



KLÉPIERRE CONFIRMS THE REGULARITY OF ITS GROWTH MODEL

Paris—July 27, 2006—The Klépierre Supervisory Board met today to conduct a review of the company's business and approve its financial statements for the six months ended June 30, 2006, as submitted by the Executive Board on July 24, 2006.

<i>In millions of euros</i>	June 30, 2006	June 30, 2005	Change	Change on a constant portfolio basis
Lease income	250.3	214.3	+16.8%	+4.0%
<i>Shopping centers</i>	223.7	187.2	+19.5%	+3.4%
<i>Offices</i>	26.6	27.1	-1.9%	+8.4%
Rental revenues	253.6	217.6	+16.6%	
Net lease income	236.1	198.7	+18.8%	
Operating cash flow	222.3	182.8	+21.6%	
<i>In euros per share</i>				
Net current cash flow	2.81	2.24	+25.7%	
Net earnings	1.71	1.16	+46.8%	
Revalued Net Assets (RNA) ⁽¹⁾	79.9	58.4	+ 36.6%	

⁽¹⁾ Including transfer duties, after taxation of unrealized capital gains and marked-to-market of fixed-rate debt
SHOPPING CENTER RENTS UP 19.5%

In the first half of 2006, the benefits of a substantial investment effort of close to 720 million euros—made mostly in the second half of 2005—were apparent. Overall, rents rose by 16.8% compared with the first six months of 2005, with the shopping center segment providing rental growth of 19.5%.

The rise on a constant portfolio basis was 3.4%, reflecting a much more moderate index-linked rent adjustment in France (average impact of 1.6%) and the pursuit of a sustained pace of rental reversion. External growth provided additional lease income of 30.3 million euros: 29 million euros from acquisitions made in 2005—in particular in Poland (€9.6 M), Italy (€9.1 M), Belgium (€5.6 M)—and 1.3 million euros worth of acquisitions completed in 2006, especially the contribution of the new shopping center in Valenciennes for a just over two months during the period. Holdings outside of France now account for 49.8% of shopping center rents.

On a constant portfolio basis, office rents grew by 8.4%. This increase reflects the impact of relettings negotiated in 2005 (+ 9.6%, +€2.3 M) and index-linked adjustments (+ 2.2%, +€0.5M). The financial occupancy rate for the period was 99.2%, a marked improvement that compares favorably with the indicators for June 30, 2005 (95.6%) and December 31, 2005 (88.2%). This low vacancy rate generated a loss of lease income over the period of 0.8 million euros, half of which is still attributable



to l'Espace Kléber, which was relet effective February 1, 2006. On a current scope basis, office rents for the first six months of 2006 totaled 26.6 million euros, a 1.9% decrease that reflects the impact of 124.8 million euros of disposals that were made in 2005.

NET CURRENT CASH FLOW PER SHARE UP 25.7%

Operating cash flow increased by 21.6%, to 222.3 million euros. The net cost of debt was 65.3 million euros. The Group's interest expense increased by 10.8 million euros, and net debt was 3.4 billion euros, an increase of 161 million euros compared with December 31, 2005. The debt servicing charge for the period was 4.3%, although Klépierre significantly increased the average maturity (6.5 years) and increased its fixed rate debt coverage ratio (94%). Net current cash flow was 151.2 million euros, an increase of 24.0%. On a per share basis, the increase was 25.7% versus the June 30, 2005 reporting date, and will be above 10% for the full year 2006.

Net capital gains generated from the sale of properties totaled 11.2 million euros on June 30, 2006 (€6.7 M for the first six months of 2005), attributable primarily to the sale of an office property. Net income (group share) was 78.5 million euros, up 46.8%.

DEVELOPMENT POTENTIAL IS NEARLY 3 BILLION EUROS

Klépierre maintained its pace of development in France and abroad during the period, paying out a total of 160 million euros on investments related to the new shopping centers in Valenciennes, Molina de Segura (Spain) and Prague (Czech Republic). In the four to five years to come, the Group has development potential of close to 3 billion euros, of which 2.1 billion euros are under control (67% in France) with respect to timeframe and financing terms.

REVALUED NET ASSETS: +10.0% IN SIX MONTHS; +36.6% OVER 12 MONTHS

In the first half of 2006, holdings including transfer duties totaled 7.9 billion euros (group share = €7.0Bn). On a constant portfolio basis, shopping center assets increased in value by 3.1% in the first six months of 2006, while the value of office assets grew by 4.8% (over 12 months, the increase in value is 13.3% and 14.2%, respectively). Revalued net assets (RNA) per share including transfer duties, after deferred taxes and marked to market of fixed-rate debt increased by 10.0% in the first six months of 2006, to €79.9 (€72.6 at December 31, 2005 and €58.4 at June 30, 2005). The rise in RNA over 12 months is 36.6%.

OUTLOOK

"The three main drivers of our European shopping center strategy—our European dimension, our multi-format portfolio and our hands-on local management style—applied to a portfolio that has reached the critical mass of 234 shopping centers with potential ensure that our organic and external growth will be lasting," noted Michel Clair, Chairman of Klépierre Executive Board. *"The clear recovery in our office holdings strengthens our perspectives. Thus, we can be fairly confident that our net current cash flow will increase by more than 10 percent over the medium term."*

Next event: October 25, 2006, third quarter revenues
 January 24, 2007, annual revenues for 2006

KLEPIERRE, LEADER DES CENTRES COMMERCIAUX EN EUROPE CONTINENTALE

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Consolidated financial statements for the first half of 2006

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Consolidated income statement

<i>in thousands of €</i>	June 30, 2006	December 31, 2005	June 30, 2005
Lease income	253 647	449 017	217 589
Land expenses (real estate)	-1 265	-2 296	-980
Non-recovered rental expenses	-2 670	-5 240	-4 253
Building expenses (owner)	-13 627	-32 379	-13 697
<i>Net lease income</i>	236 085	409 102	198 659
Management, administrative and related income	24 565	46 362	18 090
Other operating income	4 202	7 217	2 546
Survey and research costs	5	-835	-667
Payroll expense	-30 526	-52 365	-25 675
Other general expenses	-10 948	-19 040	-9 596
Depreciation and amortization allowance on investment property	-68 078	-125 535	-59 444
Depreciation and amortization allowance on PPE	-2 050	-4 587	-3 216
Provisions	1 416	-3 111	240
Results of operations	154 671	257 208	120 937
Gains on sale of investment property and equity interests	32 118	163 831	35 068
Net book value of investment property and equity investment sold	-20 903	-143 597	-28 444
<i>Results of the sale of investment property & equity interests</i>	11 215	20 234	6 624
Income on the sale of assets held for sale in the short term	3	129	56
Net book value of investment property sold			-45
<i>Profit on the sale of short term assets</i>	3	129	11
Net dividends and provisions on non-consolidated investments	-54	-247	20
Net cost of debt	-65 292	-112 700	-54 494
Change in the fair value of financial instruments	60	-40	-78
Effect of discounting	-500	-1 330	-340
Share in earnings of equity-method investees	345	557	400
Pre-tax earnings	100 448	163 811	73 080
Corporate income tax	-6 946	-17 909	-6 831
Net income	93 502	145 902	66 249
of which			
<i>Group share</i>	78 509	120 449	53 433
<i>Minority interests</i>	14 993	25 453	12 816
Net income per share in euros	1,7	2,6	1,2
Net income per share in euros, fully diluted	1,7	2,6	1,2

Consolidated balance sheet

<i>in thousands of €</i>	June 30, 2 006	December 31, 2 005	June 30, 2 005
Non-allocated goodwill	40 883	33 410	33 812
Intangible assets	6 495	6 033	6 803
Tangible assets	41 589	42 167	50 020
Investment property	5 504 496	5 487 725	4 918 337
Fixed assets in progress	78 672	107 692	143 969
Property held for sale	114 494	48 857	31 820
Equity method securities	2 801	2 877	4 340
Non-consolidated securities	473	609	698
Other non-current assets	16 501	18 743	28 984
Interest rate swaps	85 229	36 037	62 025
Deferred tax assets	20 593	33 417	28 710
<i>NON-CURRENT ASSETS</i>	<i>5 912 226</i>	<i>5 817 567</i>	<i>5 309 518</i>
Inventory	10 100	7 895	10 135
Trade accounts and notes receivable	48 125	42 437	36 023
Other receivables	196 924	207 788	206 248
<i>Tax receivables</i>	<i>53 854</i>	<i>62 685</i>	<i>51 366</i>
<i>Other debtors</i>	<i>143 070</i>	<i>145 103</i>	<i>154 882</i>
Cash and near cash	137 205	166 663	180 180
<i>CURRENT ASSETS</i>	<i>392 354</i>	<i>424 783</i>	<i>432 586</i>
TOTAL ASSETS	6 304 580	6 242 350	5 742 104
Capital	184 657	184 657	184 658
Additional paid-in capital	816 882	743 166	743 325
Statutory reserve	18 466	18 466	18 466
Consolidated reserves	726 457	813 021	757 130
<i>Revaluation variances</i>		<i>0</i>	<i>0</i>
<i>Treasury shares</i>	<i>-32 767</i>	<i>-9 096</i>	<i>-6 762</i>
<i>Assets held for sale</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Fair value of financial instruments</i>	<i>45 102</i>	<i>-9 201</i>	<i>-33 255</i>
<i>Other consolidated reserves</i>	<i>714 122</i>	<i>831 318</i>	<i>797 147</i>
<i>Retained earnings</i>		<i>0</i>	
Consolidated earnings	78 509	120 449	53 433
Shareholders' equity, group share	1 824 971	1 879 759	1 757 012
Minority interests	416 770	424 829	421 105
<i>SHAREHOLDERS' EQUITY</i>	<i>2 241 741</i>	<i>2 304 588</i>	<i>2 178 117</i>
Non-current financial liabilities	3 179 658	2 633 906	2 730 060
Long-term allowances	7 867	7 579	8 458
Interest rate swaps	0	4 009	35295
Security deposits and guarantees	86 286	81 338	76 618
Deferred tax liabilities	129 967	158 124	106 655
<i>NON-CURRENT LIABILITIES</i>	<i>3 403 778</i>	<i>2 884 956</i>	<i>2 957 086</i>
Current financial liabilities	349 191	789 941	333 465
Trade payables	76 754	55 790	49 229
Payables to fixed asset suppliers	3 950	21 579	2 206
Other liabilities	150 693	115 847	126 325
Social and tax liabilities	78 473	69 649	95 676
<i>CURRENT LIABILITIES</i>	<i>659 061</i>	<i>1 052 806</i>	<i>606 901</i>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	6 304 580	6 242 350	5 742 104

