



RETURN ON RETAIL
RODAMCO EUROPE ANNUAL REPORT 2008

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KEY FIGURES

KEY FIGURES - FIVE YEARS

	2008	2007 ¹⁾	2006	2005	2004
PORTFOLIO (€ MLN)					
Investment property	10,900	11,693	10,349	8,831	7,056
Renovation projects	-	-	-	-	9
Pipeline projects	426	433	233	264	453
Financial fixed assets	-	-	-	-	-
Total portfolio	11,326	12,126	10,582	9,095	7,518
BALANCE SHEET (€ MLN)					
Shareholders' equity	7,254	7,737	6,487	5,272	4,297
External financing	3,935	3,808	3,320	3,303	2,790
RESULTS (€ MLN)					
Gross rental income	720	688	652	594	543
Net rental income	639	602	563	503	458
Occupancy (%)	97.3	98.6	98.4	97.9	97.0
Direct result after tax (€ mln)	403	329	369	341	317
Indirect result after tax (€ mln)	(596)	1,172	1,156	941	71
Net(loss)/ profit (€ mln)	(193)	1,501	1,525	1,282	388
Other movements in equity (€ mln)	(18)	(40)	8	(8)	7
Total performance (€ mln)	(211)	1,461	1,533	1,274	395
FIGURES PER SHARE					
Number of shares as per end of period	89,639,292	89,639,292	89,639,292	89,639,292	89,639,292
SHARE PRICE (€)					
Highest	90.00	117.84	100.80	72.85	59.75
Lowest	82.89	83.11	67.85	56.60	46.04
Year-end**	-	85.20	100.80	70.30	58.40
Average	85.09	100.09	82.66	64.59	51.35
NAV per share as per end of period	80.92	86.31	72.37	58.81	47.94
NNNAV per share as per end of period	87.32	92.49	76.45	60.44	49.01
Direct result per share	4.50	3.67	4.12	3.80	3.54
Indirect result per share	(6.65)	13.07	12.90	10.50	0.79
Total earnings per share reported	(2.15)	16.74	17.02	14.30	4.33
Dividend per share	3.50	3.05	3.71	3.42	3.05
Market capitalization (€ mln)	-	7,637	9,036	6,302	5,235
RATIOS					
Dividend yield (%)	-	3.60	3.68	4.86	5.20
Loan-to-Value (%)*	37.50	33.60	33.63	38.27	39.21
Interest cover*	3.40	2.90	3.55	3.65	3.51
Price/earnings ratio	-	23.80	24.47	18.50	16.50

IFRS ACCOUNTING PRINCIPLES

As from January 1, 2005, Rodamco Europe has prepared its financial information (including 2004 comparative figures) in accordance with International Financial Reporting Standards (IFRS). The 2005 figures including 2004 comparative figures are prepared on the basis of IFRS.

* Definition changed according to Standard & Poor's requirements; 2004 and 2005 have been restated.

** In 2008 the last share price on May 12, 2008 was €85.59

¹⁾The 2007 figures have been restated.

PROFILE

VISION & MISSION

Rodamco Europe N.V.'s (Rodamco Europe/the Group) mission is to generate consistent growth in shareholder value. Pursuing this mission, the Group combined its business portfolio with top property company Unibail Holding S.A. (Unibail) in June 2007. The Group's vision continues to be the achievement of that mission through continual growth of a prime portfolio of quality retail assets around Europe. The Group manages its portfolio and properties locally to grow like-for-like rental income and thus add to their value, ensuring they remain the most desirable locations for retail clients – the tenants. These components form the basis of Rodamco Europe's Return on Retail strategy.

PEOPLE & CULTURE

Knowledge and best-practice exchange are key to a successful and healthy organization. At Rodamco Europe, personnel work in asset selection, retail management, finance & control and related disciplines and are dedicated to growing the business profitably. The Group aims to be a preferred employer by offering professionals opportunities to develop and enhance their skills in an organization focused on excellence.

LEGAL & FISCAL STATUS

Rodamco Europe is an investment company with variable capital and qualifies as a Fiscale Beleggingsinstelling (Fiscal Investment Institution/FBI) under Dutch law; this is the Dutch equivalent of a real estate investment trust or REIT. No corporate income tax is due in the Netherlands when certain conditions are met. In France, the Group has elected for REIT (SIIC) status for the full French portfolio. Income and capital gains from the portfolio are exempt from tax in France.

MONITORING RODAMCO EUROPE

Following Unibail's successful public exchange offer for Rodamco Europe shares in June 2007, the new combination, Unibail-Rodamco S.A. (Unibail-Rodamco), replaced Rodamco Europe in the AEX, the benchmark group of most actively traded shares in the Netherlands. Rodamco Europe's shares were delisted from Euronext Amsterdam and Paris, effective May 13, 2008.

2008 highlights

- Direct result after tax up 22.5% to €403.4 million (2007: €329.3* million)
- Direct result after tax per share €4.50 (2007: €3.67*)
- Net shareholders' loss of €-192.5 million (2007: €1,500.8** million), including indirect result after tax of €-595.9 million (2007: €1,171.5* million)
- Valuation result of standing portfolio €-666.9 million (2007: €1,262.9** million)
- Triple NAV (NNNAV) €7,827 million (2007: €8,291** million).
NNNAV per share is €87.32 (2007: €92.49**)
- Net rental income up 6.1% to €639 million (2007: €602.3** million), like-for-like growth at 6.3% (2007: 5.8%)
- Overall occupancy rate 97.3% (2007: 98.6%), with retail occupancy at 97.9% (2007: 99.0%)
- Property assets down 6.6% to €11,326 million (2007: €12,126 million); 94.1% invested in the retail sector (2007: 94.6%)
- Total pipeline increased 7.5% to €2.5 billion (2007: €2.4 billion)
- Proposed cash dividend for 2008 is €3.50 per share (2007: €3.05)

* Due to a change in accounting principles, in the 2007 figures, €8 million has been reclassified from Indirect to Direct result.

** The 2007 figures are restated.

INVESTOR RELATIONS

SHAREHOLDER INFORMATION

Rodamco Europe is an investment company with variable capital and qualifies as a Fiscal Investment Institution (FBI) under Dutch law. For more information on the FBI status and the French SIIC status, please visit the website, www.rodamco.com.

COMMUNICATING WITH STAKEHOLDERS

In June 2007, Rodamco Europe merged with Unibail to create Unibail-Rodamco, Europe's largest listed investor, manager and developer in commercial real estate. During 2008, investor roadshows were held by Unibail-Rodamco throughout Europe and in the United States. In addition to information on the new combination, the focus was on the combined organization's mission, strategy and performance. Information on financial results and developments within the Group is also made available to all stakeholders through the website.

SHARES ISSUED

At December 31, 2008, 89,639,292 shares with a par value of €8 were issued and fully paid up. Based on information at December 31, 2008, Rodamco Europe's largest shareholder was Unibail-Rodamco with a shareholding of approximately 98.5%. Statutory buy-out proceedings were initiated in December 2007, and are pending, to acquire the remaining Rodamco Europe shares for a fair price to be

determined by the Court. Management and senior personnel who held Rodamco Europe shares, either through share purchase plans or other schemes, tendered their holdings under the public exchange offer made by Unibail.

SHAREHOLDER VALUE

The Group's mission is to generate consistent growth in shareholder value. Over time, that growth has been achieved by concentrating on the Return on Retail strategy.

DEVELOPMENT OF THE SHARE PRICE

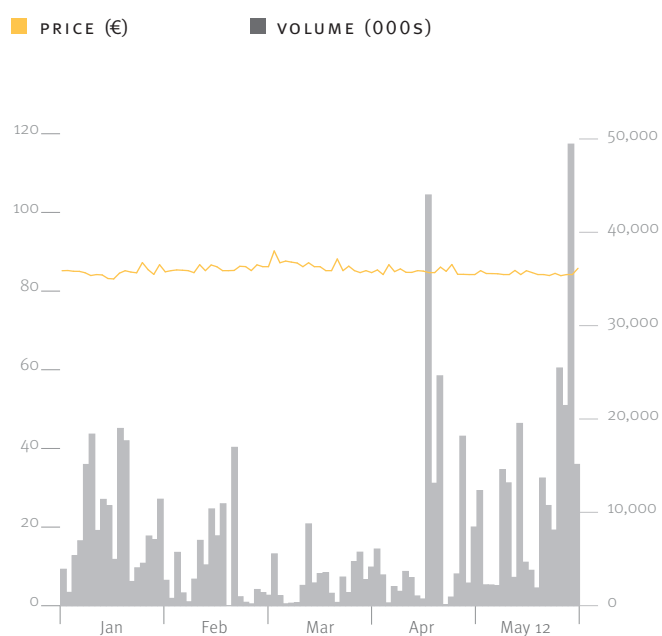
Rodamco Europe's shares have been delisted from Euronext Amsterdam and Paris, effective May 13, 2008, with the last trading date on May 12, 2008. The share price ended that day at €85.59 (year-end 2007: €85.20); the graphic shows the period up to and including May 12, 2008.

EXPENSE RATIO

According to the Dutch Financial Supervision Act (in Dutch: Wet Financieel Toezicht or 'Wft'), investment institutions should report expense ratios to provide clear and comparable information on the level of costs. The expense ratio is calculated as a percentage of the total costs, excluding net interest expenses, to the weighted average net asset value of the last five quarters. According to this definition, the expense ratio in 2008 was 2.26% (2007: 2.74%).

DIVIDEND

As an FBI and subject to exceptions, Rodamco Europe is required to distribute 100% of its Dutch taxable income. For 2008, the management board is proposing to declare a total cash dividend of €3.50 per share (2007: €3.05). This represents a payout ratio of 78% of the direct result. Rodamco Europe is required to withhold 15% tax on dividends.



FINANCIAL CALENDAR 2009

June 16	General Meeting of Shareholders
June 30	Payment of 2008 dividend

REPORT OF THE SUPERVISORY BOARD

Since Unibail's successful offer in June 2007, Rodamco Europe has continued its strong business focus and has pursued its active investment and divestment program throughout 2008. This was evidenced by the strong like-for-like growth in net rental income of 6.3% and a strong direct result, excluding one offs, at 8.7% higher than in 2007.

A key event of 2008 was the delisting of Rodamco Europe's shares from Euronext Amsterdam and Euronext Paris on May 13, 2008. The last trading date was May 12, 2008.

As at December 31, 2007, Unibail had acquired approximately 98.5% of

Rodamco Europe shares; there was no change in that position during 2008. Buy-out proceedings of the remaining Rodamco Europe shareholders have not yet been concluded. The Enterprise Chamber of the Court of Appeals in Amsterdam will decide on the buy-out price. The supervisory board continues to monitor this process closely.

Rodamco Europe has in place a governance system with a three-member supervisory board (SB), comprising two independent members (Mr Anton van Rossum and Mr Clarence Steininger); the Chairman, Mr Guillaume Poitrinal, is the CEO of Unibail-Rodamco. The management board consists of two members.

RODAMCO EUROPE'S SUPERVISORY BOARD

**GUILLAUME L.J. POITRINAL (1967 – MALE,
FRENCH NATIONALITY), CHAIRMAN**

Chairman of the Management Board and Chief Executive Officer of Unibail-Rodamco since June 26, 2007. Previously, he was Chairman and CEO of Unibail. Joined Unibail in 1995 as a Project Manager in the office of the CEO. Later became Head of Corporate Development and Planning (1997), Executive Vice President - CFO and Head of Office Division (1999), Managing Director (2002) and CEO (2005). Before joining Unibail, he spent three years with the M&A and Corporate Finance Departments at Morgan Stanley in London and then in Paris.

**ANTON VAN ROSSUM (1945 – MALE,
DUTCH NATIONALITY)**

Began his career at Royal Dutch Shell (1970 - 1972). Founding member and partner of the Brussels office of McKinsey & Company, holding various positions in international consultancy with focus on banking and insurance. From 2000 to 2005, he was CEO and Chairman of the Executive Committee at Fortis and a member of the Fortis Board of Directors. He also chaired the boards of Fortis Bank, Fortis Insurance and Fortis Inc. Currently, he is Chairman of the Supervisory Boards of Royal Vopak and the Erasmus University, Rotterdam. He is a member of the Board of Directors of the Credit Suisse Group

and Solvay N.V. Other current positions are Trustee and Global Counselor of the Conference Board in New York, Special Advisor to General Atlantic, and Member of the Awarding Body of Equis, the international accreditation organization for leading business schools.

**CLARENCE STEININGER (1944 – MALE,
CANADIAN NATIONALITY)**

From 1976 - 2004 Partner and Member of Senior Management of Deloitte & Touche. Current Board Memberships at several private companies in Belgium and Luxembourg.

All Supervisory Board members were appointed on July 26, 2007 for a four-year term.

REPORT OF THE SUPERVISORY BOARD

The SB met five times in 2008 with an attendance rate of 87%. At all meetings, the SB discussed the company's strategy and, in particular, reviewed acquisition and divestment proposals. The SB approved the study of the brownfield Mall of Scandinavia project in Stockholm, the extension of Donauzentrum (Vienna), the acquisition of La Maquinista and Habaneras (Barcelona) and the subsequent sale of an approximately 49% minority stake to GIC Real Estate, and the sale of a substantial part of the Netherlands' high-street shop portfolio. The SB met with the company's external auditors for the approval of the 2008 interim and full-year accounts.

The SB considered the cost sharing and cross charging in 2008 between Unibail-Rodamco and Rodamco Europe under the intercompany transaction protocol and the independent external auditor's report. The independent external audit on the execution of this protocol found no issues or exceptions.

In its meeting of April 7, 2009, the SB discussed its own functioning, that of its individual members, and that of the MB and its individual members to date. It also discussed the result of the assessment by the MB of the structure and operation of the internal risk management and control systems. Corporate strategy and the risks inherent to the business are fixed topics at all SB meetings.

The SB will continue to serve the company in the interest of its stakeholders until the buy-out process is complete.

As Rodamco Europe's SB, we are pleased to see the continued focus and energy in the company in pursuit of its strategy. Its outstanding portfolio of high-quality assets and its professional workforce form a solid basis for continued excellent performance.

April 7, 2009

Guillaume Poitrinal, Chairman
Anton van Rossum
Clarence Steininger



Catherine C. Pourre and Peter M. van Rossum

MANAGEMENT BOARD

CATHERINE C. POURRE (1957, FEMALE – FRENCH NATIONALITY)

Member of the Management Board of Unibail-Rodamco since June 26, 2007. Joined Unibail in 2002 as executive vice-president in charge of finance, HRM, IT, the legal and property engineering departments. Previously, executive director of Cap Gemini Ernst & Young France after 10 years as a partner at PricewaterhouseCoopers.

PETER M. VAN ROSSUM (1956, MALE – DUTCH NATIONALITY)

Appointed CFO on April 1, 2006. Member of the Management Board of Unibail-Rodamco since June 26, 2007. Has 24 years of wide international expertise and experience in various finance positions at Shell. The last as regional finance director for Shell Exploration and Production in Asia Pacific. He was also finance manager at the Nederlandse Aardolie Maatschappij (NAM) from 2000 to 2003 and a non-executive director on the board of Woodside Petroleum, a company listed on the Australian stock exchange.

REPORT OF THE MANAGEMENT BOARD

STRATEGY

Rodamco Europe's long-standing Return on Retail strategy was aimed at generating consistent growth in shareholder value through ownership and operation of quality retail properties, specifically shopping centers in dominant locations. Once the merger with Unibail was formalized in June 2007, creating the Unibail-Rodamco Group, a single marketing and retail management strategy for the entire pan-European retail portfolio was created and put in place. The Unibail-Rodamco Group has created a springboard for synergies and common technologies and methodologies to ensure value creation. Detailed five-year business plans have been drawn up for all significant assets, outlining their specific potential growth value. The business plans are designed to maximize the value of each asset by aligning initiatives (market positioning, refurbishment and extensions, tenant mix, leasing, operational marketing) to grow like-for-like net rental income and identify high value-added extension projects.

INVESTMENT

In the reporting year, Rodamco Europe completed the largest single shopping-center asset transaction in its history when Shopping City Süd, near Vienna, was acquired. This 130,000 m² shopping center is located in a larger retail and leisure complex which attracts 25 million visits every year and offers significant reversionary potential and extension opportunities. In Spain, the market leading position was enhanced with the acquisition of La Maquinista in Barcelona and the Habaneras shopping gallery in Torrevieja, near Alicante. With 71,500 m² of retail space and annual footfall of 15 million, La Maquinista ranks among Spain's most resilient shopping centers. A minority stake in these two Spanish shopping centers has since been sold to GIC Real Estate, the investment arm of the Government of Singapore, initiating a partnership with this long-term investor. In the Netherlands, a number of high-street shops were swapped in return for units in the Leidsenhage shopping center near The Hague, and in Poland, economic ownership of office space in Złote Tarasy, a modern retail and office complex in Warsaw city center, was acquired.

DEVELOPMENT

Since the merger in mid-2007, strategy has been to leverage Unibail's demonstrated in-house development expertise in combination with Rodamco Europe's extensive pan-European network of shopping centers. Pipeline projects that came into operation in 2008 include a 26,000 m² extension of Forum Nacka in Stockholm and Arkády Pankrác, a new 49,000 m² shopping center in Prague city center. Key projects being studied include a 40,000 m² extension of Černý Most in Prague, a

major redevelopment and extension of Parly 2 in Paris, an extension and renovation of Donauzentrum in Vienna, and a value creation project for Shopping City Süd near Vienna, which was acquired in 2008. Brownfield projects are also being studied, such as Mall of Scandinavia, a large project with 100,000 m² of retail space that forms part of a wider urban redevelopment project in Stockholm.

FINANCIAL PERFORMANCE

Over 2008, Rodamco Europe reports like-for-like growth of 6.3% in net rental income and a strong direct result, excluding one-offs, of 8.7% higher than in 2007. As the €1,262.9 million positive revaluation result in 2007 turned into a €666.9 million loss in 2008, net shareholders' profit decreased by 112.8%, from a net profit of €1,500.8 million in 2007, to a net loss in 2008 of €192.5 million. Triple NAV per share decreased by 5.6% to €87.32 compared to €92.49 at December 31, 2007. Property assets decreased by 6.6% in comparison to 2007 in line with the global property downturn in the reporting year.

RENTAL INCOME

Gross rental income increased 4.6% to €719.6 million (2007: €687.8 million) and net rental income increased 6.1% to €639.0 million (2007: €602.3 million). The increase was generated primarily by organic growth in like-for-like net rental income of €33.4 million, which at 6.3% was significantly higher than in 2007 (5.8%). Central Europe had the highest like-for-like growth at 7.9%. Indexation generated €15.9 million (2007: €11.9 million), new leases €10.9 million (2007: €12.3 million) and other income and sales-based rent of €6.6 million (2007: €8.3 million). Properties, including acquisitions, coming into operation during 2007 and 2008 had a positive effect on rental income. This was offset by divestments during 2007 and 2008 of minus €39.9 million, due primarily to the sale of high-street shops and minor shopping centers in the Netherlands for €744 million. Foreign currency effects were minus €3.9 million; other effects contributed €3.7 million. Overall occupancy was down 1.3% to 97.3% (2007: 98.6%); retail occupancy was also down slightly by 1.1% to 97.9% (2007: 99%).

TRIPLE NET ASSET VALUE

IFRS ignores some business aspects in valuing real estate companies. In line with the Best Practices Policy Recommendations of the European Public Real Estate Association (EPRA) for transparent, uniform and comparable financial information by real estate companies, Rodamco Europe reports the triple net asset value (Triple NAV or NNNAV). This performance measure does not replace the IFRS disclosure, but provides addi-

REPORT OF THE MANAGEMENT BOARD

tional information to help investors and stakeholders to an even better understanding of Rodamco Europe's performance.

Triple NAV decreased by 5.6% to €7,827 million at the end of 2008, or €87.32 per share (year-end 2007: €92.49) after final dividend 2007 per share of €3.05. The decrease of the net asset value of €483 million is due to the net shareholders' loss of €193 million, dividend payment of €273 million and negative €16 million other effects. Other movements in Triple NAV were: a positive movement in the marked-to-market value of loans and borrowings of €82 million, as a result of rising interest rates, offset by a €51 million lower committed pipeline revaluation potential and a negative net impact of deferred tax provisions of €12 million.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased 16.6% to €69.1 million in 2008 compared to €82.9 million in 2007. This decrease was mainly due to one-off costs in 2007 relating to an onerous contract and lower IT expenses in 2008 (the SAP implementation was finalized in 2007).

ACCESS TO CAPITAL AND LIQUIDITY RISK MANAGEMENT

The property business is highly capital-intensive. Access to low cost capital is therefore essential to support a sustainable business strategy and controlled growth. In order to spread liquidity risk, the Group has financed its activities through a variety of instruments in the capital markets and with a large number of banks. The debt maturity profile is managed by spreading repayment dates.

NET FINANCING RESULT

After capitalization of interest, the net interest expenses increased 7.2% from €139.4 million in 2007 to €149.5 million in 2008. Average cost of debt increased from 4.4% in 2007 to 4.8% in 2008; in addition, the

average loan portfolio increased slightly.

TAXES

The movement in the deferred tax position as a result of valuation results of properties and the realization of deferred tax assets (tax losses carry forward) resulted in the release of €84.6 million of deferred income tax (i.e. income) compared to deferred tax expenses of €139.1 million in 2007. The deferred tax expenses (income) are calculated using the nominal tax rates or capital-gain tax rates for those countries where there is no tax efficient status as in the Netherlands (FBI) and in France (SIIC). Income tax expenses amounted to €26.2 million, compared to €12.3 million in 2007. This increase is due mainly to an increase in tax provisions (€15.5 million) offset by other effects (minus €1.6 million).

VALUATION RESULT AND RESULT ON DISPOSALS

The appraisers valuing Rodamco Europe's shopping centers and office 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 IVSC (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 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 established through actual market transactions.

Instability in financial markets has led to a significantly reduced level of representative 'benchmark' transactions. Most transactions at this time involve vendors in financial distress and purchasers looking for

TRIPLE NET ASSET VALUE

	12/31/2008	12/31/2007	Change
NAV after tax (€ mln)	7,254	7,737	-6.2%
Triple NAV after tax (€ mln)	7,827	8,291	-5.6%
NAV after tax per share (€)	80.92	86.31	-6.2%
Triple NAV per share (€)	87.32	92.49	-5.6%
Share price end of period (€)	n.a.*	85.20	-
Premium share price versus Triple NAV (%)	n.a.	-/- 7.9	n.a.

* Rodamco Europe was delisted effective May 13, 2008.

'bargains', resulting in increasing pricing volatility. Appraisers have responded to this increased uncertainty by carefully interpreting the limited evidence available, including abortive transactions, and by putting more emphasis on both discounted cash flow parameters and other outcomes.

