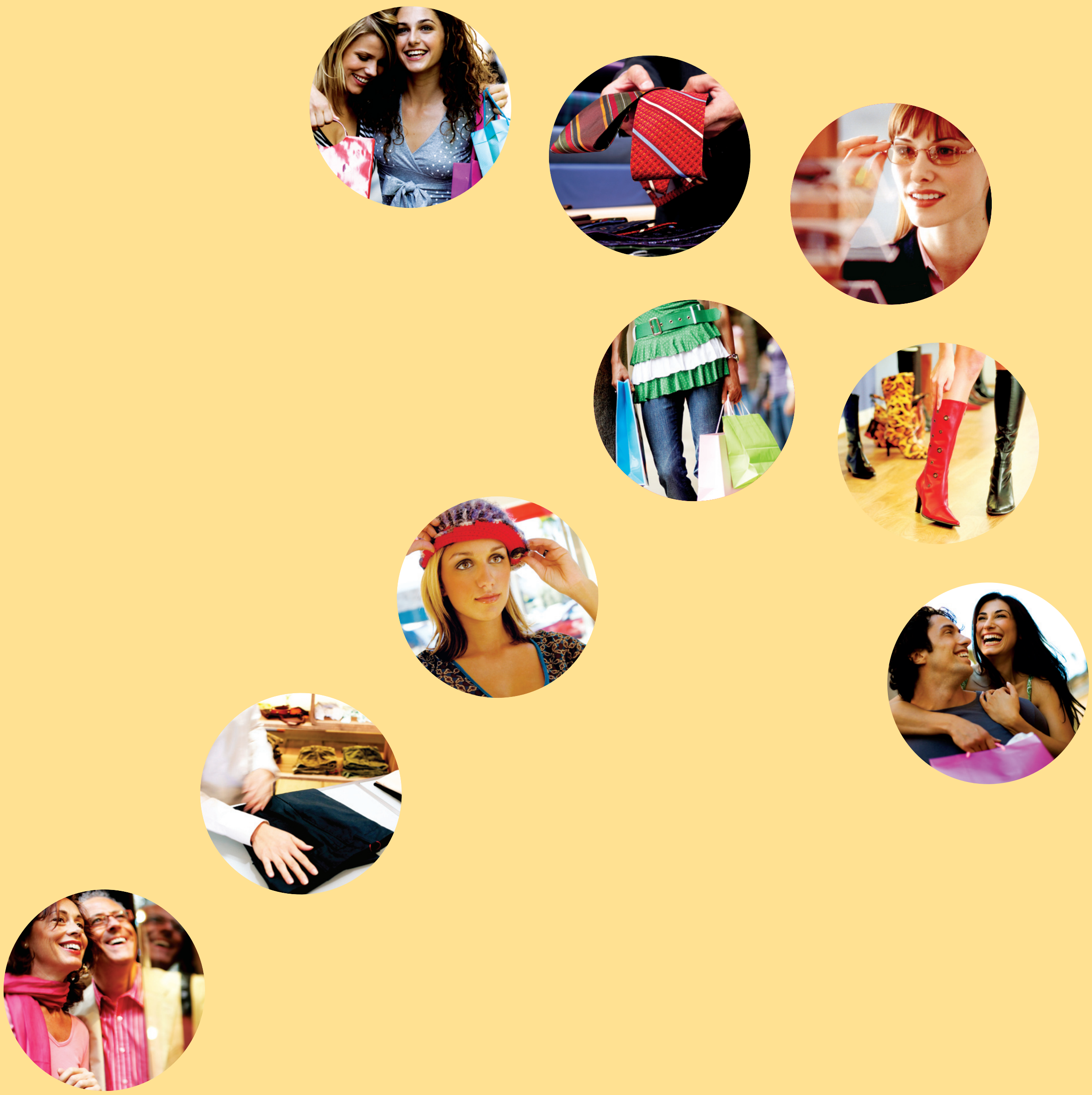
Rodamco Europe



RETURN ON RETAIL

RODAMCO EUROPE ANNUAL REPORT 2006

mission

Rodamco Europe's mission is to generate consistent growth in shareholder value.

Our mission is driven by a clear strategy – Return on Retail.

We are owners and operators of quality retail properties, especially shopping centers and high-street shops.

Our retail properties are in dominant locations in more than 20 major cities in 13 European countries, with expansion into Russia planned.

