KLEPIERRE

Consolidated Financial Statements

as of December 31, 2008

Income statement at December 31, 2008

In thousands of euros	Notes	December 31, 2008	December 31, 2007	December 31, 2006
Lease income	*6,2*	716 973	597 178	519 570
Land expenses (real estate)	*6,3*	-2 605	-2 515	-2 598
Non-recovered rental expenses	*6,3*	-21 646	-17 189	-6 296
Building expenses (owner)	*6,3*	-41 962	-29 440	-30 990
Net lease income		***650 760***	***548 034***	***479 686***
Management, administrative and related income	*6,2*	77 493	64 195	57 497
Other operating income		15 747	18 265	9 480
Survey and research costs		-2 534	-1 146	-1 124
Payroll expenses	*9,1*	-82 324	-64 810	-59 938
Other general expenses		-27 797	-25 165	-22 145
Depreciation and amortization allowance on investment property	*6,3*	-213 106	-169 297	-140 968
Depreciation and amortization allowance on PPE	*6,3*	-5 184	-4 365	-3 126
Provisions		-1 274	-2 663	12
Results of operations		**411 781**	**363 048**	**319 374**
Gains on the sale of investment property and equity interests	*6,4*	243 885	96 113	122 459
Net book value of investment property and equity investment sold	*6,4*	-185 392	-55 740	-91 399
Results of the sale of investment property and equity interests		***58 493***	***40 373***	***31 060***
Profit on the sale of short term assets		***928***	***46***	***1 490***
Net dividends and provisions on non-consolidated investments		431	549	-161
Net cost of debt	*6,5*	-219 480	-162 931	-134 806
Change in the fair value of financial instruments		-5	0	55
Effect of discounting		710	726	-1 200
Share in earnings of equity-method investees		1 426	2 634	671
Pre-tax earnings		**254 284**	**244 445**	**216 483**
Corporate income tax	*6,6*	-20 397	-13 493	-22 016
Net income of consolidated entity		**233 887**	**230 952**	**194 467**
of which				
Group share		*200 277*	*197 712*	*164 534*
Minority interests		*33 610*	*33 239*	*29 933*
Net income per share in euros		**1,4**	**1,4**	**1,2**
Net income fully diluted share in euros		**1,4**	**1,4**	**1,2**

Balance sheet at December 31, 2008

In thousands of euros	Notes	December 31, 2008	December 31, 2007	December 31, 2006
Non-allocated goodwill	*4,1*	94 636	84 653	41 555
Intangible assets	*4,2*	13 366	7 269	7 478
Tangible assets	*4,3*	43 636	41 340	41 482
Investment property	*4,4*	9 579 123	6 670 090	5 930 744
Fixed assets in progress	*4,4*	1 183 496	463 983	207 825
Property held for sale	*4,5*	44 419	36 200	46 985
Equity method securities	*4,6*	35 331	46 600	3 023
Non-consolidated securities	*4,8*	626	512	585
Other non-current assets	*4,9*	38 773	33 846	17 104
Interest rate swaps	*4,16*	23 458	84 011	65 139
Deferred tax assets	*4,18*	68 952	33 675	26 275
NON-CURRENT ASSETS		***11 125 816***	***7 502 179***	***6 388 195***
Inventory	*4,10*	13 416	11 684	2 463
Trade accounts and notes receivable	*4,11*	89 946	57 287	46 159
Other receivables	*4,12*	371 037	215 688	264 364
Tax receivables		*88 438*	*49 645*	*111 048*
Other debtors		*282 599*	*166 043*	*153 316*
Cash and near cash	*4,13*	242 725	195 476	157 696
CURRENT ASSETS		***717 124***	***480 135***	***470 682***
TOTAL ASSETS		**11 842 940**	**7 982 314**	**6 858 877**
Capital		232 700	193 890	184 657
Additional paid-in capital		1 276 284	835 187	830 622
Statutory reserve		19 389	18 466	18 466
Consolidated reserves		430 468	756 275	756 865
Treasury shares		*-93 429*	*-96 168*	*-30 823*
Fair value of financial instruments		*-122 327*	*51 922*	*39 734*
Other consolidated reserves		*646 224*	*800 521*	*747 954*
Consolidated earnings		200 277	197 712	164 534
Shareholders' equity, group share		2 159 118	2 001 530	1 955 144
Minority interests		1 011 238	480 502	436 961
SHAREHOLDERS' EQUITY		***3 170 356***	***2 482 032***	***2 392 105***
Non-current financial liabilities	*4,15*	6 971 343	4 400 820	3 680 254
Long-term allowances	*4,17*	14 764	11 425	8 572
Interest rate swaps	*4,16*	184 493	7 731	0
Security deposits and guarantees		130 668	107 899	93 900
Deferred tax liabilities	*4,18*	456 332	219 069	127 986
NON-CURRENT LIABILITIES		***7 757 600***	***4 746 944***	***3 910 712***
Current financial liabilities	*4,15*	432 044	439 195	281 441
Trade payables		101 244	62 991	61 772
Payables to fixed asset suppliers		62 511	8 354	13 017
Other liabilities	*4,19*	218 212	163 209	135 017
Social and tax liabilities	*4,19*	100 973	79 589	64 813
Short-term allowances		0	0	0
CURRENT LIABILITIES		***914 984***	***753 338***	***556 060***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11 842 940**	**7 982 314**	**6 858 877**

Consolidated cash flow statement at December 31, 2008

In thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Cash flow from operating activities			
Net income from consolidated companies	233 886	230 951	194 467
Elimination of expenditure and income with no cash effect or not related to operating activities			
- Amortizations and provisions	223 093	179 462	141 302
- Capital gains and losses on asset sales net of taxes and deferred taxes	- 113 514	- 28 849	- 3 607
- Reclassification of financial interests and other items	262 948	191 156	142 079
Gross cash flow from consolidated companies	**606 413**	**572 720**	**474 241**
Paid taxes	- 33 004	- 28 505	- 79 349
Change in operating working capital requirement	- 13 313	72 379	- 1 633
Cash flow from operating activities	**560 096**	**616 594**	**393 259**
Cash flow from investment activities			
Income from fixed assets sales	245 652	99 949	120 773
Acquisitions of intangible assets	5 311	- 2 228	- 822
Acquisitions of tangible assets	992	- 856	- 1 461
Acquisitions of investment properties	- 866 595	- 362 016	- 671 972
Acquisitions of subsidiaries through deduction of acquired cash	- 1 212 847	- 515 541	- 66 180
Change in loans and advance payments granted and other investments	13 134	1 055	2 925
Net cash flow from investment activities	**- 1 814 353**	**- 779 637**	**- 616 737**
Cash flow from financing activities			
Dividends paid to the parent company's shareholders	- 169 416	- 146 395	- 124 163
Dividends paid to minorities	- 27 746	- 58 796	- 39 782
Dividends payable	250	59	
Change in net position	902 961	82	21 105
Repayment of share premium	-	-	-
Acquisitions/Sale of treasury shares	- 15 511	- 65 394	- 19 869
New loans, financial debts and hedging instruments	1 971 582	1 432 914	1 918 290
Repayment of loans, financial debts and hedging instruments	- 1 127 404	- 799 887	- 1 409 199
Financial interest paid	- 241 964	- 167 114	- 115 260
Net cash flows from financing transactions	**1 292 752**	**195 469**	**231 122**
Currency fluctuations	**- 35 877**	**- 1 556**	**36**
CHANGE IN CASH AND CASH EQUIVALENTS	**2 618**	**30 870**	**7 680**
Cash at beginning of period	***93 567***	***62 697***	***55 017***
Cash at end of period	***96 185***	***93 567***	***62 697***

Statement of changes in consolidated equity at December 31, 2008

In thousands of euros	Capital	Additional paid-in capital	Statutory reserve	Treasury shares	Change in fair value	Currency translation reserves	Other consolidated reserves	Total	Net income/loss for the year	Shareholders' equity, group share	Minority interests	Total equity
December 31, 2006	**184 657**	**830 622**	**18 466**	**-30 823**	**39 734**	**0**	**747 954**	**756 865**	**164 534**	**1 955 144**	**436 961**	**2 392 105**
Change in the capital of the consolidating company	9 233	4 565					- 13 798	**- 13 798**		**-**		**-**
Acquisitions and sale of treasury shares				- 65 345			- 345	**- 65 690**		**- 65 690**		**- 65 690**
Transaction costs in capital								**-**		**-**		**-**
Consolidated earnings for the year								**-**	197 712	**197 712**	33 239	**230 951**
Assignment of earnings and dividends paid to the parent company's shareholders							18 139	**18 139**	- 164 534	**- 146 395**		**- 146 395**
Change in the fair value of financial instruments					12 188			**12 188**		**12 188**		**12 188**
Change in translation adjustment							25 647	**25 647**		**25 647**	122	**25 769**
Changes in accounting methods								**-**		**-**		**-**
Change in the scope of consolidation and % of interest							19 073	**19 073**		**19 073**	38 272	**57 345**
Dividends paid to minorities								**-**		**-**	- 28 796	**- 28 796**
Repayments of equity to minorities	-		-	-				**-**		**-**		**-**
Other movements							3 851	**3 851**		**3 851**	704	**4 555**
December 31, 2007	**193 890**	**835 187**	**18 466**	**-96 168**	**51 922**	**0**	**800 521**	**756 275**	**197 712**	**2 001 530**	**480 502**	**2 482 032**
Change in the capital of the consolidating company	38 810	441 097						**-**		**479 907**		**479 907**
Acquisitions and sale of treasury shares				2 739			- 14 505	**- 11 766**		**- 11 766**		**- 11 766**
Transaction costs in capital								**-**		**-**		**-**
Consolidated earnings for the year								**-**	200 277	**200 277**	33 610	**233 887**
Assignment of earnings and dividends paid to the parent company's shareholders			923				27 373	**27 373**	- 197 712	**- 169 416**		**- 169 416**
Change in the fair value of financial instruments					- 174 249		- 35 202	**- 209 451**		**- 209 451**		**- 209 451**
Change in translation adjustment							- 131 001	**- 131 001**		**- 131 001**	- 32 818	**- 163 819**
Changes in accounting methods								**-**		**-**		**-**
Change in the scope of consolidation and % of interest								**-**		**-**	450 947	**450 947**
Dividends paid to minorities								**-**		**-**	- 27 746	**- 27 746**
Repayments of equity to minorities								**-**		**-**		**-**
Other movements							- 962	**- 962**		**- 962**	106 743	**105 781**
December 31, 2008	**232 700**	**1 276 284**	**19 389**	**-93 429**	**-122 327**	**0**	**646 224**	**430 468**	**200 277**	**2 159 118**	**1 011 238**	**3 170 356**

1. Significant events of the 2008 and previous fiscal year

The 2008 fiscal year

Acquisition of the Scandinavian group Steen & Strøm

On October 8, under the terms of the outline agreement signed on July 25, 2008 with Canica AS, Klépierre and ABP Pension Fund acquired 100% of the shares in Steen & Strøm ASA, Scandinavia's leading integrated shopping center operating company, at a total cost of 21,925 million Norwegian kroner (approximately 2.7 billion euros). As a result of this transaction, Klépierre holds a 56.1% equity stake in Steen & Strøm, with the remaining 43.9% held by ABP.
Taking existing debts into account, Klépierre's investment involved a cash payment of 4,797 million Norwegian kroner (approximately 601 million euros).

This acquisition makes Klépierre the Scandinavian market leader with a portfolio of 30 shopping centers in Norway, Sweden and Denmark, as well as the region's leading management team. It also provides Klépierre with the opportunity to diversify its real estate portfolio, revenues and development portfolio, and establishes Scandinavia as the group's second largest country in terms of rental income, after France.

Changes affecting the shopping center portfolio elsewhere in Europe

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

Opened at the end of 2006, the Verona is 9 kilometers from the historic center of Verona. The mall covers a GLA of nearly 16,000 m2, offering 64 retail outlets, including 6 mid-sized units with a 9,000 m^2 Iper hypermarket (Finiper group).
The Lonato shopping center on the road between Milan and Venice opened in May 2007, and offers a GLA of 30,326 m^2. It features 111 retail outlets, 11 mid-sized units, one of which is occupied by a 9,000 m2 Iper hypermarket.
The Vittuone shopping center in the western suburbs of Milan is currently under construction, and is expected to open early in 2009.

In Hungary, and following public consultation, Klépierre has paid 22.5 million euros for construction land and the permits required to build a project that will create a GLA of approximately 20,000 m^2 in the center of Székesfehérvar, right next to the company's existing Alba mall.

Shops

On April 30, 2008, Klémurs acquired the first block of 77 outlets under the agreement signed with Foncière Montel and Vivarte in December 2007 in an investment transaction totaling 104 million euros.

Distributed throughout France, the retail floor area of these 77 units totals 66,250 m^2; 69 are owned outright, 6 are financed by property finance leases and 2 by construction leases. Together, they will generate 6.1 million euros in net lease income in a full year.
As part of the acquisition, Klémurs signed new 12-year leases that have a 6-year firm period, and include index-linked rent reviews and variable rents.
D2B and DBM5 (real estate companies owned by the founding shareholders of Défi Mode) have granted Klémurs a five-year preferential right on all future disposals of existing sites, and a similar six-year arrangement covering all future developments.

Disposals

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

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

Changes in borrowing and related conditions

On June 11 and 12, 2008, Klépierre signed a 750 million euro term loan agreement, syndicated by 6 banks. This 3-year funding arrangement was secured primarily to refinance a 600 million euro bond issue maturing on July 10, 2008.

On October 7, 2008 Klépierre SA also opened a 4-year confirmed line of credit with BNP Paribas for 400 millions euros.

Dividend payment

The General Meeting of Shareholders held on April 4, 2008 approved the payment of a net dividend of 1.25 euros per share in respect of the 2007 fiscal year; the payment to be made in cash or in shares, based on a price per share of 32.94 euros. 77.3% of the shareholders opted to receive their dividend in the form of shares, which represents a rate of 53.5% for the free float alone (excluding BNP Paribas).
The resulting capital increase totals 130,996,648.44 euros funded by the issue of 3,976,826 new shares, which were first listed on May 7, 2008.
The cash dividend payment therefore totaled 38.4 million euros.

Capital increase

Klépierre concluded a successful rights issue on November 6 for the partial funding fee Steen & Strøm acquisition.
The gross value of the transaction was 356.2 million euros, funded by the issue of 23,744,918 new shares.
The new shares were first traded on the Euronext Paris market (Compartment A) on December 2, 2008.
As of December 2, 2008, Klépierre equity capital comprised 166,214,431 shares.

The 2007 fiscal year

- **Changes affecting the shopping center assets of the Klépierre group**

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

The centers were inaugurated in March and May 2007, and are fully let. Rybnik Plaza offers 81 retail outlets with a gross leasable floor area (GLA) of 18,075 m^2. Sosnowiec Plaza has 75 retail outlets with a GLA of 13,150 m^2, and Lublin has 91 retail outlets with a GLA of 26,100 m^2.

In Hungary, Klépierre paid 14.2 million euros to acquire 11.566 m^2 of office space forming part of the Duna Plaza shopping center already owned by the Group. The primary aim of the transaction is to facilitate the planned extension of the center, which currently has 224 retail outlets covering a GLA of 36,040 m^2.

Klépierre has made an offer to Futureal Real Estate Holding Ltd. for the purchase of a planned shopping center forming part of the latest large-scale development in central Budapest. Covering 22 hectares and including 2,800 new apartments, this project is the largest service industry development initiative in the Hungarian capital, and includes 150,000 m^2 of office space featuring a science R&D center and 10,000 m^2 of public space surrounded by 20,000 m^2 of leisure facilities.
The shopping center will offer 34,600 m^2 of leasable area on four levels, one of which will be entirely devoted to food and leisure. It will also include three levels of underground parking for 1,200 vehicles.
Having obtained final construction permission, Klépierre then acquired the real estate base and signed a property development agreement with the seller to carry out the construction work. Ségécé Hungary is responsible for marketing. Work commenced in August, and handover is scheduled for Quarter 3 of 2009.
Klépierre estimates the total investment at 229 million euros, including the cost of bridging finance to the point when the completed project is open for business (this figure includes the 111 million euros spent to date).

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

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

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

In France, Klépierre paid 116 million euros for holdings in 13 shopping centers and retail developments under the terms of an agreement signed with Mr. Henri Hermand on December 21, 2006. The entire portfolio includes over 88,000 m^2 of total useable retail floor, of which 36,000 m^2 was sold under this deal, which gives Klépierre a stake in a series of major shopping centers, including Creil Saint-Maximin, Tourville-la-Rivière near Rouen and Le Belvédère in Dieppe. The agreement also includes four plots of land, the largest of which is in Forbach (57), where plans are in place to build a 42,000 m^2 business park next to an existing shopping mall and hypermarket.

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

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

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

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

Klépierre inaugurated the Champ de Mars shopping center in Angoulême on September 4. Developed by Ségécé, this city center mall offers 15,500 m^2 of retail floor area and includes a Monoprix “City-Market”, 3 mid-sized units, 36 retail outlets, restaurants and services. This shopping center represents an investment of 63 million euros.

Lastly, Klépierre sold its 50% holding in the Cordeliers center in Poitiers for a total of 34.2 million euros in late November. The sale price achieved was 35% higher than the appraised value stated at June 30, 2007.

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

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

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

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

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

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

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

Construction work continued on the Sereinis building in Issy-les-Moulineaux, resulting in capital expenditure of 14.6 million euros in 2007.

❑ *Full ownership of Ségécé strengthens Group cohesion*

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

❑ *Changes in borrowing and related conditions*

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

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

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

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

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

Dividend payment

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

Stock split

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

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

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

2. Accounting principles and methods

Corporate reporting

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

On February 2, 2009, the Executive Board closed and authorized the publication of Klépierre S.A.'s consolidated financial statements for the period from January 1, 2008 to December 31, 2008.

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

Principles of financial statement preparation

In accordance with European Regulation 1606/2002 dated July 19, 2002 on international accounting standards, the Klépierre Group consolidated financial statements for the year ended December 31, 2008 have been drawn up in conformity with IFRS rules, as adopted by the European Union and applicable as from that date.

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

The consolidated annual financial statements on December 31, 2008 are presented in the form of complete accounts including all the information required by the IFRS framework.

The accounting principles applied to the consolidated financial statements to December 31, 2008 are identical to those used in the consolidated financial statements to December 31, 2007, except for the amendment to IAS 39/IFRS 7 (reclassification of financial instruments), the application of which is obligatory, but which has no significant effect on the group financial statements.

The group also resolved not to opt for early application of the following IFRS and interpretations, whose application becomes obligatory on January 1, 2009:

- IAS 1 revised: Presentation of Financial Statements
- IAS 23 revised: Borrowing costs
- IFRS 2: Share-based payment
- IFRS 8: Operating segments
- IFRIC 11: Group and treasury share transactions
- IFRIC 14: Limit on a defined benefit asset

Compliance with accounting standards

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

Consolidated financial statements – Basis of preparation

The consolidated financial statements include the financial statements of Klépierre S.A. and of its subsidiaries at December 31, 2008. The financial statements of subsidiaries are prepared using the same accounting period as that of the parent and consistent accounting methods.

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

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

❑ *Summary of judgments and material estimates*

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

- Use of estimates

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

- Valuation of goodwill

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

- Investment property

The Group has its real estate assets appraised by third-party appraisers every half year according to the methods described in paragraph 9.1. The appraisers use assumptions as to future flows and rates that have a direct impact on the value of the buildings.
The reference table IFR can be consulted on the Internet site of the European Commission:
http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

2.1. Scope and method of consolidation

❑ *Consolidation scope*

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

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

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

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

Consolidation method

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

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

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

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

- No influence: non-consolidates company.

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

Inter-company transactions

Inter-company balances together with profits resulting from transactions between Group companies are eliminated. The internal profits eliminated relate chiefly to the internal margin made on development fees incorporated into the cost price of capitalized assets or inventories by purchasing companies.

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

2.2. Accounting for business combinations

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

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

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

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

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

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

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

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

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

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

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

2.3. Foreign currency translation

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

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

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

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

2.4. Intangible assets

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

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

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

2.5. Investment property

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

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

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

After initial recognition, investment property is measured:

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

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

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

❑ *Cost model*

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

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

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

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

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

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

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

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

- land/building allocation rates for office property;
- comparison with rebuilding costs for shopping centers.

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

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

❑ *Components method*

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

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

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

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

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

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

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

	Offices		Shopping centers		Shops	
	Useful life	Share of total	Useful life	Share of total	Useful life	Share of total
Structures	60 years	60%	35-50 years	50%	30-40 years	50%

Façades	30 years	15%	25 years	15%	15-25 years	15%
MEP	20 years	15%	20 years	25%	10-20 years	25%
Fittings	12 years	10%	10-15 years	10%	5-15 years	10%

All figures are based on an “as new” assumption. Klépierre has therefore calculated the proportions applied to fittings, technical services and façades at January 1, 2003 on the basis of the useful life periods shown in the table above, calculated from the date of construction or latest major refurbishment of the property. The figure for structures is deduced from the figures for the other components and is amortized over the residual term set by the appraisers in 2003.