The negative valuation result of Rodamco Europe's property assets amounted to €666.9 million in 2008 (based on Net Market Value). On Gross Market Value level, €704 million comes from the like-for-like scope broken down by an increase in value of €658 million (+6%) from growth in rental income, offset by yield shifts with an impact of €1,362 million (minus 12.5%). The net initial yield on investment property rose by 60 basis points, from 5.0% at year-end 2007 to 5.6% at the end of 2008.

The revaluation result by sector is broken down as follows: retail investment properties €584.3 million (Net Market Value) and offices and other €82.6 million (Net Market Value). Revaluation results on investment properties in all home regions over the period were negative: the Netherlands (minus €109.1 million), France (minus €173.1 million), Spain (minus €231.5 million), Nordic (minus €140.2 million) and Central Europe (minus €13.0 million).

Based on the year-end yield of 5.6%, a further change of +25 basis points would result in a downward adjustment of €505 million (or minus 4.3%) of the total portfolio value (Gross Market Value, including transfer taxes and disposal costs). A positive net valuation result of €68.5 million was realized on completed pipeline projects transferred to investment property, primarily Arkády Pankrác in Prague, Forum Nacka in Stockholm, PP10 Leganes in Spain, and WC Stadshart Almere and Melis Spaansweg in the Netherlands.

Rodamco Europe divested for a total sale price of €1,245 million, mainly the retail portfolio sold to IEF in the Netherlands for €744 million, of which €28 million relates to an asset still awaiting transfer, the remaining Belgian retail portfolio and an asset in Germany for a total net disposal price of €112.5 million. Furthermore, four office buildings in the Netherlands, logistics premises in Spain, one office in France and the office portfolio in Kiev, Ukraine were sold for a total net disposal price of €417.3 million. The total net profit on disposal amounted to €34.5 million before tax. Rodamco Europe acquired Shopping City Süd, Austria, for €619 million, two shopping centers in Spain (La Maquinista and Habaneras) for €434 million and economic ownership of Zlote Tarasy offices for €30.5 million. In December 2008, Rodamco Europe concluded

a partial divestment of the two Spanish acquisitions (approximately 49%) to GIC Real Estate; however, Rodamco Europe continues to operate all these assets.

PERFORMANCE IN THE REGIONS

Following the Public Exchange Offer from Unibail in June 2007, Rodamco Europe has become part of the European leader in commercial real estate, the Unibail-Rodamco Group (the Group). Rodamco Europe operates in five home regions: France; the Netherlands; the Nordic countries, including Sweden, Denmark and Finland; Spain; and Central Europe, including Austria, Czech Republic, Germany, Hungary, Poland, Russia and the Slovak Republic.

THE PORTFOLIO

Rodamco Europe owns and operates a unique portfolio of regional and supra-regional shopping centers across Europe. Focusing on a limited number of centers concentrated in large European cities, the Group has a proactive management approach for each asset. An exceptional pipeline of new, innovative shopping centers slated to be leaders in their markets is combined with major extension projects for existing centers.

CREATING VALUE

The Group's value-creation method is based on a customer-oriented approach, positioning each shopping center in its market with a view to creating genuine lifestyle centers, each with its own distinct features, thereby increasing the frequency and length of shoppers' visits and the center's revenues. Boosting retail revenues is one of the fundamentals of value creation. Dynamic management policies result in higher rental income and advertising revenues, optimizing the rental value of the premises. New revenue sources are also created through specialty leasing to take advantage of visitor flow by letting locations for push carts and stands, organizing brand road shows to launch new products throughout Europe, generating advertising revenues and creating sponsored events. The Group also has the capacity to speed up the development of top international trade names and attract new concepts by capitalizing on the appeal of an unparalleled network of European shopping centers.

FRANCE

Following the merger with Unibail, the Group has become part of the undisputed number-one player in French retail, forging strong partnerships with leading chains, such as H&M, Inditex, Fnac, Darty and Grand Optical. In addition, the Group's shopping centers are increasingly the

location of choice for new brands and concepts. In 2008, contracts were signed with 14 new retailers, including Guess, Chattawak, Tommy Hilfiger, Ulric de Varens and Le Temps des Cerises.

THE FRENCH PORTFOLIO

The Group expanded and strengthened its French shopping center portfolio in 2008. Subject to approval, far-reaching plans have been developed for a three-phase, 21,000 m² extension and renovation of Parly 2 in Paris. Delivery is expected at year-end 2012. Significant extension of the Les Ulis 2 retail offering is planned to the specifications of the retail project tender won by Rodamco Europe and awarded by the city of Les Ulis. In addition, the Group has an exceptional opportunity in Lyon to ensure the complementary positioning of the Tour Oxygène extension at La Part-Dieu. The Cour Oxygène (9,172 m² of retail space), located between the La Part-Dieu shopping center and the Tour Oxygène office building, both owned by the Group, is scheduled for completion in the first quarter of 2010.

THE NETHERLANDS

MARKET CONTEXT

The Dutch retail sector performed well during 2008 although house and car sales stalled. It is expected that falling consumer confidence will have a negative impact on spending in 2009. Consumer spending declined over the course of the year, but this did not have a direct impact on the Group's rental income. Vacancy rates in the Group's Dutch shopping centers remained stable at 1.2% at year-end 2008, compared to 0.9% at year-end 2007.

SUCCESSFUL DIVESTMENT

During the year, the Group undertook a divestment program to consolidate its portfolio around key cities in the Netherlands. In the first quarter, a mix of high-street shops, small shopping centers, stand-alone supermarkets and retail warehouse strips was sold to IEF Capital NV and other buyers for €744 million, at a premium to the last external appraised value. The Group also disposed of its high-street shops across Belgium for €92 million, again in excess of their appraised value at end 2007. Although these were prime assets, they lacked critical mass and a suitable local management structure. A number of offices, including the former operational headquarters of the Group's Dutch subsidiary in Amsterdam, were also sold to improve the coherence of the portfolio. Finally, the Group conducted an asset swap with a Dutch fund, Vastned Retail, disposing of a number of high-street shops in Dutch cities in return for stronger position in the Leidsenhage shopping center in The

Hague region. This restructuring saw the Group dispose of around €1 billion worth of assets while consolidating its presence in The Hague, Amsterdam and Rotterdam regions. The portfolio now consists primarily of prime assets in major urban centers which offer better rental growth prospects and lower risks.

IMPROVING RETAIL MANAGEMENT

The Group continues to create value through the careful management of its existing shopping centers and the addition of new retail capacity. In 2008, Unibail-Rodamco delivered the final phase of Stadshart Almere and welcomed new tenants such as Fossil in Utrecht, Watch! and Apple in Amstelveen, and the latter also in Leidsenhage. Mango will open in Almere in 2009. As part of its policy of introducing new concepts into its shopping centers, the Group will also host Brand New, a retail chain that changes its products and interior on a quarterly basis.

The Group is rolling out new leasing contracts that require tenants to share turnover figures. Although this is standard practice elsewhere in Europe, it is still relatively new to the Netherlands. The introduction of these contracts increases transparency and makes it easier for the Group to monitor the tenant mix and performance of its centers.

NORDIC COUNTRIES

MARKET CONTEXT

The global downturn hit Sweden during the last quarter of 2008 and started to affect consumption. Nevertheless, retail sales in the Group's Nordic shopping centers remained stable year-on-year and vacancy rates remained low, standing at 3.3% at year end. The Group's activities are concentrated in key Nordic cities which have large populations with relatively high levels of disposable income. Shopping centers located in and around Stockholm, Copenhagen and Helsinki account for 80% of the value of the Group's Nordic portfolio. These cities are home to a quarter of the population of Sweden, Denmark and Finland.

IMPROVING THE CUSTOMER EXPERIENCE

The Group's Welcome Attitude policy, which optimizes the customer experience from the moment visitors arrive at the shopping center until the moment they leave, has been integrated into the new Forum Nacka extension and will be rolled out across the Group's Nordic centers from 2009 onwards. The introduction of Welcome Attitude components, such as baby lounges, restaurant areas, children's play areas and improved design and decoration, is attracting visitors from beyond Forum Nacka's usual catchment area and saw footfall increase by 85% in October-

December 2008, following completion of the extension, compared to the same period in 2007.

Tenant rotation will continue to feature highly on the agenda as it remains, alongside the Welcome Attitude, one of the most effective ways of ensuring that the Group's centers are attractive to customers and able to propose the latest, most fashionable retailers. During 2008, the Group welcomed Lloyd Shoes, Tamaris, Fossil, Apotek 1 and Solid to its shopping centers in Sweden. Zara opened its first-ever branch in a Swedish shopping center at Forum Nacka, and a number of brands which were previously only present in Stockholm's city center, notably Gerry Weber, Mango, G Star and Marc O'Polo, signed leases in the Group's centers. The success of Forum Nacka should help to drive this move towards shopping centers and encourage other retailers to expand in this direction.

LAYING FOUNDATIONS FOR FUTURE GROWTH

The Group's centers make it a key partner for any retailer seeking to establish a presence in central Stockholm. Developments in 2008 have reinforced this situation. Mall of Scandinavia, a new 100,000 m² development project on a brownfield site near central Stockholm, could open in phases between 2012 and 2014. Part of a wider urban redevelopment scheme, this iconic project has already generated interest from a number of international retailers, who are attracted by the location and sheer scale of the project. Extensions to existing centers, such as Täby Centrum, are also being considered.

SPAIN

MARKET CONTEXT

The economic environment in Spain deteriorated significantly during the course of 2008. The Group is operating in an environment where success depends on the expert management of a solid portfolio of prime assets. In this challenging context, vacancy rates, particularly in smaller centers, increased over the course of the year to stand at 3.6% on December 31, 2008. Sales in the Group's centers declined by 6.3%, although the quality of the asset portfolio meant that there was no impact on rental income. The Group's ability to outperform the market in terms of retail sales, especially in smaller units during 2008, clearly demonstrates the relevance of the strategy that the Group has pursued over the years. Well-established centers in large cities, such as Parquesur and La Vaguada in Madrid and La Maquinista in Barcelona, are driving this performance.

STRENGTHENING EXISTING ASSETS

The Group builds on the sound fundamentals of its assets by implementing a proactive investment and management strategy and maintaining an ongoing commitment to its customers. The Group is taking advantage of the economic situation to improve its tenant mix in centers like Parquesur, Los Arcos and La Maquinista, and introduce new retail brands, such as G Star and Desigual. The Group successfully introduced H&M in a number of centers, notably in former cinema units at Albacenter and Bahia Sur and in part of a reduced Toys R Us unit at Garbera. This kind of tenant rotation creates value for the Group and its shareholders, tenants and visitors by delivering rental uplift and making centers more attractive to customers.

CAPITAL RECYCLING

As part of its capital recycling policy, the Group sold most of its Spanish logistics portfolio at book value to AXA. These assets had been fully let in 2008. At the same time, the Group reinforced its position in Spain through the acquisition of La Maquinista, a major shopping center with 74,400 m² of retail space, and the Habaneras shopping gallery (24,100 m²).

CENTRAL EUROPE

MARKET CONTEXT

Retail markets across the region were generally stable during 2008, although the effects of the crisis started to be felt towards the end of the year. The Czech Republic continues to perform well, while Poland performed in line with expectations, returning year-on-year retail growth of 6.3%. Vacancy rates in the Group's Central European shopping centers remained low, at 1.5%.

FOCUS ON PERFORMANCE

The Group's performance across the region reflects the inherent strength of its assets and the effort that goes into leasing activities. In Vienna, while the performance of Donauzentrum has been affected by the extension and renovation work that are currently underway, this improvement program has enabled the Group to sign pre-leases for an additional 12,000 m² of capacity. A number of new leases have also been signed at Shopping City Süd, primarily with a view to improving the tenant mix. Sales in the main mall at this center, which was acquired in May 2008, increased by 4.7%, year-on-year. In Warsaw, Galeria Mokotów recorded an increase in retail sales of more than 6% thanks to careful market positioning, an excellent location and a customer-focused tenant mix. Top brands that have been introduced recently include MAX&Co., Max

Mara, Penny Black, Mont Blanc and Poland's first Massimo Dutti, which is performing extremely well. Retail sales at Zlote Tarasy, which opened in February 2007, rose by 37%, with footfall increasing by around 33% year-on-year. Zlote Tarasy is a genuine urban lifestyle center and the most dynamic asset in the region. Another outstanding performer was Centrum Chodov, in Prague. It welcomed a wide range of new retailers in 2008, including Swarovski, Denny Rose, Mac, So Pretty (Victoria's Secret), Home & Cook and Bio Foods. This focus on the tenant mix and customer interests earned the center first prize for 'Best Shopping Centre of the Year' in the GE Money Multiservice 'Retailer of the Year' competition.

STRENGTHENING THE PORTFOLIO

The Group reinforced its position in key Austrian and Central European cities during 2008. The acquisition of 119,500 m² in Shopping City Süd, Austria's largest shopping center, fits well with Group strategy thanks to the center's strong fundamentals in terms of size, location, number of visits, and potential for upgrade and expansion. An adjacent plot with retail development potential of 40,000 m² was also purchased. A program was launched to refurbish and reposition Donauzentrum and add 28,000 m² of retail capacity. Arkády Pankrác, which offers 38,500 m² of Gross Lettable Area (GLA) and is positioned to complement Centrum Černý Most and Centrum Chodov, the Group's existing shopping centers in Prague, was successfully delivered. Preparations are underway for the refurbishment and extension of Centrum Černý Most. The Group has been working with its investment partners to develop the Metropolis shopping center in northern Moscow; it opened in January 2009.

SUSTAINABLE COMMITMENT

The Group, as part of Unibail-Rodamco, has made considerable progress in the implementation of its sustainable development strategy this year. A standalone Corporate Sustainability Report was published for the first time in 2008 and Unibail-Rodamco was listed in two leading global socially responsible investment indexes: the Dow Jones Sustainability World Index (DJSI) and the FTSE4Good Index.

Throughout 2008, the Group has been working to create value for all of the different stakeholders who are affected by, or interested in, the Group's activities – shareholders, investors, employees, tenants, customers, suppliers, local authorities and communities. At the same time, the aim is to achieve value creation in an environmentally sustainable man-

ner. Following the merger in 2007, a key challenge was the identification of a coherent set of environmental indicators that could be used to obtain uniform, comparable data for all of the countries where the Group is present. In 2008, this process was successfully completed with the drawing up of Key Performance Indicators (KPIs) that will be used to measure and communicate the Group's environmental performance across the board. These KPIs, which are structured around the themes of climate change, water management, waste management and green transport, form the basis of the Group's quantitative environmental performance targets for the period 2009-2011. The internal International Environmental Performance Committee (IEPC) played an important role in this process by identifying quick wins and long-term objectives.

The Group is integrating environmental management into its acquisition and development policies. For example, environmental performance is now assessed alongside traditional risks, such as contamination and pollution, during the due diligence process. The Group has prepared 'green' building design and construction guidelines for internal use. From 2009 onwards, all new developments with a surface greater than 10,000 m² will be designed to achieve a rating of 'good' or above according to BREEAM, the world's most widely-used environmental assessment method for buildings. Of the four development projects that were registered in 2008 for assessment by the 'BREEAM Europe: Retail' working group, two are owned by Unibail-Rodamco.

Environmental programs have been added to the strategic five-year business plans that are drawn up for each of the Group's assets on an annual basis. Working closely with partners, particularly retailers, office tenants and local transport authorities, the aim is to develop and implement short and long-term action plans to reduce CO₂ emissions and therefore the environmental impact. From 2009 onwards, the Group will also include more extensive sustainability clauses in its supplier contracts.

RISK MANAGEMENT

INTERNAL RISK MANAGEMENT STRUCTURE

The management board (MB) of Rodamco Europe, supervised by the supervisory board (SB), bears full responsibility for good and responsible governance. This includes risk management and internal control systems, always maintaining a focus on sustainable growth and continuity to create consistent growth in shareholder value. Throughout the year, the MB discusses the operation of the internal risk management and control system and any major planned changes or improvements with the SB.

PROCESS AND CRITERIA

Risk assessment and improving the internal control framework are ongoing Group-wide processes involving evaluation of quantitative and qualitative risk criteria, including but not limited to:

- risk indicators (e.g. changes in conditions, problems, complexities, uncertainties, required special expertise and skills);
- materiality in both economic and reputation terms;
- estimated likelihood of occurrence;
- triggers for a potential credit rating downgrade;
- triggers for a potential breach of FBI and SIIC requirements;
- triggers for a potential breach in our loan covenants;
- ability to transfer, insure or otherwise reduce (part of) the risk.

To further strengthen, integrate and embed awareness and risk management competency across the organization's day-to-day operations and practices, Rodamco Europe is integrated into Unibail-Rodamco's dedicated corporate risk management function.

FINANCIAL REPORTING

Internal control over our financial reporting includes the following key 'checks and balances':

- MB involvement in approval of the significant investment/divestment transactions executed each year. The MB discusses extensively – in advance – all significant transactions with the SB;
- budget and forecasting analysis: the predictable, long-term nature of contractual commitments to lease/service operations and financing instruments enable effective monitoring of actual-to-budgeted/ forecasted results and follow-up of any anomalous or unpredicted results;
- comprehensive asset valuation process, policy and procedures, including regular appraisals by independent surveyors;

- close monitoring of cash flow, interest cover, leverage, debt and interest maturity and derivatives schedules against our finance policy's target ratios and debt covenants;
- financial reporting according to standardized guidelines outlined in Rodamco Europe's internal instructions (including an IFRS-accounting manual);
- the external auditors assess our internal controls over financial reporting, to the extent relevant for their statutory audit opinion, and discuss their findings with the MB and SB.

REGULATORY COMPLIANCE

In the context of legal requirements pursuant to legislation on financial Supervision, the Act on Financial Supervision 'Wft', and the Decree on the Market Conduct Supervision Financial Undertakings Wft ('Bgfo'), and without prejudice to statements made in this section, Rodamco Europe states, in compliance with article 121 of the Bgfo, that Rodamco Europe has a description of the organization of its business operations as meant in article 4:14 of the Wft, which meets the requirements as laid down in the Wft and in the Bgfo. The description is part of the Group's control framework as referred to in this risk management section. During the financial year 2008, we have evaluated various aspects of the organization of our business operations as meant in article 4:14 of the Wft. In the course of our activities, we made no observations that would indicate that the description does not meet the requirements as included in the Wft and related legislation. Also, no observations were made that in 2008 our business operations, as meant in article 4:14 Wft, were ineffective and did not function in accordance with the description, except for a few observations that were promptly corrected.

INTERNAL CONTROLS

In 2008, Rodamco Europe conducted several internal audits throughout the regions. The aim was to identify and evaluate the organization and control tests implemented on matters such as leasing, invoicing and collecting rents. Where necessary, the outcome of the audits has led to adjustments and tightening of applicable procedures. Given the nature and size of Rodamco Europe's organizations and operations, inherent internal control limitations exist including shared or minority control, disproportionate control costs versus benefits, limited possibilities to segregate duties, and catastrophe and collusion risk. Absolute assurance cannot be provided as a result of these inherent limitations. The MB of Rodamco Europe is of the opinion that the internal risk management and control systems have functioned properly in 2008 and provide a reasonable level of assurance to prevent material inaccuracies in the

2008 financial statements (see pages 25 to 93 of this annual report). There are no indications they will not continue to function properly in 2009. This statement cannot be construed as a statement in accordance with the requirements of section 404 of the US Sarbanes-Oxley Act.

RISK FACTORS

Rodamco Europe is an almost wholly-owned subsidiary of Unibail-Rodamco. As a result, it adheres to internal control policies and arrangements put in place by the Unibail-Rodamco Group. These are based on reference documents, charters, standards, procedures and best practices, which aim to create and maintain an organization that helps to prevent or mitigate and manage controllable risk factors, notably operational, financial, tax and legal risks to which the Unibail-Rodamco Group is or could be exposed, even if these risks can never be totally eliminated.

Attention is drawn to the fact that the risk factors discussed in this section are not exhaustive and that there may be other risks, either wholly or partly unknown or of which the occurrence is not considered to be or likely to have a material adverse effect on the Group, its operations, its financial situation and/or its results.

RISKS INHERENT IN BUSINESS ACTIVITIES

RISKS ARISING FROM TRENDS IN THE PROPERTY MARKET

Rodamco Europe is present in various sectors of the commercial property sector, specifically shopping centers and offices. Apart from risk factors specific to each asset, Rodamco Europe's activities are exposed to factors beyond its control and to specific systemic risks, such as the cyclical nature of the sector in which it operates. Rodamco Europe's strategy and policies aim to curb the negative effects of these risks. Indeed, sudden changes in the economic, financial, currency, regulatory, geopolitical, political, social, health and ecological environment may have an adverse impact on Rodamco Europe, the value of its assets, its results, its distribution policy, its development plans and/or its investment/divestment activities. Some of Rodamco Europe's real estate assets depend on flagship stores to attract customers and could suffer an adverse impact if one or more of these tenants were to break or fail to renew their lease or in the event of consolidation among these retail sector companies.

RISKS ARISING FROM PROPERTY ASSET CONSTRUCTION AND REFURBISHMENT PROJECTS

To the extent permitted by law, Rodamco Europe conducts development activities in the shopping center property segment, the principal risks of

which are linked to: 1) securing the requisite legal administrative authorizations (building permits, commercial licences, opening and/or operational licences, etc.); 2) controlling construction costs (staying on time and on budget); and 3) achieving a good letting rate for properties (letting of all surfaces at sufficient rent levels).

TENANT INSOLVENCY RISKS

Rodamco Europe's ability to collect rents depends on the solvency of its tenants. Tenants' creditworthiness is taken into consideration by Rodamco Europe before it enters into a specific lease. Nevertheless, it is possible that tenants may not pay rent on time or may default on payments, especially in the current economic environment, and this could affect Rodamco Europe's operating performance and/or its results.

LEGAL, REGULATORY, TAX, ENVIRONMENTAL AND INSURANCE-RELATED RISKS

LEGAL AND REGULATORY RISKS

Rodamco Europe has to comply with a wide variety of laws and regulations, notably: urban planning regulations, construction and operating permits, health and safety regulations (particularly for assets that are open to the public), environmental regulations, lease laws, labor regulations, and corporate and tax laws, notably the provisions of the SIIC regime and the FBI regime. Changes in the regulatory framework and/or the loss of benefits associated with a status or an authorization could require Rodamco Europe to adapt its business activities, its assets or its strategy, possibly leading to a negative impact on the value of its property portfolio or its results, an increase in its expenses, and/or a slowing or even halting of the development of certain investment or letting activities. In the normal course of its business activities, Rodamco Europe could be involved in legal proceedings (for instance, regarding contractual responsibility, employers' liabilities, penal issues) and is subject to tax and administrative audits. To the best of our knowledge, Rodamco Europe is not involved in or party to litigation which could have a material adverse effect on the results or financial situation of Rodamco Europe.

TAX RISKS LINKED TO SIIC STATUS

Rodamco Europe French subsidiaries benefit from the French SIIC tax regime which enables them to benefit from a corporate income tax exemption provided that it meets certain conditions. If Unibail-Rodamco (Rodamco Europe's parent company) was to lose its SIIC status, Rodamco Europe French subsidiaries would return to a regular tax regime in France.