We have local knowledge and expertise in our chosen markets.

Our balance sheet is strong.

Through our One Company, One Aspiration corporate culture, 626 professionals around Europe share best practices, working to achieve synergies and managing risk.

Rodamco Europe

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return on retail

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The home regions

Our total portfolio of top shopping centers and high-street shops is spread over five home regions: the Netherlands & Belgium; the Nordic countries, including Sweden, Denmark and Finland; France; Spain; and Central Europe with Austria, Czech Republic, Germany, Hungary, Poland, Russia, the Slovak Republic, and Ukraine.

PROFILE

With a portfolio of €10.6 billion in five home regions, Rodamco Europe is the largest owner-manager of retail properties in Europe. Our retail properties – quality shopping centers and high-street shops in dominant locations in major cities with strong trade areas – represent 94% (including offices integrated in our shopping centers in Sweden) of the total portfolio. Local Rodamco Europe teams are dedicated to managing our portfolios in the home regions. This enables us to stay close to our markets, identify opportunities and respond proactively to trends in the retail sector.

OUR MISSION & VISION

Rodamco Europe's mission is to generate consistent growth in shareholder value. Our vision is to achieve this mission through continual growth of a prime portfolio of quality retail assets around Europe. Pipeline and entry into new markets is vital. We manage our 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 our retail clients – the tenants. These components form the basis of our Return on Retail strategy.

OUR PEOPLE & CULTURE

Knowledge and best practice exchange are key to a successful and healthy organization. At Rodamco Europe, 626 professionals in asset selection, retail management, finance & control and related disciplines are dedicated to growing our business profitably. We aim to be a preferred employer by offering professionals opportunities to develop and enhance their skills in an organization focused on excellence. Our corporate culture is based on four core values: exchanging knowledge, being predictable, teamwork and continuous improvement. In 2006, we adopted a sustainability program based on our values and Code of Conduct. The aim is full commitment by the organization to this program aimed at sustainable business growth, while taking and promoting social and environmental responsibility for our activities.

OUR LEGAL & FISCAL STATUS

Rodamco Europe N.V. is an investment company with variable capital and qualifies as a Fiscal Investment Institution (FBI) under Dutch law; this is the equivalent of a real estate investment trust or REIT. No corporate income tax is due in the Netherlands when specific conditions are met. In France, we have elected for REIT (SIIC) status for our full French portfolio. Income and capital gains from the portfolio are exempt from tax in France. For full details of both FBI and SIIC status, please consult our website.

MONITORING RODAMCO EUROPE

On March 2, 2006, Rodamco Europe was promoted to the Euronext AEX Index, the benchmark group of top 25 most actively traded shares in the Netherlands. We are also included in the Euronext Top 100 and the MSCI World Index. Standard & Poor's rates us as 'single A with stable outlook'.

For more on our corporate activities, our home regions, finance, corporate governance and investor relations, please visit our website: **www.rodamco.com.**

TO OUR SHAREHOLDERS

For our shareholders, 2006 has been a year of good returns, primarily as a result of keen investor interest in our sector. Return to shareholders over 2006 increased by 49.3% and the share price passed the €100 mark. We are proposing a final cash dividend of €2.34 in addition to the interim cash dividend of €1.37 paid in October. Over 2006, this represents a total cash dividend of €3.71 (2005: €3.42) and a dividend yield of 3.7% (2005: 4.9%).

While we are gratified by this growth in return to shareholders, it is due in part to market conditions that also affect our own growth. There is huge investor appetite for the property sector in general, and for the retail sector in particular. Market conditions are tight. We are competing for quality assets with commercial and private investors looking for the high total returns that retail property generates over time. This is driving yield compression. Given our long-term strategic commitment to the retail sector, we must maintain our stringent quality-price criteria. We take the view that none of our stakeholders will benefit from relaxation of those criteria in the longer term. As a result, in 2006 we have divested €266 million (sale price) in lesser-quality offices and retail at top prices, improving both the overall quality of our portfolio and the financial health of the Group even further.

