

## UNIBAIL-RODAMCO REPORTS A 15.4% GROWTH IN 2007 RECURRING EARNINGS PER SHARE

The Unibail-Rodamco Supervisory Board convened on February 6, 2008, and reviewed the company's consolidated accounts for the full year 2007.

**Scope of consolidation:** following the successful public exchange offer and subsequent open market purchases of Rodamco Europe shares, Unibail-Rodamco now owns 98.5% of these shares. Consolidation of the Rodamco Europe Balance Sheet occurred for the first time on June 30, 2007, while their results are consolidated effective 2nd half of 2007. This implies that the formal results of the company include a full year of Unibail's activities and a half year of Rodamco's.

**Business Performance:** like-for-like<sup>(1)</sup> growth across the portfolio has been strong. The office division recorded a 9.4% growth in net rental income, mainly due to France where strong demand for prime office space resulted in increasing rental levels and vacancy levels reduced from 14% end 2006 to 8% end 2007. The Shopping Centre division saw like-for-like net rental income growth of 7.9%, a growth of more than 400 bps over inflation with particularly strong contributions from France, Spain and Central Europe. This performance is underpinned by strong tenant's performance with a 5.3% growth in tenant's sales across the portfolio<sup>(2)</sup>. Recurring Earnings came to €539 mn, or €7.86 per share (2006: €6.81 per share), an increase with 15.4% per share.

Total net profit for the year amounts to €959.4 mn, after revaluation results (after tax, Group share) of €1,755 mn, and after an impairment of €1,335 mn of goodwill recorded as a result of accounting rules applied to the merger with Rodamco. This goodwill impairment is an accounting adjustment which does not impact the 2007 recurring profits nor the triple net asset value of the company, nor does it imply any change in the value of and outlook for the Rodamco assets.

**Triple Net Asset Value:** the fair value<sup>(3)</sup> of the Company's asset base came to €25.2 bn as of December 31, 2007, with 73% in Shopping Centres, 21% in Offices and 6% in Convention and Exhibition Centres. The average Net Initial Yield of the Shopping Centre assets per year-end 2007 is 4.8%, and 5.4% for the Offices. Triple net asset value per share came to €169.30, an increase of 20.4% compared to year-end 2006 (ex-Unibail only) and an increase of 6% compared to June 30, 2007 (consolidated Unibail-Rodamco). Growth in the second half was mostly due to positive revaluation results, which in turn were mostly driven by rental growth.

**Development and Outlook:** following the merger, the combined Group built its first detailed asset by asset 5-year business plan. The benefits of the merger are incorporated in the plan, and the Group reiterates its outlook target of recurring earnings per share growth of at least 10% per annum on average for the period 2007-2012. Given some one-off income elements in 2007 which positively supported the 15.4% growth in recurring EPS, the 2008 recurring EPS growth target is 7% or higher. The Group's strategy remains focused on superior cash flow growth, through investments in prime assets. The recently announced divestment of €775 mn of mainly high street shops and smaller shopping centres in The Netherlands, and the planned acquisition of the prestigious "Shopping City Süd" in Vienna provide evidence of this strategy in motion. In January 2008, the Group has completed the merger of its Convention & Exhibition activities with Chamber of Commerce and Industry of Paris' ones to create Viparis, the leading European operator in this sector. Furthermore, the Group continues to work on its pipeline of retail (1.0 mn sqm) and office and other (0.4 mn sqm) projects, across the countries where it is active.

**Merger update:** the new combined entity is fully on track with its integration plans. The first 5-year plan has been built, the international operational headquarters are relocated to Schiphol Airport in The Netherlands, and training of staff in all countries on the Group's operating best practices is underway. On 14 December, 2007, the Group filed a squeeze-out request for the remaining 1.5% shareholders of Rodamco Europe with the Dutch Enterprise Chamber.

**Dividend:** in line with the dividend pay-out policy of 85-95% of recurring income, the Group will propose to the Annual General Meeting of April 29, 2008, a full year dividend of €7.00 per share (2006: €5.00 per share), equal to a 40% year-on-year increase. After three interim dividends of €1.70 per share, this results in a final proposed dividend to be paid on July 15th, 2008, of €1.90 per share.

(1) Like-for-like: assuming activities on assets in operation in both 2006 and 2007, on a pro-forma consolidated basis

(2) Excluding the Netherlands. (3) Including transfer taxes.

### Key consolidated indicators

(in euros millions)

	2007 Unibail-Rodamco	2006 Unibail	% growth	% like-for-like pro-forma full year
<b>Shopping centres</b>	<b>529</b>	<b>220</b>		<b>7.9%</b>
<b>Offices</b>	<b>179</b>	<b>129</b>		<b>9.4%</b>
<b>Convention &amp; exhibition</b>	<b>63</b>	<b>64</b>		<b>2.4%</b>
<b>NET RENTAL INCOME</b>	<b>771</b>	<b>413</b>		<b>7.8%</b>
Valuation movements and gain on disposals	1,889	1,801		
Net profit Group share	959	2,140		
of which Net Recurring Profit	539	313		
Recurring earnings per share <sup>(1)</sup>	7.86 €	6.81 €	15.4%	
Distribution of book year <sup>(2)</sup>	7.00 €	5.00 €	40.0%	
Distribution of calendar year	5.70 €	4.05 €	40.7%	
	<b>Dec 31, 2007</b>	<b>Dec 31, 2006</b>		
Property portfolio (€ billion)	25.2	10.9		
fully diluted liquidation Net Asset Value per share <sup>(3)</sup>	169.3 €	140.6 €	20.4%	

1) Average number of shares in 2007 : 68,572,651

2) Submitted to approval of AGM April 29, 2008

3) Number of shares fully diluted as at December 31, 2007: 93,279,736

# N.1

in commercial property  
listed in CAC 40

# A €25.2 billion property portfolio

Recurring EPS:  
**€7.86** <sup>up 15.4%</sup>

Fully diluted liquidation  
NAV per share:  
**€169.3**



# unibail·rodamco

## **APPENDIX TO THE PRESS RELEASE FEBRUARY 7, 2008**

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Consolidated Income Statement by segment (in €Mn)		2007			2006			2005		
		Unibail-Rodamco			Unibail			Unibail		
		Recurring activities	Valuation movements and disposals	Result	Recurring activities	Valuation movements and disposals	Result	Recurring activities	Valuation movements and disposals	Result
RETAIL	Gross rental income France	328.5	-	328.5	243.6	-	243.6	218.8	-	218.8
	Operating expenses & net service charges	- 22.3	-	- 22.3	- 23.5	-	- 23.5	- 20.1	-	- 20.1
	<b>Net rental income</b>	<b>306.2</b>	-	<b>306.2</b>	<b>220.1</b>	-	<b>220.1</b>	<b>198.7</b>	-	<b>198.7</b>
	Contribution of affiliates	4.1	6.2	10.4	4.4	4.1	8.5	4.3	1.9	6.2
	Gains on sales of properties	-	- 1.7	- 1.7		0.7	0.7			-
	Valuation movements	-	876.3	876.3		971.2	971.2		553.7	553.7
	<b>Result Retail France</b>	<b>310.3</b>	<b>880.9</b>	<b>1,191.2</b>	<b>224.5</b>	<b>976.0</b>	<b>1,200.5</b>	<b>203.0</b>	<b>555.6</b>	<b>758.6</b>
	Gross rental income Netherlands	106.9	-	106.9		-	-		-	-
	Operating expenses & net service charges	- 13.9	-	- 13.9		-	-		-	-
	<b>Net rental income</b>	<b>93.0</b>	-	<b>93.0</b>	-	-	-	-	-	-
	Contribution of affiliates	-	-	-		-	-		-	-
	Gains on sales of properties	-	0.4	0.4		-	-		-	-
	Valuation movements	-	73.1	73.1		-	-		-	-
	<b>Result Retail Netherlands - Belgium</b>	<b>93.0</b>	<b>73.5</b>	<b>166.6</b>	-	-	-	-	-	-
	Gross rental income Nordic	55.9	-	55.9		-	-		-	-
	Operating expenses & net service charges	- 11.9	-	- 11.9		-	-		-	-
	<b>Net rental income</b>	<b>44.0</b>	-	<b>44.0</b>	-	-	-	-	-	-
	Contribution of affiliates	-	-	-		-	-		-	-
	Gains on sales of properties	-	-	-		-	-		-	-
	Valuation movements	-	82.9	82.9		-	-		-	-
	<b>Result Retail Nordic</b>	<b>44.0</b>	<b>82.9</b>	<b>126.9</b>	-	-	-	-	-	-
	Gross rental income Spain	48.9	-	48.9		-	-		-	-
	Operating expenses & net service charges	- 6.1	-	- 6.1		-	-		-	-
	<b>Net rental income</b>	<b>42.8</b>	-	<b>42.8</b>	-	-	-	-	-	-
	Contribution of affiliates	-	-	-		-	-		-	-
	Gains on sales of properties	-	- 1.0	- 1.0		-	-		-	-
	Valuation movements	-	50.1	50.1		-	-		-	-
	<b>Result Retail Spain</b>	<b>42.8</b>	<b>49.1</b>	<b>91.9</b>	-	-	-	-	-	-
	Gross rental income Central Europe	46.0	-	46.0		-	-		-	-
	Operating expenses & net service charges	- 3.5	-	- 3.5		-	-		-	-
	<b>Net rental income</b>	<b>42.5</b>	-	<b>42.5</b>	-	-	-	-	-	-
	Contribution of affiliates	-	-	-		-	-		-	-
	Gains on sales of properties	-	- 1.0	- 1.0		-	-		-	-
	Valuation movements	-	66.8	66.8		-	-		-	-
	<b>Result Retail Central Europe</b>	<b>42.5</b>	<b>65.8</b>	<b>108.3</b>	-	-	-	-	-	-
	<b>TOTAL RESULT RETAIL</b>	<b>532.7</b>	<b>1,152.2</b>	<b>1,684.9</b>	<b>224.5</b>	<b>976.0</b>	<b>1,200.5</b>	<b>203.0</b>	<b>555.6</b>	<b>758.6</b>
OFFICES & INDUSTRIAL	Gross rental income France	159.6	-	159.6	136.0	-	136.0	146.4	-	146.4
	Operating expenses & net service charges	- 6.7	-	- 6.7	- 7.1	-	- 7.1	- 4.0	-	- 4.0
	<b>Net rental income</b>	<b>152.9</b>	-	<b>152.9</b>	<b>128.9</b>	-	<b>128.9</b>	<b>142.4</b>	-	<b>142.4</b>
	Contribution of affiliates	12.7	-	12.7	10.7	153.7	164.3	11.3	15.8	27.1
	Gains on sales of properties	-	222.1	222.1		97.9	97.9		137.8	137.8
	Valuation movements	-	506.7	506.7		699.1	699.1		435.9	435.9
	<b>Result Offices France</b>	<b>165.6</b>	<b>728.7</b>	<b>894.4</b>	<b>139.6</b>	<b>950.6</b>	<b>1,090.2</b>	<b>153.7</b>	<b>589.5</b>	<b>743.2</b>
	Gross rental income	32.0	-	32.0	-	-	-	-	-	-
	Operating expenses & net service charges	- 5.5	-	- 5.5	-	-	-	-	-	-
	<b>Net rental income</b>	<b>26.5</b>	-	<b>26.5</b>	-	-	-	-	-	-
	Contribution of affiliates	-	-	-		-	-		-	-
	Gains on sales of properties	-	2.7	2.7		-	-		-	-
	Valuation movements	-	19.6	19.6		-	-		-	-
	<b>Result Offices other countries</b>	<b>26.5</b>	<b>22.3</b>	<b>48.8</b>	-	-	-	-	-	-
	<b>TOTAL RESULT OFFICES &amp; INDUSTRIAL</b>	<b>192.1</b>	<b>751.0</b>	<b>943.2</b>	<b>139.6</b>	<b>950.6</b>	<b>1,090.2</b>	<b>153.7</b>	<b>589.5</b>	<b>743.2</b>
CONVENTION EXHIBITION	Gross rental income	95.1	-	95.1	100.9	-	100.9	96.9		96.9
	Operating expenses & net service charges	- 43.5	-	- 43.5	- 48.2	-	- 48.2	- 47.4		- 47.4
	<b>Net rental income</b>	<b>51.6</b>	-	<b>51.6</b>	<b>52.7</b>	-	<b>52.7</b>	<b>49.5</b>	-	<b>49.5</b>
	<b>On site property services</b>	<b>12.7</b>	-	<b>12.7</b>	<b>14.0</b>	-	<b>14.0</b>	<b>10.2</b>	-	<b>10.2</b>
	<b>Hotels net rental income</b>	<b>11.9</b>	-	<b>11.9</b>	<b>11.4</b>	-	<b>11.4</b>	<b>11.0</b>	-	<b>11.0</b>
	<b>Exhibitions organizing</b>	<b>9.7</b>	-	<b>9.7</b>	<b>35.4</b>	-	<b>35.4</b>	<b>- 1.6</b>	-	<b>- 1.6</b>
	Contribution of affiliates	0.2	-	0.2	- 0.3		- 0.3	0.4		0.4
	Valuation movements and depreciation	- 7.4	- 8.2	- 15.6	- 8.2	31.8	23.5	- 7.1	160.3	153.2
	<b>TOTAL RESULT CONVENTION EXHIBITION</b>	<b>78.6</b>	<b>- 8.2</b>	<b>70.4</b>	<b>104.9</b>	<b>31.8</b>	<b>136.7</b>	<b>62.4</b>	<b>160.3</b>	<b>222.7</b>
	<b>Property service net operating result</b>	<b>5.1</b>	-	<b>5.1</b>	<b>0.8</b>		<b>0.8</b>	<b>4.2</b>		<b>4.2</b>
	<b>Leasing</b>	<b>2.1</b>	-	<b>2.1</b>	<b>2.9</b>		<b>2.9</b>	<b>1.0</b>		<b>1.0</b>
	<b>Miscellaneous</b>	<b>3.7</b>	-	<b>3.7</b>			-			-
	<b>General expenses</b>	<b>- 63.3</b>	-	<b>- 63.3</b>	<b>- 25.8</b>		<b>- 25.8</b>	<b>- 23.3</b>		<b>- 23.3</b>
	<b>Development costs</b>	<b>- 4.4</b>	-	<b>- 4.4</b>	<b>- 5.2</b>		<b>- 5.2</b>	<b>- 1.3</b>		<b>- 1.3</b>
	<b>Financing result</b>	<b>- 156.8</b>	<b>44.1</b>	<b>- 112.6</b>	<b>- 84.1</b>	<b>80.4</b>	<b>- 3.6</b>	<b>- 98.6</b>	<b>- 25.5</b>	<b>- 124.1</b>
	<b>Goodwill impairment</b>	-	- 1,335.0	- 1,335.0						
	<b>PRE-TAX PROFIT</b>	<b>589.8</b>	<b>604.2</b>	<b>1,194.0</b>	<b>357.5</b>	<b>2,038.8</b>	<b>2,396.4</b>	<b>301.1</b>	<b>1,279.9</b>	<b>1,581.0</b>
	Corporate income tax	- 1.5	- 51.9	- 53.4	- 5.4	- 14.0	- 19.4	- 5.3	- 50.0	- 55.3
<b>NET PROFIT</b>		<b>588.3</b>	<b>552.3</b>	<b>1,140.6</b>	<b>352.1</b>	<b>2,024.8</b>	<b>2,377.0</b>	<b>295.8</b>	<b>1,229.9</b>	<b>1,525.7</b>
	Minority interest	49.5	131.8	181.3	39.5	197.6	237.2	31.7	108.7	140.4
<b>NET PROFIT GROUP SHARE</b>		<b>538.9</b>	<b>420.5</b>	<b>959.4</b>	<b>312.6</b>	<b>1,827.2</b>	<b>2,139.8</b>	<b>264.1</b>	<b>1,121.2</b>	<b>1,385.3</b>