Consolidated income statements – Segment presentation

<i>In millions of €</i>	June 30, 2006	December 31, 2005	June 30, 2005
Lease income	227,0	396,1	190,6
Land expenses (real estate)	- 1,1	- 2,0	- 0,8
Non-recovered rental expenses	- 2,3	- 4,0	- 2,0
Building expenses (owner)	- 13,8	- 30,1	- 11,2
<i>Net lease income</i>	<i>209,8</i>	<i>360,0</i>	<i>176,5</i>
Management, administrative and related income	24,5	45,9	18,0
Other operating income	2,6	5,5	2,0
Survey and research costs	-	- 0,8	- 0,7
Payroll expense	- 27,7	- 46,9	- 23,0
Other operating expenses	- 8,0	- 15,0	- 7,3
Depreciation and amortization allowance on investment property	- 60,4	- 106,8	- 49,3
Depreciation and amortization on allowance on PPE	- 1,6	- 3,5	- 3,0
Provisions	1,2	- 3,0	-
<i>Results of operations, shopping center segment</i>	<i>140,4</i>	<i>235,3</i>	<i>113,3</i>
<i>Share in earnings of equity-method investees</i>	<i>0,3</i>	<i>0,6</i>	<i>0,4</i>
<i>Gains from the sale of investment property and equity investment securities</i>	<i>1,1</i>	<i>2,6</i>	<i>1,9</i>
<i>Segment earnings, shopping centers</i>	<i>141,8</i>	<i>238,7</i>	<i>115,6</i>
Lease income	26,6	52,9	27,0
Land expenses (real estate)	- 0,1	- 0,3	- 0,1
Non-recovered rental expenses	- 0,4	- 1,2	- 2,2
Building expenses (owner)	- 0,6	- 2,3	- 2,5
<i>Net lease income</i>	<i>25,5</i>	<i>49,1</i>	<i>22,2</i>
Management, administrative and related income	0,1	0,5	0,1
Other operating income	1,6	1,7	0,6
Survey and research costs	-	-	-
Payroll expense	- 1,2	- 2,1	- 1,1
Other general expenses	- 0,5	- 1,2	- 0,4
Depreciation and amortization allowance on investment property	- 7,7	- 18,5	- 10,1
Depreciation and amortization on allowance on PPE	- 0,4	- 1,1	- 0,1
Provisions	0,2	- 0,1	0,2
<i>Results of operations, office segment</i>	<i>17,6</i>	<i>28,2</i>	<i>11,3</i>
<i>Share in earnings of equity-method investees</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Gains from the sale of investment property and equity investment securities</i>	<i>10,1</i>	<i>17,5</i>	<i>4,7</i>
<i>Segment earnings, offices</i>	<i>27,7</i>	<i>45,8</i>	<i>16,0</i>
Corporate and shared expenses	- 3,3	- 6,3	- 3,6
Net dividends and provisions on non-consolidated securities	- 0,1	- 0,2	-
Net cost of debt	- 65,3	- 112,7	- 54,5
Change in the fair value of financial instruments	0,1	-	0,1
Effect of discounting	- 0,5	- 1,3	- 0,3
<i>Pre-tax earnings</i>	<i>100,4</i>	<i>163,8</i>	<i>73,0</i>
Corporate income tax	- 6,9	- 17,9	- 6,8
<i>Net income</i>	<i>93,5</i>	<i>145,9</i>	<i>66,2</i>

Pro forma fair value income statement

<i>in thousands of €</i>	June 30, 2006	Fair value restatements	June 30, 2006 Fair value model
Lease income	253 647		253 647
Land expenses (real estate)	-1 265	1 265	0
Non-recovered rental expenses	-2 670		-2 670
Building expenses (owner)	-13 627	604	-13 023
<i>Net lease income</i>	<i>236 085</i>	<i>1 869</i>	<i>237 954</i>
Management, administrative and related income	24 565		24 565
Other operating income	4 202		4 202
Change in the fair value of investment property		284 223	284 223
Survey and research costs	5		5
Payroll expense	-30 526		-30 526
Other general expenses	-10 948		-10 948
Depreciation and amortization allowance on investment property	-68 078	66 908	-1 170
Depreciation and amortization allowance on PPE	-2 050		-2 050
Provisions	1 416	-1 211	205
Results of operations	154 671	351 789	506 460
Gains on the sale of investment property and equity interests	32 118		32 118
Net book value of investment property and equity investment sold	-20 903	-8 734	-29 637
<i>Results of the sale of investment property and equity interests</i>	<i>11 215</i>	<i>-8 734</i>	<i>2 481</i>
Income on the sale of assets held for sale in the short term	3		3
Net book value of investment property sold			0
<i>Profit on the sale of short term assets</i>	<i>3</i>	<i>0</i>	<i>3</i>
Net dividends and provisions on non-consolidated investments	-54		-54
Net cost of debt	-65 292		-65 292
Change in the fair value of financial instruments	60		60
Effect of discounting	-500		-500
Share in earnings of equity-method investees	345		345
Pre-tax earnings	100 448	343 055	443 503
Corporate income tax	-6 946	-47 177	-54 123
Net income	93 502	295 878	389 380
of which			0
<i>Group share</i>	<i>78 509</i>	<i>270 219</i>	<i>348 728</i>
<i>Minority interests</i>	<i>14 993</i>	<i>25 658</i>	<i>40 651</i>



1 – Operating highlights of 1H2006

Change in the scale of Klépierre group holdings

In France, the Place d'Armes shopping center located in downtown Valenciennes was inaugurated on April 18, 2006. Klépierre invested 51.8 million euros in the shopping center, which is expected to generate annual net lease income of 4.3 million euros.

The two-level shopping center, which covers 16,000 square meters (GLA), features 60 new retail outlets (FNAC, H&M, the supermarket Match, Zara, Sephora).

In Italy, after 15 months of major work, the extension of the Giussano shopping center, which is located in the northwest outskirts of Milan, opened its doors on April 5, 2006. Initially created in 1997, the Giussano shopping center features a Carrefour hypermarket (14 000 sq.m. before extension) and adjoining mall (2 800 sq.m. before extension). Post extension, they now measure 15 800 square meters and 8 200 square meters, respectively. For shopping center customers, the newly extended facility includes 25 new retail anchors, of which 3 mid-sized units (including Darty).

In addition, on January 5, 2006, Ségécé (in which Klépierre own a 75% interest) acquired the remaining 50% equity stake it did not already own in the Italian property management specialist PSG (now Ségécé Italia) for a total investment of 9.1 million euros.

In Spain, on June 30, 2006, Klépierre acquired the Molina de Segura shopping center (autonomous community of Valence), featuring a 10 651 square meter mall with 78 shops and a SUPERCOR supermarket, as well a 600-space parking lot. The investment came to 29.8 million euros, for estimated lease income of 1.9 million euros.

In the Czech Republic, on June 29, 2006, Klépierre acquired the Novodorska Plaza shopping center situated in the fourth district of Prague. Covering 26 000 square meters, the shopping center comprises a Tesco (6,300 m² sq.m.), about a hundred retail outlets, a recreation and entertainment area that includes Cinéma City and a bowling alley, plus an 870-space parking lot for a total investment of 41.6 million euros.

Rental of the L'Espace Kléber

L'Espace Kléber, a property located at 25, Avenue Kléber (Paris 16th), developing 9,866 square meters of useful weighted floor area was leased simultaneously to Credit Suisse (9-year firm term lease), for two-thirds, and to Veolia Environnement (5-year firm term lease), for the remaining third.

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

Office property arbitrage

Klépierre sold the Les Ellipses office property located in Saint Maurice on February 7, 2006 for 28.6 million euros.

Change in debt financing terms

On January 31, 2006, Klépierre signed a 1.5 billion euro revolving credit facility in a club deal with six banks.

Klépierre will use this facility to refinance credit lines set to expire in 2006, 2007 and 2009, and to open up new sources of financing. In particular, Klépierre has decided to refinance club deals that were set up in 2003 and 2004, including a 300 million euro back-up line of credit due in March 2006 and 750 million euros in medium-term lines that were fully drawn down. The bridge loan set up in the second half of 2005, for a maximum of 400 million euros (of which 275 million euros had been drawn down) was fully repaid.

The new seven-year revolving credit facility includes a swing line of 300 million euros and a long-term line of 1.2 billion euros. The principal features of this facility are as follows:

An initial margin of 35bps, which is subject to adjustments based on a loan to value grid (ratio of net debt to revalued net assets);

Financing covenants that primarily concern the loan-to-value ratio (limited to 52%), the coverage of interest expense by EBITDA (minimum 2.5), and the secured financing to revalued net assets ratio (limited to 20%).

On February 28, 2006, Klépierre (rated BBB+ with stable outlook by Standard & Poor's) issued a 10-year bond due March 16, 2016, paying a coupon rate of 4.25%. The margin has been set at 70bps above the 10-year swap rate.

In response to significant oversubscription, Klépierre decided to raise the face value of the bond to 700 million euros (versus the originally contemplated sum of 500-600 million euros). Klépierre will use the proceeds to refinance bank loans falling due in 2006 and to meet the funding needs generated by its investment program.

Dividend payment

At their annual general meeting held on April 7, 2006, Klépierre's shareholders determined the distribution of a 2.7 euro per share dividend in respect of 2005 earnings. The payout date was set for April 13, 2006.

II - Summary of significant accounting policies

Principles of financial statement preparation

In accordance with European Regulation 1606/2002 dated July 19, 2002, the consolidated financial statements have been drawn up in conformity with IFRS rules, as adopted by the European Union on December 31, 2005. International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations (SIC and IFRIC).

The interim consolidated financial statements as at June 30, 2006 have been drawn up in conformity with IFRS rules, as adopted by the European Union on June 30, 2006 and with the IAS 34 norm "Interim Financial Reporting".

The interim financial statements for the period ended June 30, 2006 are presented in their complete form, and include all information required under IFRS.

Consolidated financial statements – Basis of preparation

The consolidated financial statements include the financial statements of Klépierre S.A. and its subsidiaries at June 30, 2006. The financial statements of subsidiaries are prepared using the same frame of reference as those of the parent company in terms of time period and 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 and prevails until the date on which this control ceases.

The group's consolidated financial statements are established of historical cost, 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 book value of assets and liabilities that are hedged according to a relationship of fair value hedging, and which are measured elsewhere at cost, is adjusted to reflect changes in fair value attributable to the risks being hedged. The consolidated financial statements are presented in euros.

Scope of consolidation

The Consolidated Financial Statements of Klépierre cover all companies over which it has majority control, joint control or significant influence.

Potential voting rights that are currently exercisable or convertible are taken into account when determining the percentage of control held.

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 that the Group exercises control (its activities are conducted exclusively on behalf of the Group, the Group has the decision-making and management powers).

Accounting for business combinations

According to IFRS 3, all business combinations covered by the standard must be accounted for as acquisitions.

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

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

The difference between the purchase cost of the interest in the consolidated companies and the Group's interest in the net fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, the buyer records positive goodwill as an asset. Total negative goodwill is immediately recognized in the profit and loss statement.

Goodwill is no longer amortized, pursuant to IFRS 3 "Business Combinations." On the other hand, it must be tested annually for impairment or more often if certain events or changes in circumstances indicate a possible impairment.

For this test, 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 separately identifiable, i.e. if they arise from contractual or other legal rights or if they are capable of being separated from the activities of the entity acquired and are expected to generate future economic benefits.

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

Whenever additional equity is acquired in a consolidated business, goodwill is recorded to reflect the difference between the price paid to acquire the additional equity and the percentage of minority interest actually acquired in the transaction.

Currency translation

The consolidated financial statements are presented in euros, which is Klépierre's currency of operations and presentation. Each subsidiary of the Group's determines its currency of operation, and all items in its financial statements are measured using this currency of operations.

