CONSOLIDATED STATEMENTS
12.31.2003

KLEPIERRE

Consolidated statements of income

(in € thousands)

	December 2003	December 2002	December 2001
Lease income	353 193	311 891	271 403
Lease income from management and administration	32 637	31 541	32 013
Proceeds from sales of projects under development	335	1 529	22 597
Other income from operations	4 736	5 961	4 712
Total income from operations (note 18)	**390 901**	**350 922**	**330 725**
Cost price for projects under development	- 285	- 1 276	- 16 895
Other operating expenses (note 19)	- 39 577	- 36 212	- 30 119
Taxes and duties	- 934	- 926	- 1 043
Payroll expense (note 24)	- 36 829	- 30 670	- 26 741
Employee profit-sharing and expenses	- 2 514	- 2 025	- 1 512
Depreciation and amortization (note 19)	- 96 598	- 88 456	- 85 250
Net balance of allowances to and releases of reserves	- 213	- 2 511	- 3 552
RESULTS OF OPERATIONS	**213 951**	**188 846**	**165 613**
Interest income	94 522	92 754	81 424
Interest expense	- 205 024	- 191 269	- 178 182
FINANCIAL RESULTS (note 20)	**- 110 502**	**- 98 515**	**- 96 758**
PRE-TAX RESULTS OF OPERATIONS	**103 449**	**90 331**	**68 855**
Non-recurring results (note 21)	31 191	63 248	62 414
Goodwill amortization (note 21)	- 539	- 717	- 3 292
Corporate income tax (note 22)	- 26 844	- 54 500	- 45 888
NET EARNINGS OF CONSOLIDATED COMPANIES	**107 257**	**98 362**	**82 089**
Share in net income of equity method investees	396	356	312
NET EARNINGS OF CONSOLIDATED GROUP	**107 653**	**98 718**	**82 401**
Share attributable to minority interests	- 19 358	- 17 619	- 17 106
NET INCOME, GROUP SHARE	**88 295**	**81 099**	**65 295**

Earnings per share

	2003	2002	2001
Number of shares (undiluted basis)	* *44 759 763*	*14 919 921*	*13 383 557*
Net income Group share (in € thousands)	*88 295*	*81 099*	*65 295*
➔ ***Net income, Group share per share***	***2,0***	***5,4***	***4,9***

** the number of shares tripled in 2003 following the two-for-one stock split and the allocation of one free share for every two shares*

Statements of income by business

(in € thousands)

	Offices				Shopping centers											
					Development activities				*Ownership and management activities*				*Total Shopping center business*			
	December 2 003	December 2 002	December 2 001	% 03/02	December 2 003	December 2 002	December 2 001	% 03/02	December 2 003	December 2 002	December 2 001	% 03/02	December 2 003	December 2 002	December 2 001	% 03/02
Lease income	74 198	81 230	87 056	-8,7%		3 333	2 450	-100,0%	278 995	227 328	181 897	22,7%	278 995	230 661	184 347	21,0%
Income from management and administration	156	1 139	2 005	-86,3%		1		-100,0%	32 481	30 401	30 008	6,8%	32 481	30 402	30 008	6,8%
Proceeds from sales of projects under development	-	-	-	-	263	654	22 590	-59,8%	72	875	7	-91,8%	335	1 529	22 597	-78,1%
Other income from operations	790	190	185	315,8%	79	10	22	690,0%	3 867	5 761	4 514	-32,9%	3 946	5 771	4 536	-31,6%
Total income from operations	**75 144**	**82 559**	**89 246**	**-9,0%**	**342**	**3 998**	**25 062**	**-91,4%**	**315 415**	**264 365**	**216 426**	**19,3%**	**315 757**	**268 363**	**241 488**	**17,7%**
Cost price of projects under development	-	-	-	-	- 232	- 617	- 16 895	-62,4%	- 53	- 659	-	-92,0%	- 285	- 1 276	- 16 895	-77,7%
Other operating expenses	- 6 068	- 6 766	- 7 791	-10,3%	- 908	- 1 452	- 1 418	-37,5%	- 32 601	- 27 994	- 20 919	16,5%	- 33 509	- 29 446	- 22 337	13,8%
Taxes and duties	- 125	- 185	- 347	-32,4%	- 8	- 12	- 2	-33,3%	- 801	- 729	- 694	9,9%	- 809	- 741	- 696	9,2%
Payroll expense	- 2 610	- 3 088	- 2 647	-15,5%		- 23	- 27	-100,0%	- 34 219	- 27 559	- 24 066	24,2%	- 34 219	- 27 582	- 24 093	24,1%
Employee profit-sharing and incentives	- 210	- 222	- 325	-5,4%		- 1	-	-100,0%	- 2 304	- 1 802	- 1 187	27,9%	- 2 304	- 1 803	- 1 187	27,8%
Depreciation and amortization	- 21 648	- 21 381	- 23 871	1,2%	- 788	- 852	- 748	-7,5%	- 74 162	- 66 223	- 60 631	12,0%	- 74 950	- 67 075	- 61 379	11,7%
Net balance of allowances to and releases of reserves	1 246	2 860	- 530	-	- 1 323	457	- 1 043	-389,5%	- 136	- 5 828	- 1 979	-97,7%	- 1 459	- 5 371	- 3 022	-72,8%
RESULTS OF OPERATIONS	**45 729**	**53 777**	**53 735**	**-15,0%**	**- 2 917**	**1 498**	**4 929**	**-294,7%**	**171 139**	**133 571**	**106 950**	**28,1%**	**168 222**	**135 069**	**111 879**	**24,5%**

* Ségécé and its subsidiaries are included under Shopping Center Ownership.
* Klégestion financial data is distributed based on actual activities under Offices and Management Fees and Shared Expenses.
* Management Fees and Shared Expenses include expenses from Klégestion, then Klépierre Conseil, and Klépierre SA,
itemized in proportion to the lease income earned for the period in the Office and Shopping Center segments.

Consolidated balance sheet

ASSETS (in € thousands)	December 2003 Gross	December 2003 Depreciation and amortization	December 2003 Net	December 2002 Net	December 2001 Net
FIXED ASSETS	**4 968 084**	**118 417**	**4 849 667**	**3 559 486**	**3 181 795**
Intangible fixed assets (notes 2.2 - 2.4)	**48 806**	**11 078**	**37 728**	**52 278**	**48 659**
Purchase goodwill (note 2.1)	**20 061**	**6 283**	**13 778**	**12 396**	**28 156**
Tangible fixed assets (notes 2.2 - 2.4)	**4 809 958**	**100 285**	**4 709 673**	**3 416 362**	**3 041 638**
Land	2 265 912		2 265 912	1 544 316	1 201 506
Buildings and improvements	2 541 305	99 401	2 441 904	1 869 897	1 838 105
Other tangible fixed assets	2 741	884	1 857	2 149	2 027
Long-term financial assets (note 2.5)	**87 357**	**771**	**86 586**	**77 808**	**62 935**
Equity securities in equity method investees (note 2.6)	**1 902**		**1 902**	**642**	**411**
CURRENT ASSETS	**312 903**	**4 218**	**308 685**	**323 743**	**330 578**
Inventory of projects under development (note 3)	**3 837**		**3 837**	**3 302**	**2 380**
Trade notes and accounts payable (note 4)	**23 293**	**4 110**	**19 183**	**16 827**	**19 950**
Miscellaneous receivables (note 5)	**176 932**	**108**	**176 824**	**193 310**	**177 864**
Marketable securities (note 6)	**43 191**		**43 191**	**65 802**	**80 810**
Cash and near cash	**65 650**		**65 650**	**44 502**	**49 574**
Deferred tax assets (note 10)	**7 305**		**7 305**	**53 178**	**81 193**
Adjustment accounts (note 7)	**20 695**		**20 695**	**18 431**	**20 782**
TOTAL ASSETS	**5 308 987**	**122 635**	**5 186 352**	**3 954 838**	**3 614 348**

Consolidated balance sheet

LIABILITIES (in € thousands)	December 2003	December 2002	December 2001
SHAREHOLDERS' EQUITY (note 8)	**1 839 126**	**1 124 141**	**937 517**
Share capital	179 040	119 360	107 053
Additional paid-in capital	680 124	680 107	545 214
Legal reserve	12 513	11 284	10 447
Consolidated reserves	879 154	232 291	209 507
Earnings for the period	88 295	81 099	65 296
Minority interests (note 9)	**416 677**	**357 670**	**335 850**
DEFERRED TAX CREDITS (note 10)	**110 652**	**95 566**	**89 188**
PROVISIONS FOR CONTINGENCIES AND LOSSES (note 11)	**14 705**	**17 241**	**10 655**
DEBT	**2 793 469**	**2 349 822**	**2 226 753**
Borrowings and financing debt (note 12)	2 427 426	2 103 950	1 944 391
Trade notes and accounts payable (note 13)	33 498	34 187	21 302
Other debt (note 14)	332 545	211 685	261 060
Adjustment accounts (note 15)	**11 723**	**10 398**	**14 386**
TOTAL LIABILITIES	**5 186 352**	**3 954 838**	**3 614 348**
	-	-	-

Consolidated statements of cash flows

(in € thousands)	December 2003	December 2002	December 2001
Cash flow from operations			
Net income of consolidated companies	107 653	98 718	82 089
Elimination of expenses and income with no material impact on cash flow			
- Amortization and depreciation	105 448	101 085	94 759
- Capital gains and losses on sales of assets, net of taxes and deferred taxes	- 17 350	- 55 948	- 63 411
Cash flow of consolidated companies	**195 751**	**143 855**	**113 437**
Change in working capital requirements (1)	- 58 531	- 13 185	146 835
Cash flow from operations	**137 220**	**130 670**	**260 272**
Cash flow from investment activities			
Acquisitions of fixed assets	- 399 347	- 625 299	- 1 384 038
Sales of fixed assets	282 951	182 359	144 598
Impact of change in scope	- 61 912		
Net cash flow from investment activities	**- 178 308**	**- 442 940**	**- 1 239 440**
Cash flow from financing activities			
Dividends paid to shareholders of the parent company	- 51 507	- 40 858	- 35 178
Dividends paid to minority interests in consolidated companies	- 13 107	- 17 083	- 14 523
Change in net financial condition	32 266	147 200	42 551
Net borrowings and financing debt	189 002	338 572	1 161 574
Repayment of borrowings and financing debt	- 379 765	- 187 646	- 224 608
Impact of changes in scope of consolidation	249 605	23 375	177 611
Net cash flow from financing activities	**26 494**	**263 560**	**1 107 427**
Change in cash flow	**- 14 594**	**- 48 710**	**128 259**
Cash flow at the beginning of the period	**46 367**	**95 077**	**- 33 182**
Cash flow at the end of the period	**31 773**	**46 367**	**95 077**

(1) Working capital requirements include the first of four installments payments of the one-time exit-tax of €119.8 million

1 – Significant events in 2003 and the two previous years

2003

1.1 The new tax status for listed real-estate investment companies (SIICs)

- *Impact of adopting SIIC status*

Article 11 of the French Budget Act for 2003 and the decree of July 11, 2003 offer a new tax-exempt status to real-estate investment companies (*Sociétés d'Investissements Immobiliers Cotées* - SIIC) listed on a regulated market in France, provided that they have minimum share capital of €15 million and that their principal corporate purpose is to acquire and build properties for rental or to directly or indirectly own shares in companies having this corporate purpose. The option is irrevocable. Subsidiaries subject to corporate income tax in which the company holds at least a 95% equity interest can also elect the new status.