Average number of shartes

68,572,651

45,901,800

45,499,713

Recurring Net Profit / share

7.86

6.81

5.81

% variation vs previous year

15.4%

17.2%

<b>UNIBAI-RODAMCO</b> <b>Consolidated income statement* (in € Mn)</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Cross rental income	879.5	489.9	472.4
Ground rents paid	- 11.4	- 12.4	- 12.3
Net service charge expenses	- 9.1	- 7.2	- 8.0
Property operating expenses	- 93.6	- 59.5	- 51.4
<b>Net rental income</b>	<b>765.4</b>	<b>410.8</b>	<b>400.7</b>
Proceeds from trading property disposals	-	-	-
Carrying value of trading properties sold	-	-	-
Corporate expenses	- 60.3	- 24.7	- 22.0
Development expenses	- 4.4	- 5.2	- 1.3
Depreciation	- 3.0	- 1.4	- 5.3
<b>Administrative expenses</b>	<b>- 67.7</b>	<b>- 31.3</b>	<b>- 18.0</b>
Revenues from other activities	184.8	232.3	115.0
Other expenses	- 153.3	- 185.1	- 107.1
<b>Net other income</b>	<b>31.5</b>	<b>47.2</b>	<b>7.9</b>
Proceeds from disposal of investment property	192.6	527.4	586.3
Carrying value of investment property sold	- 171.9	- 428.0	- 448.6
<b>Profit on disposal of investment property</b>	<b>20.7</b>	<b>99.4</b>	<b>137.7</b>
Valuation gains	1,679.2	1,709.6	1,151.6
Valuation losses	- 12.1	- 8.3	- 8.2
<b>Valuation movements</b>	<b>1,667.1</b>	<b>1,701.3</b>	<b>1,143.4</b>
<b>Goodwill impairment</b>	<b>- 1,335.0</b>		
<b>NET OPERATING PROFIT BEFORE FINANCING COST</b>	<b>1,082.0</b>	<b>2,227.4</b>	<b>1,671.7</b>
Dividend income from non-consolidated companies	0.3	0.1	0.1
<i>Financial income</i>	<i>68.3</i>	<i>45.7</i>	<i>41.4</i>
<i>Financial expenses</i>	<i>- 225.0</i>	<i>- 129.8</i>	<i>- 140.0</i>
Net financing costs	- 156.8	- 84.1	- 98.6
Bonds redeemable for shares	- 6.0		
Fair value adjustments of derivatives and debt	53.9	86.8	17.4
Derivatives' disposals	-	- 1.4	- 2.3
Debt discounting	- 3.7	- 5.0	- 5.8
Profit on disposal of associates	201.0		
Share of the profit of associates	8.4	163.5	24.9
Income on financial assets	14.9	9.1	8.7
<b>PROFIT BEFORE TAX</b>	<b>1,194.0</b>	<b>2,396.4</b>	<b>1,581.1</b>
Income tax expenses	- 53.4	- 19.4	- 55.4
<b>NET PROFIT FOR THE PERIOD</b>	<b>1,140.6</b>	<b>2,377.0</b>	<b>1,525.7</b>
Minority interests	181.3	237.2	140.4
<b>NET PROFIT (group share)</b>	<b>959.3</b>	<b>2,139.8</b>	<b>1,385.3</b>

(\*) Presentation complying with European Public Real Estate Association best practices policy recommendations

<b>Direct result</b>	<b>539.0</b>	<b>312.6</b>	<b>264.1</b>
<b>Indirect result</b>	<b>420.3</b>	<b>1,827.3</b>	<b>1,121.2</b>

<b>EARNINGS PER SHARE</b>	<b>2,007</b>	<b>2,006</b>	<b>2,005</b>
Average number of shares (undiluted)	63,899,201	45,901,800	45,499,713
Net profit (group share)	959.3	2,139.8	1,385.3
<b>Net profit (Group share) per share (€)</b>	<b>15.0</b>	<b>46.6</b>	<b>30.4</b>
Average number of diluted shares	69,274,513	46,583,901	46,068,533
<b>Diluted net profit per share Group Share (€)</b>	<b>13.8</b>	<b>45.9</b>	<b>30.1</b>

Unibail-Rodamco Group Consolidated Balance Sheet (in € Mn)	2005	2006	2007
<b>NON CURRENT ASSETS</b>	<b>8,143.6</b>	<b>10,233.4</b>	<b>23,835.5</b>
Tangible assets	452.7	249.4	1,099.3
Investment properties	7,046.6	9,046.3	21,506.8
Goodwill	152.3	168.2	418.7
Intangible assets	267.8	307.7	302.4
Loans	40.7	36.0	198.3
Deferred tax assets	-	-	45.0
Derivatives at fair value	19.8	99.5	175.9
Shares of companies consolidated under equity method	163.7	326.3	89.1
Other non current assets	-	-	-
<b>CURRENT ASSETS</b>	<b>533.6</b>	<b>609.5</b>	<b>1,710.3</b>
<b>Properties under promise or mandate of sale</b>	<b>137.7</b>	<b>96.3</b>	<b>823.0</b>
<b>Inventories</b>	<b>13.8</b>	<b>28.1</b>	<b>31.4</b>
<b>Trade receivables from activity</b>	<b>107.6</b>	<b>156.2</b>	<b>274.7</b>
Property portfolio	79.9	129.1	244.0
Other activities	27.7	27.1	30.7
<b>Other trade receivables</b>	<b>252.1</b>	<b>296.6</b>	<b>464.8</b>
Tax receivables	73.9	96.9	171.1
Receivables on sale of property	-	0.2	2.6
Other receivables	143.0	161.0	196.9
Prepaid expenses	35.3	38.5	94.2
<b>Cash and equivalent</b>	<b>22.4</b>	<b>32.3</b>	<b>116.4</b>
Financial assets	3.3	3.3	4.6
Cash	19.1	29.0	111.8
<b>TOTAL ASSETS</b>	<b>8,677.2</b>	<b>10,842.9</b>	<b>25,545.8</b>
<b>Shareholders' equity (group share)</b>	<b>4,076.1</b>	<b>6,053.1</b>	<b>14,603.7</b>
Share capital	228.7	230.7	408.8
Additional paid-in capital	47.1	64.5	6,827.4
Bonds redeemable for shares	-	-	1,566.5
Consolidated reserves	2,187.9	3,353.5	4,086.1
Hedging reserve	- 2.1	1.4	5.1
Other reserves	-	-	17.7
Retained earnings	316.1	355.4	1,046.4
Consolidated result	1,385.3	2,139.8	959.4
Interim dividends	- 86.9	- 92.2	- 278.3
<b>MINORITY INTERESTS</b>	<b>592.3</b>	<b>781.1</b>	<b>1,031.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,668.4</b>	<b>6,834.2</b>	<b>15,634.9</b>
<b>NON CURRENT LIABILITIES</b>	<b>2,359.1</b>	<b>2,672.4</b>	<b>7,109.4</b>
Commitment to purchase minority interests	64.3	115.5	133.9
Long-term bonds	1,975.9	2,238.3	5,783.7
Derivatives at fair value	21.0	11.0	32.0
Deferred tax liabilities	186.6	196.8	961.1
Long-term provisions	32.7	30.5	29.0
Employee benefits	3.7	3.4	9.2
Guarantee deposits	72.2	73.7	138.0
Tax liabilities	2.7	3.2	4.6
Amounts due on investments	-	-	17.9
<b>CURRENT LIABILITIES</b>	<b>1,649.7</b>	<b>1,336.3</b>	<b>2,801.5</b>
<b>Amounts owed to shareholders</b>	<b>43.5</b>	<b>46.1</b>	<b>153.9</b>
<b>Amounts due to suppliers and other current debt</b>	<b>433.3</b>	<b>505.3</b>	<b>726.7</b>
Amounts due to suppliers	97.9	97.2	120.8
Amounts due on investments	95.6	119.1	196.9
Sundry creditors	142.4	210.1	251.1
Other liabilities	97.4	78.9	157.9
<b>Current borrowings and amounts due to credit institutions</b>	<b>949.4</b>	<b>669.5</b>	<b>1,742.7</b>
<b>Tax &amp; social security liabilities</b>	<b>208.0</b>	<b>94.5</b>	<b>147.9</b>
<b>Contingencies and other current liabilities</b>	<b>15.6</b>	<b>20.9</b>	<b>30.3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,677.2</b>	<b>10,842.9</b>	<b>25,545.8</b>

## BUSINESS REVIEW AND 2007 RESULTS

### **I. Unibail-Rodamco: scope of consolidation – accounting principles**

On May 21, 2007 Unibail Holding S.A. and Rodamco Europe N.V. jointly announced that Unibail made a friendly Public Exchange Offer for all the outstanding shares in the capital of Rodamco. The exchange ratio of the Public Exchange Offer was 0.5223 Unibail share for each Rodamco share<sup>1</sup>.

Furthermore the Rodamco shareholders were able to opt for 0.5223 Unibail bonds redeemable for Unibail shares for each Rodamco share with a maximum of 20% of the remuneration of all the Rodamco shares.

The Public Exchange Offer was declared unconditional on June 21, 2007, when 71.378.392 Rodamco shares had been tendered, representing 79.63% of participation in the Company. Unibail had issued 27.917.226 Unibail shares and 9.363.708 Unibail ORA in exchange of the Rodamco shares.

A subsequent offer period began on June 22, 2007 and ended on July 10, 2007, when 14.443.054 additional Rodamco shares had been tendered and Unibail-Rodamco issued 7.543.607 Unibail-Rodamco shares representing a capital increase of €37.718.035. On July 11, 2007, Unibail owned 95.74% of Rodamco Europe N.V. shares.

Starting as of August 27, 2007 the Group via a bank which acted independently bought 2.491.503 shares of Rodamco Europe on the market. These shares have been bought at an average price of €96.00 per share.

Unibail-Rodamco, as at December 31, 2007 owned 98.52% of the issue share capital of Rodamco.

At December 14<sup>th</sup> 2007, squeeze out proceedings under Dutch law of the remaining shares in Rodamco Europe were initiated. The squeeze out price is to be determined by the Enterprise Chamber of the Court of appeals in Amsterdam. Unibail-Rodamco has proposed €81.03 per Rodamco share, consistent with the exchange ratio.

### **Accounting for Business Combination**

€1.3 Bn of the goodwill recorded as part of the business combination between Unibail and Rodamco has been impaired.

This goodwill impairment is a technical adjustment which does not impact the 2007 recurring profits nor the triple net asset value of the company, nor does it imply any change in the value of and outlook for the Rodamco assets acquired. A total of €1.6 Bn of goodwill arose because of the accounting treatment of the Rodamco acquisition when Unibail used Unibail shares at a premium to NAV to buy Rodamco shares at a premium to NAV.

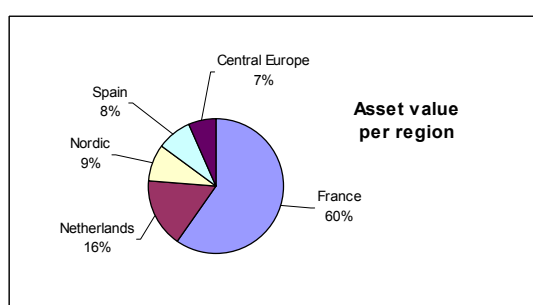
This accounting goodwill has now either been written off or allocated to appropriate accounting items.

### **New scope of consolidation**

As at December 31, 2007, the scope of consolidation of Unibail-Rodamco included 316 companies over 14 countries. These companies have been fully consolidated with the exception of 17 companies accounted for under the proportional method and 8 companies under the equity method.

