KLEPIERRE

Consolidated Financial Statements

as of December 31, 2007

Income Statement as of December 31, 2007

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

Balance sheet as of December 31, 2007

In thousands of euros	Notes	December 31, 2007	December 31, 2006	December 31, 2005
Non-allocated goodwill	*4.1*	84 653	41 555	33 410
Intangible assets	*4.2*	7 269	7 478	6 033
Tangible assets	*4.3*	41 340	41 482	42 167
Investment property	*4.4*	6 670 090	5 930 744	5 487 725
Fixed assets in progress	*4.4*	463 983	207 825	107 692
Property held for sale	*4.5*	36 200	46 985	48 857
Equity method securities	*4.6*	46 600	3 023	2 877
Non-consolidated securities	*4.8*	512	585	609
Other non-current assets	*4.9*	33 846	17 104	18 743
Interest rate swaps	*4.16*	84 011	65 139	36 037
Deferred tax assets	*4.18*	33 675	26 275	33 417
NON-CURRENT ASSETS		***7 502 179***	***6 388 195***	***5 817 567***
Inventory	*4.10*	11 684	2 463	7 895
Trade accounts and notes receivable	*4.11*	57 287	46 159	42 437
Other receivables	*4.12*	215 688	264 364	207 788
Tax receivables		*49 645*	*111 048*	*62 685*
Other debtors		*166 043*	*153 316*	*145 103*
Cash and near cash	*4.13*	195 476	157 696	166 663
CURRENT ASSETS		***480 135***	***470 682***	***424 783***
TOTAL ASSETS		**7 982 314**	**6 858 877**	**6 242 350**
Capital		193 890	184 657	184 657
Additional paid-in capital		835 187	830 622	743 166
Statutory reserve		18 466	18 466	18 466
Consolidated reserves		756 275	756 865	813 021
Treasury shares		*-96 168*	*-30 823*	*-9 096*
Fair value of financial instruments		*51 922*	*39 734*	*-9 201*
Other consolidated reserves		*800 521*	*747 954*	*831 318*
Consolidated earnings		197 712	164 534	120 449
Shareholders' equity, group share		2 001 530	1 955 144	1 879 759
Minority interests		480 502	436 961	424 829
SHAREHOLDERS' EQUITY		***2 482 032***	***2 392 105***	***2 304 588***
Non-current financial liabilities	*4.15*	4 400 820	3 680 254	2 633 906
Long-term allowances	*4.17*	11 425	8 572	7 579
Interest rate swaps	*4.16*	7 731	0	4 009
Security deposits and guarantees		107 899	93 900	81 338
Deferred tax liabilities	*4.18*	219 069	127 986	158 124
NON-CURRENT LIABILITIES		***4 746 944***	***3 910 712***	***2 884 956***
Current financial liabilities	*4.15*	439 195	281 441	789 941
Trade payables		62 991	61 772	55 790
Payables to fixed asset suppliers		8 354	13 017	21 579
Other liabilities	*4.19*	163 209	135 017	115 847
Social and tax liabilities	*4.19*	79 589	64 813	69 649
Short-term allowances		0	0	0
CURRENT LIABILITIES		***753 338***	***556 060***	***1 052 806***
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**7 982 314**	**6 858 877**	**6 242 350**

Consolidated cash flow statement as of December 31, 2007

in thousands of €	31 December 2007	31 December 2006	31 December 2005
Cash flow from operating activities			
Net income from consolidated companies	230 951	194 467	145 902
Elimination of expenditure and income with no cash effect or not related to operating activities			
- Amortizations and provisions.	179 462	141 302	135 657
- Capital gains and losses on asset sales net of taxes and deferred taxes	- 28 849	- 3 607	- 3 338
- Reclassification of financial interests and other items	191 156	142 079	122 544
Gross cash flow from consolidated companies	**572 720**	**474 241**	**400 765**
Paid Taxes	- 28 505	- 79 349	- 46 612
Change in operating working capital requirements	72 379	- 1 633	8 158
Cash flow from operating activities	**616 594**	**393 259**	**362 311**
Cash flow from investment activities			
Income from fixed assets sales	99 949	120 773	163 893
Acquisitions of intangible assets	- 2 228	- 822	-
Acquisitions of tangible assets	- 856	- 1 461	-
Acquisitions of investment properties	- 362 016	- 671 972	- 479 378
Acquisitions of subsidiaries through deduction of acquired cash	- 515 541	- 66 180	- 130 145
Change in loans and advance payments granted and other investments	1 055	2 925	24 335
Net cash flow from investment activities	**- 779 637**	**- 616 737**	**- 421 295**
Cash flow from financing activities			
Dividends paid to the parent company's shareholders	- 146 395	- 124 163	- 105 727
Dividends paid to minorities	- 58 796	- 39 782	- 23 186
Dividends payable	59		
Change in net position	82	21 105	-
Repayment of share premium			-
Acquisitions/Sale of treasury shares	- 65 394	- 19 869	1 826
New loans, financial debts and hedging instruments	1 432 914	1 918 290	590 238
Repayment of loans, financial debts and hedging instruments	- 799 887	- 1 409 199	- 302 764
Financial interests paid	- 167 114	- 115 260	- 113 020
Net cash flows from financing transactions	**195 469**	**231 122**	**47 367**
Currency fluctuations	**- 1 556**	**36**	**1 765**
CHANGE IN CASH AND CASH EQUIVALENTS	**30 870**	**7 680**	**- 9 852**
Cash at beginning of fiscal year	***62 697***	***55 017***	***64 869***
Cash at close of fiscal period	***93 567***	***62 697***	***55 017***

Statement of changes in consolidated equity as of December 31, 2007

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

1. Significant events of fiscal year 2007 and prior exercise

Fiscal year 2007

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

In Poland, on May 7, 2007 Klépierre acquired Polish shopping centers located in the downtown areas of Rybnik and Sosnowiec, and on July 27 acquired the one in downtown Lublin from Plaza Centers Europe (PCE), for a total of € 168 million. This transaction was made under the terms of the development agreement concluded with PCE in 2005, pertaining in particular to 3 shopping centers in Poland and 2 in the Czech Republic.

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

In Hungary, Klépierre paid € 14.2 million to acquire 11 566 sq.m. of office space located in the real estate complex within the Duna Plaza shopping center that the Group already owns. The primary aim of this transaction was to facilitate the completion of an extension project for the center, which currently has 224 retail outlets covering GLA of 36 040 sq.m.

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

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

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

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

In France, Klépierre paid 116 million euros for interests in 13 shopping centers or retail facilities under the terms of an agreement entered into on December 21, 2006 with Mr. Henri Hermand. They represent total useable retail floor area of more than 88 000 sq.m., 36 000 sq.m. of which is the share that was sold. In completing this transaction, Klépierre has acquired a stake in a number of large shopping centers, including Creil Saint-Maximin, Tourville-la-Rivière near Rouen and Le Belvédère in Dieppe. Four plots of land are also part of the agreement. The projected use for the main one, located in Forbach (57), is the creation of a business park covering 42 000 sq.m. next to a shopping mall and hypermarket.

In July, Klépierre acquired the two Leclerc hypermarkets adjoining the existing Blagnac and Saint Orens malls in Toulouse, which it already owns.

After 19 months of work, the extension of the Belair center in Rambouillet was inaugurated in May 2007. The hypermarket was expanded by 2 450 sq.m., while the size of the mall grew fourfold. The retail mall now has a total of 45 retail outlets (there were 25 in 2005), including 5 mid-sized units (with Zara and Darty).

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

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

In addition, Klépierre inaugurated on September 4 the Champ de Mars shopping center in Angoulême. Developed by Ségécé, the downtown mall covers 15 500 sq.m. of retail floor area and includes a “city market” Monoprix, 3 mid-sized units, 36 retail outlets, and an array of restaurants and services. This shopping center represents an investment of 63 million euros.

Finally, Klépierre sold its 50% interest in the Cordeliers center in Poitiers for a total of 34.2 million euros in late November. The sale price exceeded the June 30, 2007 appraisal by 35%.

- ***Retail segment: Klémurs pursues its development strategy***

In March 2007, Klémurs acquired a portfolio of 14 assets integrated into business zones of the first rank, located on the outskirts of large metropolitan areas in France, for 37.2 million euros.

With this acquisition, Klémurs initiated the diversification of its portfolio, with the addition in particular of the Mondial Moquette retail outlets (58% of the investment in value terms).

The first stage in the development partnership with Buffalo Grill was carried out with the acquisition of 8 new restaurants for 16.8 million euros, bringing to 136 the number of Buffalo Grill restaurant properties owned outright (51) or via property finance leases (85).

At the end of December 2007, Klémurs acquired two Sephora retail outlet properties, located in the main shopping streets of Metz and Avignon, for an investment of 10.3 million euros.

Also at the end of 2007, Klémurs entered into a new partnership agreement with DéfiMode and the Vivarte group, under the terms of which Klémurs will become the owner of 112 outlets (99,000 sq.m.) in parallel to the acquisition by the Vivarte group of the clothing retailer’s operation. The investment, which will be finalized in two phases—87 existing assets will be acquired over the first quarter of 2008, and 25 under construction will be acquired at the latest on June 30, 2009—will total 153 million euros for expected net rents of 9.1 million euros, full year. This transaction is consistent with the Group’s strategy of developing real estate partnerships with major retailers.

- ***Offices: four disposals and pursuit of the Sereinis project***

Klépierre sold two office buildings located in Levallois-Perret (Front de Paris) and Rue de Turin (Paris, 8th arrondissement), as well as two minor assets (in Champlan-91 and a warehouse in Strasbourg) for a total amount of 74.7 million euros. These 4 assets contributed 0.4 million euros to rents in 2007. The related transactions were completed at a price that exceeded the latest appraisals by more than 11%.

Finally, construction work continued on the Sereinis building in Issy-les-Moulineaux, leading to capital expenditure of 14.6 million euros in 2007. The delivery of the building is maintained for late 2008, and the lease-up phase is expected to begin shortly.

- ***Full ownership of Ségécé strengthens Group cohesion***

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

- ***Change in debt and debt financing terms***

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

Launched for an initial amount of 800 million euros, this new syndicated loan has the following features:

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

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

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

- ***Dividend payment***

On April 5, 2007, the shareholders at the general meeting determined a dividend of 3.2 euros per share (1.067 euro after the 3-for-1 stock split), up by 18.5%. The dividend was paid on April 13, 2007.

- ***Stock split***

Pursuant to the decision made by the shareholders at their annual general meeting on April 5, 2007, Klépierre performed a 3-for-1 stock split on September 3, 2007, bringing the unit price per share from 4.20 euros to 1.40 euros. As a result, the number of shares was simultaneously multiplied by 3 to reach 138,492,687 shares.

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

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

Fiscal year 2006

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

In France, the Place d'Armes shopping center located in downtown Valenciennes was inaugurated on April 18. For Klépierre, the investment was 51.8 million euros, for full-year rents of 4.6 million euros.

Featuring 16 000 sq.m. GLA over two levels, the Place d'Armes center offers 60 new retail outlets (FNAC, H&M, Match supermarket, Zara, Séphora).

The acquisition of the Toulouse Purpan shopping center comes after the completion of major renovation work on the mall and the Carrefour hypermarket. The new center covers 7 220 sq.m. of GLA and counts 32 retail outlets.

In addition, Klépierre raised its stake in the company that owns the Val d'Europe shopping center by 15% (64 046 sq.m. GLA), brining its total ownership to 55%.

In Italy, investments were primarily focused on the extension of existing centers, in particular with the Giussano shopping center (10.2 million euros), located to the northwest of Milan, and in Varese (€5.6 M).

Created in 1997, the Giussano shopping center was previously composed of a Carrefour hypermarket (14 000 sq.m.) and a 2 800 sq.m. mall. Now that the extension has been completed, the hypermarket covers 15 800 sq.m. and the size of the mall has been expanded to 8 200 sq.m., with 25 new retail anchors. There are three mid-sized units, including a Darty.

On January 5, 2006, Ségécé, a 75% subsidiary of Klépierre, acquired the outstanding capital of the Italian management company (PSG, which has since become Ségécé Italia), of which it previously owned 50%. The amount invested was 9.1 million euros.

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

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

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

❑ *Investment in the real estate of major retailers*

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

❑ *Office buildings: pursuit of divestment program and repositioning in acquisition*

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

- The first covers 4 000 sq.m. and is located at 7 Rue Meyerbeer, in the heart of the central business district of Paris (Opéra). This prime location should ultimately generate genuine reversion potential.

- The second involves the acquisition of an office building to be constructed in the ZAC Forum Seine in Issy-les-Moulineaux, in connection with the Property Development Contract (PDC). The building, which is scheduled for delivery at the end of 2008, will feature nearly 12 000 sq.m. of office space spread over 7 floors and more than 300 parking lots. The project is adjacent to another building owned by Klépierre, which is currently fully occupied by Steria.

These two transactions represent an investment of 112.9 million euros, including 67.0 million euros in 2006 and 45.9 million euros spread over 2007 and 2008 as par of the PDC of Issy-les-Moulineaux.

In addition, L'Espace Kléber, located at 25 Avenue Kléber (Paris, 16th arrondissement), is developing 9,866 sq.m. of useful weighted space and was taken up by the Crédit Suisse group (9 years firm), for two third of the total space, and by Veolia Environnement (5 years), for the remaining third.

The leases went into effect on February 1, 2006 and will generate annual revenue of 6.45 million euros.

In parallel, 4 office assets were sold (28 025 sq.m. in total) for 112.6 million euros. These assets contributed rents of 3.3 million euros in fiscal year 2006.

❑ *Change in debt financing terms*

On January 31, 2006, Klépierre opened a line of credit for 1.5 billion euros, syndicated with 6 banks.

This credit facility was used to early refinance lines of credit expiring in 2006, 2007 and 2009, while also opening up new sources of financing.

In particular, Klépierre redeemed early the club deals it had set up in 2003 and 2004, which included a back-up line of 300 million euros due in March 2006, as well as medium-term lines that were fully drawn down, for a total of 750 million euros. The bridge loan that was set up in the second half of 2005, for up to 400 million euros and drawn down for 275 million euros, was also fully repaid.

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

• An initial margin of 0,35%, which is subject to adjustments based on a loan to value grid (ratio of net debt to revalued net assets);
• Financing covenants that primarily concern the loan-to-value ratio (limited to 52%), the coverage of interest expense by EBITDA (minimum 2.5), and the secured financing to revalued net assets ratio (limited to 20%).

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

❑ *Dividend payment*

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

2. Accounting principles and methods

❑ *Corporate reporting*

Klépierre is a French law *société anonyme (SA),* subject to all the texts applicable to business corporation in France, and in particular the provisions of the commercial code. The company's head office is located at 21 avenue Kléber in Paris.

On February 4, 2008, the Executive Board closed and authorized the publication of Klépierre S.A.'s consolidated financial statements for the period from January 1, 2007 to December 31, 2007 .

Klépierre shares are listed on Eurolist by Euronext Paris (Compartment A).

❑ *Principles of financial statement preparation*

In accordance with European Regulation 1606/2002 dated July 19, 2002 on international accounting standards, the Klépierre Group consolidated financial statements for the year ended December 31, 2007 have been drawn up in conformity with IFRS rules, as adopted by the European Union and applicable as from that date.

The IFRS framework as adopted by the European Union includes the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and their interpretations (SIC and IFRIC).

The consolidated annual financial statements on December 31, 2007 are presented in the form of complete accounts including all the information required by the IFRS framework.

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

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

The main effects of these changes are as follows:

IFRS 7 Financial instruments – Disclosures

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

IAS 1 Presentation of financial statements

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

IFRIC 8 Scope of IFRS 2

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

IFRIC 9 Reassessment of embedded derivatives

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

IFRIC 10 Interim financial reporting and impairment

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

Moreover, the Group has decided against early application of the following IFRS standards and interpretations:

- IFRS 8 Operating segments
- IFRIC 11 IFRS 2 –Group and treasury share transactions

IFRS 8 Operating segments

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

IFRIC 11 IFRS 2 – Group and treasury share transactions

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

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

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

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

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

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

As a first-time adopter at December 31, 2005, IFRS allows derogations from certain optional provisions:

- Business combinations: non-restatement of business combinations that occurred prior to January 1, 2004 is allowed.

- Fair value or revaluation as presumed cost: the amount recorded in the January 1, 2003 opening balance sheet as a result of the revaluation of property, plant and equipment and investment property to fair value, following adoption of SIIC status, has been used as the presumed cost of those assets.

- Employee benefits: in the case of post-employment benefits under defined benefit plans, the Group has elected to apply the so-called “corridor” approach for posting actuarial gains and losses on the company’s commitments.

- Equity-settled transactions: only plans granted after November 7, 2002 and for which there were no vested rights at January 1, 2005 have been recognized in the accounts.

❑ *Compliance with accounting standards*

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

❑ *Consolidated financial statements – Basis of preparation*

The consolidated financial statements include the financial statements of Klépierre S.A. and of its subsidiaries at December 31, 2007. The financial statements of subsidiaries are prepared using the same accounting period as that of the parent and consistent accounting methods.

Subsidiaries are consolidated as of the date on which they are acquired, which is the date on which the Group acquired a controlling interest; this accounting treatment prevails until the date on which this control ceases.

The Group’s consolidated financial statements are established according to the historical cost principle, with the exception of derivative financial instruments and financial assets that are being held for sale, which are measured and carried at their fair value. The carrying amount of assets and liabilities that are hedged according to a fair value hedge relationship, and which are otherwise measured at cost, is adjusted to reflect changes in fair value attributable to the risks being hedged. The consolidated financial statements are presented in euros, and all amounts rounded to the nearest thousandth unless otherwise indicated.

- ***Summary of judgments and material estimates***

In preparing these consolidated financial statements in accordance with IFRS, Group management was led to use estimates and make a number of realistic and reasonable assumptions. Some facts and circumstances may lead to changes in these estimates and assumptions, which would affect the value of the Group's assets, liabilities, equity and earnings.