Companies that opt for the SIIC status in turn agree to distribute 85% of rental income, 50% of the proceeds from the sale of real-estate assets and all of the dividends received from tax-exempt subsidiaries.

These companies are liable for an immediate 16.5% exit tax on their unrealized capital gains derived from property and securities in tax-exempt partnerships. The first 25% of the exit tax is payable on December 15 of the year in which the company opts for the new status, and the balance is payable over the next three years.

The methods for calculating the exit tax are described in paragraph 3.10.

- *Klépierre's option*

At their meeting on September 26, 2003, the shareholders of Klépierre approved the adoption of the new tax status. The French tax authorities were notified of their decision on the same date.

The decision is retroactive from January 1, 2003.

- *Accounting impacts of adopting the new SIIC tax status*

  - Revaluation of tangible and financial assets

In line with its decision to adopt the new SIIC tax status, Klépierre revalued the tangible and financial fixed assets in its consolidated balance sheet. Pursuant to opinion No. 2003-C issued on June 11, 2003 by the French National Accounting Board *(Conseil National de la Comptabilité*), Klépierre recorded gross revaluation reserves (for excess of restated assets over historical cost) of €784.6 million for eligible assets on its opening balance sheet, subject to an exit tax of €119.4 million. Assets not eligible for the new status were revalued in the consolidated balance sheet. The resulting €130.6 million in revaluation reserves, net of deferred taxes, was also recorded as shareholders' equity.

The methods for calculating the revaluation reserve and the impact of the revaluation on fixed assets and amortizations of fixed assets are described in detail in paragraph 3.1.

- Calculating the exit tax

The exit tax was recorded:

- Against the revaluation reserve recorded as shareholders' equity, equal to the capital gain calculated on the difference between the appraised value and the consolidated net book value;
- Under taxes in the statement of income, equal to the capital gain calculated on the difference between the tax value and the consolidated net book on the value.

- Deferred taxes recorded at the beginning of the fiscal year

Deferred income tax provisions that are no longer necessary have been transferred to the statement of income.

The impact on the opening balance sheet at January 1, 2003 is summarized in the table below:

ASSETS				LIABILITIES			
(in € M million)	01/01/2003 reported	SIIC revaluation	01/01/2003 restated	(en M€)	01/01/2003 reported	SIIC and revaluation	01/01/2003 restated
FIXED ASSETS	3 559.5	969.4	4 528.9	SHAREHOLDERS' EQUITY	1 124.1	694.4	1 818.5
				* including group results	81.1	-6.3	74.8
				MINORITY INTERESTS	357.7	104.6	462.3
				PROVISIONS FOR CONTINGINCIES AND LOSSES	17.2		17.2
				DEFERRED TAX LIABILITIES	95.6	5.3	100.9
CURRENT ASSETS	213.3		213.3	DEBT	2 349.8	119.8	2 469.5
CASH AND MARKETABLE SECURITIES	110.3		110.3				
IMPOT DIFFERE ACTIF	53.2	-45.3	7.9				
ADJUSTMENT ACCOUNTS	18.4		18.4	ADJUSTMENT ACCOUNTS	10.4		10.4
TOTAL ASSETS	3 954.8	924.1	4 878.8	TOTAL LIABILITIES	3 954.8	924.1	4 878.8

- *Restructuring in connection with the new SIIC tax status*

To optimize the effects of this tax status, Klépierre began a restructuring program in July 2003. The program primarily concerned Klécentres, in which Klépierre acquired full ownership in exchange for granting exiting minority shareholders full ownership of Gonesses Usine Center (Center Villepinte); 50% ownership of Bègles Arcins, owner of the Rives d'Arcins center; and 11.24% of Solorec, owner of the Créteil Soleil center.

In September 2003, Klécentres and Klébureaux, two wholly owned subsidiaries of the Klépierre group, transferred their assets and liabilities to the holding company under the terms of a procedure in France known as a TUP *(transmission universelle de patrimoine)*.

1.2 Change in scale of the group's holdings

In 2003, the group acquired 28 additional shopping malls in operation, of which 21 are located abroad:

- *France*

Six shopping malls plus three retail outlets in Mérignac were acquired in France for €71.1 million:
- Beaune, Bourg en Bresse, Le Mans, Denain and Sevran acquired by Klécar France and SNC KC20 under the Carrefour agreement.
- Marseille le Merlan acquired by SAS Marseille Le Merlan in late December.

- *Italy*

The group acquired four malls :
- Klépierre acquired an 85% equity interest in the Vignate property in Milan through Novate.
- The Italian company CG Collegno Srl acquired the Collegno mall in Turin.
- Bari and Matera were acquired by Kléfin Italia and Novate, respectively.

The value of the acquired properties is €117.1 million.

In addition, a down payment was made for Solbiate in connection with a contingent bilateral promise to buy securities.

- *Spain*

- Klécar Foncier España acquired the Tenerife shopping mall, which opened for business in June 2003, as well as the Oviedo, Azabache, Albacete and Leon malls.
- Klécar Foncier Iberica acquired the Lucena, Pontevedra, Orense and Sevilla V malls.
- The Spanish company Vinaza (a wholly-owned subsidiary of Klépierre) acquired the Vinaroz center.

The 10 malls in Spain represent a total investment of €113.2 million.

- *Portugal*

Three shopping malls were acquired in Portugal for a total of €91.6 million:
- Gondomar: Inaugurated in Porto in September of 2003, the center includes a shopping mall and a Leroy-Merlin home improvement store.
- Villa Nova de Gaïa and Lisbonne Telheiras, acquired in connection with the Carrefour agreement.

- *Greece*

In December 2003, Klépierre acquired three shopping malls, EfKarpia, Patras and Athinon, for a total acquisition price of €14.6 million.

- *Eastern Europe*

Capucines BV, a wholly owned Klépierre SA subsidiary, acquired a 99% equity interest in Delcis CR, the Czech company that owns the Novy Smichov shopping mall inaugurated in Prague in September 2001. The mall is valued at €77.4 million.

- *Projects under development*

- Louvain-la Neuve in Belgium: The project, completed by the Belgian company Wilhem & Co and valued at €130 million, was acquired by the Belgian company Coimbra, a wholly owned Klépierre subsidiary. The mall, which is scheduled to open in 2005, includes a multi-screen movie theater complex that is already in operation.

- Valenciennes: the €50 million project completed by Ségécé, was acquired by Sodevac. It includes a shopping mall in the heart of the City of Valenciennes, which is scheduled to open in 2006.

❑ *Office property disposals*

Six office properties in Paris and its *Première Couronne* were sold, generating a pre-tax capital gain of €11.4 million.

1.3 Klépierre triples its stock float

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

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

- Two-for-one stock split: Stated equity capital was increased by capitalizing reserves totaling €59,79,684 and issuing 14,919,921 new shares, freely allotting one new share for every two shares issued with a par value of €4.

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

2002 Fiscal year

❑ *Acquisition of nine malls in France*

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

❑ *Shopping malls acquired in Italy*

- In late June, Klépierre acquired 11 Italian shopping malls from Carrefour with a net book value of €224 million. Klécar Italia, a wholly owned subsidiary of Klécar Participations in Italy, owns the malls. Klépierre owns 83% of Klécar Participations, while CNP Assurances and Ecureuil Vie own the remaining 17%.

- On July 18, 2002, Klépierre entered into an agreement with the Italian group Finiper, under the terms of which Klépierre acquired a 40% equity interest in IGC, a subsidiary of Finiper that owns nine shopping centers, most of which are located in northern Italy. The nine malls were acquired for a total of €59.4 million.

❑ *Shopping malls acquired in Spain*

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

- *First acquisition in Portugal*

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

- *Bond conversion*

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

- *Other transactions*

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

2001

- *Carrefour mall acquisitions pursue, in line with the agreement signed in July 2000*

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

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

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

- *Other transactions*

- In February 2001, Klépierre acquired full ownership of Arcol, the owner of the Danubia shopping center in Bratislava.
- In July 2001, Klépierre acquired an additional 51% of securities in Cienneo, the owner of the Metropoli Center in Novate, increasing its total equity stake to 85%.
- Three shopping centers developed by the group opened for business in 2001: Annecy in March, Boulogne–Billancourt in June and Poitiers in October.

2– Principles and methods of consolidation

2.1 Regulatory framework

Since January 1, 2002, the Klépierre group's consolidated financial statements are prepared in compliance with the provisions of CRC Regulation No. 99-02.

2.2 Basis and methods of consolidation

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

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

Portfolio management firms are also fully consolidated.

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

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

2.3 Fiscal year reporting date

The accounting cut-off date for all of Klépierre's consolidated subsidiaries is December 31, 2003.

2.4 Reciprocal accounts and related party transactions

Reciprocal accounts and gains from inter-company transactions are eliminated in consolidation. However, development sales fees are not eliminated in cases where the purchasing company has included this income in the cost price of long-term assets or inventory. Interest that is payable by development companies and recorded as inventory in their accounts is not eliminated.

2.5 Purchase goodwill

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

Goodwill is subject to amortization over 15 years.

2.6 Methods for converting foreign companies

Monetary and non-monetary assets and liabilities of foreign companies stated in non-euro currencies are converted in accordance with the applicable exchange rate on the balance sheet closing date. The variance resulting from the difference between the valuation of earnings items according to the average exchange rate during the period and earnings stated according to the closing rate is classified as forex exchange and is carried as consolidated shareholders' equity.

2.7 Treasury shares held by the company

Shares of common stock that Klépierre issues and holds for subsequent grants to its employees are classified as marketable securities and carried at their acquisition price. An impairment allowance is established as needed to reflect the difference between the acquisition price and the exercise price on the corresponding option to purchase granted to employees.
Shares held to stabilize the stock price are classified as marketable securities and are carried at their acquisition price. An impairment allowance is established whenever their market value is lower than their acquisition value.

3 – Significant accounting and valuation policies

3.1 Tangible and financial assets

Revaluation of tangible and financial assets at January 1, 2003

- Revaluation methods

The accounting impacts of opting for the new SIIC status are defined in Opinion No. 2003-C issued on June 11, 2003 following an emergency meeting of the *Conseil National de la Comptabilité*. Using the provisions available to companies opting for the new tax status, Klépierre conducted a revaluation of its tangible and financial assets in its consolidated balance sheet and recorded the resulting revaluation reserve net of the exit tax under shareholders' equity.

Klépierre revalued each of its holdings recorded in the consolidated balance sheet on the basis of its appraised value, excluding rights, on January 1, 2003.

The appraised values are the values, inclusive of duties, communicated by the appraisers for the calculation of revalued net assets. Duties primarily include transfer and notary duties and fees. Differences from one country to the next were taken into account to determine values exclusive of duties.
The resulting values were then allocated between land and buildings based on the appraisal methods used, namely:
- Land rates for office properties
- The cost of construction for shopping centers.

A depreciation rate was applied to the cost of replacement plus replacement expenses. Then the amortization schedules for buildings were recalculated based on the adjusted values. The new amortization schedules were fixed by the appraisers based on the type of building and remaining useful life, approximately 40 years for office properties and 20 to 30 years for shopping centers.

Building leases are intangibles. For this reason, this portion of the corresponding asset value was not revalued.

- Adjusting the revalued values at the close of the first period following the adoption of the new status

Pursuant to Opinion No. 2003-C, the decreases in the values of eligible assets can be charged against the revaluation reserve that was initially recorded until the close the first full year following election of SIIC status.

