points addressed at these meetings related to the annual and interim corporate and consolidated financial statements: information about the financial statements, approval of the accounting practices proposed by the Manager and the major events of the year or the semester.

Investment Committee

This committee has at least three Members, who are appointed by the Supervisory Board from amongst its Members.

During the 2008 year, the committee Members were: Mrs Catherine Bréart de Boisanger (Chairman of the Investment Committee), Mr Bertrand de Feydeau and Mr Dominique Hoenn.

This committee meets at least twice per year to inspect the investment and/or disposal plans submitted to it prior to their official authorization by the Supervisory Board.

For this purpose, it examines the real estate, commercial, legal and financial aspects of proposed transactions. It pays particularly close attention to ensuring that the transactions concerned are consistent with the strategy of the Company and its investment criteria.

The committee met 3 times during the year, with an attendance rate of 88.89%.

The work of the committee focused on 9 investment and disinvestment transactions. Six of these transactions were completed or became the subject of future commitments, and 3 were rejected or deferred notably on the basis of their acquisition cost.

The most significant projects were:
- the King Jouet portfolio (21 assets);
- the acquisition of 17 additional Buffalo Grill restaurants in 2008;
- a development operation located in Chalon-sur-Saône.

II. Internal control procedures

Every part of the internal control function reports to the Executive Board of Klépierre, the Manager of Klémurs and the Audit Committees of Klépierre and Klémurs concerning the fulfillment of their missions.

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

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

The internal compliance procedures designed to address the objectives described above cannot, however, ensure with certainty that these objectives will be achieved, since all procedures have inherent limitations.

The organizational structure implemented relies particularly on:
- the internal operational quality of the Klépierre group, which manages Klémurs;
- the reliability of external and internal information;
- the adaptation of internal policies and their compliance with legislation and regulations.

This internal control system is built on the following key principles:
- all Klépierre group employees contribute to the internal compliance structure. Every employee at every level in the Company is accountable for the effective control of those activities for which he or she is responsible;
- control functions must be independent of operations;
- all the business activities and consolidation scope of the Klépierre group, including those of Klémurs, are covered.

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

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

The business sector, function and subsidiary managers fulfill the role of ongoing control representatives, and are responsible for the following tasks:
- coordinating and implementing the methodological choices made at Group level amongst the teams;
- designing and regularly adapting the system's reporting mechanism by identifying those indicators most appropriate for providing managers with the best-possible overview of their ongoing control system;

• submitting regular reports to senior management and the Ongoing Control Coordination Manager.

Ongoing control involves the application of all appropriate resources to the continual implementation of the following procedures:

• **risk identification and evaluation:** this requires a regularly-updated system of risk analysis and measurement designed to address all controls and procedures.

Klépierre has implemented a system referred to as a "Risk Matrix", which is applied to Klémurs as part of mapping the Group's exposure to risk on the basis of operational risk type grouped by activity and function;

• **procedures:** these are intended to provide a framework for the activities and functions by specifying the control structure and processes. These procedures may be viewed on the Group intranet and are the subject of communication and training provided by senior management. They are updated whenever required (as a result of changes in legislation, changes to business activities, restructuring programs, etc.), and reviewed at least every eighteen months at the initiative of Ongoing Control Coordination, although the review remains under the responsability of the management team concerned.

The Klépierre group continually reviews all those procedures already drafted, updates procedures where necessary and drafts new procedures. They are applicable and are applied to the assets and activities of the Klémurs group. These procedures operate within a framework constituted by a procedures procedure which incorporates the policy adopted by the Group;

• **cross-referencing the Risks Matrix** against the inventory of procedures provides the Klépierre group, and therefore Klémurs, with an overview of those risks that have been addressed. This system was initially adopted in France, and was extended to the Group's international subsidiaries during the course of the year;

• **controls:** the frequency, intensity and organization of controls depend on the level of risk. Controls are formalized into a set of procedures. The implementation and effectiveness of the most important ones are monitored.

This has led to the definition of Fundamental Monitoring Points (FMPs). These are used as the basis for the second level controls of the Group's essential business area by managers, who use them as part of fulfilling their risk management and monitoring duties.
These points are applied in accordance with a methodology and frequency predefined by management to every activity identified as presenting a major risk.
This process is applied to Klémurs.
Periodic control applies a series of controls to ensure that the Fundamental Monitoring Points are addressed correctly both qualitatively and quantitatively;

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

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

The Periodic Control is exercised by the Klépierre group internal audit team as an independent function reporting directly to the Executive Board. The purpose of internal compliance is to bring a systematic and methodical approach to the evaluation and improvement of risk management, monitoring and corporate governance processes.

The responsibilities, independence and role of the internal audit team are set out in an internal audit charterl signed by the Executive Board and Supervisory Board Chairmen.

The internal control system applied by the Klépierre group (which administers Klémurs) is built around the following three levels of control:

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

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

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

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

Accordingly, an annual plan prepared jointly by the Internal Audit Manager and the Executive Board is submitted to the Audit Committee for approval. This plan is prepared on the basis of risk prevention as part of defining audit priorities consistent with the objectives of the Group. However, one-off assigments may also be carried out to adress a specific problem that may arise.

Audits are conducted in France every three years to ensure compliance with the regulations and internal asset management procedures. The frame of reference for these audits addresses the following issues:

- safety of property and persons, particularly pursuant to regulations governing establishments open to the public;
- property administration;
- coordination of retailer associations.

The internal audit department has direct access to the Klépierre Executive Board and the Manager of Klémurs, and reports to the Klépierre and Klémurs Audit Committees on the progress of its work in the form of reports, recommendations and implementation plans.
Seven employees are dedicated to Periodic control.

In the specific case of Klémurs, its Manager or Supervisory Board may call upon the General Inspection Unit of the BNP Paribas group to audit its organization and procedures. BNP Paribas group is the consolidating entity of the Klépierre group, beeing itself the consolidating entity of Klémurs.

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

Preparation of financial information

The clarity of financial information and the relevance of accounting methods are monitored by the Audit Committee in conjunction with the statutory auditors. Klémurs corporate and consolidated financial statements are prepared by the Accounting and Management Control Department of Klépierre, under the responsability of the Chief Financial Officer.

The financial statements of Klémurs' companies are centralized at Klépierre headquarters on a pooled information system. The operational departments are responsible for billing and recovering rents and charges by applying a series of appropriate controls to their job functions, as defined in the specific procedures. The principal transactions held in a single management system are interfaced automatically to the accounting system. This accounting system uses axis of analytics to ensure precise budgetary control.

A number of software packages are used in the preparation of the financial statements (for general accounting, sub-ledger accounting, asset tracking and consolidation). The Finance Project Ownership function monitors the consistency of the processes described above, with particular emphasis on ensuring the correct operation and regular updating of the interfaces between these systems.
Procedures for formalizing the working documents and the supporting documentation used in preparing the financial statements substantiate the accuracy and comprehensiveness of accounting operations and define the audit trail.
A second level of control involves the issuing of accounting certificates to confirm the existence, comprehensiveness and accuracy of accounting data.

Preparation of the consolidated financial statements is the subject of a precise process, the instructions for which are distributed to all consolidated entities to ensure consistency of accounting and financial data and compliance with the Group accounting standards.

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

Klépierre also uses external consultants, primarily for tax issues.

Every quarter, the Klépierre group French Retail management control team gathers and validates Klémurs management data, checking the consistency and reasonableness of the financial statements and intermediate positions as an additional secondary control.

The financial position of the Company, its cash flow forecasts and interest-rate risk management procedures are analyzed weekly by the cash management team, which reports directly to the Chief Financial Officer, the Klépierre Executive Board and the Manager of Klémurs. The same team prepares funding, investment and interest-rate hedging decisions, the most important of which are submitted to the Supervisory Board for approval.

All accounting and financial data are subject to IT procedures that include daily backups to digital media stored outside the transactional data centers.

III. Corporate governance

At its meeting of December 19, 2008, the Supervisory Board agreed that the AFEP-MEDEF recommendations are incorporated into the corporate governance policy implemented by the Company, and further resolved that the AFEP-MEDEF code of corporate governance (available on the following website: www.medef.fr) should be adopted as the benchmark for the Company.

However, since these recommendations have been prepared with reference to limited companies, the Company will apply them in as much as they are relevantly and effectively applicable or transposable to a partnership limited by shares, in which the Manager is a legal entity. The establishment of a remuneration committee, which is one of the main recommendations, has yet to be transposed, due to the structure of the Company.

Remuneration of corporate officers

In accordance with all applicable legal and regulatory provisions, detailed information concerning the remuneration of the Manager and the Members of the Supervisory Board is available in the Corporate Governance section of the shelf registration document.

The Manager of the Company is Klépierre Conseil SAS (RCS 398967000 Paris), a wholly-owned subsidiary of the Klépierre group. The remuneration paid to the Manager is detailed in article 13 of the Company's articles of association. In accordance with all applicable legal and regulatory provisions, any remuneration other than that provided for in the articles of association can be granted to the Manager only by the Ordinary General Meeting of Shareholders in agreement with the General Partner.

The remuneration paid to Supervisory Board Members takes the form of directors' fees.

The total amount of directors' fees allocated to the Members of the Supervisory Board in respect of the 2008 fiscal year was set at 50 000 euros by the Ordinary General Meeting of Shareholders held on April 2, 2007. These fees are paid in accordance with the following conditions:

- the amount payable to individual Members of the Supervisory Board is 6000 euros;
- the amount payable to individual Members of the Audit Committee is 4000 euros;
- the amount payable to individual Members of the Investment Committee is 4000 euros.

Internal rules governing the Supervisory Board and its Committees

At its meeting of October 31, 2006, the Supervisory Board adopted internal rules designed to clarify its operation and the missions, composition and operation of the Audit and Investment Committees.

These internal rules have been introduced as part of ensuring a level of transparency consistent with the corporate governance principles of the Company.

It includes provisions governing the independence of Board and Committee Members and their remuneration.

Under the terms of these rules, "*Supervisory Board Members are held to be independent where they have no relationship of any kind whatsoever with the Company, the Managers, the subsidiaries of the Company or companies which exercise direct or indirect control or significant influence over the Company, where such control or influence could compromise their freedom of judgment or be of such a nature to create a conflict of interest with the Company, the Managers or the subsidiaries of the Company*".
There must be at least 2 independent Members in the Board, whilst the Audit and Investment Committees must each contain one independent Member.

IV. Methods governing the participation of Shareholders in the General Meetings

The rules applying to the General Meetings of Shareholders, and more particularly those relating to the participation of Shareholders, are set out in Chapter IV of the Company's articles of association and in the Capital and Shareholding structure section of the shelf registration document.

Michel CLAIR,
Chairman of the Supervisory Board

Statutory auditors' report prepared in accordance with article L. 225-235 of the French commercial code on the report prepared by the Chairman of the Supervisory Board of Klémurs

Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with article L.225-235 of the French commercial code on the report prepared by the Chairman of the Supervisory Board of on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction with, and construed in accordance with, French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Klémurs and in accordance with article L. 225-235 of the French commercial code, we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your company in accordance with article L. 226-10-1 of the French commercial code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by article L.226-10-1 of the French commercial code, particularly in terms of corporate governance.

It is our responsibility:
- to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by article L. 226-10-1 of the French commercial code, it being specified that we are not responsible for verifying the fairness of these disclosures.

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

Information on the internal control procedures relating to the preparation and processing of accounting and financial information

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

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L. 226-10-1 of the French commercial code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by article L. 226-10-1 of the French commercial code.

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

The statutory auditors

MAZARS
Julien MARIN-PACHE

DELOITTE & ASSOCIÉS
Pascal COLIN
Laure SILVESTRE-SIAZ

Consolidated financial statements

Income statement at December 31

	Note	01.01 to 12.31 2008	01.01 to 12.31 2007	12.08 to 12.31* 2006
Lease income	5.1	33 667	23 490	883
Land expenses (real estate)		-10	–	–
Non-recovered rental expenses		-18	-10	–
Building expenses (owner)		-2 329	-1 581	-104
Net lease income		**31 310**	**21 899**	**779**
Management, administrative and related income		–	–	–
Other operating income	5.1	201	242	–
Payroll expense		–	–	–
Other general expenses		-50	-79	-13
Depreciation and amortization allowance on investment property	5.2	-16 049	-7 332	-310
Depreciation and amortization allowance on PPE		–	–	–
Provisions for contingencies		–	–	–
RESULTS OF OPERATIONS		**15 412**	**14 730**	**456**
Gains on the sale of investment property and equity interests		–	–	–
Net book value of investment property and equity investment sold		–	–	–
Results of the sale of investment property and equity interests		–	–	–
Net dividends and provisions on non-consolidated investments		–	–	–
Net cost of debt	5.3	-13 803	-8 829	-359
Change in the fair value of financial instruments		–	–	–
Effect of discounting		230	–	–
PRE-TAX EARNINGS		**1 839**	**5 901**	**97**
Corporate income tax	5.4	206	-288	–
NET INCOME OF CONSOLIDATED ENTITY		**2 045**	**5 613**	**97**
of which				
Group share		*2 045*	*5 613*	*97*
Minority interests		–	–	–
Net income per share in euros		**0.2**	**0.7**	**0.0**

* The statements from 12.08.2006 to 12.31.2006 have been restated to comply with IFRS.

in thousands of euros

Balance sheet at December 31

ASSETS	Note	01.01 to 12.31 2008	01.01 to 12.31 2007	12.08 to 12.31* 2006
Investment property	4.1	543 205	379 026	318 066
Fixed assets in progress	4.1	4 304	79	–
Property held for sale		–	–	–
Other non-current assets	4.2	115	124	–
Interest rate swaps		–	5 522	1 270
Deferred tax assets	4.9	9	179	–
NON-CURRENT ASSETS		**547 633**	**384 930**	**319 336**
Inventory		–	–	–
Trade accounts and notes receivable	4.3	1 701	1 718	14
Other receivables	4.4	5 989	2 297	39 014
– *Tax receivables*		*3861*	*1441*	*36 678*
– *Other debtors*		*2 128*	*856*	*2336*
Cash and near cash	4.5	517	1 005	1 749
CURRENT ASSETS		**8 207**	**5 020**	**40 777**
TOTAL ASSETS		**555 840**	**389 950**	**360 113**

* The statements from 12.08.2006 to 12.31.2006 have been restated to comply with IFRS.

in thousands of euros

LIABILITIES	Note	01.01 to 12.31 2008	01.01 to 12.31 2007	12.08 to 12.31* 2006
Capital	4.6	82500	82500	82500
Additional paid-in capital		61707	67850	67827
Statutory reserve		212	94	15
Consolidated reserves		-13359	5904	2185
– Treasury shares		*- 276*	*-425*	*-128*
– Fair value of financial instruments		*-17341*	*5254*	*1270*
– Other consolidated reserves		*4242*	*1266*	*495*
– Carried forward		*16*	*-191*	*548*
Consolidated earnings		2045	5613	97
Shareholders' equity, group share		133105	161961	152624
Minority interests		–	–	–
SHAREHOLDERS' EQUITY		**133105**	**161961**	**152624**
Non-current financial liabilities	4.7	322576	189160	179477
Long-term allowances		–	–	–
Interest rate swaps		16439	–	–
Security deposits and guarantees		8005	5774	5313
Deferred tax liabilities	4.9	28	3694	–
NON-CURRENT FINANCIAL LIABILITIES		**347048**	**198628**	**184790**
Current financial liabilities	4.7	67096	25755	15203
Trade payables		2424	1051	7299
Payables to fixed asset suppliers		300	–	–
Other liabilities	4.10	2773	339	190
Social and tax liabilities	4.10	3094	2216	7
Short-term allowances		–	–	–
CURRENT LIABILITIES		**75687**	**29361**	**22699**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**555840**	**389950**	**360113**

* The statements from 12.08.2006 to 12.31.2006 have been restated to comply with IFRS.