Operationally there are 5 geographical regions in the new Unibail-Rodamco group: France, The Benelux, Spain, Nordic and Central Europe. As France has substantial representation of all 3 activities of the group, this region is divided in 3 segments: Shopping Centres, Offices and Conventions & Exhibitions. The other regions operate mainly in the shopping centre segment.

The table below shows the split of assets value per region.



### **Accounting principles**

Unibail-Rodamco consolidated statements have been prepared in accordance with International Financial Reporting Standards<sup>2</sup> (IFRS) and are compliant with the EPRA<sup>3</sup> best-practice recommendations. No changes were made compared to the accounting principles used for the consolidation of Unibail's 2006 results.

<sup>1</sup> Based on the initial exchange ratio announced on April 10, 2007 of 0.5300 per Unibail share (or Unibail ORA) for each Rodamco share which had been adjusted to integrate the financial impact of the 2006 Unibail interim dividend and of the 2006 Rodamco final dividend

<sup>2</sup> As applicable in the European Union as at December 31, 2007.

<sup>3</sup> European Public Real-estate Association

## II. Business review by segment

### 1. Shopping centres

#### 1.1. Shopping centre market in 2007

**Property investment market.** The market has been very dynamic and competitive in continental Europe for retail investment, buoyed by strong demand from national and international investors. This trend continued during the second half of 2007. In spite of some differences in yields across continental Europe there has been further convergence between the shopping centre markets in 2007. Yields for prime shopping centres are in a range of 4-4.25% respectively in France and Spain to 5.25-5.5% in Czech Republic and Poland.<sup>4</sup>

**Prime property yields** are tending to stabilize. In contrast the yield gap between prime and non-prime properties is widening. In 2007 there was a high demand for prime assets with very little or nil supply in Spain and in France, except 'Grand Littoral' a regional shopping centre in Marseilles, sold in December for €385 Mn, at a yield below 4%<sup>5</sup>. Nevertheless many shopping centres have changed owner in Sweden at high prices sustained by low yields (more or less 4.5%).

**Leasing.** The market has been very active in 2007, carried by international retailers' expansion plans, such as Inditex, H&M, Media Mart, Mexx, Esprit etc. The demand has been especially concentrated on prime locations in the best performing shopping centres. Retailers are focusing on regional and supra-regional shopping centres in the largest cities, where the Group's assets are located. The rents show strong increases in all the regions, especially in Spain, Nordic, certain CE countries and France due to strong sales growth in shopping centres. In 2007, the leasing activity in the Group's portfolio has been out performing the previous year.

#### 1.2. Rental income from Unibail-Rodamco's shopping centres in 2007

Total consolidated gross rental income of Unibail-Rodamco shopping centres amounted to €586.2 Mn in 2007 corresponding to a full year for the ex-Unibail portfolio (€273.9 Mn ie +12.5% compared to 2006) and half a year for the ex-Rodamco portfolio (€312.3 Mn).

Total consolidated Net Rental Income amounted to €528.5 Mn, representing a rise of €308.4 Mn compared with 2006:

- €271.5 Mn of new NRI coming from ex-Rodamco assets consolidated in the second half of 2007
- €36.9 Mn of increase in ex-Unibail portfolio full year NRI which breaks down as follows:

- i) €5.8 Mn came from portfolio changes (such as Etembrieres, Labege, Velizy 2 and the disposal of Chelles)
- ii) €6 Mn deriving from reversal of a risk provision in Nice Etoile

iii) €25.1 Mn reflecting the increase in net rental income on a like-for-like basis. This represented a 11.6% growth compared to 2006 including 5.4% from the impact of rent indexation

To give more insight in the evolution of Net Rental Income of the shopping centres of the new Unibail-Rodamco portfolio, the figures below are shown for the full years 2006 and 2007<sup>6</sup>, even though ex-Rodamco portfolio has been entered into Unibail-Rodamco's consolidated accounts since June 30, 2007.

Region	Net Rental Income (pro forma)		
	2006	2007	%
France (ex Unibail)	220.1	256.9	16.7%
France (ex Rodamco)	88.5	99.3	12.2%
Spain	80.6	88.6	9.9%
Central Europe	76.7	81.2	5.9%
Nordic	79.5	85.4	7.4%
Netherlands	186.8	188.7	1.0%
<b>Global</b>	<b>732.2</b>	<b>800.1</b>	<b>9.3%</b>

Region	Net Rental Income (pro forma) Like-for-like		
	2006	2007	%
France (ex Unibail)	216.0	241.1	11.6%
France (ex Rodamco)	87.2	97.7	12.0%
Spain	80.9	87.5	8.2%
Central Europe	64.2	68.1	6.1%
Nordic	79.5	84.2	5.9%
Netherlands	160.2	163.5	2.1%
<b>Global</b>	<b>688.0</b>	<b>742.1</b>	<b>7.9%</b>

The total Net Rental Income of the new Unibail-Rodamco portfolio grew by 7.9% on a like-for-like basis in 2007, compared to 2006. The highest growth was in France, with a significant impact of indexation, and Spain as shown in the following table breaking down this variation by origin and region.

At 7.9%, the like for like growth was more than 400 basis points over inflation.

Region	Net Rental Income like-for-like evolution (%)			
	indexation	renewal reletting net of departures	other	Total
France	5.8%	5.7%	0.2%	11.7%
Spain	2.8%	3.2%	2.2%	8.2%
Central Europe	1.1%	1.2%	3.8%	6.1%
Nordic	3.2%	3.5%	-0.8%	5.9%
Netherlands	1.3%	0.9%	-0.1%	2.1%
<b>Global</b>	<b>3.7%</b>	<b>3.7%</b>	<b>0.6%</b>	<b>7.9%</b>

The performance has been particularly strong in France, Spain and several countries in Central Europe where Unibail-Rodamco benefits from a leading position in the segment of large shopping centres located in the largest cities.

The Netherlands assets experienced a weaker growth (+2.1% on a like for like basis, of which 1.3% due to indexation), resulting from a portfolio less concentrated on prime shopping centres and also from a protective legal environment surrounding lease renewals.

<sup>4</sup> C&W European Retail 2008

<sup>5</sup> Corio press release – Dec 21, 2007

<sup>6</sup> NRI for ex-Rodamco shopping centres may slightly differ from NRI published by Rodamco Europe as they have been restated according to Unibail-Rodamco accounting rules.

### 1.3. Leasing activity in 2007

Leasing activity has been very strong with more than 271,000 m<sup>2</sup> let or renewed.

Gains on renewals or re-lettings resulted in a growth of annual minimum guaranteed rents of 27% on average on the whole portfolio.

region	lettings / re-lettings / renewals excl. Pipeline				
	nb of leases signed	m <sup>2</sup>	MGR	MGR uplift	
				€ Mn	%
France	385	80,468	44	8.5	38%
Spain	239	33,997	12	2.1	16%
Central Europe	215	24,209	8	1.4	18%
Nordic	372	101,437	32	2.5	10%
Netherlands	250	70,854	16	0.9	10%
Global	1,461	310,965	112	15.4	27%

Thanks to its prime position in a number of European countries, Unibail-Rodamco has managed to sign deals across its centres with key retailers like Inditex (France / Spain), MetroGroup (Spain / Poland / Sweden / Germany) or H&M. (France / Spain). This approach will be rolled out across Europe.

### 1.4. Vacancy and future minimum rent

As at December 31, 2007 aggregated full-year rental income from Unibail-Rodamco's shopping centre portfolio amounted to €846.3 Mn, excluding variable rents and other income.

Rodamco has started to implement its dynamic property asset management and active marketing policy across the international portfolio by improving the centres' attractiveness, tenant mix and following table shows a breakdown by expiry date and by next termination option of the leases:

Retail portfolio	Lease expiry schedule			
	at date of next break option	as a % of total	at end of lease date	as a % of total
expired	29.1	3.4%	29.1	3.4%
2008	136.3	16.1%	76.3	9.0%
2009	158.9	18.8%	74.1	8.8%
2010	174.3	20.6%	96.9	11.5%
2011	110.9	13.1%	76.9	9.1%
2012	55.5	6.6%	101.1	12.0%
2013	36.2	4.3%	59.4	7.0%
2014	21.3	2.5%	60.8	7.2%
2015	29.8	3.5%	61.1	7.2%
2016	16.9	2.0%	53.8	6.4%
2017	25.0	3.0%	59.1	7.0%
beyond	51.7	6.1%	97.4	11.5%
M€	<b>846.0</b>	<b>100%</b>	<b>846.0</b>	<b>100%</b>

Potential rents from vacant space in operation on the total portfolio amounted to €9.7 Mn at December 31, 2007. The financial vacancy stood at a low level, 1.1% on average across the total portfolio.

Region	vacancy	
	M€	%
France	5.1	1.4%
Spain	0.7	0.8%
Central Europe	0.2	0.2%
Nordic	1.9	1.7%
Netherlands	1.8	0.9%
Global	<b>9.7</b>	<b>1.1%</b>

The occupancy cost ratio<sup>7</sup> (OCR) differs slightly between the regions: 11.8% in Central Europe, 11.1% in France 10.1% in Spain, and the lowest 10% in the Nordic<sup>8</sup> countries.

Unibail-R has started to implement its dynamic property asset management and active marketing policy across the international portfolio by improving the centres' attractiveness, tenant mix and standardised 'welcome attitude policy'.

This will result in more visits and increased tenants' sales which will facilitate the ability to improve the occupancy cost ratio.

### 1.5. Investment / pipeline

Unibail-Rodamco invested €691 Mn in its shopping centres in 2007 (full year for ex-Unibail portfolio and half a year for ex-Rodamco portfolio):

- €134 Mn was invested in new acquisitions, mainly:
  - In France, "l'Usine" in Roubaix (18,560 m<sup>2</sup> of factory outlets), Le Printemps in La Valentine-Marseilles (8,394 m<sup>2</sup>) and Go-Sports shops in 4 shopping centres.
  - In Austria, the company acquired a 50% interest in Südpark, a regional shopping centre of 22,700 m<sup>2</sup>.
- €256 Mn was invested to strengthen the group's ownership in shopping centres: mainly 'le Printemps' in Velizy 2 (21,100 m<sup>2</sup>) and Rennes Alma (9,588 m<sup>2</sup>) in France and additional 4,250m<sup>2</sup> in Parquesur-Madrid.
- €152 Mn was invested in extension and renovation projects of existing shopping centres: mainly Cnit and Les 4 Temps in Paris and an extension of Aupark in Bratislava.
- €105 Mn was invested in new shopping centres under construction, mainly in France (Docks de Rouen, Carré Sénart 2, Strasbourg Etoile and Lyon Confluence)

In February, Zlote Tarasy, a 87,300 m<sup>2</sup> shopping centre in Warsaw has been delivered and Unibail-Rodamco acquired in October 50% of the economic interest in the centre. As the developer is not yet in a position to deliver the shares, this investment was accounted for as a pre-payment in the Unibail-Rodamco balance sheet and the group recorded a financial income in the P&L instead of rental income.<sup>9</sup>

In addition, other major development projects continued to progress well and new projects have been added to the pipeline. The Group's development pipeline for shopping centres amounts to 978,000 m<sup>2</sup>, ie 35% of shopping centres surface currently in operation.

<sup>7</sup> Occupancy cost ratio = (rental charges + service charges - including GIE (Retailers Economic Interest Group) cost for tenants) / tenants' sales.

<sup>8</sup> As tenants turnover is not known for The Netherlands, no reliable OCR can be calculated.

<sup>9</sup> For an amount equalling the group's share in the net rental income



## 1.6 Divestments

In January 2007, Chelles2 shopping centre located near Paris was sold for a net disposal price of €88.1 Mn.

After the closing, in January 2008, a sales agreement has been signed for a portfolio of mostly high street retail shops in The Netherlands for a total amount of €775 Mn, an increase of 11.9% compared with the appraisal value at mid-year 2007

## 1.7. Portfolio valuation

As at December 31, 2007 the shopping centre portfolio of Unibail-Rodamco was valued at €17,610 Mn, excluding transfer taxes and disposal costs. Of this total, €16,078 Mn is accounted for as investment property and valued at fair value based on appraisals carried out by external valuers (see 'Net Asset Value' section). The portfolio under sales agreement in the Netherlands has been restated in 'assets for sale' for its divestment price in the balance sheet.

Projects under development are recorded at cost in the balance sheet and amounted to €628 Mn as at December 31, 2007.

Fair value adjustments to investment properties generated a gain of €1,149 Mn on the income statement at December 31, 2007, corresponding to €666 Mn increase in the valuation of Unibail's assets since December 31, 2006 and €483 Mn increase in the valuation of ex-Rodamco's assets since June 30, 2007.

## 2. Offices

### 2.1. Office property market in 2007<sup>10</sup>

With 85% of the office portfolio concentrated in France, and Paris CBD and La Défense in particular, developments in this market determine the office division's result for 2007.

Take up of office space in Paris region came to 2.7 Mn m<sup>2</sup>, just below top year 2006 (2.9 Mn m<sup>2</sup>). Tenants are looking for better services and larger space to regroup from multiple locations. In particular new or redeveloped office space, allowing efficient use, and larger (over 5,000 m<sup>2</sup>) offices were in high demand.

Available space in the CBD and La Défense decreased by 28% respectively 19% during the year, bringing the offer of new office space to low levels. Vacancy rates came down to 3.3% in the CBD and 4.6% in La Défense. Outside these attractive locations, the immediately available office space remained stable with a 5.0% vacancy rate across the greater Paris area.

The limited availability of prime office space put further upward pressure on rental levels in the CBD and La Défense. Typical new contracts in the CBD see rental levels upward of €800 per m<sup>2</sup>, while La Défense prime rents

amount to €530 per m<sup>2</sup>. This value is expected to rise with the arrival of new high quality assets on the market.