In current market conditions, there have also been real opportunities. We have taken full advantage of them. As you will see from our highlights on the next two pages, we have made significant strides in our growth ambitions. The standing portfolio passed the landmark €10 billion and we have a further €2.6 billion in the pipeline (excluding 'under consideration'), ensuring quality growth into the future. One of our major achievements in 2006 was Rodamco Europe's entry into a brand new market: Russia. In late 2006, we acquired a pipeline project, the Metropolis shopping center, in the capital, Moscow. We are convinced that, given current market conditions, it is markets like Russia and recent (prospective) European Union entrants that offer us the best opportunities for growth.

This conviction is reflected in the medium-term targets we have set for the next five years. Also included in those targets are the opportunities presented by an expected change in regulations on the Dutch real estate investment trust (FBI) status. New rules would allow us to shift into development for our own portfolio. Once these rules change, we will integrate development into our business model and strongly embed these skills into the organization. This will enable us to grow very gradually into a front-to-end player as developer, owner and operator of our shopping centers. Finally, we have also set clear growth targets for our Central European region and new markets, such as Russia.

We are not only investors in bricks and mortar. As managers of our assets, we work closely with retail clients, our tenants, and their customers to get the best out of each and every Rodamco Europe shopping center. We are also fully aware of the role our shopping centers often play in local communities. It is this awareness that has led us to commit to a clear sustainability program in the belief that what is good for our shopping centers, their tenants and their local communities is good for Rodamco Europe.

At the end of what has been an extraordinary year for us, I know my colleagues in the management board join me in expressing our gratitude to the 626 professionals who are Rodamco Europe. They are a dedicated, committed team focused on continuous improvement as we grow the business. Their skills and expertise and their enthusiasm for tackling the opportunities and challenges we see in the retail property sector in old and new markets will drive us forward as we enter a new phase in our development.

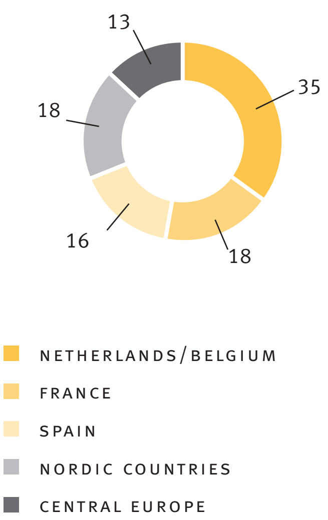
Maarten J. Hulshoff
Chief Executive Officer

In 2006, Rodamco Europe's €10.6 billion portfolio generated the following performance:

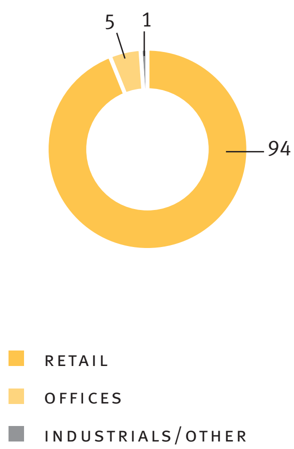
highlights

- Direct result after tax up 8.3% to €369.1 million (2005: €340.9 million)
- Direct result after tax per share €4.12 (2005: €3.80)
- Net shareholders' profit up 19.0% to €1,525.3 million (2005: €1,282.1 million), including indirect result after tax of €1,156.2 million (2005: €941.2 million)
- Revaluation of standing portfolio €1,270 million
- Triple NAV (NNNAV) up 26.5% to €6,853 million (2005: €5,418 million). NNNAV per share is €76.45 (2005: €60.44)

PORTFOLIO PER REGION (%)



PORTFOLIO PER SECTOR (%)



- Net rental income up by 11.8% to €563.1 million (2005: €503.5 million), like-for-like growth at 4.5% (2005: 4.9%)
- Overall occupancy rate increased to 98.4% (2005: 97.9%), with retail occupancy up to 98.9% (2005: 98.6%). More than 415 million visitors came to our shopping centers in 2006
- Property assets increased 16.4% to €10,582 million; 94% (including offices integrated into our shopping centers in Sweden) invested in the retail sector (2005: 90%)
- Total pipeline (excluding 'under consideration') of 650,000 square meters/€2.6 billion (2005: €2.4 billion)
- We entered one new European market: the Slovak Republic. Total geographic spread to 15 countries including planned expansion into Russia
- Proposed final cash dividend for 2006 is €2.34 total cash dividend for 2006 is €3.71 per share, an 8.5% increase on 2005 (€3.42), or a 3.7% dividend yield (2005: 4.9%) on the year-end share price