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

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

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

2.6. Non-current assets held for sale

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

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

The accounting impact is as follows:

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

2.7. Impairment of assets

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

Such an indication might be:

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

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

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

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

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

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

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

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

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

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

2.8. Inventory

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

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

2.9. Leases

Leases

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

IAS 17 distinguishes two types of lease:

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

Accounting for stepped rents and rent-free periods

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

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

The reference period selected is the first firm lease term.

- ***Entry fees***

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

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

- ***Early termination indemnities***

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

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

- ***Eviction indemnities***

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

(i) Replacement of a tenant:

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

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

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

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

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

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

2.10. Trade accounts and other debtors

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

2.11. Borrowing costs

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

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

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

2.12. Provisions and contingent liabilities

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

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

2.13. Current and deferred taxes

- *Tax status for listed property investments companies*
  - **General features of SIIC tax status**

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

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

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

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

- **Discounting exit tax liability**

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

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

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

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

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

- ***French common law and deferred tax***

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

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

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

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

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

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

Deferred tax is calculated at local rates applicable at the balance sheet date. The main relevant rates are 34.43 % in France, 30% in Spain, 31.40% in Italy, 34% in Belgium, 25 % in Greece, 26.5% in Portugal, 19% in Poland, 20% in Hungary (excluding ordinary losses capitalized at 16%), 20% in the Czech Republic, 19% in Slovakia and 28% in Norway.

2.14. Treasury shares

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

2.15. Distinction between liabilities and equity

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

2.16. Financial assets and liabilities

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

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

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

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

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

- **Assets held for sale**

These include equity investments.

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

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

- **Cash and near cash**

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

- ***Recognition and measurement of financial liabilities***

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

- **Recognition of liabilities at amortized cost**

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

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

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

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

Recognition and measurement of derivatives

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

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

Klépierre meets all IAS 39 hedge definition and effectiveness criteria.

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

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

Recognition date: trade or settlement

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

Determination of fair value

Financial assets and liabilities carried at fair value are measured either using listed price, or using measurement models that refer to the market parameters applying on the balance sheet date. The term "model" refers to mathematical methods based on generally-accepted financial theories. The realizable value of these instruments may differ from the fair value adopted when preparing the financial statements.

For any given instrument, an active and so liquid market is any market on which transactions regularly take place and on which there is a reliable level of supply and demand, or on which transactions take place involving instruments that are very similar to the instrument being measured.

Where market-quoted prices are available on the balance sheet date, these are used to determine fair value. Such prices will thus be used to measure listed securities and derivatives traded on organized markets such as the futures or option markets. Most OTC (Over The Counter) derivatives, swaps, futures, caps, floors and simple options are traded on active markets. They are measured using generally accepted models (discounted cash flow, Black and Scholes, interpolation techniques) that are based on the market prices of such instruments or similar underlyings.

Tax treatment of changes in fair value

For Klépierre:

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

2.17. Employee benefits

Employee benefits are recognized as set out in IAS 19, which applies to all payment for services rendered except share-based payment, which is covered by IFRS 2.

All employee benefits, whether paid in cash or in kind, short or long-term must fall into one of the 4 main classifications:

- short-term benefits such as salaries and wages, annual leave, profit-sharing, shares, company contributions to schemes;
- post-employment benefits, such as (in France) supplementary bank pension payments or outside France private pension schemes;
- other long-term benefits, including paid leave and seniority payments, some deferred compensation schemes paying out in monetary units;
- compensation due to the termination of job contract severance pay.

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

Short-term benefits

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

Post-employment benefits

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

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

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

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

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

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

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

- ***Long-term benefits***

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

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

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

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

2.18. Share-based payment

IFRS 2 provides that all share-based payment must be expensed when the goods or services given in return for these payments are used.

For the Klépierre group, the standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option scheme. Pursuant to IFRS 1, only plans awarded after November 7, 2002 whose rights were not acquired at January 1, 2005 need to be recognized. As a result, Klépierre's 1999 stock option plan has not been restated. The exercise period for this particular plan ended on June 24, 2007.

2.19. Segment reporting

IAS 14 requires the reporting of financial information by line of business and geographical area in respect of primary and secondary segments. Segments are identified by analyzing risks and returns to then form homogenous segments.

Lines of business and geographical segments must be reported if they account more than 10% of the total result, revenue or balance sheet total.

If total revenue attributable to reportable segments is less than 75% of the total consolidated income, additional segments should be identified while dropping the threshold by 10% until 75% is reached.

The following information should be disclosed for primary segments: segment income, pre-tax and pre-financial charge segment revenue, the carrying value of sector assets, sector liabilities and sector investments over the period.

The following information should be disclosed for secondary segments: sector income, sector assets, and investments over the period.

The Klépierre group discloses primary sector information on the Group under line of business and secondary sector information under geographical area.

- Primary sector lines of business: shopping centers, retail properties and office properties
- Secondary sector geographical areas: France, Scandinavia, Spain, Portugal, Italy, Greece, Hungary, Poland and "other" Europe

3. Scope of consolidation

COMPANIES	SIREN no.	Head office	Methods December 2008 (1)	% interest December 2008	% interest December 2007	% control December 2008	% control December 2007
SA Klépierre	780 152 914	Paris	FC	100,00%	100,00%	100,00%	100,00%
Office buildings							
SAS Klépierre Finance	433 613 312	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS LP7	428 782 486	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS CB Pierre	343 146 932	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Général Leclerc n°11 Levallois	381 986 363	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Jardins des Princes	391 237 716	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Barjac Victor	390 123 057	Paris	FC	100,00%	100,00%	100,00%	100,00%
Shopping centers - France							
SNC Kléber La Perouse	388 724 361	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS KLE 1	389 217 746	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC SCOO (ex-Secmarne)	309 660 504	Paris	FC	79,94%	79,94%	79,94%	79,94%
SNC Angoumars	451 149 405	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Klécar France	433 496 965	Paris	FC	83,00%	83,00%	83,00%	83,00%
SNC KC1	433 816 501	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC2	433 816 444	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC3	433 816 725	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC4	433 816 774	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC5	433 817 269	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC6	433 842 549	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC7	433 842 515	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC8	433 842 564	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC9	433 816 246	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC10	433 816 220	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC11	433 894 243	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC12	433 894 102	Paris	FC	83,00%	83,00%	100,00%	100,00%
SNC KC20	449 054 949	Paris	FC	83,00%	83,00%	100,00%	100,00%
SAS Centre Jaude Clermont	398 960 963	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCS Klécar Europe Sud	428 864 268	Paris	FC	83,00%	83,00%	83,00%	83,00%
SC Solorec	320 217 391	Paris	FC	80,00%	80,00%	80,00%	80,00%
SNC Centre Bourse	300 985 462	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCS Begles Arcins	404 357 535	Paris	PC	50,00%	50,00%	50,00%	50,00%
SCI Bègles Papin	449 389 956	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Soccendre	319 814 075	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI Sécovalde	405 362 682	Paris	FC	55,00%	55,00%	55,00%	55,00%
SAS Cécoville	409 547 015	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Foncière Saint-Germain	378 668 875	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Soaval	419 620 075	Paris	FC	100,00%	50,00%	100,00%	50,00%
SCA Klémurs	419 711 833	Paris	FC	84,11%	84,11%	84,11%	84,11%
SCS Cécobil	408 175 966	Paris	PC	50,00%	50,00%	50,00%	50,00%
SCI du Bassin Nord	422 733 402	La Plaine St Denis	PC	50,00%	50,00%	50,00%	50,00%
SNC Le Havre Vauban	420 307 704	Paris	PC	50,00%	50,00%	50,00%	50,00%
SNC Le Havre Lafayette	420 292 047	Paris	PC	50,00%	50,00%	50,00%	50,00%
SNC Sodevac	388 233 298	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI Odysseum Place de France	428 788 525	Paris	PC	50,00%	50,00%	50,00%	50,00%
SAS Klécar ParticPCations Italie	442 229 175	Paris	FC	83,00%	83,00%	83,00%	83,00%
SNC Pasteur	398 967 232	Paris	FC	100,00%	100,00%	100,00%	100,00%
SA Holding Gondomar 1	438 568 545	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Holding Gondomar 3	438 570 129	Paris	FC	100,00%	100,00%	100,00%	100,00%
SAS Klépierre Participations et Financements	442 692 315	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI Combault	450 895 164	Paris	FC	100,00%	100,00%	100,00%	100,00%
SNC Klétransactions	479 087 942	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI La Plaine du Moulin à Vent	479 718 124	Paris	PC	50,00%	50,00%	50,00%	50,00%
SCI Beau Sevran Invest	441 648 714	Paris	FC	83,00%	83,00%	100,00%	100,00%
SAS PROGEST	330 574 625	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI La Rocade	319 524 070	Paris	EM	38,00%	38,00%	38,00%	38,00%
SCI l'Emperi	421 021 346	Paris	EM	15,00%	15,00%	15,00%	15,00%
SCI Girardin	339 293 532	Paris	PC	33,40%	33,40%	33,40%	33,40%
SC Boutiques St Maximin	314 866 484	Paris	EM	42,50%	42,50%	42,50%	42,50%
SARL Belvedere Invest	418 124 475	Paris	FC	75,00%	62,00%	75,00%	62,00%
SCI Haies Haute Pommeraie	437 731 664	Paris	FC	53,00%	43,00%	53,00%	43,00%
SCI Plateau des Haies	423 665 413	Paris	FC	90,00%	90,00%	90,00%	90,00%
SCI Boutiques d'Osny	339 797 607	Paris	FC	38,27%	38,27%	67,00%	67,00%
SCI la Rocade Ouest	319 658 399	Paris	EM	36,73%	36,73%	36,73%	36,73%
SARL Forving	442 692 539	Paris	FC	90,00%	90,00%	90,00%	90,00%
SCI du Plateau	382 949 873	Boulogne-Billancourt	EM	24,25%	17,76%	30,00%	26,50%
SA Rezé Sud	413 251 216	Rézé	EM	15,00%	15,00%	15,00%	15,00%
SCI Maximeuble	347 879 306	Paris	FC	100,00%	100,00%	100,00%	100,00%
SCI Saint Maximin Construction	347 879 405	Paris	FC	55,00%	50,00%	55,00%	50,00%
SCI Immobilière de la Pommeraie	348 268 996	Paris	PC	50,00%	50,00%	50,00%	50,00%

COMPANIES	SIREN no.	Head office	Methods December 2008 (1)	% interest December 2008	% interest December 2007	% control December 2008	% control December 2007
Shopping centers - France (cont.)							
SCI Pommeraie Parc	350 236 337	Paris	FC	60.00%	50.00%	60.00%	50.00%
SCI Champs des Haies	351 335 914	Paris	FC	60.00%	50.00%	60.00%	50.00%
SCI La Rive	348 974 080	Paris	FC	47.30%	47.30%	47.30%	47.30%
SCI Rebecca	428 291 520	Paris	FC	70.00%	70.00%	70.00%	70.00%
SCI Aulnes developpement	448 080 861	Paris	FC	25.50%	25.50%	50.00%	50.00%
SARL Proreal	447 572 686	Paris	FC	51.00%	51.00%	51.00%	51.00%
SCI Sandri-Rome	423 680 917	Paris	EM	15.00%	15.00%	15.00%	15.00%
SCI La Roche Invest	484 674 643	Paris	FC	100.00%	32.50%	100.00%	32.50%
SCI Osny Invest	420 796 708	Paris	FC	57.12%	57.12%	57.12%	57.12%
SNC Parc de Coquelles	348 281 965	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Sogegamar	950 591 792	Paris	EM	33.12%	33.12%	33.12%	33.12%
SCI Achères 2000	422 380 576	Paris	EM	30.00%	30.00%	30.00%	30.00%
SCI Le Mais	378 907 000	Paris	FC	60.00%	55.00%	60.00%	55.00%
SCI le Grand Pré	352 765 994	Paris	FC	60.00%	50.00%	60.00%	50.00%
SCI Champs de Mais	379 159 338	Paris	EM	40.00%	25.00%	40.00%	25.00%
SCI des Salines	394 253 959	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI les Bas Champs	394 253 710	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI Des dunes	394 253 819	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI la Française	394 253 264	Paris	PC	50.00%	50.00%	50.00%	50.00%
SCI LC	422 654 392	Paris	FC	36.00%	33.00%	60.00%	60.00%
SCI Klepierre Tourville	509 494 860	Paris	FC	100.00%	-	100.00%	-
SARL Société du bois des fenêtres	418 683 124	Vélizy Villacoublay	EM	20.00%	20.00%	20.00%	20.00%
SAS KLE PROJET 1	493 511 620	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLECAPNOR	494 808 603	Paris	FC	84.11%	84.11%	100.00%	100.00%
SAS Vannes Coutume	495 178 055	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS KLE PROJET 2	479 506 345	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Société des Centre Toulousains	499 084 903	Paris	FC	75.81%	75.81%	75.81%	75.81%
SAS Holding Gondomar 4	438 567 331	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Noblespécialiste	389 308 339	Paris	FC	75.81%	75.81%	100.00%	100.00%
SNC La Marquayssonne	379 881 121	Paris	FC	75.81%	75.81%	100.00%	100.00%
SCI Restorens	380 667 790	Paris	FC	75.81%	75.81%	100.00%	100.00%
SNC Sodirev	377 807 367	Paris	FC	75.81%	75.81%	100.00%	100.00%
SCI Besançon Chalezeule	498 801 778	Paris	FC	100.00%	100.00%	100.00%	100.00%
SCI Edamarzy	489 704 809	Pougues les eaux	FC	100.00%	-	100.00%	-
SARL Immo Dauland	443 572 037	Chalons sur Saone	FC	84.11%	-	100.00%	-
SAS Carré Jaude 2	504 363 565	Paris	FC	100.00%	-	100.00%	-
Klepierre Créteil	499 009 611	Paris	FC	100.00%	-	100.00%	-
SCI Albert 31	378 527 436	Paris	FC	100.00%	-	83.00%	-
SCI Galeries Drancéennes	398 898 858	Paris	FC	100.00%	-	100.00%	-
Service providers - France							
SCS Ségécé	562 100 214	Paris	FC	100.00%	100.00%	100.00%	100.00%
SAS Klépierre Conseil	398 967 000	Paris	FC	100.00%	100.00%	100.00%	100.00%
SNC Galae	433 909 165	Paris	FC	100.00%	100.00%	100.00%	100.00%
	Country	*Head office*					
Shopping centers - International							
SA Coimbra	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Cinémas de l'Esplanade	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Foncière de Louvain La Neuve	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
SA Place de l'acceuil	Belgium	Brussels	FC	100.00%	100.00%	100.00%	100.00%
Steen & Strøm Holding AS	Denmark	Copenhagen	FC	56.10%	-	100.00%	-
Anpartsselskabet af 18. september 2007	Denmark	Copenhagen	FC	56.10%	-	100.00%	-
Bryggen, Vejle A/S	Denmark	Copenhagen	FC	56.10%	-	100.00%	-
Ejendomsselskabet Klampenborgvej I/S	Denmark	Copenhagen	PC	28.05%	-	50.00%	-
Field's Eier I ApS	Denmark	Copenhagen	FC	56.10%	-	100.00%	-
Field's Eier II A/S	Denmark	Copenhagen	FC	56.10%	-	100.00%	-
Prosjektselskabet af 10.04.2001 ApS	Denmark	Copenhagen	FC	56.10%	-	100.00%	-
SA Klecar Foncier Iberica	Spain	Madrid Alcobendas	FC	83.00%	83.00%	100.00%	100.00%
SA Klecar Foncier Espana	Spain	Madrid Alcobendas	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Vinaza	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Vallecas	Spain	Madrid Alcobendas	FC	100.00%	100.00%	100.00%	100.00%
SA Klépierre Nea Efkarpia	Greece	Athens	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Foncier Makedonia	Greece	Athens	FC	83.01%	83.01%	100.00%	100.00%
SA Klépierre Athinon A.E.	Greece	Athens	FC	83.00%	83.00%	100.00%	100.00%
SA Klépierre Peribola Patras	Greece	Neo Psychiko	FC	83.00%	83.00%	100.00%	100.00%
Klépierre Larissa	Greece	Athens	FC	100.00%	100.00%	100.00%	100.00%

COMPANIES	Country	Head office	Methods December 2008 (1)	% interest		% control	
				December 2008	December 2007	December 2008	December 2007
Sarl Szeged plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Szolnok plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Zalaegerszeg plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Nyiregyhaza Plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
SA Duna Plaza	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl CSPL 2002 (Cespel)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl GYR 2002 (Gyor)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Debrecen 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Uj Alba 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Miskolc 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Kanizsa 2002	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl KPSVR 2002 (Kaposvar)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Sarl Duna Plaza Offices	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Corvin	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Corvin Retail (Ex: Corvin Office)	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Trading	Hungary	Budapest	FC	100,00%	-	100,00%	-
Spa IGC	Italy	Milan	PC	50,00%	50,00%	50,00%	50,00%
Spa Klecar Italia	Italy	Milan	FC	83,00%	83,00%	100,00%	100,00%
Spa Klefin Italia	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Collegno	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Serravalle	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Assago	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Klépierre	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Cavallino	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Galleria Commerciale Solbiate	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Clivia 2000	Italy	Milan	PC	50,00%	-	50,00%	-
K2	Italy	Milan	FC	85,00%	-	85,00%	-
Klépierre Matera	Italy	Milan	FC	100,00%	-	100,00%	-
Sarl Klépierre Météores	Luxemburg	Luxemburg	FC	100,00%	100,00%	100,00%	100,00%
SA Klépierre Luxembourg	Luxemburg	Luxemburg	FC	100,00%	100,00%	100,00%	100,00%
SA ICD	Luxemburg	Luxemburg	FC	100,00%	85,00%	100,00%	85,00%
SA Novate	Luxemburg	Luxemburg	FC	100,00%	85,00%	100,00%	85,00%
SA Immobiliare Magnolia	Luxemburg	Luxemburg	FC	100,00%	85,00%	100,00%	85,00%
Holding Klege	Luxemburg	Luxemburg	PC	50,00%	-	50,00%	-
Storm Holding Norway	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strom ASA	Norway	Oslo	FC	56,10%	-	100,00%	-
Amanda Storsenter AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Arken Holding AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Åsane Storsenter DA	Norway	Bergen	PC	27,99%	-	49,90%	-
Farmandstredet Eiendom AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Farmandstredet ANS	Norway	Oslo	FC	56,10%	-	100,00%	-
Fayesgate 7 Eiendom AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Hovlandbanen AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Karl Johansgate 16 AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Nerstranda AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Os Alle 3 AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Sjøsiden AS	Norway	Oslo	FC	56,10%	-	100,00%	-
SSI Lillestrøm Torv AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Hamar Storsenter AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Metro Senter ANS	Norway	Oslo	PC	28,05%	-	50,00%	-
Novak Eiendom AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Stavanger Storsenter AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Invest AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Stovner Senter Holding AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Stovner Senter AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Torvbyen Senter AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Torvbyen Utvikling AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Økern Sentrum Ans	Norway	Oslo	PC	28,05%	-	50,00%	-
KS Markedet	Norway	Oslo	FC	56,10%	-	100,00%	-
Gulskogen Senter ANS	Norway	Oslo	FC	56,10%	-	100,00%	-
Torvhjørnet Lillestrøm ANS	Norway	Oslo	FC	56,10%	-	100,00%	-
Vintebro Senter DA	Norway	Oslo	FC	56,10%	-	100,00%	-
Besloten vennootschap Capucine BV	Netherlands	Amsterdam	FC	100,00%	100,00%	100,00%	100,00%
Klepierre Nordica	Netherlands	Amsterdam	FC	100,00%	-	100,00%	-
Klépierre Sadyba	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Krakow	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Poznan	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Ruda Slaska Plaza spzoo	Poland	Ruda Slaska-Wirek	FC	100,00%	100,00%	100,00%	100,00%
Sadyba Center SA	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Krakow spzoo	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Poznan SA	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%