Office space investment in France reached €20 Bn, representing 74% of the all time record of €27 Bn total investments in France.

The "subprime" crisis seems not to have had a great impact on the property investment market over 2007. Investment demand was sustained because of the healthy conditions of the rental market (continued increase in office rents) and the abundance of international capital available for investment. More than €17 Bn was invested in offices in Paris region in 2007. The Central Business District is more attractive than ever with €4.1 Bn invested. Yield on "prime" rents reached 4%. In La Défense the yield on "prime" rents amounted to 4.75% (versus 4.6% at the end of 2006).

### 2.2. Office division 2007 activity

As at December 31, 2007, the office portfolio represented €5.4 Bn in asset value including transfer taxes, mainly located in France (85%)

Unibail-Rodamco's consolidated Gross Rental Income from offices in 2007 amounted to €191.6 Mn, representing an increase of €55.6 Mn compared to 2006, as a result of the following two factors:

- The consolidation of ex-Rodamco office properties for the second half of 2007 added €36.3 Mn in Gross rental income: €14 Mn in the Netherlands, €11 Mn in Sweden, €4 Mn in Spain, €2 Mn in France and €2 Mn in Central Europe.
- The variation of gross rental income on the ex-Unibail office properties portfolio for the full year 2007 amounted to +€19.3 Mn.

Net Rental Income in 2007 came to €179.4 Mn, an increase of €50.4 Mn corresponding to the consolidation of Rodamco for the second semester of 2007 (+€30.8 Mn) and the variation on ex-Unibail assets (+€19.6 Mn) which breaks down as follows:

- An increase of €13.4 Mn in like-for-like net rental income, ie a 12% growth:
  - +5.3% due to indexation
  - +5.0% for lettings and re-lettings net of departures
  - +1.6% thanks mainly to a better ratio NRI/GRI
  - +0.1% from renewals
- €14.1 Mn in additional rental income from letting in Capital 8 and from 44 Lisbonne, both in Paris/8th Arrondissement
- A rental shortfall of €9 Mn due to properties sold in 2006<sup>11</sup>
- A gain of €1.2 Mn in rental income, mainly from the letting of offices in Cnit building, although most of the rental surface is currently undergoing renovation and an indemnity for early departure on 7 place Adenauer in Paris.

<sup>10</sup> Sources: Immostat, CBRE, Jones Lang LaSalle, Atisreal

<sup>11</sup> 41 rue Ybry in Neuilly; 189 boulevard Malesherbes-Paris 17; 31 rue du Colisée-Paris 8; 70 boulevard de Courcelles-Paris 17; Palais Hanovre-Paris 9

To give a better insight in the evolution of the net rental income of the office properties in the new Unibail-Rodamco portfolio, the figures below are shown for the full years 2006 and 2007, even though the ex-Rodamco portfolio has been consolidated since June 30, 2007.

Region	Net Rental Income (pro forma)		
	2006	2007	%
France	135.4	155.7	15.0%
Spain	6.8	7.2	5.9%
Central Europe	3.8	3.1	n.s.
Nordic	16.4	16.6	1.5%
Netherlands	27.7	27.8	0.4%
<b>Global</b>	<b>190.1</b>	<b>210.4</b>	<b>10.7%</b>

Region	Net Rental Income Like-for-like (pro forma)		
	2006	2007	%
France	117.8	130.8	11.1%
Spain	6.8	7.2	5.9%
Central Europe	3.8	3.3	n.s.
Nordic	16.4	16.6	1.5%
Netherlands	23.0	25.7	11.7%
<b>Global</b>	<b>167.8</b>	<b>183.6</b>	<b>9.4%</b>

In France the leasing activity has been strong in 2007: 50,300m<sup>2</sup> signed for €28.7 Mn of annual minimum guaranteed rents.

Leases were signed with tenants from various business sectors, such as:

- 11,500 m<sup>2</sup> let to Genegis (Société Générale) and Star GT Acquisition (Société du Louvre) at Les Villages in La Défense, now fully let.
- 44 Lisbonne Paris-9: the entire building (4,023 m<sup>2</sup>) was let to AT Kearney before selling it.
- 3-5 Malesherbes Paris-8, pre-let to Salans (law firm) at the date the Unibail-Rodamco headquarters will be moving in May 2008.
- 24 Villeneuve in Clichy (West Paris outskirts), 14,200m<sup>2</sup>, fully pre-let to SNCF before delivery which is anticipated in May 2008.

New leases were signed with an increase in rents vs. previous leases for the same assets (+9% in Capital 8 in October 2007 compared to December 2006).

Several early departures at the tenants' requests were registered, with €4.6 Mn of indemnity payments.

As at December 31, 2007 full year rental income generated by the office portfolio amounted to €248.1 Mn. The expiry schedule of the leases (termination option and end of lease) is shown in the following table.

Office portfolio	Lease expiry schedule			
	at date of next break option	as a % of total	at end of lease date	as a % of total
expired	3.6	1.5%	3.6	1.4%
2008	43.2	17.4%	21.5	8.7%
2009	25.6	10.3%	16.7	6.7%
2010	44.0	17.7%	11.1	4.5%
2011	18.5	7.4%	11.6	4.7%
2012	9.1	3.7%	11.4	4.6%
2013	15.1	6.1%	46.8	18.8%
2014	4.5	1.8%	15.6	6.3%
2015	26.4	10.7%	37.7	15.2%
2016	23.3	9.4%	33.8	13.6%
2017	6.5	2.6%	7.2	2.9%
beyond	28.3	11.4%	31.2	12.6%
<b>M€</b>	<b>248.1</b>	<b>100%</b>	<b>248.1</b>	<b>100%</b>

Potential rents from vacant office space in operation amounted to €18.8Mn at December 31, 2007. The financial vacancy stood at 7% for the whole portfolio, coming down in Paris from 14.2% at year-end 2006 to 8% at year-end 2007.

As at December 31, 2007, 5.8% out of the 8% vacancy came from Capital 8 in the Paris CBD, and the part of the Cnit building not undergoing renovation. Of the Capital 8 complex total lettable area of 63,422 m<sup>2</sup>, 11,428 m<sup>2</sup> (excluding inter-company restaurant) is still available.

In addition to net rental income generated by fully consolidated companies, the Group also recorded its share in the profits of the 49% stake of SCI Karanis (owner of Coeur Défense-office tower in La Défense) and consolidated under the equity method, as well as interest on a loan granted to this company, for a total net amount of €12.7 Mn. The share in SCI Karanis was sold on July 10, 2007.

### 2.3. Investment / divestment

Unibail-Rodamco invested €132 Mn in its office portfolio in 2007, mainly in France:

- €74.9 Mn in renovation works (essentially Tour Ariane and Cnit, both at Paris La Défense)
- €26.6 Mn for the construction of the Villeneuve building in Clichy (France) which delivery is planned for May 2008; this building has been fully let to SNCF.
- €13.7 Mn for various projects, mainly the 2 towers 'Phare' and 'Majunga' at Paris La Défense
- The remainder included capitalised interest charges, letting fees and internal charges.

Two buildings were sold in France in 2007 for a total net disposal price of €88 Mn: 27, rue Bassano and 44, rue de Lisbonne, both located in Paris. Net disposal proceeds represented a 35% premium over appraised value as at December 31, 2006.

The biggest disposal, completed on July 10, 2007, was the Group's 49% remaining stake in Coeur Défense. This disposal of the stake in the ownership company was based

on the value of the building of €2 110 Mn, i.e. a 21% rise to the appraised value as at December 31, 2006.

Two buildings (in France: in Levallois and rue St Georges – Paris) are under sale commitments as at December 31, 2007 for €47.9 Mn.

The office division has a strong growth potential based on 33,222 m<sup>2</sup> of offices under refurbishment and 272,700 m<sup>2</sup> of new offices<sup>12</sup> to be delivered over the next 5 years, of which:

- Villeneuve-Clichy: 14,200 m<sup>2</sup> to be delivered in May 2008.
- The ongoing refurbishment of Cnit-LaDéfense: representing 20,000 m<sup>2</sup> to be delivered in 2008.
- “Phare” and “Majunga” projects: respectively 147,000 m<sup>2</sup> and 65,000 m<sup>2</sup> of gross area building rights in Paris La Défense granted in January 2008.
- “Eiffel” project: 33,000 m<sup>2</sup> in Levallois
- Tour Oxygène: 29,600 m<sup>2</sup> near Lyon La Part Dieu.

## 2.4. Portfolio valuation

The office portfolio was valued at €4,983 Mn (excluding transfer taxes and disposal cost) on the balance sheet at December 31, 2007. This included:

- €4,506 Mn in assets recorded as investment properties and accordingly marked-to-market based on independent appraisals. (see following ‘Net Asset Value’ section)
- €48 Mn of buildings under sale agreements: 1 St Georges in Paris and one small building in Levallois.
- €259.8 Mn accounted for as operational buildings for internal use (3/5 Malesherbes-Paris, the present Paris office of Unibail-Rodamco, 7 Adenauer Paris, the future Paris office of Unibail-Rodamco, part of 70 Wilson, the present office of the Exposium subsidiary and Oostelijke Handelskade head quarters of Unibail Rodamco Netherlands). They are therefore stated at their historical cost.
- €169.3 Mn for projects accounted for at construction cost.

The change in the fair value of office investment properties since December 31, 2006 for ex-Unibail assets and since June 30, 2007 for ex-Rodamco assets generated a valuation result of €526.3 Mn.

## 3. Convention and Exhibition

This activity is exclusively located in France and consists of:

- Management of 7 exhibition venues (renting and on site services provided by Paris Expo to organisers and exhibitors), all located in the Paris region, the main ones being: Parc des Exposition de la Porte de Versailles, Cnit La Défense and Carrousel du Louvre.
- Trade shows, organised by Exposium.
- Net rental income from the Cnit Hilton and Méridien Montparnasse hotels, both located in Paris region.

### Conventions-exhibitions venue management activities

Total revenues from Paris Expo came to €141.9 Mn in 2007 versus €155.2 Mn in 2006 and €139.9 Mn in 2005. Even years always generate higher revenues than odd years, since a larger number of major biennial shows<sup>13</sup> take place in even numbered years.

The apparent stability in activity versus 2005 (comparable year) was achieved despite the temporary closure of the Cnit site since March 31, 2007. Renovation works were finished in October 2007.

Paris Expo continued its growth with 47 new exhibitions created in 2007 as well as extending existing ones, which compensated for the slight decrease in site occupancy time per exhibition (due to shorter assembly and dismantling periods).

The trend seen over the last years regarding visitor numbers continued in 2007 with increased attendance at trade fairs as well as large public shows, especially at the Porte de Versailles site. This increased attendance was favourably influenced by the Paris Tram N°3 becoming operational. With the Tram N° 4 (Val de Seine, still under construction) the catchment area will reach 3 million people within less than 30 minutes of public transportation from the Porte de Versailles exhibition site.

Despite the temporary closing of Cnit, 190 corporate events were held on all sites of Paris Expo in 2007.

Operating income from Paris Expo’s rental and service activities came to €64.2 Mn in 2007, €66.8 Mn in 2006 and €59.7 Mn in 2005. Excluding the impact of the temporary closure of the Cnit, the increase compared to the comparable year 2005 was 10.7%.

Including the hotels Méridien-Montparnasse (Paris) and Hilton-Cnit (Paris la Défense), which are part of this segment of activity, the division showed an operating profit of €76.1 Mn in 2007 (versus €78.1 Mn in 2006).

Investment at the venues managed by Paris Expo in 2007 amounted to €53.3 Mn and involved mainly the renovation works of the Cnit, which has re-opened in October 2007 and the Parc des Expositions at Porte de Versailles.

As at December 31, 2007 the convention-exhibition venues and hotel portfolio was valued on the balance sheet at €914.6 Mn (excluding transfer taxes).

### Exposium activity

Given the timing and frequency of Exposium’s shows, 2007 was a year of low activity, whereas 2006 saw a favourable combination of biennial and triennial events.

A total of 67 events were held in 2007, the most important of which was the SIMA (agricultural equipment) with a 6% increase in number of visitors compared to the previous event.

<sup>12</sup> Weighted area

<sup>13</sup> Paris Motor Show, housing equipment, hotel equipment (Mondial de l’Automobile, Interclima/idéobain, Equip’hôtels...)

Total revenues for 2007 amounted to €94.2Mn. Exposium's contribution to Unibail-Rodamco's consolidated net operating income in 2007 came to €9.7 Mn. No comparison can be made with 2006 (€35.4 Mn) because of the seasonality as mentioned above.

The Salon du Meuble (furniture trade show) held in January 2007 had a performance below expectations and was disposed of. In 2007, Exposium acquired for an amount of €17.1 Mn, several trade shows (Property show and Tourism)

#### Overall

The main event for the Convention-exhibition division in 2007 was the agreement with the Paris Chamber of Commerce and Industry (CCIP), to merge the convention-exhibition activities of the two CCIP and Unibail-Rodamco entities. The final agreement has been signed on January 28<sup>th</sup>, 2008. A European market leader has been created in the field of conventions and exhibitions, regrouping the large Parisian sites (Palais des Congrès de Paris, Palais des congrès de Versailles, exhibition centres Porte de Versailles and Paris-Nord-Villepinte, Le Bourget, Cnit, the Carrousel du Louvre, Espace Champerret and Espace Grande Arche) as well as two major exhibition organisers (Exposium and Comexpo).

The merged Group will be called VIPARIS and will be operational in the first quarter of 2008.

### **III. 2007 result**

Administrative expenses amounted to €63.3 Mn.

No comparison can be made with the previous year due to the merger of the teams and resources of Unibail and Rodamco in the second half of 2007.