- Fixed assets acquired after January 1, 2003

Fixed assets acquired after January 1, 2003 and extensions and renovation of revalued fixed assets are recorded on the balance sheet at their acquisition cost and amortized over periods ranging from 25 to 40 years.

- Valuation allowances for real-estate assets

Valuation allowances are established for real-estate assets whenever a material, other-than-temporary difference exists between the appraised value (transfer duties included) and the net book value. Such differences are deemed material when they exceed 10% of the net book value.

In addition, the appraised value does not include transfer duties when the real-estate asset in question is being held for sale in the near term.

3.2 Significant changes in accounting policies and regulations

❑ CRC 2002.10 relative to impaired assets

The set of transitional measures set forth in Regulation 2002.10 of the French Accounting Regulations Committee *(Comité de la Réglementation Comptable)* stipulates that businesses are required to set up reserves for major repairs or use the so-called "components" method to determine amortization schedules and bases for major repairs and various types of long-term assets for periods that begin after January 1, 2003 and through December 31, 2004.
Following the publication of Regulation CRC 2003.07 issued on December 12, 2003, these transition measures provide:
- With respect to primary expenses, or expenses incurred to replace all or part of assets, companies that have not yet established reserves for major repairs and revisions should not do so. In any case, they can opt for the components method.
- With respect to secondary expenses, or expenses that concern multi-year programs for major repairs, companies must (as of fiscal periods which begin after January 1, 2003) either establish reserves for major repairs and revisions or use the components method.

At the January 1, 2003 reporting date, Klépierre revalued the assets in its financial statements on the basis of appraised values at December 31, 2002, taking into account the degree of depreciation for each property. Consequently, no additional reserves are required. In addition, shopping center leases generally include clauses that transfer maintenance and repair costs to tenants. The balance of such expenses borne by the owner is not material.

❑ Avis No. 2004.A: accounting changes that affect the amount of end-of-career indemnities

The opinion issued on January 21, 2004 by the CNC following an emergency meeting defines the methods for handling the accounting impact of Act no. 2003-775 of August 21, 2003 on the reform of retirement obligations, amending retirement regulations. As a result, retirement before the age of 65 must be at the initiative of the employee. Any end-of-career indemnities paid at this time are subject to social charges. These changes have led to the revision of certain accounting assumptions and the provision of an additional €0.8 million in reserves under non-recurring results for the fiscal year.

3.3 Inventory of projects under development

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

This cost includes the purchase price and related costs of acquiring land, as well as construction costs, interest expense and fees. It does not, however, include fees incurred to initially lease up rental premises. Such fees are expensed over the first three years of the corresponding leases (see paragraph 3.8).

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

3.4 Start-up and contribution costs and acquisition costs for securities and property

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

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

Acquisition costs relative to securities and property purchased are recoded as assets. Property acquisition costs are spread over the amortization period for the related asset.

Bond issue costs are carried as expenses to amortize on a prorated basis over the scheduled maturity of the bond.

3.5 Accrued retirement liabilities and other employer commitments

- **Retirement**

  - France

The retirement obligations of Klépierre primarily include end-of-career indemnities, complementary retirement plans, early retirement plans, and health insurance plans for both active and retired employees.

Recommendation CNC 2003 R 01 dated April 1, 2003 sets forth the methods to be used to calculate retirement obligations. This recommendation went into effect on January 1, 2004, although it may be applied as of 2003. The Klépierre Group did not opt for early application, and consequently maintained earlier accounting practices: i.e. the projected unit credit method; annual income statement recording of all changes in employer obligations, including those related to actuarial variances; accounting of accrued retirement obligations net of hedging results.

In addition, Act 2003-775 dated August 21, 2003 (the so-called “Fillon Act”) changed the conditions governing employee retirement, such that separation at the option of the employer before an employee has reached the age of 65 is considered to be either a voluntary departure or dismissal. As such, the related end-of-career indemnity is subject to social contributions.

- Abroad

In Italy, the company records a retirement liability for each employee, increased by 1/13.5 of the gross annual salary. This liability is certain, as it is payable upon termination of the employment contract regardless of the reason.

In Spain, retirement liabilities are established on the basis of collective agreements in force. The Group’s Spanish affiliates are not concerned by these agreements.

- **Other employer obligations**

The Klépierre group has signed various agreements to pay several different types of personnel benefits (for length of service, health care, etc.).

Each year, the group estimates these costs and adjusts accrued liabilities on the basis of changes in the present value of these commitments, pursuant to the method used for retirement plans.

3.6 Convertible bond

Following Klépierre’s offer of early redemption in July of 2002, the convertible bonds issued by Klépierre in November 1998 were converted into new shares earning dividends as from January 1, 2002.

3.7 Entry fees and indemnities

Entry fees received are considered as additional lease income and recorded as prepaid income, spread over the term of the related lease.

Eviction indemnities paid to tenants are recorded as deferred expenses and amortized over three years.

Termination indemnities collected from tenants are immediately recognized as income.

3.8 Sales fees

Sales and lease-up fees related to the opening of new shopping centers and extensions to existing ones are recorded as expenses to be amortized over three years on a pro-rated basis, as of the date on which the shopping center or extension opens for business.

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

3.9 Non-recurring items

Non-recurring income and losses result from events that are unrelated to Klépierre's business. Consequently, their inclusion would have an adverse impact on the comparability of financial statements and operations.

Klépierre records as non-recurring items:

- Capital gains on the sale of property, net of disposal fees
- Capital gains on the sale of equity interests and treasury sales.

3.10 Corporate income tax

❑ Tax status for listed real estate investment companies

- Calculating the exit tax for companies that opt for SIIC status

Companies that opt for the new status are liable for an exit tax. Fiscally transparent companies that do not opt for corporate income tax are consolidated through their parent companies that have opted for SIIC status and that are liable for the exit tax calculated on the basis of the capital gain on SCI or SNC partnership units they hold.

For each company, the exit tax is determined on the basis of the difference between the fair market value excluding transfer duties and the tax value of fixed assets or shares in companies.

Fair market values excluding duties were determined using appraised values including duties as determined on December 31, 2002 to calculate RNA, and were adjusted as follows:

- The fair market value of properties is calculated applying a 6% discount for expenses and duties.
- The fair market value of SCIs and SNCs is equal to RNA, discounted by 4.80% for transfer duties.

Thirty-three companies opted for SIIC status in 2003 and are liable for an exit tax of €119.7 million. Some of these companies maintain taxable activities. In such cases, the corporate income tax was calculated on the basis of prevailing rates.

❑ Corporate income tax applicable to companies not eligible for SIIC tax status

The corporate income tax for companies that are not eligible for SIIC tax status is calculated on the basis of prevailing rates.

❑ Tax consolidation

Three tax consolidation agreements were signed on December 31, 2002:

- Between Klépierre and subsidiaries in which its ownership was 95% or more
- Between Klécentres and its subsidiaries in which its ownership was 95% or more
- Between Ségécé and its subsidiary Ségécé Loisirs et Transactions

As a result of the new SIIC tax status, the Klépierre and Klécentres tax consolidation groups were dissolved.

The Ségécé tax consolidation group was dissolved during the year after Ségécé was transformed into a simple partnership (*Société en Commandite Simple).*

Deferred taxes

- SIIC status

Pursuant to Opinion No. 2003-C of the *Conseil National de la Comptabilité*, deferred tax reserves recorded at the December 31, 2002 reporting date for eligible assets were released to income.

- Non-SIIC status

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

Deferred tax assets are generally recognized when the earnings forecasts available at the balance sheet closing date indicate that recovery is likely.

Deferred taxes are calculated using local rates in force as of the balance sheet closing date. The rates applied are as follows: 35.43% in France, 35% in Spain and 33% in Italy.

Deferred tax liabilities for real-estate holdings are calculated based on the differences between the values as obtained for tax purposes and the values used in consolidation for office properties and shopping centers. Klépierre applies the tax rate applicable to building sales.

Klépierre does not calculate taxes for three companies:

- IGC and Vignate in Italy, since it is probable that the sale will involve equity interests rather than real property;
- SGM Gondomar in Portugal, since the Group intends to limit its holding to three years. Tax-exempt status is allowed if the sale occurs at this time.

3.11 Risk management instruments

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

Gains and losses related to interest or exchange rate swaps are prorated over the period and reflected in the income statement.

Unrealized gains and losses resulting from the difference between the estimated fair market value of such contracts at year-end and their nominal value are not recorded.

4 – Scope of consolidation

➔ *Note 1*

Company	Siren no.	Consolidation at 12/31/03 (1)	% ownership December 2003	% ownership December 2002	% control December 2003	% control December 2002
SA Klépierre	780 152 914	FC	100,00%	100,00%	100,00%	100,00%
Offices						
SAS Baudot Massy	398 963 850	FC	100,00%	100,00%	100,00%	100,00%
SAS 192 Avenue Charles de Gaulle	392 654 505	FC	100,00%	100,00%	100,00%	100,00%
SAS 5 Turin	398 969 014	FC	100,00%	100,00%	100,00%	100,00%
SAS Concorde Puteaux	400 098 364	FC	100,00%	100,00%	100,00%	100,00%
SAS Espace Dumont d'Urville	419 057 922	FC	100,00%	100,00%	100,00%	100,00%
SAS Espace Kléber	419 057 823	FC	100,00%	100,00%	100,00%	100,00%
SAS Issy Desmoulins	398 968 677	FC	100,00%	100,00%	100,00%	100,00%
SAS Kléber Levallois	400 098 356	FC	100,00%	100,00%	100,00%	100,00%
SAS Klépierre Finance	433 613 312	FC	100,00%	100,00%	100,00%	100,00%
SAS Leblanc Paris 15	400 110 235	FC	100,00%	100,00%	100,00%	100,00%
SAS Louis David	350 288 643	FC	100,00%	100,00%	100,00%	100,00%
SAS LP7	428 782 486	FC	100,00%	100,00%	100,00%	100,00%
SAS Oise Cergy	398 965 111	FC	50,00%	50,00%	50,00%	50,00%
SAS 43 Grenelle	393 438 742	FC	100,00%	100,00%	100,00%	100,00%
SAS 43 Kléber	398 966 812	FC	100,00%	100,00%	100,00%	100,00%
SAS 46 Notre Dame des Victoires	392 655 395	FC	100,00%	100,00%	100,00%	100,00%
SAS Suffren Paris 15	400 098 448	FC	100,00%	100,00%	100,00%	100,00%
SAS 21 Kléber	582 017 273	FC	100,00%	100,00%	100,00%	100,00%
SAS 21 La Pérouse	389 519 158	FC	100,00%	100,00%	100,00%	100,00%
SAS 23 avenue Marignan	392 663 670	FC	100,00%	100,00%	99,99%	99,99%
SCI Antin Vendôme	313 781 668	PC	50,00%	50,00%	50,00%	50,00%
SCI Chaptal Alun	428 295 521	FC	100,00%	100,00%	100,00%	100,00%
SCI 8 rue du Sentier	352 503 403	FC	100,00%	100,00%	100,00%	100,00%
SNC Barjac Victor	390 123 057	FC	100,00%	100,00%	100,00%	100,00%
SNC CB Pierre	343 146 932	FC	100,00%	100,00%	99,00%	99,00%
SNC Général Leclerc n°11 et 11 bis Levallois	381 986 363	FC	100,00%	100,00%	100,00%	100,00%
SNC Jardins des Princes	391 237 716	FC	100,00%	100,00%	100,00%	100,00%
SNC Maille Nord	349 572 891	FC	100,00%	100,00%	100,00%	100,00%
Shopping Centers - France						
SAS Begles Arcins	404 357 535	PC	50,00%	82,50%	50,00%	100,00%
SAS Brescia	419 297 163	FC	100,00%	82,50%	100,00%	100,00%
SAS Candé	423 012 376	FC	99,99%	99,99%	100,00%	100,00%
SAS Cécobil	408 175 966	PC	50,00%	50,00%	50,00%	50,00%
SAS Cécoville	409 547 015	FC	100,00%	100,00%	100,00%	100,00%
SAS Doumer Caen	398 969 113	FC	99,96%	82,47%	99,96%	99,96%
SAS Espace Cordeliers	421 101 882	PC	50,00%	50,00%	50,00%	50,00%
SAS Flandre	423 012 004	FC	100,00%	99,99%	100,00%	100,00%
SAS Jaude Clermont	398 960 963	FC	99,99%	82,49%	99,99%	99,99%
SAS Le Havre Capelet	410 336 564	FC	100,00%	100,00%	100,00%	100,00%
SAS Le Havre Lafayette	420 292 047	PC	50,00%	50,00%	50,00%	50,00%
SAS Le Havre Tourneville	407 799 493	FC	100,00%	100,00%	100,00%	100,00%
SAS Le Havre Vauban	420 307 704	PC	50,00%	50,00%	50,00%	50,00%
SAS Klecar Europe Sud	428 864 268	FC	83,00%	83,00%	83,00%	83,00%
SAS Klecar Participations Italie	442 229 175	FC	83,00%	83,00%	83,00%	83,00%
Holding Gondomar 1	438 568 545	FC	100,00%	-	100,00%	-
Holding Gondomar 3	438 570 129	FC	100,00%	-	100,00%	-