COMPANIES			Methods December 2008 (1)	% interest		% control	
	Country	*Head office*		December 2008	December 2007	December 2008	December 2007
Klépierre Pologne	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Rybnik Plaza Sp.z.o.o	Poland	Rybnik	FC	100,00%	100,00%	100,00%	100,00%
Sosnowiec Plaza Sp.z.o.o	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Rybnik	Poland	Rybnik	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Sosnowiec	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Movement Poland SA (Ex:Lublin Plaza)	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Lublin	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Galeria Poznan Sp.z.o.o	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Galeria Krakow Sp.z.o.o	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Warsaw Sp.z.o.o	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
SA Finascente	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Klélou-Immobiliare	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Klépierre Portugal SGPS SA	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Galeria Parque Nascente	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Gondobrico	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Klenor Imobiliaria	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
SA Klétel Imobiliaria	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
Kleminho	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
Kléaveiro	Portugal	Carnaxide	FC	100,00%	-	100,00%	-
Klege Portugal	Portugal	Carnaxide	PC	50,00%	-	50,00%	-
BPSA 10	Portugal	Carnaxide	PC	50,00%	-	50,00%	-
Klépierre Cz	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Bestes	Czech Republic	Prague	FC	99,00%	99,00%	99,00%	99,00%
Entertaimnent Plaza	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Klépierre Plzen	Czech Republic	Prague	FC	100,00%	-	100,00%	-
Plzen	Czech Republic	Prague	FC	100,00%	-	100,00%	-
Akciova Spolocnost ARCOL	Slovakia	Bratislava	FC	100,00%	100,00%	100,00%	100,00%
Nordica Holdco	Sweden	Stockholm	FC	56,10%	-	56,10%	-
Steen & Strøm Holding AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB CentrumInvest	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Emporia	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Överby KöPCentrum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Detaljhandelshuset i Hyllinge AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Sollentuna Centrum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Borlange KöPCentrum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Marieberg Centrum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Västra Torp Mark AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
NorthMan Suède AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Viskaholm	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Uddevallatorpet	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Hageby Centrum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Mitt i City i Karlstad FAB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Allum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB P Brodalen	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Partille Lexby AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB P Åkanten	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB P Porthälla	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Mölndal Centrum	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Mässcenter Torp AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Mölndal Centrum Byggnads FAB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Grytingen Nya AB	Sweden	Stockholm	PC	36,35%	-	64,79%	-
Service providers - International							
Bruun's Galleri ApS	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Entreprenørselskapet af 10.04.2001 P/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Fields Copenhagen I/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Steen & Strøm CenterDrift A/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Steen & Strøm Centerudvikling IV A/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Steen & Strøm Centerudvikling V A/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Steen & Strøm CenterUdvikling VI A/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Steen & Strøm CenterUdvikling VII A/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Steen & Strøm Danemark A/S	Denmark	Copenhagen	FC	56,10%	-	100,00%	-
Ségécé Espana	Spain	Madrid Alcobendas	FC	100,00%	100,00%	100,00%	100,00%
Ségécé Hellas	Greece	Athens	FC	100,00%	100,00%	100,00%	100,00%
Ségécé Magyarorszag	Hungary	Budapest	FC	100,00%	100,00%	100,00%	100,00%
Srl Effe Kappa	Italy	Milan	FC	100,00%	50,00%	100,00%	50,00%
Ségécé Italia	Italy	Milan	FC	100,00%	100,00%	100,00%	100,00%
Ségécé India	India	New Delhi	FC	100,00%	-	100,00%	-

COMPANIES			Methods December 2008 (1)	% interest		% control	
	Country	*Head office*		December 2008	December 2007	December 2008	December 2007
Sandens Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Camato AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Eiendomsforvaltning AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Norvèges Største Senterkjede AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Fritzøe Brygge Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Gulskogen Prosjekt & Eiendom AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Lille Eiendom AS	Norway	Oslo	FC	37,03%	-	66,00%	-
Løkketangen Torv AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Nordbyen Senterforening AS	Norway	Oslo	FC	38,82%	-	69,20%	-
Norsk Automatdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Norsk Kjøpesenterforvaltning AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Skårer Stormarked AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Senterservice AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Arken Drift AS	Norway	Bergen	PC	27,99%	-	49,90%	-
Down Town Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Farmanstredet Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
HolEMn Senterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Hamar Panorama AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Hamar Storsenterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Krokstadelva Senterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Kvadrat Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Markedet Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
EMtro Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Mosseporten Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Nerstranda Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Os Alle Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Sjøsiden Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
SSI Amanda Senterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
SSI Gulskogen Senterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
SSI Lillestrøm Senterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
SST Stavanger Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Tillertorget Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Torvbyen Drift AS	Norway	Oslo	FC	21,32%	-	38,00%	-
Vinterbro Eiendomsdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Økern Sentrum Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Økern Sentrum AS	Norway	Oslo	PC	28,05%	-	50,00%	-
Østfoldhallen Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Nordal ANS	Norway	Oslo	PC	28,05%	-	50,00%	-
Økern Eiendom ANS	Norway	Oslo	PC	28,05%	-	50,00%	-
Senterdrift Åsane Senter AS	Norway	Bergen	PC	27,99%	-	49,90%	-
Steen & Strøm Drammen AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Drift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Narvik AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Steen & Strøm Norvège AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Stovner Senterdrift AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Økern Holding AS	Norway	Oslo	FC	56,10%	-	100,00%	-
KS Down Town Senter	Norway	Oslo	FC	56,10%	-	100,00%	-
KS Down Town Senter II	Norway	Oslo	FC	56,10%	-	100,00%	-
Svenor AS	Norway	Oslo	FC	56,10%	-	100,00%	-
Ségécé Polska (Ex: PCM Poland)	Poland	Warsaw	FC	100,00%	100,00%	100,00%	100,00%
SA Ségécé Portugal	Portugal	Carnaxide	FC	100,00%	100,00%	100,00%	100,00%
Ségécé Ceska Républika	Czech Republic	Prague	FC	100,00%	100,00%	100,00%	100,00%
Ségécé Slovensko	Slovakia	Bratislava	FC	100,00%	100,00%	100,00%	100,00%
Steen & Strøm Suède AB	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Centrum Västerort	Sweden	Stockholm	FC	56,10%	-	100,00%	-
FAB Lantmäteribacken	Sweden	Stockholm	FC	56,10%	-	100,00%	-
Deconsolidated companies							
SA Delcis Cr	Czech Republic	Prague	NC	-	100,00%	-	100,00%
SA Devimo Consult	Belgium	Brussels	NC	-	35,00%	-	35,00%
SNC Klégestion	398 058 149	Paris	NC	-	100,00%	-	100,00%
SNC Ségécé Loisirs et Transactions	421 220 252	Paris	NC	-	100,00%	-	100,00%
SAS Poitiers Aliénor	410 245 757	Paris	NC	-	100,00%	-	100,00%
SNC CAP NORD	332 024 926	Lille	NC	-	84,11%	-	100,00%
Gie Klépierre Services	435 194 725	Paris	NC	-	100,00%	-	100,00%
Klépierre Novo	Czech Republic	Prague	NC	-	100,00%	-	100,00%
SAS Holding Gondomar 2	438 567 265	Paris	NC	-	100,00%	-	100,00%
Halle Plérin	340 255 280	Joinville Le Pont	NC	-	25,00%	-	25,00%
Plateau Plérin	329 393 805	Paris	NC	-	25,00%	-	25,00%

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

Equity interests in subsidiaries

At December 31, 2008, the Group scope of consolidation included 323 companies, compared with 195 at December 31, 2007.

138 companies have joined the scope of consolidation:

- ***1 in The Netherlands***

On October 8, 2008, Klépierre finalized its acquisition of the Scandinavian group Steen & Strøm, with an equity stake of 56.10%; the remaining 43.9% being held by the Dutch pension fund ABP. The Klépierre holding involves 3 intermediate holding companies:

- **Klépierre Nordica**, a Dutch company wholly owned by Klépierre;
- Nordica Holdco AB, a Swedish company owned 56.10% by Klépierre Nordica;
- Storm Holding Norway, a Norwegian company wholly owned by Nordica Holdco AB. Storm Holding Norway owns all the equity in Steen & Strøm.

These three companies are fully consolidated.

- ***120 in Scandinavia***

Including the two holding companies **Nordica Holdco AB** and **Storm Holding Norway,** 120 Scandinavian entities joined the Group as a result of the Steen & Strøm acquisition. 77 of these are Norwegian, 27 are Swedish and 16 are Danish. The parent company Steen & Strøm ASA has its registered office in Oslo. 61 entities are management and services companies, while the remaining 59 are real estate and holding companies.

110 are fully consolidated, with the remaining 10 being proportionally consolidated.

The 91.62 million euros of goodwill on acquisition is recognized as property assets (local taxation taken into account).

- ***7 in France***

7 French companies are fully consolidated.

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

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

- **Carré Jaude 2,** a wholly-owned subsidiary of Clermont Jaude formed to manage the construction works required to extend the Centre Jaude mall in Clermont-Ferrand;

- **Klépierre Créteil,** a wholly-owned subsidiary of Klépierre formed to acquire the BHV building in Créteil;

- **SCI Albert 31,** a wholly-owned subsidiary of Klécar France. The 7.5 million euros of goodwill on acquisition has been recognized as property assets;

- **SCI Galeries Drancéennes,** a wholly-owned subsidiary of Klépierre. This company, which owns the Drancy Avenir mall, was exchanged for the "Rue Notre Dame des Victoires" building in Paris. The 56.5 million euros of goodwill on acquisition has been recognized as property assets;

- **Klépierre Tourville,** a wholly-owned subsidiary of Progest.

3 in Italy

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

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

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

Clivia is proportionately consolidated. The 19.8 million euros of goodwill on acquisition has been recognized as property assets.

- **Formation of K2 and Klépierre Matera as part of the transaction to incorporate Italian assets into the K2 fund.**

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

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

On June 10, 2008, Finim reconstituted its minority interests in these Italian assets by acquiring 15% of K2 equity from Klépierre Luxembourg and Novate. At December 31, 2008, the equity profile of the fund was as follows:

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

Created in May 2008 as a wholly-owned subsidiary of Novate, this company has taken control of the Matera mall, initially owned by Novate, but, unlike the other Novate malls (Cienneo and Vignate), is not incorporated into the K2 fund.

1 in Luxembourg

Owned 50% by Klépierre Luxembourg, **Holding Klégé** was created to manage the Portimao project in partnership with the Generali Group. Holding Klégé owns all the equity in Klégé Portugal. The company is proportionately consolidated.

- ***3 in Portugal***

  - **Klége Portugal** and **BPSA10**

Wholly-owned by Holding Klégé, Klégé Portugal was created to acquire all the equity shares in BPSA10, the Portimao project company. The 9.8 million euros of goodwill on acquisition has been recognized as property assets in progress.
Both entities are consolidated proportionately.

  - **Kléaveiro**

This fully consolidated company was formed in January 2008 for the purpose of acquiring the Aveiro center.

- ***1 in Hungary***

Created in 2007 as a wholly-owned subsidiary of Klépierre, **Klépierre Trading** bills the electricity supplied by the Hungarian shopping centers to their tenants. The company is fully consolidated.

- ***2 in the Czech Republic***

On July 31, 2008, Klépierre assumed ownership of a retail development in Plzen. The center is owned by the **Plzen** company, which is wholly owned by the Group via **Klépierre Plzen**. Both companies are fully consolidated.

- ***1 in India***

Created in 2008 by Ségécé**, Ségécé India** sets up third-party management agreements.

11 companies left the scope of consolidation as a result of mergers, universal transfers of assets and liabilities and disposals:

  - **Klégestion, Klépierre Services and Ségécé Loisirs et Transactions** were absorbed by Ségécé ;
  - **Poitiers Alienor** was absorbed by Klépierre;
  - **Cap Nord** was absorbed by Klecapnor;
  - **Delcis** was absorbed by Klépierre Cz with retrospective effect from July 1, 2007;
  - **Holding Gondomar 2** was absorbed by Holding Gondomar 1;
  - **Klépierre Novo** was absorbed by Entertainment Plaza;
  - **Devimo Consult** was disposed of completely (35%) by Ségécé;
  - **Halle Plérin** and **Plateau Plérin**, both of which were equity-method consolidated companies, were disposed of by Progest in December 2008.

The group increased its percentage of interest in 13 companies:

- 50% in **Effe Kappa** and 50% in **Soaval**, bringing the group's holding in both companies to 100%. Consolidated proportionally at December 31, 2007, they became fully integrated at December 31, 2008;

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

- 13% in **Belvedère Invest** with the acquisition of IPECI Gestion; 6.49% in **SCI du Plateau** with the acquisition of IPECI Gestion and a direct purchase by Kléber La Pérouse.

At the end of December 2008, an exchange agreement between Klépierre and a minority shareholder in the Progest subsidiaries resulted in the group increasing its holding in 8 entities, causing 5 to change consolidation method:

- Transition from the equity method to full consolidation for **Haies Hautes Pommeraies** (+10%);

- Transition from proportionate to full consolidation for **Pommeraies Parc** (+10%), **Champs des haies** (+10%), **Grand Pré** (+10%) and **Saint Maximum construction** (+5%);

- A 15% increase in **Champs de Mais**, which remains equity-method consolidated;

- An increase of 5% in **Le Mais** and 3% in its subsidiary **LC**. Both companies are fully consolidated.

Other events:

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

- The Italian companies Magnolia, ICD and Novate have transferred their registered office to Luxembourg.

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

in thousands of euros

Entity	*Country*	*Acquisition date*	lease income	operating income/loss	net earnings	intangible fixed assets	tangible fixed assets	investment property and fixed assets in progress	net fixed assets	net indebtedness including bank overdrafts
Spa Clivia	Italy	February-08	6 748	3 543	574	1 752	251	130 179	132 182	66 672
SARL Edarmarzy	France	June-08	-	- 7	- 65	-	-	2 587	2 587	4
SARL Immo Dauland	France	June-08		- 31	- 18	-	-	8 711	8 711	44
Plzen	Czech Republic	July-08	2 187	447	- 951	-	68	59 077	59 145	2 138
Portimao (BPSA10)	Portugal	December-08	-	-	-			9 217	9 217	3 715
Albert 31	France	October-08	74	45	43	-	-	7 746	7 746	134
Galeries Drancéennes	France	October-08	1 058	557	337	-	-	70 961	70 961	1 081
Groupe Steen & Strom	Scandinavia	October-08	37 856	13 569	18 058	-	1 909	2 848 610	2 850 519	1 478 445
TOTAL			**47 923**	**18 123**	**17 978**	**1 752**	**2 228**	**3 137 088**	**3 141 068**	**1 552 233**

In addition, the purchase prices and amounts paid to acquire equity shares at December 31, 2008 were:

in thousands of euros	Purchase price of securities	Acquisition amount paid in 2008	Amount paid for buyback of current accounts in 2008	Cash position on the acquisition date
Spa Clivia	**102 412**	**100 701**	**-**	**22 395**
SARL Edarmarzy	**690**	**696**	**-**	**- 8**
SARL Immo Dauland	**4 706**	**4 406**	**-**	**301**
Plzen	**13 515**	**13 515**	**43 784**	**1 385**
Portimao (BPSA10)	**9 798**	**9 798**	**-**	**11**
Albert 31	**7 463**	**6 978**	**-**	**95**
Galeries Drancéennes	**59 150**	**7 011**	**1 804**	**23**
Groupe Steen & Strom (1)	**627 616**	**627 616**	**-**	**49 695**

(1) comensurate with the Klépierre holding, i.e. 56.10%

❑ *Steen & Strøm*

The acquisition of Steen & Strøm has been recognized in accordance with IFRS 3 “Business combinations”. The assets, liabilities and contingent liabilities identifiable for Steen & Strøm at the time of acquisition have been recognized at their fair value on the date of acquisition. Allocation of the acquisition price (including the estimated business combination costs and expenses) to the fair value of these assets and liabilities, has not revealed any goodwill.

The price acquisition has been allocated temporarily to the fair value of Steen & Strøm assets on the basis of the financial statements at the date of control of the company. The standard requires that the acquisition recognition should be finalized no later than 12 months after the date of acquisition.

	Fair value at the acquisition date	Accounting value
Investment property	3 123 610	2 941 471
Cash and near cash	49 695	49 695
Other assets	203 780	165 166
TOTAL	**3 377 085**	**3 156 332**
Financial liabilities	- 1 826 547	- 1 830 933
Trade payables	- 20 040	- 20 040
Other liabilities and provisions	- 82 409	- 40 381
Deferred tax liabilities	- 325 955	- 234 411
Minority interests	- 843	- 843
NET ASSETS	**1 121 291**	**1 029 724**
Cost of business combination (including acquisition costs)	**1 121 291**	
Of which the share of Klépierre (56.1%)	630 162	
Of which the share of ABP (43.9%)	491 129	

The acquisition cost related to Steen & Strøm is 19,6 million euros (total).

4. Notes to the financial statements: Balance sheet

4.1. Non-allocated goodwill

in thousands of euros	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Other movements, reclassification	December 31, 2008
* Metropoli	913	913				913
* Vignate	897	520				520
* Galeria Parque Nascente	1 713	1 713				1 713
* Ségécé Espana	11 977	11 977				11 977
* Ségécé	9 111	52 375			- 1	52 374
* Ségécé Magyarorszag	3 174	3 389			2	3 391
* Scoo	814	814				814
* ICD (Brescia)	909	909			1	910
* IGC	3 209	3 209			5	3 214
* Ségécé Italia	8 150	8 150				8 150
* Effe Kappa		-	274			274
* Steem & Strom		-	9 709			9 709
* Other variances	688	684			- 7	677
NET GOODWILL	41 555	84 653	9 983	0	0	94 636

The increase in goodwill refers essentially to the holding acquired in Steen & Strøm, whose management business is measured at 9.7 million euros.

4.2. Intangible assets

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

in thousands of euros	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Changes in consolidation scope	Currency fluctuations	Other movements, reclassification	December 31, 2008
Leasehold	461	461	1 100					- 1	1 560
Business concerns	2 023	701				2 122	- 492	2 474	4 805
Software	11 193	11 753	176	- 3 845		13	- 39	- 978	7 080
Other intangible fixed assets	4 803	6 087	4 035	- 455		1 594	- 88	- 1 200	9 973
Total gross value	18 480	19 001	5 311	-4 300	0	3 729	-619	295	23 417
Leasehold	-	-			- 32				- 32
Business concerns	-	-			- 363	- 401	493	- 431	- 702
Software	- 8 742	- 9 432		4 105	- 1 332	- 12	34	75	- 6 562
Other intangible fixed assets	- 2 260	- 2 300		144	- 565	- 1 284	28	1 223	- 2 754
Total amortizations	-11 002	-11 732	0	4 249	-2 292	-1 697	555	867	- 10 050
INTANGIBLE ASSETS - NET VALUE	7 478	7 269	5 311	-51	-2 292	2 032	-64	1 162	13 366

4.3. Tangible assets

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

in thousands of euros	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	December 31, 2008
Land	**23 030**	**23 030**							**23 030**
Constructions and fixtures	**17 683**	**17 683**							**17 683**
Furniture and equipment	**8 410**	**9 186**	992	-762		-959	4 046	1 677	**14 180**
Total gross value	**49 123**	**49 899**	**992**	**-762**	**-**	**-959**	**4 046**	**1 677**	**54 893**
Constructions and fixtures	**-2 655**	**-3 319**			-664				**-3 983**
Furniture and equipment	**-4 986**	**-5 240**		651	-1 975	312	-115	-908	**-7 275**
Total amortizations	**-7 641**	**-8 559**	**-**	**651**	**-2 639**	**312**	**-115**	**-908**	**-11 258**
Provision for impairment									**-**
TANGIBLE ASSETS - NET VALUE	**41 482**	**41 340**	**992**	**-111**	**-2 639**	**-647**	**3 931**	**769**	**43 636**

4.4. Investment property and fixed assets in progress

in thousands of euros	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Amortization allowance and changes in provisions	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	December 31, 2008
Land	**2 944 625**	**3 332 481**	103 911	-18 445		-218 171	1 609 550	-10 425	**4 798 901**
Constructions and fixtures	**3 434 790**	**3 969 548**	328 019	-25 948		-213 915	1 433 177	104 193	**5 595 074**
Total gross value	**6 379 415**	**7 302 029**	**431 930**	**-44 393**	**-**	**-432 086**	**3 042 727**	**93 768**	**10 393 975**
Constructions and fixtures	**-438 963**	**-606 304**		3 030	-190 528	11 574	-11 382	18 496	**-775 114**
Total amortizations	**-438 963**	**-606 304**	**-**	**3 030**	**-190 528**	**11 574**	**-11 382**	**18 496**	**-775 114**
Provision for impairment	**-9 708**	**-25 635**			-12 983	-527	-907	314	**-39 738**
INVESTMENT PROPERTY - NET VALUE	**5 930 744**	**6 670 090**	**431 930**	**-41 363**	**-203 511**	**-421 039**	**3 030 438**	**112 578**	**9 579 123**

Excluding investments in progress, investments for the fiscal year totaled 432 million euros.

In France, the largest group of transactions completed during the year was that of Klémurs, with its acquisition of 77 shops at a cost of 175 million euros under its partnership with the Défimode chain and the Vivarte group, 17 Buffalo Grill restaurants, 21 King Jouet stores and 17 other retail outlets.

Other notable additions to the real estate portfolio in France included the Maisonément center (15.8 million euros) and a 25% share in the Galerie Nationale in Tours (11.7 million euros).