One-off costs were incurred to create and organise the corporate centres in Amsterdam-Schiphol and in Paris, to merge the Unibail and Rodamco teams in France, and to analyse and harmonize the systems used by the two groups. The new organisation is now fully operational.

Cost incurred for feasibility studies of development projects amounted to €4.4 Mn in 2007.

The item 'other income' reflects:

- The result of the finance leasing portfolio of ex-Unibail (with a residual outstanding amount of €8.3 Mn as at December 31, 2007). The exercise of a call option gave rise to a non-recurring gain of €2.9 Mn.
- The net operating result (€5.1 Mn) coming from property services companies (Espace Expansion and U2M)

Longstanding disputes were solved allowing the release of provisions, while new cases have emerged, resulting in a net profit of €3.7 Mn.

#### Financial expenses

Group net financial expenses totalled €176 Mn, including capitalised financial expenses of €19.2 Mn incurred by the financing of projects under construction. Net borrowing expenses recorded in the net recurring profit thus came to €156.8 Mn.

According to IFRS rules, a debt component of the ORA has been accounted for in the balance sheet for €240.7 Mn. Accordingly, an interest charge of €6 Mn was recorded in the P&L. As it was a non cash item, it did not affect the recurring profit.

The Group's average refinancing rate came to 4 % in 2007, compared with 3.5% for the year 2006 for ex-Unibail and 3.93% for ex-Rodamco in 2006. Unibail-Rodamco's refinancing policy is described in the following section 'Financial Resources'.

Hedging instruments (swaps and caps) recorded an increase in their fair value<sup>14</sup>. In accordance with the options adopted by Unibail-Rodamco for IAS 39, €58.6Mn<sup>15</sup> was recognised as profit in the non-recurring result of the income statement.

#### Goodwill impairment.

The combination between Unibail and Rodamco was realized through a share swap, aimed at equalisation of net asset value per share and earning per share. However, from an IFRS accounting viewpoint, it is treated as an acquisition by Unibail of Rodamco, based on Unibail trading share price at the date of the combination. Because Rodamco and Unibail –in line with peers- were trading at a significant premium on Net Asset Value at the date of the combination, a goodwill of €1.6 Bn has been generated in the books of Unibail-Rodamco.

In compliance with the relevant accounting guidelines, Unibail-Rodamco has completed the Purchase Price Allocation (PPA) in its year-end accounts.

Fair value adjustments have been established for Rodamco's project committed pipeline (€69 Mn minus €6.9 Mn of deferred tax), its assets held for sale (€67 Mn) and its fixed rate debt (€50 Mn). IFRS does not allow fair value determination of deferred tax liabilities, even though their economic (fair) value differs significantly from their book values. As a consequence, €244 Mn of Goodwill can be explained by this fact.

Unibail-Rodamco -as an investment company- revalues its entire asset portfolio to market value two times per year. External appraisers carry out these reviews, taking into account known market and company developments including the merger between Unibail and Rodamco. The resulting Net Asset Value and Net Asset Value per share as per 31 December 2007 therefore takes into account all this information. As the completion of the purchase price allocation in combination with the most recent external valuation has incorporated all known relevant valuation elements, the remaining amount of Goodwill (€1,335 Mn) was impaired, as no justification for continuation could be found.

This write off had no impact on the Recurring Net Profit nor on the Net Asset Value and will not affect the company's dividend.

<sup>14</sup> Compared to December 31, 2006 for financial instruments used by Unibail and to June 30, 2007 for those used by Rodamco

<sup>15</sup> Excluding part of Rodamco's derivatives designated as net investment hedge

## Tax

The income tax charge is related to:

- Countries where specific tax regimes for property companies do not exist: €46.4 Mn of which €6.1Mn was recorded as recurring result.
- Activities in France which are not eligible to the SIIC regime, mainly Convention & Exhibition (on site services and organisation): €15.6 Mn of which €3.7 Mn was recorded as recurring result.

Further to new fiscal audits and the favourable outcome of longstanding tax litigations in France and Spain provisions were released resulting in a net profit of €8.6 M€.

Consolidated net profit after tax for 2007 amounted to €1,140.6 Mn (€2,475.6 Mn before goodwill impairment) against €2,377 Mn for 2006.

Minority interests in this profit amounted to €181.3 Mn. They related mainly, to minority shareholders of Rodamco Europe<sup>16</sup>, to shopping centres in France (Les Quatre Temps and Forum des Halles) as well as to certain companies within the Expositum group.

**Consolidated net profit (group share) amounted to €959.4 Mn in 2007. This figure breaks down as follows:**

- €538.9 Mn in recurring net profit
- €1,755.5 Mn in fair value adjustments and net gains on property disposals
- -€1,335 Mn in goodwill impairment

The average number of shares and ORAs<sup>17</sup> in issue during this period was 68,572,581.

**Recurring Earning Per Share came to €7.86 in 2007, representing a rise of 15.4% compared to 2006.**

Excluding one-off items<sup>18</sup> for a total amount of €21.2 Mn, recurring EPS, would still have been above 10%.

## **IV. Dividend and outlook**

### Dividend

Unibail-Rodamco maintains its policy of paying a quarterly dividend to its shareholders and made the following payments in 2007:

- January 15, 2007: second interim dividend on 2006 result of €1.00
- April 15, 2007: third interim dividend on 2006 result of €1.00
- July 15, 2007: remaining dividend on 2006 result of €2.00
- October 15, 2007: first interim dividend on 2007 result of €1.70.

On January 15, 2008, a 2<sup>nd</sup> interim dividend 2007 of €1.70 was paid and the third interim dividend of €1.70 will be paid in April 2008.

Subject to the approval of the Annual General Meeting of Shareholders on April 29, 2008, the Supervisory Board proposes to distribute a total dividend of €7.00 per share on the 2007 result.

After deducting the interim dividends paid, the balance of €1.90 would be paid on July 15, 2008.

According to the SIIC regime, the total distribution requirement, computed on the result of Unibail-Rodamco SA (statutory accounts) amounted to €358.6 Mn (€172.8 Mn in 2008 and €185.8Mn before December, 31 2009).

The total 2007 dividend will amount to €572.3 Mn (based on the number of shares as at December 31, 2007). Thus, the requirement of the SIIC status will be totally fulfilled.

### Outlook

The Group's strategy to focus on dominant commercial properties and new developments generating regular and growing cash flows remains unchanged.

The Group's 5 year plan, which covers all assets in detail, confirmed the synergy potential from the merger between Unibail and Rodamco. Like for Like growth of Net Rental Income across the increased international asset portfolio is expected to be strong. A solid development pipeline in both Office and Retail divisions should boost further future earnings growth. In total, the pipeline amounts to 1.4 Mn m2 with an estimated investment cost of €6 Bn, generating an estimated €500 Mn in additional rents by the end of the planning period.

The financing structure is sound, with a low Loan to Value ratio and good protection against interest rate risks through fixed rate borrowing and hedges.

Given some one-off income elements in 2007 which supported the 15.4% growth in recurring EPS realised that year (positive resolution of commercial and tax claims, interest income on sale of SCI Karanis), the 2008 recurring EPS growth target is 7% or higher.

Based on these fundamentals the Group can re-iterate its targeted outlook of average annual growth of at least 10% in recurring EPS for the period 2007-2012. This growth outlook is also relevant in the context of the generous dividend policy aiming at distributing 85 to 95 per cent of recurring Net Profit.

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<sup>16</sup> 1.48% as at December 31, 2007

<sup>17</sup> ORA : Obligations Remboursables en Actions = bonds redeemable for shares. As the ORAs were mainly accounted as equity and as the charge corresponding to their debt component did not hit the recurring result, ORAs are considered as shares.

<sup>18</sup> Mainly the conclusion of longstanding disputes and interest income on sale of SCI Karanis-Coeur Défense.

## NET ASSET VALUE AS AT DECEMBER 31, 2007

Unibail-Rodamco's fully-diluted triple net liquidation NAV (Net Asset Value) amounted to €169.3 per share as at December 31, 2007, up 20.4% from year-end 2006. Over 2007, value creation amounted to €34.4 per share, by adding to NAV growth of €28.7 per share, the €5.7 dividend paid out (including ORA) in 2007.

### 1. PROPERTY PORTFOLIO

Unibail-Rodamco's asset portfolio grew from €23,879 Mn - including transfer taxes and disposal costs - at June 30, 2007 to €25,229 Mn by year-end 2007.

Asset portfolio valuation of UNIBAIL-RODAMCO (including transfer taxes)	December 31, 2006 UNIBAIL		June 30, 2007				December 31, 2007 UNIBAIL-RODAMCO	
			Unibail	Rodamco (1)	Unibail-Rodamco			
	€ Mn	%	€ Mn	€ Mn	€ Mn	%	€ Mn	%
Shopping centres (2)	5,523	51%	5,905	10,857	16,762	70%	18,395	73%
Offices & Industrials	3,904	36%	4,665	1,018	5,683	24%	5,393	21%
Convention-Exhibition centres	936	9%	943		943	4%	985	4%
Services (Exposium & Espace Expansion)	493	5%	492		492	2%	456	2%
<b>Total</b>	<b>10,856</b>	<b>100%</b>	<b>12,004</b>	<b>11,875</b>	<b>23,879</b>	<b>100%</b>	<b>25,229</b>	<b>100%</b>

(1) Due to the reclassification of some assets, the breakdown slightly differs from mid-year publication.

(2) Shopping Centres portfolio does not include Zlote Tarasy (Warsaw) which is accounted for as a pre-payment in 2007 year-end balance sheet.

Excluding Rodamco's assets, the value of Unibail's portfolio grew from €10,856 Mn at year-end 2006 to €12,476 Mn by year-end 2007. On a like-for-like basis, the value of the overall portfolio increased by €1,264 Mn net of investments, i.e. a rise of 12.6% compared with year-end 2006.

Valuation of ex-UNIBAIL portfolio (including transfer taxes) (1)	December 31, 2006		December 31, 2007		Like-for-like change at Dec 31, 2007 (2)		Like-for-like change net of investment at Dec 31, 2007	
	€ Mn	%	€ Mn	%	€ Mn	%	€ Mn	%
Shopping centres	5,523	51%	6,694	54%	754	14.6%	647	12.6%
Offices	3,904	36%	4,341	35%	703	19.9%	620	17.5%
Convention-Exhibition centres	936	9%	985	8%	48	5.1%	5	-0.6%
Services (Exposium & Espace Expansion)	493	5%	456	4%	2	0.4%	2	0.4%
<b>Total</b>	<b>10,856</b>	<b>100%</b>	<b>12,476</b>	<b>100%</b>	<b>1,507</b>	<b>15.0%</b>	<b>1,264</b>	<b>12.6%</b>

(1) Based on a full scope of consolidation, including transfer taxes and disposal costs.

The valuation of the portfolio includes:

- the appraised value of the entire property portfolio;
- the market value of Unibail's equity holdings in companies consolidated under the equity method and loans granted to these companies (SCI Triangle des Gares, which owns the Euralille shopping centre).
- the appraised value of the Exposium group and of Espace Expansion at December 31, 2007 (annual appraisal).

(2) Principal changes in the scope of consolidation during 2007:

- Divestment of the Chelles 2 shopping centre, the remaining 49% stake in Coeur Défense and of 44 Lisbonne and Bassano.
- Acquisition of the Factory Outlet 'A l'Usine' (Roubaix).
- Acquisitions of co-ownership lots in Maine Montparnasse, Vélizy 2, Rennes Alma and Marseille Valentine.
- The acquisition by Exposium of three trade fair business franchises and brands for a total cost of €15.3 Mn and the divestment of the Salon du Meuble exhibition for € 17.5 Mn.

Changes on a like-for-like basis do not include the changes listed above.

For the record, the value of Rodamco's portfolio appreciated from €11,102 Mn at year-end 2006 to €12,753 Mn at year-end 2007 (up 11.9% on a like-for-like basis net of investments):

Valuation of ex-RODAMCO portfolio (including transfer taxes)	December 31, 2006 (1)		December 31, 2007		Like-for-like change at December 31, 2007 (2)		Like-for-like change net of investment at December 31, 2007 (2)	
	€ Mn	%	€ Mn	%	€ Mn	%	€ Mn	%
Shopping centres	10,129	91%	11,701	92%	1,258	12.7%	1,209	12.2%
Offices & Industrials	973	9%	1,052	8%	81	9.6%	73	8.7%
<b>Total</b>	<b>11,102</b>	<b>100%</b>	<b>12,753</b>	<b>100%</b>	<b>1,340</b>	<b>12.5%</b>	<b>1,282</b>	<b>11.9%</b>

(1) 1H2007 NAV note mentions €10,977 Mn for total valuation including transfer taxes; the difference with the €11,102 Mn is due to the standardisation of the transfer tax calculation method.

(2) Including a €86.9 Mn currency loss.

As at December 31, 2007, independent appraisers had valued 92.5% of Unibail-Rodamco's portfolio.

The appraisers valuing Rodamco's assets are appointed from a short-list based on a number of solid qualifications, e.g. reputation, credibility, compliance with RICS (Royal Institute of Chartered Surveyors) and ISVC (International Valuation Standards Committee) and codes of conduct. This list is used to select appraisers and includes: CB Richard Ellis, Cushman & Wakefield, Healey & Baker, Jones Lang LaSalle and DTZ.

The appraisers who have valued Unibail's portfolio since 2005 are DTZ Eurexi for the Office division, CB Richard Ellis Bourdais for the Shopping Centre division and KPMG for the Convention-Exhibition division. The Cnit-Hilton and Méridien-Montparnasse hotels have been appraised by DTZ Eurexi since 2006. The Exposium group and Espace Expansion have been appraised by PricewaterhouseCoopers since 2006.