Use of estimates

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

- Valuation of goodwill

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

- Investment property

The Group has its real estate assets appraised by third-party appraisers every half year according to the methods described in paragraph 9.1. The appraisers use assumptions as to future flows and rates that have a direct impact on the value of the buildings.

The reference table IFR can be consulted on the Internet site of the European Commission : http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

2.1. Scope and method of consolidation

- ***Consolidation scope***

The consolidated financial statements cover all companies over which Klépierre has majority control, joint control or significant influence.

The calculation of the level of control takes account of potential voting rights that entitle their holders to additional votes if these rights can be exercised or converted immediately.

A subsidiary is consolidated from the date on which the Group obtains effective control.

The Group consolidates special purpose entities (SPEs) formed specifically to manage a transaction, even where the Group has no equity interest in the entity, provided that the substance of the relationship is controlled by the Group (the entity's activities are conducted exclusively on behalf of the Group, and the Group has the decision-making and management powers). There are no special purpose entities in the Group.

- ***Consolidation method***

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

- Majority control: full consolidation. Control is presumed to exist when Klépierre holds more than half of the entity's voting rights directly or indirectly. It is likewise presumed to exist when the parent has the power to direct the entity's financial and operational policies, appoint, recall or convene the majority of the members of the board of directors or the equivalent management body.

- Joint control: proportionate consolidation. Joint control exists only when the operational, strategic and financial decisions require unanimous consent of the controlling parties. That consent must take the form of a contractual agreement, e.g. articles of association, shareholders' agreements and the like.

- Significant influence: equity method of accounting. Significant influence is the power to participate in an entity's financial and operating policy decisions but not control or jointly control those policies. The Group is presumed to have significant influence if it directly or indirectly holds 20% or more of an entity's voting rights. Equity-accounted shareholdings are initially recognized in the balance sheet at cost, plus or minus the share of the net position generated after the acquisition, and less impairment.

- No influence: non-consolidates company.

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

- ***Inter-company transactions***

Inter-company balances together with profits resulting from transactions between Group companies are eliminated. Since January 1, 2005, any internal margin on development fees incorporated into the cost price of capitalized assets or inventories by the companies that purchased them is eliminated.

Financial products billed to property development companies are listed among their inventories and recognized in the income statement.

2.2. Accounting for business combinations

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

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

The acquirer must initially allocate the cost of the business combination by recognizing the identifiable assets, liabilities and contingent liabilities of the acquired business (except for non-current assets held for sale) at fair value at the acquisition date.

Goodwill is the difference between the price paid to acquire the consolidated companies' securities and the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired .

On the acquisition date, the acquirer records positive goodwill as an asset. Negative goodwill is immediately recognized in the income statement.

Goodwill is no longer amortized, pursuant to IFRS 3 "business combinations." However, it must be tested for impairment annually or more often if certain events or changed circumstances indicate possible impairment.

In this testing, goodwill is broken down by cash-generating unit (CGU), which is a homogeneous group of assets that generates identifiable cash flows.

Intangible assets are recognized separately from goodwill if they are identifiable, i.e. if they arise from contractual or other legal rights or if they are capable of being separated from the activities of the entity acquired and are expected to generated future economic benefits.

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

Recognition of the additional acquisition of securities in a controlled entity

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

2.3. Foreign currency translation

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

The Group's foreign subsidiaries conduct certain transactions in a currency other than their functional currency. These transactions are initially recorded in the functional currency at the exchange rate on the date of the transaction.

On the balance sheet date, monetary assets and liabilities stated in foreign currency are translated into the functional currency at the closing exchange rate. Non-monetary items stated in foreign currency and carried at historical cost are translated using the exchange rate at the date of the initial transaction. Non-monetary items stated in foreign currency and carried at fair value are translated using the exchange rate that existed when the fair values were determined.

On the balance sheet date, the assets and liabilities of these subsidiaries are translated into Klépierre S.A.'s reporting currency, which is the euro, at the closing exchange rate. Their profit and loss accounts are translated at the average weighted exchange rate for the year. Any resulting translation differences are allocated directly to shareholders' equity under a separate line item. In the event of the disposal of a foreign operation, the total accrued deferred exchange gain/loss on that foreign operation as recognized as a separate component of equity is recognized in the income statement.

2.4. Intangible assets

An intangible asset is a non-monetary asset without physical substance that must be identifiable and therefore separable from the acquired entity or arise from legal or contractual rights. It is controlled by the enterprise as a result of past events and future economic benefits are expected from it.

IAS 38 states that an intangible asset should be amortized over the best estimate of its known useful life. Intangible assets with no known useful life should not be amortized, but tested annually for impairment (IAS 36).

Assets classified as intangible assets with finite useful lives should be amortized on a straight-line basis over periods which reflect their expected useful life.

2.5. Investment property

IAS 40 defines investment property as property held by the owner or by the lessee (under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business (trading).

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

After initial recognition, investment property is measured:

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

On May 26, 2004 the Supervisory Board approved the adoption by Klépierre of the cost model as set forth in IAS 40.

To produce financial reporting that is both complete and comparable to the financial statements of key competitors applying the fair value model to their investment property, Klépierre is providing *pro forma* financial data restating its investment property on a fair value basis.

- ***Cost model***

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

Depreciation of such assets must reflect the consumption of economic benefits. It should be:

- calculated on the basis of the depreciable amount, which is equal to the acquisition cost less the residual value of the assets;
- spread over the useful life of the PPE components; when the different components have different useful lives, each component whose cost has a material impact on the total cost of the asset must be separately depreciated over its own useful life.

After initial recognition, property, plant and equipment is measured at its cost, less any accumulated depreciation and any impairment losses. The depreciation charge is allocated over the useful life of the assets on a straight-line basis.

The depreciation period, the depreciation method used and the residual value of the assets must be reviewed at each balance sheet date.

In addition, property, plant and equipment is tested for impairment whenever there is evidence of a loss of value at June 30 or December 31. If that evidence is confirmed by testing, the new recoverable amount of the asset is compared to its net carrying amount and the impairment loss observed is recorded (see 2.7).

Gains or losses on the disposal of investment property are recorded under "Result of the sale of investment property and equity interests."

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

- land/building allocation rates for office property;

- comparison with rebuilding costs for shopping centers.

An age weighting coefficient was applied to the cost of rebuilding "as new" to which the cost of rebuilding was added.

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

❑ *Components method*

The components method is applied for the most part on the basis of recommendations by the *Fédération des Sociétés Immobilières et Foncières* (Federation of Property Companies – FSIF) on components and useful life:

- For properties developed by the subsidiaries themselves, assets are classified by component type and measured at their realizable value.

- For investment properties held in the portfolio, sometime for a long time, components are broken down into four categories: business premises, shopping centers, offices and residential properties.

Four components were identified for each of these assets types, in addition to the land:

- Structure
- Façades, waterproofing, roofing
- Mechanical/Electrical/Plumbing (MEP)
- Fittings

Component classification is based on the historic and technical features of each property.

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

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

All figures are based on an "as new" assumption. Klépierre has therefore calculated proportions for fittings, technical services and façades at January 1, 2003 using the useful lives shown in the above grid, calculated from the date of construction or latest general refurbishment of the property. The figure for structures is deduced from the figures for the other components and is amortized over the residual term set by the appraisers in 2003.

Purchase cost is divided up between land and buildings. The share allocated to buildings is amortized over the useful life of the structures.

Residual value is the current estimate of the amount the company would obtain (minus disposal costs) if the property were already of the age it will be and in the condition it will be in at the end of its useful life.

Given the useful lives assumed, the residual value of components is nil.

2.6. Non-current assets held for sale

IFRS 5 on presentation and measurement applies to measured investment property using the cost model under IAS 40 whenever the asset is available for immediate sale and meets the conditions for classification as being held for sale. An impairment test is immediately run before any asset is classified as being held for sale.

The Klépierre Group has reclassified all property covered by a contract to sell *(mandat de vente)* in accordance with IFRS 5.

The accounting impact is as follows:

- cost of sale is imputed to the lower of net carrying value and net fair value;
- the properties concerned are presented separately on the face of the balance sheet;
- amortization ceases.

2.7. Impairment of assets

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

Such an indication might be:

- a major decline in market value;
- significant changes in the technological, economic or legal environment.

For testing purposes, assets are grouped into cash-generating units (CGUs). These are standard of assets whose continued use generates cash inflows that are largely separate from those generated by other asset groups.

Assets must not be recognized at more than their recoverable amount.

Recoverable amount is the higher amount of an asset's fair value less costs to sell and its value in use.

Value in use is the discounted present value of estimated future cash flows expected to arise from the planned use of an asset, and from its disposal at the end of its useful life.

An impairment loss should be recognized whenever recoverable amount is below carrying amount.

Under certain circumstances, the partial or total reversal of an impairment loss may subsequently be recognized in the income statement, but reversal of a non-allocated goodwill is prohibited.

The Klépierre Group considers each property and each shopping center as a CGU.

In addition, the Group's goodwill mainly concerns Ségécé and its subsidiaries. Impairment tests are performed by an independent appraiser at least once a year and, if need be, updated whenever there is a significant event during the course of the year.

The tests run for Klépierre by Aon Accuracy rely on the range of valuations produced by the discounted cash flow (DCF) method over a period of 5 years. At the first stage of this method, the future cash flow that might be generated on the business portfolio of each company is estimated, without taking into account any direct or indirect financing costs. At the second stage, the value of the business portfolio, cash flows and probable value of the portfolio at the end of the forecast period (end value) are estimated and then discounted at an appropriate rate. The discount rate applied, which is based on the Capital Asset Pricing Model (CAPM), is the sum of the following three items: the risk-free interest rate, a general market risk premium (expected market risk premium multiplied by beta for the business portfolio), and a specific market risk premium (which takes into account the proportion of specific risk not already included in flows). At the third and final stage, the value of each company's equity is obtained by deducting from the value of its business portfolio its net debt at the valuation date as well as the value of any minority interests at the same date.

2.8. Inventory

IAS 2 defines inventory as assets held for sale in the ordinary course of business, assets in the production process for sale , materials and supplies that are consumed in production (raw materials) or services.

An impairment must be recognized if the net realizable price (fair value net of exit cost) is less than booked cost.

2.9. Leases

- ***Leases***

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

IAS 17 distinguishes two types of lease:

- A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title to the asset may or may not eventually be transferred by the end of the lease term.
- All other leases are classified as operating leases.

- ***Accounting for stepped rents and rent-free periods***

Lease income from the operating leases is recognized over the lease term on a straight-line basis.

Stepped rents and rent-free periods are accounted for over the life of the lease as an increase or decrease to lease income for the year.

The reference period selected is the first firm lease term.

- ***Entry fees***

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

Entry fees are part of the net amount exchanged between the lessor and the lessee under a lease agreement. As such, the accounting periods in which this net amount is to be recognized should not be affected by the form of the agreement and the payment schedule. Entry fees are spread over the first firm lease term.

- ***Early termination indemnities***

Tenants who terminate their leases prior to the expiration date are liable to an early termination charge.

Such a charge is imputed to the terminated contract and credited to income for the period in which it is recognized.

- ***Eviction indemnities***

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

(i) Replacement of a tenant:

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

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

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

- ***Land and building leases: IAS 40 and IAS 17***

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

Under the components method set out in IAS 40, such initial payments are classified as prepaid expenses.

2.10. Trade accounts and other debtors

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

2.11. Borrowing costs

The benchmark treatment under IAS 23 is to recognize construction-related borrowing costs as an expense in the period in which they are incurred.

The alternative treatment allowed is to include borrowing costs in the total cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset.

Klépierre has not opted for the benchmark treatment, and instead accounts for construction-related finance charges as part of the cost of the assets acquired. As a result, these charges are capitalized over the construction period.

2.12. Provisions and contingent liabilities

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

IAS 37 requires that non-interest-bearing long-term liabilities be discounted.

2.13. Current and deferred taxes

- *Tax status for listed property investment companies*

  - **General features of SIIC tax status**

All listed property investment companies (SIICs) are entitled to the corporate tax exemption status introduced by article 11 of the 2003 Finance Act and implemented under the Decree of July 11 2003 provided that they are listed on a regulated French market, that they have share capital of at least 15 million euros and that their corporate purpose is either the purchase or construction of properties for rent, or direct or indirect investment in entities with the same corporate purpose. Once made, a decision to claim SIIC status is irrevocable. Subsidiaries subject to corporate income tax and at least 95% controlled by the Group may also claim SIIC status.

In return for tax exemption, companies must distribute 85% of their rental profits, 50% of their gains on disposal and 100% of the dividends paid to them by those of their subsidiaries that are subject to corporate income tax and have selected SIIC status.

Claiming SIIC status makes the entity concerned immediately subject to a 16.5% exit tax on unrealized gains on properties and on shares in partnerships not subject to corporate income tax. 25% of the exit tax falls due on December 15 of the year in which SIIC status is first claimed, with the balance payable over the three following years.

The annual general meeting of September 26, 2003 authorized Klépierre to opt into the new SIIC status, with retrospective effect to January 1, 2003.

  - **Discounting exit tax liability**

The exit tax liability is discounted on the basis of its payment schedule. The liability is payable over 4 years commencing when SIIC status becomes applicable to the entity concerned.

Following initial recognition, the liability is discounted in the balance sheet and an interest expense is recognized in the income statement at each cut-off date. In this way, the liability can be reduced to its discounted present value. The basis for calculating the discount rate is the interest rate curve, plus the period of deferment, plus the Klépierre refinancing spread.

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

Since SIIC status was adopted in 2003, Klépierre S.A. recognizes SIICs that are exempt from property leasing and capital gains tax, and other companies that are subject to those taxes.

Corporate income tax on non-SIICs is calculated under French common law requirements.

- *French common law and deferred tax*

Corporate income tax is calculated using the rules and rates applicable in each country in which Group companies are registered over the period to which the profit or loss applies.

Both current and future income taxes are offset if they originate within the same consolidated tax group, are subject to the same tax authority and if offsetting is allowed by law.

Deferred taxes are recorded to reflect temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases if they are expected to give rise to taxable income in future periods.

A deferred tax asset is recognized in case of tax losses carried forward under the likely assumption that the entity concerned will generate future taxable income against which those losses can be deducted.

Deferred tax assets and liabilities are measured using the liability method and the tax rate expected to apply when the asset will be realized or the liability settled, on the basis of the tax rates and tax regulations adopted, or that will be adopted, before the balance sheet date. The measurement of deferred tax assets and liabilities must reflect the tax consequences of the way in which the company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

All current and deferred tax is recognized as tax income or expense in the income statement. However, in the case of deferred tax recognized or settled since the acquisition or disposal of a subsidiary or equity-accounted affiliates, and of unrealized gains or losses on assets held for sale, the associated deferred taxes are taken to equity.

Deferred tax is calculated at local rates applicable at the balance sheet date. The main relevant rates are 34.43 % in France, 30% in Spain, 31.40% in Italy, 34% in Belgium, 25 % in Greece, 26.5% in Portugal, 19% in Poland, 20% in Hungary (excluding ordinary losses capitalized at 16%), 21% in the Czech Republic and 19% in Slovakia.

2.14. Treasury shares

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

2.15. Distinction between liabilities and equity

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

2.16. Financial assets and liabilities

Financial assets include long-term financial investments assets and loans, current assets representing accounts receivable, financial securities and investments, including derivatives, and cash.

Financial liabilities include borrowings, other forms of financing and bank overdrafts, derivatives and accounts payable.

IAS 39 (Financial instruments: recognition and measurement) describes how financial assets and liabilities must be measured and recognized.

- ***Measurement and recognition of financial assets***

- **Loans and receivables**

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

- **Assets held for sale**

These include equity investments.

Equity investments are the Group's interest in non-consolidated companies.

Investments in equity instruments with no quoted price on an active market and whose fair value cannot be reliably measured must be carried at cost.

- **Cash and near cash**

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

❑ ***Recognition and measurement of financial liabilities***

With the exception of derivatives, all loans and other financial liabilities are measured at amortized cost using the effective interest method.

- **Recognition of liabilities at amortized cost**

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

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

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

If a swap is cancelled before the due date of the hedged liability, the amount of the debt adjustment will be amortized over the residual term, using the effective interest rate determined at the date the hedge ended.

❑ ***Recognition and measurement of derivatives***

As parent company of the Group, Klépierre is responsible for almost all Group financing and has centralized management of interest rate and exchange risks. This financial policy has led Klépierre to put in place the facilities and associated hedging instruments needed by the Group.

Klépierre hedges its liabilities using derivatives and has consequently adopted hedge accounting as per IAS 39:
– fair value hedges: hedges of the exposure to changes in fair value of balance sheet items, that are attributable to interest rate, credit or exchange risk (e.g. a fixed-rate liability);
– cash flow hedges: hedges of the exposure to variability in cash flows, achieved by fixing the future cash flow on a variable-rate liability or asset.

Klépierre meets all IAS 39 hedge definition and effectiveness criteria.

The adoption of hedge accounting has the following consequences:
– fair value hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted for at fair value on the balance sheet. The gain or loss from the change in fair value is recognized immediately in profit or loss. At the same time there is an opposite corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness;

– cash flow hedges: the portion of the gain or loss on the fair value of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and recycled to the income statement when the hedged cash transaction affects profit or loss. The gain or loss from the change in value of the ineffective portion of the hedging instrument is recognized immediately in profit or loss.

Recognition date: trade or settlement

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

Determination of fair value

Financial assets and liabilities carried at fair value are measured either using listed price or valuation models that apply market criteria. The term "model" refers to mathematical methods based on generally accepted financial theories.
For any given instrument, an active and so liquid market is any market on which transactions regularly take place and on which there is a reliable level of supply and demand, or on which transactions take place involving instruments that are very similar to the instrument being measured.
Where prices are quoted on an active market, they are used to determine fair value. Such prices will thus be used to measure listed securities and derivatives traded on organized markets such as the futures or option markets.
Most OTC (Over The Counter) derivatives, swaps, futures, caps, floors and simple options are traded on active markets. They are measured using generally accepted models (discounted cash flow, Black and Scholes, interpolation techniques) that are based on the market prices of such instruments or similar underlyings.