in thousands of euros

Consolidated cash flow statement at December 31

	01.01 to 12.31 2008	01.01 to 12.31 2007	12.08 to 12.31* 2006
Cash flow from operating activities			
Net income from consolidated companies	2045	5613	97
Elimination of expenditure and income with no cash effect or not related to operating activities	–	–	–
– Amortizations and provisions	16038	7405	311
– Capital gains and losses on asset sales net of taxes and deferred taxes	-206	288	–
– Reclassification of financial interests and other items	13707	8627	435
Gross cash flow from consolidated companies	**31584**	**21933**	**843**
Paid taxes	-2659	-1	-130
Change in operating working capital requirement	2289	26905	-24175
CASH FLOW FROM OPERATING ACTIVITIES	**31214**	**48837**	**-23462**
Cash flow from investment activities			
Income from fixed assets sales	–	–	–
Acquisitions of intangible assets	–	–	–
Acquisitions of tangible assets	–	–	–
Acquisitions of investment properties	-176596	-38878	-246424
Acquisitions of subsidiaries through deduction of acquired cash	-7132	-23569	–
Change in loans and advance payments granted and other investments	8	-101	–
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**-183720**	**-62548**	**-246424**
Cash flow from financing activities			
Dividends paid to the parent company's shareholders	–	–	-1477
Dividends paid to minorities	–	–	–
Dividends	-8346	–	–
Change in net position	–	–	132840
Repayment of share premium	–	–	–
Acquisitions/Sale of treasury shares	41	-284	-128
New loans, financial debts and hedging instruments	187229	31089	142692
Repayment of loans, financial debts and hedging instruments	-12799	-9677	-2961
Financial interest paid	-12532	-8589	-844
NET CASH FLOWS FROM FINANCING TRANSACTIONS	**153593**	**12539**	**270122**
Currency fluctuations	–	–	–
CHANGE IN CASH AND CASH EQUIVALENTS	**1087**	**-1172**	**236**
Cash at beginning of period	*-936*	*236*	–
Cash at end of period	*151*	*-936*	*236*

* The statements from 12.08.2006 to 12.31.2006 have been restated to comply with IFRS.

in thousands of euros

Statement of changes in consolidated equity at December 31

	Capital	Additional paid-in capital	Statutory reserve	Consolidated reserves: Treasury shares	Consolidated reserves: Change in fair value	Consolidated reserves: Currency translation reserves	Consolidated reserves: Other consolidated reserves	Consolidated reserves: Total	Net income/ loss for the year	Shareholders' equity, group share	Minority interests	Total equity
12.31. 2006	**82500**	**67827**	**15**	**- 128**	**1270**	**0**	**1043**	**2185**	**97**	**152624**	**0**	**152624**
Change in the capital of the consolidating company	–	23	–	–	–	–	–	–	–	23	–	23
Acquisitions and sale of treasury shares	–	–	–	-297	–	–	13	-284	–	-284	–	-284
Capital transaction costs	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated earnings for the year	–	–	–	–	–	–	–	–	5613	5613	–	5613
Assignment of earnings and dividends paid to the parent company's shareholders	–	–	79	–	–	–	18	18	-97	–	–	–
Change in the fair value of financial instruments	–	–	–	–	3984	–	–	3984	–	3984	–	3984
Change in translation adjustment	–	–	–	–	–	–	–	–	–	–	–	–
Changes in accounting methods	–	–	–	–	–	–	–	–	–	–	–	–
Change in the scope of consolidation and % of interest	–	–	–	–	–	–	–	–	–	–	–	–
Dividends paid to minorities	–	–	–	–	–	–	–	–	–	–	–	–
Repayments of equity to minorities	–	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	–	–	–	–	–	–
12.31. 2007	**82500**	**67850**	**94**	**- 425**	**5254**	**0**	**1075**	**5904**	**5613**	**161961**	**0**	**161961**
Change in the capital of the consolidating company	–	–	–	–	–	–	–	–	–	–	–	–
Acquisitions and sale of treasury shares	–	–	–	149	–	–	108	41	–	41	–	41
Capital transaction costs	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated earnings for the year	–	–	–	–	–	–	–	–	2045	2045	–	2045
Assignment of earnings and dividends paid to the parent company's shareholders	–	-6143	118	–	–	–	3291	3291	-5613	-8347	–	-8347
Change in the fair value of financial instruments	–	–	–	–	-22595	–	–	-22595	–	-22595	–	-22595
Change in translation adjustment	–	–	–	–	–	–	–	–	–	–	–	–
Changes in accounting methods	–	–	–	–	–	–	–	–	–	–	–	–
Change in the scope of consolidation and % of interest	–	–	–	–	–	–	–	–	–	–	–	–
Dividends paid to minorities	–	–	–	–	–	–	–	–	–	–	–	–
Repayments of equity to minorities	–	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	–	–	–	–	–	–
12.31. 2008	**82500**	**61707**	**212**	**- 276**	**-17341**	**0**	**4258**	**-13359**	**2045**	**133105**	**0**	**133105**

in thousands of euros

1. Significant events of the 2008 and previous fiscal years

The 2008 fiscal year

Acquisition of King Jouet

Klémurs completed its acquisition of 21 of the 23 stores covered by the agreement signed in June 2008 with the founders of Teddy Toys, the company sold in 2005 to the King Jouet Group. Of these, 20 trade under the King Jouet brand and 1 under the Joupi. A total of 18.3 million euros was invested in this acquisition.
The acquisition of one of the stores included in the agreement was postponed until 2009, and one other was removed from the agreement.
All the assets acquired are located in retail parks on the outskirts of mid-sized provincial towns and cities in France, and 15 are located close to Klémurs-owned Défi Mode-Vivarte stores on the same parks. The total retail floor area for this acquisition is 17541 square meters.
Together, they will generate net full-year rents of 1.5 million euros, and are let under 10-year leases that include a 6-year firm period and a variable rent clause.
This acquisition brings to 27 the total number of stores operated by the King Jouet Group and owned and managed by Klémurs.

Agreement with Défi Mode

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.
Distributed throughout France, the retail floor area of these 77 units totals 66250 square meters. 69 are owned outright, 6 are financed by property finance leases and 2 by construction leases. Together, they will generate 6.1 million euros in net lease income in a full year.
As part of the acquisition, Klémurs signed new 12-year leases with a 6-year firm period, index-linked rent reviews and variable rents.
Klémurs has been granted a 5-year preferential option by D2B and DBM5 (the real estate holding companies owned by the founding shareholders of Défi Mode) covering all future disposals of existing sites, and a 6-year option on all future developments.

Other acquisitions

In April 2008, Klémurs completed its acquisition of 14 retail outlets in Avranches, Messac and Rochefort-sur-Mer at cost of 17.6 million euros under a purchase commitment signed at the end of 2007. The total gross letting area of 15195 square meters is tenanted by nationwide retailer brands, including La Halle, Aubert, Mobalpa and Gemo, and generates annual net lease income of 1.1 million. Acquisition of one further unit will be completed by June 1, 2009.
Klémurs acquired 3 retail units from Klépierre company Klétransactions on December 23, 2008. These stores are located in Berck, Saint-Malo and Wasquehal.

The 2007 fiscal year

The financial statements to December 31, 2007 were the first consolidated financial statements published by Klémurs, and have been prepared in accordance with IFRS. The financial statements to December 31, 2006 have been restated in accordance with IFRS to facilitate like-for-like comparison.

Acquisition of the Cap Nord portfolio

In March 2007, Klémurs acquired 14 out-of-town retail units from the Belgian investment company Mitiska. All are well located near major French cities.

The total portfolio floor area of 21816 square meters is divided amongst 22 fully-let rental units. The largest retail tenant is Mondial Moquette, which generates approximately 58% of the portfolio's total lease income. Other tenants include the major retail chains of L'Univers du sommeil (beds), Gemo (fashion), Heytens (home decoration), King Jouet (toys), Autour de bébé (baby products), Jean Delatour (jewelry), Kiloutou (plant and tool hire) and Animalis (pets and pet supplies). All are tenanted under 9-year leases, most of which expire in 2015.

The Cap Nord acquisition was valued at 28.1 million euros, and generates gross full-year rentals of approximately 2.3 million euros. 8 of the 14 assets in the portfolio are financed by finance leases.

Partnership with Buffalo Grill

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

The Sephora chain

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

2. Accounting principles and methods

Corporate reporting

Klémurs is a French *Société en commandite par actions* (partnership limited by shares) subject to all the texts applicable to business corporations in France and, in particular, to the provisions of the commercial Code. The company's registered office is located at 21 avenue Kléber in Paris.
On February 5, 2009, the Supervisory Board closed and authorized publication of the Klémurs consolidated financial statements for the fiscal year ended December 12, 2008.
Klémurs shares are listed on Euronext Paris (Compartment C).

Principles of financial statement preparation

In accordance with European Regulation 1606/2002 dated July 19, 2002 on international accounting standards, the Klémurs group consolidated financial statements for the year ended December 31, 2008 have been drawn up in accordance with IFRS rules, as adopted by the European Union and applicable as from that date.
The IFRS framework as adopted by the European Union includes the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and their interpretations (SIC and IFRIC).
The consolidated annual financial statements to December 31, 2008 are presented in the form of complete accounts including all the information required by the IFRS framework.
The accounting principles applied to the consolidated financial statements to December 31, 2008 are identical to those used in the consolidated financial statements to December 31, 2007, except for the amendment to IAS 39/IFRS 7 (reclassification of financial instruments), the application of which is obligatory, but which has no significant effect on the group financial statements.
The group has also resolved not to opt for early application of the following IFRS and interpretations, whose application becomes obligatory on January 1, 2009:

- IAS 1 revised: Presentation of Financial Statements
- IAS 23 revised: Borrowing costs
- IFRS 2: Share-based payment
- IFRS 8: Operating segments
- IFRIC 11: Group and Treasury Share Transactions
- IFRIC 14: The Limit on a Defined Benefit Asset

Compliance with accounting standards

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

Consolidated financial statements – Basis of preparation

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

Summary of judgments and material estimates

In preparing these consolidated financial statements in accordance with IFRS, the group management was required 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:

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 make assumptions on the basis of future flows and rates that have a direct impact on the value of the buildings.

More information about IFRS can be found on the European Commission web site:
http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission

2.1. Scope and method of consolidation

Scope of consolidation

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

Consolidation method

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

– majority control: full consolidation. Control is presumed to exist when Klémurs 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 to exercise full or joint control over 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, 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.

2.2. Accounting for business combinations

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

Treatment of acquisitions of additional shares in controlled companies

The acquisition of minority interests does not constitute a business combination within the meaning of IFRS 3. Since there is no business combination, there are no specific accounting rules applying to this type of transaction. Under the terms of IAS 8.10, where there is no applicable standard or interpretation, the management should use its judgment to determine the most appropriate way of recognizing these transactions. The Klémurs group has adopted a method that recognizes goodwill and re-measures the assets of the controlled subsidiary company by applying a percentage reflecting the additional equity acquired; this measurement is equivalent to the fair value of that equity on the date of acquisition. The previously held interest is not revalued.

2.3. 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 there is an expectation of future financial benefits.
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.

2.4. 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).

All Klémurs real estate meets this definition of "investment property".
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.

Klémurs has adopted 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, Klémurs is providing pro forma financial data restating its investment property on a fair value basis.

Cost model

Property, plant and equipment (PPE) is recorded at cost, including duties and fees, and is amortized using the components method.

Depreciation of such assets must reflect the consumption of economic benefits. It should be:
– calculated on the basis of the depreciable amount, which is equal to the acquisition cost less the residual value of the assets;
– spread over the useful life of the PPE components. When the different components have different useful lives, each component whose cost has a material impact on the total cost of the asset must be separately depreciated over its own useful life.

After initial recognition, the property, plant and equipment item is measured at its cost, less any accumulated depreciation and any impairment losses. The depreciation charge is allocated over the useful life of the assets on a straight-line basis.
The depreciation period, the depreciation method used and the residual value of the assets must be reviewed at each balance sheet date.

In addition, the property, plant and equipment item is tested for impairment whenever there is evidence of a loss of value at June 30 or December 31. If that evidence is confirmed by testing, the new recoverable amount of the asset is compared to its net carrying amount and the impairment loss observed is recorded.
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.

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.

Klémurs has adopted the following table in respect of its own category of real estate:

	Shops	
	Useful life	Share of total
Structures	30-40 years	50%
Façades	15-25 years	15%
MEP	10-20 years	25%
Fittings	5-15 years	10%

Purchase cost is divided up between land and buildings. The share allocated to buildings is amortized over the useful life of the structures.
The residual value is equivalent to the current estimate of the amount the company would achieve if the asset concerned were already of an age and condition commensurate with the end of its useful life, less disposal expenses.
Given the useful lifespan applied, the residual value of components is zero.

2.5. Non-current assets held for sale

The presentation and measurement aspects of IFRS 5 are applied to the measurement of investment property using the IAS 40 cost model whenever the asset concerned 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 Klémurs 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.

2.6. Impairment of assets

IAS 36 applies to tangible and intangible assets, including goodwill. It requires an assessment to be made to establish whether there is any indication that an asset may be impaired.

Such an indication might be:
– a major decline in market value;
– significant changes in the technological, economic or legal environment.

For testing purposes, assets are grouped into cash-generating units (CGUs). These are 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.
The recoverable amount is the asset's fair value minus selling expense or its value in use, whichever is the higher.
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 Klémurs group treats each property as a CGU.

2.7. Leases

Leases

IAS 17 defines a lease as an agreement under which the lessor transfers the right to use an asset for a given period of time to the lessee in exchange for a single payment or series of payments.

IAS 17 recognizes 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 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 in 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 charges

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 compensation

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

(I) Replacement of a tenant:
In cases where paying eviction compensation 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:
Where eviction compensation is paid as a result of major renovation or reconstruction work on a property requiring the prior removal of tenants, the cost is included in preliminary expenses and recognized as a supplementary component of total renovation costs.

Land and building leases: IAS 40 and 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.

2.8. 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.

2.9. 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. Klémurs 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.

2.10. 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.

2.11. 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.
Klémurs made the transition from SIIC subsidiary status (initially opted for on September 26, 2003 with retrospective effect from January 1, 2003) to SIIC parent company status at the time of its market flotation in December 2006.

Discounting of exit tax payable

Exit tax payable is discounted on the basis of its payment schedule. The tax concerned is payable over a 4-year period commencing on the date the entities concerned adopted SIIC status.
The original amount of tax payable recognized in the balance sheet is discounted, with an interest expense applied at each income statement date in order to show the amount payable at its discounted net value at that time. The discount rate adopted is derived from the rates curve (taking account of payment deferral) plus the Klémurs refinancing spread.

Corporate income tax on companies not eligible for SIIC status

Since adopting SIIC status in 2003, Klémurs SCA 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 therefore at 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 to be adopted, on 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; this rate is currently 34.43%.

2.12. 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.

2.13. 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.

2.14. 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

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

The Klémurs financial policy is to provide all the facilities and associated hedging instruments needed by the group at parent company level.

Klémurs 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 Klémurs 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 for at fair value on the balance sheet. The gain or loss from the change in fair value is recognized immediately in profit or loss. At the same time, there is an opposite corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness;
- cash flow hedges: the portion of the gain or loss on the fair value of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and recycled to the income statement when the hedged cash transaction affects profit or loss. The gain or loss from the change in value of the ineffective portion of the hedging instrument is recognized immediately in profit or loss.

Recognition date: trade or settlement

IFRS seeks to reflect the time value of financial instruments as closely as possible by ensuring that, where possible, instruments with a deferred start date are recognized on the trade date, thus allowing calculation of the deferred start date.
However, this principle cannot be applied at blanket level to all financial instruments; commercial papers, for example, are often renewed a few days before their due date. If they were recognized at their trade date, this would artificially extend the runoff between the renewal trade date on a paper and its effective start date.
Klémurs applies the following rules:
- derivatives are recognized at their trade date and measurement takes account of deferred termination dates (if any);
- other financial instruments (especially liabilities) are recognized at settlement date.

Determination of fair value

Financial assets and liabilities carried at fair value are measured either using listed price or valuation models that apply market criteria. The term "model" refers to mathematical methods based on generally-accepted financial theories. The realizable value of these instruments may differ from the fair value adopted when preparing the financial statements.
For any given instrument, an active and 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 market-quoted prices are available on the balance sheet date, these are used to determine fair value. Such prices will thus be used to measure listed securities and derivatives traded on organized markets such as the futures or option markets.
Most OTC (Over The Counter) derivatives, swaps, futures, caps, floors and simple options are traded on active markets. They are measured using generally accepted models (discounted cash flow, Black and Scholes, interpolation techniques) that are based on the market prices of such instruments or similar underlying values.

Tax treatment of changes in fair value

In the case of Klémurs, the non-SIIC part of the deferred tax on financial instruments recognized at fair value is calculated pro-rata of financial profit/loss.

2.15. 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.
Since the Klémurs group operates in only one business segment (Retail) and one geographical area (France), no segment information will be presented at December 31, 2008.

3. Scope of consolidation

COMPANIES	SIREN No.	Head office	Methods December 2008*	% of interest		% of control	
				2008	2007	2008	2007
French companies							
KLÉMURS	419 711 833	Paris	FC	100.00%	100.00%	100.00%	100.00%
KLÉCAPNOR	494 808 603	Paris	FC	100.00%	100.00%	100.00%	100.00%
SARL IMMO DAULAND	443 572 037	Chalon-sur-Saône	FC	100.00%	–	100.00%	–
Deconsolidated companies							
CAP NORD	332 024 926	Lille	NC	–	100.00%	–	100.00%

* FC: Full consolidation – NC: Deconsolidated during the year.