2006

QUARTER 1

Acquisition: 4,720 m² in Vélizy 2, Paris, France

Acquisition finalized: 50% of Aupark, Bratislava, Slovakia for approx. €75 mln

Promotion to Euronext AEX index

Extension: 10,000 m² opened in Allee-Center, Magdeburg, Germany

QUARTER 2

Appointment: Peter van Rossum as CFO from April 1, 2006

Successful €500 mln bond issue

Opening: Hasselo, Hengelo, Netherlands re-opened following renovation

Opening: Stadshart Almere, Almere, Netherlands

Acquisition: Markthal, Rotterdam, Netherlands for approx. €28 mln

Opening: De Parade, Bergen op Zoom, Netherlands

QUARTER 3

Divestment: portfolio of high street shops in the Netherlands for approx. €115 mln

First half 2006: 9.7% increase in direct result after tax

Acquisition: approx. 4,000 m² additional retail space in Vélizy 2 and Parly 2 (pictured), Paris, France

QUARTER 4

Divestment: retail units in the Netherlands for approx. €41 mln

Divestment: Batavia Stad, Lelystad, Netherlands for approx. €38 mln

Acquisition: 50% of Metropolis, Moscow, Russia for approx. €200 mln

2007

JANUARY

Divestment: Robeco-huis, Rotterdam, Netherlands for approx. €75 mln

Announcement of proposal 1:4 share split at AGM

Divestment: Zeilgalerie, Frankfurt, Germany for €42.5 mln

FEBRUARY

Acquisition of 6 offices in Shopping Center Leidsenhage, Leidschendam, Netherlands for approx. €24 mln

TOP 25 SHOPPING CENTERS

	1 LA PART DIEU, LYON, FRANCE	2 TÄBY CENTRUM*, STOCKHOLM, SWEDEN	3 DONAUZENTRUM*, VIENNA, AUSTRIA	4 PARLY 2, PARIS, FRANCE	5 STADSHART AMSTELVEEN, AMSTELVEEN, NETHERLANDS	6 PARQUESUR, MADRID, SPAIN	7 SOLNA CENTRUM*, STOCKHOLM, SWEDEN	8 VÉLIZY 2, PARIS, FRANCE	9 LA VAGUADA, MADRID, SPAIN	10 FISKETORVET, COPENHAGEN, DENMARK	11 STADSHART ALMERE, ALMERE, NETHERLANDS	12 VILLENEUVE 2, LILLE, FRANCE	13 CHODOV, PRAGUE, CZECH REPUBLIC
MARKET VALUE IN € MLN	540	410	405	376	337	317	299	271	266	262	258	216	215
MARKET VALUE PER M^2 IN €	8,352	5,181	3,612	8,218	6,655	4,165	3,820	11,078	12,478	4,580	3,484	6,599	3,904
GROSS LETTABLE AREA M^2	110,000	79,100	112,000	107,000	50,600	151,200	78,300	98,000	85,500	57,100	74,000	54,000	55,000
THIRD PARTY OWNED GROSS LETTABLE AREA M^2	45,300	-	-	61,200	-	75,000	-	73,500	64,200	-	-	21,300	-
REVALUATION AS % OF 2005 MARKET VALUE	17.5	20.5	8.7	20.2	6.4	13.1	14.9	28.0	29.5	14.0	9.1	20.5	14.2
NET INITIAL YIELD IN %	4.7	4.8	5.6	4.8	5.0	5.3	4.9	4.1	4.4	5.2	4.9	5.2	6.0
OCCUPANCY IN %	99.4	98.8	99.9	99.4	98.7	99.7	92.9	100.0	99.3	98.4	96.6	99.8	99.9
THEORETICAL GROSS RENTAL INCOME IN € MLN	28.2	26.0	26.9	19.0	19.6	18.0	22.1	12.5	12.5	20.6	16.0	11.8	14.7
OCCUPANCY COST RATIO IN %	7.5	7.7	7.6	6.9	n.a.	8.2	8.2	8.3	10.6	9.9	n.a.	8.5	9.1
TRADE AREA IN MLN PEOPLE	1.7	0.6	1.8	1.7	0.6	1.2	0.5	2.3	1.3	0.3	0.5	1.2	0.6

*These properties include offices, Solna and Donauzentrum include both offices and hotel.