Tax treatment of changes in fair value

For Klépierre:

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

2.17. Employee benefits

Employee benefits are recognized as set out in IAS 19, which applies to all payment for services rendered except share-based payment, which is covered by IFRS 2. All employee benefits, whether paid in cash or in kind, short or long-term must fall into one of the 4 main classifications:
• short-term benefits such as salaries and wages, annual leave, profit-sharing, shares, company contributions to schemes;
• post-employment benefits, such as (in France) supplementary bank pension payments or outside France private pension schemes;
• other long-term benefits, including paid leave and seniority payments, some deferred compensation schemes paying out in monetary units;
• compensation due to the termination of job contract severance pay.

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

- ***Short-term benefits***

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

- ***Post-employment benefits***

In accordance with generally accepted principles, the Group distinguishes defined contribution and defined benefit plans.

Defined contribution plans do not give rise to any liability so far as the company is concerned and therefore are not provisioned. Contributions paid during the period are recognized as a loss.

Defined benefit plans do give rise to a liability so far as the company is concerned and must therefore be measured and provisioned.

The classification of a benefit into either of the above categories will depend on the economic basis of the benefit
that will be used to decide whether the Group is required to provide the promised benefit to the employee under the terms of an agreement or an implicit obligation.

Post-employment benefits classified as defined benefit plans are calculated on an actuarial basis that takes account of demographic and financial factors.

The provision needed for the commitment will be determined on the basis of the actuarial assumptions adopted by the company and will apply the Projected Unit Credit Method. The value of hedging assets, if any (plan assets and redemption rights) will be deducted from the resulting figure.

The size of plan liabilities and the value of its hedging assets may change considerably from one period to another in line with changes in actuarial assumptions, and may give rise to actuarial gains/losses. The Group applies the corridor method to account for actuarial gains/losses on its commitments. Use of the corridor method means that as of the following financial year the proportion of actuarial gain/loss that is in excess of the higher of the following need not be recognized: 10% of the discounted gross value of the liability or 10% of the market value of the plan hedge asset at the end of the previous period.

- ***Long-term benefits***

These are benefits, other than post-employment benefits or severance pay, that are not payable in their entirety within twelve months of the end of the financial year in which the employees concerned provided the services in question.

The actuarial method applied is similar to that used for post-employment defined benefits, except that actuarial gains/losses are recognized immediately and there is no corridor. Furthermore, any gain/loss resulting from change to the plan but deemed to apply to previous services is recognized immediately.

- ***Compensation due upon termination of employment***

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

2.18. Share-based payment

IFRS 2 provides that all share-based payment must be expensed when the goods or services given in return for these payments are used.
For the Klépierre group, the standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option scheme. Pursuant to IFRS 1, only plans awarded after November 7, 2002

whose rights were not acquired at January 1, 2005 need be recognized. As a result, Klépierre's 1999 stock option plan has not been restated. The exercise period for this particular plan ended on June 24, 2007.

2.19. Segment reporting

IAS 14 requires the reporting of financial information by line of business and geographical area in respect of primary and secondary segments. Segments are identified by analyzing risks and returns to then form homogenous segments.
Lines of business and geographical segments must be reported if they account more than 10% of the total result, revenue or balance sheet total.
If total revenue attributable to reportable segments is less than 75% of the total consolidated income, additional segments should be identified while dropping the threshold by 10% until 75% is reached.
The following information should be disclosed for primary segments: segment income, pre-tax and pre-financial charge segment revenue, the carrying value of sector assets, sector liabilities and sector investments over the period.
The following information should be disclosed for secondary segments: sector income, sector assets, and investments over the period.
The Klépierre group discloses primary sector information on the Group under line of business and secondary sector information under geographical area.

• Primary sector lines of business: shopping centers, retail properties and office properties

• Secondary sector geographical areas: France, Spain, Portugal, Italy, Greece, Hungary, Poland and "other" Europe

3. Scope of consolidation

COMPANIES	SIREN n°	Head office	Methods December 2007 (1)	% of interest December 2007	% of interest December 2006	% of holding December 2007	% of holding December 2006
SA Klépierre	780 152 914	Paris	FC	100,00%	100,00%	100,00%	100,00%
Office buildings							
SAS Klépierre Finance	433 613 312	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS LP7	428 782 486	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS CB Pierre	343 146 932	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Général Leclerc n°11 Levallois	381 986 363	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Jardins des Princes	391 237 716	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Barjac Victor	390 123 057	Paris	FC	100,00%	100,00%	100,00%	100,00%
Shopping malls - France							
SNC Kléber La Perouse	388 724 361	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS KLE 1	389 217 746	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC SCOO	309 660 504	Paris	FC	79,94%	79,94%	79,94%	79,94%
SNC Angoumars	451 149 405	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Klécar France	433 496 965	Paris	FC	83,00%	83,00%	83,00%	83,00%
SNC KC1	433 816 501	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC2	433 816 444	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC3	433 816 725	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC4	433 816 774	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC5	433 817 269	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC6	433 842 549	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC7	433 842 515	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC8	433 842 564	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC9	433 816 246	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC10	433 816 220	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC11	433 894 243	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC12	433 894 102	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC20	449 054 949	Paris	FC	83,00%	83,00%	100,00%	100,00%
SAS Centre Jaude Clermont	398 960 963	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCS Klécar Europe Sud	428 864 268	Paris	FC	83,00%	83,00%	83,00%	83,00%
SC Solorec	320 217 391	Paris	FC	80,00%	80,00%	80,00%	80,00%
SNC Centre Bourse	300 985 462	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCS Begles Arcins	404 357 535	Paris	PC	50,00%	50,00%	50,00%	50,00%
SCI Bègles Papin	449 389 956	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Soccendre	319 814 075	Paris	FC	100,00%	75,25%	100,00%	100,00%
SCI Sécovalde	405 362 682	Paris	FC	55,00%	55,00%	55,00%	55,00%
SAS Cécoville	409 547 015	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Poitiers Aliénor	410 245 757	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Foncière Saint-Germain	378 668 875	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Soaval	419 620 075	Paris	PC	50,00%	37,50%	50,00%	50,00%
SCA Klémurs	419 711 833	Paris	FC	84,11%	84,11%	84,11%	84,11%
SAS Cécobil	408 175 966	Paris	PC	50,00%	50,00%	50,00%	50,00%
SCI du Bassin Nord	422 733 402	La Plaine St Denis	PC	50,00%	50,00%	50,00%	50,00%
SNC Le Havre Vauban	420 307 704	Paris	PC	50,00%	50,00%	50,00%	50,00%
SNC Le Havre Lafayette	420 292 047	Paris	PC	50,00%	50,00%	50,00%	50,00%
SNC Sodevac	388 233 298	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Odysseum Place de France	428 788 525	Paris	PC	50,00%	50,00%	50,00%	50,00%
SAS Klecar Participations Italy	442 229 175	Paris	FC	83,00%	83,00%	83,00%	83,00%
SNC Pasteur	398 967 232	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Holding Gondomar 1	438 568 545	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Holding Gondomar 3	438 570 129	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Klépierre Participations et Financements	442 692 315	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI Combault	450 895 164	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Klétransactions	479 087 942	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI La Plaine du Moulin à Vent	479 718 124	Paris	PC	50,00%	50,00%	50,00%	50,00%
SCI Beau Sevran Invest	441 648 714	Paris	FC	83,00%	83,00%	100,00%	100,00%
SAS PROGEST	330 574 625	Paris	FC	100,00%	-	100,00%	-
SCI La Rocade	319 524 070	Paris	EM	38,00%	-	38,00%	-
SCI l'Emperi	421 021 346	Paris	EM	15,00%	-	15,00%	-
SCI Girardin	339 293 532	Paris	PC	33,40%	-	33,40%	-
SC Boutiques St Maximin	314 866 484	Paris	FC	42,50%	-	42,50%	-
SARL Belvedere Invest	418 124 475	Paris	FC	62,00%	-	62,00%	-

COMPANIES	SIREN n°	Head office	Methods December 2007 (1)	% of interest		% of holding	
				December 2007	December 2006	December 2007	December 2006
SCI Haies Haute Pommeraie	437 731 664	Paris	EM	43,00%	-	43,00%	-
SCI Plateau des Haies	423 665 413	Paris	FC	90,00%	-	90,00%	-
SCI Halles Plérin	340 255 280	Joinville Le Pont	EM	25,00%	-	25,00%	-
SCI Boutiques d'Osny	339 797 607	Paris	FC	38,26%	-	67,00%	-
SCI Plateau de Plérin	329 393 805	Paris	EM	25,00%	-	25,00%	-
SCI la Rocade Ouest	319 658 399	Paris	EM	36,73%	-	36,73%	-
SARL Forving	442 692 539	Paris	FC	90,00%	-	90,00%	-
SCI du Plateau	382 949 873	Boulogne-Billancourt	EM	17,76%	-	26,50%	-
SA Rezé Sud	413 251 216	Rézé	EM	15,00%	-	15,00%	-
SCI Maximeuble	347 879 306	Paris	FC	100,00%	-	100,00%	-
SCI Saint Maximin Construction	347 879 405	Paris	PC	50,00%	-	50,00%	-
SCI Immobilière de la Pommeraie	348 268 996	Paris	PC	50,00%	-	50,00%	-
SCI Pommeraie Parc	350 236 337	Paris	PC	50,00%	-	50,00%	-
SCI Champs des Haies	351 335 914	Paris	PC	50,00%	-	50,00%	-
SCI La Rive	348 974 080	Paris	FC	47,30%	-	47,30%	-
SCI Rebecca	428 291 520	Paris	FC	70,00%	-	70,00%	-
SCI Aulnes developpement	448 080 861	Paris	FC	25,50%	-	50,00%	-
SARL Proreal	447 572 686	Paris	FC	51,00%	-	51,00%	-
SCI Sandri-Rome	423 680 917	Paris	EM	15,00%	-	15,00%	-
SCI La Roche Invest	448 055 798	Paris	EM	32,50%	-	32,50%	-
SCI Osny Invest	420 796 708	Paris	FC	57,12%	-	57,12%	-
SNC Parc de Coquelles	348 281 965	Paris	PC	50,00%	-	50,00%	-
SCI Sogegamar	950 591 792	Paris	EM	33,12%	-	33,12%	-
SCI Achères 2000	422 380 576	Paris	EM	30,00%	-	30,00%	-
SCI Le Mais	378 907 000	Paris	FC	55,00%	-	55,00%	-
SCI le Grand Pré	352 765 994	Paris	PC	50,00%	-	50,00%	-
SCI Champs de Mais	379 159 338	Paris	EM	25,00%	-	25,00%	-
SCI des Salines	394 253 959	Paris	PC	50,00%	-	50,00%	-
SCI les Bas Champs	394 253 710	Paris	PC	50,00%	-	50,00%	-
SCI Des dunes	394 253 819	Paris	PC	50,00%	-	50,00%	-
SCI la Française	394 253 264	Paris	PC	50,00%	-	50,00%	-
SCI LC	422 654 392	Paris	FC	33,00%	-	60,00%	-
SARL Société du bois des fenêtres	418 683 124	Vélizy Villacoublay	EM	20,00%	-	20,00%	-
SAS KLE PROJET 1	493 511 620	Paris	FC	100,00%	-	100,00%	-
SAS KLECAPNOR	494 808 603	Paris	FC	84,11%	-	100,00%	-
SNC CAP NORD	332 024 926	Lille	FC	84,11%	-	100,00%	-
SAS Vannes Coutume	495 178 055	Paris	FC	100,00%	-	100,00%	-
SAS KLE PROJET 2	479 506 345	Paris	FC	100,00%	-	100,00%	-
Société des Centre Toulousains	499 084 903	Paris	FC	75,81%	-	75,81%	-
SAS Holding Gondomar 2	438 567 265	Paris	FC	100,00%	-	100,00%	-
SAS Holding Gondomar 4	438 567 331	Paris	FC	100,00%	-	100,00%	-
SCI Noblespécialiste	389 308 339	Paris	FC	75,81%	-	100,00%	-
SNC La Marquayssonne	379 881 121	Paris	FC	75,81%	-	100,00%	-
SCI Restorens	380 667 790	Paris	FC	75,81%	-	100,00%	-
SNC Sodirev	377 807 367	Paris	FC	75,81%	-	100,00%	-
SCI Besançon Chalezeule	498 801 778	Paris	FC	100,00%	-	100,00%	-
Service Providers - France							
SCS Ségécé	562 100 214	Paris	FC	100,00%	75,00%	100,00%	75,00%
SNC Klégestion	398 058 149	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Ségécé Loisirs et Transactions	421 220 252	Paris	FC	100,00%	75,00%	100,00%	100,00%
SAS Klépierre Conseil	398 967 000	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Galae	433 909 165	Paris	FC	100,00%	87,25%	100,00%	100,00%
Gie Klépierre Services	435 194 725	Paris	FC	100,00%	87,75%	100,00%	100,00%
Shopping malls - International							
SA Coimbra	Belgium	Brussels	FC	100,00%	100,00%	100,00%	100,00%
SA Cinémas de l'Esplanade	Belgium	Brussels	FC	100,00%	100,00%	100,00%	100,00%
SA Foncière de Louvain La Neuve	Belgium	Brussels	FC	100,00%	100,00%	100,00%	100,00%
SA Place de l'accueil	Belgium	Brussels	FC	100,00%	100,00%	100,00%	100,00%
SA Klecar Foncier Iberica	Spain	Madrid Alcobendas	FC	83,00%	83,00%	100,00%	100,00%
SA Klecar Foncier Espana	Spain	Madrid Alcobendas	FC	83,00%	83,00%	100,00%	100,00%

COMPANIES			Methods December 2007 (1)	% of interest		% of holding	
	SIREN n°	*Head office*		December 2007	December 2006	December 2007	December 2006
SA Klépierre Vinaza	Spain	Madrid Alcobendas	FC	100,00%	100,00%	100,00%	100,00%
SA Klépierre Vallecas	Spain	Madrid Alcobendas	FC	100,00%	100,00%	100,00%	100,00%
SA Klépierre Nea Efkarpia	Greece	Athens	FC	83,00%	83,00%	100,00%	100,00%
SA Klépierre Foncier Makedonia	Greece	Athens	FC	83,01%	83,01%	100,00%	100,00%
SA Klépierre Athinon A.E.	Greece	Athens	FC	83,00%	83,00%	100,00%	100,00%
SA Klépierre Peribola Patras	Greece	Athens	FC	83,00%	83,00%	100,00%	100,00%
Klépierre Larissa	Greece	Athens	FC	100,00%	-	100,00%	-
Sarl Szeged plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Szolnok plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Zalaegerszeg plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Nyiregyhaza Plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
SA Duna Plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl CSPL 2002 (Cespel)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl GYR 2002 (Gyor)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Debrecen 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Uj Alba 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Miskolc 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Kanizsa 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl KPSVR 2002 (Kaposvar)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Duna Plaza Offices	Hungary	Budapest	FC	100,00%	-	100,00%	-
Klépierre Corvin	Hungary	Budapest	FC	100,00%	-	100,00%	-
Corvin Retail	Hungary	Budapest	FC	100,00%	-	100,00%	-
Srl Immobiliare Magnolia	Italy	Milan	FC	85,00%	85,00%	85,00%	85,00%
Spa ICD	Italy	Milan	FC	85,00%	85,00%	85,00%	85,00%
Spa IGC	Italy	Milan	PC	50,00%	50,00%	50,00%	50,00%
Srl Novate	Italy	Milan	FC	85,00%	85,00%	85,00%	85,00%
Spa Klecar Italia	Italy	Milan	FC	83,00%	83,00%	100,00%	100,00%
Spa Klefin Italia	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Collegno	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Serravalle	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Assago	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Klépierre	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Cavallino	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Solbiate	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Sarl Klépierre Météores	Luxemburg	Luxemburg	FC	100,00%	-	100,00%	-
SA Klépierre Luxembourg	Luxemburg	Luxemburg	FC	100,00%	-	100,00%	-
Besloten vennootschap Capucine BV	Netherlands	Amsterdam	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Sadyba	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Krakow	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Poznan	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Ruda Slaska Plaza spzoo	Poland	Ruda Slaska-Wirek	FC	100,00%	100,00%	100,00%	100,00%
Sadyba Center SA	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Krakow spzoo	Poland	Cracovia	FC	100,00%	100,00%	100,00%	100,00%
Poznan SA	Poland	Cracovia	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Poland	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Rybnick Plaza Sp.z.o.o.	Poland	Warsaw	FC	100,00%	-	100,00%	-
Sosnowiec Plaza Sp.z.o.o	Poland	Warsaw	FC	100,00%	-	100,00%	-
Klépierre Rybnik	Poland	Warsaw	FC	100,00%	-	100,00%	-
Klépierre Sosnowiec	Poland	Warsaw	FC	100,00%	-	100,00%	-
Movement Poland Sp.z.o.o	Poland	Warsaw	FC	100,00%	-	100,00%	-
Klépierre Lublin	Poland	Warsaw	FC	100,00%	-	100,00%	-
Klépierre Galeria Poznan Sp.z.o.o	Poland	Cracovia	FC	100,00%	-	100,00%	-
Klépierre Galeria Krakow Sp.z.o.o	Poland	Cracovia	FC	100,00%	-	100,00%	-
Klépierre Warsaw Sp.z.o.o	Poland	Warsaw	FC	100,00%	-	100,00%	-
SA Finascente	Portugal	Carnaxide	FC	100,00%	50,00%	100,00%	50,00%
SA Klélou-Immobiliare	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Klépierre Portugal SGPS SA	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Galeria Parque Nascente	Portugal	Lisboa	FC	100,00%	50,00%	100,00%	50,00%
SA Gondobrico	Portugal	Lisboa	FC	100,00%	50,00%	100,00%	50,00%
SA Klenor Imobiliaria	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Klétel Imobiliaria	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
Kleminho	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Delcis Cr	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Cz	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Bestes	Czech Republic	Prague	FC	99,00%	99,00%	99,00%	99,00%
Entertaimnent Plaza	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Novo	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Akciova Spolocnost ARCOL	Slovakia	Bratislava	FC	100,00%	100,00%	100,00%	100,00%