The basis for determining the fair value of Unibail-Rodamco's property portfolio is the market value, which is the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, including estimated costs that a buyer needs to make for obtaining the property. Disposal costs and transfer taxes are then deducted for the purposes of the balance sheet presented under IFRS format and the NAV calculation according to specific methods detailed in §2.7.

The remaining assets (7.5%), which have not been externally appraised as at December 31, 2007, have been valued as follows:

- At their disposal price, for assets being sold (part of the highstreet shop portfolio in the Netherlands, 1 St Georges and 126 Jules Guesdes in France), i.e. 3.3% of the total Unibail-Rodamco asset portfolio;
- At their book value, for properties under construction. These mainly represent shopping centres under development (notably Forum Nacka extension in Sweden, Benidorm & Badajoz in Spain, Pankrac in the Czech Republic and in France: Rivétoile in Strasbourg, Lyon Confluence, Docks de Rouen, Le Havre, Passages Mériadeck and Aéroville) and office developments (Phare and Majunga at La Défense, Tour Oxygène in Lyon and Clichy), accounting for 2.9% of Unibail-Rodamco's total portfolio.
- At their acquisition cost for assets purchased during the preceding six-month period, including principally 4 Go Sport shops and the 3 'Printemps' lots acquired in the Vélizy 2, Rennes Alma and Marseille Valentine shopping centres. These assets represent 1.3% of the total Unibail-Rodamco portfolio.

## 1.1 Shopping Centre portfolio

The value of Unibail-Rodamco's shopping centre portfolio is the addition of the value of each individual asset. Accordingly, no value is placed on Unibail-Rodamco's market share.

### Valuation methodology

The valuation principles adopted are based on the discounted cash flow and yield methodologies. The independent appraiser determines the fair market value based on the results of these two methods. Furthermore, the resulting valuations are cross-checked against the initial yield and the fair market values per square metre.

Parking spaces currently in service are also valued using the discounted cash flow method.

### Evolution of Unibail-Rodamco's Shopping Centre valuation

The value of Unibail-Rodamco's Shopping Centre Portfolio came to €18,395 Mn at December 31, 2007, including transfer taxes and disposal costs.

Shopping Centre portfolio by region	Valuation including transfer taxes in € Mn	Valuation excluding estimated transfer taxes in € Mn (1)	Net initial yield (2) Dec. 31, 2007	Net initial yield (2) June 30, 2007
France (3)	9,067	8,672	4.3%	4.4%
Netherlands & Belgium	3,722	3,485	5.5%	5.7%
Nordic (4)	2,072	2,047	4.8%	4.9%
Spain	1,954	1,906	5.1%	5.1%
Central Europe	1,581	1,554	5.8%	5.9%
<b>Total</b>	<b>18,395</b>	<b>17,664</b>	<b>4.8%</b>	<b>4.9%</b>

(1) Valuation excluding estimated transfer taxes and disposal costs (see §2.7).

(2) Annualised rent (including latest indexation) net of expenses, divided by the value of the portfolio net of estimated transfer taxes and disposal costs. Equity accounted for shopping centres (Euralille) and shopping centres under development are not included in the calculation..

The net initial yield on Rodamco's shopping centres, comparable to Rodamco's figures on December 31, 2006 (i.e. based on gross open market value including transfer taxes), amounts at December 31, 2007 to 4.9%, with a net initial yield of 4.2% for French assets, 5.1% in the Netherlands & Belgium, 4.7% in Nordic countries, 5.0% in Spain and 5.7% in Central Europe.

(3) For France, the yield - based on the asset value excluding estimated transfer taxes and disposal costs - came to 4.3% as at December 31, 2007, compared with 4.6% as at December 31, 2006.

(4) In the Nordic Countries, offices tend to be integrated in shopping centres. Therefore yield relates to the combined valuation of offices and retail. According to external appraisals, retail represents 87% of Swedish portfolio against 77% in previous estimations.

Part of the highstreet shops portfolio in the Netherlands was under sale agreements at December 31, 2007. The valuation adopted based on the future selling price implies an increase of 11.9% compared with the appraisal value at mid-year 2007.

### Like for Like analysis:

On a like-for-like basis<sup>19</sup>, the value of the French Shopping Centre portfolio, including transfer taxes and disposal costs, rose by €754 Mn (+14.6%) compared with year-end 2006. Restated for capital expenditure, capitalised financial expenses, leasing expenses and eviction costs, the value of the Shopping Centre portfolio rose by 12.6% on a like-for-like basis breaking

down into +6.9% from the increase in revenues of shopping centres and +5.7% due to changes in yield.

Compared with mid-year 2007, the value of the French Shopping Centre portfolio – including ex-Rodamco portfolio and net of investments - rose by 6.9% on a like-for-like basis breaking down into +4.9% from the increase in revenues of shopping centres and +2.0% due to changes in yield.

Like-for-like evolution net of investments compared with mid-year 2007 for Unibail-Rodamco shopping centres is the following:

Shopping Centre - Like for Like evolution (1), H2 2007	Like for Like evolution (1) in € Mn	Like for Like evolution (1) in %	Like for Like evolution (1) - Rent impact	Like for Like evolution (1) - Yield impact
France	528	6.9%	4.9%	2.0%
Other regions (2)	258	2.9%	1.9%	1.0%
<b>Total</b>	<b>786</b>	<b>4.8%</b>	<b>3.4%</b>	<b>1.4%</b>

(1) Like for like evolution net of investments from June 30 to December 31, 2007.

(2) Total of Netherlands & Belgium, Nordic, Spain and Central Europe regions.

### Shopping centre development and extension projects

Shopping centre development and extension projects have not been assigned a market value, despite the potential capital gains, but are valued at their historical cost until delivery. These mainly comprise:

- ☞ in France: Strasbourg-Rivéroile, Lyon Confluence, Docks de Rouen, Le Havre, Passages CMK in Bordeaux, Versailles-Chantiers, the Eiffel project in Levallois, the retail portion of the Cnit undergoing restructuring and the Aéroville project (Paris Charles de Gaulle airport).
- ☞ In the Rest of Europe: Forum Nacka in Sweden, Badajoz and Benidorm in Spain, Pankrac and Centry Most in the Czech Republic, as well as the Donauzentrum extension in Austria.

At December 31, 2007, Shopping Centre development projects represented a total historical cost of €628.5 Mn on the balance sheet of Unibail-Rodamco.

## 1.2 Office portfolio

### Valuation methodology

The valuation principles adopted are based on the discounted cash flow and yield methodologies. The independent appraiser determines the fair market value based on the results of these two methods. Furthermore, the resulting valuations are cross-checked against the initial yield and the fair market values per square metre.

<sup>19</sup> Ex-Rodamco France portfolio (eleven assets with a value including transfer taxes of € 2,373 Mn) is not included in the like-for-like analysis with year end 2006.



## Evolution in Unibail-Rodamco's Office valuation

The value of the Office Portfolio stood at €5,393 Mn at December 31, 2007:

Office portfolio by region	Valuation (including transfer taxes)	
	€ Mn	%
France (1)	4,560	85%
Netherlands & Belgium	395	7%
Nordic (2)	216	4%
Spain (Industrials)	151	3%
Central Europe	71	1%
<b>Total</b>	<b>5,393</b>	<b>100%</b>

(1) Including rue du Faubourg Saint-Honoré (Paris) and Tour Oxygène (Lyon) assets, which belonged to Retail portfolio in 1H2007.

(2) According to external appraisals, offices represent 13% of the Swedish portfolio against 23% in previous estimations.

Based on an asset value, excluding estimated transfer taxes and disposal costs, the Office division's potential yield at December 31, 2007 came to 5.4%.

Valuation of occupied office space	Valuation including transfer taxes in € Mn	Valuation excluding estimated transfer taxes in € Mn	Potential yield (1)
France	4,560	4,397	5.2%
Netherlands & Belgium	395	369	6.8%
Nordic (2)	216	213	4.9%
Spain (Industrials)	151	147	5.8%
Central Europe	71	69	8.3%
<b>Total</b>	<b>5,393</b>	<b>5,195</b>	<b>5.4%</b>

(1) Potential rental income on office space divided by the value of the portfolio excluding estimated transfer taxes and disposal costs.

(2) In Nordic Countries, offices tend to be integrated in shopping centres. Therefore yield relates to the combined valuation of offices and retail.

### French Office Portfolio:

On a like-for-like basis<sup>20</sup>, the value of Unibail's Office portfolio, including transfer taxes and disposal costs, has risen by €703 Mn since year-end 2006, i.e. an increase of 19.9%. After accounting for the impact of capital expenditure and capitalised financial and leasing expenses, the valuation of the Office portfolio, on a like-for-like basis, has risen by 17.5% breaking down into +6.9% from the increase of rents and lettings and +10.6% due to changes in yield.

Compared with mid-year 2007, the value of the French office portfolio - including ex-Rodamco portfolio and net of investments - rose by 2.0% on a like-for-like basis breaking down into -1.0% due to changes in yield and +3.0% from the increase in revenues of offices.

French Office portfolio by sector	Valuation (including transfer taxes) (1)	
	M€	%
Paris CBD	1,987	44%
Neuilly-Levallois-Issy	719	16%
La Défense	1,672	37%
Other	182	4%
<b>Total</b>	<b>4,560</b>	<b>100%</b>

(1) Valuation including transfer taxes and disposal costs of all office portfolio assets.

Based on an asset value, excluding estimated transfer taxes and disposal costs, the Office division's yield for occupied offices at December 31, 2007 came to 5.1%. This yield was 50 basis points lower than at year-end 2006.

Valuation of French occupied office space	Valuation including transfer taxes in € Mn (1)	Valuation excluding estimated transfer taxes in € Mn (2)	Net initial yield (3)	Average price €/ m <sup>2</sup> (4)
Paris CBD	1,559	1,514	4.5%	15,802
Neuilly-Levallois-Issy	717	677	5.8%	6,206
La Défense	1,450	1,398	5.4%	8,492
Other	105	100	5.6%	3,696
<b>Total</b>	<b>3,831</b>	<b>3,689</b>	<b>5.1%</b>	<b>9,517</b>

(1) Valuation (including transfer taxes) of occupied office space as at December 31, 2007, based on the appraiser's allocation of value between occupied and vacant space. Excluding space undergoing restructuring and vacant space.

(2) Valuation, excluding estimated transfer taxes and disposal costs (see § 2.7), of occupied office space as at December 31, 2007, based on the appraiser's allocation of value between occupied and vacant space. Scope identical to note (1) above.

(3) Annualised rent (including latest indexation) net of expenses, divided by the value of occupied space net of estimated transfer taxes and disposal costs.

(4) Based on the scope described in note (2), excluding estimated transfer taxes, except for the parking spaces at 68/82 rue du Maine-Paris 14<sup>th</sup> arrondissement. Restatement of parking spaces on the basis of €30,000 per space for Paris CBD and Neuilly-Levallois-Issy, and €15,000 for other areas.

Two assets were under sale agreements at December 31, 2007: 126 Jules Guesdes, which was already under sale agreement at year-end 2006, and 1 St Georges, whose valuation adopted based on the future selling price implied an increase of 25.8% compared with the appraisal value at year-end 2006.

### 1.3 Convention-Exhibition Portfolio

The value of Unibail-Rodamco's convention-exhibition centre portfolio is derived from the combination of the value of each individual asset.

#### Valuation methodology

The valuation methodology adopted by KPMG for each individual venue is mainly based on a discounted cash flow model applied to total net income projected over the life of the concession or leasehold, if it exists (notably the Porte de Versailles concession) or otherwise over a 10-year period, with an estimation of the asset's value at the end of the given time period, based either on the residual contractual value for concessions or on capitalised cash flows over the last year.

<sup>20</sup> Ex-Rodamco France portfolio (four assets with a value including transfer taxes of € 220 Mn) is not included in the like-for-like analysis with year end 2006.

The valuations carried out by KPMG took into account total net income, which comprised net rents and ancillary services, as well as net income from car parks.

The cost of maintenance works, major repairs, refurbishments, redevelopments and extensions, as well as concession fees, are included in projected cash flow figures.

The valuation methodology used by DTZ Eurexi to determine the fair market value of the Méridien-Montparnasse hotel premises at December 31, 2007 consists of capitalising the fixed portion of annual income, plus discounting cash flows representing the variable portion of rents. The discounted cash flow model has been adopted for the Cnit-Hilton hotel (operating under an operational lease agreement).

#### Evolution of the Convention-Exhibition Centres valuation

In view of the above, the value of Convention-Exhibition centres (including hotels), including transfer taxes and disposal costs, came to €985 Mn as at December 31, 2007, almost stable (down 0.6%) on a like-for-like basis, net of investments, compared with year-end 2006.

Convention-Exhibition Portfolio including transfer taxes (€ Mn)	Dec 31, 2006	Dec 31, 2007	Like-for-like change net of investments	
			€ m	%
Paris Expo (1)	740	778	-15	-2.1%
Hotels : Méridien Montparnasse and Cnit Hilton	196	206	10	5.2%
<b>Total</b>	<b>936</b>	<b>985</b>	<b>-5</b>	<b>-0.6%</b>

(1) Paris Expo includes all of the Group's Convention-Exhibition centres.

The value of the Convention-Exhibition venues (Paris Expo) increased with €38 Mn over the year (+5.1%). On a like-for-like basis and net of investments, a decline of 2.1% (compared to year-end 2006) resulted from completed investments (mainly the Cnit), as the discount rate also remained stable over the year.

Based on these valuations, the average initial yield on Paris Expo at December 31, 2007 (2007 recurring operating profit divided by the value of the asset, excluding transfer taxes and costs) was 8.8% (excluding the Cnit, which underwent restructuring during part of the period), down slightly on the 9.1% yield at year-end 2006.