This table offers extensive information on the top 25 shopping centers in our standing portfolio of more than 70 Europe-wide. As retail property owners and managers, we consider this table one of the most important in the whole annual report. Rodamco Europe is the only retail property company that offers this level of information on its shopping centers. The numbers here facilitate deeper insight into the true value, quality and potential of the underlying assets. We would like to explain what each number means.

Market value: this is the value of Rodamco Europe's part of the property in today's market.

Market value per square meter: this is very much a location and dominance factor. The square meter value is an indicator of the desirability of our shopping centers. It also offers a comparison between individual shopping centers, and indicates differences in international markets.

Gross Lettable Area (GLA): the value of a shopping center can be expressed in monetary terms and in square meters. The market value is subjective. GLA is a more objective figure. By knowing the subjective market value and the objective, actual size, comparisons are easier. In this top 25, we show that we not only own valuable properties in today's market, but also that we own large shopping centers.

Third-party owned: this is the number of square meters owned by other parties, very often anchor retailers, such as hypermarkets. We show the third-party ownership so that the actual size of Rodamo Europe's ownership is clear. Total GLA is our share plus that of third-party owners.

	14 STADSHART ZOETERMEER* / SPAZIO ZOETERMEER, NETHERLANDS	15 LES GLÒRIES BARCELONA, SPAIN	16 BONAIRE VALENCIA, SPAIN	17 FORUM NACKA* STOCKHOLM, SWEDEN	18 JUMBO HELSINKI, FINLAND	19 ST. SEVER ROUEN, FRANCE	20 GALERIA MOKOTÓW (50%) WARSAW, POLAND	21 VALLSUR VALLADOLID, SPAIN	22 HANINGE STOCKHOLM, SWEDEN	23 VIER MEREN (CENTER 2000) HOOFDDORP, NETHERLANDS	24 PIAZZA CENTER* EINDHOVEN, NETHERLANDS	25 ALLEE-CENTER (50%) MAGDEBURG, GERMANY	TOTAL
MARKET VALUE IN € MLN	215	168	165	163	158	143	140	133	112	109	108	104	5,890
MARKET VALUE PER M² IN €	3,091	5,473	3,448	4,011	5,533	4,048	4,516	4,249	2,797	4,051	3,522	4,054	4,870
GROSS LETTABLE AREA M²	84,400	56,300	135,000	40,600	85,000	50,000	62,000	31,300	40,000	26,800	30,800	51,400	1,805,400
THIRD PARTY OWNED GROSS LETTABLE AREA M²	15,000	25,600	87,000	-	56,500	14,700	-	-	-	-	-	-	539,300
REVALUATION AS % OF 2005 MARKET VALUE	12.7	14.4	19.5	12.9	15.3	24.0	12.4	29.1	21.2	11.4	13.5	16.2	16.1
NET INITIAL YIELD IN %	5.2	5.8	5.9	5.5	5.3	5.3	6.0	5.2	5.9	5.0	5.4	5.8	5.1
OCCUPANCY IN %	92.1	98.7	100.0	97.6	99.5	99.3	100.0	99.7	97.2	93.7	100.0	99.8	98.2
THEORETICAL GROSS RENTAL INCOME IN € MLN	14.5	10.4	11.6	12.1	8.8	9.2	9.6	6.9	9.4	6.7	7.1	7.5	361.7
OCCUPANCY COST RATIO IN %	n.a.	11.8	11.5	10.2	8.2	9.9	9.3	9.8	7.3	n.a.	n.a.	n.a.	n.a.
TRADE AREA IN MLN PEOPLE	0.2	1.9	0.7	0.2	0.9	0.4	1.1	0.4	0.2	0.1	0.3	0.7	n.a.

Revaluation: this represents the unrealized change in the value of the property during 2006. The value can fluctuate as a result of change in return requirements on such an investment, the state of maintenance and anticipated change in future generated cash flow.

Net Initial Yield (NIY): this percentage is mentioned frequently in the property world. It represents the first year's estimated net rental income as a percentage of the gross market value. The net initial yield is the risk-return indicator. We have strict criteria on NIY. The current tight market means we are frequently in competition with players willing to accept low NIY levels.

Occupancy: location, location, location backed by quality, quality, quality. The higher the occupancy, the more attractive the shopping center for both retailers and visitors, and for Rodamco Europe's rental income.