COMPANIES			Methods December 2007 (1)	% of interest		% of holding	
	SIREN n°	*Head office*		December 2007	December 2006	December 2007	December 2006
Service providers - International							
Ségécé Espana	Spain	Madrid Alcobendas	FC	100,00%	75,00%	100,00%	100,00%
SA Devimo Consult	Belgium	Brussels	EM	35,00%	26,25%	35,00%	35,00%
Srl Effe Kappa	Italy	Milan	PC	50,00%	50,00%	50,00%	50,00%
Ségécé Italia	Italy	Milan	FC	100,00%	75,00%	100,00%	100,00%
Ségécé Ceska République	Czech Republic	Prague	FC	100,00%	75,00%	100,00%	100,00%
SA Ségécé Portugal	Portugal	Carnaxide	FC	100,00%	75,00%	100,00%	100,00%
Ségécé Magyarorszag	Hungary	Budapest	FC	100,00%	75,00%	100,00%	100,00%
Ségécé Hellas	Greece	Athens	FC	100,00%	75,01%	100,00%	100,00%
Ségécé Polska	Poland	Warsaw	FC	100,00%	75,50%	100,00%	100,00%
Ségécé Slovensko	Slovakia	Bratislava	FC	100,00%	75,00%	100,00%	100,00%
Deconsolidated Companies							
SAS Opale (simplified merger [TUP])	398 968 735	Paris	NC	-	100,00%	-	100,00%
SAS Socoseine	389 287 871	Paris	NC	-	93,75%	-	100,00%
SAS 5 Turin (simplified merger [TUP])	398 969 014	Paris	NC	-	100,00%	-	100,00%
SAS Le Havre Tourneville (simplified merger [TUP])	407 799 493	Paris	NC	-	100,00%	-	100,00%
SAS Le Havre Capelet (simplified merger [TUP])	410 336 564	Paris	NC	-	100,00%	-	100,00%
AMC Prague	Czech Republic	Prague	NC	-	75,00%	-	100,00%
SNC Espace Cordeliers	421 101 882	Paris	NC	-	50,00%	-	50,00%

(1) FC: Full consolidation
PC: Proportionate consolidation
EM: Equity method consolidation
NC: Deconsolidated during the year

Equity interests in subsidiaries

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

- 39 entries resulted from the acquisition of **Progest group** by Kléber La Pérouse.
  - 14 companies were fully consolidated: Progest, SC Boutiques Saint Maximim, SARL Belvédère Invest, SCI Plateau des Haies, SCI Boutiques d'Osny, SARL Forving, SCI Maximeuble, SCI La Rive, SCI Rebecca, SCI Aulnes Developpement, SARL Proreal, SCI Osny Invest, SCI Le Mais, and SCI LC.
  - 11 companies were consolidated on a proportionate basis: SCI Girardin, SCI Saint Maximin Construction, SCI Immobilière de la Pommeraie, SCI Pommeraie Parc, SCI Champs des Haies, SNC Parc de Coquelles, SCI le Grand Pré, SCI des Salines, SCI les Bas Champs, SCI des Dunes, and SCI la Française.
  - 14 companies were consolidated under the equity method: SCI La Rocade, SCI l'Empéri, SCI Haies Haute Pommeraie, SCI Halles Plérin, SCI Plateau de Plérin, SCI La Rocade Ouest, SCI du Plateau, SA Rézé Sud, SCI Sandri-Rome, SCI Sogegamar, SCI Achères 2000, SCI Champs de Mais, SCI La Roche Invest and SARL Bois des fenêtres.

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

- Nine Polish companies were fully consolidated.
  - **Rybnik Plaza sp Z.o.o** and **Sosnowiec Plaza Plaza sp Z.o.o** were acquired in 2007. As part of the reorganization of Polish structures, they transferred their malls to their parent company **Klépierre Rybnik** and **Klépierre Sosnowiec** at the end of 2007, and received equity interest

securities from them in exchange. Rybnik Plaza sp Z.o.o and Sosnowiec Plaza sp Z.o.o are 99% owned by Capucine BV and 1% by LP7.

- **Klepierre Galeria Poznan** and **Klepierre Galeria Krakow** hold the Poznan and Krakow centers received as a contribution from Poznan Plaza and Krakow plaza. They are 99.98% owned by Capucine BV.

- **Klepierre Warsaw** was also created during the reorganization of the Polish structures. It is a holding company that is 99.8% controlled by Capucine BV.

- Klépierre Lublin was fully created by Capucine BV which is the 100% owner. In the second quarter of 2007, **Klépierre Lublin** made an offer to buy 100% of the securities of **Movement Poland**, owner of the Lublin shopping mall.

The Polish acquisitions generated overall goodwill on acquisition of €47.2 million fully assigned to property assets.

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

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

- Acquisition of two companies in the context of the Porto Gondomar transaction.

  - Klépierre's equity interests in the Gondobrico and Galeria Parque Nascente (held by Finascente) malls was increased from 50% to 100%. This transaction entailed the buyout of two companies: **SA Holding Gondomar2** and **SAS Holding Gondomar4** which hold respectively 50% of the securities of Finascente and Gondobrico. It also leads to a change of consolidation method for Finascente, Galeria Parque Nascente and Gondobrico which are now fully consolidated.

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

- Entry of five companies in the context of the Toulouse Mermoz transaction:

  - Created and 75.81% owned by Klépierre SA, **Société des Centers Toulousains** bought **SCI Noblespécialiste** in Blagnac, **SNC Sodirev**, **SNC La Marquayssonne**, and **SCI Restorens** in Saint Orens de Gameville.

Goodwill on acquisition, €118.2 million, was assigned to property assets.

- The acquisition of 14 commercial assets from the group Mitiska NV on March 29 2007 resulted in the consolidation of two French companies.

  - Cap Nord, owner of the assets and its parent, **Klécapnor,** holding company created and 100% owned by Klémurs.

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

- Klé Projet 1 is fully consolidated for the first time.

  - A 100% French subsidiary of Klépierre, **Klé Projet 1** was created for the purpose of carrying different development projects. In June 2007, it acquired the Castorama store in Vannes.

- Klé Projet 2 was fully consolidated in the context of an extension of the Givors mall.

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

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

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

- Three entries into the basis according to the full consolidation method in Hungary.

  - Created at the beginning of the year, Duna Plaza Offices, a Hungarian company 100% owned by Klépierre Participations et Financements, acquired the offices located in the Duna Plaza shopping center which has been owned by the group since 2004.

  - Klépierre Participation Financements owns 100% of **Klépierre Corvin**, an entity created in January 2007 with a view to buying 100% of the securities of the Hungarian company **Corvin Retail** owner of the land on which the Corvin mall will be built.
    Goodwill on acquisition, €104.6 million, was fully assigned to property assets.

- Seven companies were removed from the scope of consolidation following mergers, total transfer of assets and liabilities, disposals or deconsolidations.

  - Four companies merged with and into Klépierre, they include: **SAS Opale**, **SAS 5 Turin**, **SAS Le Havre Capelet** and **SAS Le Havre Tourneville**.

  - **AMC Prague** was taken over by Segece Ceska Republica, with retroactive effect to January 1, 2007.

  - **Socoseine** was deconsolidated as it has neither assets nor activity.

  - Poitiers Aliénor sold its entire share (50%) in **Espace Cordeliers** outside the group.

- Klépierre's interest percentage in Ségécé rose from 75% to 100% leading to the recognition of goodwill of €43.7 million.

  - In September 2007, Klépierre bought 10% of Ségécé securities from Axa for €20 million;
  - In October 2007, Ségécé reduced its capital by €240,000 by cancelling the 15,000 equity shares held by BNP Paribas and giving it the sum of €30 million in return for the cancellation of its equity shares (15%).

- Lastly, the company Hypernoble, acquired in the third quarter of 2007 by Holding Gondomar 1 was taken over by Holding Gondomar1. The goodwill determined prior to the merger, €112.5 million, was fully assigned to property assets.

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

in thousands of €

Entity	*Country*	*acquisition date*	lease income	operating income/loss	net earnings	intangible fixed assets	tangible fixed assets	investment property and fixed assets in progress	net fixed assets	net indebtedness including bank overdrafts
Progest Group	France	09-jan-07	7 187	4 256	4 538	-	-	167 423	167 423	8 194
SNC CAP NORD	France	29-mar-07	1 786	1 152	-331	-	-	39 277	39 277	2 482
Klepierre Larissa	Greece	11-june-07	851	-45	886	-	-	23 676	23 676	-324
Klépierre Météores	Luxemburg	11-june-07	-	-12	-262	-	-	-	-	-4
Rybnick Plaza Sp.z.o.o.	Poland	07-may-07	2 177	-1 043	271	-	-	-	-	-247
Sosnowiec Plaza Sp.z.o.o	Poland	07-may-07	1 826	-343	685	-	-	-	-	-182
SA Holding Gondomar2	France	28-sept-07		-26	-175	-		-		-51
SAS Holding Gondomar4	France	28-sept-07		-10	-17	-		-		-163
SCI Noblespécialiste	France	19-july-07	58	56	5	-		47 024		-103
SNC Sodirev	France	19-july-07	1 476	431	226	-		37 955		4 646
SNC La Marquayssonne	France	19-july-07	-	17	20			-		-255
SCI Restorens	France	19-july-07	43	32	-13			52 504		488
Corvin Retail	Hungary	30-july-07	-	-	-			141 508		-404
Movement Poland Sp.Z.O.O	Poland	27-july-07	2 494	-1 419	-225			-		-1 291
TOTAL			**17 898**	**3 046**	**5 608**	**-**	**-**	**509 367**	**230 376**	**12 786**

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

in thousands of €	Purchase price of securities	Amount paid in 2007 for acquisition of securities	Amount paid in 2007 for buyback of current accounts	Cash position on the acquisition date
Progest	**125 160**	**125 160**	**1 295**	**4 072**
Corvin Retail	**109 460**	**109 460**	**-**	**-**
HyperNoble (Gondomar 1)*	**43 304**	**43 304**	**170**	**44**
SNC La Marquayssonne	**39 150**	**39 150**	**117**	**305**
SNC Sodirev	**33 724**	**33 724**	**3 468**	**463**
SCI Restorens	**26 433**	**26 433**	**1 154**	**28**
SA Holding Gondomar2	**25 696**	**25 696**	**40 989**	**10 338**
Cap Nord	**24 160**	**24 160**	**5 208**	**591**
SCI Noblespécialiste	**23 595**	**23 595**	**1 989**	**153**
Movement Poland Sp.Z.O.O	**21 859**	**21 859**	**14 794**	**2 156**
Klépierre Larissa	**13 752**	**13 752**	**-**	**962**
Rybnick Plaza Sp.z.o.o.	**13 248**	**13 248**	**8 851**	**1 743**
Sosnowiec Plaza Sp.z.o.o	**11 271**	**11 271**	**15 532**	**1 699**
SCI des Roseaux, GSE GIER Services Entreprises (Kle Project 2)*	**9 415**	**9 415**	**132**	**539**
Klépierre Météores	**5 597**	**5 597**	**-**	**20**
SAS Holding Gondomar4	**608**	**608**	**5 644**	**1 175**

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

4. Notes to the financial statements: Balance sheet

4.1. Non-allocated goodwill

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

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

4.2. Intangible assets

Intangible assets mainly comprise software amortized over a straight line periods of one to four years.

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

4.3. Tangible assets

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

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

4.4. Investment property and fixed assets in progress

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

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

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

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

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

Outside France, the most significant investments included: in Italy with the restructuring of the Varese center (€13.9 million) and in Hungary with the acquisition of land for the construction of a Corvin shopping center right in the heart of Budapest (€10 million).

The other investments concerned in Belgium, the development of the FNAC store in the Louvrain La Neuve mall (€4.6 million), in southern Italy, the restructuring of the Bari center (€3 million) and in Portugal, the acquisition of a Toy's R'us store in Braga (€2.6 million).

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

- Progest and its subsidiaries, for which the assets distributed over 13 French sites represent total investment of €159.7 million including the goodwill on acquisition assigned to investment property;

- The Rybnik, Sosnowiec and Lublin malls for €164 million;

- The Restorens, Noblespécialiste and Sodirev malls for €55.6 million;

- Hypernoble for €56 million, Cap Nord for €38.4 million, Larissa Thessalia for €24 million, Duna Plaza Office for €13.3 million, Givors (Klé Projet 2) for €15.3 million.

❑ ***Other movements and reclassification for €229.1 million, including:***

- The impact of the consolidation method change for Galeria Parque Nascente and Gondobrico as well as the free revaluation of their assets and the assignment of goodwill which leads to an overall increase in investment property of €110.7 million;

- Commissionings for the year, from “fixed assets in progress” €190 million;

- A reduction of -€33.2 million after the reclassification of property held for sale under the item "buildings held for sale”;

- Various other movements for -€38 million: disposal of the Cordeliers mall in Poitiers, reclassification towards other balance sheet items especially inventories.

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

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

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

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

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

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

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

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

4.5. Properties held for sale

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

The “other movements” line item includes reclassifications of the Hungarian malls Zalaegerszed and Csepel, and part of the Annecy mall (41.72%).

The “decreases” reflect the divestments of two office buildings, 5 Turin and Front de Paris, and of the Rheinfeld warehouse in Strasbourg.

4.6. Equity method securities

Investments in companies accounted for by the equity method December 31, 2005	**2 877**
Investments in companies accounted for by the equity method December 31, 2006	**3 023**
% of earnings from companies accounted for by the equity method for 2007	2 634
Dividends received from companies accounted for by the equity method	- 630
Other movements	41 573
Investments in companies accounted for by the equity method December 31, 2006	**46 600**

The Group consolidated 15 companies under the equity method at December 31, 2007 against 1 at December 31, 2006.

The “Other movements” line item includes, for €41.8 M, the goodwill on acquisition of the 12 Progest subsidiaries consolidated under the equity method.

4.7. Non-consolidates securities

Joint companies are consolidated on a proportionate basis.

in thousands of €	2007 December	2006 December	2005 December
Share in the balance sheet of associate companies			
Current assets	7 554	15 531	24 393
Non current assets	193 189	183 707	180 677
Total assets	**200 743**	**199 238**	**205 070**
Current liabilities	112 186	122 182	117 281
Non current liabilities	88 557	77 056	87 789
Total liabilities	**200 743**	**199 238**	**205 070**
Share in the earnings of associate companies			
Income from regular business	23 840	26 265	25 267
Operating expenses	- 10 602	- 11 106	- 9 178
Financial result	- 5 012	- 5 355	- 5 237
Pre tax earning	8 228	9 803	10 852
Corporate Income tax	3 275	- 2 603	- 4 632
Net income	**11 503**	**7 200**	**6 220**

4.8. Non-consolidated securities

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

	December 31, 2007					December 31, 2006					December 31, 2005
in thousands of €	Equity	Earning for the period	% of holding	Gross value of securities	Net value of securities	Equity	Earning for the period	% of holding	Gross value of securities	Net value of securities	Net value of securities
Principal securities				*1 650*	*475*				*1 442*	*404*	*493*
SAS Sovaly	268	- 48	100%	572	220	308	- 41	100%	572	309	308
SARL Klépierre Trading	179	- 19	100%	199	160						
SAS Socoseine	80	- 6	100%	99	19						
SAS Nancy Bonsecours	76	- 18	100%	535	76	77	- 19	100%	535	95	75
SKF Spa	3	- 2	50%	245	-	nc	nc	50%	245	-	-
SAS Opave			100%			34	- 8	100%	90	-	24
SNC Pasteur											86
Other investment securities				*58*	*37*				*228*	*181*	*116*
Total				**1 708**	**512**				**1 670**	**585**	**609**

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

4.9. Other non current assets

The other non-current assets mainly include advances and loans granted to unconsolidated companies, and under equity-method or on a proportionate basis consolidated companies.

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

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

(A) Itemized statement of advance payments:

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

4.10. Inventories

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

in thousands of €	2007 December	2006 December	2005 December
Group share	11 684	2 463	6 704
Share of external associates	-	-	1 191
Total	**11 684**	**2 463**	**7 895**

4.11. Trade accounts and notes receivables

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

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

4.12. Other receivables

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

December 2007 by due date

in thousands of €	2007 December	Less than one year	More than one year
Tax receivables	***49 645***	***49 645***	***0***
- Corporation tax	*8 622*	*8 622*	
- V.A.T.	*41 023*	*41 023*	
Other debtors	***166 043***	***139 129***	***26 914***
- Calls for funds	*78 828*	78 828	-
- Down payments to suppliers	*4 234*	4 234	-
- Other deferred charges	-	-	-
- Prepaid expenses	*66 067*	39 153	26 914
- Other	*16 914*	16 914	-
Total	**215 688**	**188 774**	**26 914**

The VAT item includes amounts pending refund from the local tax administration for recent acquisitions (or constructions in progress): Milan Assago (€7.8 million), Tor Vergata (€8 million).

Note that the main VAT receivables outstanding as of December 31, 2007 were refunded over fiscal year 2007: Buffalo grill - Klémurs (€35.6 million), Toulouse Purpan and Rambouillet (€9 million), Vinaza (€4.6 million), and Braga (€6.2 million).

The main pre-lease payments under construction leases or long-term lease rights recognized as prepaid expense and amortized over the term of the lease agreement in accordance with benefits procured include: Oviedo for €10.2 million, Val d'Europe for €16.2 million and six malls with Klécar France for €19million.

4.13. Cash and near cash

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

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

The Group reported net cash of:

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

4.14. Equity

- ***Share capital:***

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

Number of shares	2007 December	2006 December	2005 December
Authorized			
*ordinary shares worth €1.4 each**	*138 492 687*	*46 164 229*	*46 164 229*
refundable convertible preferential shares	*NA*	*NA*	*NA*
Total	***138 492 687***	***46 164 229***	***46 164 229***

* *Nominal value of €1.4 as of December 31, 2007, versus nominal value of €4.2 as of December 31, 2006*

- ***Treasury shares:***

The Group used the authorizations granted by the ordinary general meetings to acquire shares of Klépierre S.A.