RISK MANAGEMENT

RISKS CONCERNING THE DUTCH FBI STATUS

Rodamco Europe is an FBI (Fiscal Investment Institution) for Dutch tax purposes. Under this status, it benefits from a zero tax rate for its Dutch operations, subject to certain requirements being met, one of which relates to the composition of its shareholding base. The current situation, whereby Unibail-Rodamco, which is not an FBI itself, holds nearly all of the Rodamco Europe shares, is not in line with FBI shareholder requirements. Nevertheless, the Dutch Ministry of Finance has confirmed that Rodamco Europe will be allowed to maintain its FBI status for a grace period ending on December 31, 2009 on condition that Unibail-Rodamco fulfills all FBI requirements by December 31, 2009, at the latest. Should Unibail-Rodamco prove unable to obtain FBI status, Rodamco Europe would become subject to corporate income tax from January 1, 2010.

ENVIRONMENTAL RISKS

As a property owner, Rodamco Europe has to comply with local environmental regulations in each country where it is active. Failure to comply with these local environmental regulations, or the need to comply with significant new environmental regulations that could be introduced, could lead to higher expenses or hamper the development of the Rodamco Europe's activities and could potentially affect Rodamco Europe's results. Moreover, each of Rodamco Europe's real estate assets is vulnerable to natural disasters (climate change, health or ecological crises, etc.) that may have a negative impact on the affected properties.

INSURANCE-RELATED RISKS

As Rodamco Europe depends on the insurance markets and their financial capacities to cover its risks, it could experience insurance shortfalls or find it impossible to cover all or part of certain risks. Rodamco Europe may be exposed to a situation where the value (reconstruction cost) of one or more of its assets is wrongly assessed by its external property insurance valuers. Furthermore, insurers could face economic difficulties that leave them unable to pay claims related to insurance policies that have been taken out by the Group.

RISKS ASSOCIATED WITH THE FINANCING POLICY AND FINANCIAL ACTIVITIES

As an almost wholly-owned subsidiary of Unibail-Rodamco, Rodamco Europe is exposed to the same risks regarding its financial policy and financial activities as the Unibail-Rodamco Group.

MARKET RISKS

The Group, through its activities, is exposed to market risks which can generate losses as a result of fluctuations in interest rates and/or currency exchange rates. The Group is exposed to interest-rate risks on the loans it has taken out to finance its investments. An increase in interest rates could have a negative impact on Rodamco Europe's results. Part of the Group's exposure to variable rates is hedged through derivatives but these hedges could be insufficient to cover these risks. Moreover, changes in interest rates could have a negative impact on Rodamco Europe's result by affecting the valuation of contracted derivatives.

The Group is exposed to foreign exchange risks because it operates in countries outside the euro zone. The value of assets, rents and revenues received in these countries, when translated into euros, may be affected by fluctuations in exchange rates.

The Group's foreign exchange risk is managed at corporate level by the Treasury department that monitors the foreign exchange risk on a regular basis. In addition, committee meetings with several members of the parent company's management board are held several times a year to decide the appropriate hedging strategy that is then implemented by the Treasury department. Procedures do not allow for speculative positions to be put in place.

LIQUIDITY RISKS

The Group's strategy depends on its ability to raise financial resources, either in the form of borrowing or equity capital, so that it can finance its ongoing activities and its investments. It maintains significant undrawn lines of credit, and continuously adds to these. It is possible (for example in the event of disruption in the bond or equity markets, a reduction in the lending capacities of banks, changes affecting the property market or investors' appetites for property companies, a downgrade in Unibail-Rodamco's and/or Rodamco Europe's credit rating or a change in Unibail-Rodamco's business activities, financial situation or ownership structure) that the Group could – at any given point in time – encounter difficulties in raising funds and, as a result, lack the access to liquidity that it needs. These events could also affect the cost of borrowing and lead to an increase of the financial expenses of the Group.

COUNTERPARTY RISKS

A large number of major international financial institutions are counterparties to the interest rate derivatives and foreign exchange contracts

or deposits contracted by the Group. In the case of default by a counterparty, the Group could lose all or part of its deposits or may lose the benefit from hedges signed with such counterparties. This could then result in an increase in interest rate or currency exposure.

MANAGING CURRENCY RISK

The Group has activities and investments in countries outside the euro-zone, primarily in Sweden, but also in Poland, the Czech Republic and a number of others. When converted into euros, the income and value of the Group net investment may be 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 using derivatives (mainly cross-currency swaps and foreign exchange swaps) to achieve the same risk management-driven goal. This hedge policy excludes revaluations, capital expenditures and deferred tax. Currency risk during the building period of pipeline investments is 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 net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term balances.

In line with market practice, the Group invoices rents in certain Eastern European countries (Poland, the Czech Republic) in US dollars or euros, while the tenant is receiving turn-over in local currencies. In these cases, the Group is exposed to tenant default risk as a consequence of the risk of devaluation of the local currency. This same situation will apply in Russia, once the Group has acquired its 50% stake in the Metropolis shopping center in Moscow. For 2008, approximately 12.6% of net rental income was exposed to this specific currency risk.

RISKS RELATED TO RODAMCO EUROPE'S GEOGRAPHIC PRESENCE

Although Rodamco Europe's operations are concentrated in Europe, part of the business is or may be conducted in markets where Rodamco Europe may be exposed to social, political and economic instability, among other risks. In relation to the risks related to Rodamco Europe's geographic presence, Rodamco Europe operates in some countries that have not joined the euro zone. A depreciation of the local currency of these countries could have a negative impact on Rodamco Europe's cash flows in euros: 1) when rents collected in local currency are trans-

lated in euros and where the Group's hedging policy is not sufficient; or 2) when rents are collected in euros and this affects the tenants' ability to pay. A depreciation of the currency of countries outside the euro zone may also reduce the value of Rodamco Europe's portfolio, despite the implementation of hedging policies.

CORPORATE GOVERNANCE

Good business practice and transparency, both in financial reporting and our organizational structure and behavior, are considered key foundations for Rodamco Europe.

GOVERNANCE STRUCTURE

Rodamco Europe's governance is structured transparently. We are organized along functional lines with embedded working processes to ensure clear roles, responsibilities and accountabilities. This organizational structure, supported by our Business Principles, facilitates transparent reporting throughout the Group to both the SB and the MB. In turn, both SB and MB report to the Annual General Meeting of Shareholders (the AGM). The AGM, SB and MB all have specific powers and responsibilities, as laid down in the Group's Articles of Association and the SB and MB charters.

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

The AGM's powers are described in detail in Rodamco Europe's Articles of Association, which can be found on the website, www.rodamco.com.

In summary, it decides on issues such as statutory changes, legal (de)mergers, the adoption of the annual accounts and profit appropriation. It appoints, suspends or dismisses members of both the SB and MB. Furthermore, the AGM approves the remuneration of the SB. The AGM further approves the appointment of external auditors. For 2008, Ernst & Young Accountants NV was appointed.

THE SUPERVISORY BOARD

Rodamco Europe's SB is responsible for overseeing all the activities of the Group and providing guidance and advice to the MB. Supervision focuses on the achievement of strategic goals and realization of business objectives, and corporate sustainability goals. The SB is tasked with independent supervision of the proper execution of internal risk and control structures and financial reporting, legal and regulatory compliance. From June 2007, due to the small size of the new SB, members take direct responsibility for the tasks previously carried out by dedicated SB committees. In pursuing all tasks, the SB takes the interests of all stakeholders, external and internal, into account. The composition of the SB reflects areas of expertise relevant to Rodamco Europe's core activities. The chairman is responsible for the proper functioning of the SB. The SB consists of three members of whom two (Anton van Rossum and Clarence Steinger) are independent.

In 2008, there were no transactions where a conflict of interest, as meant in article III.6.1 – III.6.3 of the Dutch Corporate Governance Code, was an issue.

THE MANAGEMENT BOARD

Under the supervision of the SB, the MB is responsible for Rodamco Europe's management and general affairs. The MB is responsible for day-to-day management, including comprehensive risk management, control, financing, and regulatory compliance. It is responsible for providing the SB with all necessary information on the performance of its tasks. Following the merger with Unibail in July 2007, the Rodamco Europe MB consists of two members. Throughout the Group, corporate and operating company accountabilities, roles and responsibilities are in place. Operating company management teams formally report, at least on a quarterly basis, to the MB to discuss operational performance, execution of strategic goals and investment and divestment opportunities. Informal contact between the MB and senior managers in the operating companies takes place on a very regular, often daily, basis. Best practice exchange takes place through Europe-wide meetings along functional lines and on a daily basis through contacts between functional specialists.

Rodamco Europe's Business Principles comprise the conduct expected from Rodamco Europe's people. Rodamco Europe's employees fully understand and are committed to both the business strategy and the behaviors expected of them in pursuing that strategy. Rodamco Europe's Business Principles include guidelines for behavior relating to conflicts of interest, gifts, confidential information, trading of shares, working environment and equal opportunity. Compliance is seen as a living process and activity and aims to ensure we adhere to (local) laws and regulations so that the integrity of our business and our people are safeguarded.

In 2008, there were no transactions where a conflict of interest, as meant in article 11.3.4. of the Dutch Corporate Governance Code, was an issue.

TRANSPARENCY TO STAKEHOLDERS

Following delisting from the stock exchange in May 2008, Rodamco Europe's disclosure requirements have changed. The Group complies with all statutory and license-related disclosures, such as monthly statements and the publication of interim and full-year results.

CORPORATE GOVERNANCE

Rodamco Europe has a protocol in place regarding the allocation of costs between Rodamco Europe and Unibail-Rodamco. According to this protocol, contracts between Rodamco Europe and Unibail Rodamco must be at arm's length. KPMG reviewed the procedures followed and for 2008 determined that they are in accordance with the protocol. On this basis, the company confirms that Rodamco Europe has acted in accordance with best practice provision III.6.4 of the Dutch Corporate Governance Code.

INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

A description of our risk and control framework is included in this report on pages 70 and 71, including those actions taken to ensure reasonable assurance that these systems are reliable and comply with regulatory requirements.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

As a subsidiary of Unibail-Rodamco, the Group is subject and adheres to the French Corporate Governance Code. However, as Rodamco Europe was listed on the Euronext Amsterdam and Euronext Paris stock exchanges until May 13, 2008, Rodamco Europe also applied to the extent relevant following Unibail's public offer and the delisting, the Principles and Best Practice provisions determined by the Dutch Corporate Governance Code (the Code) to its corporate governance structure with few exceptions. These exceptions are detailed below.

EXCEPTIONS TO THE DUTCH CORPORATE GOVERNANCE CODE IN CONTROL STATEMENT (II.1.4 OF THE CODE)

For more information about Rodamco Europe's 'In Control Statement', please see our risk management section on pages 15 to 18.

DISCLOSURE OF REMUNERATION (II.2.11 OF THE CODE)

Peter M. van Rossum and Catherine C. Pourre were (re)appointed at the Extraordinary General Meeting of Shareholders of July 26, 2007, as MB members. Both receive no remuneration for their Rodamco Europe MB activities and therefore no remuneration information was published upon their appointment. However, 50% of the total remuneration of the Unibail-Rodamco MB is charged to Rodamco Europe. It should be noted that an external auditor reviews all such cross agreements and issues a dedicated report to the SB.

DIVISION OF DUTIES WITHIN THE SUPERVISORY BOARD (III.1.1 OF THE CODE)

Due to its small size, the SB takes direct responsibility for the tasks previously carried out by the separate Audit, Remuneration and Corporate Governance and Nominations Committees, except for the specific tasks allocated to the SB chairman.

INDUCTION PROGRAM (III.3.3 OF THE CODE)

The two independent SB members appointed following the merger were introduced to the Group through discussions and presentations. No formal induction program was created.

CONFLICTS OF INTERESTS OF THE SUPERVISORY BOARD (III.6.2 OF THE CODE)

The SB chairman, Guillaume Poitrinal, is also Chairman of the management board and CEO of Unibail-Rodamco. SB members with a conflict of interest may participate in discussions and decisions in respect of the transaction for which he has the conflict of interest. The SB will adhere to the conflict of interest rules applicable under Dutch law, in particular in respect of any material transactions, including those between Rodamco Europe and Unibail in relation to buy-out proceedings, cross-border or other legal merger or other legal restructuring. In respect of such conflicts of interest the prior approval of both independent SB members is required. Such transactions, if approved, and unless otherwise specifically decided on by the SB, must be concluded on terms at least customary in the sector concerned.

REMUNERATION REPORT

Rodamco Europe has a two-member management board (MB), Catherine Pourre and Peter M. van Rossum; both are also members of Unibail-Rodamco's MB. Neither board member receives specific remuneration for their Rodamco Europe board membership. 50% of the remuneration of the Unibail-Rodamco MB is charged to Rodamco Europe. Details for each Rodamco Europe MB member and their contracts are provided in the financial statements section of this annual report. For full information on Rodamco Europe's remuneration policy, please visit www.rodamco.com.

MANAGEMENT BOARD REMUNERATION IN 2008

UNIBAIL-RODAMCO STOCK OPTION PLAN

In 2007, a Stock Option Plan for Unibail-Rodamco was authorized. Any stock options are subject to performance conditions. These performance conditions are such that the right to exercise stock options is subject to Unibail-Rodamco's stock performance being higher in percentage terms than that of the benchmark EPRA index over the given period. The stock options have a lifespan of seven years and may be exercised at any time after the fourth anniversary of the date of allocation. For stock options granted in 2007 and later, all management board members have to keep a personal investment in Unibail-Rodamco shares, equivalent to 30% of the capital gain (net of tax) on the date of exercise of the stock options granted, until they leave the Company. This rule applies until they own Unibail-Rodamco shares with a value equivalent to two years of fixed income. The shares may result from any Unibail-Rodamco stock-option plans from which management board members have benefited.

PENSION

The employment contracts and supplementary pension plans that are in place for the members of the Unibail-Rodamco, and therefore also the Rodamco Europe, management board reflect the Franco-Dutch character of the Group and the fact that normal practices and standards in the Netherlands can differ from those in France. For this reason, MB members have an employment contract in accordance with Dutch practice, notably for the purpose of their activities in the Netherlands. They also benefit from the Dutch supplementary pension plan. In respect of the supplementary pension plan, all MB members benefit from the defined contributions plan within the framework of Unibail-Rodamco's supplementary pension plan. As is standard in the Netherlands and in common with all Dutch employees, Peter van Rossum is also eligible for a defined benefit plan. His defined benefit pension at retirement will be equal to 1.8421% of last pensionable salary for each year of service with the

Group. In 2008, the pensionable salary is the base salary limited to €51,215 minus an offset of €14,723. Peter van Rossum joined the Company in 2006. Catherine C. Pourre has a defined contribution pension arrangement with Unibail-Rodamco.

SUPERVISORY BOARD REMUNERATION IN 2008 (€000)

Rodamco Europe's supervisory board (SB) consists of three members. In 2007, the supervisory board was made up of seven members. They resigned as of 25 July 2007 and many joined the newly-formed Unibail-Rodamco SB at that date. The total remuneration for 2007 was €246, reflecting the larger size of the former supervisory board. Subsequently, a new SB was appointed comprising three members. The chairman of the SB currently receives no remuneration in this capacity. Each member of the SB receives €49 per year and an expense allowance of €1.8.

The total remuneration of SB members amounts to €98 (2007: €246), excluding net cost allowance, and is specified below.

(IN €000)	2008	2007
Guillaume L.J. Poitrinal	-	-
Anton van Rossum	49	24
Clarence Steininger	49	24
Former supervisory board members	-	198
Total	98	246

Rodamco Europe does not grant stock options or compensation in Rodamco Europe shares, nor does it provide personal loans or guarantees to its previous or current SB members.

HUMAN RESOURCES

Following the merger with Unibail in 2007, Rodamco Europe's Human Resources policies are increasingly integrated to gain benefits from Unibail-Rodamco Group initiatives and programs. The Group offers competitive packages to attract and retain the best professionals.

TRAINING AND CAREER DEVELOPMENT

Career development, specifically through training, is top priority. Training is a key component in the Group's value-creation strategy, encompassing all business lines and areas of expertise. Cross-divisional training courses were developed with a view to pooling expertise and knowledge, creating a common training database shared by all the business lines. To ensure the broadest coverage possible, these cross-divisional training programs are combined with specific training courses or modules tailored to each business line and division. Training sessions are given by in-house staff and external experts, with programs designed for all major operational regions covering five-year plans, investment processes and operations processes, including shopping center marketing, positioning and branding, thus accelerating the sharing of best practices throughout the Group.

HR STATISTICS

	2008	2007
Gender profile (% male/female)	49/51	51/49
Managerial positions (% male/female)	63/37	62/38

The following table shows the average headcount:

LOCATION	2008 AVERAGE HEADCOUNT	2007 AVERAGE HEADCOUNT
Corporate Center	53	60
Austria	85	62
Denmark	21	22
Spain	128	131
France	66	80
Netherlands	77	83
Poland	35	27
Czech Republic	41	38
Russia	11	4
Sweden	152	137
Total	669	644

INTERNAL COMMUNICATION

During 2008, the consolidation of the organizational structure, development strategy and shared processes such as planning models, standardized management information and key performance indicators (KPIs) has contributed to the strengthening of a common corporate culture and helped to reduce distinctions between the pre-merger groups. The development of Group-wide communication tools, such as the intranet and monthly newsletter, promoted information sharing between different regions.

COMPENSATION & BENEFITS

The Group offers a market competitive compensation and benefits package that rewards and recognizes individual performance. Compensation is broken down into fixed salary, short and long-term incentive schemes and benefits packages. The Group has a uniform stock option plan and a merit-based review process and a talent review.

ATTRACTING TOP RECRUITS

Our ongoing aim is to recruit 'best-in-class' young graduates with strong personalities and a real potential in all countries where we operate. This high-potential talent pool is offered exciting, challenging and enriching career opportunities within the Group. That includes trusting them from the outset with the opportunity to manage very large-scale projects and enabling them to take advantage of the many functional and geographical mobility opportunities that exist within the Group.

In 2008, initiatives were deployed to develop our employer image in the leading business and engineering schools and universities in the European countries where the Group is present: campus events, company presentations, and career forums brought together 50 to 100 students at each event, generating highly qualified and motivated applications. Fresh graduates pursue the '1-2-3' program, a one-year training that involves three assignments of three to six months with different Group entities in two different countries. The objectives are to help graduates discover the diversity of the Group's business and its approach to commercial real estate operations, acquire business fundamentals and build a network as a basis for their future career. In 2008, the Group attracted the following new hires:

Permanent contracts	113	72.4%
Temporary contracts	41	26.3%
Apprentice/professional training courses	2	1.3%
Total	156	100.0%

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

(IN € MILLIONS)

	Note	2008	2007 ²⁾
Gross rental income	4	720	688
Service charge income	5	145	110
Revenues		865	798
Service charge expenses	5	(151)	(116)
Property operating expenses	6	(75)	(80)
Net rental income		639	602
Valuation result investment property	7	(667)	1,263
Valuation result pipeline projects	7	(23)	31
Valuation result		(690)	1,294
Result on disposal of investment property and pipeline	7	34	12
Administrative expenses	8	(69)	(83)
Impairment of goodwill	9	(16)	-
Merger expenses	10	-	(32)
Operating (loss)/profit		(102)	1,793
Interest income	11	48	15
Interest expenses	11	(198)	(155)
Fair value result derivative financial instruments	11	(3)	3
Foreign exchange result	11	(1)	-
Financing result		(154)	(137)
(Loss)/profit before tax		(256)	1,656
Income tax income/(expense)	12	58	(151)
Net (loss)/profit for the year		(198)	1,505
Attributable to:			
• Equity holders of the parent ¹⁾	13	(193)	1,501
• Minority interest		(5)	4
(Loss)/profit for the year		(198)	1,505
Basic earnings per share	24	(2.15)	16.74
Diluted earnings per share	24	(2.15)	16.74

¹⁾ The net shareholders' (loss)/profit for the year can be split as follows:

	Note	2008	2007
Direct result	13	403	329
Indirect result	13	(596)	1,172
Net shareholders' (loss)/profit for the year		(193)	1,501

²⁾ The 2007 figures are restated.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2008

(IN € MILLIONS)

	Note	2008	2007 ¹⁾
ASSETS			
Investment property	14	10,900	11,693
Pipeline projects (investment property under construction)	15	426	433
		11,326	12,126
Goodwill	18	141	37
Investments in associates	16	-	-
Other investments	14	196	-
Other property, plant and equipment	19	10	21
Deferred tax assets	20	50	45
Derivative financial instruments	29	59	10
Deferred lease incentives		6	13
Other assets		14	4
Total non-current assets		11,802	12,256
Properties available for sale	14	215	-
Income tax receivables		4	1
Derivative financial instruments	29	-	2
Trade and other receivables	21	484	311
Cash at banks	22	120	101
Total current assets		608	415
Total assets		12,625	12,671
SHAREHOLDERS' EQUITY			
Share capital	23	717	717
Share premium reserve	23	2,956	2,956
Hedging reserve	23	(4)	(3)
Foreign currency translation reserve	23	(41)	(26)
Retained earnings	23	3,626	4,093
Total shareholders' equity		7,254	7,737
Minority interest		36	13
Total equity		7,290	7,750
LIABILITIES			
Bonds	25	2,004	1,987
Interest-bearing loans and borrowings	25	1,884	1,484
Derivative financial instruments	29	17	15
		3,905	3,486
Employee benefits	26	6	4
Provisions	27	34	37
Deferred tax liabilities	20	737	745
Income tax payable		-	-
Deferred lease incentives		9	8
Other payables	28	231	-
Total non-current liabilities		4,922	4,280
Provisions	27	27	11
Bank overdrafts	22	15	2
Bonds	25	-	106
Interest-bearing loans and borrowings	25	47	231
Trade and other payables	28	324	291
Total current liabilities		413	641
Total liabilities		5,335	4,921
TOTAL EQUITY AND LIABILITIES		12,625	12,671

¹⁾ The 2007 figures are restated.

CONSOLIDATED STATEMENT OF CASH FLOWS UNDER INDIRECT METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2008

(IN € MILLIONS)

	Note	2008	2007 ¹⁾
OPERATING ACTIVITIES			
(Loss)/profit before tax		(256)	1,656
Adjustments for:			
• Valuation result	7	690	(1,294)
• Net result on disposal of investment properties and pipeline	7	(34)	(12)
• Interest income		(48)	(24)
• Interest expenses		198	164
• Movement in trade and other receivables		(381)	(211)
• Movement in trade and other payables		272	(24)
• Movement in derivative financial instruments		3	(12)
• Increase in provisions and employee benefits		1	30
• Movement in deferred income tax		-	8
• Other adjustments		28	(13)
Cash generated from operations		473	268
Interest paid		(187)	(163)
Interest received		64	15
Current income taxes paid		(17)	(12)
Cash flow from operating activities		333	108
INVESTING ACTIVITIES			
Divestments in investment property and pipeline		1,472	141
Investments in investment property		(1,089)	(91)
Investments in pipeline	15	(28)	(104)
Capital expenditure on investment property and renovation projects	14	(90)	(55)
Cost capitalized on pipeline projects	15	(290)	(185)
Other divestments/(investments)		-	1
Cash flow from investing activities		(25)	(293)
FINANCING ACTIVITIES			
Proceeds from bonds and interest-bearing loans and other borrowings		1,449	846
Repayment of bonds and interest-bearing loans and other borrowings		(1,476)	(369)
Dividends paid	23	(273)	(210)
Cash flow from financing activities		(300)	267
Net increase/(decrease) in cash at banks		8	82
Cash at banks at January 1	22	99	15
Effect of exchange rate fluctuations on cash held		(2)	2
CASH AT BANKS AT DECEMBER 31		105	99

¹⁾The 2007 figures are restated.