Theoretical gross rental income: this is our rental income if every single lettable square meter is occupied by a tenant at market rent – that is why we call it 'theoretical'. It further includes other rental income and sales-based rent.

Occupancy cost ratio: this is the rent and service costs as a percentage of retail sales. It is a key number for our customers.

Trade area: another crucial figure for retailers. This is the number of consumers within realistic reach of the shopping center. Often this is also known as 'catchment area'.

TOP 10 PIPELINE (EXCLUDING 'UNDER CONSIDERATION')

	1 METROPOLIS (50%) MOSCOW, RUSSIA	2 TÄBY CENTRUM STOCKHOLM, SWEDEN	3 PARLY 2 PARIS, FRANCE	4 TOUR OXYGÈNE LYON, FRANCE	5 FORUM NACKA STOCKHOLM, SWEDEN	6 SOLNA CENTRUM STOCKHOLM, SWEDEN	7 ČERNÝ MOST PRAGUE, CZECH REPUBLIC	8 ARKÁDY PANKRÁC (75%) PRAGUE, CZECH REPUBLIC	9 DONAUZENTRUM VIENNA, AUSTRIA	10 BADAJOZ BADAJOZ, SPAIN
TOTAL GROSS LETTABLE AREA IN M^2	80,000	22,000	21,100	35,700	21,700	18,800	36,000	49,300	16,300	33,000
COST TO DATE IN € MLN***	-	2	6	9	54	1	11	15	8	31
COST TO COMPLETION IN € MLN	202	180	137	122	74	123	98	74	68	40
ESTIMATED TOTAL DEVELOPMENT COST IN € MLN	202	182	143	131	128	124	109	89	76	71
ESTIMATED THEORETICAL RENTAL INCOME IN € MLN	21	14	9	9	10	10	9	7	6	6
% PRE-LET IN GLA*	100**	-	100**	52	20	-	-	-	-	15

* The pre-letting (in % of m^2) can include 'Heads of Term' contracts, which are binding in the Netherlands. ** No letting risk. *** Cost to date €137 million and cost to date of other committed/uncommitted projects €101 million, minus impairment of €5 million = €233 million.

At year-end 2006, Rodamco Europe had a pipeline (excluding 'under consideration') portfolio of €2.6 billion. The total pipeline – committed, uncommitted and under consideration – will add one million square meters to our standing portfolio. Our top 10 represents the largest pipeline projects. The majority of the information items given here are self-explanatory, such as cost to date and cost to completion. We offer Gross Lettable Area as an indicator of the dominance and potential for strong tenant occupancy and retail mix. For Theoretical rental income, please see explanation on the previous page. Obviously, we cannot give firm figures until the shopping center comes into operation. This is why we provide an estimate here. Pre-let shows how active our leasing managers have been in bringing in top retailers, well ahead of completion. For more on our pipeline, please see page 27.

SCHEDULED DELIVERY

2008	Arkády Pankrác, Prague; Metropolis, Moscow; Forum Nacka, Stockholm.
2009	Tour Oxygene, Lyon; Donauzentrum, Vienna; Černý Most, Prague.
2010	Parly 2, Paris; Badajoz, Spain.
2012	Solna Centrum, Stockholm.
2013	Täby Centrum, Stockholm.

INVESTOR RELATIONS

In March 2006, Rodamco Europe was included in the Euronext AEX Index (AEX), the index of the top 25 most actively traded shares in the Netherlands. This promotion represented both an achievement and a challenge for Rodamco Europe. We have always seen transparency to stakeholders as an important issue. Our greater visibility through AEX inclusion has only reinforced our transparency goals. At Rodamco Europe, stakeholders are (potential) shareholders, customers, employees, financial services providers, banks, analysts, rating agencies, consumers, municipalities, local government and the media. As the first property company to join the Index in the history of the AEX, we are committed to improving stakeholder understanding of this sector; we regularly participate in seminars. As in 2005, our aims were recognized in 2006 through nomination for the Sijthoff prize, the prestigious Dutch award for transparency in financial reporting.