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



At the accounting cut-off date, monetary assets and liabilities stated in foreign currencies are converted into the currency of operation at the exchange rate in force on that date. Non-monetary items stated in foreign currencies, and which are measured at their historical cost, are converted using the exchange rate in force on the dates of the initial transactions. Non-monetary items stated in foreign currencies, and which are measured at fair value, are converted at the exchange rate on which this fair value was determined.

On the accounting cut-off date, the assets and liabilities of these subsidiaries are converted into Klépierre SA's currency of presentation, which is the euro, at the exchange rate in force on the closing date and their income statements are converted at the average weighted exchange rate for the year. Any translation differences that result 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, as recognized separately from equity, on that foreign operation is recognized in profit or loss.

Investment property

Nearly all of Klépierre's real-estate assets meet the definition of "investment property." Buildings occupied by the Group are recorded under property, plant and equipment (long-term fixed assets).

At a meeting held on May 26, 2004, the Supervisory Board approved the adoption by Klépierre of IAS 40 using the cost model approach.

To produce financial statements that are 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.

Fixed assets are recorded at cost, including duties and fees, and are amortized using the parts method.

Long-term fixed assets are tested for depreciation whenever there is evidence of impairment at the accounting cut-off date. If evidence of impairment is found, the new recoverable amount of the asset is compared to its net carrying amount and any observed impairment is recorded.

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

Leases

Rental income from operating leases are recognized in income on a straight-line basis over the entire term of the lease.

Stepped rents and rent-free periods are accounted for as an increase or decrease to lease income for the financial year over the life of the lease. The reference period is the first firm lease term.

Any entry fees received by the lessor are equated with supplementary rent and allocated over the first firm lease term.

Tenants who terminate their leases prior to the expiration date are liable for early termination fees. Such fees are allocated to the terminated contract and credited to income in the period in which they are recognized.

Eviction indemnities are analyzed and recognized as follows:

(I) Replacement of a tenant: In cases in which paying an eviction indemnity leads to improved 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, it should be charged against income.

(II) Building renovation requiring removal of the existing tenants: If eviction indemnities are paid in the context of major renovation or reconstruction of a building requiring the prior removal of the existing tenants, they should be included among the preliminary expenses treated as additional parts of total renovation costs.

Land and building leases are classified as operating or finance leases, in the same way as leases of other assets. Any premium paid for such leasehold represents pre-paid lease payments which are amortized over the lease term in accordance with the pattern of benefits provided. Pursuant to IAS 40, these initial payments are reclassified as prepaid expenses.

Borrowing costs

The benchmark treatment under IAS 23 is to recognize construction-related borrowing costs as an expense. The allowed alternative is to treat borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of the relevant asset. Klépierre has not opted for the benchmark treatment, since it considers it is preferable to account for construction-related borrowing charges as part of the cost of the assets acquired. As a result, these charges are capitalized over the construction period.

Discounting of the exit tax

The exit tax liability is discounted on the basis of its payment schedule. This liability is payable over four years as of the date on which the entity in question adopts SIIC status. Financial charge is then recorded in the income statement for the period of the deferred payment.

Treasury shares

All treasury shares owned by the Group are recognized at cost and deducted from equity. Proceeds from the sale of these shares are directly credited to equity, so that any gains or losses on the transaction have no effect on net profit and loss for the period.

Measuring and recognizing financial liabilities

With the exception of derivatives, all bonds and other financial liabilities are carried at amortized cost, computed using the effective interest rate.

- Financial liabilities carried 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 approach to liabilities covered by fair value hedge

Changes in the value of fair value hedges require (with respect to their effective part) an adjustment in the carrying value of the corresponding liability.

Since the derivatives and underlying assets/liabilities involved in fair value hedges show similar characteristics in most cases, any ineffectiveness in the hedge relationship will have only minimal impact on income.

If the swap is cancelled prior to extinguishment of the liability, the amount of the adjustment in the liability should be amortized over its residual life, based on the effective interest rate as computed at the date on which the hedge relationship is terminated.

Measuring and accounting for derivatives instruments

As the head of a Group of companies, Klépierre provides for virtually all of the Group's financing needs and centrally manages its interest rate and currency exposures. This financial policy consists of putting in place at the Klépierre level any facilities needed to fund the Group's activity as well as the relevant hedge instruments.

Consistent with the decision to measure these assets using the cost method rather than the fair value method, Klépierre chose to apply hedge accounting to the relevant liabilities, an option provided under IAS 39. As a result of this decision, all changes in the value of financial instruments involving cash-flow hedges are reflected in equity, and hence have no impact on the profit and loss statement.

- The adoption of hedge accounting has the following consequences :

For existing fair value hedges on assets or liabilities, the hedged part is carried in the balance sheet at fair value. Any changes in this fair value are charged against profit and loss, offset by symmetrical changes in the fair value of the hedging instruments, to the degree that they are effective.

For cash flow hedges, the effective part of the change in fair value of the hedge is carried directly as an offsetting entry to equity. The change in the value of the ineffective part is reflected in the profit and loss. The amounts recorded in equity are recorded in the profit and

loss statement symmetrically with the way the hedged items are accounted for.

- Determining fair value

Financial assets and liabilities carried at fair value are measured using either listed market prices or valuation models that rely on market parameters. The term "model" refers here to mathematical calculation methods grounded in recognized theories of finance.

For a given financial instrument, any market characterized by frequent transactions, narrow bid-offer spreads and on which instruments highly similar to the instrument being evaluated are traded may be considered an active and therefore liquid market.

When quoted prices in an active market are available, they are used to determine fair value. Listed securities and derivatives traded on organized markets such as futures and options are valued in this fashion.

Most over-the-counter derivatives, swaps, futures, caps, floors and single options are traded on active markets. They are valued using widely accepted models (DCF method, Black and Scholes model, interpolation techniques, etc.), based on quoted market prices for similar instruments and underlying assets.

Segment information

IAS 14 requires companies to provide segment reporting, choosing either business segments or geographical segments as their primary reporting format. Segments are identified on the basis of risk analysis and profitability so as to constitute homogeneous groups.

Accordingly, the Klépierre group presents two levels of segment information:

- Level 1: shopping center and office business;
- Level 2: geographic region: France, Spain, Portugal, Italy, Greece, Hungary, Poland and Other "Europe".

Scope

At the June 30, 2006 reporting date, the Group consolidated 140 companies, compared with 151 at the 2005 year-end reporting date. The decrease reflects internal restructuring.

The principal additions at June 30, 2006 versus December 31, 2005 are:

- SNC Pasteur, in charge of construction work on the shopping center in Besançon.
- Three Czech companies (Klépierre Novo, Entertainment, Plaza Bestes) that enabled the acquisition of the Novo Plaza shopping center in Prague.

The principal removals between the aforementioned reporting dates are:

- The 11 companies that merged with and into Klépierre: Issy Desmoulins, Concorde Puteaux, Kléber Levallois, 21 Kléber, 21 La Pérouse, 46 rue ND des Victoires, 192 Charles de Gaulle, 23 Avenue Marignan, 43 Grenelle, Espace Kléber and Espace Dumont D'Urville.



- And the 6 companies that merged with and into SAS CECOVILLE: Saint André Pey Berland, Marseille Le Merlan, Doumer Caen, Strasbourg La Vigie, Tours Nationale and Melun Saints Pères.

- In addition, SAS Flandre and SAS Candé merged with and into their parent company, SAS KLEMURS.

III - Business and earnings by segment for the year ended June 30, 2006

A – Shopping center segment

1 - Economic environment⁽¹⁾

During the first half of the year, Europe in particular reaped the benefits of a robust global economy. Growth rates for 2006 are expected to exceed those posted last year, notably for France and Italy. Average GDP growth for the Euro Area should reach 2.2% (compared with 1.4% in 2005), reflecting high growth in the countries of Central Europe (Czech Republic, +5.7%; Slovakia, +6.3%; Hungary, +4.6%; Poland, +4.4%), Spain (+3.3%), Greece (+3.7%) and, to a lesser extent, in Belgium (+2.5%). In France, GDP growth will be comparable to the average for the Euro Area (+2.1%). The outlook is less positive in Italy (+1.4%) and Portugal (+0.7%), although the situation in those countries is improving. Private consumption will once again be a major driver of growth for virtually all of the region's economies.

Revenue trends in 2006 (January through May)

Over the first five months of the year, shopping mall revenue rose by 2.7% compared with the corresponding period one year earlier. The top three countries in terms of revenue contribution (France, Italy and Spain together provide 94% of analyzed revenue) reported brisk business, with growth ahead of domestic household consumption (including inflation)² Greece also reported revenue improvement, albeit to a lesser degree (+1.2%). The Czech Republic reported no change in revenue versus the same period last year. Conversely, sales slid in Slovakia, reflecting a higher vacancy rate, and in Portugal, where the Gondomar shopping center is facing competition from a newcomer. In all, since January and with the exception of household equipment, where several retail outlets were closed, the trend for all retail businesses is positive: Culture/Entertainment: + 3.8%, Personal products: + 3.6%, Beauty/Health: + 3.4% and Restaurants: + 1.8%.

Assessment of first-half 2006 in France³

In France, the month of June (+1.4%) showed a slight downward correction in the aggregate trend since January, with a negative calendar effect on the semi-annual sale period. Through the first six months of the year, revenue growth was 2.7% over last year. In a parallel development, the Banque de France indicators show that retail activity rose by 2.0% during the period. Inter-communal shopping centers showed the most substantial rise (+3.7%). Downtown centers reported growth of 3.0% overall, with Les Passages in Boulogne reporting a 7.1% increase, maintaining a solid rate of

growth after five years of operation. Business growth was less sustained for the regional centers (+1.7%), reflecting a substantial drop for Bègles Rives d'Arcins with the closure of Leroy Merlin. If Bègles is excluded from the calculation, the regional shopping centers posted a gain of 3.1%.

Mirroring European trends through May, sales grew significantly in all retail segments—+4.5% for Culture/Recreation, +3.2% for Beauty/Health, +2.9% for Personal Products and +1.9% for Restaurants—with the exception of Household Goods (-1.7%). The decline in the latter reflects the closure of some retail outlets. In fact, this retail segment rose by 5.2% on a constant point of sale basis.

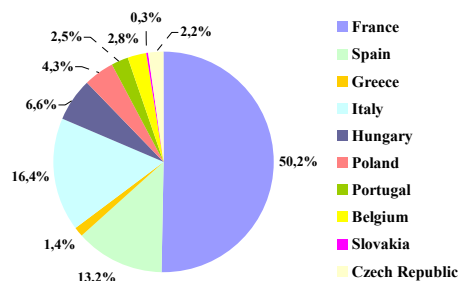
¹ These forecasts were provided by the OECD's economic outlook number 79, published in May 2006. Consequently, they do not reflect the possible economic impact of the recent conflict in the Middle East.

² The aggregate figure for January-May was computed by Ségécé using monthly indicators provided by Eurostat.

³ Statistics based on 93% of the total.

2 - Rental business

Rental business in Europe shows substantial gain: for the first six months of 2006, rents totaled 223.7 million euros (compared with 187.2 millions euros for the first six months of 2005), an increase of 19.5%. Of this total, additional variable rents represent 5.5 million euros. On a constant portfolio basis, rents increased by 3.4%.