Equity interests in subsidiaries

At December 31, 2008, the Group scope of consolidation included 3 fully consolidated companies.
The following changes occurred during the fiscal year:
- acquisition of 100% of Immo Dauland SARL by Klémurs with the objective of creating a retail park in a development area of Chalon-sur-Saône. The 4.7 million euros of goodwill on acquisition was allocated to property assets;
- deconsolidation of Cap Nord following its merger with Klécapnor.

The contribution made by the entity acquired during the fiscal year to the main items of the consolidated financial statements is shown below:

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
SARL IMMO DAULAND	France	06.13.08	–	-31	-18	–	–	8 758	8 758	-44
Total			**–**	**-31**	**-18**	**–**	**–**	**8 758**	**8 758**	**-44**

in thousands of euros

In addition, the purchase price and amount paid in acquiring equity shares in 2008 was:

	Purchase price of securities	Amount paid in 2008 for the acquisition of securities	Amount paid in 2008 for buyback of current accounts	Cash position on the acquisition date
SARL IMMO DAULAND	4 706	4 406	–	301

in thousands of euros

4. Notes to the financial statements: balance sheet

4.1. Investment property and fixed assets in progress

	December 2006	December 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Additions to the scope of consolidation	Departures from the scope of consolidation	Impairment	Other movements, reclassifi-cation	December 2008
Land	146496	183016	79186	–	–	–	4679	–	–	-71	266810
Buildings and fixtures	174112	205925	96453	–	–	–	–	–	–	-24	302354
Total gross value	**320608**	**388941**	**175639**	**–**	**–**	**–**	**4679**	**–**	**–**	**-95**	**569164**
Buildings and fixtures	-2542	-9915	–	–	-10911	–	–	–	–	5	-20821
Total amortizations	**-2542**	**-9915**	**–**	**–**	**-10911**	**–**	**–**	**–**	**–**	**5**	**-20821**
Provision for impairment	–	–	–	–	-5138	–	–	–	–	–	-5138
INVESTMENT PROPERTY – NET VALUE	**318066**	**379026**	**175639**	**–**	**-16049**	**–**	**4679**	**–**	**–**	**-90**	**543205**
FIXED ASSETS IN PROGRESS	**–**	**79**	**957**	**–**	**–**	**–**	**3347**	**–**	**–**	**-79**	**4304**

in thousands of euros

The rise in investment property is explained largely by the new acquisitions made by Klémurs during the fiscal year (at a cost of 175.6 million euros):

– 77 store premises under its partnership with the Défi Mode chain and Vivarte Group;
– 17 Buffalo Grill restaurants;
– 21 King Jouet outlets;
– 17 other retail outlets.

The admission of Immo Dauland to the scope of consolidation contributed 4.7 million euros to the increase reported in fixed assets.

The majority of the fixed assets in progress item refers to the admission of Immo Dauland to the scope of consolidation (3.3 million euros, most of which relates to building land in Chalon-sur-Saône) and the refurbishment works on the former BHV department store (rue de Flandre) acquired by Klémurs (0.2 million euros).

The majority of the provision for impairment item refers to the real estate provisions relating to the following assets: Défi Mode (4.8 million euros), Sephora (0.2 million euros) and Klécapnor (0.1 million euros).

4.2. Other non-current assets

The majority of the other non-current assets item refers to loans to finance lease tenants (prepayments) in the sum of 88 thousand euros.

	December 2008	December 2007	December 2006
Finance leased fixed assets	–	–	–
Advance payments to non-consolidated or proportionately consolidated companies	–	–	–
Loans	88	100	–
Other long-term investments	–	–	–
Security deposits	27	24	–
Other long-term financial investments	–	–	–
TOTAL	**115**	**124**	**–**
Provision for impairment	–	–	–
NET TOTAL	**115**	**124**	**–**

in thousands of euros

4.3. Trade and similar receivables

	Retail	Other activities	December 2008	December 2007	December 2006
Receivables	1 701	–	1 701	1 718	14
Provisions	–	–	–	–	–
Total	**1 701**	**–**	**1 701**	**1 718**	**14**

in thousands of euros

At December 31, 2008, the "Trade" item consisted chiefly of receivables from Klémurs tenants: private charges that will be rebilled in January 2009.

4.4. Other receivables

	December 2008	December 2007	December 2006
Tax receivables	**3 861**	**1 441**	**36 678**
– Corporate income tax	–	–	–
– V.A.T	3 861	1 441	36 678
Other debtors	**2 128**	**856**	**2 336**
– Calls for funds	–	–	–
– Down payments to suppliers	914	76	–
– Prepaid expenses	153	94	1
– Other	1 061	686	2 335
Total	**5 989**	**2 297**	**39 014**

in thousands of euros

December 2008 by maturity date	December 2008	Less than 1 year	More than 1 year
Tax receivables	**3 861**	**3 861**	**–**
– Corporate income tax	–	–	–
– V.A.T	3 861	3 861	–
Other debtors	**2 128**	**2 128**	**–**
– Calls for funds	–	–	–
– Down payments to suppliers	914	914	–
– Prepaid expenses	153	153	–
– Other	1 061	1 061	–
Total	**5 989**	**5 989**	**–**

in thousands of euros

The VAT item consists chiefly of:
- 1.2 million euros of reclaimable VAT which Klémurs has requested to be refunded in 2009;
- 2 million euros of "VAT reclaimable on fixed assets" payable to the vendor of the Défi Mode assets; and which will be repaid by the French authorities on payment to the vendor (balanced by an entry in Other payables).

The majority of the "Down payments to suppliers" item refers to the legal fees and provisions for expenses made subsequent to acquisition of the King Jouet outlets in December 2008.

The "Other" item comprises miscellaneous receivables relating principally to the rebilling of expenses and management services (owners, unions, EIGs, etc.), as well as property taxes (most of which relate to Défi Mode) due to be cleared in 2009.

4.5. Cash and near cash

	December 2008	December 2007	December 2006
Near cash	**76**	**919**	**187**
– Treasury bills and certificates of deposit	–	–	–
– Other fixed revenue securities	–	–	–
– Money market investments	76	919	187
Cash	**441**	**86**	**1 562**
Total	**517**	**1 005**	**1 749**

in thousands of euros

Near cash comprises money market open-end and mutual funds in France.

The Group reported a net cash of:

	December 2008	December 2007	December 2006
Near cash	76	919	187
Cash	441	86	1 562
Gross cash and near cash	**517**	**1 005**	**1 749**
Bank overdrafts	366	1 952	1 513
Net cash and near cash	**151**	**-947**	**236**

in thousands of euros

4.6. Equity

Share capital

At December 31, 2008, capital was represented by 8 250 000 shares each of 10 euros nominal value. The share capital is fully paid up.

	December 2008	December 2007	December 2006
Authorized			
Ordinary shares of 10 euros each	8 250 000	8 250 000	8 250 000
Total	**8 250 000**	**8 250 000**	**8 250 000**

Treasury shares

Acting on the authorizations granted by the General Meeting of Shareholders, Klémurs purchased its own shares during the period. Treasury shares totaled 20 595 at December 31, 2008 (compared with 21 625 at December 31, 2007) at a total cost of 276 thousand euros.

To date, all sales and purchases of treasury stock have been made by Exane – BNP Paribas under a market liquidity agreement.
The acquisition cost of purchased securities and gains made on sales of securities were respectively debited from and credited to equity.

4.7. Current and non-current financial liabilities

Change in indebtedness

Current and non-current financial liabilities totaled 389.7 million euros at December 31, 2008.

Net financial debt totaled 389.2 million euros, compared with 214 million euros at December 31, 2007. Net financial debt is the difference between financial liabilities and cash and near cash.
This increase of 175.2 million euros results principally from investments (180.4 million euros), partially offset by free cash flow for the fiscal year (after payment of the 2007 dividend).

	December 2008	December 2007	December 2006
NON-CURRENT			
Borrowings and debts from credit institutions more than 1 year	**192519**	**189160**	**174693**
Sundry loans and financial debts	**130057**	**–**	**–**
– Group and affiliate loans	*130057*	*–*	*–*
– Other loans	*–*	*–*	*–*
– Advance payments to the group and associates	*–*	*–*	*–*
Total non-current financial liabilities	**322576**	**189160**	**174693**
CURRENT			
Borrowings and debts from credit institutions less than 1 year	**9345**	**8000**	**13328**
Accrued interest	**2121**	**270**	**362**
– On loans from credit institutions	*26*	*270*	*362*
– On Group and affiliate loans	*2095*	*–*	*–*
– On advance payments to the group and associates	*–*	*–*	*–*
Bank overdrafts	**366**	**1952**	**1513**
Commercial paper	**–**	**–**	**–**
Sundry loans and financial debts	**55264**	**15533**	**–**
– Other loans	*–*	*–*	*–*
– Advance payments to the group and associates	*55264*	*15533*	*–*
Total current financial liabilities	**67096**	**25755**	**15203**

in thousands of euros

Principal sources of finance

At December 31, 2008, the main sources of finance available to Klémurs were as follows:

- the 150 million euro, 5-year line of credit put in place in December 2006 has been used in its entirety. The maturity date for this loan is December 2011, and is subject to the following main financial covenants:
  - Loan To Value ratio capped at 55% (65% after inclusion of any subordinated debts),
  - at least 2 times coverage of financial expenses by EBITDA (at least 1.8 after inclusion of any subordinated debts),
  - a "secured borrowings to reappraised asset value" ratio capped at 20%,
  - asset value of at least 300 million euros,
  - a holding of at least 51% in Klémurs by Klépierre;
- an advance from Klépierre of 130.1 million euros made during 2008 to finance the Défi Mode-Vivarte acquisition, with a maturity date of July 2011;
- at December 31, 2008, the amount outstanding in relation to the leases purchased as part of the Buffalo Grill, Cap Nord, Défi Mode and King Jouet acquisitions was 52 million euros. The average residual period of this finance is 6 years;
- lastly, Klémurs has borrowings of 55.3 million euros from the Klépierre Group cash centralization fund.

Breakdown of financial debts by maturity date

Breakdown of current and non-current financial liabilities:

	Total	Less than 1 year	1-5 years	More than 5 years
NON-CURRENT				
Borrowings and debts from credit institutions more than 1 year	**192 519**	**–**	**180 373**	**12 146**
Sundry loans and financial debts	**130 057**	**–**	**130 057**	**–**
– Group and affiliate loans	*130 057*	–	*130 057*	–
– Other loans	–	–	–	–
– Advance payments to the group and associates	–	–	–	–
Total non-current financial liabilities	**322 576**	**0**	**310 430**	**12 146**
CURRENT				
Borrowings and debts from credit institutions less than 1 year	**9 345**	**9 345**	**–**	**–**
Accrued interest	**2 121**	**2 121**	**–**	**–**
– On loans from credit institutions	*26*	*26*	–	–
– On Group and affiliate loans	*2 095*	*2 095*	–	–
– On advance payments to the group and associates	–	–	–	–
Bank overdrafts	**366**	**366**	**–**	**–**
Commercial paper	–	–	–	–
Sundry loans and financial debts	**55 264**	**55 264**	**–**	**–**
– Other loans	–	–	–	–
– Advance payments to the group and associates	*55 264*	*55 264*	–	–
Total current financial liabilities	**67 096**	**67 096**	–	–

in thousands of euros

Financing amortization table (outstanding amounts):

Repayment year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-2023	Total
Syndicated loan	–	–	150	–	–	–	–	–	–	–	150
Bilateral loan (Klépierre)	–	–	130	–	–	–	–	–	–	–	130
Leasing agreements	9	11	7	5	4	4	3	3	3	3	52
Overdrafts or Klépierre short-term funding	56	–	–	–	–	–	–	–	–	–	56
Total	**65**	**11**	**287**	**5**	**4**	**4**	**3**	**3**	**3**	**3**	**388**

in millions of euros

In the absence of a contractual maturity date, the finance received by Klémurs from the Klépierre Group cash centralization fund (56 million euros) is shown with a maturity date of 2009. In reality, Klépierre intends to renew and adjust these lines to meet the finance needs of Klémurs.

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

Repayment year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-2023	Total
Syndicated loan	5	5	155	–	–	–	–	–	–	–	165
Bilateral loan	5	5	133	–	–	–	–	–	–	–	144
Leasing agreements	11	13	8	6	4	4	4	3	3	3	60
Overdrafts or Klépierre short-term funding	55	–	–	–	–	–	–	–	–	–	55
Total	**77**	**23**	**296**	**6**	**4**	**4**	**4**	**3**	**3**	**3**	**423**

in millions of euros

4.8. Interest rate hedging instruments

Rate hedging portfolio

As part of its risk management policy (see corresponding section), Klémurs has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and *vice-versa*. This arrangement meant that Klémurs hedge rate (the proportion of gross financial debt arranged or hedged at fixed-rate) was 93% at December 31, 2008.

At December 31, 2008, the Group had the following swap contracts in place:

Fixed rate payer	Notional amount (M€)	Maturity	Delayed start
Klémurs	50	01.02.2014	no
Klémurs	50	12.31.2014	no
Klémurs*	150	01.02.2015	no
Klémurs	100	04.01.2015	no

* Maturity spread over 3 contracts each of 50 million euros.

Breakdown by maturity date

At December 31, 2008, the breakdown of derivatives by maturity was as follows:

Hedging relationship	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cash Flow Hedge											
– Spot start swaps	–	–	–	–	–	100	250	–	–	–	350
– Forward start swaps	–	–	–	–	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**100**	**250**	**–**	**–**	**–**	**350**

in millions of euros

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

Hedging relationship	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cash Flow Hedge											
– Spot start swaps	3.96	3.96	3.96	3.96	3.96	3.53	0.28	–	–	–	24
– Forward start swaps	–	–	–	–	–	–	–	–	–	–	–
Total	**3.96**	**3.96**	**3.96**	**3.96**	**3.96**	**3.53**	**0.28**	**–**	**–**	**–**	**24**

in millions of euros

Fair value

At December 31, 2008, the unrealized capital loss on the Klémurs portfolio of derivatives, calculated as the sum of their fair value excluding accrued interest, was 17.8 million euros. The full coupon fair value recognized on the assets side of the balance sheet is 16.4 million euros. During the year, the fair value of the Klémurs portfolio of derivatives fell by 23.2 million euros.

Derivatives	Fair value net of accrued interest at 12.31.2008	Change in fair value during 2008	Counterparty
Cash Flow Hedge	-17 763	-23 159	Equity

in thousands of euros

4.9. Deferred taxes

	December 2006	December 2007	Change in earnings	Other variations	December 2008
Restatements	–	–	–	–	–
Other items	–	-3694	3552	114	-28
Total deferred tax liabilities	**–**	**-3694**	**3552**	**114**	**-28**
Restatements	–	–	–	–	–
Other items	–	179	-170	–	9
Total deferred tax assets	**–**	**179**	**-170**	**–**	**9**
NET POSITIONS	**–**	**-3515**	**3382**	**114**	**-19**

in thousands of euros

The "Other variations" item records the impact of hedging instrument restatements.

The "Change in earnings" for deferred taxes are explained in §5.4 Corporate income tax.

4.10. Tax liabilities, staff benefits and other payables

	December 2008	December 2007	December 2006
Social and tax liabilities	**3094**	**2216**	**7**
Personnel and related accounts	–	–	–
Social security and other bodies	57	39	5
State			
– Corporate income tax	*2378*	*1860*	*–*
– V.A.T.	*352*	*317*	*2*
Other taxes and duties	307	–	–
Other liabilities	**2773**	**339**	**190**
Creditor customers	246	189	189
Deferred income	396	–	–
Cash centralization	–	–	–
Other liabilities	2131	150	1

in thousands of euros

At December 31, 2008, the "Corporate income tax" item represented the outstanding tax payable by Klécapnor as a result of its adoption of SIIC status in 2008 (see § 5.4 Corporate income tax).

The majority of the Deferred income item refers to the contribution to building refurbishment costs made prior to departure by the tenant of BHV in the Rue de Flandre.

The Other liabilities item refers chiefly to the VAT refund payable to the vendor of the Défi Mode assets (see § 4.4 Other receivables).

N.B. the Group has no personnel.

5. Notes to the financial statements: income statement

5.1. Operating revenue

Group revenue consists of lease income.
Other operating revenue refers to miscellaneous management income.

5.2. Operating expenses

Operating expenses comprise essentially amortization allowances.
These expenses rose from 7.3 million euros at December 31, 2007 to 16 million euros at December 31, 2008.