COMMUNICATING WITH STAKEHOLDERS

Our level of transparency is further supported by an active investor relations program. We provide timely, uniform, adequate and transparent information, also via our website, on financial results, strategy and developments within the Group. Our CEO is closely involved in all investor relations activities. Stakeholders can access this information through our regular webcasts. In 2006, investor roadshows were held throughout Europe and in the United States. In addition to information on Rodamco Europe, its mission, strategy and performance, our focus in 2006 was on the benefits of our strategy. We are a property investment and management company, predominantly focused on the retail sector and with a multi-domestic portfolio. The role of pipeline in achieving our growth ambitions was explained. Further, we were nominated by the European Equities Institutional Investor Research Group as most improved investor relations in the property sector in 2006, and achieved a ninth place out of 25 in the Euronext AEX Index investor relations ranking in our first year of inclusion.

SHAREHOLDER INFORMATION

Rodamco Europe N.V. is an investment company with variable capital and qualifies as a 'Fiscale Beleggingsinstelling' (FBI) under Dutch law. For more information on our FBI status and our French SIIC status, please see page 36 or visit our website, www.rodamco.com, investor relations. Listed on the Amsterdam, Brussels, Paris and Frankfurt stock exchanges and one of the top 100 Euronext companies, Rodamco Europe is included in the Euronext AEX Index, and in the MSCI World Index.

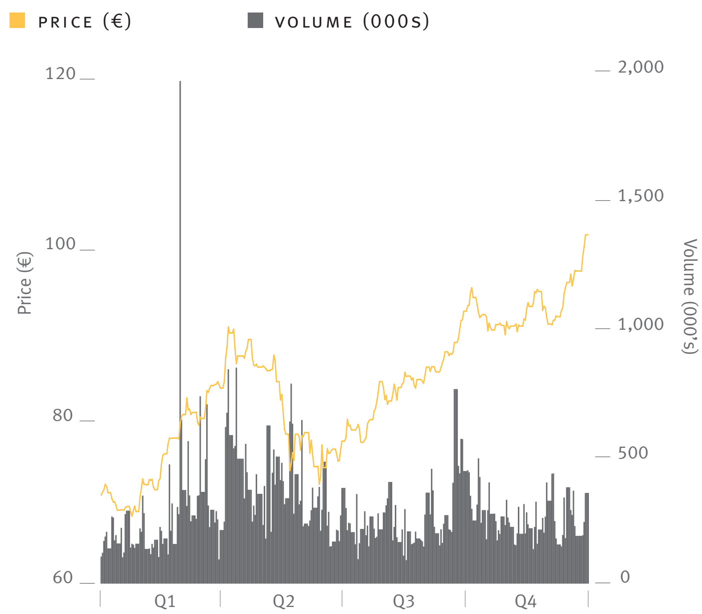
SHAREHOLDER VALUE

Our mission is to generate consistent growth in shareholder value. Over time, we have achieved that growth by concentrating on the Return on Retail strategy. In 2006, pursuing this strategy resulted in growth in net shareholders' profit of 19.0% to €1,525.3 million. Also on the back of investor interest in the sector, this translated into growth in total shareholder return of 49.3% for the reporting year, as the graphic (page 13) shows.

SHARES ISSUED

At December 31, 2006, 89,639,292 shares with a par value of €8 were issued and fully paid up. Based on information at December 31, 2006, Rodamco Europe's largest shareholders were PGGM (24.50%), ABP (11.58%) and AEGON (5.59%). According to Euronext definitions, Rodamco Europe's current free float is 75% of its shares.
At the Annual General Meeting of Shareholders in 2007, we are proposing an amendment to Articles of Association that would result in a

SHARE PRICE/VOLUME IN 2006



KEY FIGURES 5 YEARS (€ MLN)