The rise on a constant portfolio basis was 3.4%, reflecting a much more moderate index-linked rent adjustment in France (average impact of 1.6%) and the pursuit of a sustained pace of rental reversion. External growth provided additional lease income of 30.3 million euros: 29 million euros from acquisitions made in 2005—in particular in Poland (€9.6 M), Italy (€9.1 M), Belgium (€5.6 M)—and 1.3 million euros worth of acquisitions completed in 2006, especially the contribution of the new shopping center in Valenciennes for a just over two months during the period. Holdings outside of France now account for 49.8% of shopping center rents.

	Change in tenants mix		Lease renewals	
	Nb of leases	Change in %	Nb of leases	Change in %
FRANCE	100	30,8%	61	20,3%
SPAIN	64	10,9%	94	7,0%
GREECE	2	-0,6%		
HUNGARY	72	-3,4%	33	1,2%
ITALY	26	6,9%	20	31,3%
PORTUGAL	11	-10,3%	3	1,3%
CZECH REPUBLIC	3	2,9%	1	5,0%
SLOVAQUIE	1	4,6%	2	-30,7%
TOTAL EUROPE	279	15,7%	214	13,3%

In %	Indexing	Occupancy rate	Default rate
FRANCE	1.3%	99.3%	0.6%
BELGIUM	0.1%	93.0%	2.1%
SPAIN	3.6%	97.1%	1.4%
GREECE	3.6%	99.8%	3.2%
HUNGARY	1.1%	97.0%	3.1%
ITALY	1.3%	97.1%	3.4%
POLAND	1.6%	-	6.9%
PORTUGAL	1.3%	96.2%	5.9%
CZECH REPUBLIC	2.7%	99.1%	3.9%
SLOVAKIA	2.3%	85.8%	16.3%
TOTAL	1.6%	98.1%	1.8%

Outlook for the second half of 2006

Leases that will come up for renewal between now and the end of the year for all of the Group's European holdings represent 5.3% of contractually guaranteed rents, with the exact rental consequences varying from one country to the next. In Spain, for example, there are numerous leases coming up for renewal (11.2% of contractually guaranteed rents), while in Hungary, the Czech Republic and Poland the figures are 15.2%, 13.6% and 12.4%, respectively. In France and Italy, fewer leases are set for renewal: in value terms, they represent 2.7% and 4% of all leases, respectively.

Assuming a target of an average rise in guaranteed minimum rent of 15%, these renewal percentages suggest that the prospects for rental reversion are significant.

In France, renewal initiatives combined with retail restructuring and/or extension projects will provide an important source of rental upside. In addition, the impact of indexation on minimum guaranteed rents is moderate for 77% of the rents in the portfolio, as the increase in the Insee construction index for the second quarter of 2005 is only 0.7% (compared with 5.4% for 2005 as a whole), but high for the 20% of rents that are indexed to changes in the index observed in the first quarter of 2006, recently published, up 7.24% compared with the preceding year.

3 – Development

Shopping center real estate investment market

The trends observed in 2004 and 2005 continue to prevail in the shopping center segment of the real estate market: sustained demand in the face of severe supply crunch.

Rates are close to 4.5% for prime shopping centers, and the differential between the rates for the best products and the most opportunistic products has narrowed by about 100 bps. The market for retail parks is taking off,

with rates now approaching those of shopping centers: 270 million euros were invested in France in 2005, versus 74 million euros in 2004. The trend toward the “financialization” of the real estate held by retail anchors is also worth noting.

In France, 8 transactions completed in the first half of 2006 concerned 15 shopping centers for a total amount of around 582 million euros.

Investments made in the first half of 2006

Invested made and paid out over the first half of 2006 reached 160 million euros. The first half of the year was characterized by the pursuit of the 2006-2010 investment program, in the absence of major transactions or portfolio redemptions, as was the case in the course of the two previous years. A reflection of the current state of the market and prevailing price trends, Klépierre examined a number of portfolios or transactions over the first months of 2006 without following through in light of the quality/price tradeoff of the proposed deals.

Some 50.7 million euros were invested in France, of which 18.2 million euros on projects under development, such as the extension of Rennes Colombia or the new Champ de Mars shopping center in Angoulême. The Place d'Armes shopping center in Valenciennes was inaugurated on April 18, 2006. Of the total investment of 51.8 million euros, 12.1 million euros were paid out over the first half of the year.

Klépierre acquired two shopping centers at the end of June 2006:

Molina de Segura in Spain (Murcia) for 29.3 million euros. This shopping center, which was acquired from a local developer, includes a 10 651 square meter mall with 78 retail outlets and a Supercor supermarket.

Novodorska Plaza, in Prague (Czech Republic), for 38.6 million euros. This 25 900 square meter shopping center, which was inaugurated on March 22, 2006, is part of the agreement signed with Plaza Centers Europe in July 2005. It is made up of a 6 300 square meter Tesco supermarket and a mall that features 120 retail outlets, a movie theatre and a bowling alley.

Another key opening during the period ended June 30, 2006 was the extension of Giussano, a shopping center in Italy that covers 5 400 square meters and features 25 new retail outlets, for a total investment of 18.8 million euros (including 8.5 million euros paid out over the first six months of 2006).

A total of 9.4 million euros was spent to reinforce the management network through the purchase in January 2006 of Finim's equity interests in the Italian (PSG) and Czech (FMC) management firms, both of which have since been rebranded. They are now Ségécé Italia and Ségécé Ceska Republika, respectively.

	GLA/sq.m.	Property value in €M	o/w down payments made before 01/01/06	1H2006 investment outlay in €M	Future outlay in €M
ACQUISITIONS WITH IMMEDIATE EFFECT AND SHOPPING CENTER INAUGURATION COMPLETED BY SEGECÉ					
France	75 575	252,8	201,0	32,5	19,3
Belgium	41 483	137,3	111,1	21,1	5,1
<i>Louvain La Neuve shops + extension (41 483 sq.m.)</i>					
Spain	13 455	34,1	4,1	29,6	
<i>Molina de Segura (10 651 sq.m.)</i>					
Italy	31 970	118,6	100,1	10,4	8,2
<i>Giussano extension (4 500 sq.m.), Serravalle (8 063 sq.m.), Montebello (6 717 sq.m.)</i>					
Portugal (price complement)	17 445	37,8	38,7	0,2	-1,0
Poland (price complement)	98 248	201,5	183,0	0,0	18,5
Czech Republic	19 776	41,6	0,0	38,6	3,0
<i>Prague 4 (19 776 sq.m.)</i>					
Sub total	297 952	823,8	637,9	132,4	53,2
ACQUISITIONS WITH DELAYED EFFECT					
Spain	46 742	228,1	90,0	0,0	138,1
Vallecas (opening 2008)	45 639	225,9	90,0	-	135,9
Gran Sur La Linea 1st phase (opening 4 T06)	1 103	2,2		-	2,2
Czech Republic	20 670	42,8	0,0	0,0	42,8
<i>Pilsen (20 670 sq.m.)</i>					
Poland	56 243	133,5	0,0	0,0	133,5
<i>Rybnik (17 529 sq.m.), Sosnowiec (13 031 sq.m.), Lublin (25 683 sq.m.)</i>					
Sub total	123 655	407,0	90,0	0,0	317,0
Expenses related to projects under assembly or development 1H 2006 (1)		157,5	58,6	18,2	80,6
o/w projects		83,0	46,6	13,2	23,2
o/w extensions		74,4	12,0	5,0	57,4
Total property acquisitions 2006	421 607	1 388,3	786,5	150,6	450,8
Acquisitions of service provider subsidiaries		9,4		9,4	
<i>Ségécé Italia (50%), Ségécé Tchéquie (25%)</i>					
TOTAL FOR 2006	421 607	1 397,6	786,5	160,0	450,8

Investments planned for the second half of 2006

In the first half of 2006, Klépierre maintained its development effort in France, and will continue to do so in the second half of the year. It is also making efforts to reinforce the visibility of its development potential, and in particular has signed a new agreement with Carrefour, which establishes a new set of rules governing extensions in France. Under the new terms, Ségécé purchases Carrefour's construction rights, thereby becoming the developer on these deals. This will not only step up the extension process (120 000 square meters created in 4 years), it will also facilitate the launch of a number of them between now and the end of the year: Orléans Saran, Claye-Souilly, Perpignan, Portet sur Garonne, etc.

The acquisition of 3 shopping centers is planned for the second half of 2006: Toulouse-Purpan in France as well as two shopping centers in Spain for a total investment of close to 70 million euros, in addition to street-level storefront outlets that will eventually complete the French shopping center in the project phase (Vannes Nouvelle Coutume).

In addition, Klépierre will continue to make planned investments in France and abroad, related to extensions or new shopping centers under construction:

- In France, more than 100 million euros on extension projects, including Grand Nîmes, Orléans Saran, Rambouillet, Portet sur Garonne in Toulouse et Val d'Europe;
- Around 30 million euros on new shopping centers in France under construction, such as Angoulême and Gare Saint-Lazare.
- Abroad, worth noting are the pursuit of the construction of Vallecas in Spain (new down payment of 50 million euros) and the launch of the extension of the Varese shopping center in Italy, for which an outlay of 13 million euros was made.

In light of these and other developments, Klépierre expects to meet its investment target of 600 million euros.

Development potential, 2006-2010

For the current six month period and the next four years, Klépierre's development potential is estimated to be close to 3 billion euros. This potential includes 2.1 billion euros of controlled investments, i.e. investments for which firm commitments have been acquired, or investments where the level of control over feasibility and financing terms is adequate.

The 2006-2010 period will be characterized by a significant increase in the estimated volume of investments in France, where Klépierre has a sustained development business and is also launching a number of extension projects on properties it already owns, to which the new agreement with Carrefour will contribute.

France

Two downtown shopping malls are currently under construction, in Angoulême (delivery scheduled for August 2007) and Saint-Lazare train station in Paris (which is expected to open sometime in late 2009). During the period, construction will begin on a number of new centers for which the necessary permits have either already been granted or are under way: La Cité du Meuble et de la Maison in Cesson, Nancy Bonsecours, Besançon, Aubervilliers and Vannes Nouvelle Coutume. These projects, which are being developed by Ségécé, represent total investment outlay to come of 440 million euros. The average net yield on these development projects is expected to be just below 8%.

In addition, a number of extension projects covering all of the holdings in France involve more than 240,000 square meters, for a total investment of 780 million euros. Projects worth noting in particular include Val d'Europe (17,120 sq.m.), Grand Nîmes (14,000 sq.m.), Pontault-Combault (13,000 sq.m.), Marseille Bourse (12,500 sq.m. in 3 phases), Blagnac (11,000 sq.m.), Saint-Orens (10,000 sq.m.), Rambouillet (7,700 sq.m.), Orléans-Saran (5,000 sq.m.) and Rennes Colombia (5,000 sq.m.).

Finally, Klépierre will begin the process of acquiring existing centers or extensions from outside developers for a total of 220 million euros (estimated net yield near of 7%).

Consequently, the total volume of controlled investments in France over the 2006-2010 period is 1.4 billion euros, for an average net yield of 7%.