5.3. Net cost of debt

At December 31, 2008, the cost of debt was 13.8 million euros, compared with 8.8 million euros at December 31, 2007, reflecting the increase in debt over the period.

The main components of this increase were:
- the rise in interest on loans from lending institutions (+1.8 million euros) relates to the 150 million euro syndicated bank loan (interest indexed against the Euribor), and the leases purchased as part of the Buffalo Grill, Cap Nord, Défi Mode and King Jouet acquisitions, 82% of which also bear variable rate interest (42.5 million euros of capital remains outstanding). The interest payable on this finance has been directly impacted by the particularly sharp rise in short-term interest rate seen in the last 9 months of the year;
- the net interest income generated by the swaps portfolio (2.8 million euros, compared with 0.2 million euros in 2007), which confirms that the hedges contracted by Klémurs were effective in protecting the group against interest rate rises;
- interest on group advances rose by 5.8 million euros, compared with December 31, 2007, as a result of Klémurs taking advantage in 2008 of an advance from Klépierre SA and the Klépierre group cash centralization scheme to finance its investment program. Both sources of finance attract variable rate interest.

	December 2008	December 2007	December 2006
Investment revenues			
Income from sale of securities	30	8	–
Net interest revenue on swaps	2833	183	–
Net deferral of payments on swaps	–	–	–
Interest on advance payment to associates	60	–	–
Sundry interest received	–	–	–
Other revenues and financial income	–	165	78
Currency translation income	–	–	–
TOTAL	**2923**	**356**	**78**
Financial expenses			
Interest on bond issues	–	–	–
Interest on loans from credit institutions	-10295	-8474	-433
Other bank interest	–	–	–
Net interest expense on swaps	–	–	–
Deferral of payments on swaps	–	–	–
Payment on cancellation of swaps	–	–	–
Interest on advance payment to associates	-6235	-438	-2
Other Financial expenses	-207	-262	–
Transfer of financial charges	–	–	–
Currency translation losses	–	–	–
Commissions and fees	–	–	-2
Depreciation and amortization allowance on debt issuance expenses	–	–	–
Depreciation and amortization allowance on redemption premiums	–	–	–
Allowance to provisions for other long-term investments	11	- 11	–
TOTAL	**-16726**	**-9185**	**-437**
COST OF INDEBTEDNESS	**-13803**	**-8829**	**-359**

in thousands of euros

5.4. Corporate income tax

	December 2008	December 2007	December 2006
Current taxes payable	-3176	-1861	–
Deferred tax	3382	1573	–
Total	**206**	**-288**	**–**

in thousands of euros

The Klémurs group is liable for two types of tax:
- SIIC tax, which applies to Klémurs SCA and Klecapnor;
- French corporate tax, which applies to SARL Immo Dauland.

Net tax income for the 2008 fiscal year was 206 thousand euros.
The "Current tax" item refers chiefly to the tax charge of 3.4 million euros made on the adoption of SIIC status by Klecapnor in 2008.

The deferred tax income arises as a result of:
- the reversal of the Capnord deferred tax provision applying to assets reappraised at 3.5 million euros;
- the discounting of brought-forward deficits of -0.2 million euros.

Reconciliation between theoretical tax and actual tax at December 31, 2008:

	SIIC sector			Non-SIIC sector	Total
	Tax-free earnings	Taxable earnings	Total		
Pre-tax earnings and earnings from equity-method companies	2403	-537	1866	-27	1839
Theoretical tax expense at 34.43%	**-827**	**185**	**-642**	**9**	**-633**
SIIC sector tax-exempt earnings	**2961**	**–**	**2961**	**–**	**2961**
Taxable sectors					
Impact of permanent time lags inc. share of income/loss	-3617	–	-3617	–	-3617
Restatements of untaxed consolidations	1713	–	1713	–	1713
Impacts of non-activated deficits and timing differences	-230	-200	-430	–	-430
Assignment of non-activated deficits	–	15	15	–	15
Exit tax for LT capital gains special reserve	–	–	–	–	–
Change of tax regime	–	–	–	–	–
Discounting of deferred taxes following restructuring, discounting rates and other taxes to present value	-105	302	197	–	197
Rate differences outside France	–	–	–	–	–
Actual tax expense	**-105**	**302**	**197**	**9**	**206**

in thousands of euros

Ordinary deficits are capitalized if their recovery is deemed likely:

Entity	Statutory tax rate	Inventory of ordinary deficits	Capitalizable deferred tax	Amounts capitalized at 12.31.2008	Amounts not capitalized
Immo Dauland	34.43 %	27	9	9	–
TOTAL			**9**	**9**	**–**

in thousands of euros

6. Exposure to risks and hedging strategy

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

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 portion of group borrowing (approximately 93% of debt at December 31, 2008, before hedging). It includes: lease finance (most of which is arranged at variable rate), drawdown of syndicated loans and group loans and advances.

Identified risk

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

Measurement of risk exposure

The following two tables show the exposure of Klémurs income to an interest rate rise, before and after hedging.

Interest rate position before hedging	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross Position (variable borrowings and borrowings maturing within a year)	**378.2**	**3.8**
– Marketable securities Investments	0.5	0,0
Net Position before hedging	**378.7**	**3.8**

in millions of euros

Interest rate position after hedging	Amount	Change in financial expenses caused by a 1%increase in interest rates
Gross Position before hedging	**378.2**	**3.8**
– Net interest rate hedge	-350.0	-3.5
Gross Position after hedging	**28.2**	**0.3**
– Marketable securities Investments	-0,5	0.0
Net Position after hedging	**27.7**	**0.3**

in millions of euros

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

Cash Flow Hedge fair value	Fair value	Change in equity caused by a 1% increase in interest rates
Fair value of Cash Flow Hedge swaps at 12.31.2008 (notional: €350 M)	**-18**	**18.0**
Fair value of Cash Flow Hedge swaps at 12.31.2007 (notional: €250 M)	5	12.9

in millions of euros

Financial debt after hedging breaks down as follows:

	Fixed rate debts			Variable rate debts			Total gross financial debts		Average cost of debt to base 12.31.2008
	Amount	Rate	Fixed Part	Amount	Rate	Variable Part	Amount	Rate	
At 12.31.2007	110	4.12%	51%	105	5.89%	49%	215	4.98%	5.01%
At 12.31.2008	360	4.66%	93%	28	3.40%	7%	388	4.56%	4.58%

in millions of euros

The average cost of debt "base December 31, 2008" is calculated on the basis of the debt and hedging structure in place at December 31, 2008, and applying the short-term interest rates current at that date. It also includes the effect of spreading other expenses and commissions.

Hedging strategy

Klémurs 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.
Generally, hedge terms may exceed those of the debts hedged, on condition that the Klémurs finance plan emphasizes the high probability of these debts being renewed.

B) Fair Value Hedge rate risk

Risk identified in relation to Klémurs fixed-rate debt

Its fixed-rate debt provides Klémurs with risk-free exposure to fluctuations in interest rates, insofar as the fair value of fixed-rate debt increases when rates fall, and *vice-versa*.
At any given time, Klémurs 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. Klémurs 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

Klémurs' fixed-rate debt is currently limited to a small number of property finance leases, which, at December 31, 2008 represented outstanding capital of approximately 9.5 million euros.
Klémurs has no short-term plans significantly to increase fixed-rate debt as a proportion of its total finance. Its principle sources of additional fixed-rate borrowing are: further bilateral bank funding, the bond market and the market for convertible bonds and other equity-linked products. Given these circumstances, Klémurs currently has no plans to hedge against the Fair Value Hedge rate risk.

C) Investment securities

At December 31, 2008, Klémurs held investment securities of 76 thousand euros comprising solely of money market open-end and mutual funds.
These investments expose Klémurs to a moderate interest rate risk as a result of their temporary nature (cash investments) and the amounts involved.

D) Fair value of financial assets and liabilities

Under IFRS, financial debts are recognized in the balance sheet at amortized cost and not at fair value.
It is estimated that the fair value of Klémurs' bank borrowings (most of which are arranged at variable rate) is comparable to their book value.
Derivatives are recognized in the balance sheet at fair value.
At December 31, 2008, a 1% rise in rates would have resulted in a rise of 18 million euros in the value of the group's interest rate swaps.

E) Measures and resources for managing interest rate exposure

Given the importance to Klémurs of managing interest rate risk, its management 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

Klémurs is attentive to the long-term refinancing needs of its business and the need to diversify maturity dates and the sources of finance in such a way as to facilitate renewals.
The average term of its debt is 3.3 years, and its bank borrowings are spread across a range of sources (syndicated loans, property finance leases, Klépierre loans, etc.) and counterparties.
Klémurs also receives support from its majority shareholder Klépierre, which can provide it with advances required to bridge the period during which new finance is put in place.
Generally speaking, access to finance for real-estate companies is facilitated by the security offered to lenders in the form of a legal charge on their property assets.
The syndicated loans granted to Klémurs are accompanied by financial covenants. Failure to comply with these covenants may result in compulsory early repayment (see the note concerning financial liabilities). These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klémurs with sufficient flexibility to ensure that liquidity risk remains low. More specifically, the maximum Loan to Value ratio of 65% (including subordinated debts) is compatible with the Klémurs financial strategy.

Principal covenants	Maximum amount of finance involved (€M)	Impact of non-compliance	Contractual limit	Level at 12.31.2008
Loan To Value	150	Default case	Total ratio ≤ 65%	60.6%
			Senior debt ratio ≤ 55%*	40.4%
EBITDA/Net interest expense			Total ratio ≥ 1.8	2.2
			Senior debt ratio ≥ 2.5*	3.5
Secured debt/Revalued assets			≤ 20%	8.1%
Revalued asset value – group share			≥ €300M	642.1

* Excluding subordinated loans.

6.3. Legal risk

In the 12 months covered by these consolidated financial statements, neither Klémurs nor its subsidiary companies have been the subject of any governmental, judicial or arbitration action (including any action of which the issuer has knowledge, is currently suspended or is threatened) which could have, or has recently had, a significant impact on the financial position situation or profitability of the issuer and/or the group.

7. Finance and guarantee commitments

7.1. Reciprocal commitments

	December 2008	December 2007	December 2006
Guarantees under real-estate development/ future-as-is basis contracts	147	–	–
Total	**147**	**–**	**–**

in thousands of euros

At December 31, 2008, the group's reciprocal commitments were reciprocal guarantees relating to the two Buffalo Grill contracts of sale before completion (payment guaranteed by the buyer and completion guaranteed by the developer): the final installment is due for payment in 2009.

7.2. Commitments given and received

	December 2008	December 2007	December 2006
Commitments given			
– Security deposits on loans to employees	–	–	–
– Guarantees, deposits and mortgages	5 033	–	–
– Purchase commitments	64 673	184 117	–
Total	**69 706**	**184 117**	**–**
Commitments received			
– Deposits received as guarantee for the activity of real-estate management and transactions	–	–	–
– Sale commitments	–	–	–
– Deposits received from tenants	380	–	–
– Other guarantees received	–	–	–
– Unused confirmed credit lines	–	–	–
Total	**380**	**–**	**–**

in thousands of euros

Guarantees given

In December 2008, Klémurs accepted several liabilities alongside its subsidiary company Immo Dauland in order to provide guarantees to several companies with which Immo Dauland had signed contracts for the construction of the retail park at Chalon-sur-Saône. At December 31, 2008 the amount of these guarantees totaled 2.7 million euros, and the last of them will expire on September 30, 2009.
The construction work commissioned by Immo Dauland totaled 2.3 million euros at December 31, 2008.

Purchasing commitments

The majority of the purchasing commitments relate to the agreement signed by Klémurs in 2007 with Foncière Montel for the outsourcing of stores operated by Défi Mode and other national retail chains and owned either outright or leased: 7 further projects will be acquired in 2009, which together with the 43 new sites under development, brings the total commitment to 57.5 million euros.
Under the purchase commitment signed in 2007 for the acquisition of retail outlets in Rochefort-sur-Mer, Avranches and Messac, one location in Rochefort-sur-Mer remains outstanding at a cost of 1.5 million euros.
Under the agreement signed in June 2008 for the acquisition of King Jouet stores, one store remains to be purchased in 2009 at a cost of 1 million euros.
In July 2008, Klémurs signed a purchase commitment of 4.3 million euros with DB INVEST for the acquisition of 6 wholly-owned property assets, most of which are occupied by the Chaussea chain.
Under its agreement with Buffalo Grill, Klémurs may be required to pay an additional sum in respect of future variable rent.

Guarantees received

Following its King Jouet acquisitions, Klémurs received a bank guarantee for 380 thousand euros from La Lyonnaise de Banque, representing three months' rentals, excluding taxes. This guarantee became effective in December 2008 and will lapse on expiry of the 10-year leases signed with King Jouet.

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

7.3. Holding commitments

Buildings and finance leases acquired are covered by the tax status described in article 210-E of the French General Tax Code. They are covered by a 5-year retention commitment commencing on their date of acquisition.

7.4. Commitments under operating leases – lessors

General description of the main clauses contained in the lessor lease agreements
Lease agreement periods range from 9 years (with 2 renewal options) for Buffalo Grill to 12 years with an initial binding period of 6 years for the Sephora and Défi Mode contracts and the King Jouet leases acquired on December 22, and 12 years for all others (with 3-year periods).
Indexation against a benchmark index is applied when reappraising the minimum guaranteed rent. From January 1, 2009, guaranteed rents will be indexed either against the French Cost of Construction Index (ICC) or the new Commercial Rents Index (ILC). The ILC is a compound index derived from the consumer prices index, the retail trade sales value index and the cost of construction index. The way in which this new index is calculated should mean that it is more effective than the ICC at smoothing out fluctuations over time.
The majority of leases also contain an additional clause covering variable rent, which is equivalent to the difference between the minimum guaranteed rent and a contractually-defined percentage. The aim is to consolidate all or part of the variable rent into the guaranteed rent at the time of lease renewal. In most cases, the variable rent is therefore brought back to zero on expiry of the lease. It reduces annually as the guaranteed rent rises in line with indexation.

At December 31, 2008, the total amount of future minimum rents receivable under non-cancellable operating lease agreements was as follows:

	December 2008
Less than 1 year	35 367
Between 1 to 5 years	126 837
More than 5 years	53 628
Total	**215 832**

in thousands of euros

8. Additional information

8.1. Disclosures about the fair value model

Income statement (fair value)	December 31, 2008	Fair value restatements	December 31, 2008 Fair value model	December 31, 2007 Fair value model
Lease income	33667	–	33667	23490
Land expenses (real estate)	-10	–	-10	–
Non-recovered rental expenses	-18	–	-18	-10
Building expenses (owner)	-2329	–	-2329	-1581
Net lease income	**31310**	**–**	**31310**	**21899**
Management, administrative and related income	–	–	–	–
Other operating income	201	–	201	242
Change in the fair value of investment property*	–	-10146	-10146	40705
Payroll expense	–	–	–	–
Other general expenses	-50	–	-50	-79
Depreciation and amortization allowance on investment property	-16049	16049	–	–
Depreciation and amortization allowance on PPE	–	–	–	–
Provisions for contingencies	–	–	–	–
RESULTS OF OPERATIONS	**15412**	**5903**	**21315**	**62767**
Gains on the sale of investment property and equity interests	–	–	–	–
Net book value of investment property and equity investment sold	–	–	–	–
Results of the sale of investment property and equity interests	–	–	–	–
Net dividends and provisions on non-consolidated investments	–	–	–	–
Net cost of debt	-13803	–	-13803	-8829
Change in the fair value of financial instruments	–	–	–	–
Effect of discounting	230	–	230	–
PRE-TAX EARNINGS	**1839**	**5903**	**7742**	**53938**
Corporate income tax	206	-131	75	-157
NET INCOME OF CONSOLIDATED ENTITY	**2045**	**5772**	**7817**	**53781**
of which				
Group share	*2045*	*5772*	*7817*	*53781*
Minority interests	*0*	*0*	*0*	*0*

* The increase in value does not fully balance out the duty-related charge applying to acquisitions made during the fiscal year.

in thousands of euros

Balance sheet (fair value)	12. 31.2008	Fair value restatements	12. 31.2008 Fair value model	12. 31.2007 Fair value model
Investment property	543 205	-543 205	–	–
Fair value of investment property	–	600 987	600 987	430 605
Fixed assets in progress	4 304	-225	4 079	79
Property held for sale	–	–	–	–
Other non-current assets	115	–	115	124
Interest rate swaps	–	–	–	5 522
Deferred tax assets	9	–	9	179
NON-CURRENT ASSETS	**547 633**	**57 557**	**605 190**	**436 509**
Inventory	–	–	–	–
Trade accounts and notes receivable	1 701	–	1 701	1 718
Other receivables	5 989	-63	5 926	2 297
– Tax receivables	*3 861*	–	*3 861*	*1 441*
– Other debtors	*2 128*	*-63*	*2 065*	*856*
Cash and near cash	517	–	517	1 005
Prepaid expenses	–	–	–	–
CURRENT ASSETS	**8 207**	**-63**	**8 144**	**5 020**
TOTAL ASSETS	**555 840**	**57 494**	**613 334**	**441 529**
Capital	82 500	–	82 500	82 500
Additional paid-in capital	61 707	–	61 707	67 850
Statutory reserve	212	–	212	94
Consolidated reserves	-13 359	51 722	38 363	9 446
– Treasury shares	*-276*	–	*-276*	*-425*
– Fair value of financial instruments	*-17 341*	–	*-17 341*	*5 254*
– Fair value of investment property	–	*51 722*	*51 722*	*3 542*
– Other consolidated reserves	*4 242*	–	*4 242*	*1 266*
– Carried forward	*16*	–	*16*	*-191*
Consolidated earnings	2 045	5 772	7 817	53 781
Shareholders' equity, group share	133 105	57 494	190 599	213 671
Minority interests	–	–	–	–
SHAREHOLDERS' EQUITY	**133 105**	**57 494**	**190 599**	**213 671**
Non-current financial liabilities	322 576	–	322 576	189 160
Long-term allowances	–	–	–	–
Interest rate swaps	16 439	–	16 439	–
Security deposits and guarantees	8 005	–	8 005	5 774
Deferred tax liabilities	28	–	28	3 563
NON-CURRENT LIABILITIES	**347 048**	**–**	**347 048**	**198 497**
Current financial liabilities	67 096	–	67 096	25 755
Trade payables	2 424	–	2 424	1 051
Payables to fixed asset suppliers	300	–	300	–
Other liabilities	2 773	–	2 773	339
Social and tax liabilities	3 094	–	3 094	2 216
Short-term allowances	–	–	–	–
CURRENT LIABILITIES	**75 687**	**–**	**75 687**	**29 361**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**555 840**	**57 494**	**613 334**	**441 529**

in thousands of euros

Fair value is the amount at which an asset may be traded between fully informed, consenting parties acting under the conditions of normal competition.