Outside France, the most significant investments were made in Spain, with the La Gavia center in Vallecas (117 million euros), Scandinavia (65 million euros) and Italy (17 million euros), where the largest project was the extension of the Seriate center.

At 3,042 million euros, the majority of the "Changes in consolidation scope" item is represented by the following transactions:

- Steen & Strøm in Scandinavia (2.8 billion euros);
- Clivia in Italy (102 million euros);
- Plzen in the Czech Republic (59 million euros);
- Drancy Avenir (82 million euros) and Albert 31, which holds leases on 4 units in the Portet-sur-Garonne center (7.8 million euros), in France.

At 93.8 million euros, the "Other movements and reclassifications" items includes essentially a reduction of 75 million euros following the reclassification of buildings under negotiation to the "Buildings held for sale" item, assets commissioned during the period and reclassified from "Fixed assets in progress" (118 million euros) and miscellaneous other movements between balance sheet items.

The "Provision for impairment" item includes real estate provisions in respect of shopping centers in Poland (8.6 million euros), the Czech Republic (6 million euros), Italy (1 million euros), Spain (7.5 million euros), Greece (1 million euros), Belgium (8 million euros) and France (7.2 million euros).

in thousands of euros	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Amortization allowance and provisions	Currency fluctuations	Changes in consolidation scope	Other movements, reclassification	December 31, 2008
FIXED ASSETS IN PROGRESS	207 825	463 983	446 508	-43	-10 000	-20 806	421 364	-117 510	1 183 496

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

In France:

Construction work on premises in Créteil (64 million euros), Gare St Lazare (33.6 million euros), Odysseum in Montpellier (31.7 million euros), Saint Orens (31.2 million euros), Val d'Europe (28.3 million euros), office building in Issy les Moulineaux (27.1 million euros), Grand Nîmes and Vaulx en Velin (20.5 million euros), the Jaude center in Clermont Ferrand (9.6 million euros), Aubervilliers Bassin Nord (33.7 million euros), Blagnac (18.8 million euros) and the extension and restructuring of the Noisy center (6.7 million euros).

Additions made to the scope of consolidation during the period also contributed to fixed assets in progress: Edamarzy (2.6 million euros) and Immo Dauland (4 million euros).

Outside France: The Scandinavian projects (387.4 million euros), the Alba and Corvin centers in Hungary (23.4 and 26.7 million euros respectively), the Lonato center in Italy (30.4 million euros) and the Plzen center (8.3 million euros).

The 10 million euro provision for depreciation refers to the Corvin project.

4.5. Properties held for sale

in thousands of euros	December 31, 2006	December 31, 2007	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Other movements, reclassification	December 31, 2008
BUILDINGS HELD FOR SALE	46 985	36 200		-67 058	75 277	44 419

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

The "Reductions" item refers to the sale of the Courrier mall in Annecy, the building in the Rue Notre Dame des Victoires, Paris and the Caen mall.

4.6. Equity method securities

in thousands of euros		
Investments in companies accounted for by the equity method at December 31, 2006		**3 023**
Investments in companies accounted for by the equity method at December 31, 2007		**46 600**
% of earnings from companies accounted for by the equity method for 2008		1 008
Dividends received from companies accounted for by the equity method	-	1 216
Other movements		
. Sale of Devimo Consult	-	2 652
. Variations in percentage holdings and changes of method of consolidation	-	8 409
. Other movements		-
Investments in companies accounted for by the equity method at December 31, 2008		**35 331**

At December 31, 2008, 11 companies were consolidated using the equity method, compared with 15 at December 31, 2007. The change in consolidation method applied to Haies Hautes Pommeraies and the disposal of Devimo Consult explain the reduction in the "Investments in companies accounted for by the equity method" item.

The key balance sheet and income statement data for companies consolidated using the equity method at December 31, 2008 are shown below (100% values reflecting consolidation restatements):

in thousands of euros	December 31, 2008
Investment property	141 434
Assets	**141 434**
Restated equity	11 491
Liabilities	**11 491**
Lease income	9 459
Net income	2 951

4.7. Non-consolidated securities

Joint companies are proportionally consolidated.

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Share in the earnings of associate companies			
Income from regular business	33 268	23 840	26 265
Operating expenses	- 13 555	- 10 602	- 11 106
Financial result	- 6 837	- 5 012	- 5 355
Pre tax earnings	12 876	8 228	9 803
Corporate income tax	- 2 854	3 275	- 2 603
Net income	**10 021**	**11 503**	**7 200**

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Share in the balance sheet of associate companies			
Current assets	41 169	7 554	15 531
Non current assets	295 145	193 189	183 707
Total assets	**336 314**	**200 743**	**199 238**
Current liabilities	167 559	112 186	122 182
Non current liabilities	168 755	88 557	77 056
Total liabilities	**336 314**	**200 743**	**199 238**

4.8. Financial assets

The "Financial assets" item contains the following securities:

	December 31, 2008					December 31, 2007					December 31, 2006
in thousands of euros	Equity	Earnings for the period	% holding	Gross value of securities	Net value of securities	Equity	Earnings for the period	% holding	Gross value of securities	Net value of securities	Net value of securities
Principle securities				*1 322*	*511*				*1 650*	*475*	*404*
SAS Sovaly	435	- 41	100%	787	435	268	- 48	100%	572	220	309
SARL Klépierre Trading			0%			179	- 19	100%	199	160	
SAS Socoseine	-	-	0%	-	-	80	- 6	100%	99	19	
SAS Nancy Bonsecours	76	- 13	100%	535	76	76	- 18	100%	535	76	95
SKF Spa			0%			3	- 2	50%	245	-	
Svillupo Klepierre FINIM SPA	-	-	0%		-						
Other investment securities				*115*	*115*				*58*	*37*	*181*
Total				**1 437**	**626**				**1 708**	**512**	**585**

4.9. Other non-current assets

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

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

The "Other long-term financial investments" item includes an advance payment of 15 million euros paid by Clivia to acquire the Vittuone holding.

in thousands of euros	December 31, 2006	December 31, 2007	Entries into scope of consolidation	Increases	Decreases	Other	December 31, 2008
Finance lease fixed assets	**1 905**	**1 679**				-252	**1 427**
Advance payments to non-consolidated companies and companies consolidated using the equity method or proportionally **(A)**	**6 580**	**21 649**		7 753	-13 112	-7 946	**8 344**
Loans	**19**	**357**			-270	1	**88**
Other long-term investments	-	-					-
Security deposits	**8 544**	**9 100**	1	4 349	-1 267	65	**12 248**
Other long-term financial investments	**56**	**1 062**	291	15 423	-51	-59	**16 667**
TOTAL	**17 104**	**33 846**	**292**	**27 525**	**-14 700**	**-8 191**	**38 773**

(A) Itemized statement of advance payments:

(A)

in thousands of euros	December 31, 2006	December 31, 2007	Entries into scope of consolidation	Increases	Decreases	Other	December 31, 2008
SCI du Bassin Nord	**3 442**	**2 229**			-2 229		-
SA Soaval	**1 514**	-					-
SAS Bègles d'Arcins		**627**				-627	-
SCI La Roche Invest		**12 838**				-12 838	-
SCI Plateau des Haies		**572**				-572	-
SARL Forving		**936**				-936	-
SCI La Rive		**319**				-319	-
SCI Le Mais				27	-7	29	**49**
Other advance payments	**1 624**	**4 128**		7 726	-10 876	7 317	**8 295**
Total	**6 580**	**21 649**	**0**	**7 753**	**-13 112**	**-7 946**	**8 344**

4.10. Inventories

At December 31, 2008, inventories comprised lots acquired under the “real estate agent” regime.

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Group share	13 416	11 684	2 463
Share of external associates		-	
Total	**13 416**	**11 684**	**2 463**

4.11. Trade accounts and similar receivables

Trade accounts include the effect of spreading the benefits granted to office and shopping center lessors.

in thousands of euros	Rental activities	Other activities	December 31, 2008	December 31, 2007	December 31, 2006
Receivables	73 346	32 471	105 817	67 827	55 694
Provisions	- 13 558	- 2 313	- 15 871	- 10 540	- 9 535
Total	**59 788**	**30 158**	**89 946**	**57 287**	**46 159**

4.12. Other receivables

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Tax receivables	***88 438***	***49 645***	***111 048***
- Corporate income tax	*18 696*	*8 622*	*4 378*
- V.A.T.	*69 742*	*41 023*	*106 670*
Other debtors	***282 599***	***166 043***	***153 316***
- Calls for funds	*91 170*	*78 828*	*68 389*
- Down payments to suppliers	*8 293*	*4 234*	*2 408*
- Other deferred charges		*-*	*84*
- Prepaid expenses	*89 933*	*66 067*	*66 657*
- Other	*93 203*	*16 914*	*15 778*
Total	**371 037**	**215 688**	**264 364**

December 2008 by maturity

in thousands of euros	December 31, 2008	Less than one year	More than one year
Tax receivables	***88 438***	***88 438***	***0***
- Corporate income tax	*18 696*	*18 696*	
- V.A.T.	*69 742*	*69 742*	
Other debtors	***282 599***	***220 137***	***62 462***
- Calls for funds	*91 170*	91 170	-
- Down payments to suppliers	*8 293*	8 293	-
- Other deferred charges	-	-	-
- Prepaid expenses	*89 933*	27 471	62 462
- Other	*93 203*	93 203	-
Total	**371 037**	**308 575**	**62 462**

A carry back of 7.9 million euros was recognized by Klépierre SA.

The VAT item consists chiefly of outstanding refunds due from local tax authorities in respect of recent acquisitions (or construction projects in progress): La Gavia in Spain (18.7 million euros), the extension to the Alba center in Hungary (3.8 million euros), Aubervilliers (6.9 million euros), Saint-Orens (4.5 million euros), the acquisition of Défi Mode by Klémurs (2 million euros), other Klémurs acquisitions (1.2 million euros), Blagnac (3.2 million euros) and La Roche sur Yon (2.5 million euros).

The main pre-lease payments received under construction leases or long-term lease rights recognized as prepaid expense and amortized over the term of the lease agreement in accordance with benefits received include: Oviedo (10 million euros), the Louvain la Neuve center and extension (8.4 million euros), Val d'Europe (15.9 million euros), Aubervilliers (18.6 million euros) and 7 Klécar France malls (17.6 million euros).

4.13. Cash and near cash

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Near cash	***117 279***	***56 504***	***52 084***
- Treasury bills and certificates of deposit	*14 641*	*6 804*	*8 903*
- Other fixed revenue securities		*-*	
- Money market investments	*102 638*	*49 700*	*43 181*
Cash	***125 446***	***138 972***	***105 612***
Total	**242 725**	**195 476**	**157 696**

Near cash refers to French money market open-end and mutual funds (SICAV-FCP) (102.6 million euros) and Italian one-month and two-month deposit certificates (14.6 million euros).

Previously included as "Cash", the funds managed by Ségécé on behalf of its principals was reclassified under "Other debtors" at December 31, 2008, at which time the amount recognized was 57.7 million euros. The corresponding amounts for the 2007 (54.4 million euros) and 2006 (48.2 million euros) fiscal years have not been restated.

The available cash and investment securities that make up the "Cash and near cash" item line, plus the amount of funds managed on behalf of principals, totaled 300.4 million euros.

The Group reported net cash of:

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Near cash	*117 279*	*56 504*	*52 084*
Cash	*125 446*	*138 972*	*105 612*
Gross cash and near cash	**242 725**	**195 476**	**157 696**
Bank overdrafts	*146 540*	*101 909*	*94 999*
Net cash and near cash	**96 185**	**93 567**	**62 697**

4.14. Equity

Share capital:

On November 6, 2008, Klépierre launched a successful capital increase with preferential subscription rights that amounted to 356.2 million euros, and with the issuance of 23,744,918 new shares.

At December 31, 2008, capital was represented by 166,214,431 shares each of 1.40 euros nominal value. The share capital is fully paid up, and shares are either registered or bearer.

	December 31, 2008	December 31, 2007	December 31, 2006
Authorized			
*ordinary shares of 1.4 euros**	*166 214 431*	*138 492 687*	*46 164 229*
refundable convertible preferential shares	*NA*	*NA*	*NA*
Total	***166 214 431***	***138 492 687***	***46 164 229***

** Nominal value of 1.40 euros at December 31, 2008 and December 31, 2007, versus nominal value of 4.20 euros at December 31, 2006*

Treasury shares:

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

At December 31, 2008, the stock of treasury shares totaled 3,779,079 with an acquisition value of 107.9 million euros (compared with 2,990,463 shares at December 31, 2007).

At December 31, 2008, the capital gains or losses made on sales of treasury shares were recognized under equity at -3.7 million euros, compared with -0.3 million euros at December 31, 2007 and 1.9 million euros at December 31, 2006. The cost of acquiring shares and the revenue from share sales were respectively debited from, and credited to, equity.

Minority interests

Excluding net income for 2008 and the assignment of earnings for 2007, the change in minority interests was an increase of 524.9 million euros, of which 451.5 million related to changes in the scope of consolidation. The acquisition of the Steen & Strøm group represents 421.1 million euros, and includes an ABP funding for 209.7 million euros. This funding is capital-related, and has therefore been reclassified as equity. 20.8 million euros of the changes in consolidation scope relate to the purchase by Klépierre Luxembourg and Novate of 15% of the Italian K2 fund.

The "Other movements" line item relates to the share of minority interests in the recapitalization of Scoo, Secovalde and Société des Centres Toulousains.

4.15. Current and non-current financial liabilities

Change in indebtedness

Current and non-current financial liabilities totaled 7,403 million euros at December 31, 2008.

Net financial debt totaled 7,085 million euros, compared with 4,652 million euros at December 31, 2007. Net financial debt is the difference between financial liabilities (excluding Fair Value Hedge revaluation), and available cash and investment securities.

This increase of 2,533 million euros is explained schematically as follows:

- The principal funding requirements for the fiscal year were generated by investments (1,717 million euros, of which 601 million euros was applied to the acquisition of 56.1% of Steen & Strøm) and payment of the 2007 dividend (169 million euros);
- Resources were distributed between free cash flow for the year, disposals (138 million euros), the increase in stockholders' equity (capital increase of 131 million euros in May as part of the dividend

payment, and 356 million euros in December[1]), the equity contribution of partners to development transactions, and the increase in financial liabilities;

- Lastly, the incorporation of Steen & Strøm net debt added 1,602 million euros to the consolidated net financial debt at the end of 2008.

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
NON-CURRENT			
Bond issues net costs/premiums	**1 351 616**	**1 880 378**	**1 885 596**
*of which reevaluation of Fair Value Hedges	19 918	-7 701	228
Borrowings and debts from credit institutions over 1 year	**5 575 803**	**2 362 682**	**1 668 921**
Sundry loans and financial debts	**43 924**	**157 760**	**125 737**
* Other loans			232
* Advance payments to the group and associates	43 924	157 760	125 505
Total non-current financial liabilities	**6 971 343**	**4 400 820**	**3 680 254**
CURRENT			
Borrowings and debts from credit institutions under 1 year	**102 264**	**44 632**	**34 217**
Accrued interests	**69 635**	**66 943**	**61 743**
* on bond issues	36 578	54 263	54 263
* on loans from credit institutions	24 169	4 445	3 104
* on advance payments to the group and associates	8 888	8 235	4 376
Bank overdrafts	**146 540**	**101 909**	**94 999**
Commercial paper	**110 629**	**220 000**	**90 000**
Sundry loans and financial debts	**2 976**	**5 711**	**482**
* Other loans	-	-	154
* Advance payments to the group and associates	2 976	5 711	328
Total current financial liabilities	**432 044**	**439 195**	**281 441**

❑ *Principal sources of finance*

The main sources of finance available to the Group are shown in the following table:

The most notable changes for the fiscal year are the incorporation of Steen & Strøm financial debt, all of which is denominated in local currencies and raised in Scandinavian credit markets (Norway ~50%, Sweden and Denmark ~25% each), and the maturity on July 2008 of a 600 million euro Klépierre SA bond issue, which was refinanced by anticipation in June with a syndicated loan of 750 million euros. A new bilateral loan of 400 million euros was also set up in October 2008.

[1] Net income of 349 million euros

KLEPIERRE GROUP SOURCES OF FUNDING IN EUROS								
in millions of euros		Borrower	% holding / Klépierre	Reference rate	Maturity date	Repayment profile	Maximum amount	Amount used
Bond issues							**1300**	**1300**
	of which :	Klépierre	100%	4.625%	15/07/2011	*in fine*	600	600
		Klépierre	100%	4.250%	16/03/2016	*in fine*	700	700
Borrowings and debts from credit institutions							**5051**	**4296**
Syndicated loans							3400	3050
	of which :	Klépierre (Tranche A: back-up line)	100%	Euribor	31/01/2013	*in fine*	300	-
		Klépierre (Tranche B)	100%	Euribor	31/01/2013	*in fine*	1200	1200
		Klépierre	100%	Euribor	21/09/2014	*in fine*	1000	950
		Klépierre	100%	Euribor	11/06/2011	*in fine*	750	750
		Klémurs	84.1%	Euribor	12/12/2011	*in fine*	150	150
Bilateral loans							701	541
	of which :	Klépierre	100%	Fixed rate	22/03/2010	*in fine*	135	135
		Klépierre	100%	E3m	07/10/2012	*in fine*	400	240
		Klépierre Part. & Fints	100%	Fixed rate	22/03/2010	*in fine*	165	165
Mortgages							304	304
	of which :	Klecar Italia	83%	E3m	30/06/2015	amortizable	111	111
		K2	85%	E3m	15/01/2023	amortizable	58	58
		GC Assago	100%	E3m	03/07/2015	amortizable	107	107
		GC Collegno	100%	E3m	15/07/2015	amortizable	19	19
Finance lease agreements							263	263
	of which :	IGC	50%	E3m	01/08/2011	amortizable	14	14
		IGC	50%	E3m	12/03/2022	amortizable	16	16
		Cecoville	100%	E3m	27/12/2019	amortizable	45	45
		Cecoville 2020	100%	E3m	03/04/2020	amortizable	67	67
		Clivia	50%	E3m	02/07/2022	amortizable	68	68
		Klémurs / Cap Nord	84.1%	E3m / Fixed rate	-	amortizable	52	52
Short-term line / Overdrafts							384	139
	of which :	IGC	50%	E3m	31/12/2008	*in fine*	11	11
		Klépierre Finance (overdraft)	100%	Eonia	-	-	50	16
		Klépierre (overdraftt)	100%	Eonia	-	-	23	23
		Klépierre (Commercial paper)	100%	-	-	*in fine*	300	90
Total for the Group (EUR) [1]							**6051**	**5596**

[1] The totals are calculated excluding the backup line of funding, since the maximum amount of the "commercial paper" line includes that of the backup line

FUNDING SOURCES OF STEEN & STRØM							
in millions of euros equivalent	Issue currency	% holding / Klépierre	Reference rate		Repayment profile	Maximum amount	Amount used
Commercial paper	NOK		NIBOR		*In fine*	21	21
Bond market	NOK		NIBOR		*In fine*	72	72
Bank overdrafts	NOK		NIBOR		-	27	18
Mortgages	NOK		NIBOR		-	674	674
Sub-total (NOK)						**793**	**784**

in millions of euros equivalent	Issue currency	% holding / Klépierre	Reference rate		Repayment profile	Maximum amount	Amount used
Commercial paper	SEK		STIBOR		- -		-
Bond market	SEK		STIBOR		- -		-
Bank overdrafts	SEK		STIBOR		-	6	5
Mortgages	SEK		STIBOR		-	408	392
Sub-total (SEK)						**414**	**397**

in millions of euros equivalent	Issue currency	% holding / Klépierre	Reference rate		Repayment profile	Maximum amount	Amount used
Commercial paper	DKK		CIBOR		- -		-
Bond market	DKK		CIBOR		- -		-
Bank overdrafts	DKK		CIBOR		- -		-
Mortgages	DKK		CIBOR *		-	421	421
Sub-total (DKK)						**421**	**421**

* including fixed-rate debt: 204 million euros

Total for Steen & StrØm	**1628**	**1602**
TOTAL for the Group	**7678**	**7198**

❑ *Financial covenants relating to finance and rating*

Klépierre's main credit agreements include clauses, which, if not complied with, could result in demands for early refund of the relevant finance.

- ✓ In respect of the syndicated and bilateral loans of Klépierre and Klépierre Participations et Financements, in particular:

- . EBITDA / Net financial costs ≥ 2.5;
- . Net debt/Revalued net assets (loan to value) ≤ 52% (55% in one test);
- . Secured financial debt/ Revalued net assets ≤ 20%;
- . Revalued asset group share ≥ 9 billion euros.

✓ For bond issues:

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

In November 2008, Standard & Poor's confirmed Klépierre's ratings as BBB+/A2 (long-term and short-term respectively). The outlook for this rating was reduced from positive to stable. In the context of this rating, the agency set the following indicative levels of financial ratio for Klépierre, assessed jointly with the overall operational and financial profile:

- . EBITDA / Total net financial costs ≥ 2.5;
- . Net debt/Revalued net assets (loan to value) ≤ 50%;
- . Current Net Cash Flow / Net debt ≥ 7%.