International

Klépierre also plans to pursue development abroad, with a particular focus on Spain and Central Europe. It has controlled investments to be outlaid of €710 M there, with a net yield of 7.5%. The by now well established relationships with international operator developers such as Plaza Centers Europe in Central Europe, Wilhelm in Belgium and other Italian and Spanish players will enable the Klépierre group to anticipate future development projects.

The acquisition of new centers is planned in Spain (for more than €160 M, including Vallecas in Madrid), Poland and the Czech Republic in accordance with the agreement entered into in July 2005 with Plaza Centers Europe, pertaining to 4 shopping centers in the project phase (3 Polish centers €133 M and 1 Czech center for €43 M). In all, new center acquisitions will total more than €400 M, with an average net yield of more than 7%. The portfolio of shopping centers located outside France also offers potential for extension, principally in Spain (close to 70,000 sq.m. for an expected outlay of around €200 M) and in Hungary (35,000 sq.m. for €77 M). The potential identified to date in Italy is 12,000 sq.m. for €25 M.

In addition, the Group is working on a potential portfolio of new investment projects whose value totals about 1.7 billion euros, and expects to control around 40%, i.e. an additional 0.7 billion euros between now and year-end 2010.

4- Management companies activity

Country	Company	Staff	Fees (€M)	Net result (M€)	Nb. of centers	Nb. Of leases	Nb. sq.m. owned	% Detention
France	<i>Ségécé</i>	348	28,2	7,3	138	5 257	1 298 674	75%
	<i>Galae</i>	6	-	0,1	-	-	-	100%
	<i>Ségécé LT</i>	2	0,5	0,3	-	-	-	100%
Spain	<i>Ségécé Espana</i>	108	4,9	0,6	89	2 998	618 677	100%
Italy	<i>Ségécé Italia</i>	80	5,1	1,1	54	1 405	336 406	100%
Portugal	<i>Sogecaec</i>	38	1,2	0,3	9	744	161 968	100%
Czeck Republic/Slovakia	<i>Ségécé Ceska Republika</i>	21	0,7	0,1	2	201	50 456	100%
Belgium	<i>Devimo</i>	100	4,0	0,8	21	1 149	429 501	35%
Hungary	<i>Ségécé Magyarország</i>	123	1,5	0,5	16	1 404	203 771	100%
Greece	<i>Ségécé Hellas</i>	4	0,3	0,0	5	113	36 911	100%
Poland	<i>Ségécé Polska</i>	41	0,7	0,1	4	432	101 196	100%
TOTAL		871	47,1	11,3	338	13 703	3 232 382	

5- Analysis of earnings by segment

Shopping center segment	06/30/2006	06/30/2005	% 06/05
Lease income	223.7	187.3	19.5%
Other rental income	3.4	3.2	3.4%
Rental income	227.0	190.6	19.1%
Land expenses (real estate)	-1.1	-0.8	33.0%
Non-recovered rental expenses	-2.2	-2.0	11.7%
Building expenses (owner)	-13.8	-11.2	23.7%
Net lease income	209.8	176.5	18.8%
Management, administrative and related income	24.5	18.0	36.1%
Other operating income	2.6	2.0	33.5%
Survey and research costs	0.0	-0.7	-95.4%
Payroll expense	-27.7	-23.0	20.6%
Other operating expenses	-8.0	-7.3	10.4%
EBITDA	201.1	165.6	21.5%
D&A allowance on investment and arbitrage property ⁽¹⁾	-60.4	-51.0	18.4%
Depreciation and amortization allowance on PPE ⁽¹⁾	-1.8	-1.3	23.8%
Provisions	1.2	0.0	
RESULTS OF OPERATIONS	140.4	113.3	23.9%
Share in earnings of equity-method investees	0.3	0.4	-6.8%
Proceeds of sales	1.1	1.9	-41.7%
SEGMENT EARNINGS	141.8	115.6	22.7%

(1) June 30, 2005 after reclassification of amortization on Hungarian properties.

At June 30, 2006, in comparison with the same period of 2005, shopping center rents increased by 19.1%, to 227.0 million euros. The increase in net operating expenses due to growth in holdings was offset by the capitalization of lease-up fees and retail restructuring indemnities, as well as by the change in Ségécé's equity interest in Ségécé Italia (from 50% to 100%), whose fees invoiced to the Group are now fully neutralized in the consolidated financial statements. Net lease income was 209.8 million euros, up 18.8%.

Management and administrative income (fees) increased by 36.1% (€6.5 M). This change reflects the +2.9 million euro impact of the change in the way development fees are accounted for (they were previously deducted from building expenses) as well as a change in the way the Italian and Hungarian management firms are consolidated (+€1.4 M). After neutralizing the impact of these changes in scope and accounting method, the increase in fees was 11.9% for the period. Payroll expense rose by 20.6% due to the integration of personnel from the Italian, Hungarian and Polish management firms and the hiring of new staff by Ségécé in the areas of shopping center development and management. Year-over-year through June 30, 2006, the workforce increased from 690 to 876 employees.

EBITDA totaled 201.1 million euros, an increase of 21.5%.

Depreciation and amortization of investment property rose by 9.4 million euros, reflecting growth in the portfolio with the Polish malls (€4.8 M), the Louvain-la-Neuve shopping center in Belgium (€2.8 M) and the Italian acquisitions (€2.0 M).

Results from operations totaled 140.4 million euros, up 23.9%.

After taking into account a capital gain of 1.1 million euros, the shopping center segment provided earnings of 141.8 million over the first six months of 2006, an increase of 22.7%.

B- Office segment

Trends observed in the office property market in Ile-de-France through first half 2006 (Source CB Richard Ellis 2Q2006)

1- Rental market

Strong rise in satisfied demand: 1 437 000 sq.m. found tenants in the first half of 2006, compared with 919 000 sq.m. let over the same period in 2005. More than a third of these transactions involved premises larger than 10 000 sq.m. and most involved new and/or restructured properties.

In Ile de France, immediately available supply (2 514 000 sq.m.) decreased by 10% over the first half of 2006.

The vacancy rate dipped slightly in Ile de France (from 5.8% to 5.2%), but this improvement tended to benefit the Western Paris business district (from 8.5% to 7.1%), the immediate outlying area to the north of Paris (from 13.9% to 12.2%), and the second couronne (from 5.1% to 4.2%). The vacancy rate inside the Paris city limits was stable (from 4.2% to 4.3%).

Average face rents are stabilizing and concessions to tenants seem to be tapering off.

Investment market

The volume committed by investors in Ile de France over the first half of this year remained robust: 10.3 billion euros, an increase of 60% compared with the first half of 2005. Around 20 transactions involving more than 100 million euros account for more than half of the total volume.

Yields fell once again due to an abundance of capital and the lopsided supply/demand situation, in addition to financing terms that remain attractive for buyers.

2- Disposals made in the first half of 2006

Disposals and search for new investment opportunities

In the course of the first six months of 2006, Klépierre sold the property at 3/5 avenue du Chemin-des-Présles in Saint-Maurice (94). The property at 140/144 boulevard Malesherbes (Paris 17th), for which a firm commitment to sell has been signed, should be sold sometime in the third quarter of this year, and another office property, for which a memorandum of understanding has been signed, may be partially or fully sold by the end of this year. Taken together, these disposals should put Klépierre ahead of the 100 million euro target set for 2006.

In addition, Klépierre intends to maintain a presence in the Paris office rental market, having consistently demonstrated since 1998 that in this particular segment it can create value by correctly leveraging the timing factor in the real estate cycle. Given the prospect of a trend reversal in the real estate cycle—the sign of an economic recovery—Klépierre is looking for opportunities of restructuring operations to buy on the basis of plans (off-

plan or on a future as is basis), in the interest of taking advantage of rising rents over the medium term.

3- Rental business

New lease-ups

A total of 10 leases were signed in the first half of 2006 (including 7 new leases), covering floor area of 6 779 sq.m. UW ⁽¹⁾. Together, these leases will generate full-year rents of 2.6 million euros, which represents an increase of 0.2 million euros compared with previous terms and conditions (+9.5%). The impact of concessions and rent holidays offered to new tenants is 3.4%. The average firm lease term for all new or renewed leases over the period is 3 years.

The major event in the first half of 2006 is the reletting of all of the floor area that was vacant on December 31, 2005 in the property located at 36, rue de Marbeuf (Paris 16th) as well as the floor area that was freed up by the previous tenant during the six-month period, i.e. covering total UW floor area of 1 969 sq.m.. This space was taken up for an average price of €432/sq.m. over the firm term of the lease by Linklaters (the current tenant of the neighboring building at 23-25 rue Marignan).

At the June 30, 2006 reporting date, there were no defaults thanks to the quality of Klépierre's commercial tenants and the efficiency of its past due rental recovery service.

Occupancy rate soars to highest levels

The financial occupancy rate for Klépierre's office holdings was 99.2% on June 30, 2006 (95.6% on June 30, 2005 and 88.2% at year-end 2005). The average rate for the first six months of 2006 was 96.8%.

The June 30, 2006 financial occupancy rate reflects work that was accomplished in 2005, primarily that connected to the reletting of the office property at 23-25, avenue Kléber, effective as of February 1, 2006.

Rents up on a constant portfolio basis

On a constant portfolio basis, rents were up by 8.4% compared with the first half of 2005:

Index-linked adjustment: +2.2% (+0.5 million euros)

Relettings: +9.6% (+2.3 million euros)

Vacancy: -3.4% (-0.8 million euros, including -0.6 million euros pertaining to relet floor area that did not go into effect during the six-month period or that only partially went into effect)

Office rents for the first six months of 2006 reached 26.6 million euros, a decline of 1.9% compared with the

corresponding period in 2005. This decline is the result of disposals that were made in fiscal years 2005-2006 and which have generated a reduction of 2.5 million euros in rents.

Rents are generally indexed on the basis of the anniversary date of the lease. At the June 30, 2006 reporting date, the breakdown for indexing purposes was as follows:

- 16.8% over the first quarter
- 15.3% over the second quarter
- 42.0% over the third quarter
- 25.9% over the fourth quarter

The index applicable to third quarter rents is the ICC index that was published in April. The reading is 1332 (versus 1269 in 2005), an increase of 4.96%. The index that applies to fourth quarter rents, which was published in July, shows a reading of 1362 (versus 1270 in 2005), an increase of 7.24%.

As a result, all rents for 2006 are expected to increase by more than 3% compared with 2005, due to the impact of index-linked adjustments alone.

Reduced rental reversion potential

Taking into account two leases, covering a total floor area of 2 139 sq.m., that will be terminated on August 31, 2006, 3 266 sq.m. UW are currently available for lease-up, representing potential rent of 1.3 million euros.

Renewals scheduled for the second half of 2006 represent 3 127 sq.m. U.W. (4 leases) and 0.9 million euros, i.e. equal to 1.5% of current total office rental space.

Based on prevailing market rents, lease-ups and renewals to come or fallen due, would bring an additional 1.2 million euros in rent, which is equal to reversion potential excluding disposals of 2.0%.

4 – Management company activity

Klégestion

- Company specializing in office property and rental management, Klégestion is a wholly owned subsidiary of Klépierre.