Note 1 (2)

Company	Siren No.	Consolidation at 12/31/03 (1)	% ownership		% control	
			December 2003	December 2002	December 2003	December 2002
Shopping Centers - France - cont'd						
SAS Klémurs	419 711 833	FC	100,00%	100,00%	100,00%	100,00%
SAS Klépierre Transactions	389 217 746	FC	100,00%	100,00%	100,00%	100,00%
SAS Melun Saint-Pères	402 668 792	FC	99,98%	82,48%	99,98%	99,98%
SAS Odysseum Place de France	428 788 525	FC	70,00%	70,00%	70,00%	70,00%
SAS Opale	398 968 735	FC	100,00%	100,00%	100,00%	100,00%
SAS Poitiers Aliénor	410 245 757	FC	100,00%	100,00%	100,00%	100,00%
SAS Saint André Pey Berland	377 563 978	FC	100,00%	82,50%	100,00%	100,00%
SAS Secmarne	309 660 504	FC	61,67%	55,68%	61,67%	61,67%
SAS Soaval	419 620 075	PC	37,50%	35,31%	50,00%	49,92%
SAS Socoseine	389 287 871	FC	93,75%	92,65%	100,00%	100,00%
SAS Strasbourg La Vigie	399 181 635	FC	99,85%	82,38%	99,85%	99,85%
SAS Tours Nationale	393 439 062	FC	100,00%	82,50%	100,00%	100,00%
SC Centre Bourse	300 985 462	FC	100,00%	85,12%	100,00%	100,00%
SC Solorec	320 217 391	FC	88,76%	87,87%	88,76%	100,00%
SCI du Bassin Nord	422 733 402	PC	50,00%	50,00%	50,00%	50,00%
SCI Sécovalde	405 362 682	FC	40,00%	40,00%	40,00%	40,00%
SNC Soccendre	319 814 075	FC	75,25%	70,74%	100,00%	100,00%
SNC Foncière Saint-Germain	378 668 875	FC	100,00%	100,00%	100,00%	100,00%
SNC KC1	433 816 501	FC	83,00%	83,00%	100,00%	100,00%
SNC KC2	433 816 444	FC	83,00%	83,00%	100,00%	100,00%
SNC KC3	433 816 725	FC	83,00%	83,00%	100,00%	100,00%
SNC KC4	433 816 774	FC	83,00%	83,00%	100,00%	100,00%
SNC KC5	433 817 269	FC	83,00%	83,00%	100,00%	100,00%
SNC KC6	433 842 549	FC	83,00%	83,00%	100,00%	100,00%
SNC KC7	433 842 515	FC	83,00%	83,00%	100,00%	100,00%
SNC KC8	433 842 564	FC	83,00%	83,00%	100,00%	100,00%
SNC KC9	433 816 246	FC	83,00%	83,00%	100,00%	100,00%
SNC KC10	433 816 220	FC	83,00%	83,00%	100,00%	100,00%
SNC KC11	433 894 243	FC	83,00%	83,00%	100,00%	100,00%
SNC KC12	433 894 102	FC	83,00%	83,00%	100,00%	100,00%
SNC KC20	449 054 949	FC	83,00%	-	100,00%	-
SNC Kléber La Perouse	388 724 361	FC	100,00%	100,00%	100,00%	100,00%
SNC Klecar France	433 496 965	FC	83,00%	83,00%	83,00%	83,00%
SNC Sodevac	388 233 298	FC	100,00%	-	100,00%	-
SCI Tour Marcel Brot	428 810 287	FC	100,00%	-	100,00%	-
SAS Marseille Le Merlan	451 355 861	FC	100,00%	-	100,00%	-
Services - France						
Gie Klépierre Services	435 194 725	FC	87,75%	87,75%	100,00%	100,00%
SAS Klégestion	398 058 149	FC	100,00%	100,00%	100,00%	100,00%
SAS Klépierre Conseil	398 967 000	FC	100,00%	100,00%	100,00%	100,00%
SAS Ségécar	434 290 599	FC	75,00%	35,31%	100,00%	50,00%
SAS Ségécé	562 100 214	FC	75,00%	70,62%	74,99%	74,99%
SAS Ségécé Loisirs et Transactions	421 220 252	FC	75,00%	67,23%	95,12%	95,12%
SNC Galae	433 909 165	FC	87,25%	85,02%	100,00%	100,00%
Shopping centers - Abroad -						
Arcol	Slovakia	FC	100,00%	100,00%	100,00%	100,00%
Belarcol	Belgium	FC	100,00%	100,00%	100,00%	100,00%

Note 1 (3)

Company	Siren no.	Consolidation at 12/31/03 (1)	% ownership		% control	
			December 2003	December 2002	December 2003	December 2002
Capucines BV	Netherlands	FC	100,00%	100,00%	100,00%	100,00%
Cienneo SRL	Italy	FC	85,00%	85,00%	85,00%	85,00%
Coimbra	Belgium	FC	100,00%	-	100,00%	-
Foncière Louvain La Neuve	Belgium	FC	100,00%	-	100,00%	-
Delcis Cr	Czech Republic	FC	99,00%	-	99,00%	-
Cinéma de l'Esplanade Louvain	Belgium	FC	100,00%	-	100,00%	-
I.C.D. SPA	Italy	FC	85,00%	70,12%	85,00%	85,00%
IGC	Italy	PC	40,00%	40,00%	40,00%	40,00%
Immobiliare Magnolia SRL	Italy	FC	85,00%	85,00%	85,00%	85,00%
KFM Makedonia	Greece	FC	83,01%	83,01%	100,00%	100,00%
Klecar Foncier Iberica	Spain	FC	83,00%	83,00%	100,00%	100,00%
Klecar Foncier Espana	Spain	FC	83,00%	83,00%	100,00%	100,00%
Klecar Italia Spa	Italy	FC	83,00%	83,00%	100,00%	100,00%
Klefin Italia	Italy	FC	100,00%	100,00%	100,00%	100,00%
Klelou SA	Portugal	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Portugal SA SGPS	Portugal	FC	100,00%	100,00%	100,00%	100,00%
Novate SRL	Italy	FC	100,00%	100,00%	100,00%	100,00%
Vignate	Italy	FC	85,00%	-	85,00%	-
Zobel Investment BV	Netherlands	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Vinaza	Spain	FC	100,00%	-	100,00%	-
Klépierre Peribola Patras AE	Greece	FC	83,00%	-	100,00%	-
Klépierre Nea Efkarpia	Greece	FC	83,00%	-	100,00%	-
Klépierre Athinon AE	Greece	FC	83,00%	-	100,00%	-
FC Collegno	Italy	FC	100,00%	-	100,00%	-
Klenord Imobiliaria	Portugal	FC	100,00%	-	100,00%	-
Klétel Imobiliaria	Portugal	FC	100,00%	-	100,00%	-
SGM Gondomar	Portugal	PC	50,00%	-	50,00%	-
SGS Gondomar	Portugal	PC	50,00%	-	50,00%	-
Services - Abroad						
Centros Shopping Gestion	Spain	PC	37,50%	35,31%	50,00%	50,00%
Devimo Consult	Belgium	EM	26,25%	24,72%	35,00%	35,00%
FMC	Czech Republic	FC	56,25%	52,96%	75,00%	75,00%
PSG	Italy	PC	37,50%	35,31%	50,00%	50,00%
Sogecaec	Portugal	FC	75,00%	-	100,00%	-
Companies no longer consolidated as of December 31, 2003						
Belga Sept SA	Belgium	NC	-	100,00%	-	100,00%
SC Cecocord	417 522 485	NC	-	99,97%	-	100,00%
SCI Boulogne d'Aguesseau	394 798 375	NC	-	100,00%	-	100,00%
SCI Etoile Quinzième	350 455 481	NC	-	100,00%	-	100,00%
SCI Les Ellipses	381 199 975	NC	-	100,00%	-	100,00%
SCI Levallois Anatole France	394 383 376	NC	-	100,00%	-	100,00%
SCI Rueil Hermès	394 798 482	NC	-	100,00%	-	100,00%
SCI Villepinte le Tropical	394 797 872	NC	-	100,00%	-	100,00%
SNC Couperin Foncière	349 263 400	NC	-	100,00%	-	100,00%
SNC Godefroy n°8 Puteaux	377 548 052	NC	-	100,00%	-	100,00%
SNC 86, rue Anatole France	380 728 261	NC	-	100,00%	-	100,00%
SAS Klécentres	400 392 793	NC	-	82,50%	-	82,50%
SAS Klébureaux	410 244 024	NC	-	100,00%	-	100,00%
SAS Center Villepinte	398 961 235	NC	-	82,47%	-	99,97%
SAS Daumesnil Reuilly	403 085 574	NC	-	100,00%	-	100,00%

At year-end 2002, 124 Group companies were consolidated, compared with 118 as of December 31, 2002.

- *21 companies were consolidated for the first time in 2003*

  - *9 were consolidated following the acquisition of equity interests*

- Delcis Cr, owner of the Novy Smichov shopping mall in Prague, 99% owned by Capucines BV.
- Vignate, owner of the Vignate shopping mall in Milan, 85% owned by Novate Srl.
- Foncière de Louvain La Neuve, 100% owned by Klépierre and 100% owner of equity in Coimbra and Cinéma de L'Esplanade.
- Klépierre acquired a 50% equity interest in SGM Gondomar and SGS Gondomar, two Portuguese companies that own, respectively, a shopping mall and a DIY retail outlet. Ownership is exercised via two wholly owned French holding companies: Holding Gondomar 1 owns a 50% interest in SGM, and Holding Gondomar 3 owns a 50% interest in SGS.

Purchase goodwill recorded in connection with the aforementioned transactions is indicated below:

- Delcis Cr: €8.5 million (€12.4 million allocated to the property complex and €3.8 million recorded as a deferred tax liability)
- Vignate: €23.6 million fully allocated to the property complex. No deferred tax was calculated since it is probable that the sale will involve not real property but equity securities, which do not generate taxable capital gains.
- Coimbra: €7.2 million (€10.9 million allocated to fixed assets in progress and €3.7 million recorded as a deferred tax liability).
- Gondomar: €8.5 million fully allocated to the property complex.