CONSOLIDATED STATEMENT OF RECOGNIZED GAINS AND LOSSES, DECEMBER 31, 2008

(IN € MILLIONS)

	Note	2008	2007 ¹⁾
Adjustments to opening balance		(2)	(7)
Foreign exchange translation differences		(12)	(37)
Net gain/(loss) on hedge of net investment in foreign subsidiary		(3)	7
Cash-flow hedges:			
• Changes in fair value recognized in cash-flow hedge reserve		-	-
• Transferred to the profit and loss account		(1)	(3)
Net result recognized directly in equity		(18)	(40)
(Loss)/profit for the year		(198)	1,505
Total recognized gains/(losses)		(216)	1,465
Attributable to:			
• Equity holders of the parent		(211)	1,461
• Minority interest		(5)	4
TOTAL RECOGNIZED GAINS/(LOSSES)		(216)	1,465

¹⁾The 2007 figures are restated.

NOTES TO THE 2008 CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Rodamco Europe N.V. ('the Company' or 'the Group') is a public limited company incorporated in the Netherlands with statutory seat in Rotterdam and place of business at Schiphol Boulevard 371, Tower H, 1118 BJ Luchthaven Schiphol (Municipality of Haarlemmermeer), the Netherlands. It is engaged in the holding of group companies that invest in and manage property. The consolidated financial statements of the Company for the year ended December 31, 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities.

The Company was de-listed effective May 13, 2008 from all stock exchanges.

The financial statements were authorized for issue by the management board on April 7, 2009 and will be proposed for adoption to the Annual General Meeting to be held on June 16, 2009.

On July 19, 2006, the Company has been granted a license under the Act on the Supervision of Investment Institutions (e.g. Collective Investment Schemes) by the Netherlands Authority for the Financial Markets ('Autoriteit Financiële Markten' or AFM) and as a consequence has become subject to AFM supervision. Together with a number of other supervision acts, the Act on the Supervision of Investment Institutions has been incorporated into a single Act: the Act on Financial Supervision. The Act on Financial Supervision has become effective on January 1, 2007 and as a consequence has replaced the existing supervision acts.

On April 10, 2007, the Company and Unibail Holding S.A. ('Unibail'), in a joint communiqué, announced their intention to combine both companies to create the leading pan-European commercial property company. The merger was implemented through an exchange offer initiated by Unibail consisting of 0.5223 of a Unibail common share for each Rodamco common share. The combination of both companies became effective on June 25, 2007 and Unibail Holding S.A. changed its name at that date to Unibail-Rodamco S.A. By the end of December 2008 Unibail-Rodamco S.A. holds approximately 98.5% of the issued share capital of Rodamco Europe N.V. Buy out proceedings to obtain the remaining 1.5% shares have been started by Unibail-Rodamco S.A. in December 2007. The buy out price is to be determined by the Enterprise Chamber of the Court of Appeals in Amsterdam ('Ondernemingskamer'). Unibail-Rodamco S.A. has initially proposed in 2007 a buy out price which was based on the exchange ratio of the original exchange offer, adjusted for dividend payments. In arriving at the proposed buy out price, the exchange ratio was applied to the volume-weighted average Unibail-Rodamco share price of the thirty trading days ending on December 12, 2007, resulting in a price of € 81.03 per Rodamco Europe share. On March 23, 2009, Unibail-Rodamco filed an updated proposal for a buy out price of € 54.33, based on a consistent calculation methodology.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and its interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) per December 31, 2008.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published prior to the issue of the Group's financial statements that are mandatory for the Group's accounting periods beginning on or after January 1, 2009 or later. The Group has decided against early adoption of such standards, amendments and interpretations.

(b) Critical accounting estimates and assumptions

Accounting estimates and assumptions discussed in this section are considered to be the most critical for understanding of the financial statements because they inherently involve significant judgements and uncertainties. For all of these estimates, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

Critical accounting judgements in applying the Group's accounting policies

The critical accounting judgements in applying the Group's accounting policies have been described in the investment property and lease accounting policy notes (see notes (g) and (s))

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Estimate of fair value of investment properties:

The basis for determining the fair value of Rodamco Europe's property portfolio is the net open market value, which is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

(ii) Principal assumptions for management's estimation of fair value:

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals, expected future market rentals, maintenance requirements and appropriate discount rates.

(iii) Income taxes:

The Group is liable for taxes in several countries and management makes judgements when determining the consolidated tax asset and tax liability. The tax consequences however are primarily determined by the abovementioned judgements and estimates.

(iv) Provisions:

The Group has entered into an 'earn-out' agreement in connection with the Aupark acquisition and extended its stake in 2007. Additional cash consideration will be payable by the Group based on the expected net rental income of Aupark in 2008. For the purpose of these accounts, management has made assumptions in respect of the future performance of Aupark for determining the best estimated amount to be provided for to settle this obligation in 2009. With respect to the Sudpark acquisition there is no 'earn-out' agreement and as a result no provision is made in 2007.

(v) Goodwill impairment:

The Group has acquired Shopping City Süd in 2008 and has subsequently impaired the related purchase costs of € 16.

(c) Basis of preparation

The financial statements are presented in millions of euros, rounded to the nearest hundred thousand, and as a result slight differences between rounded figures up to € 1 million could exist in the different statements. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: Investment property, Renovation projects and Derivative financial instruments. Bonds and interest bearing loans and borrowings are stated at amortized cost.

Several comparative 2007 figures changed as a result of the alignment of the accounting principles of Rodamco Europe with the new Unibail-Rodamco accounting principles introduced in 2008.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that period. If the revision to accounting estimates affects both current and future periods, the revision is recognized in the current year and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2b.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with article 402 of the Netherlands Civil Code.

The Group has changed the accounting principle on pensions from applying the corridor method to recognizing actuarial gains and losses directly in the profit and loss account. The comparative 2007 figures are adjusted accordingly. This accounting policy change affected both pension liabilities and administrative expenses. Furthermore, we refer to note 26.

The Group has changed its reporting frequency from quarterly to half year reporting as a result of the merger in 2007.

New standards and amendments or interpretations to published standards effective on or after January 1, 2008

IFRIC 11, IFRS 2: Group and Treasury Share Transactions. This interpretation applies to the annual financial statements for periods beginning on or after March 1, 2007 and provides additional guidance on applying IFRS 2. The impact of this interpretation is nil for the Group.

IFRIC 12, Service Concession Arrangements. This interpretation applies to the annual financial statements for periods beginning on or after January 1, 2008 and provides guidance on accounting for service concession operators. The impact of this interpretation is nil for the Group.

IFRIC 14, IAS 19: The limit on a defined benefit asset, minimum funding requirements and their interaction. This interpretation, which is effective after January 1, 2008 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group applies IFRIC 14 as from January 1, 2008 but the impact is nil for the group.

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IFRIC 15, Agreements for the construction of real estate. This interpretation will be effective as of January 1 2009. The impact of this interpretation is nil for the Group.

Amendment to IAS 23, Borrowing Costs. This amendment applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. The impact of this interpretation is nil for the Group.

IFRS 8, Operating Segments. This standard applies to the annual financial statements for periods beginning on or after January 1, 2009 and requires the information to be reported to be based on what management uses internally for evaluating segment performance. The impact of this interpretation is nil for the Group.

IAS 1, Presentation of Financial Statements (revised in September 2007) – effective for financial years beginning on or after January 1, 2009.

IFRS 3R Business Combinations (revised in January 2008) – effective for financial years beginning on or after July 1 2009 - it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

Amendments to IAS 27 Consolidated and Separate Financial Statements (issued in January 2008) – effective for financial years beginning on or after July 1 2009 - it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (amended in January 2008) – effective for financial years beginning on or after January 1 2009. The impact of this interpretation is nil for the Group.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (amendments issued in February 2008) effective for financial years beginning on or after January 1 2009. The impact of this interpretation is nil for the Group.

IFRIC 13 Loyalty Programmes – effective for financial years beginning on or after July 1 2008. The impact of this interpretation is nil for the Group.

Amendments to IFRS 1 and IAS 27 Cost of an investment in a subsidiary, jointly controlled entity or associate – effective for financial years beginning on or after January 1 2009. The impact of this interpretation is nil for the Group.

IFRIC 15 Agreements for the Construction of Real Estate – effective for financial years beginning on or after January 1 2009 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation – effective for financial years beginning on or after October 1 2008 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (issued in July 2008) effective for financial years beginning on or after July 1 2009 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

IFRS 1R First-time Adoption of International Financial Reporting Standards (revised in November 2008) – effective for financial years beginning on or after July 1 2009 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

IFRIC 17 Distributions of Non-cash Assets to Owners – effective for financial years beginning on or after July 1 2009 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

Amendments to IAS 39 and IFRIC 7 - Reclassification of Financial Assets: Effective Date and Transition (issued in November 2008) – effective on or after July 1 2008 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

IFRIC 18 Transfers of Assets from Customers – effective on or after July 1 2009 – it has not been endorsed by the EU till the day of approval of these financial statements. The impact of this interpretation is nil for the Group.

Amendment to IAS 40, application of fair value model, effective May 22, 2008. The Group has no reliable estimate of the impact of this amendment.

New IFRS improvements have not been applied by the Group yet.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control nor joint control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total post-acquisition recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

When the Group's share of losses exceeds interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

A joint venture is a contractual agreement whereby the Group, together with one or more parties, undertakes an economic activity that is subject to joint control. Joint control is established by contractual agreement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

For jointly controlled assets, the Group recognizes its share of the assets, any liabilities it has incurred (including those incurred jointly with the other ventures), any income from the sale or use of its share of the output, and any expenses it has incurred in respect of its interest.

For jointly controlled entities, the Group recognizes its interest using proportionate consolidation and remains proportionally consolidated until the date on which the Group ceases to have joint control over the joint venture. Unrealized gains and losses are proportionally eliminated.

With respect to the interest in jointly controlled operations, the Group recognizes in its financial statements:

- the assets and liabilities it has incurred;
- the expenses that it has incurred and its share of the income that it earns from the sale of goods or services by the joint venture.

(iv) Transactions eliminated on consolidation

Intragroup transactions, balances and any unrealized gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(v) Goodwill

All business combinations are accounted for by applying the "purchase method of accounting".

The cost of an acquisition of subsidiaries or joint ventures are measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill represents at acquisition date the excess of the costs of the acquired business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at acquisition date. Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized.

After initial recognition in the balance sheet, goodwill is recognized as an asset, allocated to the cash generating units and measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses recognized for goodwill are not reversed in a subsequent period.

Gains and losses on disposal of an entity include the carrying amount of goodwill.

Negative goodwill that arises if the cost of the business combination is less than the acquired fair value of all assets and liabilities (including property, plant and equipment), is recognized immediately in the profit and loss account.

(e) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). Consideration in determining the functional currency is given to the denomination of the major cash flows of the entity e.g. revenues and financing activities. As a consequence, the Group does not use the local currency for the following entities, but instead:

- Euro for the property companies in Czech Republic, Hungary and Slovak Republic;
- US dollar for Poland, Ukraine and Russia.

The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are translated into euros at the spot foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into euros at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into euros at foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences arising on the settlement of foreign currency transactions and monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements, are recognized in the profit and loss account in the year in which they arise. Translation differences on non-monetary financial assets and liabilities that are stated at fair value are reported as part of the fair value gain or loss.

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from settlement of these transactions are recognized in the income statement. Foreign exchange gains and losses resulting from the retranslation of monetary assets and liabilities denominated in foreign currencies are also recognized in the income statement with the exception of:

- unrealized translation results on net investments;
- unrealized translation results on intercompany loans that in substance form part of the net investment.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way that is similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity, whereas those relating to the ineffective portion are recognized in the profit and loss account.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- The asset and liabilities of Group companies, including goodwill and fair value adjustments arising on consolidation, are translated into euros at foreign exchange rates ruling at the balance sheet date.
- Income and expenses of Group companies are translated into euros at rates approximating the foreign exchange rates ruling at the dates of the transactions.
- All resulting exchange rate differences are recognized as a separate component of equity (currency translation reserve).
- When a Group company is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

(iv) Net investment in foreign operations

Exchange rate differences arising from the translation of the net investment in foreign operations and of related hedges are recognized as a separate component of equity (currency translation reserve). The cumulative amount of these exchange differences are recognized in the profit and loss account upon (partial) disposal of the foreign operation.

(f) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to movements in interest and currency exchange rates. These financial instruments include, but are not limited to, interest rate swaps, cross currency swaps and forward rate agreements. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Interest rate swaps

The Group classifies all new floating to fixed interest rate swaps as cash flow hedges and states them at fair value. The fair value of swaps at January 1, 2005 was adjusted against the opening balance of the retained earnings at that date. Fair value changes as from that date are recorded directly in equity (hedging reserve), for the effective part of the hedge.

Currency swaps and forward contracts

The majority of currency swaps and forward contracts are designated as a net investment hedge as from January 1, 2005. The portion of the gain or loss on these instruments that is determined to be an effective hedge, is recognized directly in equity (translation reserve). The ineffective portion is recognized directly in the profit and loss account, as fair value changes derivative financial instruments.

The Group classifies its forward exchange contracts used for hedging forecasted transactions as cash flow hedges and states them at fair value. The fair value of forward exchange contracts at January 1, 2005 was adjusted against retained earnings.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognized in the profit and loss account. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognized as part of 'financing result' as these instruments are designated as hedging instruments.

(g) Investment property

Investment property is property held by the Group as owner which is held either to earn rental income for the long-term or for capital appreciation or for both. Investment properties are initially recognized at cost, being the acquisition cost at the time of purchase and adjusted for any balance sheet items in respect of lease incentives. Total acquisition costs include any directly attributable acquisition expenditure, for example, fees for legal services, property transfer taxes, brokerage costs, the costs of due diligence investigations and other transaction costs.

After initial recognition, the property is carried at fair value whereby the property portfolio is appraised in accordance with the 5th edition of the Appraisal and Valuation Standards (“Red Book”) published by the Royal Institute of Chartered Surveyors (RICS) and the 7th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC). Both documents contain mandatory rules, best practice guidance and related commentary for all RICS members and appraisers undertaking property valuations. The basis for determining the fair value of Rodamco Europe’s property portfolio is the net open market value, which is the estimated amount for which a property should exchange 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, excluding estimated costs that a buyer needs to make for obtaining the property. All investment properties are externally appraised per June 30 and December 31.

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 established through actual market transactions.

Instability in financial markets has led to a significantly reduced level of representative (“benchmark”) transactions. Most transactions that are occurring involve vendors in financial distress and purchasers looking for ‘bargains’ with increasing pricing volatility as a result. Appraisers have reacted to this situation of increased uncertainty by carefully interpreting the limited evidence available, including abortive transactions, and by putting more emphasis on both discounted cash flow parameters and other outcomes.

The appraisers valuing Rodamco Europe’s shopping centers and office 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 IVSC ‘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 should rotate every three years to safeguard independence and credibility. Valuation fees are not related to the property value and valuation result.

The professionally derived open market value is an objective valuation of identified ownership rights to specific property as of a given date. The open market value takes into account the return required by investors for comparable property investments, state of maintenance and anticipated changes in future generated cash flows (e.g. rent adjustments, vacancy). Each individual property is supported by an external appraisal.

Any gains or losses arising from a change in fair value are recognized in the profit and loss account as ‘valuation result investment property’. Rental income from investment property is accounted for as described in accounting policy (s).

Except to an insignificant extent in the Nordic countries and Central Europe region, investment property is not occupied by the companies in the consolidated group. If an investment property becomes (partly) owner-occupied, it is (partly) reclassified as other property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent reporting.

A property interest under an operating lease is classified and accounted for as an investment property at the fair value model when the Group holds it to earn rentals or for capital appreciation or both. The operating lease is accounted for as if it were a finance lease.

Lease payments are accounted for as described in accounting policy (u).

Subsequent expenditures are charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of an item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Investment property held for sale without redevelopment are classified as non-current assets held for sale. Non-current assets (or disposal groups) are classified as assets held for sale and stated at fair value less selling costs if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. If the investment property is available for immediate sale in its present condition, the fair value will be determined either on the basis of the offer made by the willing buyer by the professional appraisal company.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement as result on disposal of investment property and pipeline.

(h) Renovation projects

Renovation projects are projects whereby the Group begins to refurbish or renovate an existing investment property for continued future use as such. Renovation projects are stated at fair value as determined on the same basis as investment property.

Subsequent costs of renovation projects comprise acquisition costs, purchase taxes, and any directly attributable costs to bring the asset to working order for its intended use. Administrative expenses are not included unless these can be directly attributed to specific projects. Related borrowing costs are capitalized up to the completion date. Completion date is the date on which the project is available for operation. Basis for capitalization is the additional investment over the project only.

(i) Pipeline projects

New constructions for future use as investment property are classified as a pipeline project and stated at cost, less any impairment losses. At completion it is reclassified and subsequently accounted for as investment property.

The costs of pipeline projects comprise acquisition costs, purchase taxes, and any directly attributable costs to bring the asset to working condition for its intended use. Administrative expenses are not included unless these can be directly attributed to specific projects. Directly attributable costs are costs incurred for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Overhead costs are not capitalized. Related borrowing costs are capitalized from the moment in which activities preparatory to the construction of the project start up to the completion date. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Borrowing costs are capitalized on the basis of the actual costs of the specific borrowing attached to pipeline projects. In the absence of specific funding, an interest rate is used for capitalization that is based on the weighted average of borrowing costs of the Group's general funding pool during a quarterly period. The general funding pool, as a basis for determining the weighted average borrowing costs, excludes all borrowings that are specifically obtained for financing the acquisition or construction of a qualifying asset.

Pipeline projects are transferred to investment property at their respective market value at completion, and positive fair value changes are recorded as 'valuation result pipeline projects' in the profit and loss account at the time of transfer. As soon as an indication for an impairment exists and an impairment is identified, any impairment loss is charged to the profit and loss account as 'valuation result pipeline projects'. Completion date is the date on which the project is available for operation and generates rental income, being the shorter of contract date or technical completion date.

(j) Other property, plant and equipment

(i) Owned assets

Other property, plant and equipment are stated at cost less any accumulated depreciation (see below) and any impairment losses (refer accounting policy (m)). These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The cost of other property, plant and equipment comprise the purchase price, any costs attributable to bringing the assets to operating condition, and the initial estimate of the cost of dismantling and removing the items and restoring the site on which they are located.

Where the Group uses a non-significant part of a property it owns, the whole property is stated at fair value model as an investment property. If the Group uses a significant part of the space of the individual property, the whole property is stated as property, plant and equipment, unless the property can be split in components that are individually transferable. In case of the latter, only part of the property is stated as property, plant & equipment.

Where parts of an item of other property, plant and equipment have different useful lives, they are accounted for as separate items of other property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount less selling costs. These are included in the profit and loss account.

(ii) Subsequent expenditure

The Group recognizes in the carrying amount of an item of other property, plant and equipment the cost of subsequent expenditure of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of items of other property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The estimated useful lives are as follows:

- land nil
- property 25 years
- plant and equipment 5-10 years
- office equipment 2-5 years

The residual value and the useful life of an asset is reviewed at least at each financial year-end.

(k) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables and recognized in the profit and loss account (see accounting policy (m)). This identification of doubtful debtors is done on a case by case basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and evaluation of the days outstanding are considered indicators that the trade receivable could be impaired. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

(l) Cash at banks

Cash at banks comprises cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with a maturity of 90 days or less and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash at banks for the purpose of the statement of cash flows.

(m) Impairment

The carrying amounts of the Group's assets, other than investment property (refer accounting policy (g)), deferred tax assets (refer accounting policy (v)), derivative financial instruments (refer accounting policy (f)), and assets arising from employee benefits (refer accounting policy (p)) are assessed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Assets including goodwill that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

The recoverable amount of other assets is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognized in respect of cash generating units were allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount (except for impairment on goodwill which is not reversed).

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Equity

(i) Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issuance of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(ii) Share premium

Share premium represents amounts realized by the issuance of shares above and beyond the par value.

(iii) Legal reserves: hedging reserve and currency translation reserve

Legal reserves are reserves to be maintained, following IFRS, and comprise hedging reserves and currency translation reserves.

(iv) Retained earnings

Retained earnings include amounts which were formed from the undistributed net profit in the business year or in previous business years.

(v) Dividends

Dividends are recognized as a liability in the year in which they are declared. Dividends declared after the balance sheet date are not recognized as a liability in the financial statements but are disclosed in the notes thereto.

(o) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings (including bonds) are recognized initially at fair value, less transaction costs that are directly attributable to the issuance of these borrowings. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference proceeds and redemption value being recognized in the profit and loss account over the year of the borrowings using the effective interest method.

(p) Employee benefits

(i) Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the profit and loss account as incurred.

(ii) Defined benefit pension plans

The Group operates a number of pension plans throughout the various regions. The Group considers these plans to be defined contribution plans in cases whereby it pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once these contributions have been paid, the Group has no further payment obligations. All other plans that are operated by the Group are considered to be defined benefit plans.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted (together with any adjustments for unrecognized actuarial profit and losses). The discount rate is the yield at balance sheet date on high quality company bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary on a yearly basis using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past services by employees is recognized as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit and loss account.

Effective January 1, 2008 the Group does not apply the corridor method anymore, but actuarial gains and losses are recognized directly in the profit and loss account. For comparison purposes the 2007 comparative numbers have been restated.

(iii) Equity-settled share-based payments & stock option plan

In 2006, the Group introduced a Long Term Incentive Plan for the management board and other senior staff. This plan is classified as an equity-settled share-based compensation plan. The fair value of the services received in exchange for the grant of shares, is recognized as an expense. The total amount to be expensed equally over the vesting period is determined by reference to the fair value of the shares granted. The fair value is measured by a generally accepted valuation methodology for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price. This Incentive Plan has been terminated in 2007 due to the merger with Unibail and has been replaced by the Unibail-Rodamco Stock-option Plan, which is a stock option plan based on performance criteria in relation to the EPRA benchmark. The fair value of the services received in exchange for the grant of shares is recognized as an expense (see note 31).

(q) Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Interest charges arising from the passage of time before settlement are accounted for as interest expense in the profit and loss account.