The fair value is the most likely price (excluding transaction fees and expenses) that could be reasonably obtained in the market on the balance sheet date (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).

The fair value of Klémurs buildings is determined by third-party appraisers who appraise the Group's holdings on June 30 and December 31 of each year, exclusive of transfer duties and fees. However, given the fact that these appraisals are, by their nature, estimates, it is possible that the amount realized on the disposal of some real estate assets will differ from their appraised value, even where such disposal occurs within a few months of the balance sheet date.

In preparing its financial statements for the period ended December 31, 2008, Klémurs engaged two appraisers to value its real estate holdings. The Retail Consulting Group (RCG) was appointed to appraise the Rue de Flandre, Paris Seine Rive Gauche and Rouen Candé assets and the 153 Buffalo Grill restaurants, whilst Atis Real was appointed to appraise the portfolio retail assets acquired via Cap Nord in 2007, the Metz and Avignon Sephora outlets acquired in December 2007, the portfolio of 14 retail assets in Avranches, Messac and Rochefort acquired in April 2008 and the 77 stores acquired on April 30, under the agreement with Vivarte, most of which are occupied by the Défi Mode chain.
Their assignments were conducted in accordance with the specifications developed by AFREXIM (the French Association of Property Valuation Companies) and with the recommendations contained in the COB/CNC "Barthès de Ruyter Work Group" report in accordance with the code of business ethics applying to FSIF SIICs. The fees paid to appraisers are agreed prior to their appraisal of the property concerned, and are fixed on a lump sum basis to reflect the size and complexity of the assets appraised. The fee is entirely unrelated to the appraised value level of the assets concerned.
In determining the market value of a retail property, appraisers apply a yield rate to net annual lease income for occupied premises, and to the net market rental price for vacant properties, discounted over the anticipated period of vacancy. The discounted value of rebates on minimum guaranteed rent payments, expenses payable on vacant premises and non-chargeable work are all deducted from this first value, arrived at by capitalizing net lease income. The discount rate applied is the same as the yield rate used in the fair market value calculation.
Gross lease income comprises the Minimum Guaranteed Rent (MGR), the variable part of the rent and the market rental price for vacant properties. The net total lease income is calculated by deducting the following expenses from the gross lease income: management charges, non-rebillable charges, expenses payable on vacant premises and losses on bad debts.
The yield rate is set by the appraiser based on the basis of a range of parameters, the most important of which are: retail sales area, layout, competition, type and percentage of ownership, lease income and extension potential, comparability with recent transactions in the market and the permanence of the revenue received by the lessor.
When appraising the 153 Buffalo Grill restaurants, RCG analyzed the estimated debt service ratio and market rental value of each restaurant. The debt service ratio estimated for each restaurant is then compared with a debt service ratio estimated by RCG on the basis of its analysis of the debt service ratios for similar types of theme restaurant and weighted to reflect location, ease of access, restaurant visibility, retail environment and competition. RCG also compares the market rental value with the minimum guaranteed rent. When calculating the yield for each Buffalo Grill restaurant, RCG compared the MGR with market rental value in light of the key clauses of the lease: indexation of MGR against the French Cost-of-Construction Index, the variable part of the rent (8.5% of restaurant revenues) and the recharging of all property-related expenses to the lessee.

Since December 31, 2007, Klémurs has asked its appraisers to use two different methods when appraising those assets where the most recent appraised value is no greater than 110% of net book value (exc. deferred taxes): the first is a yield-based appraisal, as explained above, whilst the second is an appraisal based on the discounted future flows method.
This second method calculates the value of a real estate asset as the sum of discounted financial flows based on a discount rate defined by the appraiser.
The appraiser estimates anticipated total revenues and expenses on the asset side, and then measures an "ultimate value" at the end of the 10-year analytical period. By comparing the market rental values with face rental values, the appraiser takes account of the rental potential of the property asset by retaining the market rental value at the end of the lease, after deduction of the expenses incurred in remarketing the property. Lastly, the appraiser discounts the forecast cash flow to determine the actual value of the property asset.
The discount rate adopted reflects the market risk-free rate, plus a property market risk and liquidity premium reflecting the location, specification and tenancy of each building.
Since December 31, 2007, Klémurs has also applied the same two methods when appraising assets for the first time. This principle applies to the 8 Buffalo Grill restaurants acquired in Quarter 4, 2007 and 17 restaurants acquired in June 2008, the two Sephora outlets acquired at the end of 2007, the portfolio of retail assets acquired via Cap Nord in 2007, the 14 retail assets in Avranches, Messac and Rochefort acquired in April 2008 and the 77 stores acquired on April 30, most of which are occupied by the Défi Mode chain.
At December 31, 2008, the 21 King Jouet stores acquired on December 22, 2008 had yet to be appraised and are measured at their acquisition price. These stores will be appraised for the first time on June 30, 2009.

8.2. Earnings per share

Earnings per share is calculated by dividing net income for the period attributable to ordinary shareholders by the weighted average number of current shares in circulation, excluding treasury shares.

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

		December 2008	December 2007	December 2006
Numerator				
Net income, group share (K€)	a	2045	5613	97
Denominator				
Average weighted number of shares before diluting effect	**b**	**8230791**	**8240024**	**8245601**
Effect of dilutive options				
Total potential dilutive effect	**c**	**0**	**0**	**0**
Average weighted number of shares before diluting effect	**d = b + c**	**8230791**	**8240024**	**8245601**
GROUP SHARE OF NET INCOME PER UNDILUTED SHARE (in euros)	**a/b**	**0.2**	**0.7**	**0.0**
GROUP SHARE OF NET INCOME PER DILUTED SHARE (in euros)	**a/d**	**0.2**	**0.7**	**0.0**

At December 31, 2008, Klémurs held 20 595 treasury shares.

8.3. Affiliated companies

Transactions between affiliated companies were governed by the same terms as those applying to transactions subject to normal conditions of competition.
At December 31, 2008, net interest charges relating to the cash pooling facility with Klépierre Finance SAS (a wholly-owned subsidiary of Klépierre SA) totaled 1.2 million euros. Fees (administration and management) payable to Klépierre Conseil (Manager of Klémurs and wholly-owned subsidiary of Klépierre SA) totaled 1.2 million euros. The total amount paid to Klétransactions (a wholly-owned subsidiary of Klépierre SA) in December 2008 for the acquisition of 3 retail assets located in Berck-sur-Mer, Wasquehal and Saint-Malo was 2.2 million euros (transfer duties excluded).
As part of funding its 2008 acquisitions, Klémurs borrowed 130 million euros from Klépierre SA. The resulting financial interest is 5 million euros.
BNP Paribas, which holds a 51.99% stake in Klépierre (including treasury stock), contributed 120 million euros in funding as part of the syndicated loan granted to Klémurs in 2006. This figure forms part of the total bank debt of 206 million euros (including outstanding capital under property finance leases). The resulting financial interest is 5.9 million euros.

8.4. Compensation of directors and officers

The directors' fees paid to Supervisory Board members were the subject of provisions totaling 50000 euros at December 31, 2008.

The key managers/directors within the meaning of IAS 24.9 are Mr. Laurent Morel (Chairman of the Executive Board and legal representative of Klépierre, which in turn is Chairman of Klépierre Conseil, itself Manager of Klémurs) and Mr. Jean-Michel Gault (Deputy CEO of Klépierre). Neither Mr. Morel nor Mr. Gault receives any remuneration for their activities related to Klémurs.

8.5. Statutory auditors' fees

	2008				2007			
	Deloitte & Associés		Mazars		Deloitte & Associés		Mazars	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit*								
– Auditing and certification and review of individual and consolidated financial statements	53	100%	45	100%	76	100%	24	100%
– Additional mandates	–	–	–	–	–	–	–	–
Sub-total	**53**	**100%**	**45**	**100%**	**76**	**100%**	**24**	**100%**
Other services	–	–	–	–	–	–	–	–
– Legal, tax and labour-related	–	–	–	–	–	–	–	–
Sub-total	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL	**53**	**100%**	**45**	**100%**	**76**	**100%**	**24**	**100%**

* Including services provided by independent and network specialists at the request of the auditors as part of certifying the financial statements.

in thousands of euros

8.6. Post balance sheet date events

On January 15, 2009, Klémurs completed the outright acquisition of the 6 retail sites covered by the purchase offer made on July 18, 2008 at a cost of 4.3 million euros.

To the best of our knowledge, no events likely to have a significant effect on the financial statements occurred after the balance sheet date.

8.7. Identity of the consolidating company

At December 31, 2008, Klémurs was fully consolidated by Klépierre. Klépierre holds an 84.11% equity stake in Klémurs (including treasury stock).

It should be noted that Klépierre was fully consolidated by the BNP Paribas group at December 31, 2008. BNP Paribas holds a 51.99% equity stake in Klépierre (including treasury stock).

9. Pro forma financial statements

The April 30, 2007 acquisition of 77 outlets (the majority of which are occupied by the Défi Mode chain) under the terms of an agreement with the Vivarte Group has resulted in a significant change to the consolidation scope of Klémurs. In accordance with article 222-2 of the general regulations of the *Autorité des Marchés Financiers* (the French Market Regulator), a pro forma income statement is shown below.

Acquisition of the related assets has been treated as if it had taken place on January 1, 2008, and therefore as if the effect of the acquisition had applied to a full year. The effects of the acquisition are also shown separately from the consolidated financial position of Klémurs excluding the Vivarte agreement.

Income statement (pro forma)	12.31.2008 exc. Vivarte	Vivarte impact over 1 year	12.31.2008 pro forma	12.31.2007
Lease income	29495	6258	35753	23490
Land expenses (real estate)	–	–	–	–
Non-recovered rental expenses	-18	–	-18	-10
Building expenses (owner)	-2096	-285	-2381	-1581
Net lease income	**27381**	**5973**	**33354**	**21899**
Management, administrative and related income	–	–	–	–
Other operating income	201	–	201	242
Payroll expense	–	–	–	–
Other general expenses	-50	–	-50	-79
Depreciation and amortization allowance on investment property	-9616	-6759	-16375	-7332
Depreciation and amortization allowance for PPE	–	–	–	–
Provisions for contingencies	–	–	–	–
RESULTS OF OPERATIONS	**17916**	**- 785**	**17131**	**14730**
Gains from the sale of investment property and equity investment securities	–	–	–	–
Profit on the sale of short term assets	–	–	–	–
Net dividends and provisions on non-consolidated investments	–	–	–	–
Net cost of debt	-10274	-5288	-15562	-8829
Change in the fair value of financial instruments	–	–	–	–
Effect of discounting	230	–	230	–
Share in earnings of equity-method investees	–	–	–	–
PRE-TAX EARNINGS	**7872**	**- 6073**	**1799**	**5901**
Corporate income tax	206	–	206	- 288
NET INCOME OF CONSOLIDATED ENTITY	**8078**	**- 6073**	**2005**	**5613**

in thousands of euros

The assumption under which the Vivarte agreement is re-scheduled to January 1, 2008 has the following effects on the income statement relative to the 2008 financial statements:

- rent: 1 year of rent, i.e. 6.3 million euros, rather than the 4.2 million euros shown in the financial statements to December 31, 2008;
- building expenses: additional management fees relating to this rent, i.e. -0.3 million euros, rather than -0.2 million;
- amortization allowances: a full year of allowances, i.e. -2.4 million euros, rather than -1.6 million euros;
- provisions: provisions are partially offset by amortization allowances, i.e. -4.3 million euros, rather than -4.8 million euros;
- cost of debt: funding of the acquisition over 1 year (rather than 8 months) at the marginal rate of 5.16%, i.e. 3-month Euribor + 110 bps, with Euribor hedged at 4.06% using interest rate swaps. The result is that the cost of debt attributable to the Vivarte agreement is 5.3 million euros (pro forma) over 1 year.

Statutory auditors' report on the consolidated financial statements, year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

– the audit of the accompanying consolidated financial statements of Klémurs;
– the justification of our assessments;
– the specific verifications and disclosures required by law.

These consolidated financial statements have been approved by management. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2008 and of the results of its operations for the year then ended in accordance with the IFRS as adopted by the European Union.

II. Justification of our assessments

The financial crisis that has gradually been accompanied by an economic crisis has had multiple consequences for companies, particularly in terms of their activity and financing. The accounting estimates used for the presentation of the consolidated financial statements for the year ended December 31, 2008 were prepared in a context of a significant decrease in real estate transactions and uncertain economic outlooks.
It is in this context and in accordance with article L. 823-9 of the French commercial code relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

– Notes 2.4 and 8.1 to the consolidated financial statements specify that real estate assets are appraised by independent experts to estimate impairments, if any, and the fair values of buildings. Our procedures consisted notably in examining the valuation methodology used by the experts and to ensure ourselves that the impairments as well as the fair values were made based on external expert appraisals.
– Notes 2.14 and 4.8 to the consolidated financial statements set forth the accounting rules and methods to determine the fair value of derivative instruments as well as the characteristics of the Group's hedging instruments. We examined the classification criteria and the documentation required specifically by IAS 39 and verified the appropriateness of these accounting methods and the disclosures provided in the notes to the consolidated financial statements.
– Note 9 to the consolidated financial statements specifies the methodology used to draw up pro forma financial statements. We verified that the bases on which the pro forma financial information has been prepared is consistent with the documents and accounting conventions which are described in this note.