All the financial ratios, the amounts involved and the levels at December 31, 2008 are shown in section 6 "Exposure to risks and hedging strategy", paragraph 6.2 "Liquidity risk".

❑ *Breakdown of financial debts by maturity date*

– Breakdown of current and non-current financial liabilities:

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
NON-CURRENT				
Bond issues net costs/premiums	**1 351 616**		**651 616**	**700 000**
*of which reevaluation of Fair Value Hedges	19 918		19 918	-
Borrowings and debts from credit institutions over 1 year	**5 575 803**	**55 843**	**1 998 516**	**3 521 444**
Sundry loans and financial debts	**43 924**	**-**	**43 924**	**-**
* Other loans	-	-	-	-
* Advance payments to the group and associates	43 924	-	43 924	-
Total non-current financial liabilities	**6 971 343**	**55 843**	**2 694 056**	**4 221 444**
CURRENT				
Borrowings and debts from credit institutions under 1 year	**102 264**	**102 264**	-	-
Accrued interests	**69 635**	**69 635**	-	-
* on bond issues	36 578	36 578	-	-
* on loans from credit institutions	24 169	24 169	-	-
* on advance payments to the group and associates	8 888	8 888	-	-
Bank overdrafts	**146 540**	**146 540**	-	-
Commercial paper	**110 629**	**110 629**	-	-
Other			-	-
Sundry loans and financial debts	**2 976**	**2 976**	-	-
* Other loans	-	-	-	-
* Advance payments to the group and associates	2 976	2 976	-	-
Total current financial liabilities	**432 044**	**432 044**	**-**	**-**

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

Repayment year	Issue currency	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2 017	2018-2023	TOTALS
Bond issues	EUR	-	-	600	-	-	-	-	700	-	-	**1300**
Borrowings and debts from credit institutions	EUR	36	338	937	268	27	1227	1 190	24	25	84	**4157**
Bank overdrafts	EUR	49	-	-	-	-	-	-	-	-	-	**49**
Commercial paper	EUR	90	-	-	-	-	-	-	-	-	-	**90**
Funding issued in EUR		**175**	**338**	**1 537**	**268**	**27**	**1 227**	**1 190**	**724**	**25**	**84**	**5596**
Funding issued in NOK	**NOK**	**75**	**47**	**10**	**238**	**10**	**233**	**10**	**10**	**80**	**70**	**784**
Funding issued in SEK	**SEK**	**12**	**7**	**50**	**93**	**10**	**23**	**9**	**9**	**9**	**175**	**397**
Funding issued in DKK	**DKK**	**3**	**3**	**3**	**3**	**4**	**4**	**17**	**17**	**17**	**350**	**421**
TOTAL FOR THE GROUP		**265**	**395**	**1 601**	**602**	**51**	**1 488**	**1 226**	**760**	**131**	**679**	**7198**

in millions of euros

The majority of maturity dates occurring in 2009 are those for renewable short-term group finance: overdrafts and commercial paper (139 million euros for Klépierre SA and 42 million euros for Steen & Strøm). For the record, Klépierre outstanding commercial paper can be refinanced in full by drawing on a confirmed bank line of credit with a maturity date of 2013. The balance (approximately 84 million euros) relates principally to amortizations of the Group's euro-denominated bank loans, most of which are amortized quarterly (36 million euros) and to the maturity of a Steen & Strøm bond issues denominated in Norwegian kroner (equivalent to 31 million euros).

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

Repayment year	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2 017	2018-2023	TOTALS
Bond issues	58	58	645	30	30	30	30	706	-	-	**1585**
Borrowings and debts from credit institutions	162	467	1 044	356	1 278	1 015	250	29	28	86	**4714**
Bank overdrafts	49	-	-	-	-	-	-	-	-	-	**49**
Commercial paper	91	-	-	-	-	-	-	-	-	-	**91**
Funding issued in EUR	**360**	**524**	**1 689**	**386**	**1 308**	**1 045**	**280**	**735**	**28**	**86**	**6439**
Funding issued in NOK	**108**	**77**	**39**	**261**	**28**	**245**	**18**	**17**	**85**	**73**	**953**
Funding issued in SEK	**24**	**19**	**61**	**102**	**17**	**30**	**15**	**15**	**15**	**179**	**479**
Funding issued in DKK	**24**	**22**	**22**	**22**	**23**	**22**	**34**	**34**	**33**	**366**	**601**
TOTAL FOR THE GROUP	**515**	**643**	**1 811**	**771**	**1 376**	**1 343**	**347**	**801**	**161**	**704**	**8 472**

in millions of euros

Calculated on the basis of interest rates at December 31, 2008

At December 31, 2007, the amortization table of these contractual flows was as follows (in millions of euros):

Repayment year	2 008	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017+	TOTALS
Bond issues	677	58	58	645	30	30	30	30	706	-	**2262**
Borrowings and debts from credit institutions	160	150	426	273	104	1251	487	104	12	27	**2994**
Bank overdrafts	34	-	-	-	-	-	-	-	-	-	**34**
Commercial paper	220	-	-	-	-	-	-	-	-	-	**220**
TOTAL FOR THE GROUP	**1 090**	**208**	**483**	**918**	**134**	**1 281**	**517**	**134**	**718**	**27**	**5510**

Calculated on the basis of interest rates at December 31, 2007

4.16. Interest rate hedging instruments

❑ *Rate hedging portfolio*

As part of its risk management policy (cf. corresponding section), Klépierre has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and vice-versa. Under this arrangement, the Klépierre hedge rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 83% at December 31, 2008.

❑ *Breakdown by maturity date*

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

DERIVATIVES USED BY THE KLEPIERRE GROUP												
in millions of euros	Hedging relationship	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017	2 018	Total
Klépierre	Cash flow hedge	300	200	1100	300	200	-	1650	-	-	100	**3850**
	. Of which spot start swaps	*300*	*200*	*700*	*300*	*200*	-	*1650*	-	-	*100*	*3450*
	. Of which forward start swaps	-	-	*400*	-	-	-	-	-	-	-	*400*
	Fair value hedge	-	-	600	-	-	-	-	-	-	-	**600**
Klecar Italia	Cash flow hedge	-	90	-	-	-	-	-	-	-	-	**90**
Klémurs	Cash flow hedge	-	-	-	-	-	100	250	-	-	-	**350**
	. Of which spot start swaps	-	-	-	-	-	*100*	*250*	-	-	-	*350*
	. Of which forward start swaps	-	-	-	-	-	-	-	-	-	-	-
GC Assago	Cash flow hedge	-	-	-	-	-	-	-	90	-	-	**90**
GC Collegno	Cash flow hedge								15			**15**
IGC (tunnel)	Trading	4	-	-	-	-	-	-	-	-	-	**4**
EUR-denominated derivatives		**304**	**290**	**1 700**	**300**	**200**	**100**	**1 900**	**105**	**-**	**100**	**4999**
Steen & StrØm	Cash flow hedge											
	. Of which swaps/FRAs	*21*	*103*	*93*	*142*	-	*41*	-	*41*	-	-	**441**
	. Of which caps/tunnels	-	-	*31*	-	-	-	-	-	-	-	**31**
NOK-denominated derivatives		**21**	**103**	**124**	**142**	**-**	**41**	**-**	**41**	**-**	**-**	**472**
Steen & StrØm	Cash flow hedge											
	. Of which swaps/FRAs	-	*45*	*73*	*82*	-	-	*14*	*18*	-	-	**231**
	. Of which caps/tunnels	-	-	-	*18*	-	*54*	-	-	-	-	**73**
SEK-denominated derivatives		**-**	**45**	**73**	**100**	**-**	**54**	**14**	**18**	**-**	**-**	**304**
Steen & StrØm	Cash flow hedge											
	. Of which swaps/FRAs	*50*	-	-	*65*	-	-	-	-	-	-	**114**
	. Of which caps/tunnels	-	-	-	-	*25*	-	-	*37*	-	-	**62**
	Fair value hedge		*204*									**204**
DKK-denominated derivatives		**50**	**204**	**-**	**65**	**25**	**-**	**-**	**37**	**-**	**-**	**380**
TOTAL FOR THE GROUP		**324**	**393**	**1 824**	**442**	**200**	**141**	**1 900**	**146**	**-**	**100**	**5471**

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

in millions of euros	Hedging relationship	2 009	2 010	2 011	2 012	2 013	2 014	2 015	2 016	2017	2 018	Total
Spot start swaps	Cash flow hedge	36	36	33.6	30	28	27	13	1	1	0	206
Forward start swaps	Cash flow hedge	2	4	2.5	-	-	-	-	-	-	-	8
Spot start swaps	Fair value hedge	-6	-6	-3.3	-	-	-	-	-	-	-	-16
Tunnel	Trading	-	-	-	-	-	-	-	-	-	-	-
EUR-denominated derivatives		**31.5**	**33.8**	**32.8**	**30.0**	**28.0**	**26.7**	**12.6**	**1.5**	**1.2**	**0.2**	**198.2**
NOK-denominated derivatives		**0.1**	**-1.1**	**-1.1**	**0.1**	**0.3**	**-0.0**	**0.1**	**0.1**	**0.1**	**-**	**-1.6**
SEK-denominated derivatives		**1.8**	**3.3**	**3.2**	**2.9**	**1.8**	**0.9**	**0.5**	**0.5**	**0.3**	**-**	**15.2**
DKK-denominated derivatives		**-3.6**	**-3.2**	**-0.5**	**-0.5**	**-0.5**	**-0.2**	**-0.2**	**-0.2**	**-0.0**	**-**	**-8.8**
TOTAL FOR THE GROUP		**29.7**	**32.8**	**34.3**	**32.4**	**29.5**	**27.4**	**13.0**	**1.9**	**1.6**	**0.2**	**196.6**

in millions of euros

At December 31, 2007, the breakdown of derivatives by maturity date and the amortization schedule for the corresponding interest flows were as follows (in millions of euros):

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

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

Calculated on the basis of interest rates at December 31, 2007

❑ *Fair value*

At December 31, 2008, the unrealized capital loss on the Klépierre and Steen & Strøm portfolio of derivatives, calculated as the sum of their fair value excluding accrued interest, was 168.7 million euros. The full coupon fair value recognized on the assets side of the balance sheet is 23.5 million euros, with 184.5 million euros on the liabilities side.

The fair value of the derivatives used by the Group increased by 232.7 million euros during the fiscal year.

Derivatives	Fair value net of accrued interest at December 31, 2008	Fair value change in 2008		Counterparty
GROUP EURO-DENOMINATED HEDGES				
Cash flow hedge	-164,5	-244,3		Shareholders' equity
Fair value hedge	17,6	28,6		Financial laibilities
Trading	0,0	0,0		Income/Loss
Total	**-147,0**	**-215,8**		
STEEN & STRØM				
Cash flow hedge	-21,7	-16,9	*	Shareholders' equity
Total	**-21,7**	**-16,9**	*	
TOTAL FOR THE GROUP	**-168,7**	**-232,7**		

** change since the date of acquisition*

in millions of euros

4.17. Long-term and short-term allowances

in thousands of euros	December 31, 2006	December 31, 2007	Allowances for the period	Releases (provision used)	Releases (provision unused)	Other movements	Changes in consolidation scope	December 31, 2008
NON-CURRENT								
Provisions for human resource commitments								-
. Defined-benefits scheme	4 166	4 799	1 054	-	-			5 853
. Post-employment medical assistance		-						-
. Early retirement and EAP		-						-
. Other long-term benefits	1 669	1 617	549	- 1	- 18			2 147
Other provisions for contingencies and losses	2 737	5 009	2 236	- 556	- 427	- 501	1 003	6 764
Total non-current provisions	**8 572**	**11 425**	**3 839**	**-557**	**-445**	**-501**	**1 003**	**14 764**

4.18. Deferred taxes

in thousands of euros	December 31, 2006	December 31, 2007	Change in earnings	Other changes	December 31, 2008
Buildings	- 123 484	- 202 722	10 566	- 279 698	- 471 854
Other items	- 4 502	- 16 347	- 3 514	35 383	15 522
Total deferred tax liabilities	***-127 986***	***-219 069***	***7 052***	***-244 315***	***-456 332***

in thousands of euros	December 31, 2006	December 31, 2007	Change in earnings	Other changes	December 31, 2008
Buildings					-
Other items	26 275	33 675	1 474	33 803	68 952
Total deferred tax assets	***26 275***	***33 675***	***1 474***	***33 803***	***68 952***
NET POSITIONS	**-101 711**	**-185 394**	**8 526**	**-210 512**	**-387 380**

The “Other changes” item records the impact of changes in accounting scope (including -299.9 million euros in respect of Steen & Strøm), exchange rate fluctuations (+35.5 million euros) and the restatement of hedging instruments (+37 million euros).

4.19. Tax liabilities, staff benefits and other payables

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Social and tax liabilities	***100 973***	***79 589***	***64 813***
Personnel and related accounts	19 999	15 138	13 570
Social security and other bodies	8 958	4 196	3 927
State			
* Corporate income tax	47 022	40 436	35 988
* V.A.T.	20 243	10 732	7 310
Other taxes and duties	4 751	9 087	4 018
Other liabilities	***218 216***	***163 209***	***135 017***
Creditor customers	75 107	69 561	58 981
Deferred income	29 190	13 135	4 372
Other liabilities	113 919	80 513	71 664

The 75.1 million euros in advance payments received from tenants in respect of charges are recognized in “Creditor customers”.

“Other liabilities” consist primarily of funds representing the management accounts of Ségécé group principals, balanced by an equal amount in “Other debtors” on the asset side of the balance sheet. These funds totaled 57.7 million euros at December 31, 2008.

5. Segment information

5.1. Segment Income Statement at December 31, 2008

❑ **Shopping centers**

In millions of euros	December 31, 2008	December 31, 2007	December 31, 2006
Lease income	620,1	517,9	455,1
Other rental income	10,8	6,9	8,7
Lease income	630,9	524,8	463,8
Land expenses (real estate)	- 2,3	- 2,3	- 2,3
Non-recovered rental expenses	- 20,7	- 16,1	- 10,0
Building expenses (owner)	- 39,4	- 27,3	- 24,5
Net lease income	*568,5*	*479,2*	*427,0*
Management, administrative and related income	75,7	63,3	56,2
Other operating income	14,5	14,2	6,7
Survey and research costs	- 2,5	- 1,1	- 1,1
Payroll expense	- 72,9	- 56,6	- 54,3
Other general expenses	- 22,1	- 20,1	- 17,6
Depreciation and amortization allowance on investment property	- 185,8	- 150,2	- 126,8
Depreciation and amortization allowance on PPE	- 4,2	- 3,3	- 2,2
Provisions	- 1,2	- 3,3	- 0,1
Results of operations, shopping center segment	***370,0***	***322,0***	***287,8***
Gains from the sale of investment property and equity investment securities	***29,5***	***20,1***	***3,5***
Profit on the sale of short term assets	***0,9***	***0,1***	***1,5***
Share in earnings of equity-method investees	1,4	2,6	0,7
Segment earnings, shopping center segment	***401,8***	***345,0***	***293,5***

❑ Shops

In millions of euros	December 31, 2008	December 31, 2007	December 31, 2006
Lease income	33,7	23,5	2,9
Other rental income			
Lease income	33,7	23,5	2,9
Land expenses (real estate)	-		
Non-recovered rental expenses	- 0,0		
Building expenses (owner)	- 1,3	- 0,8	- 0,3
Net lease income	*32,4*	*22,7*	*2,6*
Management, administrative and related income	1,8	0,6	
Other operating income	0,3	0,3	
Survey and research costs		-	
Payroll expense	- 1,5	- 1,0	
Other general expenses	- 0,4	- 0,3	
Depreciation and amortization allowance on investment property	- 16,0	- 7,3	- 0,8
Depreciation and amortization allowance on PPE		-	
Provisions		-	
Results of operations, retail segment	***16,5***	***15,0***	***1,8***
Gains from the sale of investment property and equity investment securities	***-***	***-***	***-***
Profit on the sale of short term assets	***-***	***-***	
Share in earnings of equity-method investees	-		
Segment earnings, retail segment	***16,5***	***15,0***	***1,8***

❑ Office buildings

In millions of euros	December 31, 2008	December 31, 2007	December 31, 2006
Lease income	52,4	48,8	52,8
Other rental income		-	
Lease income	52,4	48,8	52,8
Land expenses (real estate)	-0,3	-0,2	-0,3
Non-recovered rental expenses	-1,0	-1,1	-0,8
Building expenses (owner)	-1,2	-1,4	-1,7
Net lease income	*49,9*	*46,1*	*50,0*
Management, administrative and related income		0,3	1,3
Other operating income	0,0	1,1	2,8
Survey and research costs	-	-	
Payroll expense	-1,7	-1,9	-2,2
Other general expenses	-0,6	-0,8	-0,9
Depreciation and amortization allowance on investment property	-11,3	-11,8	-13,4
Depreciation and amortization allowance on PPE	-0,9	-1,0	-0,8
Provisions	-	0,1	-
Results of operations, office segment	***35,5***	***32,2***	***36,7***
Gains from the sale of investment property and equity investment securities	***29,0***	***20,3***	***27,5***
Profit on the sale of short term assets	-	-	-
Segment earnings, office segment	***64,5***	***52,4***	***64,2***

Corporate

In millions of euros	December 31, 2008	December 31, 2007	December 31, 2006
Corporate and shared expenses	-10,2	-6,2	-7,0
Profit on the sale of short term assets	-	-	-
Net dividends and provisions on non-consolidated securities	0,4	0,5	-0,2
Net cost of debt	-219,5	-162,9	-134,8
Change in the fair value of financial instruments	-0,0	-	-
Effect of discounting	0,7	0,7	-1,2
Pre-tax earnings	***254,3***	***244,5***	***216,3***
Corporate income tax	-20,4	-13,5	-22,0
Net income of consolidated entity	***233,9***	***231,0***	***194,4***

5.2. Net carrying amounts by business segment

At December 31, 2008, the net carrying amount of investment property by business segment and geographic region was analyzed as follows:

in thousands of euros	**Net carrying value of investment property**
Shopping centers	**8 501 290**
France	*2 957 295*
Scandinavia	*2 469 721*
Italy	*980 718*
Spain	*855 190*
Poland	*327 225*
Hungary	*249 332*
Belgium	*139 811*
Portugal	*243 160*
Czech Republic	*194 932*
Greece	*68 611*
Other	*15 295*
Shops	**542 681**
Office buildings	**535 152**
Total	**9 579 123**

5.3. Capital investments by business segment

At December 31, 2008, the breakdown of capital investments, acquisitions and changes in consolidation scope by business segment was analyzed as follows:

in thousands of euros	Shopping centers	Shops	Office buildings	Total at December 31, 2008
Tangible assets	2 669	-	-	**2 669**
Investment property	3 295 400	179 257	-	**3 474 657**
Fixed assets in progress	837 472	3 347	27 053	**867 872**
Total	**4 135 541**	**182 604**	**27 053**	**4 345 198**

6. Notes to the financial statements: income statement

6.1. Operating revenue

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

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

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

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

At December 31, 2008, rental income totaled 706.2 million euros, of which 620.1 million related to shopping centers, 33.7 million to shops and 52.4 million to office buildings.

in millions of euros	Lease income	Management income	Total
Shopping centers	***620,1***	***75,7***	***695,8***
France	***299,3***	***51,0***	***350,2***
Scandinavia	***37,9***	***6,7***	***44,6***
Italy	***89,5***	***6,5***	***96,0***
Spain	***69,6***	***6,2***	***75,8***
Hungary	***31,3***	***1,8***	***33,0***
Poland	***33,8***	***0,6***	***34,4***
Belgium	***13,3***	***-***	***13,3***
Portugal	***18,9***	***1,7***	***20,7***
Czech Republic	***16,8***	***1,1***	***17,9***
Greece	***8,0***	***0,2***	***8,1***
Other	***1,7***	***-***	***1,7***
Shops	***33,7***	***1,8***	***35,5***
Office buildings	***52,4***	***-***	***52,4***
Total	**706,2**	**77,5**	**783,7**

Revenues generated from business outside France represented 44.1 %, compared with 41.1 % at December 31, 2007.

Compared with December 31, 2007, rental income from shopping centers increased by 19.7 %.

15.3% of this growth (79.1 million euros) resulted from external growth:

- the shopping center acquisitions and openings of 2007 – two hypermarkets in Toulouse, the Victor Hugo center in Valence, the Champs de Mars center in Angoulème, the extension of Rambouillet, the acquisition of the Larissa mall in Greece, the Rybnick, Sosnowiec and Lublin malls in Poland and the purchase of a 50% stake in the Parque Nascente and Gondobrico centers in Portugal – contributed 23.5 million euros in rental income.