There was a total of 2,990,463 treasury shares as of December 31, 2007 (against 395,821 as of December 31, 2006) for an acquisition value of €96.2 million.

Capital gains on disposals of treasury shares were booked in equity for an amount of -€0.3 million as of December 31, 2007,+ €1.9 million at December 31, 2006 and +€2.1 million at December 31, 2005.

The acquisition cost of purchased securities as well as gains on the sale of securities were respectively debited from and credited to equity.

4.15. Current and non-current financial liabilities

- ***Change in indebtedness***

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

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

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

in thousands of €	2007 December	2006 December	2005 December
NON CURRENT			
Bond issues net costs/premiums	**1 880 378**	**1 885 596**	**1 220 845**
Bond issues - Reclassification of share premiums and loan issue costs			**- 8 224**
* Of which reevaluation linked to Fair Value Hedges	- 7 701	228	28 189
Borrowings and debts from credit institutions over 1 year	**2 362 682**	**1 668 921**	**1 294 394**
Italy loan reclassification			
Sundry loans and financial debts	**157 760**	**125 737**	**118 667**
* Other loans		232	
* Advance payments to the group and associates	157 760	125 505	118 667
Total of non current financial liabilities	**4 400 820**	**3 680 254**	**2 633 906**
CURRENT			
Borrowings and debts from credit institutions under 1 year	**44 632**	**34 217**	**514 248**
Accrued interests	**66 943**	**61 743**	**38 460**
* on bond issues	54 263	54 263	30 545
* on loans from credit institutions	4 445	3 104	2 565
* on advance payments to groups and associates	8 235	4 376	5 350
Bank overdrafts	**101 909**	**94 999**	**111 646**
Commercial paper	**220 000**	**90 000**	**125 000**
Sundry loans and financial debts	**5 711**	**482**	**587**
* Other loans	-	154	277
* Advance payments to the group and associates	5 711	328	310
Total of current financial liabilities	**439 195**	**281 441**	**789 941**

❑ *Main financing*

The Group's main financing lines are as follows:

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

Financing (in millions of €)	Borrower	% holding/ Klépierre	Reference rate	Maturity date	Maximum amount	Repayment profile	Amount used
Bond issues							
	Klépierre	100%	6,125%	10/07/2008	600	in fine	600
	Klépierre	100%	4,625%	15/07/2011	600	in fine	600
	Klépierre	100%	4,250%	16/03/2016	700	in fine	700
Borrowings from credit institutions							
Syndicated loans	Klépierre (Tranche A: back-up line)	100%	Euribor	31/01/2013	300	in fine	-
	Klépierre (Tranche B)	100%	Euribor	31/01/2013	1200	in fine	1 200
	Klépierre	100%	Euribor	21/09/2014	1000	in fine	450
	Klémurs	84,11%	Euribor	12/12/2011	150	in fine	150
Bilateral loans	Klépierre	100%	Fixed rate	22/03/2010	135	in fine	135
	Klépierre Part. & Fints	100%	Fixed rate	22/03/2010	165	in fine	165
	Novate	85%	E3m	15/12/2008	4	amortisable	4
	Novate	85%	E3m	31/01/2008	2	amortisable	2
	Magnolia	85%	E3m	15/12/2008	1	amortisable	1
	Magnolia	85%	E3m	31/01/2008	0	amortisable	0
	ICD	85%	E6m	01/02/2008	7	in fine	7
	Restorens	100%	E3m	21/10/2011	1	in fine	1
Mortgage loans	Klécar Italia	83%	E3m	30/06/2015	114	amortisable	114
	Novate	85%	E6m	15/10/2016	15	amortisable	15
	Novate	85%	E6m	15/12/2013	12	amortisable	12
	ICD	85%	E3m	10/05/2011	9	amortisable	9
	Magnolia	85%	E3m	15/07/2011	3	amortisable	3
	Magnolia	85%	E3m	15/01/2018	1	amortisable	1
	Hypernoble	100%	E3m	14/12/2011	1	amortisable	1
	Hypernoble	100%	E3m	02/01/2012	1	amortisable	1
	Sodirev	100%	E3m	05/02/2012	4	amortisable	4
	Sodirev	100%	E3m	05/04/2010	1	amortisable	1
	LC	33%	E3m	02/01/2012	0	amortisable	0
	Rebecca	70%	E3m	30/07/2014	3	amortisable	3
	Rebecca	70%	E3m	31/07/2015	1	amortisable	1
Finance lease agreements	IGC	50%	E3m	01/08/2011	4	amortisable	4
	IGC	50%	E3m	31/07/2011	6	amortisable	6
	IGC	50%	E3m	24/07/2011	6	amortisable	6
	IGC	50%	E3m	12/03/2022	17	amortisable	17
	Cecoville	100%	E3m	27/12/2019	48	amortisable	48
	Hypernoble	100%	E3m	01/07/2008	1	amortisable	1
	Klémurs / Cap Nord	84,11%	63% E3m 37% fixed rate	(1)	47	amortisable	47
Short-term line	IGC	50%	E3m	13/12/2007	4	in fine	4
Overdrafts	Klépierre Finance	100%	Eonia	-	50		11
	Klépierre	100%	Eonia	-	23		23
Commercial paper	Klépierre	100%	-	-	300	in fine	220
TOTAL (2)					**5 237**		**4 568**

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

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

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

❑ *Financial covenants linked to financing and rating*

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

- EBITDA / Net financial costs included ≥ 2.5 ;
- Net debt/Revalued net assets (loan to value) ≤ 50% ;
- Gross cash flow/Net debt ≥ 7%.

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

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

❑ *Breakdown of financial debts by maturity date*

– Breakdown of current and non-current financial liabilities:

in thousands of €	Total	Less than one year	From one to five years	More than five years
NON CURRENT				
Bonds issues net costs/premiums	**1 880 378**	**591 901**	**596 543**	**691 934**
* Of which reevaluation linked to Fair Value Hedges	- 7 701	- 7 701	-	-
Borrowings and debts from credit institutions over 1 year	**2 362 682**	**-**	**418 982**	**1 943 700**
Borrowings			**419 865**	**1 947 796**
* *NC +C issue costs*	*- 4 979*		*- 883*	*- 4 096*
Sundry loans and financial debts	**157 760**	**-**	**-**	**157 760**
* Other loans	-	-	-	-
* Advance payments to the group and associates	157 760	-		157 760
Total of non current financial liabilities	**4 400 820**	**591 901**	**1 015 525**	**2 793 394**
CURRENT				
Borrowings and debts from credit institutions under 1 year	**44 632**	**44 632**	**-**	**-**
Accrued interest	**66 943**	**66 943**	**-**	**-**
* on bond issues	54 263	54 263	-	-
* on loans from credit institutions	4 445	4 445	-	-
* on advance payments to groups and associates	8 235	8 235	-	-
Bank overdrafts	**101 909**	**101 909**	**-**	**-**
Commercial paper	**220 000**	**220 000**	**-**	**-**
Other			**-**	**-**
Sundry loans and financial debts	**5 711**	**5 711**	**-**	**-**
* Other loans	-	-	-	-
* Advance payments to the group and associates	5 711	5 711	-	-
Total of current financial liabilities	**439 195**	**439 195**	**-**	**-**

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

Repayment year	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTAL
2008 bond issues	600	-	-	-	-	-	-	-	-	-	**600**
2011bond issues	-	-	-	600	-	-	-	-	-	-	**600**
2016 bond issues	-	-	-	-	-	-	-	-	700	-	**700**
2006 syndicated loan	-	-	-	-	-	1200	-	-	-	-	**1200**
2007 syndicated loan	-	-	-	-	-	-	450	-	-	-	**450**
Klémurs bank loan	-	-	-	150	-	-	-	-	-	-	**150**
Klépierre bilateral	-	-	135	-	-	-	-	-	-	-	**135**
Klépierre Part. & Fints Bilateral	-	-	165	-	-	-	-	-	-	-	**165**
Klémurs & Cap Nord finance lease	8	19	4	4	3	2	2	2	2	2	**47**
Subsidiary loans	38	20	20	22	12	12	10	98	9	24	**266**
Commercial paper	220	-	-	-	-	-	-	-	-	-	**220**
Overdrafts	34	-	-	-	-	-	-	-	-	-	**34**
TOTAL	**900**	**39**	**324**	**776**	**15**	**1 214**	**463**	**100**	**710**	**26**	**4 567**

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

Repayment year	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTAL
2008 bond issues	619	-	-	-	-	-	-	-	-	-	**619**
2011bond issues	28	27	28	615	-	-	-	-	-	-	**698**
2016 bond issues	30	30	30	30	30	30	30	30	706	-	**944**
2006 syndicated loan	56	56	56	56	56	1 206	-	-	-	-	**1 486**
2007 syndicated loan	23	23	23	23	23	23	467	-	-	-	**605**
Klémurs bank loan	8	8	8	157	-	-	-	-	-	-	**181**
Klépierre bilateral	5	5	136	-	-	-	-	-	-	-	**146**
Klépierre Part. & Fints Bilateral	6	6	166	-	-	-	-	-	-	-	**178**
Klémurs & Cap Nord finance lease	11	21	5	5	4	4	2	2	1	1	**56**
Subsidiary loans	50	32	31	32	21	20	18	102	11	26	**343**
Commercial paper	220	-	-	-	-	-	-	-	-	-	**220**
Overdrafts	34	-	-	-	-	-	-	-	-	-	**34**
TOTAL	**1 090**	**208**	**483**	**918**	**134**	**1 283**	**517**	**134**	**718**	**27**	**5 510**

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

As of December 31, 2006, the amortization table of these contractual flows was as follows (in millions of euros):

Repayment year	2 007	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTAL
2008 bond issues	37	619	-	-	-	-	-	-	-	-	-	**656**
2011bond issues	28	28	28	28	615	-	-	-	-	-	-	**727**
2016 bond issues	30	30	30	30	30	30	30	30	30	706	-	**974**
2006 syndicated loan	35	35	35	35	35	35	954	-	-	-	-	**1164**
2007 syndicated loan	-	-	-	-	-	-	-	-	-	-	-	**0**
Klémurs bank loan	6	6	6	6	149	-	-	-	-	-	-	**173**
Klépierre bilateral	5	5	5	135	-	-	-	-	-	-	-	**150**
Klépierre Part. & Fints Bilateral	6	6	6	166	-	-	-	-	-	-	-	**184**
Klémurs finance leases	9	12	20	5	4	3	2	2	1	1	-	**59**
Subsidiary loans	47	27	44	54	21	12	11	9	94	3	1	**323**
Commercial paper	90	-	-	-	-	-	-	-	-	-	-	**90**
Overdrafts	32	-	-	-	-	-	-	-	-	-	-	**32**
TOTAL	**325**	**768**	**174**	**459**	**854**	**80**	**997**	**41**	**125**	**710**	**1**	**4 532**

Calculation on the basis of the interest rates as of 31.12.06

4.16. Interest rate hedging instruments

- ***Rate hedging portfolio***

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

As of December 31, 2007, the Group's swap contracts included:

CASHFLOW HEDGING RELATIONSHIPS			
Fixed rate paying agent	Amount (€ M)	Maturity date	Forward start date
Klépierre	100	22/12/2008	no
Klépierre	300	22/12/2009	no
Klépierre	200	22/12/2010	no
Klépierre	500	22/12/2011	no
Klépierre	100	15/04/2012	no
Klépierre	100	11/07/2012	no
Klépierre	100	02/09/2012	no
Klépierre	100	02/01/2011	02/01/2008
Klépierre	100	02/01/2013	02/01/2008
Klépierre	150	02/01/2015	02/01/2008
Klépierre	600	10/07/2015	10/07/2008
Klécar Italia	90	31/12/2010	no
Klémurs	50	01/01/2014	no
Klémurs	50	31/12/2014	31/12/2007
Klémurs	150	02/01/2015	02/01/2008
FAIR VALUE HEDGE RELATIONSHIPS			
Variable rate paying agent	Amount (€ M)	Maturity date	Forward start date
Klépierre	600	15/07/2011	no

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

❑ *Breakdown by maturity date*

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

in millions of euros	Hedging relationship	2008	2009	2010	2011	2012	2013	2014	2015	Total
Klépierre fixed rate paying agent	Cashflow hedge	100	300	200	800	300	*200*	-	450	2350
	.Of which spot start swaps	*100*	*300*	*200*	*500*	*300*	*-*	*-*	*-*	*1400*
	.Of which forward start swaps	*-*	*-*	*-*	*300*	*-*	*200*	*-*	*450*	*950*
Klépierre floating rate paying agent	Fair value hedge	-	-	-	600	-	-	-	-	600
Klécar Italia fixed rate paying agent	Cashflow hedge	-	-	90	-	-	-	-	-	90
Klépierre fixed rate paying agent	Cashflow hedge	-	-	-	-	-	-	100	150	250
	.Of which spot start swaps	-	-	-	-	-	-	100	-	100
	.Of which forward start swaps	-	-	-	-	-	-	-	150	150
IGC (collar)	Trading	-	4	-	-	-	-	-	-	4
Total		**100**	**304**	**290**	**1400**	**300**	**200**	**100**	**600**	**3294**

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

in millions of euros	Hedging relationship	2008	2009	2010	2011	2012	2013	2014	2015	Total
Spot start swaps	Cashflow hedge	-24	-22	-17	-14	-4	-1	-	-	*-82*
Forward start swaps	Cashflow hedge	-4	-6	-6	-5	-5	-5	-5	-2	*-38*
Spot start swaps	Fair value hedge	4	4	4	3	-	-	-	-	*15*
Collar	Trading	-	-	-	-	-	-	-	-	-
Total		**-24**	**-24**	**-19**	**-16**	**-9**	**-6**	**-5**	**-2**	**-105**

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

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

in millions of euros	Hedging relationship	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Klépierre fixed rate paying agent	Cashflow hedge		100	300	200	500	300	-	-	300	1700
	.Of which spot start swaps		*100*	*300*	*200*	*500*	*300*	-	-	-	*1400*
	.Of which forward start swaps	-	-	-	-	-		-	-	*300*	*300*
Klépierre floating rate paying agent	Fair value hedge	-	-	-	-	600	-	-	-	-	600
Klécar Italia fixed rate paying agent	Cashflow hedge	-	-	-	90	-	-	-	-	-	90
Klépierre fixed rate paying agent	Cashflow hedge	-	-	-	-	-	-	-	100	-	100
	.Of which forward start swaps	-	-	-	-	-	-	-	100	-	100
IGC (collar)	Trading	-	-	5	-	-	-	-	-	-	5
Total		**-**	**100**	**305**	**290**	**1100**	**300**	**-**	**100**	**300**	**2495**

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

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

❑ *Fair Value*

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

Derivatives	Fair value net of accrued interest as of December 31, 2007 (€M)	Fair value change in 2007 (€M)	Counterparty
Cashflow hedge	79,8	18,7	Stockholders' equity
Fair value hedge	-11,0	-7,0	Financial liabilities
Trading	0,0	0,0	Income statement
Total	**68,8**	**11,7**	

4.17. Long-term and short-term allowances

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

4.18. Deferred taxes

in thousands of €	2005 December	2006 December	Change in Earnings	Other changes	2007 December
Buildings	- 154 269	- 123 484	25 925	- 105 163	- 202 722
Other items	- 3 855	- 4 502	- 5 273	- 6 572	- 16 347
Total deferred tax liabilities	*-158 124*	*-127 986*	*20 652*	*-111 735*	*-219 069*

in thousands of €	2005 December	2006 December	Change in Earnings	Other changes	2007 December
Buildings					-
Other items	33 417	26 275	3 839	3 561	33 675
Total deferred tax assets	*33 417*	*26 275*	*3 839*	*3 561*	*33 675*
NET POSITIONS	**-124 707**	**-101 711**	**24 491**	**-108 174**	**-185 394**

"Other changes" record the impact of:

- entries and changes to the scope of consolidation: Progest (- €40.8 million), Corvin Retail (- € 25.4 million), Gondomar (- €16.6 million), Hypernoble (- €8.7million), Cap Nord (- €4.9 million), Givors (- €4.2 million), Rybnik, Sosnowiec and Lublin (- €3.4 million) and Larissa (- €2.7 million).

- restatements on hedging instruments for -€2.4 million.

4.19. Tax liabilities, staff benefits and other payables

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

Since 2006 and 2007, Klépierre SA has been subject to tax assessment by the tax authorities for financial years 2003 and 2004. The Group has funded under the item "Corporate income tax" a liability of €11.5 million corresponding to the notice received in December 2006 for financial year 2003 increased by the interests normally due on late payments. This notice, linked to the adoption of the SIIC status, is currently being contested by Klépierre. The notice received in May 2007 for financial year 2004 was accepted by Klépierre; this notice amounted to €33,000.

Advance payments received from tenants as advance payments for expenses are recorded in "Creditor customers" for €69.6 million.

The other liabilities are primarily comprised of funds corresponding to the management accounts of principals of Ségécé group with in return an amount equal to the cash on the asset side of the balance sheet. These funds amounted to €54.4 million on December 31, 2007.