(i) Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated.

(iii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(r) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(s) Revenue

Revenue comprises gross rental income plus service charge income.

(i) Gross rental income

Gross rental income is determined based on contractual lease term entitlements. Gross rental income is recognized as lease services are rendered and comprise: contractual gross rental income minus rental discounts plus/(minus) amortized lease incentives.

Gross rental income does not include service costs, such as heating, electricity and security, which are prepaid and separately charged to tenants, with the exception of Sweden and Denmark where the major part of service costs are legally a part of the rental income. All service charge income is disclosed on a separate line as part of the revenues.

Rental income is recognized in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. Lease incentives are recognized in the profit and loss account over the lease term on a straight line basis when the amount is higher than € 150.000. When the lease incentive is lower than € 150.000 the total amount is directly fully recognized in the profit and loss account. Differences that arise between the contractual lease payments and the periodic net lease income are capitalized on the balance sheet.

Turnover based rents are recorded as income in the years in which they are earned.

(t) Result on disposal of investment property and pipeline

The gain or loss on disposal of investment property and pipeline is measured as the difference between the net disposal proceeds and the carrying amount of the property at the date of the last published (interim) balance sheet.

(u) Expenses*(i) Service costs and property operating expenses*

Service costs for service contracts entered into and property operating expenses are directly related to rental income and include costs, such as day-to-day property management, property taxes, maintenance, insurance premiums, valuation fees, service costs, et cetera that are for the account of the property owner.

Property operating expenses include since 2008 the provision for doubtful debtors, which was included under gross rental income until 2007.

Property operating expenses do not include general and administrative expenses, which are part of administrative expenses.

Costs for service contracts entered into and property operating expenses are expensed as incurred. The Group acts as a principal with respect to service costs. Accordingly, the services invoiced to the tenant and the corresponding expenses are shown separately in the profit and loss account.

(ii) Merger expenses

Merger expenses incurred in 2007 are the expenses made by the Group which are either merger transaction costs or costs directly relating to or consequence of the merger of the Group.

(iii) Lease payments

Leases whereby a Group company is the lessor: payments made under operating leases are recognized in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognized in the profit and loss account as an integral part of the total lease expense. Lease incentives are straight lined over the shorter of the life of the lease or the year to the first rent break option. Differences that arise between the contractual lease payments and the periodic net lease expense are accrued on the balance sheet. There are no investment properties leased out under a finance lease.

Leases whereby a Group company is the lessee: leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease. Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. There are no investment properties acquired under a finance lease.

(iii) Financing result

Financing result comprises net interest expenses, fair value result of derivative financial instruments and foreign exchange results.

Net interest expenses consist of interest payable on interest-bearing loans and borrowings, bonds and derivative financial instruments calculated using the effective interest rate method net of interest capitalized and interest income.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is recognized in the profit and loss account as it accrues, taking into account the effective yield on the asset. Dividend income is recognized in the profit and loss account on the date the entity's right to receive payments is established which in a case of quoted securities is usually the ex-dividend date.

Fair value result on derivative instruments relates to fair value movements of derivatives for which no hedge accounting is applied.

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from settlement of these transactions are recognized in the income statement. Foreign exchange gains and losses resulting from the retranslation of monetary assets and liabilities denominated in foreign currencies are also recognized in the income statement with the exception of:

- unrealized translation results on net investments
- unrealized translation results on intercompany loans that in substance form part of the net investment

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account except for some items that are recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction other than a business combination that at the time of the acquisition affect neither accounting nor taxable profit. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

In the real estate business, different tax rates and taxable bases exist for capital gains arising from investment property transactions ('asset transactions') or capital gains arising from share transactions of property investment companies. The Group uses the corporate income tax rate or the capital gain tax rate as the basis for the deferred tax calculation depending on how the temporary difference can be recovered (through use of the investment property or sale of the investment property or a combination of both). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets are offset against deferred tax liabilities only if the Group has a legal enforceable right to offset, the settlement dates are similar and the tax is levied by the same tax authority on the same taxable entity or taxable unity.

3 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Both formats, geographical and business segments, are based on the Group's management and internal reporting structure. A segment is a distinguishable component of the Group that is engaged either in providing products or services (Retail and Offices/Other), or in providing products or services within a particular economic environment (Netherlands and Belgium, France, Spain, Nordic, Central Europe), which is subject to risks and rewards that are different from those of other segments. The geographic segmentation is primary.

Inter-segment pricing is determined on normal commercial terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Geographical segments

Geographical segments are determined on the basis of Rodamco Europe's definition of a home region.

At Rodamco Europe, a home region is defined as a region with more than € 1 billion in property investment and a local organization dedicated to all three business lines: asset selection and management including pipeline or the 'owner' function; retail management or the 'operator' function, and finance or the 'controller' function. the Netherlands and Belgium (managed from the Netherlands), France, Spain, Nordic countries (Sweden, Denmark, Finland, managed from Sweden), and Central Europe (Austria, Germany, Czech Republic, Hungary, Poland, Slovakia, Russia and Ukraine, managed from Austria) are considered home regions based on specific operational and strategic factors. Effective January 1, 2009, Austria has become a separate home region.

Business segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group comprises the following main business segments:

- Retail
- Offices/other

In the past we reported a third segment 'Industrials/Other' as well. This segment is no longer used. The relating amounts are as of 2008 reported under "Offices/other".

Both the segmentation between Regions and between Retail and Offices/Other are equal important.

(in € millions)	Netherlands/ Belgium		France		Spain		Nordic countries		Central Europe		Total	
	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾
Income from external customers:												
• Gross rental income	205	243	127	115	123	102	142	134	123	94	720	688
• Net service charge expenses	(2)	(1)	(1)	-	(1)	(1)	(1)	(1)	(2)	(3)	(6)	(6)
• Property operating expenses	(18)	(25)	(10)	(12)	(9)	(6)	(32)	(31)	(5)	(6)	(75)	(80)
• Valuation result (including pipeline)	(117)	207	(173)	414	(246)	234	(140)	265	(14)	174	(690)	1,294
• Net result on disposals of investment property and pipeline	28	7	6	-	(1)	(1)	-	-	2	6	35	12
• Other income and expenses	-	-	(2)	-	2	-	-	-	-	-	-	-
TOTAL INCOME	96	431	(53)	517	(132)	328	(31)	367	104	265	(16)	1,908
Administrative and interest expenses	(6)	(34)	(45)	(55)	(92)	(51)	(79)	(65)	(76)	(85)	(297)	(290)
Goodwill impairment	-	-	-	-	-	-	-	-	(16)	-	(16)	-
Income tax expenses	8	15	(3)	(1)	33	(47)	43	(86)	(23)	(33)	58	(152)
SEGMENT RESULT	98	412	(101)	461	(191)	230	(67)	216	(11)	147	(271)	1,466
Intragroup income at holding level											78	35
Net shareholders' profit for the year											(193)	1,501
Investment property and pipeline	2,628	3,804	2,275	2,447	2,152	2,054	2,011	2,230	2,260	1,591	11,326	12,126
Other segment assets	911	62	51	36	114	147	123	36	469	264	1,668	545
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets *	-	-	-	-	-	-	-	-	-	-	(369)	-
TOTAL ASSETS	3,539	3,866	2,326	2,483	2,266	2,201	2,134	2,266	2,729	1,855	12,625	12,671
(in € millions)												
	Netherlands/ Belgium		France		Spain		Nordic countries		Central Europe		Total	
	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾
Segment liabilities	61	455	921	971	2,071	1,146	1,689	1,691	1,573	1,441	6,315	5,704
Unallocated liabilities **	-	-	-	-	-	-	-	-	-	-	(980)	(782)
TOTAL LIABILITIES											5,335	4,922
Costs capitalized (including capitalized interest)	37	13	81	71	22	16	68	51	82	40	290	191
Impairment losses	8	(3)	-	-	14	-	-	-	1	-	23	(3)
Capital expenditure	26	11	18	4	14	3	20	27	12	10	90	55

* Unallocated assets relate to intragroup assets.

** Unallocated liabilities relate to intragroup liabilities.

¹⁾ The 2007 figures are restated.

(in € millions)	Retail		Offices/Other		Total	
	2008	2007 ¹⁾	2008	2007 ¹⁾	2008	2007 ¹⁾
Income from external customers:						
• Gross rental income	648	624	72	64	720	688
• Net service charge expenses	(6)	(6)	-	-	(6)	(6)
• Property operating expenses	(66)	(81)	(9)	1	(75)	(80)
• Valuation result	(603)	1,239	(87)	55	(690)	1,294
• Net result on disposals of investment property and pipeline	15	6	20	6	35	12
• Other income and expenses	-	-	-	-	-	-
TOTAL INCOME FROM EXTERNAL CUSTOMERS	(12)	1,783	(4)	126	(16)	1,908
SEGMENT ASSETS	10,626	11,199	700	927	11,326	12,126
COSTS CAPITALIZED (INCLUDING CAPITALIZED INTEREST)	247	186	43	5	290	191
Impairment losses	18	-	4	(3)	22	(3)

¹⁾ The 2007 figures are restated.

4 GROSS RENTAL INCOME

(in € millions)	2008	2007 ¹⁾
Gross lease payments collected/accrued	725	690
Amortization of deferred lease incentives	(5)	(2)
	720	688

¹⁾ The 2007 figures are restated.

The Group leases out its investment property under operating leases and defines a lease contract as a signed agreement between landlord and tenant whereby the right to the possession and use of property is transferred for a defined period of time. The period varies greatly by region, most often varying from 3 to 10 years, with a Group-wide average of 4.8 years based on the weighted average of the lease expiry schedule per next break option. This agreement establishes responsibility and sets standards for both parties. In general, agreed rental levels are indexed with inflation during the tenure of the lease agreement.

The future aggregate minimum lease receivables under non-cancellable operating leases as of December 31, 2008 total € 690 (2007: € 660) approximately as follows:

- Not later than one year : 107 (2007: 125)
- Later than one year and not later than five years : 345 (2007: 349)
- Later than five years : 238 (2007: 186)

Approximately 2% of 2008 gross rental income relates to turnover based rent (2007: 2%).

5 NET SERVICE CHARGES

(in € millions)	2008			2007		
	Vacant	Rented out	Total	Vacant	Rented out	Total ¹⁾
Service charge income	-	145	145	-	110	110
Service charge expenses	(6)	(145)	(151)	(2)	(114)	(116)
	(6)	-	(6)	(2)	(4)	(6)

¹⁾ The 2007 figures are restated.

Service charge income represents income receivable from tenants for the services of utilities when the Group acts as principal.

6 PROPERTY OPERATING EXPENSES

(in € millions)	2008	2007 ¹⁾
Bad debt expense	5	2
Property taxes	13	9
Property insurance premium	3	3
Property management expenses	23	26
Maintenance expenses	10	16
Other operating expenses	21	24
TOTAL PROPERTY OPERATING EXPENSES	75	80

¹⁾ The 2007 figures are restated.

As of 2008 bad debt expense is no longer included under Gross rental income but under Property operating expenses. Valuation fees are no longer included under Property operating expenses but under Administrative expenses.

7 VALUATION RESULTS AND RESULT ON DISPOSALS

(in € millions)	Positive	Negative	2008 Total	2007 ¹⁾ Total
Valuation result investment property and renovation projects:				
• Netherlands / Belgium	30	(140)	(110)	198
• Spain	6	(237)	(231)	234
• France	2	(175)	(173)	392
• Nordic countries	38	(178)	(140)	265
• Central Europe	62	(75)	(13)	174
	138	(805)	(667)	1,263
Valuation result pipeline projects	-	(23)	(23)	31
TOTAL VALUATION RESULT	138	(828)	(690)	1,294

¹⁾ The 2007 figures are restated.

Net result on disposal of investment property and pipeline:

(in € millions)	2008	2007
Disposal proceeds investment property	1,245	142
Disposal proceeds pipeline projects	-	-
Carrying amount of investment property sold	1,211	130
Carrying amount of pipeline sold	-	-
NET RESULT ON DISPOSAL OF INVESTMENT PROPERTY AND PIPELINE	34	12

The difference between the €1,245 disposal proceeds and the €1,472 divestments in the cash flow statement relates mainly to the partial divestment (approximately 49%) to GIC Real Estate of the company owning La Maquinista and Habaneras.

8 ADMINISTRATIVE EXPENSES

(in € millions)	2008	2007 ¹⁾
Wages and social security expenses	69	67
ICT services	11	15
Housing and office costs	11	7
Consultancy and advisory costs	7	8
Listing and marketing costs	2	7
Other administrative expenses	9	25
Gross administrative expenses	109	129
Charged to pipeline projects	(11)	(5)
Charged to property operating expenses	(26)	(35)
Charged to third parties	(3)	(6)
ADMINISTRATIVE EXPENSES	69	83

¹⁾ The comparative 2007 figure on wages and social security expenses has been restated due to the accounting policy change on pensions.

The total fees of our statutory auditor comprise of 95% of auditor services (2007: 77%) and 5% for IFRS, tax and other advisory services (2007: 23%). For the fees paid to the external auditor we refer to the Annual Report of Unibail-Rodamco S.A.

Wages and social security expenses include €3 (2007: €2) of contributions to the defined contribution plans and €5 (2007: €2) relating to the defined benefit pension expenses.

The average number of personnel during the year was 669 (2007: 644) employed in the following functional areas:

	2008	2007
Asset selection	79	91
Retail management	374	344
Finance	139	141
Other	77	68
AVERAGE NUMBER OF PERSONNEL	669	644

The geographical spread of our average number of personnel has been:

	2008	2007
Central Europe	172	131
Corporate Center	53	60
France	66	80
Netherlands/Belgium	77	83
Nordic countries	173	159
Spain	128	131
AVERAGE NUMBER OF PERSONNEL	669	644

9 IMPAIRMENT OF GOODWILL

The impairment of goodwill amounting to €16 relates to the company SCS acquired by Unibail-Rodamco Beteiligungsverwaltung GmbH. This relates to the investment in Shopping City Süd in Vienna. The amount represents the purchase costs. See note 18 as well.

10 MERGER EXPENSES

(in € millions)	2008	2007
Success fees banks	-	18
Advisory cost	-	3
Mobility plan	-	4
Management	-	3
Long term incentive plan	-	3
Other merger expenses	-	1
MERGER EXPENSES	-	32

11 FINANCING RESULT

(in € millions)	2008	2007
Interest income	48	15
Interest capitalized	15	9
Interest expenses	(213)	(164)
Net interest expenses	(150)	(140)
Foreign exchange result	(1)	-
Fair value result derivative financial instruments	(3)	3
	(154)	(137)

Interest expenses include commitment and other financing fees of €1 (2007 €1).

12 INCOME TAX EXPENSE

Recognized in the profit and loss account

(in € millions)	2008	2007
CURRENT INCOME TAX EXPENSES		
Current year	(26)	(12)
	(26)	(12)
DEFERRED INCOME TAX EXPENSES		
Origination and reversal of timing differences	41	(156)
Increase/(Reduction) in tax rate	35	17
Impairment of goodwill justified by taxes	8	-
	84	(139)
TOTAL INCOME TAX INCOME/(EXPENSE) IN THE PROFIT AND LOSS ACCOUNT	58	(151)

Reconciliation of effective tax rate

	2008		2007 ¹⁾
	€ mln	%	€ mln
Net profit before tax and goodwill impairment	(240)		1,649
Income tax using average tax rates	(81)		442
Tax exempt revenues (incl. effect of FBI and SIIC)	24		(266)
Tax exempt costs	(2)		6
Effect of tax losses utilised	-		-
Effect of tax provisions	9		(17)
Effect of non-recognized tax losses	3		7
Effect of change in tax rate	(35)		(17)
Effect of currency translation on tax	10		(2)
Other	6		(2)
	(66)	N/A	151
		9.2	

¹⁾ The 2007 figures are restated.

The relatively low effective average tax rate in 2007 was 9.2%, mainly caused by tax exempt profits in the Netherlands and France following the FBI respectively SIIC regime. In 2008 the percentage is not meaningful due to the negative profit before tax.

The abovementioned 'effect of change in tax rate' mainly relates to Sweden (decrease of the tax rate from 28% to 26.3% in 2009, with an impact on the deferred taxes by the end of 2008).

The difference between the effective tax amount of €(66) compared to the net tax income in the profit and loss of €(58) relates to the goodwill impairment justified by deferred taxes of €8.

13 RECONCILIATION DIRECT AND INDIRECT RESULT

The European Public Real Estate Association (EPRA) has issued its Best Practice Policy Recommendation for transparent, uniform and comparable financial information by real estate companies. Rodamco Europe states its result based on IFRS, but additionally splits it into a direct result and an indirect result following EPRA guidelines. This split up does not replace the IFRS measures but provides additional information to help investors understand the Group's performance even better.

Direct result after tax approximates the net cash earnings of the company over the period. It comprises net rental income, other income and expenses minus the administrative expenses (also referred to as EBITDAV) minus the net interest expenses, the foreign exchange result, the current part of income tax expense (excluding part related to indirect result) and a part of the minority interest.

A reconciliation of direct and indirect result to the Group's net shareholders' profit is as follows:

(in € millions)	2008	2007 ¹⁾
DIRECT RESULT		
Net rental income	639	602
Administrative expenses	(69)	(90)
Merger expenses	-	(32)
Interest income	63	24
Interest expenses	(215)	(164)
Income tax expenses	(16)	(10)
Foreign exchange result	-	-
Other income and expenses	1	-
Minority interest	-	(1)
Total	403	329
INDIRECT RESULT		
Valuation result	(690)	1,294
Result on disposal of investment property and pipeline	34	12
Goodwill impairment	(16)	-
Fair value result derivative financial instruments	(3)	3
Income tax expenses	(10)	(2)
Deferred income tax expenses	84	(139)
Minority interest	5	(3)
Pension adjustment to opening balance	-	7
Total	(596)	1,172
TOTAL NET SHAREHOLDERS' (LOSS)/PROFIT	(193)	1,501

¹⁾ The 2007 figures are restated.

14 INVESTMENT PROPERTY

(in € millions)

	Total ¹⁾
Balance at January 1 2007	10,349
Acquisitions	131
Transfer from/to renovation projects	-
Capital expenditure	55
Transfer from pipeline projects	105
Disposals (carrying value)	(130)
Transfer from/to other property, plant & equipment	-
Revaluations (incl. lease incentives)	1,263
Currency translation differences	(87)
Other movements	7
BALANCE AT DECEMBER 31, 2007	11,693
Balance at January 1, 2008	11,693
Acquisitions	1,057
Transfer from/to renovation projects	-
Capital expenditure	90
Transfer from pipeline projects	285
Disposals (carrying value)	(1,210)
Transfer from/to other property, plant & equipment	-
Assets held for sale	(215)
Revaluations (incl. lease incentives)	(667)
Currency translation differences	(137)
Other movements	4
BALANCE AT DECEMBER 31, 2008	10,900

¹⁾ The 2007 figures are restated.

In 2008 Rodamco Europe acquired Shopping City Süd for €619 and two shopping centers in Spain (La Maquinista and Habaneras) for €434. In December 2008 Rodamco Europe concluded a partial divestment (approx. 49%) to GIC Real Estate of the two abovementioned Spanish shopping centers acquired earlier in the year. Rodamco Europe however continues to operate all these assets.

In 2008 Rodamco Europe divested the retail portfolio to IEF in the Netherlands for €744, of which €28 for an asset still awaiting transfer and the remaining Belgian retail portfolio and an asset in Germany for a total net disposal price of €113. Furthermore, four office buildings in the Netherlands, logistics premises in Spain, one office in France and the office buildings portfolio in Kiev (Ukraine) was sold for a total net disposal price of €417.

As at December 31, 2008 the outstanding balances of deferred lease incentives amortised over the term of the lease and restated from the appraisal value represented a positive amount of €3.

Furthermore, we refer to note 29 for our sensitivity analysis regarding the market (price) risk management and note 34 for the real estate risk in general.

See below the information on the valuation and net initial yield of both shopping centers and offices:

Asset portfolio valuation of re (including transfer taxes)

	12/31/07		12/31/08		Like-for-like change at 12/31/08		Like-for-like change net of investment at 12/31/08	
	€ mln	%	€ mln	%	€ mln	%	€ mln	%
Shopping centers	11,551	90%	11,331	94%	(562)	(5.5%)	(625)	(6.1%)
Offices	1,216	10%	741	6%	(64)	(8.7%)	(79)	(10.7%)
TOTAL	12,767	100%	12,073	100%	(626)	(5.7%)	(704)	(6.4%)

Shopping center portfolio by region

	Valuation including transfer taxes in € mln 12/31/08	Valuation excluding estimated transfer taxes in € mln 12/31/08	Net initial yield 12/31/08 ¹⁾	Net initial yield 12/31/07
France	2,272	2,173	5.0%	4.4%
Netherlands	2,726	2,549	5.9%	5.6%
Nordic	1,819	1,792	5.3%	4.8%
Spain	2,175	2,121	6.1%	5.1%
Central Europe	2,339	2,298	6.0%	5.8%
TOTAL	11,331	10,933	5.7%	5.2%

1) Net Initial yield is calculated as the Net Rental Income next 12 months divided by the NAV

Valuation of office occupied office space

	Valuation including transfer taxes in € mln 12/31/08	Valuation excluding estimated transfer taxes in € mln 12/31/08	Net initial yield 12/31/08 ¹⁾	Net initial yield 12/31/07
France	61	59	6.8%	4.7%
Netherlands	288	269	8.4%	6.8%
Nordic	238	235	6.9%	6.1%
Spain	33	32	7.3%	6.2%
Central Europe	20	20	7.3%	8.2%
TOTAL	640	615	7.6%	6.3%

1) Net Initial yield is calculated as the Net Rental Income next 12 months divided by the NAV

Properties held for sale

All properties held for sale, amounting to €215 (2007: €0) are assets located in the Netherlands, which are expected to be sold in 2009.

Other investments

Other investments of €196 include for €195 an investment in Zlote Tarasy. In 2007 Rodamco Europe prepaid €164 for the acquisition of the company owning the shopping center Zlote Tarasy located in Warsaw, Poland. At December 31, 2007 it was a prepayment on an investment deal which was expected to be closed within one year and recorded as a prepayment under Trade and Other receivables. In 2008 an additional prepayment of €31 was made to acquire an office building close to the shopping center. By year-end 2008 the developer of the property has not delivered full ownership of the 50% of the shares in both the shopping center and the offices to Rodamco Europe. As the timing of the delivery of the shares remains uncertain, this investment is recorded as an other investment with a long term character and no longer as a prepayment.

15 PIPELINE PROJECTS (INVESTMENT PROPERTY UNDER CONSTRUCTION)

(in € millions)	2008	2007
Balance at January 1	433	233
Cost capitalized	275	185
Investments	28	104
Upward revaluation	-	34
Impairments	(23)	(3)
Interest capitalized	15	9
Disposals	(14)	-
Transfer to investment property	(285)	(105)
Transfer to pre-payments	-	(20)
Currency translation differences	(3)	(4)
BALANCE AS AT DECEMBER 31	426	433

The total of property, plant and equipment (including pipeline projects and other property, plant and equipment) amounts to €436 (2007: €454).