- The acquisitions made in 2008 (excluding Steen & Strøm), i.e. the Lonato, Verona and Plzen malls, also contributed to growth, with rental income of 17.7 million euros.

- The Scandinavian malls contributed 37.9 million euros in Quarter 4, 2008.

Office rental income rose by 3.5 million euros as a result of indexation and lease renewals, which compensated more than rents lost as a result of the asset disposals made in 2007 and 2006.

Shop segment rental income rose by 10.2 million euros to 33.7 million euros. This increase is the result of the addition to the portfolio in April 2008 of 77 retail outlets acquired under the terms of the Défi Mode/Vivarte agreement (4.2 million euros), 14 stores in Messac, Avranches and Rochefort sur Mer (0.9 million euros), the full-year contribution from the assets acquired in 2007 (2.2 million euros) and the acquisition of 17 Buffalo Grill restaurants in June 2008 (1 million euros).

Fees from service companies rose by 13.3 million euros and totaled 77.5 million euros in 2008, with 6.7 million euros of this increase resulting from the entry of Steen & Strøm in the scope of consolidation.

6.2. Operating expenses

Land expenses relate to amortizations and fees on construction leases.

Non-recovered rental expenses relate primarily to expenses on vacant premises.

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

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
OPERATING EXPENDITURE (excluding Corporate activities)	***-66 213***	***-49 146***	***-39 884***
Land expenses (real estate)	**-2 605**	**-2 515**	**-2 598**
* *Office buildings businesses*	*-313*	*-248*	*-342*
* *Shopping centers businesses*	*-2 292*	*-2 267*	*-2 256*
* *Shops activities*			
Unrecovered rental expenses	**-21 646**	**-17 189**	**-6 296**
* *Office buildings businesses*	*-975*	*-1 113*	*-428*
* *Shopping centers businesses*	*-20 653*	*-16 066*	*-5 868*
* *Shops activities*	*-18*	*-10*	
Building expenses	**-41 962**	**-29 442**	**-30 990**
* *Office buildings businesses*	*-1 230*	*-1 402*	*-2 151*
* *Shopping centers businesses*	*-39 445*	*-27 254*	*-28 836*
* *Shops activities*	*-1 287*	*-786*	*-3*
DEPRECIATION AND AMORTIZATION ALLOWANCE	***-218 290***	***-173 662***	***-144 094***
Depreciation and amortization allowance on investment property	-213 106	-169 297	-140 968
Depreciation and amortization allowance on property, plant & equipment	-5 184	-4 365	-3 126
Total	**-284 503**	**-222 808**	**-183 978**

Amortizations and provisions for investment property rose by 43.8 million euros, compared with December 31, 2007.

This increase results from:

- expansion of the portfolio in 2007 and 2008, with the acquisition of Steen & Strøm (15.1 million euros), the Défi Mode stores (3.6 million euros), three malls in Poland (2.7 million euros), the Galeria Parque Nascente, which changed from proportionate to full consolidation status in 2007 (2.2 million euros) and the Lonato and Verona malls (2.0 million euros);

- disposals of buildings, resulting in a reduction in amortization allowances of 1.1 million euros;

- property provisions net of reversals up by 7.6 million euros to 22.9 million euros, and relating chiefly to provisions on shopping centers and projects in Spain, Belgium and Hungary.

6.3. Income from sales of investment property and equity interests

Income from sales totaled 58.5 million euros broken down as follows:

- 55.5 million euros in investment property and tangible assets, resulting from the sale of the building in the Rue Notre Dame des Victoires (29.0 million euros), the Courier mall in Annecy (19.2 million euros) and the Paul Doumer center in Caen (10.5 million euros);

- and 3.0 million euros in equity securities arising as a result of selling all the shares in the Belgian management company Devimo Consult (3.7 million euros) and various capital losses on disposals and liquidations (0.7 million euros).

6.4. Net cost of debt

At December 31, 2008, the cost of debt was 219.5 million euros, compared with 162.9 million euros at December 31, 2007, reflecting a rise in the average cost of debt (from 4.4% to 4.6%) and in the outstanding debts.

Given the high rate of interest rate hedging (83% of debts were hedged at December 31, 2008), the main reason for this rise in the cost of debt was the fact of taking over the financial debts of Steen & Strøm, which, having increased its hedging level only at the end of the year, suffered directly from the very high short-term interest rate levels seen before the final quarter of the year. The average cost of debt for Steen & Strøm therefore remained at 6.0% in 2008.

Recognized financial expenses totaled 35 million euros in 2008, compared with 18.4 million euros in 2007.

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Investment revenues			
Income from sale of securities	3 878	2 468	1 217
Net interest revenue on swaps	31 250	14 456	3 211
Net deferal of payments on swaps	-	535	516
Interest on advance payment to partners	28 787	16 755	8 326
Sundry interests received	2 066	1 103	513
Other revenues and financial income	5 669	3 074	1 661
Currency translation income	1 345	9 797	1 099
Total	**72 995**	**48 188**	**16 543**

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Financial expenses			
Interest on bond issues	-78 255	-96 044	-89 873
Interest on loans from credit institutions	-167 034	-93 261	-48 849
Other bank interest	-27 366	-2 309	-1 835
Net interest expense on swaps	-	-	-
Net deferal of payments on swaps	-3 421	-	-
Interest on advance payment to partners	-8 161	-7 130	-5 330
Other financial expenses	-14 771	-7 330	-10 707
Transfer of financial charges	9 472	2 968	5 907
Currency translation losses	-2 939	-8 003	-662
Allowance on provisions for other long-term investments	-	- 10	-
Total	**-292 475**	**-211 119**	**-151 349**
Cost of indebtedness	**-219 480**	**-162 931**	**-134 806**

6.5. Corporate income tax

in thousands of euros	December 31, 2008	December 31, 2007	December 31, 2006
Current taxes payable	- 28 923	- 37 982	- 64 756
Deferred tax	8 526	24 489	42 740
Total	**- 20 397**	**- 13 493**	**- 22 016**

Klépierre identifies three income tax segments:
- the SIIC segment, which includes Klépierre and all eligible French real-estate affiliates. Some of these companies keep a segment under French common law tax rates;
- companies under French law tax status;
- foreign companies.

The tax expense for 2008 is 20.4 million euros.

❑ The SIIC segment reported a tax expense of 0.2 million euros made up as follows:
- a charge of 0.8 million euros on the segment's taxable earnings. These earnings relate mainly to financial transactions conducted by the relevant companies;
- a net charge of 4.1 million euros as provision for a tax of 17.4 million euros which will be paid in respect of the entry of Progest, Holding H1 and Klecapnor to the SIIC scheme, minus the reversals of provisions for deferred tax liabilities held by the 3 entities and totaling 13.3 million euros;
- carry back revenue of 7.9 million euros calculated on the basis of 2005-2007 deficits in the taxable segment of Klépierre;
- a charge of 3.1 million euros in deferred taxes calculated primarily on the basis of cash payment deferrals and the recognition of deficits on the balance sheet.

❑ Other French companies outside the SIIC segment reported a tax charge of 2.0 million euros made up as follows:
- 1.7 million euros in current tax relating to the limited partners of Klécar Europe Sud;
- 0.7 million euros in due tax payable for the period by the entities in this segment;
- a deferred tax income of 0.3 million euros arising as a result of recognizing deficits, pensions and amortization restatements.

❑ Foreign companies recorded a tax charge of 18.3 million euros made up as follows:
- 16.6 million euros in current tax payable, the majority of which relates to Italy (8.6 million euros); Hungary (1.9 million euros), Portugal (1.6 million euros) and Poland (1.3 million euros);
- 9.7 million euros of deferred tax liabilities arising principally as a result of unrealized exchange rate gains and income and allowances related to amortization restated using the component method;
- a product of 8.0 million euros in tax arising as a result of discounting tax deficits.

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

in thousands of euros	SIIC sector			Non-SIIC sector France	Foreign companies	Total
	tax-free earnings	taxable earnings	Total			
Pre-tax earnings and earnings from equity method companies	249 360	- 78 408	**170 952**	38 133	43 773	**252 858**
Theoretical tax expense at 34.43%	**- 85 855**	**26 996**	**- 58 859**	**- 13 129**	**- 15 071**	**- 87 059**
Exonerated earnings of the SIIC sector	**94 741**		**94 741**			**94 741**
Taxable sectors						
Impact of permanent time lags	- 2 336	- 14 564	**- 16 900**	13 201	- 4 494	**- 8 193**
Restatements of untaxed consolidations	- 6 416	148	**- 6 268**	- 462	3 893	**- 2 837**
Impacts of non activated deficits	- 603	- 17 842	**- 18 445**	- 2 495	- 16 763	**- 37 703**
Assignment of non activated deficits	467	242	**709**	774	11 699	**13 182**
Exit tax for long-term special capital gains reserve			**-**			**-**
Change of tax regime			**-**			**-**
Discounting rates and other taxes to present value	- 5 991	11 013	**5 022**	67	- 2 965	**2 124**
Rate differences outside France			**-**	4	5 344	**5 348**
Actual tax expense	**- 5 993**	**5 993**	**0**	**- 2 040**	**- 18 357**	**- 20 397**

Ordinary deficits are capitalized where their recovery is deemed probable:

Entities	Statutory tax rate	Inventory of ordinary deficits Dec. 31, 2007	Inventory of ordinary deficits December 31, 2008	Change in OD in 2008	Capitalized deferred tax at Dec. 31, 2007	Amounts capitalizable at December 31, 2008	Change in capitalized amounts	Regularization	Amounts capitalized at December 31, 2008	Amounts not capitalized at December 31, 2008	Comments
Portugal											**deficits deferrable over 6 years**
Finascente	26.50%	-	-	-	- 0	-	-		- 0	0	
Kleminho	26.50%	(567)	(419)	148	150	111	- 39		111	0	
Holding Gondormar 1 (French company)	16.50%	(6 587)	(751)	5 836	1 086	124	- 963	- 1 087	-	124	
Holding Gondormar 3 (French company)	33.00%	(841)	(914)	(73)	139	302	24		301	-	
Spain											**deficits deferrable over 15 years**
KFI	30.00%	-	-	-	- 0	-	-		- 0	0	
KFE	30.00%	(13 139)	(693)	12 446	3 262	208	- 3 734		208	0	
Vinaza	30.00%	(3 236)	(11 116)	(7 880)	971	3 335	2 364		3 335	-	
Vallecas	30.00%	(16 632)	(21 866)	(5 234)	4 990	6 560	1 570		6 560	- 0	
Belgium											**unlimited deferral of ordinary losses**
Cinémas LLN	34.00%	(2 564)	(10 962)	(8 398)	872	3 727	2 855	- 872	- 0	3 728	
Coimbra	34.00%	(5 218)	(4 992)	226	1 774	1 697	- 77		1 697	0	
Foncière LLN	34.00%	(6 599)	(8 411)	(1 812)	-	2 860	616		-	2 860	unrecognized tax losses
Place de l'accueil	34.00%	(258)	(240)	18	88	82	- 6		82	0	
Hungary											**unlimited deferral of ordinary losses**
Klépierre Participations et Financements (French company)	34.43%	-	(1 407)	(1 407)	0	484	484		- 0	484	
Hungarian real estate companies	16.00%	(13 204)	(20 906)	(7 703)	2 113	3 345	1 232		3 345	- 0	
Czech Republic											
Czech holding companies	20.00%	(1 202)	(1 690)	(488)	-	338	98		338	0	
Klépierre CZ	20.00%	(4 969)	-	4 969	1 044	-	- 1 044		0	- 0	
Bestes	20.00%	-	-	-	-	-	-		-	-	
Plzen	20.00%	-	(815)	(815)		163	163		- 0	163	
Ségécé Ceska Republika	20.00%	-		-	-	-	-		-	-	
Greece											**deficits deferrable over 5 years**
Klépierre Larissa	25.00%	(4 928)	(4 153)	775	1 232	1 038	- 194		1 046	-	
Ségécé Hellas	25.00%	-	-	-	-	-	-			-	
KFM	25.00%	-	-	-	0	-	-		0	- 0	
Patras	25.00%	(492)	(489)	3	123	122	- 1		122	- 0	
Efkarpia	25.00%	(56)	(10)	46	14	3	- 12		2	0	
Athinon	25.00%	(896)	(1 243)	(347)	224	311	87		311	- 0	
Italy											**ordinary losses deferrable over 5 years except**
Assago	31.40%	-	-	-	-	-	-		-	-	**the first 3 years, which have unlimited deferral**
Kléfin	27.50%	(7 333)	(8 687)	(1 354)	2 016	2 389	372		2 389	0	
Serravalle	31.40%	(534)	(11)	523	168	3	- 164		4	- 0	
Galleria Commerciale Klépierre	31.40%	(749)	-	749	235	-	- 235		- 0	0	
Collegno	31.40%	(3 069)	(3 102)	(33)	964	974	10		974	0	
Clivia	31.40%	-	-	-		-	-		-	-	
Other Italian companies	31.40%	-	(159)	(159)		50	50		8	42	unrecognized tax losses
Poland						-					**deficits deferrable over 5 years**
Sadyba (real estate and holding)	19.00%	(4 843)	(6 375)	(1 532)	920	1 211	291		1 211	0	
Krakow (real estate and holdings)	19.00%	(3 919)	(3 628)	291	336	689	- 55		670	19	
Ruda (real estate)	19.00%	(3 325)	(3 107)	218	453	590	- 41	-	514	76	
Poznan (real estate and holdings)	19.00%	(3 407)	(5 975)	(2 568)	647	1 135	488		1 135	-	
Rybnik (real estate and holding)	19.00%	(1 659)	(1 643)	16	282	312	- 3		312	-	
Sosnowiec (real estate and holding)	19.00%	(1 404)	(1 535)	(131)	234	292	25		292	-	
Lublin (real estate and holding)	19.00%	(4 904)	(7 337)	(2 432)	426	1 394	462		772	622	
Other Polish holdings	19.00%	(1 073)	(233)	840	- 0	44	- 160		0	44	
Segece Poland (Ex PCMP)	19.00%	(59)	-	59	- 0	-	- 11		- 11	11	
Netherlands						-					
Capucine BV	25.50%	(1 715)	(4 075)	(2 360)	-	1 039	602		- 0	1 039	holding company: dividends and capital gains from share sales exonerated
Klépierre Nordica	25.50%		(16)	(16)	-	4	4		0	4	
Luxemburg						-					
Luxembourg holding companies	22.00%	(624)	(9 268)	(8 644)	-	2 039	1 902		- 0	2 039	
Sweden											
Nordica Holdco	26.30%		(1 286)	(1 286)	-	338	338		0	338	
Norway											
Steen & Strom ASA	28.00%		(76 088)	(76 088)	-	21 305	21 305		21 307	-	
Storm Holding Norway	28.00%		(58 377)	(58 377)	-	16 346	16 346		1 634	14 712	
India											
S India	30.00%		(13)	(13)	-	4	-		-	4	
France						-					**unlimited deferral of ordinary losses**
Kléber La Pérouse	16.50%	(156)	(619)	(463)	25	102	76	- 25	1	76	
Cap Nord	34.43%	(833)	-	833	-	-	- 287		0	- 0	
Klécapnord	16.50%	(1 087)	(1 699)	(612)	179	280	101	- 179	0	280	
KLE Projet 2	16.50%	(1 558)	(1 804)	(246)	257	298	41	- 257	- 0	298	
Holding Gondormar 2	0.00%	(209)	-	209	34	-	-	- 34	0	- 0	
Holding Gondormar 4	33.00%	(147)	(655)	(508)	24	216	168		216	0	
Other French holdings	34.43%	(2 143)	(52 266)	(50 123)	-	17 995	17 242		95	17 900	unrecognized tax losses
TOTAL		**- 126 140**	**- 339 034**	**- 212 894**	**25 283**	**93 859**	**62 290**	**- 2 454**	**48 979**	**44 863**	

7. Exposure to risks and hedging strategy

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

7.1. Interest rate risk

A) Cash Flow Hedge rate risk

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

In structural terms, variable rate debt represents a significant proportion of group borrowing (75% of debt at December 31, 2008, before hedging). It includes: bank loans (standard and mortgages), drawdowns on syndicated loans, commercial paper and the use of agreed overdrafts.

- ***Identified risk***

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

- ***Measurement of risk exposure***

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

Interest rate position before hedging (in millions of euros)	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position (variable rate debts and debts under one year)	**5 384**	**53.8**
- Marketable securities	-60	-0.6
Net position before hedging	**5324**	**53.2**

Interest rate position after hedging (in millions of euros)	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position before hedging	**5 384**	**53.8**
- Net hedge	-4138	-41.4
Gross position after hedging	**1 246**	**12.5**
- Marketable securities	-60	-0.6
Net position after hedging	**1186**	**11.9**

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

Fair value of the Cash Flow Hedge rate (in millions of euros)	Fair value	Change in equity caused by a 1% increase in interest rates
Cash Flow Hedge swaps at December 31, 2008	**-186.2**	**nd**
. Euro-denominated portfolio	-164.5	178.9
. Steen & Strom portfolio	-21.7	nd
Cash Flow Hedge swaps at December 31, 2007	79.8	89.8

Financial debt after hedging breaks down as follows:

in millions of euros	Fixed rate debts			Variable rate debts			Total gross financial debts		Average cost of debt to base
	Amount	Rate	Fixed Part	Amount	Rate	Variable Part	Amount	Rate	Dec. 31, 2008
December 31, 2006	3 159	4.22%	85%	570	4.27%	15.3%	3 729	4.23%	**4.28%**
December 31, 2007	3 200	4.20%	70%	1 367	5.35%	29.9%	4 567	4.54%	**4.65%**
December 31, 2008	5 952	4.33%	83%	1 246	3.49%	17.0%	7 198	4.19%	**4.38%**

The average cost of debt to "base Dec. 31, 2008" is calculated on the basis of the interest rates and funding structure in place at December 31, 2008. It includes non-utilization commissions and spreading of issues costs and premiums.

- ***Hedging strategy***

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross financial debts. As the previous table shows, this proportion was 83% at December 31, 2008.

In order to achieve its target level, Klépierre focuses on the use of swap agreements, which enables fixed rates to be swapped for variable rates, and vice-versa.

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

Given its strategy and investment program, Klépierre is structurally a borrower. Since the Group is not seeking to reduce the proportion of its short-term debt, it is highly likely that its short-term variable rate loans will be renewed in the medium term. This is the reason why the Klépierre hedging strategy addresses both the long-term and short-term aspects of its borrowings.

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

B) Fair Value Hedge rate risk

- ***Description of fixed rate borrowing***

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

The main sources of additional fixed rate debt are potentially the bond market or convertible bonds and other "equity-linked" products.

- ***Identified risk***

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

At any given time, Klépierre may also find itself in the position of needing to increase its fixed-rate debt at a future date (e.g.: at a time of planned acquisition). The group would then be exposed to the risk of a change in interest rate prior to arrangement of the loan. Klépierre may then consider hedging against this risk, which is treated as a "cash flow hedge" risk under IFRS.

- ***Measurement of risk exposure and hedging strategy***

At December 31, 2008, fixed rate debt totaled 1,814 million euros before hedging.

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

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

C) Investment securities

At December 31, 2008, Klépierre held investment securities of 117.3 million euros.

Near cash refers to French money market open-end and mutual funds (SICAV-FCP) (102.6 million euros) and Italian one-month and two-month deposit certificates (14.6 million euros).

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

D) Fair value of financial assets and liabilities

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

The following table compares the fair values of debts with their nominal value. Fair values are established on the basis of these principles:

- Variable rate bank debt: the fair value is equivalent to the nominal amount
- Fixed rate bank debt: the fair value is calculated solely on the basis of rate fluctuations
- Bond issues (and convertibles, where applicable): use is made of market quotations where these are available

Klépierre has chosen not to remeasure the margin component of these unlisted loans inasmuch as the exceptionally difficult conditions seen in the credit markets since the beginning of the financial crisis has accentuated the differences between margins in individual markets (bonds, corporate lending, mortgages, etc.) and made any assessment very uncertain.

	2008			2007		
in millions of euros	Par values	Fair value	Change in fair value caused by a 1% increase in interest rates*	Par values	Fair value	Change in fair value caused by a 1% increase in interest rates*
Fixed rate bond issues	1 300	1 065	-35	1 900	1 829	-62
Fixed rate bank loans	514	515	-4	310	300	-6
Variable rate bank loans	5 384	5 384	-	2 357	2 357	-
Total	**7 198**	**6 964**	**-39**	**4 567**	**4 486**	**-68**

** Change in fair value of the debt as a result of a parellel "shift" in the rate curve*

Derivatives are recognized in the balance sheet at their fair value. At December 31, 2008, a 1% rise in rates would have resulted in a rise of 164.5 million euros in the value of the group’s euro-denominated interest rate swaps (Cash Flow Hedge and Fair Value Hedge).

On the asset side, unconsolidated securities are recognized under “securities available for sale”, and are therefore measured at their fair value. Given the nature of business activity of the companies concerned, it is estimated that their net book value is close to their fair value.