5. Notes to the financial statements: Income Statement

5.1. Segment Income Statement as of December 31, 2007

❑ Shopping centers

In million of euros	December 31, 2007	December 31, 2006	December 31, 2005
Lease income	517,9	455,2	390,6
Other rental income	6,9	8,6	5,6
Lease income	524,8	463,8	396,1
Land expenses (real estate)	- 2,3	- 2,3	- 2,0
Non-recovered rental expenses	- 16,1	- 5,9	- 4,0
Building expenses (owner)	- 27,1	- 28,6	- 30,1
Net lease income	*479,3*	*427,1*	*360,0*
Management, administrative and related income	63,3	56,2	45,9
Other operating income	14,2	6,7	5,5
Survey and research costs	- 1,1	- 1,1	- 0,8
Payroll expense	- 56,6	- 54,3	- 46,9
Other general expenses	- 20,1	- 17,7	- 15,0
Depreciation and amortization allowance on investment property	- 150,2	- 126,8	- 106,8
Depreciation and amortization allowance on PPE	- 3,3	- 2,2	- 3,5
Provisions	- 3,3	0,1	- 3,0
Results of operations, shopping center segment	***322,1***	***287,8***	***235,3***
Gains on the sale of investment property and equity interests	21,4	11,0	39,0
Net book value of investment property and equity investment sold	- 1,3	- 7,5	- 36,3
Gains from the sale of investment property and equity investment securities	***20,1***	***3,5***	***2,6***
Gains on the sale of short term assets	1,2	5,2	0,6
Net book value of short term assets sold	- 1,1	- 3,7	- 0,5
Profit on the sale of short term assets	***- 0,0***	***1,5***	***0,1***
Share in earnings of equity-method investees	2,6	0,7	0,6
Segment earnings, shopping center segment	***345,0***	***293,5***	***238,7***

❑ Shops

In million of euros	December 31, 2007	December 31, 2006	December 31, 2005
Lease income	23,5	2,9	
Other rental income			
Lease income	23,5	2,9	-
Land expenses (real estate)			
Non-recovered rental expenses			
Building expenses (owner)	- 0,8	- 0,3	
Net lease income	*22,7*	*2,7*	*-*
Management, administrative and related income	0,6		
Other operating income	0,5		
Survey and research costs	-		
Payroll expense	- 1,0		
Other general expenses	- 0,3		
Depreciation and amortization allowance on investment property	- 7,3	- 0,8	
Depreciation and amortization allowance on PPE	-		
Provisions	-		
Results of operations, retail segment	***15,0***	***1,8***	***-***
Gains on the sale of investment property and equity interests			
Net book value of investment property and equity investment sold			
Gains from the sale of investment property and equity investment securities	***-***	***-***	***-***
Gains on the sale of short term assets			
Net book value of short term assets sold			
Profit on the sale of short term assets	***-***	***-***	
Share in earnings of equity-method investees			
Segment earnings, retail segment	***15,0***	***1,8***	***-***

❑ Office buildings

In million of euros	December 31, 2007	December 31, 2006	December 31, 2005
Lease income	48,8	52,8	52,9
Other rental income	-	-	-
Lease income	48,8	52,8	52,9
Land expenses (real estate)	-0,2	-0,3	-0,3
Non-recovered rental expenses	-1,1	-0,4	-1,2
Building expenses (owner)	-1,4	-2,0	-2,3
Net lease income	*46,1*	*50,0*	*49,1*
Management, administrative and related income	0,3	1,3	0,5
Other operating income	1,1	2,8	1,7
Survey and research costs	-	-	-
Payroll expense	-1,9	-2,2	-2,1
Other general expenses	-0,8	-0,9	-1,2
Depreciation and amortization allowance on investment property	-11,8	-13,4	-18,5
Depreciation and amortization allowance on PPE	-1,0	-0,8	-1,1
Provisions	0,1	-	-0,1
Results of operations, office segment	***32,1***	***36,7***	***28,2***
Gains on the sale of investment property and equity interests			
Net book value of investment property and equity investment sold			
Gains from the sale of investment property and equity investment securities	***20,3***	***27,5***	***17,5***
Gains on the sale of short term assets			
Net book value of short term assets sold			-
Profit on the sale of short term assets	***-***	***-***	***-***
Segment earnings, office segment	***52,4***	***64,2***	***45,8***

❑ Corporate

In million of euros	December 31, 2007	December 31, 2006	December 31, 2005
Corporate and shared expenses	-6,2	-7,0	-6,3
Profit on sale of short-term assets	-	-	-
Net dividends and provisions on non-consolidated securities	0,5	-0,2	-0,2
Net cost of debt	-162,9	-134,8	-112,7
Change in the fair value of financial instruments	-	-	-
Effect of discounting	0,7	-1,2	-1,3
Pre-tax earnings	***244,5***	***216,3***	***163,8***
Corporate income tax	-13,5	-22,0	-17,9
Net income of consolidated entity	***231,0***	***194,4***	***145,9***

5.2. Operating revenue

Lease income comprises all the lease payments from office buildings, shopping centers and stores, together with other income similar to lease income such as parking rentals, termination indemnities and received entry fees .

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

The Group's revenues comprise lease income and management and administration income received by the service provider companies.

The other operating income comprises re-invoicing of works to tenants and sundry income.

As of December 31, 2007, the amount of rental income stood at €590.2 million of which €517.9 million for shopping centers and €23.5 million for shops and €48.8 million for office buildings.

in millions of euros	**Lease income**	**Management income**	**Total**
Shopping centers	***517,9***	***63,3***	***581,2***
France	***266,0***	***46,0***	***312,0***
Italy	***79,2***	***5,8***	***85,0***
Spain	***65,3***	***7,2***	***72,5***
Hungary	***29,8***	***1,2***	***31,1***
Poland	***27,0***	***0,5***	***27,5***
Belgium	***12,4***	***-***	***12,4***
Portugal	***15,7***	***1,8***	***17,4***
Czech Republic	***14,0***	***0,6***	***14,6***
Greece	***6,9***	***0,1***	***7,0***
Other	***1,6***	***0,0***	***1,6***
Shops	***23,5***	***0,6***	***24,1***
Office buildings	***48,8***	***0,3***	***49,1***
Total	**590,2**	**64,2**	**654,4**

Revenues generated from business outside France accounted for 41.1 % of the Group's business, compared to 42.4 % as of December 31, 2006.

In relation to December 31, 2006, rental income from Shopping centers increased by 13.8%. Slightly more than 60% of this increase, being €38.6 million, were derived from mergers and acquisitions with:

- the acquisitions carried out in 2007 for €26.0 million in particular: the Polish centers of Rybnik, Sosnowiec and Lublin for €7.9 million, Progest portfolio including equity interests in 9 French shopping malls with in particular €7.2 million, Leclerc superstores in Blagnac and Saint-Orens adjacent to the existing malls for €3.2 million;

- inaugurations during the year: opening of the Champ-de-Mars mall in Angoulême (+€2.2M), extensions of the Rambouillet, Orléans-Saran and Brest Iroise malls (+€2.2M in all).

Rental income from office buildings have shrunk by €4.0 million as a result of the disposals which occurred at the end of 2006 and early 2007.

In 2007, rental income from Klémurs shops totalled €23.5 million versus €2.9 million in 2006. €18.6 million of this figure is from the rental income of assets operated by Buffalo Grill, €3.1 million from Klémurs historic assets (Truffaut, BHV rue de Flandre and rue Candé in Rouen),and €1.8 million from the assets held by Cap Nord acquired on March 29, 2007.

Shopping center management income from the activities carried out by Ségécé and its subsidiaries in third-party management and development reached €64.2 million, up by 12.5 % compared to December 31, 2006. This increase can be primarily explained by the rise in the amount of development fees and an increase in the number of leasing mandates outside the group internationally.

5.3. Operating expenses

Land expenses correspond to amortizations and fees on construction lease.

Non-recovered rental expenses are mainly from expenses on vacant premises.

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

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

Amortizations and provisions for investment property rose by €29.7 million over December 31, 2006.

This change stems from:

- the full year impact on 2007 of the portfolio increase in 2006 with the Buffalo Grill restaurants (€6 million) and various other malls for a total amount of €3.7 million;

- portfolio increases in 2007 with Progest (€3.2 million), the Gondobrico and Parque Nascente Portuguese shopping centers (€2.2 million), the Polish centers of Rybnik, Sosnowiec and Lublin (€3.4 million), Blagnac and Saint-Orens (€1 million) and various other malls for a total amount of €1.9 million;

- disposals of office buildings in 2005 and 2006 resulted in a reduction of amortization allowance of €1.2 million;

- property provisions net of reversals. They include a property provision of €15.3 million versus €5.8 million as of December 31, 2006 and mostly correspond to provisions on shopping centers located in Poland and in the Czech Republic.

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

Income from the sale totalled €40.4 million and includes:

- €20.3 million in investment property primarily from the sale of Front de Paris and Rue de Turin buildings for a total sum of € 73.8 million. Capital gains amounted respectively to €16.6 million and € 4.5 million. Various premises, including a warehouse (Rheinfeld) and parking lots were also sold to generate income of €1.3 million and a capital gain of €0.8 million.

- and €20.1 million in equity securities with the sale of all of the securities of Espace Cordeliers owner of the Les Cordeliers center in Poitiers.

5.5. Net cost of debt

The cost of debt rose to €162.9 million at December 31, 2007 versus € 134.8 million at December 31, 2006 reflecting the increase in debt for the period.

The main components of this change were as follows:

- Interests on bond issues rose by €6.2 million, due to the full year impact of the issue of March 2006, where the nominal amount was €700 million;

- Interests on loans from credit institutions rose by €46.8 million driven by the effect of the increase in outstanding (€1.7 billion in 2006 versus €2.4 billion at the end of 2007) and the strong tension on short term interest rates, in particular during the second half of 2007 due to the financial crises. The Euribor 3-month index rose from 3.08% on average in 2006 to 4.27% on average in 2007. In order to curb the impact of this interest rate environment on its financial costs, Klépierre reduced the duration of its drawdowns on syndicated loans from three months to one month in the second half of 2007, so as to benefit from the greater difference between the respective Euribor benchmark indices since the financial crisis;

- The impact of the interest rate increase was also limited by Klépierre's hedging portfolio: therefore, income net of interests on swaps rose by €11.2 million, for a significantly identical outstanding (€50 million);

- The "transfer of financial charges" line item records the commissions and costs linked to new loans set up during the year ; it corresponded, in 2007, to the expenses of the euro syndicated loan signed on September 21, 2007 and in 2006 to the expenses of the syndicated credit signed on January 31 and the bond issue of March 16.

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

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

in thousands of €	2007 December	2006 December	2005 December
Investment revenues			
Income from sale of securities	2 468	1 217	1 033
Net interest revenue on Swaps	14 456	3 211	-
Net deferal of payments on swaps	535	516	-
Interest on advance payment to partners	16 755	8 326	4 004
Sundry interests received	1 103	513	1 128
Other revenues and financial income	3 074	1 661	1 035
Currency translation income	9 797	1 099	6 640
Total	**48 188**	**16 543**	**13 840**

in thousands of €	2007 December	2006 December	2005 December
Financial expenses			
Interests on bond issues	-96 044	-89 873	-65 644
Interests on loans from credit institutions	-93 261	-48 849	-43 199
Other bank interests	-2 309	-1 835	-1 400
Net interest expense on Swaps	-	-	-2 228
Net deferal of payments on swaps			-591
Interest on advance payment to partners	-7 130	-5 330	-5 343
Other financial expenses	-7 330	-10 707	-6 189
Transfer of financial charges	2 968	5 907	4 902
Currency translation losses	-8 003	-662	-6 819
Allowance to provisions for other long-term investments	-10	-	-29
Total	**-211 119**	**-151 349**	**-126 540**
Cost of indebtedness	**-162 931**	**-134 806**	**-112 700**

5.6. Corporate income tax

in thousands of €	2007 December	2006 December	2005 December
Current taxes payable	- 37 982	- 64 756	- 26 464
Deferred tax	24 489	42 740	8 555
Total	**- 13 493**	**- 22 016**	**- 17 909**

Klépierre identifies three income tax segments:

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

The tax expense for 2007 represents €13.5 million.

❑ Expense on the SIIC segment, i.e., €8.4 million, analyzed as follows:

- €2.6 million expense on the segment’s taxable earnings. These earnings are mainly connected to the financial business of the relevant companies;
- a tax income linked to the tax audits and to tax credits of f €1.4 million.

- a net expense of €4.6 million as provision for a tax of €7.5 million will also be paid for the entry of Cecobil in the SIIC plan on January 1, 2008 and less the reversals of provisions for deferred tax liabilities recognized by Cecobil for €2.9 million;
- An expense of €2.6 million of deferred taxes mainly calculated on cash payment deferrals and the recognition of deficits on the balance sheet;

❑ Other French companies not dependent on the SIIC segment recorded an expense of €8.1 million comprised of:

- €2.6 million of income tax for the limited partners of Ségécé and Klécar Europe Sud;
- €4.1 million representing the income expense actually due for the period by the segment's entities;
- a tax expense of €1.5 million of deferred taxes on the recognition of deficits, pensions and amortization restatements;
- an extraordinary tax of €1.8 million recorded by Klécapnor for the revaluation of Capnord's equity assets which will be included in the SIIC plan in 2008. In return, a provision for a deferred tax liability of €1.9 million was reversed by Capnord.

❑ Foreign companies recorded a tax gain of €3.0 million comprised of:

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

Reconciliation between theoretical tax and actual tax as of December 31, 2007:

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

Ordinary deficits are capitalized if their recovery is deemed probable:

Entities	Statutory tax rate	Inventory of ordinary deficits Dec. 31, 2006	Inventory of ordinary deficits Dec. 31, 2007	Change in OD in 2007	Capitalized deferred tax as of Dec. 31, 2006	Amounts capitalized as of Dec. 31, 2007	Change in capitalized amounts	Regularization	Amounts capitalized as of Dec. 12, 2007	Amounts non capitalized as of Dec. 31, 2007	Comments
Portugal											**deficits deferrable over 6 years**
Finascente	26,50%	(23)	-	23	6	-	- 6		- 0	0	
Kleminho	26,50%	(20)	(567)	(547)	-	150	145	5	150	0	
H1 (French company)	16,50%	(4 204)	(6 587)	(2 383)	1 447	1 087	393	- 754	1 086	-	
H3 (French company)	16,50%	(698)	(841)	(143)	240	139	24	- 125	139	-	
Spain					-	-					**deficits deferrable over 15 years**
KFI	30,00%	(8 811)	-	8 811	2 864	-	- 2 643	- 221	- 0	0	
KFE	30,00%	(13 371)	(13 139)	232	3 609	3 942	- 70	- 277	3 262	679	unrecognized losses prior to tax consolidation
Vinaza	30,00%	(1 500)	(3 236)	(1 736)	488	971	521	- 38	971	-	
Vallecas	30,00%	(12 046)	(16 632)	(4 586)	3 915	4 990	1 376	- 301	4 990	- 0	
Belgium					-	-					**unlimited deferral of ordinary losses**
Cinémas LLN	34,00%	(2 181)	(2 564)	(383)	742	872	130		872	- 0	
Coimbra	34,00%	(4 368)	(5 218)	(850)	1 485	1 774	289		1 774	0	
Foncière LLN	34,00%	(4 623)	(6 599)	(1 976)	-	2 244	-		-	2 244	unrecognized tax losses
Place de l'accueil	34,00%	(133)	(258)	(125)	45	88	43		88	0	
Hungary					-	-					**unlimited deferral of ordinary losses**
Klépierre Participations et Financements (French company)	33,00%	(3 435)	-	3 435	1 183	-	- 1 134	- 49	0	- 0	
Hungarian real-estate companies	16,00%	(16 448)	(13 204)	3 244	2 630	2 113	- 519	2	2 113	- 0	
Czech Republic											
Czech holdings	21,00%		(6 171)	(6 171)		1 296	1 044		1 044	252	unrecognized tax losses
Bestes	21,00%	-		-	-	-	-		-	-	
AMC Prague	21,00%	(69)	-	69	17	-	-	- 17	-	-	
Greece					-	-					**deficits deferrable over 5 years**
Klepierre Larissa	25,00%	-	(4 928)	(4 928)	-	1 232	1 232		1 232	-	
Ségécé Hellas	25,00%	-		-	-	-	-			-	
KFM	25,00%	(1 019)	-	1 019	255	-	- 255		0	- 0	
Patras	25,00%	(635)	(492)	143	159	123	- 36		123	- 0	
Efkarpia	25,00%	(125)	(56)	69	31	14	- 17		14	0	
Athinon	25,00%	(563)	(896)	(333)	141	224	83		224	- 0	
Italy						-					
Assago	31,40%	(760)	-	760	239	-	- 239		-	-	**indefinitely deferrable**
Kléfin	27,50%	(5 823)	(7 333)	(1 510)	1 921	2 017	415	- 320	2 016	0	
Serravalle	31,40%	(515)	(534)	(19)	192	168	6	- 30	168	-	
Galleria Commerciale Klépierre	31,40%	(911)	(749)	162	339	235	- 51	- 53	235	0	
Collegno	31,40%	(2 717)	(3 069)	(352)	1 012	964	111	- 159	964	0	
Poland						-					**deficits deferrable over 5 years**
Sadyba (real estate and holding)	19,00%	(117)	(4 843)	(4 726)	22	920	898		920	0	
Krakow (real estate and holdings)	19,00%	(1 474)	(3 919)	(2 445)	280	745	56		336	409	unrecognized tax losses
Ruda (real estate)	19,00%	(790)	(3 325)	(2 535)	144	632	309		453	179	unrecognized tax losses
Poznan (real estate and holding)	19,00%	-	(3 407)	(3 407)		647	647		647	-	
Rybnick (real estate and holding)	19,00%	-	(1 659)	(1 659)		315	282		282	33	unrecognized tax losses
Sosnowiec (real estate and holding)	19,00%	-	(1 404)	(1 404)		267	234		234	33	unrecognized tax losses
Lublin (real estate and holding)	19,00%	-	(4 904)	(4 904)		932	426		426	506	unrecognized tax losses
Other Polish holdings	19,00%	-	(1 073)	(1 073)		204	- 0		- 0	204	unrecognized tax losses
Ségécé Poland	19,00%	(702)	(59)	643	147	0	- 122	- 25	- 0	-	
Netherlands						-					
Capucine BV	25,50%	(1 659)	(1 715)	(56)	-	437	-		-	437	holding: dividends and capital gains from sale of tax-free
Luxemburg						-					
Luxemburg holdings	20,00%		(624)	(624)	-	125	-		-	125	unrecognized tax losses
France						-					**unlimited deferral of ordinary losses**
Kléber La Pérouse	16,50%	(1 850)	(156)	1 694	637	26	- 280	- 332	25	0	
Cap Nord	34,43%	-	(833)	(833)	-	287	-		-	287	unrecognized tax losses
Klécapnord	16,50%	-	(1 087)	(1 087)	-	179	179		179	-	
KLE Projet 2	16,50%	-	(1 558)	(1 558)	-	257	257		257	-	
H2	16,50%	-	(209)	(209)	-	34	34		34	-	
H4	16,50%	-	(147)	(147)	-	24	24		24	-	
Other French companies	34,43%		(2 143)	(2 143)	-	738			-	738	unrecognized tax losses
TOTAL		**- 88 777**	**- 126 139**	**- 34 549**	**24 190**	**31 409**	**3 787**	**- 2 694**	**25 283**	**6 126**	

6. Exposure to risks and hedging strategy

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

6.1. Interest rate risk

A) Cash Flow Hedge rate risk

- ***Recurrence of floating rate financing requirement***

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

- ***Identified risk***

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

- ***Measurement of risk exposure:***

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

Interest rate position before hedging (in millions of euros)	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position (variable rate debts and debts under one year)	**2 357**	**23,6**
- Marketable securities	-56	-0,6
Net position before hedging	**2301**	**23,0**

Interest rate position after hedging (in millions of euros)	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position before hedging	**2 357**	**23,6**
- Net hedge	-990	-9,9
Gross position after hedging	**1 367**	**13,7**
- Marketable securities	-56	-0,6
Net position after hedging	**1311**	**13,1**

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

Fair value of the Cash flow Hedge rate (in millions of euros)	Fair Value	Change in equity caused by a 1% increase in interest rates
Cash Flow Hedge Swaps as of December 31, 2007 (notional: €2,690 M)	**80**	**89,8**
Cash Flow Hedge Swaps as of Dec. 31, 2006 (notional: €1,890 M)	61	71,5

Financial debt after hedging breaks down as follows:

In millions of euros	Fixed rate debts			Floating rate debts			Total gross financial debts		Average cost of the projected debt
	Amount	Rates	Fixed portion	Amount	Rates	Variable portion	Amount	Rates	
31/12/2005	2 434	4,30%	74%	851	3,00%	26%	3 285	3,96%	4,09%
31/12/2006	3 159	4,22%	85%	570	4,27%	15%	3 729	4,23%	4,28%
31/12/2007	3 200	4,20%	70%	1 367	5,35%	30%	4 567	4,54%	4,65%

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

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

- ***Hedging strategy***

Klépierre has set itself a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed rate debts (after hedging) in gross financial debts. As shown by the table above, it was 70% on December 31, 2007. Given that Klépierre took advantage of the drop in interest rates to reinforce its hedging portfolio in the second half of 2007, the hedging rate was 79% on January 2, 2008.