During the year, completed pipeline projects mainly are: Stadshart Almere in the Netherlands, Forum Nacka in Sweden, Praha Arkady Pancrac in the Czech Republic. These projects have consequently been reclassified to investment property.

The pipeline impairments of €23 relates to Benidorm (Spain) €14, Almere Buitenmere (Netherlands) €3, Zoetermeer (Netherlands) €5 and Moravaska Obchodni (Czech Republic) €1.

16 INVESTMENT IN ASSOCIATES

Associates are those entities over which the Group has significant influence, but no operating power over the financial and operating policies.

Summary financial information on associates – 100%:

(in € millions)	Assets	Liabilities	Equity	Revenues	Profit/(loss)
2008					
Sovalec	3	2	1	1	-
2007					
Sovalec	2	1	1	1	-

17 JOINT VENTURES

Joint ventures are those entities in which the Group has joint control established by contractual agreement. Joint ventures are proportionally consolidated based on Rodamco Europe's share of ownership.

The Group has the following investments in joint ventures:

Operation	Ownership	Through
Ring-Center 1	67%	Geschäftszentrum Frankfurter Allee
Allee-Center	50%	Mulhauser & Co Einkaufszente Magdeburg
Aupark (and extension)	50%	Unibail-Rodamco Inversiones SL
Arrendamientos Vaguada	62%	Unibail-Rodamco Inversiones SL
Südpark	50%	Unibail-Rodamco Inversiones SL
Galeria Mokotów	50%	Rodamco Europe CH1 Sp. Z.o.o.
Kiinteistö OY Vantaanportin Liiketilat	21%	Rodamco Sverige AB
Kiinteistö OY Vantaanportin Liikekeskus	60%	Rodamco Sverige AB
Unibail-Rodamco Benidorm	88%	Rodamco Promociones SL
Árkád Őrs Vezér Tére	33%	Vezér Center Kft.
Pankrac k.s.	75%	Rodamco Sverige AB

Included in the consolidated financial statements are the following items that represent the Group's proportionate interest in the assets and liabilities, revenues and expenses of the joint ventures:

(in € millions)	2008	2007
Non-current assets	1,214	731
Current assets	39	16
Non-current liabilities	411	210
Current liabilities	178	107
NET ASSETS	664	430
Income	130	132
Expenses	(76)	(20)
NET PROFIT	54	112

18 GOODWILL

(in € millions)	2008	2007
Balance at January 1	37	33
Acquisitions through business combinations	129	5
Impairments	(25)	(1)
BALANCE AT DECEMBER 31	141	37

The impairment of goodwill corresponds to:

- impairment of the goodwill of Shopping City Süd of €16.
- impairments of goodwill justified by the decrease of deferred taxes (€7 on Shopping City Süd and €1 on Aupark). This €8 is classified on the income tax expense line (see note 12).

The cumulative impairments are at December 31, 2008 €26 (2007: €1).

On May 21, 2008, Unibail-Rodamco acquired 140,400 m² in Shopping City Süd in Vienna, Austria (100%). As this involves both the property and the operational and financial management, the acquisition was treated as a business combination.

Detail of the purchase price allocation :

(in € millions)

Purchase price	618
Direct costs relating to the acquisition	8
Total purchase price	626
Fair value of net identifiable assets and liabilities	497
Goodwill	129

The goodwill relates mainly to the deferred tax liability recorded for an amount of (€113) after the assets were booked at their fair value at the date of acquisition. The remaining amount of €16, which mainly corresponds to the purchase costs, was impaired.

The amounts recognised at the acquisition date for each class of assets and liabilities and the carrying amounts before combination are presented below.

(in € millions)	Fair value	Carrying amounts before combination
Non current assets	618.1	160.5
Tangible assets	28.0	4.3
Investment properties	580.8	156.2
Deferred tax assets	9.3	-
Current assets	13.6	12.7
Trade receivables from activity	1.2	1.2
Other trade receivables	1.8	0.9
Cash and equivalent	10.6	10.6
Total assets	631.7	173.2
Total equity	496.4	151.3
Non current liabilities	122.1	8.7
Long-term bonds and borrowings	8.3	8.3
Deferred tax liabilities	113.2	-
Other liabilities	0.6	0.4
Current liabilities	13.2	13.2
Amounts due to suppliers and other current debt	3.6	3.6
Other liabilities	9.6	9.6
TOTAL LIABILITIES AND EQUITY	631.7	173.2

The values recognised in the consolidated balance sheet as at December 31, 2008 are based upon current best estimates. It is possible that further purchase price allocation adjustments may be recognised within twelve months of the acquisition in accordance with IFRS rules.

The amount of the result included since the date of acquisition in the consolidated accounts amounts to €1 for the recurring result and to (€47) for the non recurring result.

If the entry of Shopping City Süd into the scope of consolidation had been January 1, 2008 the impact would be:

- Gross rental income: €34
- Recurring result: €3
- Non-recurring result (€47)

19 OTHER PROPERTY, PLANT AND EQUIPMENT

(in € millions)

	Land and buildings		Furniture and equipment		Total	
	2008	2007	2008	2007	2008	2007
Balance at January 1	7	7	14	18	21	25
Transfer from/(to) investment property	-	-	-	-	-	-
Acquisitions	-	-	3	1	3	1
Additions	-	-	-	2	-	2
Divestments	-	-	(1)	(2)	(1)	(2)
Disposal assets occupied by the owner	(7)	-	-	-	(7)	-
Depreciation	-	-	(6)	(5)	(6)	(5)
Balance at December 31	-	7	10	14	10	21

In 2008 the group disposed of the property Oostelijke Handelskade in the Netherlands, which was partly occupied by the owner.

20 DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

(in € millions)	Net assets		Net liabilities		Total	
	2008	2007	2008	2007	2008	2007
Investment property	-	-	736	747	736	747
Other items	-	-	4	2	4	2
Value of tax losses carry-forward recognized	(50)	(45)	(3)	(4)	(53)	(49)
TAX (ASSETS)/LIABILITIES	(50)	(45)	737	745	687	700

The appropriateness of the deferred tax asset recognition has been assessed against the useful life of the tax loss and realization of positive revaluations on investment properties.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

(in € millions)	2008	2007
Temporary differences investment properties	-	11
Tax losses carry-forward not recognized	69	65
TOTAL UNRECOGNIZED LOSSES	69	76

The temporary differences and tax losses are mainly related to real estate operations in Germany. They do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which can be offset against these assets.

Movement in temporary differences during the year

(in € millions)	Balance 01/01/2007	Recognized in profit and loss account	Movement through balance ¹⁾	Balance 12/31/2007
Investment property	604	141	2	747
Other items	4	(2)	-	2
Value of loss carry-forwards recognized	(49)	-	-	(49)
	559	139	2	700

(in € millions)	Balance 01/01/2008	Recognized in profit and loss account	Movement through balance ¹⁾	Balance 12/31/2008
Investment property	747	(83)	72	736
Other items	2	-	2	4
Value of loss carry-forwards recognized	(49)	(1)	(3)	(53)
	700	(84)	71	687

¹⁾Movement resulting from acquisitions as well as currency translation differences.

21 TRADE AND OTHER RECEIVABLES

(in € millions)	2008	2007
Rent receivables	44	24
Tax receivables	89	32
Prepayments	62	238
Current accounts	252	-
Other receivables	37	17
	484	311

Trade and other receivables are shown net of the provision for doubtful debtors amounting to €19 (2007: €13) arising from identified doubtful receivables from tenants. Any possible impairment losses are charged to the profit and loss account under 'gross rental income'.

Rent receivables are specified as follows:

(in € millions)	2008	2007
Receivables not overdue	31.6	12.8
Receivables overdue but not impaired – not provided for	9.8	11.5
Receivables overdue and impaired – provided for	21.3	12.6
Provision for doubtful debtors	(18.5)	(12.6)
	44.2	24.3

Trade (rent) receivables that are less than 3 months past due are not considered impaired. As at December 31, 2008, trade receivables of €9.8 (2007: €11.5) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade (rent) receivables that are past due but not impaired is as follows:

(in € millions)	2008	2007
Up to three months overdue	7.7	3.3
Three to six months overdue	1.0	2.0
Over six months overdue	1.1	6.2
	9.8	11.5

At December 31, 2008 trade (rent) receivables of €21.3 (2007: €12.6) were impaired and for the majority (€18.5) provided for. The ageing of these impaired trade receivables is:

(in € millions)	2008	2007
Up to three months overdue	2.2	1.5
Three to six months overdue	3.5	0.7
Over six months overdue	15.6	10.4
	21.3	12.6

The movement of the provision for doubtful trade receivables is as follows:

(in € millions)	2008	2007
At January 1	12.6	14.2
Provision for receivables impaired during the year	15.7	2.8
Receivables written off during the year as uncollectible	(3.6)	(3.4)
Unused amounts reversed	(6.2)	(1.0)
DECEMBER 31	18.5	12.6

Prepayments included in 2007 a prepaid amount of €164 for the acquisition of the company owning the shopping center Zlote Tarasy located in Warsaw, Poland. See note 14 as well on “other investments”.

There are no receivables expected to be realized after more than 12 months.

The impact of the current economic crisis on our doubtful debtors is considered limited. The impact of an increase in bad debt with 50% is estimated to be approximately €8 on net income.

The current accounts relate to the intercompany balance with Unibail-Rodamco S.A.

Security/collateral

Rodamco Europe receives bank guarantees as security from its tenants.

22 CASH AT BANKS

(in € millions)	2008	2007
Cash deposits	1	13
Current bank accounts	119	88
Cash at banks	120	101
Bank overdrafts	(15)	(2)
CASH AT BANKS IN THE STATEMENT OF CASH FLOWS	105	99

There are no restrictions to the cash balances at December 31, 2008.

23 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

(in € millions)

	Share capital	Share premium reserve	Other reserves		Retained earnings	Total Shareholders' equity	Minority interest	Total equity
			Hedging	Currency translation				
Balance at January 1, 2007	717	2,956	0	3	2,811	6,487	11	6,498
Adjustment to opening balance	-	-	-	-	(7)	(7)	-	(7)
Foreign currency translation	-	-	-	(36)	-	(36)	(1)	(37)
Gain/(loss) on net investment hedge	-	-	-	7	-	7	-	7
Net gains on cash flow hedges	-	-	(3)	-	-	(3)	-	(3)
Total income and expense for the year recognized directly in equity	-	-	(3)	(29)	(7)	(39)	(1)	(40)
Profit for the year	-	-	-	-	1,501	1,501	4	1,505
Total income and expense for the year	-	-	(3)	(29)	1,494	1,462	3	1,465
Issue of share capital	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	(1)	(1)	-	(1)
Dividends to shareholders	-	-	-	-	(210)	(210)	-	(210)
Other movements	-	-	-	-	(1)	(1)	(1)	(2)
BALANCE AT DECEMBER 31, 2007	717	2,956	(3)	(26)	4,093	7,737	13	7,750
Balance at January 1, 2008	717	2,956	(3)	(26)	4,093	7,737	13	7,750
UR accounting principle adjustments	-	-	-	-	(2)	(2)	-	(2)
Foreign currency translation	-	-	-	(12)	-	(12)	-	(12)
Gain/(loss) on net investment hedge	-	-	-	(3)	-	(3)	-	(3)
Net gains on cash flow hedges	-	-	(1)	-	-	(1)	-	(1)
Total income and expense for the year recognized directly in equity	-	-	(1)	(15)	(2)	(18)	-	(18)
Profit for the year	-	-	-	-	(193)	(193)	(5)	(198)
Total income and expense for the year	-	-	(1)	(15)	(195)	(211)	(5)	(216)
Issue of share capital	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	1	-	1	-	1
Dividends to shareholders	-	-	-	-	(272)	(272)	(1)	(273)
Changes in consolidation scope	-	-	-	(1)	-	(1)	29	28
BALANCE AT DECEMBER 31, 2008	717	2,956	(4)	(41)	3,626	7,254	36	7,290

Note: for the recognized gains and losses we also refer to the separate Consolidated Statement of Recognized Gains & Losses too.

Share capital and share premium reserve

The share capital consists of 204,524,430 authorized shares of which 89,639,292 shares are issued and fully paid up at December 31, 2008, similar to 2007. The shares have a par value of €8 each. No movements occurred in 2008, as was the case in 2007.

Other reserves

Other reserves are reserves to be maintained following IFRS and comprise of hedging reserves and currency translation reserves. The amounts recognized by these reserves, totalling €(45) (2007: (29)) are not freely distributable. In addition, as explained in note 6 to the Company financial statements, €2.627 (2007: €3.459) is restricted for distribution under Dutch law (revaluation reserve). A brief description of the legal reserves is as follows:

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than the Group's functional currency, as well as from the translation of liabilities (including quasi-equity loans) that hedge the Group's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Retained earnings

The retained earnings include an amount of €2,627 (2007: €3,459) that represents the cumulative increase in the fair value of the property as compared to the total cost price, net of deferred tax. This amount is not freely distributable. See note 6 of the company financial statements as well.

Dividends

After the balance sheet date, the following final dividend was proposed by the management board in agreement with the supervisory board. The dividends have not been recorded as a liability and there are no corporate income tax consequences.

(in € thousands)	2008	2007
€3.50 per qualifying ordinary share (final dividend 2007: €3.05)	313,738	273,400

24 EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2008 of €(2.15) is based on the net profit/(loss) attributable to ordinary shareholders of €(193) (2007: €1,501) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2007 of 89,639,292 (2007: 89,639,292).

There are no dilutive potential ordinary shares, therefore the diluted earnings per share is the same as the basic earnings per share.

25 BONDS, INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's bonds, interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, refer to note 29.

(in € millions)	2008	2007
NON-CURRENT LIABILITIES		
Eurobond 7yr (till 2012), nominal €500, fixed rate 3.75%	499	499
Eurobond 7yr (till 2010), nominal €500, fixed rate 3.75%	498	496
Eurobond 10yr (till 2014), nominal €500, fixed rate 4.375%	495	494
Eurobond 5yr (till 2011), nominal €500, fixed rate 4.125%	499	498
Other bonds and credit institutions	1,897	1,484
	3,888	3,471
CURRENT LIABILITIES		
Swedish Krona bond 3yr (till 2008), nominal SEK 1000, 3 month STIBOR + 0.12%	-	106
Current portion of loans from credit institutions	47	231
	3,935	3,808
TOTAL DEBT	3,935	3,808

The movement in bonds, interest-bearing loans and borrowings during the year was:

(in € millions)	2008	2007
Balance at January 1	3,808	3,320
New loans	1,449	846
New bonds	-	-
New Partner accounts	202	-
Redemptions	(1,476)	(369)
Other movements (e.g. currency translation differences and amortization)	(48)	11
	3,935	3,808
BALANCE AT DECEMBER 31	3,935	3,808

No collateral has been given in respect of these bonds, loans and borrowings.

As at December 31, 2008 the Group complies with all financial covenants.

Loan maturity profile

(in € millions)	Secured	Unsecured	12/31/2008 Total debt	12/31/2007 Total debt
After five years	497	585	1,082	827
Between one and five years	301	2,505	2,806	2,644
Total liabilities > one year	798	3,090	3,888	3,471
Total liabilities < one year	10	37	47	337
TOTAL DEBT	808	3,127	3,935	3,808

Currency and interest rate profile

	Fixed rate debt ¹⁾ € mln	Floating rate debt ²⁾ € mln	Total debt amount € mln	Weighted average interest rate in % ³⁾	Weighted average maturity of debt in years ⁴⁾
2007					
Euro	2,106	514	2,620	4.42%	4,71
Swedish krona	-	925	925	4.66%	3,25
Danish krone	174	-	174	4.18%	4,57
US dollar	31	47	78	6.20%	6,10
Czech koruna	11	-	11	4.03%	4,34
	2,322	1,486	3,808	4.49%⁵⁾	4,37
2008					
Euro	2,301	832	3,133	4.15%	4,99
Swedish krona	87	491	578	4.46%	2,58
Danish krone	174	-	174	4.18%	3,57
US dollar	33	4	37	7.28%	6,95
Czech koruna	13	-	13	4.03%	3,34
	2,608	1,327	3,935	4.23%⁵⁾	4,59

¹⁾Fixed rate debt consists of all external financing with a remaining interest period of more than one year taking into account the effect of interest rate swaps and cross currency (interest rate) swaps.

²⁾Floating rate debt consists of all external financing with a remaining interest period of less than one year taking into account the effect of interest rate swaps and cross currency (interest rate) swaps.

³⁾Calculated on fixed rate and last fixing of floating rate.

⁴⁾The weighted average maturity of debt in years is calculated as the average number of days (expressed in years) for a repayment.

⁵⁾Weighted average interest rate per balance sheet date.

The average interest of 4.23% in 2008 (2007: 4.49%) is calculated as an average of the current floating rate and fixed rate that apply to the debt as at December 31, 2008. If we would have calculated the average cost of debt on the entire year 2008, taking into account interest on debt, interest on hedging and financial expenses that have been amortized during 2008 and the average debt in the year 2008 than the average interest rate for the year 2008 is 4.8% (2007: 4.4%)

26 EMPLOYEE BENEFITS**Pension plan**

The majority of the Group's pension schemes in its home regions are defined contribution plans. The Dutch Group companies have pension plans (final pay and average pay) with both defined benefit as well as defined contribution components.

Net liability for defined benefit obligations

The Group has elected to recognize all cumulative actuarial gains and losses at the transition date of January 1, 2004 and subsequently use the corridor method. However, following the merger with Unibail, and effective January 1, 2008, the Group has discontinued the corridor method which resulted in an adjustment to the 2007 opening balance.

(in € millions)	2008	2007	2006
Present value of funded obligations	33	30	33
Fair value of plan assets	(27)	(26)	(21)
Present value of net obligations	6	4	12
Unrecognized actuarial gains and losses	-	-	(7)
Recognized liability for defined benefit obligations	6	4	5

Above information on plan assets for Dutch Group company employees can be split for the Dutch regional offices and the Dutch Corporate center. The assets of the pension plan for the Dutch Regional Office employees consist of the market value of the Strategic Allocation Fund 75/25 held by Aegon as of 31 December 2008. The assets figures for the Dutch Corporate Center employees are based on information provided by the insurer Aegon, dated 31 December 2007 (and have been rolled forward to 31 December 2008). The asset values relating to the investments in the World Equity Fund and Real Estate Fund are dated 31 December 2008.

The movement in the present value of funded obligation over the year is as follows:

(in € millions)	2008	2007	2006
Beginning of the year	30	33	23
Current service cost	1	1	1
Interest cost	1	-	1
Contributions	-	-	-
Benefit payments	-	(1)	-
Curtailments	-	-	(1)
Actuarial gains and losses	1	-	10
Settlements	-	(3)	(1)
END OF YEAR	33	30	33

The movement in the fair value of plan assets over the year is as follows:

(in € millions)	2008	2007	2006
Beginning of the year	(25)	(21)	(20)
Expected return on plan assets	(2)	(1)	(1)
Contributions	(3)	(2)	(1)
Benefit payments	1	(1)	-
Curtailments	2	-	-
Actuarial gains and losses	-	-	-
Settlements	-	-	1
END OF YEAR	(27)	(25)	(21)

The expected contributions for next year are expected to be approximately €3.

Movements in the net liability recognized in the balance sheet

(in € millions)	2008	2007	2006
Beginning of year	4	5	5
Adjustment to opening balance	-	7	-
Contributions paid	(3)	(2)	(1)
Expense recognized in the profit and loss account	5	(6)	1
END OF YEAR	6	4	5

The adjustment to opening balance of €7 relates to the accounting policy change in not applying the corridor method anymore. This accounting policy change had an impact of €3 actuarial loss on the 2008 net result. The Group has no reliable estimate on the future impact of this accounting policy change.

Expense recognized in the profit and loss account

(in € millions)	2008	2007	2006
Current service costs	1	2	1
Interest on obligations	2	1	1
Expected return on plan assets	(1)	(1)	(1)
Actuarial (gains) and losses	3	(8)	-
TOTAL FOR THE YEAR	5	(6)	1

The expense is recognized within administrative expenses.

Principal actuarial assumptions used were:

(in %)	2008	2007	2006
Discount rate	5.30-5.00%	5.30%	4.30%
Expected return on plan assets	4.60-4.50%	4.10% - 5.10%	4.10%-4.30%
Future salary increase	4.50%	4.50% - 3.75%	3.75%-4.50%
Future inflation	2.00%	2.00%	2.00%
Future pension increase	2.00%	2.00% - 3.00%	2.00%-3.00%

In view of the relatively short history of the pension plan, no actuarial experience is available yet.

Share based payments

In 2006, the Group introduced a long term incentive plan for the management board and other senior staff and conditionally granted shares to the management board and other senior staff. As this plan was cancelled by the end of 2007, no fair value expenses have been recognized in 2008. This Performance Share Plan has been replaced by the Unibail-Rodamco Stock-option Plan. The Stock Option Plan authorized in 2007 only comprises stock options subject to performance criteria. The total expense recognized in the profit & loss account for share based payments in 2008 amount to €1,099 (2007: €0.2).

All stock options granted in 2007 and 2008 are subject to this performance condition: the right to exercise options depends on Unibail-Rodamco's overall stock market performance being higher in percentage terms than that of the EPRA benchmark index over the reference period (i.e. the period between the date on which the management board decides to grant options, which will be at the end of the fourth year at the earliest, and at the end of plan's term, i.e. the end of the seventh year at the latest).

See note 31 for more details and stock options granted.

27 PROVISIONS

(in € millions)	2008	2007
Balance at January 1	48	35
Provisions made during the year	19	32
Provisions used during the year	(3)	-
Provisions reversed during the year	(3)	(19)
BALANCE AT DECEMBER 31	61	48
Non-current	34	37
Current	27	11

Provisions consist of provisions for tax claims and other obligations. A number of tax positions are being challenged by the local tax authorities or may be challenged in the future. Some items are being litigated before courts. The total potential tax contingencies may range from nil to a maximum of €19 million of which €10 million is provided for in the balance sheet. The impact on the 2008 tax charge is €8 (2007: €(8)).

The other obligations mainly relate to one-off business development costs as well as an earn-out in respect of (the extension of) the Aupark acquisition. This earn-out is based on the expected net rental income increase between the date of purchase and year end 2008 and the adjustment has subsequently been discounted to December 31, 2008.

28 TRADE AND OTHER PAYABLES

(in € millions)	2008	2007
Accounts payable	36	30
Rents received in advance	40	54
Operating expenses payable	32	19
Interest payable	36	41
Income tax payable (current)	10	33
VAT payable	17	9
Security deposits	60	53
Investment creditors (pipeline projects)	49	24
Accrued liabilities	44	28
	324	291

Non-current payables

The non-current other payables of €231 (2007: €0) includes the intercompany balance with Unibail-Rodamco S.A.