  - *12 companies were formed by the Klépierre Group*

- Sas Marseille Le Merlan (Le Merlan mall in Marseille), SCI Tour Marcel Brot (office building in Nancy) and SNC Sodevac (downtown mall in Valenciennes). All are directly and wholly owned subsidiaries of Klépierre.
- Klépierre Vinaza, a company formed under and governed by the laws of Spain, owner of the Vinaroz mall and wholly owned by Klépierre.
- SNC KC20, owner of the Sevran mall and 83% owned by its parent Klécar France.
- Imobiliaria Klenord and Imobiliaria Kletel, wholly owned subsidiaries of Klépierre Portugal and owners of the Villa Nova de Gaîa and Telheiras shopping malls.
- Klépierre Nea Efkarpia, Klépierre Peribola Patras AE and Klépierre Athinon AE, companies formed under and governed by the laws of Greece, wholly owned by Klépierre Europe Sud.
- CG Collegno, a wholly owned Italian subsidiary of Klefin Italia.
- Sogecaec, a Portuguese management firm in which Ségécé has a 100% equity interest.

SGM Gondomar and SGS Gondomar are proportionally consolidated. The 19 other newly consolidated subsidiaries are fully consolidated.

- *Companies removed from consolidation*

Ten companies, including Klécentres and Klébureaux have been wound up or dissolved after their assets and liabilities were transferred to their holding company, a procedure known in France as TUP (*transmission universelle de patrimoine*). In addition, 4 companies that have ceased doing business since their assets were sold are no longer consolidated. Center Villepinte (Gonesses Usine Center) has been sold to an outside party and hence is no longer owned by the Group.

- *Other changes in percentage of ownership*

In September 2003, Klépierre increased its ownership of Klécentres from 82.5% to 100% in exchange for granting outgoing minority interests 100% of Center Villepinte (Gonesses Usine Center), 50% of Bègles Arcins (Centres Rives d'Arcins in Bordeaux), and 11.24% of Solorec (Créteil Soleil). In light of the property asset revaluation completed in connection with the change to SIIC status, this unequal reduction of ownership interest did not generate significant goodwill or after-tax capital gains. However, the partial sale to an outside party of Créteil Soleil interests reactivated a €7.6 million euro capital gain that was cancelled in 1995.

In December 2003, Ségécé acquired a 50% equity interest in Ségécar, bringing its level of ownership from 50% to 100%.

- *Change in method of consolidation*

After 50% of the equity securities held in Bègles Arcins were sold, the company is no longer fully consolidated as of July 31, 2003. As of this date, it is proportionally consolidated.

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

5.1 Notes on consolidated balance sheet assets

Note 2.1- Goodwill

Accumulated amortization of goodwill was €20.1 million, compared with €19.9 million recorded for the year ended December 31, 2002. This difference reflects goodwill of €2.5 million recorded in connection with the buyback of 50% of Ségécar by Ségécé and the cancellation of goodwill on Klécentres.

➔ ***Note 2.1***

in € thousands	December 2002	Increases	Change in presentation	Allocations and decreases	December 2003
Gross goodwill	**19 942**	**2 478**	**-**	**- 2 359**	**20 061**
* Ségécé	11 334				11 334
* ICD (Brescia)	1 137				1 137
* Klécentres	2 312			- 2 312	- 0
* Devimo	2 169				2 169
* Arcol	993				993
* PSG	1 002				1 002
* Ségécar		2 478			2 478
* other goodwill	996			- 47	949
Amortization	**- 7 546**	**- 1 096**	**-**	**2 359**	**- 6 283**
* Ségécé	- 3 943	- 756			- 4 699
* ICD (Brescia)	- 152	- 76			- 228
* Klécentres	- 2 312			2 312	0
* Devimo	- 435	- 145			- 580
* Arcol	- 406				- 406
* PSG	- 33	- 67			- 100
* Other goodwill	- 265	- 52		47	- 270
NET GOODWILL	**12 396**	**1 382**	**-**	**-**	**13 778**

Note 2.2 Net tangible and intangible fixed assets

➔ *Note 2.2*

in € thousands	December 2002	2003 Revaluation		Change in scope of consolidation	Acquisitions, creations and contributions	Decreases (divestitures, removal from service)	Other changes, line item transfers	December 2003
		Beginning of period	Adjustments					
INTANGIBLE FIXED ASSETS								
Building lease	47 959					-6	-29 040	18 913
Goodwill	1 037				11 307			12 344
Software	7 188				134		577	7 899
Other intangible fixed assets	5 792			2 135	2 114	-10	-381	9 650
Total	61 976	-		2 135	13 555	-16	-28 844	48 806
TANGIBLE FIXED ASSETS								
Land								
Financial leasing	303							303
Lease purchase	1 544 013	712 096	-13 328	3 966	88 517	-79 953	10 298	2 265 609
Buildings and improvements								-
Financial leasing	2 730	-327						2 403
Lease purchase	2 004 927	30 188	-2 039	137 720	188 418	-85 954	81 104	2 354 364
Installations	95 638	-51 319		6 288	21 327	-216	-18 679	53 039
Buildings in progress	45 391			43 530	84 994	-264	-44 606	129 045
Furnishings and equipment	5 332	-3 182		39	614	-135	7	2 675
Total	3 698 335	687 456	-15 367	191 543	383 870	-166 522	28 124	4 807 438
TOTAL GROSS FIXED ASSETS	3 760 311	687 456	-15 367	193 678	397 425	-166 538	-720	4 856 244

➔ *Note 2.2 (cont'd)*

in € thousands	December 2002	2003 Revaluation		Change in scope of consolidation	Increases	Decreases and other changes	December 2003
		Beginning of period	Adjustments				
INTANGIBLE FIXED ASSETS							
Building lease	3 868				257	-2 908	1 217
Software	2 874				1 303	55	4 232
Other intangible fixed assets	2 959			387	2 212	71	5 629
Total	9 701			387	3 772	-2 782	11 078
TANGIBLE FIXED ASSETS							
Buildings and improvements	227 471	-227 471		5 573	83 506	-1 592	87 487
Installations	51 319	-51 319		525	9 078	-143	9 460
Furnishings and equipment	3 183	-3 182		33	850	-66	818
Total	281 973	-281 972	-	6 131	93 434	-1 801	97 765
Total amortizations	291 674	-281 972	-	6 518	97 206	-4 583	108 843
NET TANGIBLE FIXED ASSETS	3 468 639	969 428	-15 367	187 160	300 219	-162 675	4 747 401
Net goodwill (see note 2.1)	12 396					1 382	13 778
Financial assets (see note 2.5)	77 808			14 068	16 805	-22 095	86 586
Securities in equity method investees (see note 2.6)	642			1 291	11	-42	1 902
FIXED ASSETS	3 559 486						4 849 667

Net tangible and intangible fixed assets totaled €1,278.8 million, primarily attributable to the following:

- *€954.1 million: revaluation of tangible fixed assets*

The impact of the revaluation of fixed assets at the start of the fiscal year is €969.5 million; adjustments to book values deducted from the excess of restated eligible assets over historical values was €15.4 million.

- *€187.2 million (net) change in the scope of consolidation*

- Inclusions: the Novy Smichov mall (€85.8 million), the Vignate mall (€61.1 million), the Louvain La Neuve shopping center and Cinéma de l'Esplanade (€59.6 million) and the Gondomar retail mall (€50.8 million).

- Removals and changes in method: Gonesses Usines Center (€31.4 million) and Rives d'Arcins (€39.8 million).

- *€397.4 million (gross): direct acquisitions of shopping malls and projects under way*

- In France: the Sevran (€25.1 million), Marseille Le Merlan (€26.2 million) and Valenciennes (€38.1 million) malls; the Marcel Brot tower (€6.8 million); and the extension to Camille Desmoulins (€12.9 million).
- In Italy: the Bari, Matera and Collegno malls for a total of €55.9 million.
- In Portugal: the Villa Nova de Gaia and Telheiras malls for €12.4 million and €28.5 million, respectively.
- In Spain:
  - the Lucena, Pontevedra, Orense and Sevilla V malls acquired by Klécar Foncier Iberica for an aggregate amount of €10.5 million;
  - the Azabache, Albacete, Leon and Tenerife malls, taken over by Klécar Foncier Espana for an aggregate total of €79.7 million;
  - down payment on the Santander mall of €17.5 million.

- In Greece: the Efkarpia, Patras and Athinon malls for a total amount of €16.4 million.
- Payment of acquisition and additional acquisition costs for several malls owned by Klécar France, for a total of €24.2 million (gross).

- *€164.4 million: office property disposals*

Disposals involved the following office properties:

- 127, rue d'Aguesseau in Boulogne
- 103, rue Charles Michel in Saint-Denis
- 100/102, avenue de Suffren in Paris (15th arrondissement)
- 20, rue Jacques Daguerre in Reuil-Malmaison
- Le Sémaphore in Levallois-Perret
- 141, rue de Clichy in Paris (17th arrondissement)

- *€97.2 million: depreciation and amortization allowances*

Note 2.3 Change in tangible and intangible fixed assets by business segment

➔ *Note 2.3*

in € thousands	December 2002	2003 revaluation		Change in scope of consolidation	Acquisitions, creations, contributions	Decreases due to divestitures and removal from service	Other changes, line item transfers	December 2003
		Beginning of period	Adjustments					
OFFICES	813 706	306 077	- 11 886		13 087	- 166 198	- 2	954 783
SHOPPING CENTERS	2 936 264	383 351	- 3 481	193 678	382 859	- 297	- 901	3 891 473
SERVICE ACTIVITIES	10 341	- 1 972			1 479	- 43	183	9 988
TOTAL GROSS FIXED ASSETS	3 760 311	687 456	- 15 367	193 678	397 425	- 166 538	- 720	4 856 244

in € thousands	December 2002	2003 revaluation		Changes in scope of consolidation	Increases	Decreases	Other changes	December 2003
		Beginning of period	Adjustments					
OFFICES	87 296	- 87 291			21 237	- 1 801	-	19 441
SHOPPING CENTERS	199 740	- 192 709		6 518	74 282	- 10	- 2 827	84 994
SERVICE ACTIVITIES	4 638	- 1 972			1 687	-	55	4 408
TOTAL AMORTIZATION	291 674	- 281 972	-	6 518	97 206	- 1 811	- 2 772	108 843
NET FIXED ASSETS	3 468 637	969 428	- 15 367	187 160	300 219	- 164 727	2 052	4 747 401

Note 2.4 Tangible and intangible fixed assets by business segment

The table below shows the distribution of tangible and intangible fixed assets for the office, shopping center and service divisions:

➔ *Note 2.4*

in € thousands	intangible fixed assets	Land	Buildings and improvements	Buildings in progress and installations	Furnishings and equipment	Total tangible and intangible fixed assets
OFFICES	22	489 836	431 056	33 300	569	954 783
SHOPPING CENTERS	40 493	1 776 076	1 925 711	148 707	486	3 891 473
SERVICE ACTIVITIES	8 291			77	1 620	9 988
GROSS FIXED ASSETS	48 806	2 265 912	2 356 767	182 084	2 675	4 856 244

in € thousands	Intangible fixed assets	Land	Buildings and improvements	Buildings in progress and installations	Furnishings and equipment	Total intangible and tangible fixed assets
OFFICES			15 677	3 662	102	19 441
SHOPPING CENTERS	7 261		71 810	5 790	132	84 993
SERVICE ACTIVITIES	3 817			8	584	4 409
AMORTIZATIONS	11 078	-	87 487	9 460	818	108 843
NET FIXED ASSETS	37 728	2 265 912	2 269 280	172 624	1 857	4 747 401

Notes 2.5 Financial assets

➔ Note 2.5

in € thousands	December 2002	Additions to the scope of consolidation	Increases	Decreases and other changes	December 2003
Equity investment securities **(A)**	1 789	62	612	- 238	2 225
Advances to non-consolidated or partially consolidated companies **(B)**	49 928	14 004	5 127	- 18 404	50 655
Loans	20 512		1 360	- 3 348	18 524
Other long-term securities	179				179
Security deposits	3 845	2	1 701	- 125	5 423
Other financial assets	2 126		8 225		10 351
GROSS VALUE	**78 379**	**14 068**	**17 025**	**- 22 115**	**87 357**
Allowances for impairment	**571**		**220**	**- 20**	**771**
NET TOTAL	**77 808**	**14 068**	**16 805**	**- 22 095**	**86 586**

Long-term financial assets primarily include advances and loans to non-consolidated subsidiaries (€8.5 million) and proportionately consolidated subsidiaries (€60.9 million).
The increase in other financial assets primarily reflects a down payment made on the purchase of an equity interest in the holding company that owns the Solbiate mall in Italy.