To reach its key level, Klépierre primarily uses swap agreements, enabling the fixing of variable rate financing rates or inversely to convert fixed rate financings into variable rate financing.

Klépierre could also use its Cash Flow Hedge by limiting the possible variations of the reference index, for example by buying a cap on this index.

Considering its strategy and investment program, Klépierre is structurally a borrower; the current financing plan states a debt increase of more than €300 million per annum in coming years. Since the Group does not seek to reduce the proportion of its short-term debt, it is therefore highly probable that the short-term variable rate loans will be renewed in the medium term. That is why the Klépierre's hedging strategy concerns both the long-term and short-term parts of its indebtedness.

Generally, the term of the hedging instrument can exceed that of hedged debts on condition that Klépierre's financing plan underlines the highly probable aspect of renewing these debts.

B) Fair Value Hedge interest risk rate

❑ *Description of fixed rate indebtedness*

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

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

❑ *Identified risk*

On its fixed rate indebtedness, Klépierre is exposed to the fluctuations of the risk-free market interest rates, in so far as the fair value of fixed rate debts increases when the rates fall and inversely.

Furthermore, Klépierre may be in a position to know, at a given date, that it should raise the fixed rate debt at a later date (e.g.: scheduled acquisition). It would then be exposed to the risk of interest rate change before setting up the loan. Klépierre could then envisage hedging this risk – considered as a« cash flow hedge » risk under IFRS.

❑ *Measuring risk exposure and hedging strategy*

As of December 31, 2007, debts subscribed at a fixed rate represent €2,210 million before hedging.

The "Fair Value Hedge" strategy is calibrated to reflect the objective of the overall hedge rate. It is also based on the use of rate swaps enabling the replacement of fixed rate payments by variable rate payments. The "credit margin" component is not hedged.

The duration of the "Fair Value Hedge" hedging instruments is never higher than the duration of the hedged debt, since Klépierre wishes to obtain very strong "efficiency" as defined by IAS 32/39.

C) Investment securities

As of December 31, 2007, Klépierre's marketable securities represented € 56.5 million.

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

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

D) Fair value of financial assets and liabilities.

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

The table below enables a comparison of the fair values of debts and their face value. Fair values are drawn up according to the following principles:

- Variable rate bank debts : fair value equal to the nominal amount, unless major credit event not impacted on the financial conditions of the debt;
- Fixed rate bank debts: fair value calculated on the basis of the equal to the nominal amount, unless major credit event not impacted on the financial conditions of the debt;

- Bond issues (and convertible where applicable): utilization of market quotations if they are available, fair value calculated on the basis of rate changes and credit margin in the contrary case.

	2007			2006		
In millions of euros	Face values	Fair Value	Change in FV caused by a 1% increase in interest rates*	Face values	Fair Value	Change in FV caused by a 1% increase in interest rates*
Fixed rate bond issues	1 900	1 829	62	1 900	1 898	81
Fixed rate bank loans	310	300	6	319	310	8
Variable rate bank loans	2 357	2357	-	1 510	1510	-
Total	**4567**	**4486**	**68**	**3729**	**3718**	**89**

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

Derivative instruments are posted in the balance sheet at their fair value. As of December 31, 2007, a 1% increase in the rate curve would lead to a rise of €71.4 million in the value of the Group's interest rate swaps (Cash Flow Hedge and Fair Value Hedge).

On the asset side, unconsolidated securities are classified in the category of securities "available for sale" and are therefore valued at their fair value. Given the activity of the concerned companies, it is estimated that the net book value is close to the fair value.

E) Measurements and resources for managing exposure

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

6.2. Liquidity risk

Klépierre focuses on refinancing its long-term activity and diversifying maturity dates and the Group's financing sources, so as to facilitate renewals.

Accordingly, bond issues represented 41% of financial debts at December 31, 2007, the duration of the debt was brought to 5.4 years, and bank debt is spread out in different products (club deals, mortgage loans, etc.) and various international scale counterparties.

Outstanding commercial paper (representing the bulk of short-term financing) never exceeds the amount of the club deal « back-up » line with several banks and which would enable immediate refinancing of this outstanding in the event of renewal difficulty on this market.

Additionally, Klépierre had €669 million of unutilized credit lines (including bank overdrafts) on December 31, 2007.

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

Some Klépierre financings (club deals, bond issues) come with financial covenants which must be complied with under pain of the application of an early payability clause (c.f. also the note on financial liabilities). These agreements concern ratios monitored by standard tracking for property professionals and the imposed constraints that leave sufficient flexibility to Klépierre to maintain liquidity risk at a low level.

Principal Covenants	Maximum amount of the relevant financing (€ M)	Contractual limit	Impact of non compliance	Level as of December 31, 2007
Klépierre financing				
"Loan to value"	2 800	≤ 52%	Default case	41,1%
EBITDA /FFI		≥ 2,5		3,31
Secured debt / Revalued assets		≤ 20%		2,6%
Revalued asset value group share		≥ €5 Million		10,04
Secured debt / RNAV	1 900	≤ 50%	Default case	5,3%
Klémurs financing				
"Loan to value"	150	≤ 55% *	Default case	46,8%
EBITDA /FFI		≥ 2 **		2,5
Secured debt / Revalued assets		≤ 20%		10,4%
Revalued asset value group share		≥ €300 M		457,2

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

6.3. Currency risk

Klépierre's business is mainly located in Euro zone countries. As of December 31, 2007, the exceptions were the Czech Republic, Slovakia, Hungary and Poland.

In these countries, to date, the currency risk was not considered sufficiently important to be hedged by derivative instruments.

As acquisitions and their financing are carried out in euros, currency risk mainly concerned the commercial activity of subsidiaries.

Generally, rents are invoiced to lessees in euro with the conversion into local currency on the invoicing date. Lessees have the choice of paying their rents in local currency or in euros (or in dollars for some minority leases). Currency risk is therefore limited to the variance, if any, between the invoiced rent and the collected rent when the currency loses value towards the euro between the invoice date and the actual payment in local currency by the lessee.

At the same time, Klépierre makes sure that lease payments from tenants do not represent an overly large portion of their revenues so as to avoid, in case of a sharp increase in the value of the euro, a degradation of their financial situation which could increase the risk of default payments for Klépierre.

6.4. Counterparty risk

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

Counterparty risk on investment securities

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

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

Counterparty risk on hedging instruments

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

6.5. Equity risk

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

7. Financing and guarantee commitments

7.1. Reciprocal commitments

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

in thousands of €	2007 December	2006 December	2005 December
Guarantee within the context of a Property Development Contract/Sale before completion	297 541	192 512	79 324
Total	**297 541**	**192 512**	**79 324**

7.2. Commitments given and received

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

❑ *Purchase commitments*

Purchase commitments primarily correspond to preliminary purchase contracts for the construction of the Vallécas (Madrid) center for €113 million, the Claye Souilly shopping center for €13.2 million, the Vanne city center mall for €50.5 million and the Montpellier Odysseum for €18.7 million.

Klémurs signed a preliminary purchase contract for 88 "Défimode" outlets and 42 other forthcoming projects for € 163.2 million and also committed to the acquisition of 15 commercial assets located on three business zones (Avranches, Rochefort sur Mer and Messac) for €18.2 million.

Klépierre also acquired, under various conditions precedent, the Place de l'Etoile center in Luxemburg (21,500 m² GLA, projected opening in 2011) for an amount of €215 million (€1million paid out to date).

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

Klépierre also committed to acquiring in the context of its partnership with Finiper, 50% of the Il Leone centers in Lonato (15,987 m² GLA, €84 million of investment for its shares) and Le Corti Venete in Vérone (30,181 m² GLA, €40.7 million for its shares). The final acquisitions will take place on the first quarter 2008. A 3rd center under construction will also be acquired at its opening scheduled for the first quarter 2009: 29.952 m² GLA, located in Vittuone, on the western outskirt of Milan, for an investment of €44.2 million (50%).

Lastly, an agreement subject to conditions precedent was also signed for the purpose of acquiring the Aqua Portimao shopping center in Portugal for €52.7 million in partnership with Generali (€0.5 million paid out). The commissioning is scheduled for 2010.

Furthermore, there are earnout clauses for some acquisitions. Pursuant to IFRS 3 and its articles 32 and 34, the price adjustment in the cost of the business combination on the acquisition date must be recognized if the adjustment is probable and can be reliably estimated on the balance sheet date.

In the context of the Polish acquisitions in 2005, the price paid for Sadyba, is subject to an earnout clause. Klépierre does not fully own the land for the center but holds a lease set to expire on July 31, 2021. An earnout will be paid to the seller if it obtains an extension or full ownership of the lease within a period of 10 years as from July 2005.

As the probability of the lease being extended or full ownership being obtained cannot be measured, this earnout was not booked.

❑ *Preliminary sale agreements*

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

❑ *Unutilized confirmed credit lines*

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

- €630 million of confirmed credit lines:

- €550 M of credit line available on the syndicated loan set up in 2007,
- €80 million of possible commercial paper issue (variance between the amount of the back-up line and the outstanding issued paper),

- €39 million authorized under a partially used overdraft.

❑ *Other guarantees received*

In the context of Vallécas, Klépierre had a security deposit of €110 million euros in the event of failure of the Madrid City Hall to obtain a building permit. The permit was obtained and the guarantees matured on June 30, 2007.

To our knowledge, there is no omission of a material or potentially material off-balance sheet commitment according to applicable accounting standards.

7.3. Guarantees

in thousands of €	2007 December	2006 December	2005 December
Guaranteed debts	371 655	386 424	619 319
Total	**371 655**	**386 424**	**619 319**

Secured debts mainly include:

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

Generally, the Group finances its assets by equity or debts contracted by the parent without pledging these assets.

The details of debts secured by pledges are as follows:

in thousands of €	Loan amount as of 31.12.07	Mortgage amount	Pledge start date	Pledge due date	Social NBV of pledged assets
on tangible assets					*460 325*
Novate	26 187				
- Metropoli		61 975	16-apr-99	15-dec-13	85 473
- Vignate		28 000	19-dec-03	15-oct-16	61 791
Immobiliare Magnolia	4 790	20 789	08-sep-99 18-apr-03	15-july-11 15-jan-18	23 255
ICD	9 296	43 282	30-june-96	11-may-11	73 627
Klécar Italia	113 911	331 500	30-june-03	30-june-15	210 259
SCI Rebecca	3 923	5 764	17-oct-02 20-july-00	30-dec-14 31-july-15	4 976
SCI LC	173	377	05-jan-00	02-jan-12	944
on long-term financial assets					*0*
TOTAL					**460 325**

7.4. Shareholders’ agreement

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

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

The agreement provides for the usual minority protections: pre-emptive share right, joint exit right, decision process in case of investment or disinvestment. Each of the agreements contains two additional clauses:

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

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

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

- ***Shareholders' agreement signed between SNC Kléber la Pérouse and SCI Vendôme Commerces on SCI Secovalde***

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

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

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

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

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

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

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

7.5. Commitments on operating leases - Lessors

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

- ***Shopping centers***

The agreement stipulates rental terms ranging from 5 years in Spain to 12 years in France (with three-year periods); Italy offering a mixed system of 5 to 12 years. The terms for fixing and indexing rents are determined in the contract.

Indexing allows re-pricing of the guaranteed minimum rent, by the application of a country-specific index.

- **Indexing specific to each country**

In France, the applicable index used is the ICC, the reference construction cost, published each quarter. The index retained and applied corresponds to that of the "anniversary" quarter of the lease. The ICC for the second quarter of each year (published in October) applies to about 70% of leases in Klépierre's rental property in France.

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

In Italy, the system is based on the consumer price indices for working class and junior management (excluding tobacco) households (ISTAT). But implementing the index system is more complex: depending on the leases, we either apply the ISTAT at 75 %, or the reference segment index at 100 %.

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

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

In central Europe, the IPCH euro zone index, published by Eurostat, is based on the consumer price of the countries of the European monetary union.

- **Guaranteed minimal rent and variable rent**

Appraised year in and year out, rent corresponds to a percentage of the revenues earned by the lessee during the civil year under consideration. The applied rates differ depending on the activity carried out. This binary rent (fix + variable) cannot be less than the minimum guaranteed rent (MGR). The MGR is re-priced every year with the indexing rate. The variable rent corresponds to the variance between the percentage of the revenues as fixed in the lease and the minimum guaranteed rent after indexing.

At the renewal of the lease, consolidating all or part of the variable rent in the MGR becomes an issue. For example, the variable rent is often reduced to zero at the end of the lease (every 5 to 12 years, as the case may be). Each year, it is also deducted from the progression of MGR in the application of the invoicing.

The variable rent clause which is mainly found in the leases of historic French and Italian assets, has been gradually included in other leases whenever they come up for renewal or renegotiation.

❑ ***Office buildings***

100% of Klépierre's property assets are located in France and therefore governed by French law.

For commercial activities the following apply: articles L. 145-1 to L. 145-60 of the Commercial code and the non codified articles of n° 53-960 of September 30, 1953 (the "bylaw"). A certain number of these clauses are in the public domain. For example: contracts cannot be shorter than 9 years (regarding the lessor's commitment), the right to renewal, the formal conditions to comply with in the event of cancellation, leave, renewal, and eviction, etc.

Very exceptionally, leases exempted from the status, by no more than two years can be made compliant.

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

The rent is usually paid every quarter, a quarter early and is annually and totally indexed on the INSEE construction cost index. The rent may be progressive or gradual and may include rent-free periods but whatever the case, determined when the lease is signed and for the entire term (apart from riders during the lease).

All expenses including property taxes and taxes on offices are generally at the lessee's expense, apart from the works regulated by article 606 of the Civil code which is usually at the lessor's expense.

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

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

Under the lease, minimum payments refer to the payments which the lessee is, or can be, required to make during the term of the lease excluding the conditional rent, the cost of services and taxes to be paid or refunded to the lessor.

At December 31, 2007, the accumulated minimal future rents receivable pursuant to the non-cancellable operating lease agreements were as follows:

in thousands of euros	2007 December
less than one year	563 646
between 1 and 5 years	1 030 472
more than 5 years	292 922
Total	**1 887 040**

7.6. Commitments on lease agreements - financing

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

	December 31, 2007	
in thousands of €	minimal payments	discounted value of payments
less than one year	426	252
more than one year but at least five years	320	208
more than five years	0	0
Total minimum payments for the lease	***746***	***460***
Minus the amounts representing financial charges	***-286***	
Discounted value of minimal payments	**460**	**460**

7.7. Holding commitments

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

8. Compensations and employee benefits

8.1. Payroll expenses

The amount of payroll expenses amounted to €64.8 million at December 31, 2007.

Fixed and variable salaries and wages, together with incentives and profit sharing, totalled €46.1 million, expenses related to retirement indemnities, retirement expenses and other staff benefit expenses at €17.7 million, and income tax, taxes and similar payments at €1.0 million.

The Group employed a total of 1,103 people as of December 31, 2007.

8.2. Retirement commitments

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

In France, Klépierre group contributes to different national and inter-professional basic and supplementary pension bodies.

- ***Fixed benefits post-employment plans***

The still existing fixed benefit plans in France and in Italy are subject to independent actuarial assessments according to the projected unit credit methods in order to determine the expense corresponding to the rights acquired by employees and the outstanding benefits to be paid to pre-retirees and retirees. The demographical and financial assumptions used to estimate the discounted value of hedge bonds and assets for these plans take into consideration the economic conditions specific to the monetary zone under consideration. The fraction of actuarial variances to be amortized, after application of the treaty limit of 10% (corridor method) is calculated separately for each defined-benefit plan.