With respect to the contractual maturities of trade and other payables after year-end and how liquidity risk is managed we refer to note 29 below.

The interest payable relates to interest on short-term loans and mortgages.

29 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Rodamco Europe's Group-wide risk management

Rodamco Europe is exposed to a variety of risks. The financial risks contain market risk (including currency, price and interest rate risks), credit risk and liquidity risk. These financial risks relate to the following assets and liabilities: trade and other receivables, cash and cash equivalents, trade and other payables, interest bearing loans, bonds and financial derivatives.

These risks are systematically identified and regularly compiled into reviews of the various risks to our portfolio and activities in developing and managing it. Risk management at Rodamco Europe is closely linked to our corporate objectives and critical success factors required to achieve these objectives. Appropriate and intelligent risk management is an integral part of our business, whereby success relies on optimizing the trade-off between risk and reward. We believe risk management is not only about managing downside risk. It is also the early identification of opportunities in changing market conditions and timely, risk-aware action. Through Group wide risk management, including the internal control framework, the supervisory and management boards and senior management gain reasonable assurance on the achievement of strategic and operational objectives, the reliability of reporting and compliance with relevant legislation and regulations.

Rodamco Europe's Group-wide risk management is based upon the widely accepted COSO risk management and internal control framework. Risk management covers Rodamco Europe's governance of core business processes and supporting activities, including both financial and non-financial activities, at corporate center and in the local country organizations. The internal control includes a fully aligned organization with clear roles, responsibilities, accountabilities, authority limits and reporting lines. Organizational alignment is supported by a number of policies, systems and tools including a group-wide IT system.

Goals and principles

In basic terms, Rodamco Europe's risk management goals are: no material surprises, no uninformed decisions and no major missed opportunities.

Risk assessment process and criteria

Risk assessment is an ongoing Group-wide process involving evaluation of quantitative and qualitative risk criteria, including but not limited to:

- Risk indicators (e.g. changes in conditions, problems, complexities, uncertainties, required special expertise and skills);
- Materiality in both economic and reputation terms;
- Estimated likelihood of occurrence;
- Triggers for a potential credit rating downgrade;
- Triggers for a potential breach of FBI and SIIC requirements;
- Triggers for a potential breach in our loan covenants;
- Ability to transfer, insure or otherwise reduce (part of) the risk.

Internal risk management structure

The management board of Rodamco Europe, supervised by the supervisory board, bears integral responsibility for the Group's good and responsible governance. This includes risk management and internal control systems, always maintaining a focus on sustainable growth and continuity to create consistent growth in shareholder value. The responsibility for 'being in Control' is filtered down purposely to the management of country organizations, who are responsible for their own local organization's risk management and internal control framework. In other words, the same checks and balances applied to the Group are also applied to each country organization. During the year, the management board discusses the operation of the internal risk management and control system and any major planned changes or improvements on a legal entity level as well as on Group level. Furthermore, risk management issues are covered in the quarterly management board reports.

Following the merger with Unibail-Rodamco, the governance structure of Rodamco Europe N.V. changed in the second half of 2007. The main changes were:

- In addition to the decrease in members of the Management Board from four to two members the supervisory board was decreased from seven to three members;
- The Audit Committee and the Remuneration Committee ceased to exist;
- Rodamco Europe N.V. changed its quarterly reporting to half-year reporting.

Group Treasury has an important role in the financial risk management and carries out its risk management activities under policies approved by the management board. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. Such risk evaluations are covered in Treasury reports on a quarterly basis. These reports cover the foreign exchange exposure, interest rate exposure, testing of covenants, liquidity and finance position, debt maturity profile and the cash flow forecast. The management board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

Rodamco Europe's principal financial risks

Rodamco Europe's principal financial risks include access to capital, liquidity and credit risks, derivative exposure, interest rate fluctuations, foreign currency and tax exposure, and counterparty risks.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new debt or buy-back existing outstanding debt, adjust the amount of dividends paid to shareholders (subject to our fiscal status under the FBI and SIIC regimes in the Netherlands and France respectively), return capital to shareholders, issue new shares or buy-back outstanding shares or sell assets to reduce debt. The Group has disclosed the loan-to-value ratio (LTV) as this is the measure the Group uses to monitor indebtedness. This ratio is calculated as the net debt expressed as a percentage of total capital. Net debt is calculated as the total carrying amount of debt (including bank overdrafts, operating leases and post-retirement benefit obligations). Total capital is calculated as the total carrying amount of property assets adjusted for deferred tax liability, as shown in the consolidated balance sheet.

The loan-to-value ratios at December 31, 2008 and December 31, 2007 were as follows:

(in € millions)	2008	2007
Total borrowings (see details in note 24)	3,935	3,808
Plus: bank overdrafts	15	2
Plus: operating leases	10	12
Plus: post-retirement benefit obligations	6	4
TOTAL GROSS DEBT	3,966	3,826
Total property assets	11,326	12,126
Less: deferred tax liability	(737)	(745)
Total capital	10,589	11,381
Loan-to-value ratio	37.5%	33.6%

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a loan-to-value ratio of between 40% (comfortable) and 45% (maximum). However, leverage is still well below the 40% level at 37.5% at December 31, 2008. Although the substantial investments (over €1 billion) approximately matched the divestments in 2008, the impact of the negative revaluation (-€0.7billion) had a significant effect on the loan-to-value ratio.

Financial risk management

Rodamco Europe carefully monitors cash flow, interest cover, leverage, debt and interest maturity and derivative schedules against our finance policy target ratios. The four main target ratios are the net debt over EBITDA ratio, the interest coverage ratio, the loan-to-value ratio and the FFO-to net debt ratio. Additionally, asset and liability management techniques are used by measuring the net position between assets and liabilities in foreign currencies and the impact of sensitivity in direct and indirect result. As such it is used in the assessment and optimization of our financial management and decision-making process. Risks are continuously monitored through treasury reports and periodic management board reports, including a legal and tax review.

Derivative financial instruments are used solely for the purpose of hedging underlying exposures to foreign currency exchange rate risk and interest rate risk. Our policy is to apply hedge accounting for all our derivative financial instruments related to interest bearing debt and foreign exchange risk. Hedge accounting may only be applied when certain criteria are met regarding formal designation and documentation of the hedging relationship, the risk management objective, the strategy for undertaking the hedge and the effectiveness of the hedge.

Derivative financial instruments that are used to hedge foreign exchange or interest rate exposure and do qualify for hedge accounting will be treated as a cash flow hedge, a fair value hedge or a net investment hedge. This depends on the risk objective and the derivative instrument used. When a derivative instrument does not qualify for hedge accounting, the unrealized mark-to-market value of the derivative is recognized in the profit & loss. The Group does not apply a hedging policy to hedge the investments in real estate.

Market (price) risk management

The Group is exposed to property price and property rental risk. With respect to the price risk on Rodamco Europe's investment property, the impact when rental income decreases by 1% on net income is a €6 decrease in net income and when the loss of rent increases by 1% (decrease in occupancy) the impact on net income is a decrease of €7. In case the investment property is downgraded by 0.5% when revaluated, the impact on net income is a decrease of €56 (2007: €58). Finally, based on the year end yield of 5.6%, a further change of +25 basis points would result in a downward adjustment of €505 (2007: €591) or minus 4.3% (2007: minus 4.8%) of the total portfolio value (Gross Market Value including transfer taxes and disposal costs).

The methods used by the Group in preparing the sensitivity analyses, both in 2007 and 2008 are straightforward calculations and, with respect to the credit risk an estimation. The Group is not exposed to market (e.g. price) risk with respect to equity securities as it does not hold any equity securities.

Treasury risk management

The Group reviews and monitors its exposure and risks related to credit liquidity, interest rates and foreign exchange. The Group utilizes (derivative) financial instruments to manage these exposures. These instruments are not considered specialized or high-risk and are generally available from numerous sources. The Group enters into contracts to hedge economic risks and does not enter into contracts or utilize derivatives for speculative purposes. Established controls are in place covering the execution and monitoring of these contracts. These include policies, guidelines, reporting and segregation of duties. The Group carefully monitors cash flow, interest cover, leverage, debt and interest maturity and derivatives schedules against its finance policy's target ratios. Additionally, asset and liability management techniques are used, as mentioned earlier, to assess and optimise the Group's financial management and decision making process.

Credit risk management

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to tenants, including outstanding receivables. Credit risk is managed on a Group level and structures the level of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to at least annual reviews. The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. A large number of major international financial institutions are counterparties to the interest rate swaps, foreign exchange contracts and deposits transacted by the Group.

The counterparty risk associated with these transactions is the cost of replacing these agreements at the current market rates, in the event of default by these counterparties. Management believes that the risk of incurring losses as a result of default is remote.

The credit risk associated with lease debtors is mitigated by acquiring deposits and up-front payments. The risk of insolvency is spread widely across a large number of tenants.

Access to Capital and Liquidity risk management

The property business is highly capital-intensive. Access to low cost capital is therefore essential to support a sustainable business strategy and controlled growth. In order to spread liquidity risk, the Group has financed its activities through a variety of instruments in the capital markets and with a large number of banks in a mix of both debt and equity capital. The debt maturity profile is managed by spreading the repayment dates.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows³⁾.

(in € millions)			
12/31/2008	Less than one year	Between one and five years	Over five years
Borrowings	193	3,206	1,218
Derivative financial instruments	98	807	134
Trade & other payables	323	-	-

(in € millions)			
12/31/2007	Less than one year	Between one and five years	Over five years
Borrowings	1,229	2,296	926
Derivative financial instruments	81	810	21
Trade & other payables	291	-	-

³⁾As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. The differences comprise amongst others interest expenses.

Interest rate risk management

The Group runs a structural interest rate risk in its balance sheet, which arises mainly from long-term borrowings. Interest rate exposure could be triggered due to increases in interest rates by the European, Swedish and US Central Banks, steepening of the interest curve (short versus long-term interest), and widening of supply/demand gaps on international debt capital markets.

The Group's interest rate risk is periodically monitored by the Group's management. The cash flow and fair value risk policy is reviewed at Parent Group level by the Assets and Liabilities Management (ALM) Committee. The Group analyzes its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift at Parent Group level.

The Group uses interest rate derivatives to manage and structure its interest rate profile, cross currency swaps can also be used in this goal as well as managing currency exposure. The outstanding interest rate swaps as of year-end 2008 are presented in the table below. At December 31, 2008, the Group had cross currency and interest swaps with a notional contract amount of approx. €1 billion. The fixed to floating ratio per December 31, 2008 is 66% (excluding unfunded pipeline commitments).

The net fair value of cross currency and interest rate swaps at December 31, 2008 was €42 comprising assets of €60 and liabilities of €18.

(in € millions)	Number of contracts	Nominal in €	Fair value in €
Interest rate swaps:			
Up to one year	2	100	11
From one year to five years	7	803	26
From five years to 10 years	1	135	5
TOTAL INTEREST RATE SWAPS	10	1,038	42

These cross currency and interest rate swaps can be split in the following categories; no hedge accounting, cashflow hedges, fair value hedges and net investment hedges.

(in € millions)	Number of contracts	Nominal in €	Fair value in €
No hedge accounting			
(Cross currency) interest rate swaps:			
Up to one year	1	2	-
From one year to five years	4	250	(17)
From five years to 10 years	1	135	4
TOTAL (CROSS CURRENCY) INTEREST RATE SWAPS	6	387	(13)

Changes in the fair value of these contracts that economically hedge monetary liabilities but for which no hedge accounting is applied are recognized in the profit and loss account. Although no hedge accounting can be applied to these instruments, they hedge on a macro base part of the Group's liabilities.

Cash-flow hedges

(in € millions)	Number of contracts	Nominal in €	Fair value in €
(Cross currency) interest rate swaps:			
Up to one year	-	-	-
From one year to five years	2	267	9
From five years to 10 years	-	-	-
TOTAL (CROSS CURRENCY) INTEREST RATE SWAPS	2	267	9

The fair value of derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at year end or by third party pricing models.

Fair value hedges

(in € millions)	Number of contracts	Nominal in €	Fair value in €
(Cross currency) interest rate swaps:			
Up to one year	-	-	-
From one year to five years	1	286	35
From five years to 10 years	-	-	-
TOTAL (CROSS CURRENCY) INTEREST RATE SWAPS	1	286	35

The fair value of derivative financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at year end or by third party pricing models.

Net investment hedges

(in € millions)	Number of contracts	Nominal in €	Fair value in €
(Cross currency) interest rate swaps:			
Up to one year	1	98	11
From one year to five years	-	-	-
From five years to 10 years	-	-	-
TOTAL (CROSS CURRENCY) INTEREST RATE SWAPS	1	98	11

The Group has one cross currency interest rate swap which qualifies as a net investment hedge. The Group also uses forward foreign exchange contracts and issues commercial paper in local currency to hedge the net investment. An overview of the foreign exchange positions can be found in the section Foreign currency risk management.

For more information on the average interest costs of loans and the interest durations refer to note 25.

Foreign currency risk management

The Group operates internationally and has activities and investments in countries outside the euro zone, primarily in Sweden. Foreign exchange risk arises from future commercial transactions, recognized monetary assets and liabilities and net investments in foreign operations. When converted into euros, the income and value of the Group's net investment may be influenced by fluctuations in exchange rates against the euro. A 10% change in the exchange rate in EUR/SEK can result in an in/decrease of €47 (2007: 48) in shareholders equity.

Wherever possible, the Group aims to match foreign currency income with expenses in the same currency, reducing earnings volatility. Translation risks are hedged by either matching cash investments in a specific currency with debt in the same currency or using derivatives to achieve the same goal from a risk point of view. Currency risks in the building period of pipeline investments are covered as quickly as possible after the signing of the actual building contract.

In respect of other monetary assets and liabilities held in currencies other than the euro, the Group ensures 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 imbalances.

Sensitivity analysis

Rodamco Europe runs a structural interest rate risk in its balance sheet. The Group uses interest rate derivatives to manage and structure the interest rate profile. However, a parallel shift of the yield curve with 100 basis points will result in an increase in interest expenses of €14 (2007: €15). This is for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect Rodamco Europe's financial position and results. Based on the year end yield of 5.6%, a further change of +25 basis points would result in a downward adjustment of €505 (2007: €591) or minus 4.3% (2007: minus 4.8%) of the total portfolio value (Gross Market Value including transfer taxes and disposal costs).

With respect to the price risk on Rodamco Europe's investment property we refer to the paragraph on market (price) risk earlier in this note.

The potential impact of the credit crises and the economic recession on our doubtful debtors is considered to be limited. The impact of an increase in bad debt of 50% is estimated €8 on net income.

The Group's sensitivity analysis can be summarized as follows:

	In/decrease In %	Calculated influence on result 2008 in € mln	Calculated influence on shareholders' equity 2008 in € mln	Calculated influence on result 2007 in € mln	Calculated influence on shareholders' equity 2007 in € mln
Net rental income	1	6	6	6	6
Loss of rent	1	7	7	7	7
Net interest expenses	1	14	14	15	15
Revaluation investment property	0.5	56	56	58	58
Upward yield shift	0.25	(505)	(505)	(591)	(591)
Credit risk trade receivables (estimate)	50%	8	8	5	5

Derivative instruments risk

As a result of the fact that Rodamco Europe uses derivative financial instruments, for example, for currency and interest rate swaps and forward rate agreements, to hedge potential exposures to movements in interest and currency exchange rates, it runs the risk that these instruments are deemed ineffective under IFRS definitions and as a result could result in (un)realized market-to-market profits and losses and materially affect net profit.

Tax risks management

As Rodamco Europe owns properties in a number of different European jurisdictions, it is subject to local tax regulations in each of these jurisdictions. It is Group policy to comply with the tax laws in each jurisdiction, while striving to mitigate tax costs. These tax costs may increase due to changes in local regulations. Furthermore, applicable regulations can be unclear and give rise to different interpretations. Local authorities may revise their previous guidelines and courts may deviate from previous rulings. Despite best efforts to comply, these factors give rise to discussions with local tax authorities that may result in settlements for tax payments, or to tax litigation procedures that may result in higher tax payments and penalties.

Rodamco Europe endeavours to mitigate tax risks and continuously improves procedures and tools to support this goal. The main areas of focus are:

- Ongoing monitoring of (inter)national tax developments;
- Ongoing monitoring of compliance with the requirements to continue to be effectively exempt from corporate income tax on (real estate) investment income and gains in the Netherlands under the FBI status and in France under the SIIC regime;
- Acquisition and divestment real estate transactions are subject to the analysis and assessment of internal and external local tax lawyers;
- Ongoing monitoring of current and deferred corporate income tax positions;
- Periodic local and Group-wide tax scans to improve tax compliance procedures and tax positions;
- Applying transfer pricing policies and setting documentation standards based on research.

Forecasted transactions

The fair value of forward exchange contracts used as hedges of forecasted transactions at December 31, 2008 was €0 (2007: €0).

Recognized assets and liabilities

The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at December 31, 2008 was €0 (2007: €0) recognized in trade receivables.

Hedge of net investment in foreign subsidiary

The following table contains the € equivalents of the Group's main foreign currency positions at the balance sheet date.

(in € millions)	Assets	Liabilities	Net Exposure	Hedging instruments ¹⁾	Exposure net of hedges ²⁾
SEK	1,577	374	1,203	683	520
DKK	327	102	225	127	98
HUF	-	-	-	-	-
PLN	-	(1)	1	-	1
USD	212	64	148	35	113
SKK	-	-	-	-	-
CZK	-	159	(159)	(153)	(6)
	2,116	698	1,418	692	726

¹⁾Hedging instruments consist of foreign currency legs of forward exchange contracts and cross currency (interest rate) swaps.

²⁾This includes capex, revaluation adjustments and deferred tax on our investment properties which are not part of the Group's hedging policy. Exchange rate differences on these items are recognized in the currency translation reserve.

Derivative financial instruments

(in € millions)	2008	2007
Non-current assets	59	10
Current assets	-	2
TOTAL ASSETS	59	12
Non-current liabilities	17	15
Current liabilities	-	-
TOTAL LIABILITIES	17	15

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

(in € millions)	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Trade and other receivables	484	484	311	311
Income tax receivables	4	4	1	1
Cash at banks	120	120	101	101
Interest rate swaps:				
• Assets	4	4	2	2
Cross currency interest rate swaps:				
• Assets	55	55	10	10
LIABILITIES				
Interest rate swaps:				
• Liabilities	(16)	(16)	(11)	(11)
Cross currency interest rate swaps:				
• Liabilities	(1)	(1)	(4)	(4)
Bank loans:				
• EUR loan	(1,480)	(1,468)	(1,004)	(1,000)
• CZK loan	(136)	(135)	(151)	(150)
• SEK loan	(231)	(231)	(435)	(435)
• DKK loan	(47)	(40)	(47)	(44)
• USD loan	(37)	(40)	(78)	(72)
Bond issues:				
• EUR bonds	(2,004)	(1,862)	(1,987)	(1,905)
• SEK bonds	-	-	(106)	(106)
Trade and other payables	(324)	(324)	(291)	(291)
Bank overdrafts	(15)	(15)	(2)	(2)
Total	(3,624)	(3,465)	(3,691)	(3,595)
UNRECOGNIZED PROFITS		159		96

Estimation of fair values

The carrying amounts of cash, accounts receivable, accounts payable and current loans payable approximate their value due to the short-term nature of these instruments. The fair value of long-term debt is estimated using discounted cash flow analysis based on interest rates from similar types of borrowing arrangements or at quoted market prices, where applicable. The fair value of derivative financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at year end or by third party pricing models.

30 OFF BALANCE SHEET COMMITMENTS

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

(in € millions)	2008	2007
Less than one year	3	2
Between one and five years	7	10
More than five years	-	-
	10	12

The Group leases a number of offices under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals.

During the year ended December 31, 2008, €3 was recognized as an expense in the profit and loss account in respect of operating leases (2007: €2).

Capital commitments

The Group has a substantial committed pipeline of €1,017 (as per December 31, 2007 €1,800) to support its growth in the coming years and actively works on new opportunities in both new projects and (extension of) current shopping centers. The main projects include Metropolis in Moscow, Russia, Mall of Scandinavia in Stockholm, Sweden, and Donauzentrum Extension in Vienna, Austria. Of this committed pipeline €426 million has already been invested.

Contingencies

Potential consequences of claims and legal procedures towards the Group have been provided where considered necessary. The assessment of these cases have been made using internal and, if necessary, external expert opinions. A number of tax positions are being challenged by the local tax authorities or may be challenged in the future. Some items are being litigated before courts.

Other commitments given

The Group has mortgaged investment property to guarantee bank lines. The bank borrowings so guaranteed amount to €808.

Purchase undertakings amount to €100. This concerns mainly the Aupark shopping and entertainment center in Bratislava, Slovak Republic. Further to the Group's acquisition in 2006 of a 50% stake in this center, the vendor has an option to sell an additional 40% to the Group from 2006 onwards. From 2009 onwards the vendor also has the option to sell the remaining 10% to the Group.

Other commitments given amount to €16, including a guarantee of €10 given to the town of Nacka, Sweden and liability warranties granted under the usual terms for the disposal of companies for €6.

Other commitments received

Refinancing agreements obtained but not used amount to €175.

Guarantees received from tenants total €60.

Guarantees received relating to Hoguet Regulation in France amount to €18.

On forward purchase agreements, banks have issued guarantees to the vendors to cover Rodamco Europe's obligations for a total amount of €54.

Further to the vendor's options to sell a further 40% plus 10% in the Aupark shopping and entertainment center in Bratislava, Slovak Republic, as described above in the "Other commitments given", the Group has an option to buy an additional 40% from 2013 onwards, thereby extending its stake to 90%.

31 RELATED PARTIES

Identity of related parties

Rodamco Europe N.V. has a related party relationship with its major shareholder Unibail-Rodamco S.A., its subsidiaries, joint ventures (see note 17), associates (see note 16), employee benefits (see note 26) and with its key management personnel. Key management personnel comprise both members of the management board and senior management. There were no related party relationships with close members of the family of members of the supervisory board and the management board.

The relationship between Rodamco Europe N.V. and major shareholder Unibail-Rodamco S.A. involves transactions including cost charges that are common practice and at arm's length. These cost charges include cost charges for management, stock option schemes among other cost charges. In the period ending December 31, 2008 Rodamco-Europe was charged for its part in the total cost of the Unibail-Rodamco S.A. management and supervisory board costs, amounting to €7.0 million (2007: €2.1 million).

At December 31, 2008 Rodamco Europe N.V. has a non-current liability to Unibail-Rodamco S.A. of €231 and a current account receivable balance of €252. The relations between Rodamco Europe N.V. and its subsidiaries, joint ventures and associates involve transactions that are necessary for managing the Group's normal operations.

The relationship between Rodamco Europe N.V. and U&R Management B.V., a subsidiary of Unibail-Rodamco, involves the administration of joint staff activities.

One of our major shareholders during the years 2007 and 2008, Aegon, a large life insurance and pension company who has its headquarters in The Hague (the Netherlands) leases office property owned by the Group. In addition, Aegon provides the Group with a customized local pension and employee benefits program.