- The first half of 2006 was highlighted by the signature of 10 leases by Klégestion, including 7 new leases, 2 additional clauses and 1 renewal, covering a total floor area of 6 779 sq.m. UW.

- Klégestion completed the sale of one asset (9 885 sq.m. UW) located in Saint Maurice (94).

- For the six months ended June 30, 2006, revenue totaled 1.6 million euros, down by 1% compared with the corresponding period one year earlier:

(1)UW = Useful Weighted. Weighting assigned to different types of "Office, Archives – Parking – ICR" floor area using coefficient to derive a price per square meter for office space.

Fee income totaled 1.1 million euros, a decrease of 5% that reflects the impact of disposals completed in 2005. Sales commissions totaled 0.5 million euros, an increase of 9%.

- Total payroll expense for Klégestion through June 30, 2006 was 0.7 million euros for 14 employees.
- Net income for the period was 0.45 million euros

5. Analysis of earnings by segment – Offices

Office segment	06/30/2006	06/30/2005	% 06/05
Lease income	26.6	27.1	-1.9%
Other rental income	-	-0.1	-100%
Rental income	26.6	27.0	-1.4%
Land expenses (real estate)	-0.1	-0.1	5.1%
Non-recovered rental expenses	-0.4	-2.2	-82.0%
Building expenses (owner)	-0.6	-2.5	-76.4%
Net lease income	25.5	22.2	15.0%
Management, administrative and related income	0.1	0.1	75.9%
Other operating income	1.6	0.6	170.2%
Survey and research costs	-	-	-
Payroll expense	-1.2	-1.1	10.8%
Other operating expenses	-0.5	-0.4	25.7%
EBITDA	25.5	21.3	19.4%
D&A allowance on investment and arbitrage property	-7.7	-10.1	-24.3%
Depreciation and amortization allowance on PPE	-0.4	-0.1	NC
Provisions	0.2	0.2	-12.0%
RESULTS OF OPERATIONS	17.6	11.3	55.6%
Share in earnings of equity-method investees	0	0	-
Proceeds of sales	10.1	4.7	114.6%
SEGMENT EARNINGS	27.7	16.0	73.0%

Through June 30, 2006, lease income from offices fell by 1.4%, to 26.6 million euros, due to office property disposals made in 2005-2006, which generated a loss in rental income of 2.5 million euros, partly offset by the leasing of l'Espace Kléber effective February 1, 2006.

Building expenses for the period decreased, reflecting both disposals and non-recurring expenses that were recorded in the first half of 2005.

Net lease income was up by 15.0%, to 25.5 million euros. Other operating income reflects gains related to tax relief granted.

Payroll expense was virtually unchanged at 1.2 million euros.

EBITDA was 25.5 million euros (+19.4%). Depreciation and amortization decreased by 21.0%, with 1.2 million euros of the total attributable to disposals.

The capital gain on the sale of property (10.1 million euros) relates to the sale of the property at 3/5 Chemin des Presles in Saint Maurice (94).

For the six months ended June 30, 2006, the office segment provided earnings of 27.7 million euros, an increase of 73%.

IV – Consolidated earnings and cash flow – Parent company earnings

Consolidated earnings and cash flow

	06/30/2006	06/30/2005	Change M€	%
Net lease income	236.1	198.7	37.4	18.8%
Management, administrative and related income	24.6	18.1	6.5	35.8%
Other operating income	4.2	2.5	1.7	65.1%
Payroll expense	-30.5	-25.7	-4.8	-18.9%
Other operating expenses	-10.9	-10.2	-0.7	-7.1%
EBITDA	223.4	183.4	40.0	21.8%
Amortization	-70.1	-52.6	-17.5	-12.0%
Allowances to reserves	1.4	0.2	1.2	NC
Results of operations	154.7	121.0	33.6	27.8%
Sale proceeds	11.2	6.7	4.5	66.6%
Financial result	65.8	54.9	10.9	19.8%
Share in earnings of equity-method investees	0.3	0.4	-0.1	-6.8%
Pre-tax current earnings	100.5	73.3	27.2	37.1%
Corporate income tax	-6.9	-6.8	-0.1	-1.7%
Net income	93.5	66.4	27.1	40.8%
Minority share	-15.0	-12.9	-2.1	-16.0%
NET INCOME, GROUP SHARE	78.5	53.5	25.0	46.8%
Pre-tax current cash flow	157.8	128.4	29.4	22.9%
Pre-tax earnings, excluding sale of assets, group share	72.9	51.8	21.1	40.8%
Pre-tax current cash flow, group share	134.5	107.5	27.0	25.1%
Net current cash flow, group share	129.2	102.9	26.4	25.6%
Per share ratios				
Average number of shares	45 942 238	45 953 664		
Net earnings/share (euro)	1.71	1.16	0.55	46.8%
Pre-tax earnings excluding sale of assets /share (euro)	1.59	1.13	0.46	40.8%
Pre-tax current cash flow/share (euro)	2.93	2.34	0.59	25.1%
Net current cash flow/share (euro)	2.81	2.24	0.57	25.7%

Net lease income for the first six months of 2006 was 236.1 million euros, an increase of 18.8% over the previous half-year. Lease income was 253.6 million euros, with 227.0 million euros provided by the shopping centers and 26.6 million euros provided by office properties. Compared with June 30, 2005, shopping center rents increased by 19.5% on a current scope basis, and by 3.4% on a constant portfolio basis. Office rents declined by 1.9% on a current scope basis, reflecting the impact of disposals. On a constant portfolio basis, they rose by 8.4%.

Management and administrative fee income reached 24.6 million euros, a 35.8% increase that is primarily attributable to the shopping center segment, where the rise in fee income was 36.1% on a current scope basis (11.9% on a constant portfolio basis), after neutralizing the impact of the change in how development fees are accounted for and the increase in Ségécé's ownership interest in its Italian and Hungarian subsidiaries.

Revenues generated abroad represented 43% of total revenue for the period, compared with 38.5% one year prior. Other operating income mainly reflected work re-invoiced to tenants and miscellaneous gains.

Building expenses totaled 17.6 million euros in the first half, down by 7.2% or 1.4 million euros. The primary reason for this decrease is that lease-up fees and retail restructuring indemnities are now capitalized and depreciated accordingly. In addition, the increase in Ségécé's ownership of Ségécé Italia (from 50% to 100%) led to the neutralization at the consolidated level of all of the fees invoiced by this management subsidiary to the Group. The impact of these two factors more than offset the increase in expenses related to the development of Klépierre's real estate portfolio holdings.

Payroll expense was 30.5 million euros, compared with 25.7 million euros in the first half of 2005 (+18.9%). Apart from the changes in the scope of operations related to the integration of the new Polish management company and the full consolidation of Ségécé Italia (which is now a wholly owned subsidiary), this 4.8

million euro increase also reflects the hiring of additional staff in France, particularly in the areas of shopping center development and management. On a constant portfolio basis, the increase was 11.3%.

Other operating expenses reached 10.9 million euros, a 7.1% increase compared with the first half of 2005. It should be noted that the first half of 2006 was marked by non-recurring expenses. The operating cost ratio (total expenses/net operating income) for the period was 15.7%, compared with 16.4% for the first six months of 2005.

EBITDA for the first half of 2006 was 223.4 million euros, a 21.8% increase versus the first half of 2005.

Depreciation and amortization for the period reached 70.1 million euros, a 12% increase (+€ 7.5 M) that primarily reflects the impact of new acquisitions (€10.8 M) and the reclassification of expenses that were previously amortized as building expenses, partly offset by the impact of disposals (€1.2 M) and by a decrease in Hungarian amortizations (€2.2 M) when the allocation of building and construction expenses was revised and updated.

1.4 million euros were release from reserves in consideration with the Bari and Loures shopping centers new appraised values at the June 30, 2006 reporting date.

Results from operations totaled 154.7 million, an increase of 27.8% compared with 2005.

Financial income for the period is a loss of 65.8 million euros, compared with 54.9 million euros for the corresponding prior period. The group's interest expense increased by 10.9 million euros due to the rise in net debt, from 2 847 million euros on June 30, 2005 to 3 390 million euros on June 30, 2006. The rise in debt is attributable to major investments made during the period. The cost of servicing the debt went from 4.0% on June 30, 2005 to 4.3% on June 30, 2006. Klépierre's financial structure and financing policy are described in more detail below in section D. The financial result also reflects a discounting expense on a tax liability of 0.5 million euros on June 30, 2006, compared with 0.3 million euros on June 30, 2005.

Proceeds from the sale of assets totaled 11.2 million euros on June 30, 2006, compared with 6.7 million euros on June 30, 2005. Included in the proceeds for the period is a capital gain of 10.1 million euros that was generated on the sale of an office property in Saint Maurice (94).

Since it elected SIIC status, Klépierre distinguishes three tax segments:

- The SIIC segment that includes Klépierre and all eligible French real-estate affiliates. Some of these companies have opted for regular tax status.
- French companies that are not eligible for SIIC status and hence have regular tax status.
- Foreign affiliates.

For the six months ended June 30, 2006, the global tax expense for these segments was 6.9 million euros:

- 1.6 million euros for the SIIC segment;
- 2.2 million euros for the French companies that do have SIIC status;
- 3.1 million euros for foreign affiliates.

Consolidated net income for the six months ended June 30, 2006 is 93.5 million euros, an increase of 40.8%.

Minority share of net income for the period is 15 million euros, exclusively generated by the shopping center segment, which brings the group share of net income to 78.5 million euros, up 46.8%.

Change in current cash flow

	06/30/2006	06/30/2005	Change	
			€M	%
EBITDA – shopping centers	201,1	165,6	35,6	21,5%
EBITDA – Offices	25,5	21,4	4,1	19,4%
Corporate and shared expenses	3,3	3,6	0,3	-8,3%
EBITDA	223,3	183,3	40,0	21,8%
Allowances to and releases of reserves	1,4	0,3	1,1	NC
Restatement, allowances to and releases of reserves	0,5	0,9	-1,3	NC
Restatement, allowances to and releases of land reserves	-1,2	-	-1,2	NC
Restatement of expenses charged over several periods	-1,7	-	-1,7	NC
Operating cash flow	222,3	182,8	39,5	21,6%
Net cost of debt	-65,3	-54,5	-10,9	19,9%
Change in the value of financial instruments	0,1	-0,1	0,1	NC
Effect of discounting	-	0,3	0,3	NC
Restatement of amortized issue premiums	0,8	0,5	0,3	50,2%
Pre-tax current cash flow	157,8	128,4	29,4	22,9%
Share in equity method investee earnings	0,3	0,4	-0,1	-6,9%
Current tax expense	-6,9	-6,8	-0,1	1,7%
Net current cash flow	151,2	122,0	29,2	24,0%
Sale proceeds	11,2	6,7	4,5	66,6%
Net cash flow	162,4	128,6	33,7	26,2%

Pre-tax current cash flow reached 157.8 million euros for the first six months of 2006, a 22.9% increase over the corresponding prior period. Expressed in terms of group share, pre-tax current cash flow reached 134.5 million euros, that translates into 2.9 euros per share, a 25.1% increase over a year. After-tax, net current cash flow reached 151.2 million euros, an increase of 24.0%. Group share, the total is 129.2 million euros, i.e. 2.8 euros per share and a 25.6% increase

V – Revalued net assets (RNA)

Methodology

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

Valuation of holdings

For several years, Klépierre has entrusted the task of assessing the value of its holdings to various appraisers. For office property holdings, Foncier Expertise and Atisreal Expertise (formerly Coextim) jointly perform this task. The Retail Consulting Group (RCG) values its shopping center holdings in all countries except those held by Klécar Foncier Ibérica, where the task is performed by Cushman-Wakefield (6% of holdings) and those located in Hungary, where the task is performed by ICADE Expertise (8% of holdings).