These assessments were made performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verification

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

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

The statutory auditors

MAZARS
Julien MARIN-PACHE

DELOITTE & ASSOCIÉS
Pascal COLIN
Laure SILVESTRE-SIAZ

Annual Financial Statements
to
December 31, 2008

KLEMURS

KLEMURS

INCOME STATEMENT

(In thousands of euros)

		from Jan 1, 2008 to Dec 31, 2008	from Jan 1, 2007 to Dec 31, 2007
OPERATING INCOME			
Rental Income		31 297	21 704
Write-back of provisions (and amortizations) & expense transfers		75	387
Other income		263	845
	TOTAL I	**31 634**	**22 936**
OPERATING EXPENSES			
Other purchases and external expenses		- 12 687	- 10 143
Income taxes and similar payments		- 253	- 35
Salaries and wages		-	-
Depreciation and amortization allowances:			
- On fixed assets and deferred charges: amortization allowance		- 5 617	- 2 089
- Deferred charges: amortization allowance		- 62	- 62
- On fixed assets: provisions		- 5 032	-
- On circulating assets: provisions		-	-
- For liabilities and charges : provisions		-	-
Other expenses		- 205	- 126
	TOTAL II	**- 23 856**	**- 12 455**
OPERATING INCOME (I-II)		**7 778**	**10 481**
SHARE OF INCOME FROM JOINT OPERATIONS			
Profits applied or losses transferred	**TOTAL III**	**-**	**-**
Losses borne or profits transferred	**TOTAL IV**	**-**	**-**
FINANCIAL INCOME (note 10)			
From investments		1 923	-
From other investment securities and receivables from capitalized assets		-	-
Other interest and similar income		2 833	3 490
Reversals of provisions and transfers of charges		11	-
Net proceeds from disposals of investment securities		6	4
	TOTAL V	**4 772**	**3 494**
FINANCIAL EXPENSES (note 11)			
Amortization expenses and provisions		- 83	- 11
Interest and similar charges		- 13 586	- 8 291
Net expenses incurred on disposals of investment securities		-	-
	TOTAL VI	**- 13 668**	**- 8 302**
NET FINANCIAL INCOME (V-VI)		**- 8 897**	**- 4 807**
PRE-TAX INCOME (I-II+III-IV+V-VI)		**- 1 119**	**5 674**
NON-RECURRING INCOME			
On management transactions		-	-
On capital transactions		22	13
Reversals of provisions and transfers of charges		95	10
	TOTAL VII	**118**	**23**
NON-RECURRING EXPENSES			
On management transactions		-	-
On capital transactions		- 130	- 113
Amortization expenses and provisions		- 2 408	- 3 146
	TOTAL VIII	**- 2 537**	**- 3 258**
NET NON-RECURRING INCOME (VII-VIII) (note 12)		**- 2 420**	**- 3 236**
CORPORATE INCOME TAXES	**TOTAL IX**	**-**	**-**
TOTAL INCOME (I+III+V+VII)		**36 524**	**26 454**
TOTAL EXPENSES (II+IV+VI+VIII+IX)		**- 40 062**	**- 24 015**
NET INCOME FOR THE FISCAL YEAR		**- 3 538**	**2 438**

BALANCE SHEET

(In thousands of euros)

ASSETS	from Jan 1, 2008 to Dec 31, 2008			from Jan 1, 2007 to Dec 31, 2007
	Gross	Amortization and provisions	Net	Net
FIXED ASSETS (notes from 1 to 3)				
INTANGIBLE FIXED ASSETS	**119 387**	**33**	**119 353**	**149 394**
Set up costs	-	-	-	-
Research & Development costs	-	-	-	-
Concessions, patents and similar rights	-	-	-	-
Business assets	119 387	33	119 353	149 394
Other intangible fixed assets	-	-	-	-
TANGIBLE ASSETS	**341 447**	**14 930**	**326 517**	**144 414**
Land	158 484	4 999	153 485	69 283
Construction and fixtures	182 738	9 931	172 807	75 052
Technical installations, equipment and fittings	-	-	-	-
Tangible assets in progress	225	-	225	79
Advances and pre-payments	-	-	-	-
LONG-TERM INVESTMENTS	**41 757**	**-**	**41 757**	**32 235**
Equity holdings	20 957	-	20 957	37
Loans to subsidiaries and affiliated companies	20 710	-	20 710	32 098
Other long-term equity investments		-	-	-
Loans	88	-	88	100
Other long-term investments	1	-	1	1
TOTAL I	**502 591**	**14 963**	**487 627**	**326 043**
CURRENT ASSETS				
ADVANCES AND PRE-PAYMENTS TO SUPPLIERS	**914**	**-**	**914**	**52**
RECEIVABLES (note 4)	**6 444**	**-**	**6 444**	**3 626**
Trade receivables and similar accounts	1 652		1 652	2 088
Other	4 792	-	4 792	1 538
INVESTMENT SECURITIES	**352**	**83**	**269**	**491**
Treasury stock	276	83	194	414
Other securities	76	-	76	77
CASH & CASH EQUIVALENTS	**8 021**	**-**	**8 021**	**602**
ACCRUALS - ASSETS (note 5)				
Prepaid expenses	**285**	**-**	**285**	**264**
TOTAL II	**16 015**	**83**	**15 932**	**5 035**
Deferred charges (III)	**184**	**-**	**184**	**246**
Loan issue premiums (IV)	**-**	**-**	**-**	-
Translation adjustment - assets (V)	**-**	**-**	**-**	-
GRAND TOTAL (I+II+III+IV+V)	**518 790**	**15 046**	**503 744**	**331 324**

BALANCE SHEET

(In thousands of euros)

LIABILITIES	from Jan 1, 2008 to Dec 31, 2008	from Jan 1, 2007 to Dec 31, 2007
STOCKHOLDER EQUITY (note 6)		
Capital (of which 82,500 paid-up)	82 500	82 500
Additional paid-in capital (from share issues, mergers and contributions)	61 708	67 827
Revaluation variances		-
Reserves:		
Legal reserve	212	94
Statutory or contractual reserves	-	-
Regulated reserves	-	-
Other reserves		
Retained earnings	16	- 77
Payment of interim dividends	-	-
Income for the period	**- 3 538**	**2 438**
Investment subsidies	-	-
Regulated provisions	5 582	3 269
TOTAL I	**146 479**	**156 051**
Provisions for liabilities and charges	**-**	**-**
TOTAL II	**-**	**-**
DEBTS		
FINANCIAL DEBTS (note 7)	**297 084**	**158 186**
Convertible bond issues	-	-
Other bond issues	-	-
Borrowings and loans from credit institutions	157 138	152 562
Other borrowings and financial debt	139 945	5 624
ADVANCES AND PRE-PAYMENTS RECEIVED	**246**	**189**
TRADE PAYABLES	**2 334**	**1 310**
Trade and other payables	1 934	972
Tax and social security liabilities **(note 8)**	400	339
OTHER DEBTS (note 9)	**57 372**	**15 587**
Payables to fixed asset suppliers	-	-
Dividends payable	-	-
Other debts	57 372	15 587
ACCRUALS - LIABILITIES		
Accrued income **(note 9A)**	**229**	**-**
TOTAL III	**357 264**	**175 273**
Translation adjustment - liabilities	**-**	**-**
GRAND TOTAL (I+II+III+IV)	**503 744**	**331 324**

1. SIGNIFICANT EVENTS

Events to December 31, 2008

1.1. The merger of CAP NORD into KLECAPNOR

A merger agreement was signed on April 30, 2008 by wholly-owned KLEMURS subsidiary KLECAPNOR and CAP NORD.

The merger of CAP NORD into KLECAPNOR forms part of the KLEMURS restructuring plan designed to simplify the KLEMURS Group and the way in which it holds its assets, at the same time as reducing group company management costs.

This merger is retrospective to January 1, 2008, and the transaction was based on the net carrying amount of the assets involved.

The difference of 14,004,250 euros between the net value of the assets and rights contributed by CAP NORD and the book value of the company's shares has given rise to a merger deficit (the assets of CAP NORD were professionally reappraised on December 31, 2007).

1.2. Acquisition of IMMO DAULAND

KLEMURS acquired the shares of IMMO DAULAND SARL at a cost of 4 million euros on June 12, 2008.

IMMO DAULAND plans to create a retail park in a development area to the south of Chalon-sur-Saône, near the town centre. Work began on site in August 2008, and the park is due to be opened to the public in time for summer 2009. This future retail park will comprise of two buildings of 8,795 square meters to house the future retail units (six chains had already signed leases at December 31, 2008), 5,860 square meters of landscaped areas and 8,770 square meters of parking.

At December 31, 2008, IMMO DAULAND reported a book loss of 15,496 euros, principally as a result of Construction Lease payments. The carrying amount of fixed assets in progress was 4,078,419 euros.

1.3. Acquisition of 77 VIVARTE Group stores

On April 30, 2008, KLEMURS acquired 77 stores (71 wholly owned and six covered by lease agreements and construction leases) under the agreement signed with Foncière MONTEL and VIVARTE in December 2007 in an investment transaction totaling 100.2 million euros (including rights). The majority of these stores are operated by the DEFI MODE chain. As part of the acquisition, Klémurs signed new 12-year leases with a 6-year firm period, index-linked rent reviews and variable rents.

Acquisition of 17 other retail outlets

On April 16, 2008, KLEMURS required 14 retail outlets at a cost of 17.8 million euros (including rights). These property investments are located in Avranches, Rochefort sur Mer and Messac, and are operated by a range of retail chains, including Mobalpa, Aubert, La Halle aux Chaussures and Leader Price.

On December 23, 2008, KLEMURS acquired 3 retail outlets from KLEPIERRE company Klétransactions at a total cost of 2.4 million euros (including rights).

These stores are located in Berck, St Malo and Wasquehal.

1.4. Acquisition of 24 BUFFALO GRILL outlets by exercise of option

During the 2008 fiscal year, 24 of the 78 BUFFALO GRILL outlets, which had remained subject to leasing agreements since 2006, were acquired outright by exercising the option to purchase at a total cost of 50.2 million euros. In some cases, these options were exercised early.

1.5. Acquisition of 17 BUFFALO GRILL outlets

17 new Buffalo Grill restaurants (including 2 prior to completion) were acquired on June 18 and 30, 2008 at a cost of 19.4 million euros (including fees and duties). 12 were acquired under leases, and 5 purchased outright.

The two restaurants acquired prior to completion were completed and opens to the public in Quarter 4, 2008.

1.6. Acquisition of 21 KING JOUET outlets

On December 22, 2008, KLEMURS completed its acquisition of 21 of the 23 KING JOUET stores covered by the agreements signed in June, at a total cost of 17.1 million euros (including rights). All the assets acquired are located in retail parks all over France, and together represent a total retail floor area of 17,541 square meters.

This final acquisition of the 2008 fiscal year brings to 27 the total number of stores operated by the KING JOUET Group.

At December 31, 2008, the KLEMURS estate comprised 307 retail outlets, including those assets held by KLECAPNOR.

1.7. Offer to purchase 6 outlets

On July 18, 2008, KLEMURS made an offer to purchase 6 sites, the majority of which are operated by the CHAUSSEA chain. Valued at 4.3 million euros, these outlets occupy a variety of locations.

This offer was accepted on July 28, 2008.

2. ACCOUNTING PRINCIPLES AND METHODS

2.1. Application of accounting conventions

The annual financial statements for the period ended December 31, 2008 have been prepared in accordance with the general chart of accounts.

The general accounting conventions have been applied in compliance with the following principles:

- prudence
- independence of fiscal years
- compliance with the general rules applying to the preparation and presentation of annual financial statements, and on the basis of assumed continuity of operation

No changes were made to methods or estimations during the fiscal year.

2.2. Measurement methods

2.2.1. FIXED ASSETS

General criteria applied to the recognition and measurement of assets

Tangible and intangible fixed assets are recognized as assets when all the following conditions are met:

- it is likely that the entity will enjoy the corresponding future financial benefits
- their cost or value can be assessed with a sufficient level of reliability

At the date on which they enter the company's asset base, asset values are measured either at their cost of acquisition or their cost of construction.

Financial interest relating specifically to the production of fixed assets is included in their cost of acquisition.

Intangible assets: leasehold right

The capitalized cost of real estate leasing contracts is recognized under the "leasehold right" (business assets) item in intangible assets.

The construction element of lease rights is amortized for tax purposes over 30 years by means of a capital cost allowance (tax-driven reserve).

Tangible assets

Definition and recognition of components

Based on *Fédération des Sociétés Immobilières et Foncières* (Federation of Property Companies) recommendations concerning components and useful life, the component method is applied as follows:

- for properties developed by the subsidiaries themselves, assets are classified by component type and measured at their realizable value
- for investment properties held in the portfolio (sometimes for long periods), components are broken down into four categories: business premises, shopping centers, offices and residential properties.

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

- Structures

- Façades, cladding and roofing
- General and Technical Installations (GTI)
- Fittings

When applying regulations 2004-06 and 2002-10, the components of existing retails buildings have been broken down using the following percentages (arrived at on the basis of the FSIF table):

Components	**Centers**	**Amortization period (straight line)**
Structures	**50 %**	**30-40 years**
Façades	**15 %**	**15-25 years**
GTI	**25 %**	**10-20 years**
Fittings	**10 %**	**5-15 years**

The table of components is an “as-new table”. The company has therefore calculated the proportions of the fittings, technical installations and facade components on the basis of the periods shown in the table applied since the date of construction or most recent major renovation of the property asset concerned. The proportion for structures is calculated on the basis of the proportions previously identified for the other components.

In accordance with the recommendations of the *Fédération des Sociétés Immobilières et Foncières* (Federation of Property Companies), the amortization periods have been determined in such a way as to obtain a zero residual value on maturity of the amortization plan.

Amortization is calculated on the basis of the useful lifespan of each component.

The maintenance expenses involved in multi-year capital repairs programs or major refurbishments governed by legislation, regulations or the standard practices of the entity concerned must be recognized from the outset as distinct asset components, unless a provision has been recognized for capital repairs or major refurbishments. This convention is intended to cover those maintenance expenses whose sole purpose is to verify the condition and serviceability of installations and to carry out maintenance to such installations without extending their working life beyond that initially intended, subject to compliance with the applicable accounting recognition conditions.

Principles of asset depreciation

At each balance sheet and interim reporting date, the company carries out an appraisal to determine any indication that an asset could have suffered a significant loss in value (PCG art. 322-5).

An asset is depreciated it when its actual value falls below that of its net carrying value. The actual value is the market value (appraised value excluding rights) or the value in use (PCG art 322-1), whichever is the higher.

The market value of the asset held is determined by independent appraisers, with the exception of those assets acquired less than 6 months earlier, whose market value is estimated as the cost of acquisition.

Assets covered by a contract to sell are appraised at their selling price net of exit expenses.

Financial assets

Equity investments are recognized at their cost of acquisition.

Provisions for impairment may be entered for equity investments where their inventory value is less than their acquisition value at the fiscal year end.

The inventory value of equities is equivalent to their value in use, as calculated to take account of the net reappraised situation and yield outlook.

Acquisition cost of fixed assets

Transfer duties, fees, commissions and legal expenses are included in the capitalized cost of the asset.

The company has exercised the option of recognizing the acquisition cost of financial assets as expenses (PCG Articles 321-10 and 321-15).

Eviction penalties

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

Where eviction compensation is paid as a result of major renovation or reconstruction work on a property requiring the prior removal of tenants, the cost is included in preliminary expenses and recognized as a supplementary component of total renovation costs.

Expenditure that does not meet the combined criteria applying to the definition and recognition of assets and which cannot be allocated to acquisition or production costs is recognized as an expense: eviction penalties paid to tenants during commercial restructuring are recognized as expenses for the fiscal year.

Marketing expenditure

Marketing, re-marketing and renewal fees are recognized as expenses for the fiscal year.

2.2.2. RECEIVABLES, DEBTS AND CASH & CASH EQUIVALENTS

Receivables, debts and cash and cash equivalents were measured at par value.

Trade receivables are estimated individually at each balance sheet date and intermediate reporting date, and a provision entered wherever there is a perceived risk of non-recovery.

2.2.3. INVESTMENT SECURITIES

Investment securities are recognized at their cost of acquisition.

The following applies to treasury stock with regard to the stock market price regulation liquidity agreement: a provision is entered when the inventory value falls below the acquisition value, as determined by comparison with the average stock market price for the last month of the fiscal year.

2.2.4. DEFERRED CHARGES: LOAN ISSUE COSTS

Expenditure that does not meet the combined criteria applying to the definition and recognition of assets must be recognized as an expense. It is no longer possible to amortize these costs over several periods.

CNC recommendation 2004-15 on assets of June 23, 2004 does not apply to financial instruments and related expenditure, such as loan issue costs, share premiums and loan repayment premiums.

The commissions and fees relating to bank loans are spread over the full loan period.

2.2.5. FORWARD FINANCIAL INSTRUMENTS

Expenses and gains on forward financial instruments (swaps) entered into for the purpose of hedging the company's risk exposure to interest rate fluctuations are recognized pro rata in the income statement.

Unrealized losses and gains arising as a result of the difference between the market value of agreements estimated at the end of the year and their par value are not recognized.

2.2.6. INCOME FROM LEASES:

Rental income is recognized on a straight line basis throughout the full period of the lease.

Stepped rents and rent-free periods are recognized every fiscal year by spreading the resulting increase or decrease in rental income over the reference period.

The reference period adopted is the first firm lease term.