The valuations of the Cnit-Hilton and Méridien-Montparnasse hotels increased over the year by a total of €10 Mn, an increase of 5.2%.

#### **1.4 Services**

PricewaterhouseCoopers appraised for the second time as at December 31, 2007 the value of the Exposium group (a trade show organisation business and related exhibitions) as well as Espace Expansion (a company specialised in the promotion, marketing and management of property assets) in order to include at their market value all significant intangible assets in the portfolio and in the calculation of Unibail-Rodamco's NAV.

Intangible assets are not revalued but maintained at their historical cost on Unibail-Rodamco's consolidated balance sheet.

#### Valuation methodology

PricewaterhouseCoopers valued Exposium and Espace Expansion mainly using the discounted cash flow method based on their business plans. A market-based (peer comparison) approach was also used by PricewaterhouseCoopers to cross-check the resulting valuations.

#### Evolution of the Services valuation

Service companies are valued on an annual basis. At December 31, 2007, the market value of Espace Expansion companies and the Exposium group was €456 Mn, almost stable (+0.4%) on a like-for-like basis compared with year-end 2006.

The change in value is mainly attributable to the change of scope of consolidation, and in particular to the acquisition of three trade shows, the disposal of the furniture exhibition (Salon du Meuble) and the cancellation of the Paris Numeric Show exhibition.

## **2. TRIPLE NET LIQUIDATION NAV CALCULATION**

The Group's triple net liquidation NAV is calculated by adding to consolidated shareholders' equity (Group share), as shown on the consolidated balance sheet (under IFRS) the items listed under 2.1 to 2.8 below:

### **2.1 Consolidated shareholders' equity**

At December 31, 2007, consolidated shareholders' equity (Group share) came to €14,603.7Mn.

Shareholders' equity, Group share incorporated net recurring profit of €538.9 Mn, €1,756 Mn of capital gain on sales of properties, fair value adjustments on property assets and on derivative financial instruments, and a € 1,335 Mn impairment of goodwill (see 'Business Review and 2007 Results' page 7).

The debt component of the ORAs, recognised in the financial statements (€ 240.7 Mn) was added to shareholders' equity for the calculation of NAV. At the same time, all ORAs were treated as equity shares.

A receivable of €153.9 Mn was recognised as at December 31, 2007 in respect of shareholders and ORA holders representing the dividend instalment due, being €1.70 per share, which was paid on January 15<sup>th</sup>, 2008. This amount, which was deducted from the shareholders' equity shown on the consolidated balance sheet as at December 31, 2007, was added back for the calculation of NAV.

### **2.2 Adjustments linked to Rodamco's combination**

The remaining goodwill (€ 244 Mn), which corresponds to the value of tax optimisation on Rodamco's assets at the date of the combination, was deducted at that step as the optimisation of deferred taxes and transfer taxes was computed for the Unibail-Rodamco portfolio as a whole (see below).

For the calculation of the triple net asset value, Unibail has always accounted the projects at their historical cost.

To be fully consistent, the value recognised for Rodamco's projects in the purchase price allocation and recorded in the Unibail-Rodamco's balance sheet was deducted (€ 47.5 Mn)

### 2.3 Unrealised capital gains on the property portfolio

The only unrealised capital gains to be taken into account at December 31, 2007 were those arising from the valuation of operating fixed assets carried on the balance sheet at historical cost because they are owner occupied by Unibail-Rodamco's teams. They related to the property at 5, bd Malesherbes-Paris 8<sup>th</sup> arrondissement<sup>21</sup>, and part of the property at 70 Wilson at La Défense-Paris<sup>22</sup>, on which the unrealised capital gain stood at €91.5 Mn, excluding estimated transfer taxes and disposal costs. In Amsterdam, Unibail-Rodamco's Dutch operations are based in the company's own property at the Oostelijke Handelskade.

### 2.4 Capital gains on services

The appraisal of Exposium and Espace Expansion gave a rise to an unrealised capital gain of € 111 Mn which was added for the NAV calculation.

Unibail-Rodamco's other operational subsidiaries (U2M, S2B and Unibail Management) were valued at their consolidated book value, i.e. the value of their operating fixed assets. This cautious approach did not give rise to any unrealised capital gains or losses.

### 2.5 Mark-to-market value of debt

In accordance with IFRS, derivative financial instruments were recorded on Unibail-Rodamco's balance sheet at their fair value and their impact included in the consolidated shareholders' equity. Only fixed-rate debt was not accounted for at its fair value: nominal value for ex-Unibail debt and fair value at the date of the combination (June 30) for ex-Rodamco debt. Taking fixed rate debt at its fair value would have had a positive impact of €53.7 Mn. This impact has been taken into account in the NAV calculation.

### 2.6 Adjustment of capital gains taxes

In accordance with applicable accounting standards, deferred tax on property assets was only calculated on a theoretical basis on the consolidated balance sheet as at December 31, 2007. For the purpose of the NAV calculation, deferred tax on unrealised capital gains on assets not qualifying for tax exemption (SIIC or FBI regime), are recalculated and replaced by taxes actually payable, should a disposal take place.

This resulted in an adjustment of €359.7 Mn to the NAV calculation.

### 2.7 Restatement of transfer taxes and disposal costs

Transfer taxes are estimated after taking into account the disposal scheme minimising these costs: sale of the asset or the company that owns it, provided the anticipated method is achievable, which notably depends on the net book value of the asset. This estimation is carried out on a case-by-case basis on each individual asset, according to the local tax regime.

As at December, 2007, these estimated transfer taxes and other disposal costs compared to transfer taxes and costs already deducted from asset values on the balance sheet (in accordance with IFRS) came to an adjustment of €201.9 Mn.

### 2.8 Treasury shares and securities giving access to share capital

Unibail-Rodamco held 11,157 treasury shares as at December 31, 2007. The corresponding equity was deducted from shareholders equity and the number of shares reduced accordingly.

Moreover, the exercise of stock-options and allotment of bonus shares outstanding at December 31, 2007 would have led to a rise in the number of shares of 2,211,741, increasing shareholders' equity by €265.9 Mn.

As at December 31, 2007, the fully-diluted number of shares taken into account for the NAV calculation totalled 93,279,736, including the ORAs and the dilutive impact of stock-options and bonus shares.

After inclusion of the adjustments under 2.1-2.8 above, **Unibail-Rodamco's triple net liquidation NAV (Group share) stood at €15,790 Mn or €169.30 per share (fully-diluted) as at December 31, 2007, an increase of 20.4% compared with year-end 2006.**

**Value creation during the year amounted to €34.40 per share, by adding to NAV growth of €28.70 per share, the €5.70 dividend paid out (including ORA) in 2007.**

NAV as at December 31, 2007 is reconciled with NAV as at December 31, 2006 in the following table.

Evolution of triple net liquidation NAV Dec. 31, 2006 to Dec. 31, 2007		nb of shares
Fully diluted NAV per share as at Dec. 31, 2006 (€)	140.6	48,004,323
Revaluation of property assets (excluding Cœur Defense)	14.2	
Revaluation of Cœur Defense at the sale price	4.3	
Recurring net profit	3.9	
Distribution in H1-2007	- 1.9	
Mark-to-market of debt and financial instruments	2.3	
Variation in transfer taxes & deferred taxes adjustments	- 1.4	
Other	- 0.1	
Fully diluted NAV per share as at June 30, 2007 before PEO	161.9	48,031,991
Consolidation of 79.63% of Rodamco	- 2.2	
Fully diluted NAV per share as at June 30, 2007 (€)	159.7	85,312,925
Consolidation of 16.11% of Rodamco (subsequent offer period)	- 0.9	92,826,200
revaluation of Unibail-Rodamco property assets in H2	7.7	
Capital gain on disposals	0.2	
recurring profit H2	3.8	
distribution in H2-2007 (including ORA)	- 3.5	
Mark-to-market of debt and financial instruments	0.9	
Variation in transfer taxes and deferred taxes adjustments	0.6	
other	0.8	
Fully diluted NAV per share as at December 31, 2007	169.3	93,279,736

<sup>21</sup> the Group's statutory head office.

<sup>22</sup> Exposium's head office.

	Unibail		Unibail-Rodamco	Unibail-Rodamco
	31.12.2006	30.06.2007 before Public Exchange	30.06.2007	31.12.2007
<b>Consolidated shareholders' equity</b>	<b>6,053.1</b>	<b>7,065.3</b>	<b>13,999.0</b>	<b>14,603.7</b>
Amounts owed to shareholders	46.1	92.3	166.9	139.2
Bonds redeemable for shares (restatement of debt component)			249.6	240.7
Amounts owed to bonds redeemable for share				14.7
<b>Deduction of the goodwill on exchange offer</b>			- 1,655.6	- 244.0
<b>Deduction of pipeline fair value recognise in PPA* net of deferred tax</b>				- 47.5
<b>Fair value adjustment</b>				
Property excluding investment properties	58.5	84.9	84.9	91.5
Exposium & Espace Expansion	150.7	150.7	150.7	111.0
Fixed-rate debt (ex-Unibail)	4.8	15.5	15.5	23.3
Fixed-rate debt (ex-Rodamco)				30.4
<b>Adjustment to taxes</b>				
Deferred tax on capital gains on property assets (balance sheet)	105.9	109.8	636.4	806.4
Actual tax	- 7.3	- 7.6	- 351.7	- 446.7
<b>Adjustment to transfer taxes and disposal costs</b>				
Taxes already deducted from value of assets in balance sheets	471.7	467.5	647.1	766.6
Actual Transfer taxes	- 302.9	- 370.4	- 487.9	- 564.7
<b>Impact of rights giving acces to share capital</b>				
Potential impact of stock options granted	169.4	168.2	168.2	265.9
<b>Triple net liquidation NAV</b>	<b>6,750.0</b>	<b>7,776.2</b>	<b>13,623.1</b>	<b>15,790.3</b>
Fully diluted number of shares	48,004,323	48,031,991	85,312,925	93,279,736
<b>Fully diluted triple net liquidation NAV per share</b>	<b>140.6 €</b>	<b>161.9 €</b>	<b>159.7 €</b>	<b>169.3 €</b>
<b>% Change vs 31.12.2006</b>		15.1%	13.6%	20.4%

\* : for the portion of the acquisition generating goodwill.

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## FINANCIAL RESOURCES

The Unibail-Rodamco Group emanates from the combination of Unibail SA and Rodamco Europe NV, through an exchange offer declared unconditional on 21 June 2007 for Unibail shares and Unibail redeemable bonds ('ORA')<sup>23</sup> issued in exchange for existing outstanding Rodamco shares. Consequently, Unibail-Rodamco consolidates Rodamco as of 30 June 2007.

After a subsequent offer was completed on 10 July 2007, the Group owned 95.74% of Rodamco shares. Subsequently Unibail-Rodamco bought 2.8% of Rodamco shares on the market for a total amount of 238.7 M€. After a subsequent offer was completed on 10 July 2007, the Group owned 95.74% of Rodamco shares. Subsequently Unibail-Rodamco bought 2.8% of Rodamco shares on the market for a total amount of 238.7 M€.

At year-end 2007, Unibail-Rodamco owned 98.52% of Rodamco shares. Unibail-Rodamco initiated a statutory squeeze out proceeding of the remaining Rodamco shares on 14 December 2007.

It has been assumed for the sake of computing Unibail-Rodamco's debt that ORA had a 100% equity content<sup>24</sup>.

On 31 December 2007, the Group's total net debt includes both Unibail's and Rodamco's debt. The financial expenses of the Group for 2007 include financial expenses from Rodamco only in H2 2007.

### 1. Debt structure at 31 December 2007

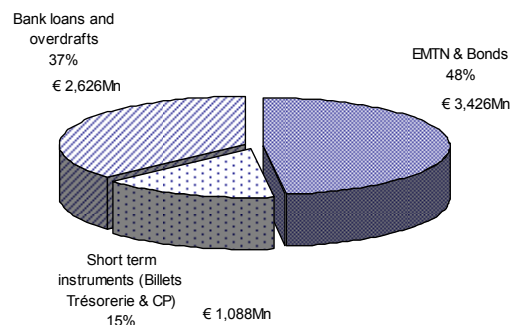
Consolidated gross financial debt at 31 December, 2007 amounted to €7,140 Mn.

#### 1.1. Debt breakdown

Unibail-Rodamco's gross financial debt as at 31 December 2007 breaks down as follows:

- €3,426 Mn in bond issues, of which €1,320 Mn in Euro Medium Term Notes (EMTN) of Unibail's programme and €1,606 Mn in EMTN of Rodamco's programme, the remainder, €500 Mn, in Rodamco bonds;
- €1,088 Mn short term issues of which €473 Mn in French commercial paper (*billets de trésorerie*) and €615 Mn under Rodamco's Commercial Paper Programme<sup>25</sup>;
- €2,626 Mn in bank loans, including €2,100 Mn in corporate loans, €506 Mn in mortgage loans and €20 Mn in bank overdrafts.

No loans were subject to prepayment clauses linked to the Company's ratings<sup>26</sup>.



### 1.2. Funds Raised

During 2007, new financial resources for Unibail-Rodamco were obtained from both the money-market by issuing commercial paper and *billets de trésorerie*, and the bank loan market: more specifically, €870 Mn new bilateral loans have been concluded during the last quarter of 2007 with several banks on a maturity between 1 year to 6 years. Those new lines give more flexibility on liquidity to the Group.

Unibail-Rodamco has signed additional loans since the beginning of 2008 for another €110 Mn as at 31 January 2008.