All transactions between the Group and its related parties are done at an arm's length basis.

Compensation of key management personnel is outlined in this note and note 32.

Long-term incentive plans

During 2007 and or 2008 the Group had the following long-term incentive remuneration plans:

- (1) Former Rodamco Share Purchase Plan
- (2) Former Rodamco Performance Share Plan
- (3) Unibail-Rodamco Stock-Option Plan

Former Rodamco Share Purchase Plan

Main features

From 2002 to 2007, the Group has operated a Share Purchase Plan (SPP) for Group and country management. This long-term incentive plan aimed to align the interests of management and shareholders. Under the SPP, participants receive an interest-free loan from the company to buy Rodamco Europe N.V. shares at the prevailing market price. This plan was cancelled in 2007 and at December 31, 2008, neither the management board nor other employees held SPP shares.

Former Rodamco Performance Share Plan

Main features

As from 2006 to 2007, the Group operated an equity-settled, share-based compensation plan, the so-called Performance Share Plan. Under the Performance Share Plan (PSP), the participant obtained the right to conditionally receive without cost a number of shares after a three-year period, subject to Rodamco Europe's relative total shareholder return (TSR) performance over a three-year period.

In 2007 8,148 shares were granted to the management board and 18,958 shares to other senior staff. No shares have ever been actually vested and delivered. The fair value of the plan was calculated by a professional actuarial firm and over the first half year of 2007 a total expense of €3 had been recognized as such, total for management board and other senior staff. This expense is disproportionately impacted in Q2 2007 by the board's decision to cancel this plan, following the merger with Unibail, and to offer a cash settlement as compensation. This payment has been done in Q3 2007.

This Plan was cancelled in 2007 and has been replaced by the Unibail-Rodamco Stock-option Plan.

PSP shares conditionally granted to the management board

The number of PSP shares conditionally granted in 2008 are:

- M.J.Hulshoff: nil (2007: 3.411)
- J.J. A. Bomhoff: nil (2007: 1.579)
- K.W.Ledeboer: nil (2007: 1.579)
- P.M. van Rossum: nil (2007: 1.579)

Unibail-Rodamco Stock Option Plan

From 2007, Rodamco Europe employees participate in the Unibail-Rodamco Stock-option Plan, for which costs of €0.2 (2007 €0.2) were charged by Unibail-Rodamco S.A. to Rodamco Europe N.V. These costs are the costs of 2008 and a small amount for 2007 relating to the vesting period. For the assumptions underlying this charge we refer to the Unibail-Rodamco Annual Report paragraph 9.3 on employee benefits.

Main Features

The Stock Option Plan authorized in 2007 comprises stock options subject to performance criteria. These performance criteria are such that the right to exercise stock options is subject to the Unibail-Rodamco stock performance being higher in percentage terms than that of the benchmark EPRA index over the given period. The stock options have a lifespan of seven years and may be exercised at any time after the fourth anniversary of the date of allocation.

The number of Unibail-Rodamco stock options conditionally granted in 2008 at a strike price of €130.27 with an expiry date of October 22, 2015 are:

- P.M. van Rossum: 30.000 (2007: 35,000)
- C.C Pourre: 30.000 (2007: 20,000)

The performance-related stock-options allocated in 2008 were valued at €8.50 using a Monte Carlo model (2007: €14.70).

All stock options granted in 2007 and 2008 are subject to a performance condition, which is that the right to exercise options depends on Unibail-Rodamco's overall stock market performance being higher in percentage terms than that of the EPRA benchmark index over the reference period (i.e. the period between the date on which the management board decides to grant options, which will be at the end of the fourth year at the earliest, and at the end of plan's term, which means the end of the seventh year at the latest).

32 REMUNERATION MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Until July 26, 2007 the management board formally consisted of four members. As of July 26, 2007 the management board consists of only two members: P.M. van Rossum and C.C. Pourre. Although the new management board was formally appointed effective July 26, 2007, the remuneration is calculated with the cut off date of June 26, 2007 for all Board members.

In the reporting year, Rodamco Europe's remuneration policy resulted in the following variable and non-variable rewards to the management board.

The total remuneration of management board members amounts to €2 (2007: €7) and is specified as follows :

(in € thousands)	Base salary ¹⁾		Other periodic compensation ²⁾		Total periodic compensation	
	2008	2007	2008	2007	2008	2007
M.J. Hulshoff ³⁾	-	481	-	19	-	500
J.A. Bomhoff ³⁾	-	162	-	15	-	177
K.W. Ledebøer ³⁾	-	162	-	14	-	176
P.M. van Rossum ⁴⁾	400	369	15	17	415	386
C.C. Pourre ⁵⁾	400	206	13	5	413	211
	800	1,380	28	70	828	1,450

¹⁾Base salary includes holiday allowances.

²⁾MB members receive periodical allowances and benefits in accordance with the general Group rules for usage of a company car (also for private use), mortgage suppletion (gross 25% of mortgage interest, capped at 3,5 times the base salary). Right on mortgage suppletion exists also after pension date. For M.J. Hulshoff no compensation is included for company car as he does not use the company car for private purposes. The right on mortgage suppletion for J.A. Bomhoff and K.W. Ledebøer is included until June 26, 2007 which has been suspended after the retirement date. Mr van Rossum does not have mortgage suppletion privileges.

³⁾The 2007 amounts relate to period until June 26, 2007. Mr M.J. Hulshoff received in 2007 remuneration for the full year.

⁴⁾The 2007 amounts partly relate to the period until June 26, 2007. The 2007 remuneration for the period as of June 26, 2007 and the 2008 remuneration consist of the total remuneration paid by Unibail-Rodamco.

⁵⁾The 2007 remuneration which is for the period as of June 26, 2007 and the 2008 remuneration consist of the total remuneration paid by Unibail-Rodamco.

(in € thousands)	Total periodic compensation		Performance related bonus ⁶⁾		Other ⁸⁾		Pension ⁷⁾		Total remuneration	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
M.J. Hulshoff	-	500	-	501	-	3,631	-	143	-	4,775
J.A. Bomhoff	-	177	-	140	-	315	-	45	-	677
K.W. Ledebøer	-	176	-	140	-	340	-	38	-	694
P.M. van Rossum	415	386	234	108	-	249	68	65	717	808
C.C. Pourre	413	211	330	-	-	-	51	24	794	235
	828	1,450	564	889	-	4,535	119	315	1,511	7,189

⁶⁾(Short term) performance related bonus is related to previous year performance. For Mr. M.J. Hulshoff the bonus amount of 2007 relates to both 2006 and 2007.

⁷⁾MB members appointed prior to April 2003 enjoy a defined benefit arrangement up to a certain pensionable salary above which a capped defined contribution applies. MB members appointed thereafter enjoy a pension scheme combining elements of a revalued career average and defined contribution plan. Reported costs relate to actual pension costs in 2007 and 2008.

⁸⁾The 2007 amounts include the economic cost recognized associated with the 'at target' grant of conditional shares under the Performance share Plan (PSP) excluding any Unibail stock options (see note 30). Furthermore, it includes the cash settlement as compensation as a result of canceling this plan in Q2 2007 and severance payments. Furthermore, the amount "other" in 2007 of Mr M.J. Hulshoff includes both the long term incentive plan settlement (€676) as well as an exit arrangement (€2.955).

Management board members also participate in the Group's share option program (see note 31).

As of June 26, 2007 the remuneration of the management board and the supervisory board is recorded in a separate legal entity within Unibail-Rodamco. 50% of the total remuneration of P.M. van Rossum and C. Pourre are charged by Unibail Rodamco S.A. Similarly, 50% of the management board remuneration of Unibail-Rodamco S.A. is charged to Rodamco Europe N.V.

Rodamco Europe was charged for its part in the total cost of this separate legal entity amounting to €3 (2007: €3).

Supervisory board

The supervisory board consisted of seven members until April 10, 2007. As per April 10, 2007 Mr Dornbush resigned. Until July 26, 2007 the board formally consisted of six members. As of July 26, 2007 the supervisory board formally consists of three members. The remuneration is calculated as of July 1, 2007. The total remuneration of the supervisory board members amounts to €98 thousand (2007: €246 thousand) and is specified below. In 2008 each member of the supervisory board receives €48.5 thousand per year and in addition an expense allowance of €1.8 thousand.

(in € thousands)	2008	2007
G. Poitral ¹⁾	-	-
A. van Rossum ¹⁾	49	24
C. Steininger ¹⁾	49	24
R.F.W. van Oordt ²⁾	-	28
F.J.G.M. Cremers ²⁾	-	22
K.T. Dornbush ³⁾	-	40
R. ter Haar ²⁾	-	22
B.R. Okkens ²⁾	-	23
H.B. van Wijk ²⁾	-	41
J.W.B. Westerburgen ²⁾	-	22
	98	246

¹⁾Member and chairman of the supervisory board since July 26, 2007

²⁾Member of the supervisory board until July 26, 2007

³⁾Member of the supervisory board until April 10, 2007

The 2007 amount for Mr Dornbush also includes a compensation for the months April until December 2007 as well. The 2007 amount for Mr van Wijk also includes a compensation for the months from July until December 2007.

Supervisory board members do not receive options on, or compensation, in Rodamco Europe shares, nor will personal loans or guarantees be granted by Rodamco Europe.

Total remuneration is included in 'personnel expenses' (see note 8).

33 ACCOUNTING ESTIMATES AND ADJUSTMENTS

The management board discussed with the supervisory board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

See note 2 (b) for details.

34 POST-BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the global crisis continued to have its impact on global real estate markets. This may have an adverse impact on the fair values of completed investment properties and investment properties under construction.

35 CHANGES IN THE COMPOSITION OF THE GROUP

In 2008 the Group acquired a 100% stake in Shopping City Süd in Vienna, Austria.

In 2008 Rodamco Europe acquired two shopping centers in Spain (La Maquinista and Habaneras)

In 2008 Rodamco Europe acquired a 50% ownership in the Zlote Tarasy offices in Warsaw, Poland.

In 2008 Rodamco Europe divested a substantial part of its Dutch high-street retail portfolio to IEF in the Netherlands

In 2008 the Group sold 100% of its Belgian portfolio.

In December 2008 Rodamco Europe concluded a partial divestment (approximately 49%) to GIC Real Estate of the two above mentioned Spanish shopping centers acquired earlier in the year.

Furthermore, the Group sold an asset in Germany, four office buildings in the Netherlands, logistics premises in Spain, one office in France and the office buildings portfolio in Kiev (Ukraine).

In 2007 the Group extended its investment in Aupark by the acquisition of a 50% stake in Aupark Bratislava, spol s.r.o.

Furthermore, the Group completed in 2007 the acquisition of a 50% stake in the Südpark shopping center in Klagenfurt, Austria.

The Group sold the investment in associate company PFA Betriebsgesellschaft in 2007.

PROFIT AND LOSS ACCOUNT RODAMCO EUROPE N.V. FOR THE YEAR 2008

(in € millions)	Note	2008	2007 ¹⁾
Corporate profit after tax		(31)	(14)
Result of subsidiaries after tax	3	(162)	1,515
NET PROFIT/(LOSS) AFTER TAX		(193)	1,501

¹⁾ The 2007 figures are restated.

BALANCE SHEET RODAMCO EUROPE N.V. AS AT DECEMBER 31, 2008
(BEFORE PROFIT APPROPRIATION)

(in € millions)	Note	2008	2007 ¹⁾
Investments in Group companies		8,094	8,271
Investments	3	8,094	8,271
TOTAL NON-CURRENT ASSETS		8,094	8,271
Trade and other receivables		31	-
Receivables		31	-
Cash at banks		-	3
Other assets	4	-	3
TOTAL CURRENT ASSETS		31	3
TOTAL ASSETS		8,125	8,274
Share capital		717	717
Share premium		2,956	2,956
Revaluation reserve		2,627	3,459
Hedging reserve		(4)	(3)
Foreign currency translation reserve		(41)	(26)
Retained earnings		1,192	(867)
Profit /(loss) for the year		(193)	1,501
Shareholders' equity	6	7,254	7,737
Interest-bearing loans and borrowings		-	99
Long-term liabilities		-	99
Bank overdrafts		-	1
Interest-bearing loans and borrowings		50	79
Intercompany loans		821	357
Trade and other payables		-	1
Short-term liabilities	5	871	438
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,125	8,274

¹⁾ The 2007 figures are restated.

NOTES TO THE 2008 COMPANY FINANCIAL STATEMENTS

1 GENERAL

The description of Rodamco Europe N.V.'s activities and structure, as included in the notes to the consolidated financial statements, also apply to the Company financial statements.

The corporate accounts have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code. In accordance with article 402 Book 2 of the Dutch Civil Code, the Company's profit and loss account only shows the result of subsidiaries after tax as separate item.

In order to harmonize the accounting principles of the Company accounts with the consolidated accounts, the management board decided, from January 1, 2005 onwards, to adopt the provisions of article 362, paragraph 8, Book 2 of the Dutch Civil Code, whereby the accounting principles applied in the consolidated accounts also apply to the Company financial statements of Rodamco Europe N.V. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued and interpreted by the International Accounting Standards Board (IASB) and as adopted by the European Commission per December 31, 2008.

2 ACCOUNTING PRINCIPLES

The accounting principles as described in the notes to the consolidated financial statements also apply to the Company financial statements unless indicated otherwise.

Investments in Group companies

In accordance with section 2:362 subsection 8 of the Dutch Civil Code, all subsidiaries are valued at equity value. For determining the equity value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

3 INVESTMENTS IN GROUP COMPANIES

Investments in Group companies include subsidiaries of Rodamco Europe N.V.

The movement in investments in Group companies is as follows:

(in € millions)	2008	2007 ¹⁾
Balance January 1	8,271	6,782
Result of subsidiaries	(162)	1,515
Capital contributions subsidiaries	-	15
Other	(15)	(41)
BALANCE AT DECEMBER 31	8,094	8,271

¹⁾ The 2007 figures are restated.

Subsidiaries (directly held by Rodamco Europe N.V.)

Rodamco Europe Properties B.V.	100.00%
Rodamco France SA	100.00%
Rodamco Russia B.V.	100.00%
SAS Frankvink Investissement	100.00%
SAS Hoche Poincaré	99.99%

All directly held subsidiaries of Rodamco Europe N.V. have a positive equity value per December 31, 2008.

4 OTHER ASSETS

These represent amounts receivable from Group companies and cash at banks.

5 SHORT-TERM LIABILITIES

These represent bank overdrafts and intercompany loans.

6 SHAREHOLDERS' EQUITY

The movement in shareholders' equity is as follows:

(in € millions)	Issued and paid-in capital	Additional paid-in capital	Other reserves			Other reserves	Unappropriated net result for the year	Total
			Revaluation	Hedging	Currency translation			
Opening balance at January 1, 2007¹⁾	717	2,956	2,889	-	3	(1,603)	1,525	6,487
Final dividend 2006	-	-	-	-	-	(210)	-	(210)
Appropriation of net result 2006	-	-	-	-	-	1,525	(1,525)	-
Net result 2007	-	-	-	-	-	-	1,501	1,501
Interim dividend 2007	-	-	-	-	-	-	-	-
Currency translation result	-	-	-	-	(29)	-	-	(29)
Value employee services	-	-	-	-	-	1	-	1
Movement revaluation reserve	-	-	570	-	-	(570)	-	-
Other movements	-	-	-	(3)	-	(10)	-	(13)
BALANCE AT DECEMBER 31, 2007¹⁾	717	2,956	3,459	(3)	(26)	(867)	1,501	7,737
Opening balance at January 1, 2008	717	2,956	3,459	(3)	(26)	(867)	1,501	7,737
Final dividend 2007	-	-	-	-	-	(272)	-	(272)
Appropriation of net result 2007	-	-	-	-	-	1,501	(1,501)	-
Net result 2008	-	-	-	-	-	-	(193)	(193)
Interim dividend 2008	-	-	-	-	-	-	-	-
Currency translation result	-	-	-	-	(12)	-	-	(12)
Value employee services	-	-	-	-	-	-	-	-
Movement revaluation reserve	-	-	(832)	-	-	832	-	-
Other movements	-	-	-	(1)	(3)	(2)	-	(6)
BALANCE AT DECEMBER 31, 2008	717	2,956	2,627	(4)	(41)	1,192	(193)	7,254

¹⁾The 2007 figures are restated.

Share capital and share premium

The share capital consists of 204,524,430 authorized shares of which 89,639,292 shares are issued and outstanding at December 31, 2008, similar to December 31, 2007. The shares have a par value of €8 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The share premium is exempted from tax to the amount of €1,963 (2007: €1,963).

Other reserves

Other reserves in the company balance sheet are reserves to be maintained under local legislation and comprise revaluation reserve and currency translation reserve. The amounts recognized by these reserves, totalling €2,627 (2007: €3,459) are not freely distributable as they are restricted reserves under Dutch Civil Code. A brief description of the other reserves is as follows:

Revaluation reserve

The revaluation reserve relates to investment property and comprises the cumulative increase in the fair value of the property, net of deferred tax. This is a legal requirement following Article 390, Book 2 of the Dutch Civil Code.

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than the Company's functional currency, as well as from the translation of liabilities (including quasi-equity loans) that hedge the Company's net investment in a foreign subsidiary.

7 LONG-TERM INCENTIVE – SHARE PURCHASE PLAN (SPP)

Please refer to note 31 of the consolidated accounts for details.

8 LONG-TERM INCENTIVE – PERFORMANCE SHARE PLAN (PSP)

Please refer to note 31 of the consolidated accounts for details.

9 EMPLOYEES

During 2008 the legal entity employed an average of 1 employee located in the Netherlands (2007: 1).

10 REMUNERATION MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Please refer to note 32 of the consolidated accounts for details.

11 JOINT AND SEVERAL LIABILITY

For most of the Dutch Group companies Rodamco Europe has assumed joint and several liability, in accordance with article 403 Book 2 of the Dutch Civil Code.

These Dutch Group companies are:

Name company	Legal seat
Rodamco Europe Properties B.V.	Rotterdam, Netherlands
Rodamco Nederland Winkels B.V.	Amsterdam, Netherlands
Rodamco Nederland B.V.	Amsterdam, Netherlands
RRN Monumenten B.V.	Rotterdam, Netherlands
Turbozwaan B.V.	Rotterdam, Netherlands
Rodamco Europe Finance B.V.	Rotterdam, Netherlands
Feldkrichen B.V.	Rotterdam, Netherlands
Belindam B.V.	Rotterdam, Netherlands
Rodamco Eastern Europe Holding B.V.	Rotterdam, Netherlands
Rodamco Retail Deutschland B.V.	Rotterdam, Netherlands
Deenvink B.V.	Rotterdam, Netherlands
Rodamco Espana B.V.	Rotterdam, Netherlands
Vuurvink B.V.	Rotterdam, Netherlands
Rodamco Central Europe B.V.	Rotterdam, Netherlands
Rodamco Deutschland B.V.	Rotterdam, Netherlands
Cijferzwaan B.V.	Rotterdam, Netherlands
Dotterzwaan B.V.	Rotterdam, Netherlands
Rodamco Austria B.V.	Rotterdam, Netherlands
Rodamco Hungary B.V.	Rotterdam, Netherlands
Rodamco Project I B.V.	Rotterdam, Netherlands
Rodamco Czech B.V.	Rotterdam, Netherlands
Rodamco Europe Beheer B.V.	Rotterdam, Netherlands
Rodamco Europe Finance II B.V.	Rotterdam, Netherlands
Rodamco Russia B.V.	Rotterdam, Netherlands

12 DUTCH DECREE ON THE SUPERVISION OF COLLECTIVE INVESTMENT SCHEMES: DISCLOSURES**Related-party transactions**

The members of the supervisory board and the management board of Rodamco Europe had no personal interests in any of Rodamco Europe's investments during the 2008 financial year. To our knowledge, no property or other transactions took place in the year under review with persons or institutions which can be considered to be directly related to the Group.

Also refer to note 31 of the consolidated financial statements.

Managing directors' interests

Statement pursuant to Article 122, paragraph 2, of the Dutch Decree on Supervision of Market Conduct of Financial Firms (Besluit Gedragstoezicht financiële ondernemingen Wft). As at December 31, 2008, the members of the management board together held nil Rodamco Europe shares.

13 POST BALANCE SHEET EVENTS AND ADDITIONAL INFORMATION**Post balance sheet events**

See note 34 of the consolidated accounts.

Other

Rodamco Europe N.V. is an investment company with variable capital and qualifies as a Fiscal Investment Institution under Dutch law. No corporate income tax is due in the Netherlands when conditions of the Dutch corporate Income Tax are met.

The net asset value per share is as follows:

	2008	2007	2006
Net asset value (€ mln)	7,254	7,737	6,487
Shares outstanding	89,639,292	89,639,292	89,639,292
Net asset value per share (€)	80.92	86.31	72.37

Luchthaven Schiphol, April 7, 2009

Supervisory board:

Guillaume L.J. Poitral, chairman
Clarence Steininger
Anton van Rossum

Management board:

Catherine C. Pourre
Peter M. van Rossum

OTHER INFORMATION

Rodamco Europe N.V. is a public limited liability company in the form of an investment company with variable capital. Rodamco Europe N.V. has a license under the Dutch Act on the Supervision of Collective Investment Schemes. This licence was renewed on July 19, 2006 based on the revised Act. The prospectus of the company is available at the Group's offices.

Articles of association rules with respect to profit appropriation

In accordance with Article 37 – 38 of the Articles of Association, profits will be distributed as follows:

- (I) part of the profit will be used to form or to supplement reserves, if and insofar as the management board, in agreement with the supervisory board, will deem this desirable.
- (II) the balance of the profit then remaining will be at free disposal of the Annual General Meeting of Shareholders.
- (III) among the shareholders in proportion to their nominal holdings of shares.

Proposed appropriation of net profit

According to Rodamco Europe's Articles of Association, the appropriation of the net result for the year is decided upon at the Annual General Meeting of Shareholders. For the financial year 2008, the management board, in agreement with the supervisory board, proposes the payment of a final cash dividend of €3.50 per share. As no interim dividend was paid in 2008, total cash dividend for 2008 is €3.50 per share. The total amount of the dividend, based on the outstanding number of shares (89,639,292) will be €314.

Should this proposal be accepted, the final dividend will be payable from June 30 2009. Awaiting the decision by the shareholders, the net profit for the year is separately recorded in the shareholders' equity as unappropriated net profit.

AUDITORS' REPORT

To: the Annual General Meeting of Shareholders of Rodamco Europe N.V.

Report on the financial statements

We have audited the accompanying financial statements 2008 of Rodamco Europe N.V., Rotterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2008, the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2008, the company profit and loss account for the year then ended and the notes.

Management's responsibility

The management board of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rodamco Europe N.V. as at December 31, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Rodamco Europe N.V. as at December 31, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Apeldoorn, April 7, 2009

Ernst & Young Accountants LLP

Signed by A.J. Buisman