All of these contracts are awarded on the basis of the Real Estate Appraisal Guidelines (*Charte de l'Expertise en Evaluation Immobilière*) and in accordance with the recommendations issued by the COB/ CNC "Barthès de Ruyter Work Group." Fees paid to appraisers are determined prior to their property valuation work, on a lump sum basis in accordance with the size and complexity of the assets being appraised, and independently of the appraised value of the assets.

Offices

The appraisers combine two approaches: the first entails a direct comparison with similar transactions completed in the market during the period, while the second involves capitalizing individual yields.

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

If lease income and market value are substantially equal, the lease income used in the valuation is the actual lease income earned on the property. If lease income is higher than market value, the valuation uses market value and takes into account a capital gain calculated from the discounted value of the difference between actual lease income and market value. If lease income is lower than market value, the appraisers considered the scheduled term of the corresponding lease, at which time the rental price will be aligned with going rates.

Pursuant to the French decree of September 30, 1953, the rental prices of properties that are used solely as office premises are automatically aligned with market rates when the leases in question come up for renewal. Consequently, the appraisers worked on the assumption that the owners of such property would be able to align rents with market rates when the corresponding leases came up for renewal, and took into account the current conditions of occupation in the form of a capital loss calculated as before. The appraisers did not limit their approach to properties coming up for renewal in the three years to come, on the grounds that the investors participating in current market transactions make projections that extend beyond this three-year horizon. In the second case, the financial capital gain observed was added to the appraised value derived, equal to the discounted value (at a rate of 5.5%) of the difference between actual lease income and market price until the first firm period of the lease expires. In the third case, a capital loss was deducted from the derived value, equal to the discounted value (at the rate of 5.5%) of the difference between actual lease income and market price until the lease expires.

Since the December 31, 2005 reporting date, the appraiser reasons on the basis of the rate of return (yield) and not on the basis of the capitalization rate. That is, the rate that was used is that applied to the income determined as before to derive an appraised value inclusive of transfer duties. Before, the rate used resulted in a valuation exclusive of transfer duties. The decision to use this rate results from an observation of the market, in the context of transactions actually completed by investors.

Shopping centers

To determine the fair market value of a shopping center, appraisers apply a yield rate to net annual lease income for leased-up premises, and to net market price for vacant properties. The yield rate is applied after deduction of the net present value of all reductions or rebates on leases with minimum guaranteed rents and the net present value of all expenses on vacant premises. The discount rate used is equal to the yield rate applied to determine fair market value. Gross rent includes minimum guaranteed rent, variable rent and the market price of any vacant premises. Net rent is determined by deducting all charges from the gross rent, including management fees, expenses borne by the owner and not passed on to tenants, and charges paid on vacant premises. The appraiser determines the yield rate on the basis of numerous variables, in particular retail sales area, layout, competition, type and percentage of ownership, rental reversion and extension potential, and comparability with recent market transactions.

As for rental reversion potential, the appraiser determines the market rental value for the shopping center in its present state on the basis of the shopping center's location and the revenues generated by its tenants.

The shopping center's development potential is determined by calculating the difference between the market rental value and the current rents being charged. An internal rate of return is also calculated using a method that involves discounting a series of cash flows, generally to 10 years, based on a number of predefined assumptions. The estimated resale value at the end of this period is generally calculated using a cap rate that is equal to or slightly higher than that initially applied to the net end of period rent.

In sum, the appraiser derives a current value by determining the yield rate that applies under prevailing market conditions, the current annual rent and the shopping center's reversionary potential. He then verifies that the internal rate of return derived is consistent by calculating an IRR. This results in a value that is inclusive of transfer duties, from which duties (which are calculated at the rate indicated above for deriving a value exclusive of duties) must be deducted.

Appraisal of the Ségécé group

This appraisal, which is performed on Klépierre's behalf by Close Brother Fairness, is primarily based on a range of estimates obtained using the Discounted Cash Flow (DCF) method. The DCF method consists of estimating the future cash flows of current business in the company's portfolio before the explicit or implicit cost of financing is taken into account. In the second step, which seeks to estimate the value of the business portfolio, these cash flows and the estimated future value of the portfolio of business at the end of the projected period (terminal value) are discounted using a reasonable rate. This discount rate, which is derived on the basis of the *Modèle d'Équilibre Des Actifs Financiers* (MEDAF) formula, is the sum of the following three factors: the risk-free interest rate, the systematic risk premium (average expected market risk premium times the beta coefficient of the business portfolio) and the specific risk premium (to account for that portion of the particular risk that is not already integrated in the cash flows). The third and

last step consists of determining the value of the company's own equity by extracting net financial debt on the date of valuation from the portfolio's total value and, where applicable, the estimated value of minority interests on that same date.

To determine RNA at the June 30 interim reporting date, if no events or factors with a material impact on the business plan of the companies being appraised are observed, then the unrealized capital gain derived for the previous December 31 annual reporting date is used.

Assessing the value of debt and interest rate hedging instruments

Effective December 31, 2005, RNA incorporates the fair value of debt and interest rate hedging instruments that are not recorded under consolidated net assets pursuant to IAS 32-39, which essentially involves marking to market the fixed rate, non-hedged portion of debt. RNA at December 31, 2004 and at June 30, 2005 has been restated for the sake of providing a meaningful basis of comparison.

RNA including transfer duties and before taxation on unrealized capital gains

The valuation of properties is initially presented inclusive of property transfer duties. Properties that are held for sale under a firm commitment on the date of the valuation are valued at their probable selling price, less related fees and taxes. For properties acquired less than six months before the date of the calculation, acquisition prices are used.

Klépierre does not adjust the values of shopping centers under development, even in cases where building permits have been granted. Until these shopping centers open, they are carried in the consolidated financial statements at cost, and this figure is used to calculate revalued net assets.

The Ségécé group is appraised annually using the method described in detail above. Equity interests in other service subsidiaries, including Klégestion and Klépierre Conseil, are not reappraised. This initial calculation provides revalued net assets "including transfer duties and before taxation on unrealized capital gains."

RNA excluding transfer duties

A second calculation is made to establish revalued net assets excluding transfer duties. Duties on office properties are calculated individually using the rates set forth below. Duties on shopping centers are calculated property by property for companies that own several real-estate assets. If the company owns only one property asset, they are calculated on the basis of revalued securities. This approach was considered to be the most relevant considering that investors are more likely to acquire shares in companies that own shopping centers and that Klépierre generally is more likely to seek other backers for its projects than to sell full ownership in shopping centers. Naturally, transfer duties are calculated on the basis of applicable local tax regulations. Klépierre did not opt to use the most advantageous rate (1.8%) for properties that still fall within the scope of the VAT since

it does not currently plan to sell within the prescribed deadline.

RNA excluding transfer duties and after taxation of unrealized capital gains

A third calculation is made to establish revalued net assets excluding transfer duties and after taxes on unrealized capital gains.

In the consolidated balance sheet, deferred taxes are recognized pursuant to accounting regulations in force, on the basis of appraised property values, for the portion which corresponds to the difference between the net book value and the tax value as determined by capital gains tax rates in force in each country. At the June 30, 2005 reporting date, the RNA calculation was adjusted to include the tax on unrealized capital gains corresponding to the difference between the net book value and fair value on this same basis. Since the December 31, 2005 reporting date, and to align its practices with those of its principal peers, Klépierre considered the type of ownership of its properties, using the same approach as that used to determine transfer duties. For office properties, the treatment is based entirely on property ownership, but since the entire scope benefits from tax exempt status as an SIIC, there is no unrealized taxation. For the shopping centers, and depending on the country, taxes on unrealized capital gains are based on the tax rate applied to the sale of buildings for companies that own several properties, and at the tax rate applicable to securities for companies that only own one property.

Result of appraisals

In the first half of 2006, revalued net assets (RNA) including transfer duties totaled 7.9 billion euros (group share = €7.0 billion). Shopping center assets accounted for 87.7 % of the total value, while office property assets accounted for 12.3% (group share = 86.2% and 13.8%, respectively). On a constant portfolio basis, office assets increased in value by 4.8% in the first six months of 2006, while the value of shopping center assets grew by 3.1% over the same period. Over 12 months, the increase in value is 14.2% and 13.3%, respectively.

On June 30, 2006, Klépierre's real estate holdings comprised all or part of 280 assets: 255 retail complexes, 24 office properties and 1 warehouse.

HOLDINGS, TOTAL SHARE (Including transfer duties)

In millions of euros	June 30, 2006	June 30, 2005	Change, current portfolio		June 30, 2006	June 30, 2005	Change, constant portfolio	
Shopping centers								
France	3 601,9	3 029,6	572,2	18,9%	3 355,9	2 954,5	401,4	13,6%
Spain	1 015,8	883,5	132,3	15,0%	886,5	790,8	95,6	12,1%
Italy	1 116,3	775,2	341,1	44,0%	794,4	703,0	91,4	13,0%
Hungary	344,9	301,7	43,3	14,3%	344,9	298,7	46,3	15,5%
Poland	205,3	0,0	205,3	na	-	-	-	-
Portugal	151,7	145,9	5,8	3,9%	151,7	145,9	5,8	3,9%
Other countries	461,3	294,3	167,1	56,8%	248,8	211,4	37,3	17,7%
Total, Shopping centers	6 897,2	5 430,2	1 467,0	27,0%	5 782,1	5 104,3	677,8	13,3%
Total, Offices	966,1	954,3	11,9	1,2%	966,1	845,7	120,4	14,2%
Total, real estate holdings	7 863,3	6 384,5	1 478,8	23,2%	6 748,2	5 950,1	798,2	13,4%

HOLDINGS, GROUP SHARE (Including transfer duties)

In millions of euros	June 30, 2006		June 30, 2005		Change, current portfolio		June 30, 2006		June 30, 2005		Change, constant portfolio	
Shopping centers												
France	2 985,4	2 488,6	496,8	20,0%	2 752,3	2 414,4	338,0	14,0%				
Spain	865,5	749,4	116,1	15,5%	736,1	656,7	79,4	12,1%				
Italy	1 014,6	687,2	327,4	47,6%	696,9	616,8	80,1	13,0%				
Hungary	344,9	301,7	43,3	14,3%	344,9	298,7	46,3	15,5%				
Poland	205,3	0,0	205,3	na	-	-	-	-				
Portugal	151,7	145,9	5,8	3,9%	151,7	145,9	5,8	3,9%				
Other countries	448,0	282,8	165,3	58,4%	236,0	199,9	36,0	18,0%				
Total, Shopping centers	6 015,4	4 655,6	1 359,8	29,2%	4 917,9	4 332,4	585,5	13,5%				
Total, Offices												
	966,1	954,3	11,9	1,2%	966,1	845,7	120,4	14,2%				
Total, real estate holdings												
	6 981,6	5 609,9	1 371,7	24,5%	5 884,0	5 178,2	705,9	13,6%				

Offices

On a constant portfolio basis, the value of Klépierre's office assets increased by 14.2% over 12 months and by 4.8% over 6 months. This increase factors in the impact of an average decrease of 30bps in the yield rates used by the appraisers. On the basis of their appraisal (transfer duties included), the portfolio's average yield rate on June 30, 2006 was 5.8%.