The largest advances were granted to the companies listed below in Note 2.5 (B).

➔ Note 2.5 (B)

in € thousands	December 2002	Additions to the scope of consolidation	Increases	Decreases and other changes	December 2003
SCI Antin Vendôme	6 622		523	- 850	6 295
SCI du Bassin Nord	2 922		237	- 38	3 121
SAS Cecobil	17 625			- 1 393	16 232
SGM Gondomar		12 991	1 338		14 329
SGS Gondomar		1 622			1 622
Other advances	22 759	- 609	3 029	- 16 123	9 056
Total	**49 928**	**14 004**	**5 127**	**- 18 404**	**50 655**

Non-consolidated equity interest securities are listed below in Note 2.5 (A).

➔ Note 2.5 (A)

in € thousands	Shareholders' equity on December 31, 2003	Income at 12/31/03	% ownership	Gross value of securities	Net value of securities
Principal values				**1 700**	**1 353**
GC Assago	2 000	-	30,00%	600	600
SAS Sovaly	383	- 32	100,00%	572	429
SKF Spa	In liquidation		50,00%	246	42
SAS Kléfi Participations	123	- 2	100,00%	130	130
SAS Nancy Bonsecours	- 347	- 39	99,96%	76	76
SAS Pasteur	- 20	- 16	99,96%	76	76
Other equity investment securities				**525**	**464**
Total				**2 225**	**1 817**

2.6 Change in investments in equity method investees

The removal from consolidation of companies no longer in operation increased securities in equity method investees by €1.2 million.

➔ **Note 2.6**

in € thousands	
Securities in equity method investees at December 31, 2002	**642**
Differences due to changes in the scope of consolidation	1 291
Share of 2003 income of companies accounted for by the equity method	396
Dividends received from equity method investees	- 385
Other changes	- 42
Securitis in equity method investees at December 31, 2003	**1 902**

Note 3 – Inventory of projects under development

At the December 31, 2003 reporting date, development inventory primarily included expenditures related to projects under consideration and retail space intended for resale.

➔ **Note 3**

in € thousands	**December 2003**	**December 2002**	**December 2001**
Group share	3 053	2 555	2 004
Share of external partners	784	747	376
Total	**3 837**	**3 302**	**2 380**

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

➔ **Note 4**

in € thousands	**Offices**	**Shopping centers**	**Services**	**Total December 2003**	**Total December 2002**
Accounts receivable	3 187	16 763	3 344	23 293	19 517
Accrued liabilities	- 1 166	- 2 885	- 59	- 4 110	- 2 690
Total	**2 021**	**13 877**	**3 285**	**19 183**	**16 827**

Note 5 – Miscellaneous receivables

➔ **Note 5**

in € thousands	**December 2003**	**December 2002**	**December 2001**
Government			
Corporate income tax	9 882	18 221	485
VAT	51 049	32 722	54 180
Miscellaneous debtors	115 893	142 367	123 199
Total	**176 824**	**193 310**	**177 864**

Income of €4.6 million relating to 2003 tax loss carrybacks is recorded under corporate taxes.

VAT includes recoverable VAT on the acquisition of shopping malls in Portugal (€7.2 million), Italy (€5.7 million), Spain (€13.8 million) and Valenciennes (€7.8 million).

Miscellaneous debtors primarily include the following receivables:

- €66.8 million in receivables relating to real-estate management activities (calls for funds to owners);
- €26.7 million in accrued interest on interest rate swaps;
- €7.9 million in prepaids on extensions to malls and buildings.

Note 6 – Marketable securities

Marketable securities include 503,865 treasury shares with an acquisition value of €16.5 million, equal to 1.13% of total equity issued.

These shares of treasury stock are allocated as follows:

- 300,000 shares to the stock option plan established for Klépierre Group employees, approved by the Executive Board on June 14, 1999, of which 211,800 have been granted;
- 203 865 shares which may be used to stabilize the stock price.

364,241 shares were sold in 2003, generating a gross capital gain of €1.1 million.

Other marketable securities include:

- Money market funds: €23.4 million
- Spanish treasury bills: €3.2 million.

Note 7 – Adjustment accounts (assets)

Expenses to be amortized are lease-up fees.

➔ **Note 7**

in € thousands	December 2003	December 2002	December 2001
Convertible bond redemption premium	-	-	2 097
Bond issue premium	2 073	2 531	2 989
Bond issue costs and fees	5 931	4 112	7 898
Expenses to amortize	10 353	10 308	6 924
Pre-paid expenses	2 338	1 480	874
Total	**20 695**	**18 431**	**20 782**

5.2 Notes on consolidated balance sheet liabilities

Note 8 – Change in group shareholders' eqity

➔ **Note 8**

in € thousands	Share capital	Additional paid-in capital / legal reserve	Consolidated reserves	Earnings for the period	Other consolidated reserves			Total shareholders' equity
					CRC 99-02	Employer obligations	Total (other)	
December 2001	**107 053**	**555 661**	**172 160**	**65 296**	**39 457**	**- 2 109**	**37 348**	**937 517**
Change in share capital of consolidating company	12 307	134 893					-	147 200
Sale / acquisition of treasury shares							-	-
Impact of revaluations							-	-
Consolidated earnings for the period				81 099			-	81 099
Dividends paid by the consolidating company		837	23 601	- 65 296			-	- 40 858
Change in unrealized forex translation gains and losses			136				-	136
Changes in accounting methods							-	-
Change in scope of consolidation and % interest			- 953				-	- 953
Other changes							-	-
December 2002	**119 360**	**691 391**	**194 944**	**81 099**	**39 457**	**- 2 109**	**37 348**	**1 124 141**
Change in share capital of consolidating company	59 680		- 59 680				-	-
Sale / acquisition of treasury shares							-	-
Impact of revaluations							-	-
Consolidated earnings for the period				88 295			-	88 295
Dividends paid by the consolidating company		1 246	28 346	- 81 099			-	- 51 507
Change in unrealized forex translation gains and losses			- 174				-	- 174
2003 revaluation net of tax			685 404					685 404
Changes in accounting methods							-	-
Change in scope of consolidation and % interest			- 7 597				-	- 7 597
Other changes			564				-	564
December 2003	**179 040**	**692 637**	**841 807**	**88 295**	**39 457**	**- 2 109**	**37 348**	**1 839 126**

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

The impact on shareholders' equity of the revaluation of long-term fixed assets is €840.9 million. The related tax payable is €155.5 million.

Note 9 – Change in minority interests

➔ Note 9

in € thousands	
December 2001	**335 850**
Advances on dividends and dividends paid to minority interests	- 17 083
Impact of change in scope of consolidation on minority interests	
* Klecar France	6 681
* Klecar Participations Italie	16 694
* SC Centre Bourse	- 2 382
* Other changes in scope of consolidation	115
Impact of regulatory changes	
Other restatements	176
Earnings for the period	17 619
December 2002	**357 670**
Advances on dividends and dividends paid to minority interests	- 13 107
Impact of change in scope of consolidation on minority interests	
* Klecar Europe Sud	22 015
* Delcis	269
* Vignate	4 774
* Restructuring of Klécentres and others	- 78 927
2003 revaluation net of taxes	104 626
Impact of regulatory changes	
Earnings for the period	19 357
December 2003	**416 677**

The impact of the asset revaluation on minority reserves is €113.2 million. The related tax payable is €8.5 million.

Note 10 – Deferred taxes

Previously, deferred taxes were allocated on the basis of tax groups. Companies are now grouped on the following basis and deferred taxes allocated accordingly:

- Companies with SIIC status
- Companies without SIIC status operating in France
- Companies without SIIC status operating abroad.

Offsetting entries are not made for deferred tax assets and liabilities.

❑ Companies that opted for SIIC status

The adoption of SIIC status led to the release of €45.3 million in deferred tax assets and of €48.9 million in deferred tax liabilities. These provisions concerned real built property.

❑ Other companies in France and abroad

Deferred tax liabilities increased by €54.2 million, reflecting taxation of the increase in restated assets over historical cost after revaluation. Other changes in deferred tax liabilities relate primarily to the consolidation of Delcis (€3.8 million) and Coimbra (€3.7 million).

➔ Note 10

in € thousands	December 2002	Impact of companies with SIIC status	Impact of revaluation non-SIIC status	Change in earnings	Other changes	December 2003
Buildings	- 97 281	48 866	- 54 170	- 2 019	- 6 335	- 110 939
Debt	-					-
Other items	1 715			- 3 273	1 845	287
Total deferred tax liabilities	**- 95 566**	**48 866**	**- 54 170**	**- 5 292**	**- 4 490**	**- 110 652**
o/w						
➔ *SIIC status*	*- 51 892*	*48 866*			*3 026*	*-*
➔ *non-SIIC status, France*	*- 16 376*		*- 30 689*	*598*		*- 46 467*
➔ *non-SIIC status, abroad*	*- 27 298*		*- 23 481*	*- 5 892*	*- 7 514*	*- 64 185*

in € thousands	December 2002	Impact of companies with SIIC status	Impact of revaluation non-SIIC status	Change in earnings	Other changes	December 2003
Buildings	43 410	- 45 302		1 892	1 808	1 808
Debt	14			- 14		-
Other items	9 754			- 4 273	16	5 497
Total deferred tax assets	**53 178**	**- 45 302**	**-**	**- 2 395**	**1 824**	**7 305**
o/w						
➔ *SIIC status*	*48 263*	*- 45 302*		*- 2 020*	*1 824*	*2 765*
➔ *non-SIIC status, France*	*4 708*			*- 1 254*		*3 454*
➔ *non-SIIC status, abroad*	*207*			*879*		*1 086*
NET POSITION	**- 42 388**	**3 564**	**- 54 170**	**- 7 687**	**- 2 666**	**- 103 347**

Note 11 - Provisions for contingencies and losses

➔ Note 11

in € thousands	December 2001	December 2002	Increases	Releases	Line item transfers	Changes in scope of consolidation	December 2003
Accrued retirement liabilities	5 922	7 050	1 459	- 628	- 22		7 859
Building management expenses	1 023	806	337	- 600			543
Commitments granted to clients	800	337				- 337	
Other provisions for contingencies and losses	2 910	8 463	789	- 2 661	- 627	- 246	5 718
Net goodwill liabilities		585					585
Total	**10 655**	**17 241**	**2 585**	**- 3 889**	**- 649**	**- 583**	**14 705**

Other provisions for contingencies and losses mainly provide for litigation risk (€1.4 million).