2.3. The tax regime adopted by the company

As a result of opting to apply the tax regime provided for in Article 11 of the French finance act of December 30, 2002, KLEMURS SCA is exempt from corporate income tax, subject to compliance with the three following conditions applying to the distribution of its profits:

- distribution of 85% of the profits generated from the rental of real estate assets prior to the end of the fiscal year following the year in which they were earned
- distribution of 50% of capital gains made on the disposal of buildings, equity holdings in companies covered by the provisions of article 8 and whose purpose is identical to that of an SIIC or stocks in subsidiary companies subject to corporate income tax, where such companies have exercised the option prior to the second fiscal year following the year in which the gains were made
- distribution of all dividends received from subsidiary companies exercising the option during the fiscal year following the year in which the dividends were paid.

Income relating to the exempt sector is distinguished from that of the taxable sector in accordance with the applicable legal requirements:

- Direct allocation of expenses and income, wherever possible
- Allocation of general expenses pro rata to the income of both sectors
- Allocation of net interest expenses pro rata to the gross fixed assets of both sectors

KLEMURS SCA also calculates the taxable income of the sector subject to corporate income tax.

Further to adopting the reconstitution of the historic cost in the context of implementing the component method, the new Article 237 *septies* of the CGI (French General Tax Code) requires that the resulting net amortization adjustments must be reintegrated for tax purposes in equal installments over five years.

3. NOTES TO THE FINANCIAL STATEMENTS: ASSETS

3.1. *Intangible assets and property, plant and equipment*

3.1.1. GROSS FIXED ASSETS

Note 1 Gross Fixed Assets

in thousands of euros	Gross Value at 31-12 2007	Acquisitions, new businesses and spinoffs	Reductions from disposals and retirement of assets		Inter-item transfers	Gross Value at 31-12 2008
INTANGIBLE FIXED ASSETS						
Set up costs	**-**	**-**	**-**		**-**	**-**
Business assets	**149 394**	**14 654**	**-**	**-**	**44 661**	**119 387**
Other intangible fixed assets	**-**	**-**	**-**		**-**	**-**
Total	**149 394**	**14 654**	**-**	**-**	**44 661**	**119 387**
TANGIBLE ASSETS						
Land	**69 283**	**67 421**	**-**		**21 780**	**158 484**
- Land	66 167	63 759	-		21 116	151 041
- Land acquisition costs	3 117	3 662	-		664	7 443
Construction and fixtures	**79 366**	**77 371**	**-**		**26 000**	**182 738**
- Capital works	45 249	52 282	-		14 255	111 785
- Capital works acquisition costs	3 741	4 074	-		867	8 683
- Façades, cladding and roofing	9 420	6 993	-		3 360	19 773
- General and Technical Installations	15 207	3 960	-		5 147	24 314
- Fixtures	5 749	10 063	-		2 371	18 183
Fixtures and construction in progress	**79**	**3 265**	**-**	**-**	**3 119**	**225**
Other tangible assets	**-**	**-**	**-**		**-**	**-**
Total	**148 729**	**148 057**	**-**		**44 661**	**341 447**
TOTAL GROSS FIXED ASSETS	**298 123**	**162 711**	**-**	**-**	**0**	**460 834**

As part of the Buffalo Grill restaurants acquisition of December 2006, 23 restaurants were acquired outright at a cost of 50,721,000 euros, with a further 105 acquired on an assigned leasehold basis at a cost of 195,702,000 euros.

At December 31, 2008, options had been exercised on 24 leases at a cost of 5,522,000. These assets have been recognized as property, plant and equipment and broken down into components (including leasehold rights and the cost involved in exercising the options). The resulting total of 50,183,000 euros includes 44,661,000 euros arising as a result of reclassifying the leasehold rights.

In 2008, KLEMURS also acquired:

- 5 new BUFFALO GRILL restaurants outright (including 2 prior to completion) at a cost of 9,371,000 euros
- 12 BUFFALO GRILL restaurants on an assigned leasehold basis at a cost of 10,063,000 euros
- 77 DEFI MODE stores - 6 under leases at a cost of 3,585,000 euros, and 71 outright at a cost of 96,574,000 euros
- 21 KING JOUET outlets - 18 outright at a cost of 16,098,000 euros, and 3 under leases at a cost of 1,005,000 euros
- 17 other retail outlets outright at a cost of 20,347,000 euros.

The 2 BUFFALO GRILL restaurants acquired prior to completion were completed in Quarter 4, 2008, and are recognized at a cost of 3,040,000 euros under property, plant and equipment. Net interest for the 2008 fiscal year totaled 48 thousand euros.

Lastly, with a balance of 225 thousand euros at December 31, 2008, the fixed assets in progress item refers to the refurbishment of the former BHV store on the Rue de Flandre in Paris.

3.1.2. AMORTIZATIONS AND PROVISIONS

Note 1A Amortization and provisions

in thousands of euros	Amortization at 31-12-2007	Allowances	Disposals	Other movements	Amortization at 31-12-2008
TANGIBLE ASSETS					
Construction and fixtures	**4 315**	**5 617**	**-**	**-**	**9 931**
- Capital works	1 776	2 346	-	-	4 122
- Capital works acquisition costs	66	186	-	-	252
- Façades, cladding and roofing	590	671	-	-	1 260
- General and Technical Installations	1 228	1 201	-	-	2 429
- Fixtures	655	1 213	-	-	1 868
Other tangible assets	**-**		**-**	**-**	**-**
Total	**4 315**	**5 617**	**-**	**-**	**9 931**
TOTAL AMORTIZATION	**4 315**	**5 617**	**-**	**-**	**9 931**

in thousands of euros	Provisions at 31-12-2007	Allowances	Write-backs	Inter-item transfers	Provisions at 31-12-2008
INTANGIBLE FIXED ASSETS					
Set up costs	**-**	**-**	**-**	**-**	**-**
Business assets	**-**	**33**	**-**	**-**	**33**
Other intangible fixed assets	**-**	**-**	**-**	**-**	**-**
Total	**-**	**33**	**-**	**-**	**33**
TANGIBLE ASSETS					
Land	**-**	**4 999**	**-**	**-**	**4 999**
- Land	-	4 999	-	-	4 999
- Land acquisition costs	-	-	-	-	-
Construction and fixtures	**-**	**-**	**-**	**-**	**-**
- Capital works	-	-	-	-	-
- Capital works acquisition costs	-	-	-	-	-
- Façades, cladding and roofing	-	-	-	-	-
- General and Technical Installations	-	-	-	-	-
- Fixtures	-	-	-	-	-
Fixtures and construction in progress	**-**	**-**	**-**	**-**	**-**
Other tangible assets	**-**	**-**	**-**	**-**	**-**
Total	**-**	**4 999**	**-**	**-**	**4 999**
TOTAL PROVISIONS	**-**	**5 032**	**-**	**-**	**5 032**
TOTAL AMORT. AND PROVISIONS	**4 315**	**10 649**	**-**	**-**	**14 963**

3.1.3. NET FIXED ASSETS

Note 1B Net Fixed Assets

in thousands of euros	Net value at 31-12-2007	Net increases in allowances	Net reduction in write-backs	Inter-item transfers	Net value at 31-12-2008
INTANGIBLE FIXED ASSETS					
Set up costs	-	-	-	-	-
Business assets	**149 394**	**14 621**	**- -**	**44 661**	**119 353**
Other intangible fixed assets	-	-	-	-	-
Total	**149 394**	**14 621**	**- -**	**44 661**	**119 353**
TANGIBLE ASSETS					
Land	**69 283**	**62 422**	**-**	**21 780**	**153 485**
- Land	66 167	58 760	-	21 116	146 042
- Land acquisition costs	3 117	3 662	-	664	7 443
Construction and fixtures	**75 052**	**71 755**	**-**	**26 000**	**172 807**
- Capital works	43 473	49 936	-	14 255	107 663
- Capital works acquisition costs	3 675	3 888	-	867	8 430
- Façades, cladding and roofing	8 831	6 322	-	3 360	18 513
- General and Technical Installations	13 979	2 759	-	5 147	21 885
- Fixtures	5 094	8 850	-	2 371	16 315
Fixtures and construction in progress	**79**	**3 265**	**- -**	**3 119**	**225**
Other tangible assets	-	-	-	-	-
Total	**144 414**	**137 442**	**-**	**44 661**	**326 517**
TOTAL NET FIXED ASSETS	**293 808**	**152 062**	**- -**	**0**	**445 870**

The assets of KLEMURS SCA were measured on December 31, 2008 by a number of independent experts at €573.9 million euros (inclusive of rights). This value does not include the December 22, 2008 acquisition of KING JOUET stores at a cost of 17,103,000 euros, including legal costs.

At December 31, 2008, a provision for impairment of 5.03 million euros was recognized in respect of the DEFI MODE assets.

This provision was calculated in accordance with the accounting principles and methods defined in paragraph 2.2.

3.2. *Financial assets*

Note 2 Financial assets

in thousands of euros	Gross Value at 31-12 2007	Acquisitions, new businesses and spinoffs	Reductions from disposals and retirement of assets	Inter-item transfers	Gross Value at 31-12 2008
FINANCIAL ASSETS					
Equity holdings	32 135	26 803	- 17 270	-	41 668
Other	100	-	- 11	-	89
Total	32 235	26 803	- 17 281	-	41 757
TOTAL GROSS FIXED ASSETS	32 235	26 803	- 17 281	-	41 757

The change in "Equity holdings" arising principally as a result of the IMMO DAULAND shares acquired at a cost of 4 million euros, and the 16.9 million euro recapitalization of KLECAPNOR by means of current account advance.

Note 3 Information on subsidiaries and holdings

Financial information on Subsidiaries and Holdings *in thousands of euros*	Capital	Shareholder equity other than capital stock & income	Percentage holding	Net earnings at year-end	Pre-tax revenue	Gross carrying amount	Net carrying amount	Guarantees and sureties given	Loans and advances granted	Dividends received
SUBSIDIARIES OWNED BY MORE THAN 50%										
KLECAPNOR	1 729	13 650	100 %	- 4 495	2 409	16 957	16 957	-	15 528	-
IMMO DAULAND	8	7	100 %	- 15	3	4 000	4 000	2 704	3 260	-
TOTAL	1 737	13 657		- 4 510	2 412	20 957	20 957	2 704	18 788	-

3.3. Trade and other receivables

Advances and pre-payments to suppliers consist chiefly of legal fees and expenses related to the acquisition of the KING JOUET stores on December 22, 2008.

The total amount of trade receivables is 1.65 million euros, of which 1.57 million relates to future billing.

The majority of these are private charges totaling 1.43 million euros that will be rebilled to tenants in January 2009.

These receivables are due within one year.

Other receivables are shown in the following tables, broken down by due date:

Note 4 Other receivables

in thousands of euros	at December 31 2008	at December 31 2007
French government	**3 553**	**1 086**
* Corporate income tax	-	-
* VAT	3 553	1 086
* Accrued revenue	-	-
Other receivables	**1 239**	**452**
* Cash centralization	-	-
* Accrued interest on interest rate SWAP	-	-
* Other	1 239	452
Total	**4 792**	**1 538**

At December 31, 2008, the KLEMURS VAT account was 1.16 million euros in credit, for which a refund was requested on January 19, 2009

Following its acquisition of DEFI MODE outlets in April 2008, KLEMURS entered a provision under "Input VAT on fixed assets" totaling 2.05 million euros of Real Estate VAT payable to VMONT, the vendor of the assets concerned. As soon as it is paid in January 2009, KLEMURS may apply to the relevant authorities for the refund of this VAT.

Other receivables consist chiefly of the acquisition fees rebilled to Klécapnor, and the real estate taxes paid in January 2009.

Receivables maturity schedule

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
French government	**3 553**	**3 553**	**-**	**-**
* Corporate income tax	-			
* VAT	3 553	3 553		
* Accrued revenue	-	-		
Other receivables	**1 239**	**1 239**	**-**	**-**
* Cash centralization	-	-		
* Accrued interest on interest rate SWAP	-	-		
* Other	1 239	1 239		
Total	**4 792**	**4 792**	**-**	**-**

3.4. Investment securities

KLEMURS SCA holds treasury stock of 276,000 euros under the terms of a market liquidity agreement.

35,069 treasury shares were sold during the fiscal year at a net capital loss of 107,600 euros.

Since the share price was lower than the value of the shares held, a provision for depreciation of 83,000 euros was recognized.

Other securities totaled 76,000 euros, and related to short-term cash investments.

3.5. Accruals - assets

Note 5 Accruals - assets

in thousands of euros	at December 31 2008	at December 31 2007
Prepaid expenses	**285**	**264**
* insurance premiums	18	6
* Fees	-	-
* lease royalties	267	258
* Other	-	-
Deferred charges	**184**	**246**
* Fixed asset acquisition costs	-	-
* Loan issue costs (1)	184	246
* Spread swaps cash payment	-	-
* Loan commissions	-	-
* Other	-	-
Bond issue premiums	**-**	**-**
Total	**470**	**510**

(1) These are fees and commissions relating to the loan agreement. These fees total 310 000 euros, and are spread over the full 5-year period of the loan. The allocation at December 31, 2008 was 62,000 euros.

4. NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES

4.1. *Equity*

Note 6 Stockholder equity at 31-12-2008

in thousands of euros	At 31-12-2007	Application of income	Distribution	Increase	Reduction	At 31-12-2008
Equity capital (1)	82 500					82 500
Additional paid-in capital from issues, contributions and merger premiums						-
Issue premiums	65 340		- 6 119			59 221
Contribution premium						-
Merger premiums	2 486					2 486
Positive merger variance						-
Positive cancelled share variance						-
Legal reserve	94	118				212
Other reserves						-
Regulated reserves						-
Other reserves						-
Retained earnings	- 77		93			16
Interim dividend						-
Income for the period	2 438	- 118	- 2 320	- 3 538		- 3 538
Regulated provisions	3 269			2 408	- 95	5 582
Total	**156 051**	**-**	**- 8 346**	**- 1 131**	**- 95**	**146 479**

(1) Composition of equity capital		
Ordinary shares	8 250 000	**8 250 000**
nominal value (€)	10	**10**

Under the terms of the company's articles of association, the general partner KLEPIERRE CONSEIL receives a preferential dividend equivalent to 5% of distributable profits.

The construction element of lease rights is amortized for tax purposes over 30 years by means of a capital cost allowance (tax-driven reserve).

At December 31, 2008, the allocation was 2.4 million euros, and a reversal was made totaling 95,000 euros following the taxation of exercised options.

4.2. *Borrowings and financial debt*

Note 7 Borrowings and other debt

in thousands of euros	at 31 December 2008	at 31 December 2007
Other bond issues	**-**	**-**
* Primary debt		
* Accrued interest		
Borrowings and loans from credit institutions	**157 138**	**152 562**
* Bridging loans	-	
* Accrued interest on bridging loans	-	
* Club deal	150 000	150 000
* Accrued interest on club deal	26	270
* Cash center (accrued interest)	230	93
* Accrued interest on bilateral contract	-	
* Bank overdrafts	3 794	1 725
* Accrued interest on SWAP	3 088	473
Other borrowings and financial debt	**139 945**	**5 624**
* Deposits and guarantees received	7 794	5 624
* Other borrowings	130 057	
* Accrued interest on other borrowings	2 095	
* Debts related to equity holdings	-	
* Accrued interest on debts related to equity holdings	-	
Total	**297 084**	**158 186**

On December 12, 2006, KLEMURS signed a 5-year loan agreement with BNP Paribas and BECM for a maximum sum of 150 million euros. The main conditions of this loan are as follows:

- The initial margin of 45 bps may rise or fall on the basis of a loan-to-value ratio table
- the financial covenants relate chiefly to the loan-to-value ratio (capped at 55%), EBITDA coverage of financial expenses (by a factor 2 as a minimum) and ratio of "secured borrowings to reappraised asset value" (capped at 20%). The first two indicators may be extended to 65% and 1.8 times respectively by including any subordinated debts. More specifically, these debts may relate to funding granted by KLEPIERRE.

At December 31, 2008, KLEMURS had drawn down the maximum amount of this loan; 150 million euros.

With effect from April 30, 2008, the sum of 130 million euros was made available to Klémurs by Klépierre to provide funding for its acquisitions under a current account agreement signed on June 30, 2008.

On July 31, 2008, Klépierre and Klémurs agreed to terminate the current account advance and replace it with a 3-year loan.

This loan is subject to variable-rate interest capped at 110 basis points over 3-month EURIBOR.