Property disposals completed during the period totaled 30.3 million euros. The sale price obtained was 18% above the appraised values at the June 30, 2005 reporting date.

The revalued net value of the office portfolio was 966.1 million euros on June 30, 2006. 4 of these properties have

an estimated unit value that exceeds 75 million euros, representing 42% of the total appraised value of this portfolio. 14 have a unit value of between 75 million and 15 million euros, and 7 have a unit value of less than 15 million euros.

Shopping centers

The yield rates used by the appraisers for the June 30, 2006 appraisal declined slightly (by 14bps). However, the portfolio's average yield rate was 6.3% on the basis of appraisals (including transfer duties) at June 30, 2006, stable over 6 months due to the integration of Poland.

The shopping center property portfolio, which is composed of 255 retail complexes, is valued at 6 897.2 million euros (6 015.4 million euros, group share). 23 of these properties have a unit value that exceeds 75 million euros, representing 44% of the total appraised value of this portfolio. 85 have a unit value of between 75 million and 15 million euros, and 147 have a unit value of less than 15 million euros.

At June 30, 2006, RNA is up by 10.0% over six months. Revalued net assets (RNA) per share including transfer duties, after deferred taxes and marked to market increased by 10.0% in the first six months of 2006, to €79.9 (€72.6 at December 31, 2005 and €58.4 at June 30, 2005). The rise in RNA over 12 months is 36.6%.

RNA excluding transfer duties, after deferred taxes and marked to market was 74.5 euros per share, compared with 67.5 euros on December 31, 2005 and 53.6 euros on June 30, 2005.

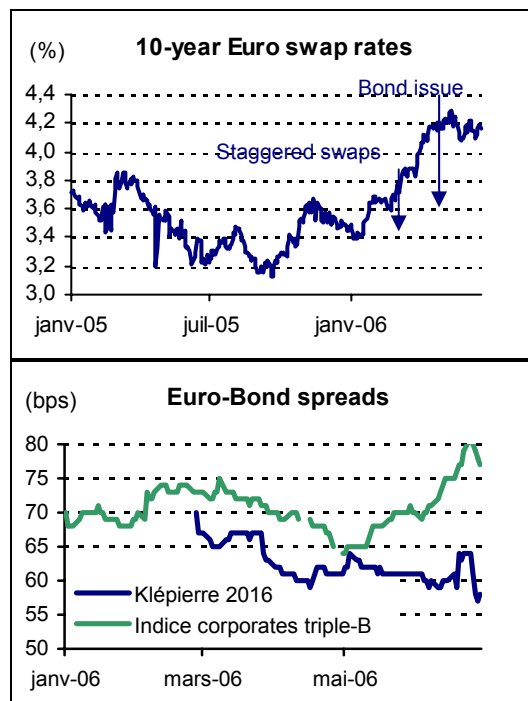
	06/30/2006		12/31/2005		06/30/2005	
	balance sheet	group share	balance sheet	group share	balance sheet	group share
Consolidated shareholders' equity	2 241	1 825	2 305	1 880	2 178	1 756
Unrealized capital gains in real estate portfolio		1 776		1 449		992
<i>appraised value</i>		6 982		6 598		5 613
<i>net book value</i>		-5 205		-5 149		-4 621
Unrealized capital gains on non-real estate assets		83		73		65
<i>Ségécé group capital gain</i>		83		73		65
Tax on unrealized capital gains		-129		-116		-56
Restatement of deferred taxes on securities		85		101		
Taxes and fees related to the sale of assets		-247		-235		-223
Fair value of hedging instruments						
Revalued Net Assets		3 393		3 152		2 534
Number of shares, fully diluted		45 723 014		45 976 570		45 976 998
RNA, excluding transfer duties and after deferred taxes (€ per share)		74,2		68,6		55,1
Marked to market of fixed rate debt excluding IAS 32-39 (€M)		11,2		-47,4		-69,9
RNA excluding transfer duties and after deferred taxes and marked to market of fixed rate debt (€ per share)		74,5		67,5		53,6
RNA including transfer duties and after deferred taxes and marked to market of fixed rate debt (€ per share)		79,9		72,6		58,4

VI – Financing policy

The timetable according to which Klépierre conducted its financing transactions in the first half of 2006 was largely guided by its expectations of financial market developments. Consequently, Klépierre set up a new club deal and purchased swaps with staggered start dates in January, and issued a fixed-rate bond in February. All of these transactions were intended to anticipate the group's financing needs and strengthen its debt profile by taking advantage of market conditions deemed favorable.

Financial market trends over the first half of the year attest to the wisdom of this strategy:

- Conditions in the banking market seem to have reached their low point in early 2006;
- The rise in interest rates that began in late 2005 began to accelerate sharply as of March;
- Bond spreads, which showed resilience in the face of abundant supply and yield trends, finally began to widen at the end of June amidst a general upsurge in market volatility.



Change in net debt

Consolidated net debt increased from 3 229 million euros on December 31, 2005 to 3 390 million euros on June 30, 2006.¹

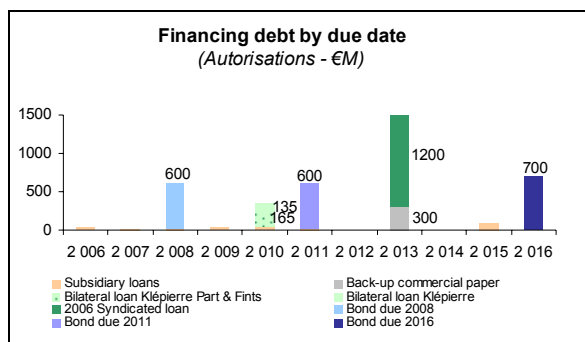
This increase primarily reflects investment flows (€160 M) and the dividend payout (€124 M), partly offset by the net proceeds of disposals (€32.5 M) and free cash flow from operations.

¹ Excluding the revaluation of liabilities related to fair value hedge swap.

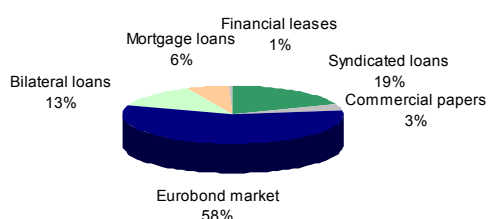
The financing transactions completed in the early part of the year had a positive impact on the diversity of Klépierre's sources of finance and related maturities:

- On January 31, 2006, Klépierre signed a seven-year, 1.5 billion euro revolving credit facility in a club deal (including a back-up line of €300 M). Klépierre used this facility to refinance existing club deals (for €1 050 M, including a back-up line of €300 M) and the bridge loan contracted in late 2005 (of which €275 M drawn down). The new seven-year facility replaces credit lines with an average residual duration of 1.4 year.
 - An initial margin of 35bps, which is subject to adjustments based on a Loan To Value grid (ratio of net debt to revalued net assets);
 - Financing covenants that primarily concern the loan-to-value ratio (limited to 52%), the coverage of interest expense by EBITDA (minimum 2.5), and the secured financing to revalued net assets ratio (limited to 20%).
 - Six banks took part in the deal: BNP Paribas, Royal Bank of Scotland, HSBC, BECM-CM, BBVA and Fortis.
- On February 28, 2006, Klépierre issued a 10-year bond paying a coupon rate of 4.25%. In response to significant oversubscription, Klépierre decided to raise the face value of the bond to 700 million euros (versus the originally contemplated sum of 500-600 million euros). The margin was set at 70bps above the 10-year swap rate
 - o Co-managers were BNP Paribas, HSBC and Royal Bank of Scotland.
 - o This debt was placed exclusively with qualified institutional investors from more than ten countries, including France (for more than half), Germany, the United Kingdom and Switzerland. Insurance companies and investment funds were the main subscribers, with banks picking up less than 10%.
- The funds raised through this placement were used to early repay, in the first six months of the year, two mortgage loans that were scheduled for refinancing later in the year:
 - o The Coimbra loan for €44.5 million (initial repayment: April 6, 2006);
 - o The Klefin Italia loan for €170.9 million (initial repayment: December 29, 2006).

Based on the financing arrangements in place at the end of the first half of 2006, the average maturity on Klépierre's debt is 6.5 years (including back-up lines), versus 3 years on December 31, 2005. The financing mix continues to be highly diversified.



Repartition of diversified resources
(Utilisations - €M)

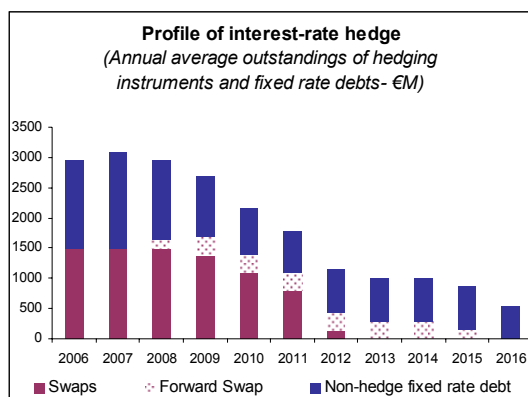


Interest rate hedging

Klépierre took advantage of the relatively low interest rates available at the beginning of the year to reduce the refinancing risk on its next significant fixed-rate due date—i.e., its 600 million euro bond due in July 2008. By negotiating 2 swaps with staggered start dates for a notional amount of 300 million euros, Klépierre set the rate of half of its future refinancing at just under 3.5% (excluding the credit margin), for seven years beginning in July 2008.

As of June 30, 2006, Klépierre’s swap portfolio was nearly exclusively composed of pure vanilla swaps. The average fixed rate of swaps for which Klépierre is the payer is 3.1%.

The percentage of Klépierre’s debt that is either fixed rate or covered by fixed-rate hedges (debt coverage ratio) was 94% on June 30, 2006, compared with 74% at year-end 2005.



Financial ratios

Klépierre’s financial ratios evolved as follows:

(total share)	June 30, 2006	December 31, 2005	June 30, 2005
Loan-To-Value	43.1%	43.4%	44.6%
EBITDA / Interest expense	3.4	3.5	3.4
Net current cash flow / Net debt	8.9%	8.1%	8.6%

These levels remain in line with Standard and Poor’s requirements for maintaining its BBB+ rating for Klépierre, i.e.:

- Loan-to-Value < 50%
- Funds from operations / Net debt > 7%
- EBITDA / Interest expense > 2.5%

Cost of debt

The historical cost of the debt (ratio of interest expense to average financing debt) was 4.3% for the first six months of 2006, versus 4.1% in 2005.

The cost of the debt projected on the basis of the financial structure and interest rates on June 30, 2006 was 4.3%.

A 100bp rise in interest rates would lead to an increase in the average cost of debt of 0.06%, which would have translated into a decrease in net current cash flow before tax of 1.9 million euros.