The provisions funded for fixed-benefit post-employment plans amounted to €4.8 million at December 31, 2007.

Klépierre has set up supplementary retirement plans by corporate agreement. Under the supplementary plans, employee beneficiaries will receive at the time of their retirement, additional income to their pensions (where applicable) paid by the national plans, according to the kind of plan they are entitled to.

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

In Italy, the applicable plan in Ségécé Italia and Effe Kappa is a “Trattamento di Fine Rapporto” (TFR) type of plan. The amount due by the employer at the termination of the employment contract (resignation, dismissal, retirement) is calculated by the application of an annual coefficient for each year worked without this amount exceeding a certain threshold. As the corresponding liability is certain, it can be posted under other debts and not as a provision for contingencies.

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

The existing commitments for post-employment medical assistance plans are valued by using the change assumptions for medical costs. These assumptions, based on historic observations, take into account the estimated future changes in the cost of medical services resulting both from the cost of medical benefits and inflation.

Reconciliation between assets and liabilities posted on the balance sheet

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

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

In thousands of euros, as of	December 31, 2007
Net obligation at the beginning of the period	4 166
Retirement expense recorded in income for the period	633
Contributions paid by Klépierre in income for the period	
Acquisition/Disposal	
Benefits paid to the beneficiaries of benefits non financed	
Net obligation at the end of the period	4 799

Components of the retirement expense

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

Other long-term benefits

Provision for long-service awards and time-savings account totalled € 1.6 million at December 31, 2007.

Principal actuarial assumptions used for calculating on the balance sheet date

In percentage, as of January 1, 2007	France
Discounting rate	3,92 % / 4,11 %
Expected yield rate from the plan's assets	4,00%
Expected yield rate from reimbursement rights	n/a
Future salary increase rate	2,5 % - 5 %

8.3. Stock options

At the beginning of the period, there were 3 stock-option plans for Group executives and members of staff.

These are standard stock options, in other words, they are not subject to performance conditions.

Only stock options granted after November 7, 2002 are booked according to IFRS in application of IFRS 1.

In accordance with IFRS 2, Klépierre appraised the market value of options on their grant date and recognized a proportionate expense during the vesting period. The valuation is carried out by a third-party specialized company. The model retained respects the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of options (in particular dividends in discrete amounts and the possibility of exercising as from May 31, 2010 for the plan authorized in 2006 and as from May 16, 2011 for the plan authorized in 2007).

The calculated expense also takes into account an estimate of the population of beneficiaries at the end of each vesting period, since a beneficiary may lose his rights if he leaves Klépierre group during this period.

- ***Plan authorized in 2006***

585,000 options (after splitting the face value by 3) were granted under the stock option plan authorized by the Executive Board of May 30, 2006.

These options may be freely exercised as from May 30 2010 and until May 30, 2014 included.

A total expense of €623 K was recognized in profit and loss in fiscal year 2007 for the stock option plans.

The unit value of stock options granted in 2006 was valued at €4.6 (after splitting the face value by 3). The main data taken into account for the valuation include an exercise price of €30.5 (after splitting the face value by 3), a share price on the grant date of €27.9 (after splitting the face value by 3), volatility of 21.5%, a risk-free interest rate of 4.1% for 8 years maturity and a dividend of €1 per share in 2006 then a growth assumption calculated from a straight-line regression on previous year dividends.

- ***Plan authorized in 2007***

429,122 options (after splitting the face value by 3) were granted under the stock option plan authorized by the Executive Board of May 15, 2007.

These options may be freely exercised as from May 16, 2011 and until May 15, 2015 included.

A total expense of €676 K was recognized in profit and loss in fiscal year 2007 for the stock option plans.

The unit value of stock options granted in 2007 was valued at €10.4 (after splitting the face value by 3). The main data taken into account for the valuation include an exercise price of €47.9 (after splitting the face value by 3), a share price on the grant date of €47.3 (after splitting the face value by 3), volatility of 21.2 %, a risk-free interest rate of 4.51 % for 8 years maturity and a dividend of roughly 10% in 2007 then a growth assumption calculated from a straight-line regression on previous year dividends.

	Plan N°1	Plan N°1	Plan N°2	Plan N°3
Date of the General Meeting	28-apr-1999	28-apr-1999	07-apr-2006	07-apr-2006
Date of Executive Board Meeting	24-june-1999	24-june-1999	30-may-2006	15-may-2007
Total number of shares potentially subscribable or purchasable by:				
(i) company executives (3)	148 530	67 509	135 000	99 000
(ii) the first ten employee allottees (1) (3)	0	225 030	123 000	141 000
Starting date of exercise of options	25-june-2004	25-june-2004	31-may-2010	16-may-2011
Expiry date	24-june-2007	24-june-2007	30-may-2014	15-may-2015
Subscription or purchase price (3)	12,22	9,44	30,50	47,96
Number of shares subscribed to at December 31, 2007 (3)	148 530	454 584	0	0
Subscription or purchase options of cancelled shares (3)	0	296 886	34 500	3 001
Outstanding subscription or purchase options as of December 31, 2007 (1) (2)	0	0	550 500	426 121

(1) The number of employees mentioned may exceed ten in the event of identical number of options, or may be lower than ten in case there are less than ten employees on a plan

(2) Concern officers and the first 10 employee allottees alone

(3) After dividing the face value in 2003 (for the plan suscripbed in january 24, 2003) and in 2007 (fot the other plans)

Stocks options-Executive Board	Date granted	Number of alloted options ❶	Exercise period	Exercise price in euro ❶	Outstanding options as of 31.12.06	Number of options exercised in 2007	Number of options cancelled in 2007	Outstanding options as of 31.12.07
Michel CLAIR	June 24, 1999 ❷	54 012	June 25, 2004 to June 24, 2007	12,22	38 712	38 712		0
	May 30, 2006 ❸	45 000	May 31, 2010 to May 30, 2014	30,50	45 000			45 000
	May 15, 2007 ❸	33 000	May 16, 2011 to May 15, 2015	47,96				33 000
Claude LOBJOIE	June 24, 1999 ❷	31 506	June 25, 2004 to June 24, 2007	12,22	16 815	16 815		0
	May 30, 2006 ❸	30 000	May 31, 2010 to May 30, 2014	30,50	30 000			30 000
	May 15, 2007 ❸	15 000	May 16, 2011 to May 15, 2015	47,96				15 000
Jean Michel GAULT	May 30, 2006 ❸	30 000	May 31, 2010 to May 30, 2014	30,50	30 000			30 000
	May 15, 2007 ❸	24 000	May 16, 2011 to May 15, 2015	47,96				24 000
Laurent MOREL	May 30, 2006 ❸	30 000	May 31, 2010 to May 30, 2014	30,50	30 000			30 000
	May 15, 2007 ❸	27 000	May 16, 2011 to May 15, 2015	47,96				27 000

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

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

9. Additional information

9.1. Disclosures on the fair-value model

In thousands of euros	December 31, 2007	Fair value restatements	December 31, 2007 fair value model	December 31, 2006 fair value model
Lease income	597 178		597 178	519 570
Land expenses (real estate)	-2 515	2 515	0	2
Non-recovered rental expenses	-17 189		-17 189	-6 296
Building expenses (owner)	-29 440		-29 440	-31 018
Net lease income	***548 034***	***2 515***	***550 549***	***482 258***
Management, administrative and related income	64 195		64 195	57 497
Other operating income	18 265		18 265	9 480
Change in the fair value of investment property		911 522	911 522	998 230
Survey and research costs	-1 146		-1 146	-1 124
Payroll expense	-64 810		-64 810	-59 938
Other general expenses	-25 165		-25 165	-22 145
Depreciation and amortization allowance on investment property	-169 297	167 822	-1 475	-1 909
Depreciation and amortization allowance on PPE	-4 365		-4 365	-3 126
Dotations aux amortissements des écarts d'acquisition			0	
Provisions	-2 663		-2 663	12
Results of operations	**363 048**	**1 081 859**	**1 444 907**	**1 459 235**
Gains on the sale of investment property and equity interests	96 113		96 113	122 459
Net book value of investment property and equity investment sold	-55 740	-30 133	-85 873	-111 466
Results of the sale of investment property and equity interests	***40 373***	***-30 133***	***10 240***	***10 993***
Revenus sur cession d'actifs détenus à court terme				
Valeur nette comptable des actifs cédés				
Profit on the sale of short term assets	***46***	***0***	***46***	***1 490***
Net dividends and provisions on non-consolidated investments	549		549	-161
Net cost of debt	-162 931		-162 931	-134 806
Change in the fair value of financial instruments	0		0	55
Effect of discounting	726		726	-1 200
Share in earnings of equity-method investees	2 634	2 822	5 456	671
Pre-tax earnings	**244 445**	**1 054 548**	**1 298 993**	**1 336 277**
Corporate income tax	-13 493	32 174	18 681	-136 570
Net income of consolidated entity	**230 952**	**1 086 722**	**1 317 674**	**1 199 707**
of which				
Group share	*197 712*	*951 279*	*1 148 991*	*1 036 657*
Minority interests	*33 239*	*135 443*	*168 682*	*163 050*

in thousands of €	December 31 2007	fair value restatements	December 31, 2007 fair value model	December 31, 2006 fair value model
Non-allocated goodwill	84 653	-8 761	75 892	32 417
Intangible assets	7 269	0	7 269	7 478
Tangible assets	41 340	0	41 340	41 482
Investment property	6 670 090	-6 656 962	13 128	7 312
Fair value of investment property		10 425 230	10 425 230	8 382 413
Fixed assets in progress	463 983	-273 476	190 507	195 718
Fair value of buildings held for sale	36 200	25 064	61 264	63 213
Equity method security	46 600	2 822	49 422	3 023
Non consolidated securities	512	0	512	585
Other non current assets	33 846	0	33 846	17 104
Interest rate swaps	84 011	0	84 011	65 139
Deferred tax assets	33 675		33 675	26 275
NON CURRENT ASSETS	***7 502 179***	***3 513 917***	***11 016 096***	***8 842 159***
Inventory	11 684		11 684	2 463
Trade receivables and related accounts	57 287		57 287	46 159
Other receivables	215 688	-62 497	153 191	199 726
Tax receivables	49 645		*49 645*	*111 048*
Other debtors	166 043	*-62 497*	*103 546*	*88 678*
Cash and near cash	195 476		195 476	157 696
CURRENT ASSETS	***480 135***	***-62 497***	***417 638***	***406 044***
TOTAL ASSETS	**7 982 314**	**3 451 420**	**11 433 734**	**9 248 203**
Capital	193 890		193 890	184 657
Additional paid-in capital	835 187		835 187	830 622
Statutory reserves	18 466		18 466	18 466
Consolidated reserves	756 275	1 832 635	2 588 910	1 715 625
Treasury shares	-96 168		*-96 168*	*-30 823*
Fair value of financial instruments	51 922		*51 922*	*39 734*
Fair value of investment property		*1 828 969*	*1 828 969*	*955 729*
Other consolidated reserves	800 521	*3 666*	*804 187*	*750 985*
Consolidated earnings	197 712	951 279	1 148 991	1 036 657
Shareholders' equity, group share	2 001 530	2 783 914	4 785 444	3 786 027
Minority interests	480 502	447 922	928 424	749 444
SHAREHOLDERS' EQUITY	***2 482 032***	***3 231 836***	***5 713 868***	***4 535 471***
Non current financial liabilities	4 400 820		4 400 820	3 680 254
Long-term allowances	11 425		11 425	8 572
Interest rate swaps	7 731		7 731	0
Security deposits and guarantees	107 899		107 899	93 900
Deferred tax liabilities	219 069	219 584	438 653	373 946
NON CURRENT LIABILITIES	***4 746 944***	***219 584***	***4 966 528***	***4 156 672***
CURRENT LIABILITIES	***753 338***		***753 338***	***556 060***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7 982 314**	**3 451 420**	**11 433 734**	**9 248 203**

Fair value refers to the amount for which an asset may be exchanged between properly informed, consenting parties acting under the conditions of normal competition.

The fair value is the most probable price (excluding transactions fees and costs) that can be reasonably obtained on the market on the balance sheet date.

The fair value of Klépierre buildings is determined by third-party appraisers.

Klépierre has entrusted the task of assessing the value of its holdings to various appraisers. Atisreal Expertise and Foncier Expertise are jointly responsible for appraising office property holdings.

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

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

Assignments entrusted to appraisers are all carried out in accordance with the principles of the Real Estate Appraisal Guidelines (*Charte de l'Expertise en Evaluation Immobilière*) using the recommendations of COB/CNC "Barthès de Ruyter" working group.

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

Office buildings

The appraisers combine two approaches: the first entails a direct comparison with similar transactions completed in the market during the period, while the second involves capitalizing recognised revenue or estimated asset.

An analysis of these revenues reveals that one of three situations prevails: lease income is either substantially equal to, higher than or lower than market value.

If lease income and market value are substantially equal, the lease income used in the valuation is the actual lease income earned on the property. If lease income is higher than market value, the valuation uses market value and takes into account a capital gain calculated from the discounted value of the difference between actual lease income and market value.

If lease income is lower than market value, the appraisers considered the scheduled term of the corresponding lease, at which time the rental price will be aligned with going rates. Pursuant to the French decree of September 30, 1953, the rental prices of properties that are used solely as office premises are automatically aligned with market rates when the leases in question come up for renewal.

Consequently, the appraisers worked on the assumption that the owners of such property would be able to align rents with market rates when the corresponding leases came up for renewal, and took into account the current conditions of occupation in the form of a capital loss calculated as before. The appraisers did not limit their approach to properties coming up for renewal in the three years to come, on the grounds that the investors participating in current market transactions make projections that extend beyond this three-year horizon. If lease income is higher than market value, the financial capital gain observed was added to the appraised value derived which is equal to the discounted value (at a rate of 5.5 %) of the difference between actual lease income and market price until expiry of the first firm period of the lease. In the third case, a capital loss was deducted from the derived value. It corresponds to the discounted value (at the rate of 5.5%) of the difference between actual lease income and market price until the lease expires.
Since December 31, 2005, the appraiser has been reasoning on the basis of the rate of return (yield) and not on the basis of the capitalization rate. That is, the rate that was used is that applied to the income determined as before to derive an appraised value inclusive of transfer duties. Before, the rate used resulted in a valuation exclusive of transfer duties. The decision to use this rate results from an observation of the market, in the context

of transactions actually completed by investors. To derive the appraised value exclusive of transfer duties, transfer duties and fees were deducted at the country-specific rate.

- ***Shopping centers***

To determine the fair market value of a shopping center, appraisers apply a yield rate to net annual lease income for leased-up premises, and to discounted net market price depending on the projected vacancy period for vacant properties. From this initial value obtained through capitalization of net lease income is deducted the discounted value of minimum guaranteed rent, charges on current vacant properties, non chargeable works to be carried out. In addition, a normative vacancy rate is defined for each asset. The discount rate used is equal to the yield rate applied to determine fair market value.
Gross lease income includes minimum guaranteed rent, variable rent and the market price of any vacant premises. Net rent is determined by deducting all charges from the gross rent: management costs, non chargeable expenses, charges on provision for vacant premises and average losses over recognized outstanding rents for the last 5 years.

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

Through the structure of its portfolio and in a concern for savings and efficiency, Klepierre uses two methods to conduct its appraisals as the assets have specific valuation challenges. Accordingly, the assets appraised for the first time and assets whose last appraisal value is at most greater than 110% of the net carrying value (excluding deferred taxes) are subject to dual valuation: measurement based on return, as explained above, and measurement through the discounted future flows method.
The second method determines the value of a real asset by the sum of discounted financial flows based on a discount rate defined by the appraiser.
The appraiser estimates the expected overall revenues and expenses on the asset side then measures an “ultimate value” at the end of the analysis period (an average of 10 years). By comparing the market rental values and facial rental values, the appraiser takes into consideration the rental potential of the property asset while retaining the market rental values at the end of the leases after deducting costs incurred by these changes in tenant mix. Lastly, the appraiser discounts the expected cash flow in order to determine the actual value of the property asset.
The retained discount rate takes into account the market risk-free rate (OAT 10 years) to which will be added a property market risk and liquidity premium, and lastly, a specific premium for the asset, depending on its location, characteristics and the tenant mix of each building.

9.2. Earnings per share

Basic earnings per share is computed by dividing the net income for the period attributable to ordinary shares by the weighted average number of current shares in the period, excluding treasury shares.

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

		December 31, 2007	December 31, 2006	December 31, 2005
Numerator				
Net income, group share (€K)	***a***	**197 712**	**164 534**	**120 449**
Denominator				
Average weighted number of shares before diluting effect (1)	***b***	**136 998 849**	**137 536 323**	**137 896 395**
Effect of dilutive options		*0*	*0*	*0*
Share purchase options				
Total potential dilutive effect	***c***	**0**	**0**	**0**
Average weighted number of shares before diluting effect	***d=b+c***	**136 998 849**	**137 536 323**	**137 896 395**
Group share of net income per undiluted share (in euros)	***a/b***	**1,4**	**1,2**	**0,9**
Group share of net income per diluted share (in euros)	***a/d***	**1,4**	**1,2**	**0,9**

(1) fiscal years 2006 and 2005 adjusted to reflect the nominal division

9.3. Affiliated companies

As of December 31, 2007 the share of BNP Paribas in bank loans totalled €1,571 million, of which €1,257 million have been used. This equity interest must be compared to a total authorized amount of €3,036 million, of which €2,247 million have been used. These figures do not include the commercial paper back-up line (not drawn) of an amount of €300 million, and in which BNP Paribas has an interest of €150 million.

The transactions between affiliated parties were carried out under terms equivalent to those prevailing in the case of transactions subject to normal conditions of competition.

9.4. Compensation of Directors and Officers

The directors' fees paid to members of the Supervisory Board totalled €210,000.

The overall amount of compensations paid in 2007 to Executive Committee members was €2,059,000 .

9.5. Post balance sheet date events

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

9.6. Identity of the consolidating company

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