The following table contains a breakdown of debts by due date:

Debt maturity schedule

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
Other bond issues	**-**	-	-	-
* Primary debt	-			
* Accrued interest	-			
Borrowings and loans from credit institutions	**157 138**	**7 138**	**150 000**	-
* Bridging loans	-			
* Accrued interest on bridging loans	-			
* Club deal	150 000		150 000	
* Accrued interest on club deal	26	26		
* Cash center (accrued interest)	230	230		
* Accrued interest on bilateral contract	-			
* Bank overdrafts	3 794	3 794		
* Accrued interest on SWAP	3 088	3 088		
Other borrowings and financial debt	**139 945**	**2 095**	**130 057**	**7 794**
* Deposits and guarantees received	7 794			7 794
* Other borrowings	130 057		130 057	
* Accrued interest on other borrowings	2 095	2 095		
* Debts related to equity holdings	-			
* Accrued interest on debts related to equity holdings	-			
Total	**297 084**	**9 233**	**280 057**	**7 794**

4.3. Trade and other payables

The majority of this item is accounted for by 1,300,000 euros of acquisition fees, 390,000 euros in provisions for professional and audit fees and the final installment of 177,000 euros to be paid to BUFFALO GRILL for the pre-completion purchases of Achères and Ancenis

All trade receivables are due within less than one year.

4.4. Taxes and social contributions

Note 8 Tax and social security liabilities

in thousands of euros	at December 31 2008	at December 31 2007
ORGANIC	53	35
EXIT TAX	-	-
VAT	347	303
OTHER TAXES	-	-
Total	**400**	**339**

4.5. Other debts

Note 9 Other debts

in thousands of euros	at December 31 2008	at December 31 2007
Cash centralization	55 264	15 533
Dividends payable		
Directors' fees	50	50
Other	2 057	3
Total	57 372	15 587

The majority of this item is accounted for by the real estate VAT payable to the vendor of the DEFI MODE stores.

The following table contains a breakdown of debts by due date:

Debt maturity schedule

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
Cash centralization	55 264	55 264		
Dividends payable	-			
Directors' fees	50	50		
Other	2 057	2 056		1
Total	57 372	57 371	-	1

4.6. Accruals – liabilities (note 9a)

The majority of the deferred income item refers to the payment of 211,000 euros paid by BHV as its contribution to the costs involved in refurbishing the Rue de Flandre premises.

5. NOTES TO THE FINANCIAL STATEMENTS: INCOME STATEMENT

5.1. Operating income

At December 31, 2008, the income statement showed a profit of 7.8 million euros, the main elements of which are broken down as follows:

- rentals billed of 31.3 million euros
- lease royalties of 10.5 million euros, which includes 7.6 million euros in capital repayments and 2.9 million euros in interest charges
- amortization allowances of 5.7 million euros
- fixed asset deprecation allowances of 5 million euros
- fee expenses of 1.9 million euros
- rebilling of private expenses and fes of 134,000 euros.

The reconstruction work to rebuild the BUFFALO GRILL in Lille Lesquin, following the fire of 2007, was completed during 2008. In 2008, the balance of these works totaled 99,000 euros, together with the corresponding insurance payment of 75,000 euros recognized under Transfer of financial expenses.

5.2. Financial income/loss

Financial income at December 31, 2008 showed a loss of 8.9 million euros. At December 31, 2007, the loss totaled 4.8 million euros.

5.2.1. FINANCIAL REVENUE

Note 10 Financial Income

in thousands of euros	at December 31 2008	at December 31 2007
Income from sales of investment securities	6	4
Income from interest rate swaps *	2 833	184
Income from equity holdings		
Positive variance from merger and cancelled shares		
Interest from advance to KLECAPNOR	1 864	1 232
Interest from advance to IMMO DAULAND	59	
Other interest received		
Interest from automatic cash centralization	0	165
Other revenue and financial income		
Reversal of financial provisions	11	
Transfer of financial expenses		
TOTAL FINANCIAL INCOME	**4 772**	**1 585**

* Swap-related income and expenses are netted

5.2.2. Financial expenses

Note 11 Financial Expenses

in thousands of euros	at December 31 2008	at December 31 2007
Interest on loans	3 393	
Interest on loans from credit institutions	7 352	5 903
Interest on advances from associates	1 640	
Expenses related to interest rate Swaps *	-	
Interest on automatic cash centralization	1 201	438
Loan commissions (loans not used)	-	40
Amortization allowance on bond issue premiums	-	
Amortization allowance on loan issue fees	-	
Allowances on financial provisions (VMP)	83	11
Other expense	-	
TOTAL FINANCIAL EXPENSES	**13 669**	**6 392**

* Swap-related income and expenses are netted

In 2008, the current account advance from Klépierre was subject to variable rate interest capped at 0.83% above 3-month EURIBOR, and measured at 1,640,000 euros.

5.3. Non-recurring income/loss

The figure for Non-Recurring Income/Loss at December 31, 2008 was a loss of 2.4 million euros arising as a result of depreciation allowances on lease rights.

Note 12 Non-recurring income

in thousands of euros	at December 31 2008	at December 31 2007
Capital gains and losses on tangible and financial assets		
Capital gains and losses on sales of treasury stock	- 108	- 99
Net reversals of amortization expenses and provisions		
Other non-recurring income and expenses		
Allocations and reversals of depreciation allowances	- 2 312	- 3 136
Total	**- 2 420**	**- 3 236**

5.4. Corporate income tax

SCA KLEMURS ended the fiscal year with a book loss of 3.5 million euros.

Income for the exempt sector (SIIC) showed a profit of 7.1 million euros.

Tax reinstatements were made as a result of exercising options on the portion of rents paid relating to land, which is non-deductible.

On the other hand, the provision for depreciation of fixed assets is rendered non-deductible as a result of the overall measurement of the asset being higher than its net carrying value.

Taxable income for the fiscal year was a loss of 176,000 euros.

6. OFF-BALANCE SHEET COMMITMENTS

6.1. Commitment to BUFFALO GRILL

The acquisition of BUFFALO GRILL restaurants is the first phase of the strategic partnership agreement signed in August 2006. This agreement also provides for KLEMURS to be involved in the development of the chain in France and elsewhere in Europe.

KLEMURS has a firm option on new restaurants at the planning stage or in construction, as well as a 5-year priority option to purchase all BUFFALO GRILL chain developments.

Under the terms of this agreement, KLEMURS has agreed to pay BUFFALO GRILL an additional amount related to restaurant revenue.

6.2. Holding commitment

The buildings and leases acquired are subject to the tax regime set out in article 210 E of the French General Tax Code (CGI), under which the buildings must be retained for at least 5 years after acquisition.

6.3. Reciprocal commitments on interest rate hedges

In 2008, KLEMURS put in place a new interest rate SWAP in addition to the five previously adopted in 2006 and 2007 to limit its exposure to the risk of interest rate fluctuations following the establishment of the loan agreement.

This new 100 million euro SWAP became effective on April 1, 2008, and will expire on April 1, 2015.

Note 13 Reciprocal commitments - Interest rate swaps

Firm deals

Firm deals ***in thousands of euros***	**31/12/2008**	**31/12/2007**
Fixed rate payer Klémurs - Variable rate payer BNP Paribas	350 000	250 000

Impact on income

Impact on income ***in thousands of euros***	**31/12/2008**		**31/12/2007**	
	Income	**Expenses**	**Income**	**Expenses**
Fixed rate payer Klémurs - Variable rate payer BNP Paribas	16214,9986	13 382	2 093	1 910

The unrealized loss on interest rate hedges at December 31, 2008 was 17.8 million euros.

6.4. Leasing information

Fixed assets financed by leases

in thousands of euros	Initial cost (1)	Amortization allowances This fiscal year (2)	 Cumulative (2)	Net value
Land	75 765			75 765
Constructions	100 923	3 591	6 599	94 324
Technical installations, equipment and fittings				
Fixed assets in progress				
Total	**176 687**	**3 591**	**6 599**	**170 089**

(1) Values of assets on their date of acquisition by KLEMURS with no discounting of the capital outstanding
(2) The annual and cumulative allowances that would have been recognized for these assets had they been acquired outright on their date of acquisition. These assets are straight-line amortized.

Lease commitments

	Royalties paid		Royalties outstanding			
in thousands of euros	Annual	Cumulative	Less than 1 year	1-5 years	More than 5 years	Total payable
Total	**10 509**	**19 205**	**8 503**	**25 397**	**15 900**	**49 800**

6.5. Purchasing commitments

- Under the terms of the contract of sale signed in 2007 for the acquisition of retail outlets in Rochefort sur Mer, Avranches and Messac, one location in Rochefort sur Mer remains outstanding at a cost of 1.5 million euros.
- Under the terms of the agreement signed in June 2008 with the founders of Teddy Toys, the company sold in 2005 to the King Jouet Group, and the acquisition by Klémurs of 21 of the 22 stores on December 22, 2008, one site remains to be acquired during 2009 at a cost of 980,000 euros.
- On July 18, 2008, Klémurs signed a purchase commitment of 4.3 million euros with DB INVEST for the acquisition of 6 wholly-owned property assets, most of which are occupied by the CHAUSSEA chain.

6.6. Commitment to FONCIERE MONTEL

Under the terms of the agreement signed with Foncière MONTEL and Vivarte in December 2007, and following the acquisition by KLEMURS on April 30, 2008 of the initial block of 77 stores of the 87 provided for in the agreement, there remained at December 31, 2008, 7 stores covered by a definitive commitment to buy, as well as 43 new sites under development at a total cost of 57.5 million euros.

6.7. Several liability

On December 1, 2008, KLEMURS accepted several liability on behalf of its subsidiary company IMMO DAULAND in order to provide guarantees to several companies with which IMMO DAULAND had signed contracts for the construction of the retail park at Chalon sur Saône.

At December 31, 2008, these guarantees totaled 2.7 million euros (excluding taxes), with the last due to expire on September 30, 2009.

6.8. Bank guarantee

Following its KING JOUET acquisitions, KLEMURS received a bank guarantee for 380 thousand euros from LA LYONNAISE DE BANQUE, representing three months' rentals, excluding taxes.

This guarantee became effective on December 22, 2008 and will lapse on expiry of the 10-year leases signed with KING JOUET.

7. INFORMATION ABOUT AFFILIATED COMPANIES

The proportion relating to affiliated companies is detailed below for each accounting item:

Note 14 Affiliated companies

Item *in thousands of euros*	**Amount**
Advances and pre-payments on fixed assets	-
Net investments securities	20 957
Loans to subsidiaries and affiliated companies	20 710
Loans	
Advances and pre-payments to suppliers (current asset)	
Trade receivables and similar accounts	
Other receivables	463
Cash and cash equivalents	8 096
Accruals	
Subscribed capital called but not paid	
Convertible bond issues	
Other bond issues	
Borrowings and debts with credit institutions	127 133
Other borrowings and financial debt	132 151
Advances and pre-payments received	
Trade and other payables	301
Other debts	55 265
Operating income	
Operating expenses	1 344
Financial income	4 761
Financial expenses	12 115

The Loans to subsidiaries and affiliated companies item refers partly to the advance of 15.5 million euros made to KLECAPNOR (plus 1.9 million euros in interest) and partly to the advance of 3.3 million euros made to IMMO DAULAND (plus interest of 59,000 euros).

The Other receivables item refers to the rebilling of fees to KLECAPNOR.

The loan from BNP PARIBAS is 120 million euros, and the interest charge for the fiscal year was 5.9 million euros. The BNP PARIBAS bank facility is 3.8 million euros.

The loan granted by KLEPIERRE is accounted for under the Other borrowings and financial debt item. The resulting financial interest is 3.4 million euros.

The Other debts item refers to the amount due to KLEPIERRE FINANCE under the automatic cash centralization system. The resulting financial interest is 1.2 million euros.

The interest income from interest rate hedging instruments subscribed with BNP PARIBAS is 2.8 million euros (net).

The interest paid on the advance received from KLEPIERRE in the period between April 30 and July 31, 2008 totaled 1.6 million euros.

Total remuneration of 1.2 million euros was paid to KLEPIERRE CONSEIL during the fiscal year (excluding acquisition fees).

8. OTHER INFORMATION

8.1. Automatic cash centralization

KLEMURS SCA joined the KLEPIERRE FINANCE SAS cash centralization scheme in 2003.

At December 31, 2008, KLEMURS owed 55.2 million euros to KLEPIERRE FINANCE.

8.2. Personnel

KLEMURS SCA has no staff. The company is managed and administered by its manager, KLEPIERRE CONSEIL.

8.3. Other issues

As Manager, KLEPIERRE CONSEIL has mandated SEGECE to provide rental and estate management services.

KLEMURS SCA has commissioned EXANE BNP PARIBAS to act on its behalf in the stock markets under the liquidity contract signed on 27/11/2006.

8.4. Events occurring after December 31, 2008

On January 9, 2009, KLEMURS became the owner of 4 Buffalo Grill restaurants as a result of lease expiration.

On January 15, 2009, KLEMURS completed the outright acquisition of the 6 retail sites covered by the purchase offer made on July 18, 2008 at a cost of 4.3 million euros.

9. CONSOLIDATION

The annual financial statements of KLEMURS SCA are fully consolidated into the financial statements of KLEPIERRE, which is itself included the BNP Paribas consolidation.

Klémurs

Société en Commandite par Actions

21, avenue Kléber
75016 Paris

Statutory auditors' report on the financial statements

Year ended December 31, 2008

Mazars
61, rue Henri Regnault
92400 Courbevoie

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

Klémurs

Société en Commandite par Actions

21, avenue Kléber
75016 Paris

Statutory auditors' report on the financial statements

Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying financial statements of Klémurs,
- the justification of our assessments,
- the specific verifications and disclosures required by law.

These financial statements have been approved by management. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2008 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II. Justification of our assessments

The financial crisis that has gradually been accompanied by an economic crisis has had multiple consequences for companies, particularly in terms of their activity and financing. The accounting estimates used for the presentation of the financial statements for the year ended December 31, 2008 were prepared in a context of a significant decrease in real estate transactions and uncertain economic outlooks.

It is in this context and in accordance with Article L. 823-9 of the French Commercial Code (*Code du commerce*) relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

- As indicated in Note 2.2.1 to the financial statements, real estate assets are appraised by independent experts to estimate impairments. Our procedures consisted notably in examining the valuation methodology used by the experts to ensure ourselves that the impairments were made based on external expert appraisals.

- Equity investments recorded under assets on your company's balance sheet are valued as described in Note 2.2.1 to the financial statements. Our assessment of these valuations is based on the process implemented by your company to determine the value of equity investments. Our procedures notably consisted in assessing, based on expert valuations, the financial information used by your company to determine the value of the buildings owned by your subsidiaries.

These assessments were made performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verifications and disclosures

We have also performed the specific verifications provided for by law.

We have no comment to make as to:

- the fair presentation and consistency with the financial statements of the information given in management's report and in the documents addressed to shareholders with respect to the financial position and the financial statements,
- the fair presentation of the information given in management's report on the compensation and benefits paid to relevant corporate officers as well as commitments granted in their favor when they assumed, changed or terminated duties or subsequent thereto.

Pursuant to the law, we have verified that management's report contains the appropriate disclosures as to the identity of shareholders and the percentage interests and votes held.

Courbevoie and Neuilly-sur-Seine, March 9, 2009

The Statutory Auditors

Mazars	**Deloitte & Associés**	
Julien Marin-Pache	Pascal Colin	Laure Silvestre-Siaz

STATEMENT OF THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify that, to the best of my knowledge, these financial statements have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets, financial position and earnings of the company and all of its consolidated subsidiaries, and that the management report (attached / on pages 1 to 35) presents a faithful description of the business, earnings and financial position of the company during the period and all of its consolidated subsidiaries as well as a description of the principal risks and uncertainties to which they are exposed.

Paris, April 30, 2009

Laurent MOREL
Chairman of the Executive Board of Klépierre,
which is the Chairman of Klépierre Conseil,
which is the Manager of Klémurs

PERSONS RESPONSIBLE FOR AUDITS AND FINANCIAL DISCLOSURES

Statutory auditors

DELOITTE & ASSOCIÉS

185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
572028041 R.C.S. NANTERRE
Pascal Colin/Laure Silvestre-Siaz
1st appointment: GM of July 12, 2006
End of term: fiscal year 2009.

MAZARS

61, rue Henri-Régnault
92400 Courbevoie
784824153 R.C.S. NANTERRE
Julien Marin-Pache
1st appointment: GM of December 13, 2007
End of term: fiscal year 2012.

Alternative statutory auditors

Société BEAS

7-9, villa Houssay
92200 Neuilly-sur-Seine
315172445 R.C.S. NANTERRE
1st appointment: GM of July 12, 2006
End of term: fiscal year 2009.

Patrick de Cambourg

61, rue Henri-Régnault
92400 Courbevoie
1st appointment: GM of December 13, 2007
End of term: fiscal year 2012.

Person responsible for financial disclosures

Jean-Michel Gault
Deputy CEO of Klépierre, which is the Chairman of Klépierre Conseil, which is the Manager of Klémurs.
Tel. +33 1 40 67 55 05