E) Measures and resources for managing interest rate exposure

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

7.2. Liquidity risk

Klépierre is attentive to the long-term refinancing needs of its business and the need to diversify maturity dates and the sources of finance in such a way as to facilitate renewals.

With this objective in mind, the average loan period at December 31, 2008 was 6.3 years, with borrowings spread between different markets (the bond market and commercial paper account for 21% of debt, with the balance being raised in the banking market). A range of different sources (syndicated loans, mortgages, etc.) and counterparties are used within the banking market itself.

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

Klépierre also had unused lines of credit (including bank overdrafts) totaling 480 million euros at December 31, 2008.

Generally speaking, access to finance for real-estate companies is facilitated by the security offered to lenders in the form of a legal charge on their property assets.

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

Bond issues (1,300 million euros) include a bearer option, providing the option of requesting early repayment in the event of a change of control capable of changing Klépierre’s rating to “non-investment grade”. Apart from this clause, no other financial covenant refers to Standard & Poor’s rating for Klépierre

Principal Covenants	Maximum amount of the relevant financing (€M)	Impact of non-compliance	Contractual limit	Level at December 31, 2008
Klépierre financing				
"Loan to value"	3 950	Default case	≤ 52% *	47.9%
EBITDA / FFI			≥ 2,5	2.87
Secured debt / Revalued assets			≤ 20%	14%
Revalued asset value - group share			≥ 6 billion euros	12.3
Percentage of financial debt belonging to subsidiaries (exc. Steen & Strøm)			≤ 30%	13%
Secured debt / RNAV	1 300	Default case	≤ 50%	24.0%
Klémurs financing				
"Loan to value"	150	Default case	Total ratio ≤ 65%	60.6%
			Senior debt ratio ≤ 55% *	40.4%
EBITDA / FFI			Total ratio ≥ 1,8	2.2
			Senior debt ratio ≥ 2,5 *	3.5
Secured debt / Revalued assets			≤ 20%	8.1%
Revalued asset value - group share			≥ €300 M	642.1
* excluding subordinated loans				
Steen & StrØm financing				
"Book equity ratio" (stockholder equity/revalued asset total)	519	Default case	≥ 20%	31.4%

7.3. Currency risk

Until its acquisition of Steen & Strøm in October 2008, the majority of Klépierre's business was conducted within the eurozone, with the exception of the Czech Republic, Slovakia, Hungary and Poland.

To date, the currency risk posed by these countries has not been assessed as sufficiently high to warrant derivative hedging, since acquisitions and acquisition finance were denominated in euros.

Generally, rents are invoiced to tenants in euros and converted into the local currency on the billing date. Tenants have the choice of paying their rents in local currency or in euros (or in dollars for some minority leases). The currency risk is therefore limited to any variance between the rent as invoiced and the rent actually collected if the currency should fall in value against the euro between the invoice date and the date of payment in local currency by the lessor.

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

In Scandinavia though, leases are denominated in the local currency. Funding is therefore also raised in the local currency. The exposure of the Klépierre group to Scandinavian exchange rate risks is therefore limited essentially to the funds invested in the company (601 million euros), for which Klépierre is considering the introduction of hedging instruments or local funding arrangements.

7.4. Counterparty risk

Counterparty risk is limited by the fact that Klépierre is structurally a borrower. This risk is therefore limited essentially to the investments made in derivative transactions by the Group and its counterparties.

- ***Counterparty risk on investment securities***

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

- Monetary UCITS managed by recognized institutions, and therefore carrying diversified signatures
- loans from the governments of countries in which Klépierre operates (in the form of loans/borrowings)
- occasionally certificates of deposit issued by top-rated banks

- ***Counterparty risk on hedging instruments***

Klépierre conducts derivative instrument transactions only with financial institutions recognized as financially sound. All swap contracts, including those entered into by Steen & Strøm, now carry an "AA" counterparty rating. In no event would the Group deal with an institution rated lower than A- by S&P or an equivalent agency.

7.5. Equity risk

Klépierre holds no equities other than its own shares (3,779,079 shares at December 31, 2008), which are recognized as treasury stock at their historical cost.

8. Finance and guarantee commitments

8.1. Reciprocal commitments

The reciprocal commitments correspond to reciprocal guarantees given under property development contracts or a sale before completion contracts (under which payment is guaranteed by the buyer, and completion by the developer).

in thousands of euros	December 31 2008	December 31 2007	December 31 2006
Guarantees under Property Development/Sale before completion contracts	471 102	297 541	192 512
Total	**471 102**	**297 541**	**192 512**

8.2. Commitments given and received

in thousands of euros	December 31 2008	December 31 2007	December 31 2006
Commitments given			
- Security deposits on loans to employees	10 928	12 659	8 910
- Guarantees, deposits and mortgages	31 515	16 445	8 273
- Purchase commitments	600 547	999 286	568 886
Total	**642 990**	**1 028 390**	**586 069**
Commitments received			
- Deposits received as guarantee for the activity of real-estate management and transactions	300 170	145 340	120 340
- Sale commitments	-	107 000	58 875
- Deposits received from tenants	68 447	62 595	53 638
- Other guarantees received	120	649	109 838
- Unutilised confirmed credit lines	420 000	630 000	467 000
Total	**788 737**	**945 584**	**809 691**

❑ *Purchase commitments*

Purchase commitments correspond mainly to the preliminary purchase contracts for the Claye Souilly shopping center (16 million euros), the Vannes city center mall (50.5 million euros) and the Montpellier Odysseum (17.7 million euros).

In 2007, Klémurs signed a preliminary purchase contract for 88 "Défimode" outlets and 42 other future projects for 163.2 million euros, and is also committed to the acquisition of 15 commercial assets located in business zones at Avranches, Rochefort sur Mer and Messac for 18.2 million euros. At December 31, 2008, the outstanding balances were 57.5 million euros and 1.5 million euros respectively.

In 2008, Klémurs signed a commitment to buy 6 units, most of which are occupied by the Chaussea chain, at a total cost of 4.3 million euros.

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

As part of its acquisition of the Scandinavian group Steen & Strom, the Klepierre group has committed itself to construction works totaling 127.5 million euros – 4.5 million euros in Denmark (Field's) and 123 million euros in Sweden (Hageby Centrum, Marieberg Centrum and Sollentuna Centrum), as well as 1 million euros in Norway (Asane Storsenter).

As part of the refurbishment program for the La Romanina center in the Italian region of Lazio, a preliminary purchase contract was signed at the end of 2008 for the purpose of acquiring land and licenses at a cost of 18.3 million euros, of which 9.7 million euros has been paid to date.

In 2007, Klépierre committed to acquiring in the context of its partnership with Finiper 50% of the Il Leone center in Lonato (15,987 m² GLA, and a 84 million euro share of the investment) and the Le Corti Venete center in Verona (30,181 m² GLA and a 40.7 million euro share of the investment). The acquisitions were completed in the first quarter 2008.

A third center currently under construction will also be acquired when it opens in the first quarter 2009: 29,952 m² GLA, located in Vittuone, in the western suburbs if Milan for an investment of 44.2 million euros (50%).

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

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

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

- ***Preliminary sale agreements***

A preliminary sale agreement was signed in 2007 for the disposal of 41.62% of the Annecy building at a price of 37 million euros. Klépierre also agreed to sell Cicobail (in the context of a finance lease transfer agreement) the Cesson (77) property complex for 70 million euros…………….. These sales were completed in the first half of 2008.

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

At December 31, 2008, Klépierre had access to 420 million euros in credit lines confirmed but not used. This total was made up as follows:

- a 50 million euros line of credit available under the syndicated loan granted in 2007
- a 160 million euros line of credit available under the bilateral loan agreed in October 2008
- a 210 million euros of possible commercial paper issue (variance between the amount of the back-up line and the outstanding issued paper)

An additional amount of 34 million euros is also available in the form of an unconfirmed BNP Paribas overdraft, which had been partially used at December 31, 2008.

- ***Other guarantees received***

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

8.3. Guarantees

in thousands of euros	December 31 2008	December 31 2007	December 31 2006
Guaranteed debts	302 548	371 655	386 424
Total	**302 548**	**371 655**	**386 424**

The principal secured debts include:

- A guarantee given by Klépierre to cover the 165 million euro Klépierre Participations et Financement loan.
- Klépierre has also provided a 112.3 million euro guarantee to cover the finance lease payments to Cicobail for the entire Cesson (77) property complex.

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

The details of debts secured by pledges are as follows:

in thousands of euros	Loan amount at December 31, 2008	Mortgage amount	Pledge start date	Pledge expiry date	NBV of the pledged asssets in the corporate financial statements
on tangible assets					
K2	57 988				
Metropoli / Vignate		52 500	15-Jan-08	15-Jan-23	139 178
Settimo		10 500	15-Jan-08	15-Jan-23	21 904
Rondinelle		27 000	15-Jan-08	15-Jan-23	73 291
Klecar Italia	110 596	331 500	30-Jun-03	30-Jun-15	203 004
SCI Rebecca	3 445	5 764	17-Oct-02 20-July-00	30-Dec-14 31-July-15	4 777
SCI LC	674	377	5-Jan-00	2-Jan-12	922
GC Collegno	18 500	37 500	15-Jul-08	15-Jul-15	24 794
SRL Assago	107 000	214 000	3-Jul-08	3-Jul-15	94 657
Holding Gondomar 1	774	2 287	20-Nov-01	14-Dec-11	3 333
Sodirev	3 571	20 123	29-Jan-97 26-Mar-98	05-Feb-12 05-Apr-10	11 481
TOTAL					**577 341**

8.4. Shareholders’ agreements

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

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

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

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

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

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

- ***Shareholders’ agreement signed between SNC Kléber la Pérouse and SCI Vendôme Commerces in respect of SCI Secovalde***

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

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

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

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

It also includes a put (option to sell) in favor of Finiper, enabling the latter to sell to Klépierre the shares that it holds in IGC and/or Clivia to Klépierre. This 10-year put cannot be split for IGC (it must be exercised on all the shares held by Finiper), but may be split into two parts (each of 25%) for Clivia. In case of refusal by Klépierre an indemnity is owed to Finiper.

- ***Shareholders' agreement signed between Klépierre and Stichting Pensioenfonds ABP in respect of the Swedish company Nordica Holdco AB, and the Norwegian companies Storm Holding Norway AS and Steen & Strøm***

The shares in Steen & Strøm were acquired via Storm Holding Norway AS, a company registered in Norway and wholly-owned by Nordica Holdco AB, a company registered in Sweden.

This agreement was signed on July 25, 2008 and modified with the amendment on October 7, 2008. It provides for the usual protections for minority shareholders: qualified majority voting for certain decisions, purchase option in the event of deadlock and joint exit rights, as well as the following disposals:

- a one-year inalienability period applied to Steen & Strøm shares from the date of acquisition

- each party has right of first offer on any shares which the other party wishes to transfer to a third party, subject to the proviso that where shares are transferred by one party (other than Klépierre where the transfer is to an associated company) to a Klépierre competitor (as defined in the agreement), the shares concerned will be subject to a right of first refusal and not a right of first offer

- from the sixth year following acquisition, either party may request a meeting of shareholders to approve, subject to a two-thirds majority, the disposal of all the shares or assets of Steen & Strøm, or a market flotation of the company

- ***Shareholders' agreement signed between Klépierre Luxembourg S.A and Torelli S.à r.l in respect of Holding KLEGE S.à r.l***

Signed on November 24, 2008, this shareholders' agreement sets out the operating structure for Holding KLEGE S.à r.l, and includes the usual disposals regarding share capital transactions, decision-making and the right to information. Both parties enjoy preemption rights in the event of planned disposals of shares in the company to a third party.

Holding KLEGE S.à r.l owns 100% of the equity of KLEGE Portugal SA, the company formed specifically to manage the construction of a shopping center in Portimao, Portugal.

8.5. Commitments on operating leases - Lessors

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

- ***Shopping centers***

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

Indexation enables the re-pricing of the minimum guaranteed rent, by the application of the index which vary from country to country.

- **Indexation specific to each country**

Until 2008, the only index used in France was the quarterly French Cost-of-Construction Index (ICC). The indexing figure applied is that corresponding to the "anniversary" quarter of the lease. Approximately 70% of Klépierre's French leases are subject to application of the ICC in the second quarter of each year (published in October).

From January 1, 2009, guaranteed rents will be indexed either against the French Cost of Construction Index (ICC) or the new Commercial Rents Index (ILC). The ILC is a compound index derived from the consumer prices index, the retail trade sales value index and the cost of construction index. The way in which this new index is calculated should mean that it is more effective than the ICC at smoothing out fluctuations over time.

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

In Italy, the system is based on the consumer price indices (excluding tobacco) for working class and junior management (ISTAT). But implementation of the indexation system is more complex: depending on the lease, either the ISTAT is applied at 75%, or the reference segment index at 100% is applied.

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

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

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

- **Guaranteed minimum rent and variable rent**

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

Wherever possible, all or part of the variable rent is consolidated into the MGR at the point of lease renewal. In this way, the variable rent is usually reduced to zero at the end of the lease (every 5 to 12 years, depending on the nature of the lease). It is also deducted annually from the indexation rise in MGR.

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

- *Office buildings*

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

Commercial businesses are covered by Articles L. 145-1 to L. 145-60 of the French Commercial Code and the non-codified articles of Decree 53-960 of September 30, 1953 (the "statute"). Some of these clauses are public policy. For example: the length of leasing agreements, which may not be shorter than 9 years (in terms of the lessor's commitment), the right to renewal, the formal conditions to be complied with in the event of cancellation, vacation, renewal, eviction, etc.

Very exceptionally, leases of two years or less may be exempt from the statute.

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

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

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

Professionals (lawyers, chartered accountants, architects, etc.) are not covered by the statute. The minimum duration for such leases is six years, with the lessee free to terminate at any time by giving six months' prior notice. These agreements are not renewable. The other conditions are based more closely on those of commercial leases.

The total amount of conditional rents recognized in income: the conditional rent is that portion of the total rent which is not a fixed amount, but is a variable amount based on a factor other than time laps (e.g. percentage of revenue, degree of use, price indices, market interest rates).

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

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

in thousands of euros	December 31, 2008
less than one year	819 250
between 1 and 5 years	1 268 303
more than 5 years	237 350
Total	**2 324 903**

8.6. Commitments on lease agreements - financing

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

in thousands of euros	December 31, 2008 minimum payments	discounted value of payments
less than one year	320	208
between 1 and 5 years	0	0
more than 5 years	0	0
Total minimum payments under the terms of the lease	***320***	***208***
Less financial charges	***-112***	
Discounted value of minimum payments	**208**	**208**

8.7. Retention commitments

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

9. Compensations and employee benefits

9.1. Payroll expenses

At December 31, 2008, the total amount of payroll expenses was 82.3 million euros.

Fixed and variable salaries and wages as well as incentives and profit sharing, totaled 60.5 million euros, pension-related expenses, retirement expenses and other staff benefits were 20.2 million euros and income tax, and similar compensation-related payments were 1.6 million euros.

At December 31, 2008, the Group employed a total of 1,516 people. 955 of those employees work outside France, including 439 in the Scandinavian real estate company Steen & Strøm.

9.2. Retirement commitments

❑ *Post-employment plans with defined contributions*

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

❑ *Post-employment fixed benefit plans*

The fixed benefit plans in place in France and Italy are subject to independent actuarial appraisal, according to projected unit credit method to calculate the expense corresponding to employee entitlements and the outstanding benefits to be paid to pre-retirees and retirees. The demographic and financial assumptions used when estimating the discounted value of the bonds and hedge assets used with these plans take into consideration the economic conditions specific to the monetary zone concerned. The fraction of actuarial variances to be amortized after application of the agreed limit of 10% (corridor method) is calculated separately for each defined benefit plan.

The provisions funded for fixed benefit post-employment plans totaled 5.9 million euros at December 31, 2008.

Klépierre has set up supplementary pension plans under a corporate agreement. Under these supplementary plans, employee beneficiaries will, on retirement, receive additional income over and above their national state pensions (where applicable) in accordance with the type of plan they are entitled to.

Group employees also benefit from agreed or contractual personal protection plans in various forms, such as retirement gratuities.

In Italy, the applicable plan in Ségécé Italia and Effe Kappa is a "Trattamento di Fine Rapporto" (TFR) plan. The amount payable by the employer on termination of the employment contract (as a result of resignation, dismissal or retirement) is calculated by applying an annual coefficient for each year worked, without this amount exceeding a certain threshold. Since the liability is certain, it can be recognized under other debts and not as a provision for contingencies.

In Spain, a provision for retirement commitments may be funded where specific provision is made in the collective agreement, but this does not affect the staff working in the Spanish subsidiaries of the Klépierre group.

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

A pension scheme has been introduced for some employees in Norway. Entitlement to the benefits conferred by this pension scheme is dependent on 30 years of contributions. The scheme pays 60% of the basic final salary applying on January 1 of the year in which the scheme member reaches 67 years of age. Survivor's pension and inheritance arrangements are also covered by the scheme. These pension benefits are supplementary to those that scheme members are entitled to under general schemes. Approximately 100 employees are scheme members.

Reconciliation between assets and liabilities posted in the balance sheet

in thousands of euros		December 31, 2008
Surplus of obligations over the assets of financed schemes		7 739
Gross discounted value of obligations fully or partly financed by assets		10 194
Fair value of the plan's assets	-	2 454
Discounted value of non financed liabilities		7 740
Not yet recognized costs in application of the provisions of IAS19		
Cost of past services	-	448
Actuarial net losses or gains	-	1 439
Net obligation recognized in the balance sheet for defined-benefits plans		5 853

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

in thousands of euros	December 31, 2008
Net obligation at the beginning of the period	4 799
Retirement expense recorded in income for the period	1 054
Contributions paid by Klépierre in income for the period	
Acquisition/Disposal	
Benefits paid to the beneficiaries of benefits non financed	
Net obligation at the end of the period	5 853

Components of the retirement expense

in thousands of euros	December 31, 2008
Cost of services rendered during the year	779
Financial cost	390
Expected yield from the plan's assets	- 102
Amortization of actuarial gains and losses	- 19
Amortization of past services	6
Effect of plan reductions or wind up	-
Total recognized in "payroll expenses"	1 054

Other long-term benefits

At December 31, 2008, provisions to cover long-service awards and the working time savings account totaled 1.9 million euros.

Principal actuarial assumptions used for calculations on the balance sheet date

Hypothèses actuarielles	France
Discounting rate	4.05%
Expected yield rate from the plan'a assets	4.20%
Expected yield rate from reimbursement rights	n/a
Future salary increase rate	3,00 % - 5,00 %

9.3. Stock options

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

These are standard stock option plans, and are therefore not subject to performance conditions.

In accordance with the disposals of IFRS 1, only stock options granted after November 7, 2002 are recognized.

In accordance with IFRS 2, Klépierre appraised the market value of options on their grant date and recognizes a *pro rata* expense during the vesting period. This appraisal is made by a specialist third-party company. The model adopted respects the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of the options concerned (particularly dividends in discrete amounts and the possibility of exercising as from May 31, 2010 for the plan authorized in 2006 and from May 16, 2011 for the plan authorized in 2007).

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

- ***Plan authorized in 2006***

On the basis of the nominal share price on the day of allocation, 195,000 options were granted under the stock option plan authorized by the Executive Board meeting of May 30, 2006. After adjustments and retirements (see table below), the number of current options granted under this plan at December 31, 2008 was 563,093.

The current exercise option price for this plan is 29.49 euros.

These options may be freely exercised between May 31, 2010 and May 30, 2014 inclusive.

The key data adopted for the purpose of measuring the stock options granted in 2006 are shown below, restated to reflect the 3-for-1 stock split of 2007 (but before the effect of the discount granted as part of the DPS capital increase of December 2008):

- exercise option price: 30.5 euros
- share price on the date of allocation: 27.9 euros
- volatility: 21,5 %
- risk-free interest rate: 4.10% for an 8-year maturity period
- dividend: 1 euro per share in 2006 followed by assumed growth calculated as a straight-line regression of the dividends for previous years.

On these bases, the unit value of the stock options was estimated at 4.6 euros. The expense recognized in the income statement for the 2008 fiscal year is 605,000 euros.

Plan authorized in 2007

On the basis of the nominal share price on the day of allocation, 143,000 options were granted under the stock option plan authorized by the Executive Board meeting of May 5, 2007. After adjustments and retirements (see table below), the number of current options granted under this plan at December 31, 2008 was 423,639.

The current exercise option price for this plan is 46.38 euros.

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

The key data adopted for the purpose of measuring the stock options granted in 2007 are shown below, restated to reflect the 3-for-1 stock split of 2007 (but before the effect of the discount granted as part of the DPS capital increase of December 2008):

- exercise option price: 47.9 euros
- share price on the date of allocation: 47.3 euros
- volatility: 21,2 %
- risk-free interest rate: 4.51% for an 8-year maturity period
- dividend: growth of approximately 10% in 2007, followed by assumed growth calculated as a straight-line regression of the dividends for previous years.