Note 12 – Borrowings and financing debt

In 2003, borrowings and financing debt increased by €323 million, bringing the total to €2,427 million at the December 31, 2003 reporting date. The principal financing arrangements are indicated below:

– A €600 million bond issued in July 2001, with 6.125% gross yield to maturity;

– Two syndicated loans arranged in 2001 and 2003, respectively, of which the first has been totally drawn down (€670 million at year-end 2003 versus €500 million one year earlier) and the second for €180 million out of a possible €500 million;
– A bridge loan of €225 million, formerly in lieu of an equity issue, which was transformed in early 2003 into a loan with the same rank as the Group's other debt;
– Smaller loans contracted by subsidiaries in Italy (€194 million including €126 million for Klecar Italy), Belgium (€14 million) and Portugal (€61 million);
– Commercial paper issued for €220 million, versus €171 million at the year-end reporting date in 2002.

➔ *Note 12*

in € thousands		December 2003	December 2002	December 2001
Convertible bond		-	-	157 561
* Principal amount				153 080
* Accrued interest				4 481
Other bonds and notes		617 620	617 620	617 619
* Principal amount		600 000	600 000	600 000
* Accrued interest		17 620	17 620	17 619
Bank borrowings		1 626 893	1 139 591	857 738
* Principal amounts		1 344 602	923 409	637 185
* Commercial paper		220 000	171 000	170 000
* Accrued interest		1 754	1 467	15 246
* Bank overdraft facilities		60 537	43 715	35 307
Miscellaneous borrowings and financing debt		182 913	346 739	311 473
* Equity loans			153 298	167 596
* Other borrowings		40 634	44 609	
* Advances from group and partners		142 279	148 832	143 877
Total		**2 427 426**	**2 103 950**	**1 944 391**

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

– EBITDA/Net interest expense: between 2.5 and 3
– Net corporate debt/Fair market value of holdings (Loan to Value): ≤ 50%
– Net current cash flow/Net corporate debt: ≥ 6%.

In addition, the principal loans extended to Klépierre carry the following provisos. Failure to comply would result in early payment of the financing in question:

Bond issue:

- Early redemption in the event that one-third of the voting rights change hands, resulting in a downgrade of Standard and Poor's rating to below BBB -
- Ceiling on assets pledged to third parties, set at 50% of revalued net assets.

Syndicated loans:

- EBITDA/Interest expense > or = 2.5
- Net corporate debt/Consolidated shareholders' equity (Gearing): < or = 125%
- Net corporate debt (excluding the bridge loan in lieu of equity issue) / Fair market value of holdings (Loan to Value): < or = 52%.

The table below analyzes financing debt by due date:

➔ *December 2003 by due date*

in € thousands	Total	Less than 1 year	1-5 years	More than 5 years
Other bonds and notes	**617 620**	**17 620**	**600 000**	**-**
* Principal amount	600 000		600 000	
* Accrued interest	17 620	17 620		
Bank borrowings	**1 626 893**	**298 676**	**949 908**	**378 309**
* Principal amounts	1 344 602	16 385	949 908	378 309
* Commercial paper	220 000	220 000		
* Accrued interest	1 754	1 754		
* Bank overdrafts	60 537	60 537		
Miscellaneous borrowings and financing debt	**182 913**	**-**	**-**	**182 913**
* Equity loans	-			
* Other borrowings	40 634			40 634
* Advances from group and partners	142 279			142 279
Total	**2 427 426**	**316 296**	**1 549 908**	**561 222**

Note 13 – Trade notes and accounts payable

Trade notes and accounts payable totaled €33.5 million, versus €34.2 million at December 31, 2002.

Note 14- Other liabilities

➔ *Note 14*

in € thousands	December 2003	December 2002	December 2001
Payroll and sub-accounts	7 209	6 966	7 673
Social security and other	3 655	2 371	1 037
Government			
* Corporate income tax	98 483	5 458	20 295
* VAT	8 980	4 722	14 637
Other taxes and duties	787	1 223	1 184
Creditor clients	120 699	116 136	85 747
Payables to fixed asset suppliers	48 515	41 027	88 784
Other liabilities	44 217	33 782	41 703
Total	**332 545**	**211 685**	**261 060**

Other liabilities increased steadily between the December 31, 2002 and December 31, 2003 reporting dates, primarily due to the increase in government income tax payables, namely the exit tax payable in installments over a period of four years (December 15 of the year in which SIIC status is elected and the three following years). The remaining unpaid balance totaled €89.8 million on December 31, 2003.

In addition, due to the growing volume of shopping-center business, security deposits and guarantees received increased from €57 million at the December 31, 2002 reporting date to € 60.7 million at year-end 2003.

Other liabilities also include €24.4 million in accrued interest on interest-rate swaps.

Note 15 – Adjustment accounts (liabilities)

Prepaid income primarily consists of an additional cash payment on swaps of €3.3 million.

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

➔ Note 15

in € thousands	December 2003	December 2002	December 2001
Prepaid income	5 904	4 901	9 217
Other pre-paid expenses and expenses to amortize	5 819	5 497	5 169
Total	**11 723**	**10 398**	**14 386**

5.3 Off-balance sheet commitments

Note 16 – Reciprocal obligations on interest-rate hedging instruments

Klépierre's portfolio of interest-rate hedging instruments at the December 31, 2003 reporting date is detailed below. This portfolio was set up for the purpose of covering the interest-rate risk on a portion of the current and future corporate debt based on estimates of Klépierre's global needs and the due dates of various financing arrangements.

➔ Note 16

Binding transactions (in € millions)	December 2003	December 2002	December 2001
Fixed rate payer Klépierre - Variable rate payer BNP Paribass	1 968 (1)	1 768	944
Fixed rate payer BNP-Paribas - Variable rate payer Klépierre	600 (1)	600	752
Fixed rate payer Klécar Italia Spa- Variable rate payer BNP Paribas	90	90	-

(1) €100 million for a single contact under the terms of which BNP undertakes to pay a fixed rate and Klépierre to pay a different fixed rate as of July 1, 2003.

Impact on results (reference capital of 1 to 10 years)	**2003 Income** in € millions	**2003 Expenses** in € millions
Fixed rate payer Klépierre - Variable rate payer BNP-Paribas	44	84
Fixed rate payer BNP-Paribas - Variable rate payer Klépierre	37	22
Fixed rate payer Klécar Italia Spa - Variable rate payer BNP-Paribas	2	2

At the December 31, 2003 reporting date, the portfolio's net unrealized gains totaled €66.7 million. As a reminder, reserves are not established for unrealized gains and losses, since the portfolio is used to manage the Klépierre group's interest-rate risk.

➔ ***Note 16 December 2003 by due date***

en millions d'euros	2004	2005	2006	2007	2008	2009	2010
Fixed rate payer Klépierre		46		100	524 (1)	252	1136
Variable rate payer Klépierre					600 (1)		

(1) 100 million of the total corresponds to a single contract

Note 17 – Commitments granted and received

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

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

The agreement also provides for the following two protections:

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

❑ Agreement concluded with AXA France Vie in the event of sale of units comprising the share capital of Ségécé

The following provisions apply in cases where the sale of such units is not considered to be a free sale, and grant AXA France Vie the following:

- Klépierre is obliged to repurchase from AXA France Vie all units held in Ségécé whenever a sale at the behest of AXA France Vie is not in conformity with Article 8 of Ségécé's bylaws.
- Compensation for the 4.80% registration tax that AXA France Vie may be liable for in the event of such sale.

❑ Options relating to IGC shares

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

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

❑ Commitments received and granted

- Commitments to purchase concern the acquisition of shopping malls in connection with the agreement signed with Carrefour agreement (€38 million); and payment on the Valenciennes mall (€36 million) and the Créteil Soleil multi-plex movie theater (€22 million). Finally, the group agreed to purchase a 70% equity interest in GC Assago, a company carrying a development project in the outskirts of Milan valued at €142 million. The actual purchase of the securities is expected to take place when the project is completed at year-end 2004.

- The increase in guarantees, deposits, pledges and collateral reflects collateral of €331.5 million given by Klécar Italia on a €128 million loan it contracted. In Italy, collateral generally amounts to around three times the bank loan for which it is provided.

➔ Note 17

in € thousands	December 2003	December 2002	December 2001
Commitments granted			
- Guarantees on loans granted to employees	4 854	4 683	NC
- Redemption premium on convertible bond	-	-	7 255
- Surety, guarantees and mortgages	655 759	229 338	166 722
- Purchase commitments	336 734	412 661	513 087
Total	**997 347**	**646 682**	**687 064**
Commitments received			
- Bank guarantees received in connection with real estate management and transactions	198 114	89 206	52 473
- Security deposits received from tenants	23 194	18 332	NC
- Commitments to finance received from credit institutions	412 133	439 134	573 851
- Guarantees received to cover amounts paid		-	-
Total	**633 441**	**546 672**	**626 324**

❑ Pledge of assets

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

➔ Pledge of assets

in € thousands	Start date	End date	Amount of assets pledged	Total balance sheet item	Corresponding %
on intangible fixed assets			**nil**	**37 828**	
on tangible fixed assets			**278 428**	**4 709 673**	**5,9%**
Cienneo	April 16, 1999	15-déc-13	25 116		
Immobiliare Magnolia	Sept. 8, 1999 Oct. 18, 2002	15-juil-11 15-juil-11	13 463		
ICD	June 30, 1996	May 11, 2011	23 977		
Klecar Italia	25-juin-03	June 25, 2015	212 686		
IGC	April 3, 1997	Dec. 31, 2006	795		
Coimbra	July 17, 2003	May 31, 2006	2 391		
on long-term financial assets			**nil**	**86 586**	
TOTAL BALANCE SHEET ITEM			278 428	5 186 352	5,4%

6 – Notes relative to the consolidated statements of income

Note 18 – Operating income

Group revenues include the following:

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

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

At December 31, 2003, revenues totaled €386.2 million, an increase of 11.9% over the corresponding prior period.

Lease income totaled €353.2 million, of which €279 million from shopping centers and €74.2 million from office properties. Shopping center rents increased 21% versus the corresponding period in 2002. On a constant structural basis, the increase with respect to the corresponding period in 2002 was 4.8% for shopping centers and 3.1% for offices.

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

in € thousands	Lease income and sales	Management income	Total
France	**253 765**	**25 988**	**279 753**
Southern Europe	**89 436**	**6 375**	**95 811**
* Other	8 398	337	8 735
* Italy	41 100	2 610	43 710
* Spain	39 938	3 428	43 366
Central Europe	**10 327**	**274**	**10 601**
Total	**353 528**	**32 637**	**386 165**

All businesses combined, Klépierre generated 27.6% of its total revenues abroad at the December 31, 2003 reporting date.