Unibail-Rodamco's completed the following refinancing operations in 2007:

- €870 Mn in new bilateral loans with a maturity of 1 year to 6 years and an average margin of 30 bp above Euribor. Only €270 Mn (out of €870 Mn) were drawn at the end of December 2007.
- A drawdown of €382 Mn was made from the 7-year syndicated bank loan of €700 Mn which was signed in May 2006. This implies that €640 Mn of this loan is drawn as of 31 December 2007.
- In May 2007 Rodamco executed a €140 Mn 5-year credit facility in Czech Koruna equivalent via its subsidiary Centrum Praha JIH-Chodov s.o.r.. This facility was fully drawn as at 31 December 2007.
- A total amount of €489 Mn in short term loans from money brokers have been raised or rolled over at the level of Rodamco. There was €125 Mn outstanding as at 31 December 2007.
- €3,703 Mn in commercial paper. €2,049 Mn in commercial paper (*billets de trésorerie*) issued at the level of Unibail-Rodamco with a maturity of up to one year and an average outstanding amount of €196.5 Mn. Rodamco raised or rolled over €1,654 Mn during 2007 with an average outstanding amount of €362 Mn.
- The commercial paper programmes (one existing at Unibail-Rodamco's level (*billet de trésorerie*) and another one at Rodamco's level) are backed by confirmed credit lines<sup>27</sup>. These credit lines protect Unibail-Rodamco against

<sup>23</sup> 'ORA' = Obligations Remboursables en Action Unibail-Rodamco

<sup>24</sup> Consequently, the €240.6 Mn of the ORA recognised as debt are included in shareholders' funds – this approach is consistent with treatment of the ORA by S&P

For more information on ORA, see the section "Other significant operations"

<sup>25</sup> Short term paper is backed by confirmed credit lines (see 1.2)

<sup>26</sup> Barring exceptional circumstances (change in control)

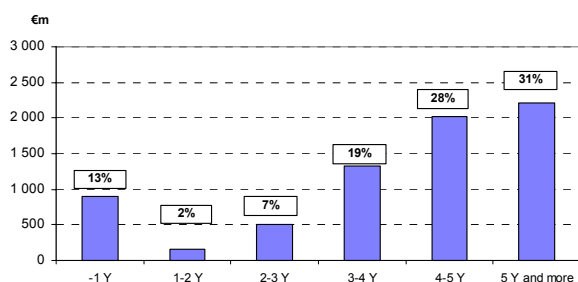
<sup>27</sup> These confirmed credit lines generally include requirements to meet specific ratios relating to debt, financial expenses and revalued

the risk of a temporary or more sustained absence of lenders in the short or medium term debt markets. As at 31 December 2007 these confirmed credit lines amounted to €1,273 Mn. These credit lines were provided by leading international banks. Their average duration is 4 years. As at 31 December 2007, €110 Mn of these confirmed credit lines were drawn. Besides the €1,273 Mn committed syndicated credit facility, Unibail-Rodamco has other committed lines, generally used directly by its subsidiaries, for a total amount of €61 Mn. These lines are used for day-to-day cash and working capital management.

Unibail-Rodamco's cash surplus was limited in 2007, amounting to an average over 2007 of approximately €77 Mn. These surpluses were mainly invested in diversified low-risk money-market unit trusts (*SICAV*) or in overnight deposits with various, creditworthy banks.

### 1.3. Debt maturity

The following chart illustrates Unibail-Rodamco's debt (as at 31 December 2007) after the allocation of the confirmed credit lines (including the undrawn part of the bank loans) by date of maturity and based on the residual life of its borrowings.



Nearly 80% of the debt had a maturity of more than 3 years as at 31 December 2007 (after taking into account undrawn credit lines).

The average maturity of Unibail-Rodamco's debt (as at 31 December 2007), taking into account the confirmed unused credit lines<sup>28</sup>, stood at 4.1 years (4.7 years as of 31 December 2006<sup>29</sup>).

### 1.4. Average cost of Debt

Unibail-Rodamco's average refinancing rate came to 4.0% over 2007. This average refinancing rate includes Rodamco's debt and financial expenses in H2 2007. On a proforma basis, it stands at 4.1% over 2007. It stands stable in comparison with 2006 (3.5% for ex-Unibail on a stand alone basis for 2006 and 3.9% for ex-Rodamco in 2006). This average cost of debt results from the level of margins on existing borrowings and the interest rate risk hedging programme implemented in 2003. The latter was significantly built up in 2005 and the beginning of 2006 at ex-Unibail's level.

## 2. Ratings

Unibail-Rodamco is rated by the rating agencies Moody's and Standard & Poor's.

Following the merger with Rodamco, Standard & Poor's upgraded Unibail's long-term rating from 'A-' to 'A' and its short-term rating from 'A2' to 'A1' and giving a stable outlook for Unibail-Rodamco.

Moody's gave Unibail-Rodamco a long-term rating of 'A3', also with a stable outlook.

During 2007, Rodamco was rated 'A' with a stable outlook by Standard Poor's. The merger with Unibail-Rodamco did not affect Rodamco's credit rating.

## 3. Market risk management

Market risks can generate losses resulting from fluctuations in interest rates, exchange rates, raw material prices and share prices. Unibail-Rodamco's risk is limited to interest rate fluctuations on the loans it has taken out to finance its investments and maintain the cash position it requires, as well as to exchange rate fluctuations due to the Group's international activities in countries outside the Euro-zone. The Group is not exposed to any equity risks.

Unibail-Rodamco's risk management policy aims to control the impact of interest rate fluctuations on profit, while minimising the overall cost of debt. To achieve these objectives, Unibail-Rodamco contracts derivatives, mainly caps and swaps, to hedge its interest rate exposure through a macro hedging policy. Unibail-Rodamco's market transactions are confined exclusively to these interest rate hedging activities, which it manages centrally and independently.

To manage exchange rate risk, the Group aims to limit its net exposure by raising debt in local currency, by using derivatives and by buying or selling foreign currencies at spot rates.

Due to its use of derivatives to minimise its interest rate and currency risk, the Group is exposed to potential counterparty defaults. The counterparty risk is the risk of replacing the derivative transactions at current market rates in the case of default. To limit counterparty risk, Unibail-Rodamco relies solely on major international banks for its hedging operations.

### 3.1. Interest rate risk management

#### Interest rate hedging transactions

Unibail-Rodamco reinforced its existing hedging portfolio at the end of 2007. The Group entered in 350 M€ swaps covering 2008 and 500 M€ of 4-year caps beginning in 2009.

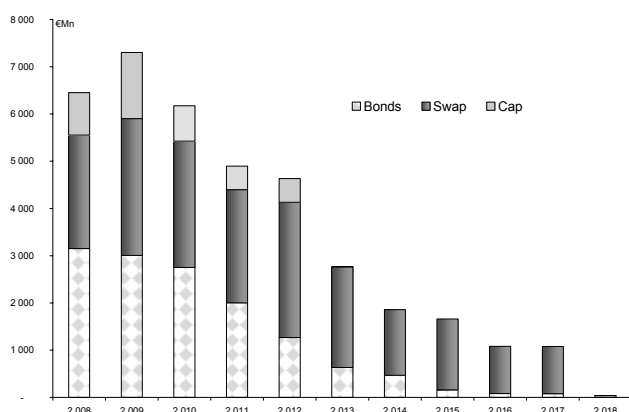
In early 2008, taking advantage of attractive interest rate levels, hedging transactions have been added to the portfolio, covering 2009 and 2010.

shareholders equity and are not usually subject to prepayment clauses linked to the company's ratings.

<sup>28</sup> Including the undrawn part of bank loans.

<sup>29</sup> Unibail on a stand-alone basis as of 31 December 2006

Annual projection of average hedging amounts and fixed rate debt (€ Mn)



The graph above shows:

- The part of debt which is kept at fixed rates, corresponding mainly to Rodamco's bonds.
- The hedging instruments used to hedge the variable rate loans and fixed rate debt immediately converted into variable-rate debt under the Group's macro hedging policy.

Note that, when applying IFRS, Unibail Holding did not opt to classify its financial hedging instruments as a cash flow hedge. As a result, any fair value changes in these instruments are recognised in the income statement.

As for Rodamco, it applied a cash flow hedge accounting policy according to IFRS for some of its derivative instruments.

### Measuring interest rate exposure

As at 31 December, 2007, net financial debt stood at €7,024 Mn, excluding partners' current accounts and after taking cash surpluses into account (€116 Mn).

This outstanding debt (as at 31 December 2007) was hedged for 83% against an increase in variable rates by:

- Debt kept at fixed rate
- Hedging in place as part of Unibail-Rodamco's macro-hedging policy

The following sensitivity analysis is based on Unibail-Rodamco's debt situation as at 31 December 2007 and hedging instruments in place in the Group. If interest rates (Euribor, Stibor or US Libor) were to rise by an average of 1%<sup>30</sup> (100 basis points) during 2008, the resulting increase in financial expenses would have an estimated negative impact of €11.1 Mn on recurring net profit. A further rise of 1% would have an additional adverse impact of €11.1 Mn. Conversely, a 1% (100 basis points) drop in interest rates would reduce financial expenses by an estimated €17.3 Mn and would enhance 2008 recurring net profit by an equivalent amount.

### 3.2. Managing and measuring currency risk exposure

The Group has activities and investments in countries outside the euro-zone, primarily in Sweden. When converted into euros, the income and value of the Group net investment may be

<sup>30</sup> The eventual impact on exchange rates due to this theoretical increase of 1% in interest rates is not taken into account; theoretical impact of rise in interest rates are calculated above a Euribor3 months of 4.40% and a Stibor3months of 4.55%.

influenced by fluctuations in exchange rates against the euro. Wherever possible, the Group aims to match foreign currency income with expenses in the same currency, reducing the exchange effects on earnings volatility and net valuation of the investment. Translation risks are hedged by either matching cash investments in a specific currency with debt in the same currency, or by using derivatives to achieve the same risk management-driven goal. This hedge policy excludes revaluations, capital expenditures and deferred tax. Currency risks during the building period of pipeline investments are covered as early as possible after signing of the actual building contract. Other monetary assets and liabilities, held in currencies other than the euro, are managed by ensuring that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term balances.

Main foreign currency positions<sup>31</sup> (in € Mn)

Currency	Assets	Liabilities	Net Exposure	Hedging instruments	Exposure net of hedges	Managed exposure net of hedges
SEK	1 749	629	1 119	594	526	10
DKK	306	95	212	127	85	38
HUF	2		2		2	2
USD	206	63	143	43	100	1
SKK		0	0		0	0
CZK	13	152	-139	-151	12	12
PLN	1		1		1	1
<b>Total</b>	<b>2 277</b>	<b>940</b>	<b>1 338</b>	<b>612</b>	<b>726</b>	<b>64</b>

The main foreign exchange exposure is in Swedish Krona. The sensitivity of the 2008 recurring result<sup>32</sup> to a 10% change in the exchange rate Swedish Krona / Euro is limited to €3.2 Mn. A 10% change in the EUR/SEK exchange rate would have a €48 Mn impact on shareholders' equity.

### 4. Financial structure

As at 31 December 2007, the Group's portfolio value (including transfer taxes) amounted to €25,229 Mn.

#### Debt ratio

As at 31 December 2007, the 'net financial debt / portfolio valuation' ratio calculated for Unibail-Rodamco was set at 28% in line with the levels recorded at 30 June 2007 (26%) and 31 December 2006 (25% for Unibail on a stand alone basis and 30% for Rodamco<sup>33</sup>).

#### Interest coverage ratio

The recurring net operating profit interest coverage ratio for Unibail-Rodamco came to 4.3x for 2007. This ratio includes Rodamco's financial expenses and recurring net operating profit over H2 2007. It is in line with the high levels achieved in recent years (4.6x in 2006). This level was due to: (i) the low level of the Group's average debt, (ii) the tightly controlled cost of debt and (iii) income growth.

<sup>31</sup> Managed exposure is the remaining exposure after exclusion of accepted exposures resulting from capex, revaluations and deferred taxes.

<sup>32</sup> The sensitivity is measured by applying a change in exchange rate to the net revenues in SEK (net rents – financial expenses)

<sup>33</sup> Valuation including transfer taxes.

<b>Financial ratios</b>	<b>30 June 2007</b>	<b>31 Dec. 2007</b>
Net financial debt / market value of portfolio	26%	28%
Recurring net operating profit interest coverage ratio <sup>34</sup> (Unibail-Rodamco proforma )	3.9	4.0

As per 31 December 2007, the pro-forma ratio of the combined entity, calculated by adding income and financial cost of Unibail and Rodamco on the full year 2007, stood at 4.0.

## **5. Other significant operations**

### **Issue of ORA**

In the context of the exchange offer for Rodamco, Unibail-Rodamco issued 9,363,708 redeemable bonds ("ORA") for a total amount of €1,841 Mn (on June 25, 2007). The main characteristics of the ORA are the following<sup>35</sup>:

- Each ORA will be redeemed by the delivery of one Unibail-Rodamco ordinary share<sup>36</sup>
- ORA holders may at any time after the expiry of a non-redemption period of three months from the date of issue request the redemption of their ORA into Unibail-Rodamco shares
- Issuer's call option: applicable after 12 years
- Nominal value : €196.60
- Coupon: each ORA holder will receive a coupon equal to the dividend paid on Unibail-Rodamco shares with a minimum amount of 1.5% of the nominal value of the ORA and a maximum of 17.5%.
- Maturity date: the ORA will mature on June 25, 2057.

As at 31 December 2007, the number of ORAs outstanding is 9,317,178 after the conversion of 46,530 ORAs in Unibail-Rodamco shares.

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<sup>34</sup> Calculation based on the '[total recurring operating results + total general expenses and other income less depreciation and amortization / [recurring net financial expenses, including capitalized interest]'. Pro forma figures including full year 2007 Unibail and Rodamco.

<sup>35</sup> For more information on the ORA, please consult the « Note d'Operation » document of the Exchange Offer

<sup>36</sup> This redemption ratio may be adjusted based on the anti-dilution provisions