On these bases, the unit value of the stock options was estimated at 10.4 euros. The expense recognized in the income statement for the 2008 fiscal year is 1,077,000 euros.

	Plan 1	Plan 2
Date of General Meeting	April 7, 2006	April 7, 2006
Date of Executive Board Meeting	May 30, 2006	May 15, 2007
Total number of shares potentially subscribable or purchasable at Dec. 31, 2008 by		
(i) company executives [2]	139 595	102 291
(ii) the first ten employee recipients [1][2]	127 186	145 803
Starting date of exercise of options	May 31, 2010	May 16, 2011
Expiry date	May 30, 2014	May 15, 2015
Subscription or purchase price [1]	29.49	46.38
Subscription or purchase options allotted before adjustment	195 000	143 000
Subscription or purchase options allotted (only adjusted by the division of the face value by 3)	585 000	429 122
Subscription or purchase options of cancelled at December 31, 2008 (only adjusted by the division of the face value by 3)	40 500	19 507
Number of shares subscribed to at December 31, 2008 (only adjusted by the division of the face value by 3)	0	0
Outstanding subscription or purchase options after cancellation and subscription (only adjusted by the division of the face value by 3)	544 500	409 615
Outstanding subscription or purchase options at December 31, 2008 (after additional adjustement of the effects of the capital increse with preferential rights in December 2008)	563 093	423 639

(1) Adjusted by the division of the face value by 3 in 2007 and the effects of the capital increse with preferential rights in December 2008

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

Stock options Executive Board	Date granted	Number of shares granted ❶	Exercise period	Exercise price (euros) ❶	Options outstanding at December 31, 2007	Number of options exercieed in 2008	Number of options cancelled in 2008	Options reMayning at December 31 , 2008
Michel CLAIR	May 30, 2006 ❷	46 532	May 31, 2010 to May 30, 2014	29.49	46 532			46 532
	May 15, 2007 ❷	34 130	May 16, 2011 to May 15, 2015	46.38	34 130			34 130
Jean Michel GAULT	May 30, 2006 ❷	31 021	May 31, 2010 to May 30, 2014	29.49	31 021			31 021
	May 15, 2007 ❷	24 822	May 16, 2011 to May 15, 2015	46.38	24 822			24 822
Claude LOBJOIE	May 30, 2006 ❷	31 021	May 31, 2010 to May 30, 2014	29.49	31 021			31 021
	May 15, 2007 ❷	15 515	May 16, 2011 to May 15, 2015	46.38	15 515			15 515
Laurent MOREL	May 30, 2006 ❷	31 021	May 31, 2010 to May 30, 2014	29.49	31 021			31 021
	May 15, 2007 ❷	27 824	May 16, 2011 to May 15, 2015	46.38	27 824			27 824

❶ No option has yet been exercised under these plans during the year 2008 to management of the company

❷ Resolution of the EGM of April 7, 2006 ; the number and the price of shares are adjusted by the division of the face value by 3 in 2007 and the effects of the capital increse with preferential rights in 2008

10. Additional information

10.1. Disclosures on the fair value model

in thousands of euros	December 31, 2008	Fair value restatements	December 31, 2008 fair value model	December 31, 2007 fair value model
Lease income	716 973		716 973	597 178
Land expenses (real estate)	-2 605	2 593	-12	0
Non-recovered rental expenses	-21 646		-21 646	-17 189
Building expenses (owner)	-41 962	405	-41 557	-29 440
Net lease income	***650 760***	***2 998***	***653 758***	***550 549***
Management, administrative and related income	77 493		77 493	64 195
Other operating income	15 747	163	15 910	18 265
Change in the fair value of investment property		-62 520	-62 520	911 522
Survey and research costs	-2 534		-2 534	-1 146
Payroll expense	-82 324		-82 324	-64 810
Other general expenses	-27 797		-27 797	-25 165
Depreciation and amortization allowance on investment property	-213 106	213 016	-90	-1 475
Depreciation and amortization allowance on PPE	-5 184		-5 184	-4 365
Provisions	-1 274		-1 274	-2 663
Results of operations	**411 781**	**153 657**	**565 438**	**1 444 907**
Gains on the sale of investment property and equity interests	243 885	-52 716	191 169	96 113
Net book value of investment property and equity investment sold	-185 392		-185 392	-85 873
Gains from the sale of investment property and equity investment securities	***58 493***	***-52 716***	***5 777***	***10 240***
Profit on the sale of short term assets	***928***		***928***	***46***
Net dividends and provisions on non-consolidated investments	431		431	549
Net cost of debt	-219 480		-219 480	-162 931
Change in the fair value of financial instruments	-5		-5	0
Effect of discounting	710		710	726
Share in earnings of equity-method investees	1 426	2 157	3 583	5 456
Pre-tax earnings	**254 284**	**103 098**	**357 382**	**1 298 993**
Corporate income tax	-20 397	-13 888	-34 285	18 681
Net income of consolidated entity	**233 887**	**89 210**	**323 097**	**1 317 674**
of which				
Group share	*200 277*	*95 480*	*295 757*	*1 148 991*
Minority interests	*33 610*	*-6 270*	*27 340*	*168 682*

in thousands of euros	December 31, 2008	fair value restatements	December 31, 2008 fair value model	December 31, 2007 fair value model
Non-allocated goodwill	94 636	-18 470	76 166	75 892
Intangible assets	13 366		13 366	7 269
Tangible assets	43 636		43 636	41 340
Investment property	9 579 123	-9 579 099	24	13 128
Fair value of investment property		13 876 575	13 876 575	10 425 230
Fixed assets in progress	1 183 496	-676 309	507 187	190 507
Fair value of buildings held for sale	44 419	20 833	65 252	61 264
Equity method security	35 331	1 030	36 361	49 422
Non consolidated securities	626		626	512
Other non current assets	38 773		38 773	33 846
Interest rate swaps	23 458		23 458	84 011
Deferred tax assets	68 952		68 952	33 675
NON CURRENT ASSETS	***11 125 816***	***3 624 560***	***14 750 376***	***11 016 096***
Inventory	13 416		13 416	11 684
Trade receivables and related accounts	89 946		89 946	57 287
Other receivables	371 037	-80 847	290 190	153 191
Tax receivables	88 438		*88 438*	*49 645*
Other debtors	282 599	*-80 847*	*201 752*	*103 546*
Cash and near cash	242 725		242 725	195 476
CURRENT ASSETS	***717 124***	***-80 847***	***636 277***	***417 638***
TOTAL ASSETS	**11 842 940**	**3 543 713**	**15 386 653**	**11 433 734**
Capital	232 700		232 700	193 890
Additional paid-in capital	1 276 284		1 276 284	835 187
Statutory reserves	19 389		19 389	18 466
Consolidated reserves	430 468	2 769 700	3 200 168	2 588 910
Treasury shares	-93 429		*-93 429*	*-96 168*
Fair value of financial instruments	-122 327		*-122 327*	*51 922*
Fair value of investment property		*2 784 682*	*2 784 682*	*1 828 969*
Other consolidated reserves	646 224	*-14 982*	*631 242*	*804 187*
Consolidated earnings	200 277	95 480	295 757	1 148 991
Shareholders' equity, group share	2 159 118	2 865 180	5 024 298	4 785 444
Minority interests	1 011 238	448 039	1 459 277	928 424
SHAREHOLDERS EQUITY	***3 170 356***	***3 313 219***	***6 483 575***	***5 713 868***
Non current financial liabilities	6 971 343		6 971 343	4 400 820
Long-term allowances	14 764		14 764	11 425
Interest rate swaps	184 493		184 493	7 731
Security deposits and guarantees	130 668		130 668	107 899
Deferred tax liabilities	456 332	230 494	686 826	438 653
NON CURRENT LIABILITIES	***7 757 600***	***230 494***	***7 988 094***	***4 966 528***
CURRENT LIABILITIES	***914 984***		***914 984***	***753 338***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11 842 940**	**3 543 713**	**15 386 653**	**11 433 734**

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

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

The fair value of Klépierre buildings is determined by third-party appraisers who appraise the Group's holdings on June 30 and December 31 of each year, exclusive of transfer duties and fees.

However, given the fact that these appraisals are, by their nature, estimates, it is possible that the amount realized on the disposal of some real estate assets will differ from their appraised value, even where such disposal occurs within a few months of the balance sheet date.

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

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

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

Assignments entrusted to appraisers are all carried out in accordance with the principles of the Real Estate Appraisal Guidelines (Charte de l'Expertise en Évaluation Immobilière) using the recommendations of COB/CNC "Barthès de Ruyter" working group, in accordance with the code of business ethics applying to FSIF SIICs.

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

Office buildings

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

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

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

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

The appraisers therefore worked on the assumption that the owners of such property would be able to align rents with market rates when the leases concerned come up for renewal, and took into account the current conditions of occupation in the form of a capital loss calculated as described above. The appraisers did not limit their approach to properties coming up for renewal in the forthcoming three years, on the grounds that the investors involved in current market transactions make projections beyond this three-year horizon. In the second scenario, the recognized financial gain has been added to the calculated value. This corresponds to the discounted value (at a rate of 5.5%) of the difference between the actual lease income and the market price until the first firm period of the lease expires. In the third scenario, the capital loss has been deducted from the calculated value. This corresponds to the discounted value (at the rate of 5.5%) of the difference between the actual lease income and the market price until the lease expires. Since December 31, 2005, appraisers have based their work on the rate of return (yield) rather than the capitalization rate. In other words, the rate used was that applied to the income calculated as described above in order to arrive at an appraised value inclusive of transfer duties. Previously, the rate used resulted in a valuation exclusive of transfer duties. The decision to use this rate is the result of observing the market from the point of view of transactions actually completed by investors. To derive the appraised value exclusive of transfer duties, the transfer duties and fees were deducted at the local specific rate.

- ***Shopping centers***

To determine the fair market value of a shopping center, appraisers apply a yield rate to net annual lease income for occupied premises, and to the net market rental price for vacant properties, discounted over the anticipated period of vacancy. The discounted value of rebates on minimum guaranteed rent payments, expenses payable on currently vacant premises and non-chargeable works are all deducted from this first value, arrived at by capitalizing net lease income. A standard vacancy rate is then defined for each asset. The discount rate applied is equal to the yield rate used in the fair market value calculation.
Gross lease income includes the minimum guaranteed rent, the variable rent and the market rental price for vacant properties. The net total lease income is calculated by deducting the following expenses from the gross lease income: management charges, non-chargeable expenses, charges on provisions for vacant premises and the average losses on bad debts over the previous 5 years.

The yield rate is set by the appraiser based on a range of parameters, the most important of which are: retail sales area, layout, competition, type and percentage of ownership, lease income and extension potential and comparability with recent market transactions.

As a result of the way in which its portfolio is structured and for reasons of economy and efficiency, Klepierre uses two methods to appraise those assets posing specific appraisal problems. Accordingly, the assets appraised for the first time and those where the most recent appraisal is no greater than 110% of net book value (excluding deferred taxes) are appraised in two ways: the first is a yield-based appraisal, as explained above, whilst the second is an appraisal based on the discounted future flows method.
This second method calculates the value of a property asset by the sum of discounted financial flows based on a discount rate defined by the appraiser.
The appraiser estimates anticipated total revenues and expenses on the asset side, and then measures an "ultimate value" at the end of the analysis period (10 years on average). By comparing the market rental values with facial rental values, the appraiser takes into account the rental potential of the property asset while retaining the market rental value at the end of the leases, after deduction of the expenses incurred in remarketing of the property. Lastly, the appraiser discounts the forecast cash flow to determine the actual value of the property asset.
The retained discount rate takes into account the market risk-free rate (OAT 10 years) to which will be added a property market risk and liquidity premium and lastly an asset-specific premium depending on its location, characteristics and tenancy of each building.

10.2. Earnings per share

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

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

			31-déc.-08	31-déc.-07	31-déc.-06
Numerator					
Net income, group share (€K)		***a***	**200 277**	**197 712**	**164 534**
Denominator					
Average weighted number of shares before diluting effect	**'(1)**	***b***	**139 907 235**	**136 998 849**	**137 536 322**
Effect of dilutive options			*0*	*0*	*0*
Share purchase options					
Total potential dilutive effect		***c***	**0**	**0**	**0**
Average weighted number of shares before diluting effect		***d=b+c***	**139 907 235**	**136 998 849**	**137 536 322**
Group share of net income per undiluted share (in euros)		***a/b***	**1.4**	**1.4**	**1.2**
Group share of net income per diluted share (in euros)		***a/d***	**1.4**	**1.4**	**1.2**

(1) The data at December 31, 2006 are corrected to reflect the face value division

10.3. Affiliated companies

At December 31, 2008, the BNP Paribas share of bank loans totaled 2,522 million euros, of which 2,301 million euros had been used. This equity interest compares with a total authorized amount of 5,985 million euros, of which 5715 million euros have been used. These figures do not include the 300 million euros represented by the back-up line of commercial paper (not drawn down) in which BNP Paribas has an interest of 150 million euros.

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

10.4. Compensation of the Supervisory Board and the Executive Comittee

The director’s fees paid to the members of the Supervisory Board totaled 300,000 euros.
The overall amount of compensation paid in 2008 the Executive Comittee memebers was 1,887,000 euros.

10.5. Statutory auditors’ fees

	2008				2007			
	Deloitte		Mazars		Deloitte		Mazars	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit (1)								
Auditing and certification and review of individual and consolidated financial statements	710	80%	643	89%	611	88%	600	95%
Additional mandates	173	20%	80	11%	83	12%	29	5%
Sub-total	883	100%	723	100%	694	100%	629	100%
Other services								
Legal, tax and labour-related services								
Sub-total								
TOTAL	**883**	**100%**	**723**	**100%**	**694**	**100%**	**629**	**100%**

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

10.6. Post balance sheet date events

No significant events occurred after the balance sheet date.

10.7. Identity of the consolidating company

At December 31, 2008, Klépierre was fully consolidated by the BNP Paribas group. BNP Paribas holds a 51.99 % equity stake in Klépierre (excluding treasury shares).

11. Additional information

11.1. Pro forma financial statements

In accordance with Article 222-2 of the general regulations of the AMF (the French market regulator), this pro forma information is provided in respect of the most recent period covered by the financial statements to illustrate what the position would have been if the change in the scope of consolidation caused by the Steen & Strøm acquisition occurred at the beginning of the period.

	Historic financial statements before adjustement at December 31, 2008		Klépierre SA pro forma adjustments	Pro forma adjustments	Pro forma financial statements at December 31, 2008
in thousands of euros	Historic financial statements December 31, 2008 Klepierre	Historic financial statements December 31, 2008 Steen & Strom			
	a	b	c	d	e = a+b+c+d
		0			
Lease income	679 117	157 685	-	-	836 801
Land expenses (real estate)	(2 605)	-	-	-	(2 605)
Non-recovered rental expenses	(21 646)	-	-	-	(21 646)
Building expenses (owner)	(35 660)	(20 633)	-	-	(56 293)
Net lease income	619 206	137 051	-	-	756 258
Management, administrative and related income	70 765	24 617	-	-	95 382
Other operating income	15 142	4 442	-	-	19 584
Survey and research costs	(2 534)	-	-		(2 534)
Payroll expense	(74 850)	(27 312)	-	-	(102 162)
Other general expenses	(25 484)	(9 827)	-	-	(35 310)
Depreciation and amortization allowance on investment property	(198 031)	-	-	(63 558)	(261 589)
Depreciation and amortization allowance on PPE	(4 714)	(3 479)	-	-	(8 193)
Provisions	(1 274)	-	-	-	(1 274)
Results of operations	398 226	125 494	-	(63 558)	460 162
		-			
Gains on the sale of investment property and equity interests	174 723	2 296	-	(2 296)	174 723
Net book value of investment property and equity investment sold	(116 230)	(1 219)	-	1 083	(116 367)
Gains from the sale of investment property and equity investment securities	58 493	1 076	-	(1 213)	58 356
		-			
Profit on the sale of short term assets	928	-	-	-	928
		-			
Net dividends and provisions on non-consolidated investments	431	24	-	-	455
Net cost of debt	(194 814)	(93 917)	(5 723)	4 130	(290 324)
Change in the fair value of financial instruments	(5)	-	-	-	(5)
Change in the fair value of investment property		(28 714)		28 714	-
Effect of discounting	710	-	-	-	710
Share in earnings of equity-method investees	1 426	-	-	-	1 426
Pre-tax earnings	265 395	3 964	(5 723)	(31 927)	231 708
		-			-
Corporate income tax	(22 499)	(17 931)	-	34 898	(5 533)
Net income of consolidated entity	242 896	(13 968)	(5 723)	2 970	226 175
of which		-			-
Group share	179 438	(7 836)	(5 723)	1 666	197 590
Minority interests	36 225	(6 132)	-	1 304	28 585
		-			

This pro forma financial information has been prepared and is presented in accordance with the accounting principles and methods applied by the Klépierre group, as described in the group's consolidated financial information. The accounting principles applied by Steen & Strøm are significantly different from those adopted by Klépierre:

- Steen & Strøm recognizes investment property in accordance with the fair value method detailed in *IAS 40 Investment Property*, whereas Klépierre uses the cost method described in the same standard. Steen & Strøm does not therefore apply depreciation, but recognizes changes in the fair value of its investment properties in its income statement.

The consolidated financial information of Steen & Strøm has therefore been restated for the purpose of preparing these pro forma consolidated financial statements. Changes in fair value have been canceled, and investment properties depreciated using the component method. Where assets are similar, depreciation has been calculated using methods comparable to those described in the notes to the consolidated financial statements of the Klépierre Group for the determination of components and depreciation periods.

The pro forma financial statements have been prepared by taking into account that the share of the business acquired by Klépierre has been funded by a rights issue of 356 millions euros (assumed to have taken place on January 1, 2008) and bank borrowing.
The cost of debt has been calculated according to the effective interest rate method by taking into account of the Group’s available funding and hedging instruments. In this respect, the financial interest shown in the pro forma financial statements has been calculated on the basis of the conditions applying to the 750 million euro syndicated loan set up in June 2008 with a maturity date of June 2011. Taking account of the interest rate hedges implemented between August and October 2008, the overall cost of this funding is 5.26%.

In accordance with IFRS 3:

- The loan issue costs have not been included in the business combination cost. According to IAS 39, these costs are included in the initial measurement of the debt at its depreciation cost
- Similarly, the expenses related to the rights issue are not included in the business combination cost, but reduce the income arising as result of issuing equity instruments (by allocation to the issue premium).

Klépierre

Société Anonyme

21, avenue Kléber
75016 PARIS

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2008

DELOITTE ET ASSOCIES

SIEGE SOCIAL : 185, AVENUE CHARLES DE GAULLE - 92200 NEUILLY-SUR-SEINE

SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES
CAPITAL DE 1 723 040 EUROS - RCS NANTERRE 572 028 041

MAZARS

SIEGE SOCIAL : 61, RUE HENRI REGNAULT - 92400 COURBEVOIE

SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES
CAPITAL DE 8 320 000 EUROS - RCS NANTERRE B 784 824 153

Klépierre

Société Anonyme

21, Avenue Kléber
75016 PARIS

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2008

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

To the Shareholders,

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

- the audit of the accompanying consolidated financial statements of Klépierre,
- the justification of our assessments,
- the specific verification required by law.

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

I. Opinion on the financial statements

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

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

II. Justification of our assessments

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

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

- Notes 2.5 and 10.1 to the consolidated financial statements specify that real estate assets are appraised by independent experts to estimate impairments, if any, and the fair values of buildings. Our procedures consisted notably in examining the valuation methodology used by the experts and to ensure ourselves that the impairments as well as the fair values were made based on external expert appraisals.

- As indicated in Note 2.7 to the consolidated financial statements, the Group used certain estimates with respect to the monitoring of the value of goodwill. Our procedures consisted in assessing the data and the assumptions on which these estimates are based, reviewing the calculations performed by your company, examining management's approval procedures for these estimates and finally verifying that the notes to the financial statements give appropriate disclosures of the assumptions adopted by the Group.

- Notes 2.16 and 4.16 to the consolidated financial statements set forth the accounting rules and methods to determine the fair value of derivative instruments as well as the characteristics of the Group's hedging instruments. We examined the classification criteria and the documentation required specifically by IAS 39 and verified the appropriateness of these accounting methods and the disclosures provided in the notes to the consolidated financial statements.

- Note 11 to the consolidated financial statements specifies the methodology used to draw up pro forma financial statements. We verified that the bases on which the pro forma financial information has been prepared is consistent with the documents and accounting conventions which are described in this note.

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

III – SPECIFIC VERIFICATION

In accordance with the law, we have also verified the information given in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

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

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIÉS	
Julien Marin-Pache	Pascal Colin	Laure Silvestre-Siaz