Notes 19: Other operating expenses and depreciation and amortization

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

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

➔ ***Note 19 Other operating expenses***

in € thousands	December 2003	December 2002	December 2001
Building expenses	**22 544**	**16 752**	**13 163**
** Offices*	*4 986*	*5 572*	*5 055*
** Shopping centers*	*17 558*	*11 180*	*8 108*
General expenses	**17 033**	**19 460**	**16 956**
** Offices*	*1 082*	*1 194*	- *406*
** Shopping centers*	*15 951*	*18 266*	*17 362*
Total	**39 577**	**36 212**	**30 119**

Depreciation and amortization expense increased by €8.1 million:

➔ Note 19 Depreciation and amortization expense

in € thousands	December 2003	December 2002	December 2001
Intangible fixed assets	**3 770**	**4 149**	**2 984**
Real estate leasing	**255**	**109**	**103**
Tangible fixed assets	**87 508**	**80 038**	**78 684**
** Offices*	*20 750*	*20 758*	*23 784*
** Shopping centers*	*66 758*	*59 280*	*54 900*
Fixed asset acquisition costs	**5 065**	**4 160**	**3 625**
Total	**96 598**	**88 456**	**85 396**

The change primarily reflects:

– Asset revaluation and the overhaul of amortization schedules reduced depreciation and amortization expense by €6.3 million. This situation is attributable to the extension of amortization periods.

– Changes in scope via business acquisitions and the direct purchase of malls by existing companies, resulting in an increase of €18.0 million.

– As a result of property sales completed in 2002 and 2003, depreciation expense decreased by €3.6 million.

Note 20 – Financial results

Financial and investment results for the year ended December 31, 2003 were a loss of €110.5 million, compared with a loss of €98.5 million for the corresponding prior period.

Financial and investment gains are summarized below:

➔ Note 20

in € thousands	December 2003	December 2002	December 2001
Gains on the sale of marketable securities	611	1 729	2 231
Gains on interest-rate swaps	83 666	80 822	65 618
Interest on advances to Group and partners	4 057	3 013	2 770
Miscellaneous interest earned	3 912	6 515	4 793
Other interest income	1 010	489	762
Forex gains	1 246	186	20
Release of interest expense allowance	20	-	
Total interest income	**94 522**	**92 754**	**76 194**

Expenses are summarized below:

➔ **Note 20**

in € thousands	December 2003	December 2002	December 2001
Interest on bonds	36 750	36 789	22 100
Interest on bank borrowings	37 466	41 781	59 714
Other bank interest	3 770	9 656	11 066
Interest expense on swaps	108 496	89 326	70 283
Interest expense on Group and partner advances	11 927	8 561	5 877
Other interest expense	6 839	2 758	6 124
Transfer of interest expense	- 3 924	- 77	- 5 230
Forex losses	1 712	22	
Allowance to fund convertible bond redemption premium	1 310	1 822	2 133
Interest expense allowance	678	631	885
Total interest expense	**205 024**	**191 269**	**172 952**

This €12 million increase net of interest expense primarily reflects the following:

- Change in interest rates
  - Interest on bank borrowings and other banking interest decreased by €10.2 million, reflecting a significant decrease in interest rates.
  - This decrease had the opposite impact on the carrying cost of the interest-rate hedge, corresponding to the charge net of interest on swaps: as Klépierre was the floating rate receiver on most of its hedges, the cost rose by €15.9 million. The increase was greater than the decrease in interest on borrowings since Klépierre took advantage of historically low rates in 2003 to contract additional swaps.
- The decrease in the volume of advances reduced the amount of interest on advances to €2.3 million.
- The €4.1 million in other interest expense is attributable to expenses related to the setup and non-use of the bridge loan, which was partially drawn at the December 31, 2003 reporting date, and by fees and issue expenses related to the mortgage loans of subsidiaries.

Note 21 – Non-recurring results and amortization of goodwill

Non-recurring results include total income or loss on the sale of consolidated assets, as well as one-off items recorded in the period.

It includes the following items:

➔ **Note 21**

in € thousands	December 2003	December 2002	December 2001
Capital gains/losses on sale of tangible fixed assets	11 666	67 523	57 664
Capital gains/losses on sale of equity securities	20 486	99	5 357
Other non-recurring items	- 115	- 273	- 476
Allowances net of releases	- 846	- 4 100	- 131
Total	**31 191**	**63 249**	**62 414**

Six office buildings were sold. In the absence of revaluation, capital gains would have amounted to €84.6 million.

Capital gains on the sale of equity interests in connection with the unequal reduction transaction involving Klécentres in September of 2003. It includes:

- A capital gain of €12.9 million on the sale of equity interests in Gonesse Usine Center, Bègles Rives d'Arcins and Créteil Soleil. This gross capital gain was fully neutralized by taxes on the sale recorded under corporate income tax.
- A capital gain of €7.6 million in interests in Créteil Soleil, which had been cancelled in 1995.

Amortization of goodwill totaled €0.6 million.

Note 22 – Corporate income tax

➔ **Note 22**

in € thousands	December 2003	December 2002	December 2001
Income tax payable	12 631	30 718	45 903
Deferred income tax	14 213	23 782	- 15
Total	**26 844**	**54 500**	**45 888**

The adoption of SIIC tax status led to significant changes in line items relative to corporate income tax. Klépierre now differentiates between three different tax segments:

- The SIIC segment that includes Klépierre and eligible French real-estate subsidiaries. Some of the latter maintain business that is subject to income tax at the prevailing rate.
- The non-SIIC segment in France.
- non-SIIC foreign companies.

In 2003, these three segments had a total tax expense of €26.8 million, which included:

❑ €1.4 million for SIICs, broken down as follows:

- €5.1 million related to the adoption of SIIC tax status (exit tax, tax on the discontinuance of business activities, cancellation of deferred tax reserves at the beginning of the year and the cost of discontinuing the tax consolidation)
- €4 million related to restructurings previously undertaken by Klépierre for the adoption of the SIIC tax status
- €1.9 million in miscellaneous taxes.
- A tax receivable of €9.9 million for two loss carry-backs: €5,3 million recorded in 2003 for the 2002 fiscal year, and €4.6 million to cover the 2003 losses of Klépierre SA's businesses subject to corporate income tax.

❑ €25.4 million for the non-SIIC segment, including:

- €12.9 million for non-SIIC companies in France, including €7 million incurred by Ségécé and Klécar Europe Sud prior to their transformation into simple general partnerships (*Société en Commandite Simple*).
- €12.5 million for foreign companies, including €4.2 million in deferred tax expense calculated for revalued depreciation and amortization and DAC (deferred acquisition costs).

Effective tax expense for 2003 is €130.1 million, including:

- €112.8 million for the SIIC segment. The total includes the up-front exit tax (€119.8 million), business discontinuation in the taxable segment (€1.3 million), plus taxes on the sale of Center Villepinte securities (€4 million) and less receivables from tax loss carry-backs recorded in 2003 (€9.9 million) and 2002 (€2.3 million).
- €12.1 million for the non-SIIC segment in France.
- €5.2 million for foreign companies.

Total tax expense, broken down into deferred and current taxes, is presented below:

➔ *Analysis at December 31, 2003*

in € thousands	Current tax	Non-recurring tax	Total
Income tax payable	14 201	- 1 574	12 627
Deferred income tax	7 469	6 748	14 217
Total	**21 670**	**5 174**	**26 844**

The current tax expense for non-SIIC segments in France and abroad is €24.5 million. The SIIC segment recorded a tax savings of €5.1 million. The non-recurring deferred tax expense includes €3 million due to the cancellation of reserves for the SIIC segment.

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

➔ *Tax expense verification*

in € thousands	Tax exempt	SIIC taxable	Total	non-SIIC France	Non SIIC Abroad	Total
Earnings integrated before tax	101 439	34 569	66 870	35 380	31 851	134 101
Theoretical tax expense (35.43%)	- 35 940	12 248	- 23 692	- 12 535	- 11 285	**- 47 512**
Exempt						
Exit tax and cancellation of deferred tax liabilities	- 5 147		- 5 147			- 5 147
Impact of permanent lags	35 940		35 940			35 940
Other	5 066		5 066			5 066
Taxable						
Impact of permanent lags		- 3 541	- 3 541	- 386		- 3 927
Untaxed consolidation reclassifications		- 2 975	- 2 975	- 268		- 3 243
Impact of non-capitalized tax losses		- 2 788	- 2 788	- 1 030		- 3 818
Taxes paid by general partners				1 854		1 854
Other		- 150	- 150	- 573	- 1 257	- 1 980
Effective tax expense (35.43%)	**- 81**	**2 794**	**2 713**	**- 12 938**	**- 12 542**	**- 22 767**
Tax expense at reduced rate		- 4 075	- 4 075			- 4 075
Total tax expense	**- 81**	**- 1 281**	**- 1 362**	**- 12 938**	**- 12 542**	**- 26 844**

Note 23 - Transition table: corporate earnings to consolidated earnings

➔ *Note 23*

in € thousands	Offices	Shopping centers	Services	Total
Corporate statutory earnings	337 948	97 068	13 410	448 426
Reversal of released depreciation allowances	- 5 243	2 326		- 2 917
Revaluations				-
* Sale	- 3 537			- 3 537
* Amortization	- 407	11 521		11 114
Deferred taxes (withholding at source)	19 528	25 406	- 64	44 870
Capital gains on the sale of securities and TUP transfers	- 194 677	- 1 029		- 195 706
Group dividends	- 182 082	- 27 861	- 354	- 210 297
Goodwill amortization		284	- 791	- 507
Restructuring of Klécentres (rachat de résultat, gw, RCI)	1 755	-		1 755
Other eliminations/restatements	- 2 481	16 449	88	14 056
Net earnings of consolidated companies	**- 29 196**	**124 164**	**12 289**	**107 257**
Income of companies accounted for under the equity method			**396**	**396**
Net earnings of consolidated group	**- 29 196**	**124 164**	**12 685**	**107 653**
O/W Group share	***- 29 259***	***107 540***	***10 014***	***88 295***
O/W minority share	***63***	***16 624***	***2 671***	***19 358***

Note 24 - Workforce and payroll expense

➔ *Note 24*

Workforce at	December 2003	December 2002	December 2001
Offices	33	40	51
Shopping centers	497	455	356
Total	**530**	**495**	**407**

The average workforce of proportionately consolidated companies – Centros Shopping Gestion - is calculated on the basis of percentage consolidation. The workforce of companies accounted for by the equity method is not included in the total.

➔ *Note 24*

Payroll expense (in € thousands)	December 2003	December 2002	December 2001
Offices	2 610	3 088	3 806
Shopping centers	34 219	27 582	22 935
Total	**36 829**	**30 670**	**26 741**

Note 25 – Compensation paid to senior officers and directors

The following table summarizes the amount of directors' fees paid to members of the supervisory board and compensation paid to members of the executive board in 2003:

➔ Note 25

Corporate Governance Boards	Gross salary (in €)	Directors' fees (in €)	Total compensation (in €)
Executive Board	**1 277 000**	**12 200**	**1 289 200**
Michel Clair	367 990	3 050	371 040
Claude Lobjoie	244 440	3 050	247 490
Eric Ranjard	349 580	3 050	352 630
Jean-Paul Sabet	314 990	3 050	318 040
Supervisory Board		**85 371**	**85 371**
Vivien Levy Garboua		13 377	13 377
Bertrand de Feydeau		13 377	13 377
Philippe Dulac		3 294	3 294
Bertrand Jacquillat		11 488	11 488
Bertrand Letamendia		11 365	11 365
Christian Manset		12 519	12 519
Jean Nunez		9 476	9 476
Laurent Treca		10 475	10 475

Note 26 - Consolidating company

At December 31, 2003, Klépierre was fully consolidated by the BNP PARIBAS group, which owns a 53.1% interest in Klépierre.

Note 27 - Capital and stock market

Klépierre’s shares are listed on the Deferred Settlement Service (SRD) of the Euronext Premier Marché.