	2006 IFRS	2005 IFRS	2004 IFRS	2003 Dutch GAAP	2002 Dutch GAAP
PORTFOLIO					
Investment property	10,349	8,831	7,056	6,645	6,211
Renovation projects	-	-	9	-	-
Pipeline projects	233	264	453	433	220
Financial fixed assets	-	-	-	-	14
Total portfolio	10,582	9,095	7,518	7,078	6,445
BALANCE SHEET					
Shareholders' equity	6,487	5,272	4,297	4,330	4,329
External financing	3,320	3,303	2,790	2,495	1,975
RESULTS					
Gross rental income	652	594	543	497	476
Net rental income	563	503	458	423	407
Occupancy (%)	98.4	97.9	97.0	97.3	96.2
Direct result after tax	369	341	317	299	287
Indirect result after tax	1,156	941	71	(48)	98
Net shareholders' profit	1,525	1,282	388	251	385
Other movements in equity	8	(8)	7	2	(7)
Total performance	1,533	1,274	395	253	378
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	100.80	72.85	59.75	46.92	47.50
Lowest	67.85	56.60	46.04	40.70	38.55
Year-end	100.80	70.30	58.40	46.17	40.25
Average	82.66	64.59	51.35	44.04	42.52
NAV per share as per end of period	72.37	58.81	47.94	48.31	48.29
NNNAV per share as per end of period	76.45	60.44	49.01	n.a.	n.a.
Direct result per share	4.12	3.80	3.54	3.34	-
Indirect result per share	12.90	10.50	0.79	(0.54)	-
Total earnings per share reported	17.02	14.30	4.33	2.80	3.44*/3.57**
Dividend per share	3.71	3.42	3.05	2.85	2.80
Market capitalization (€ mln)	9,036	6,302	5,235	4,139	3,608
RATIOS					
Return on shareholders' equity (%)	30.00	31.20	9.90	6.20	9.30
Dividend yield (%)	3.68	4.86	5.20	6.20	7.00
Loan-to-Value (%)**	33.63	38.27	39.21	33.80	29.50
Net interest coverage (EBITDA**)	3.55	3.65	3.51	3.90	3.50
Price/earnings ratio	24.47	18.50	16.50	13.82	11.70

* Based on 89.6 million outstanding shares and earnings corrected for the amount of interest paid on the 5% €555 million convertible loan. ** Based on weighted average number of shares 80.5 million. Definition changed according to Standard & Poors' requirements; 2004 and 2005 have been restated.

share split. This split would result in a ratio of four new shares for every one existing Rodamco Europe share. Shares are currently trading at around four times the Euronext AEX Index average; a split would make the share more accessible to private investors and have a positive impact on liquidity.

MANAGEMENT/PERSONNEL SHAREHOLDINGS

During 2002, Rodamco Europe implemented a Share Purchase Plan (SPP) for the management board and senior management; it was replaced in 2006 by a long-term incentive Performance Share Plan. At December 31, 2006, members of the management board (MB) of Rodamco Europe held a combined total of 17,812 (2005: 34,065) Rodamco Europe N.V. shares. For full details, please see page 134.

DEVELOPMENT OF THE SHARE

The share price ended the year at €100.80 (2005: €70.30); for full year, please see graphic on previous page. The lowest point was in January, €67.85 and the highest in December, €100.80. Market capitalization of Rodamco Europe shares was €9,036 million at December 31, 2006.

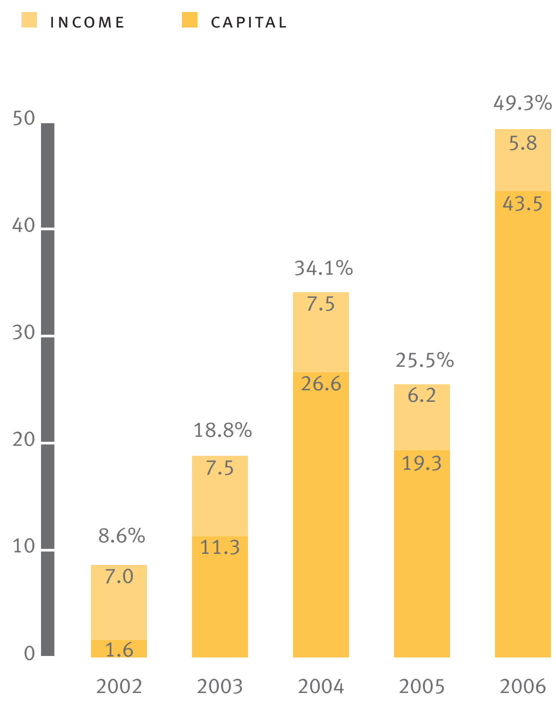
EXPENSE RATIO

According to the Dutch Investment Supervision Act, or Wtb, investment institutions should report expense ratios. This is aimed at providing clear and comparable information on the level of costs. From 2006 and in accordance with a Dutch Financial Markets Authority (AFM) regulation, 'Further Regulations on the Supervision of Investment Companies 2005', we calculate the expense ratio as a percentage of the total costs, excluding net interest expenses, to the weighted average net asset value of the last five quarters. Following this new definition, the expense ratio in 2006 was 2.59% (2005: 3.04%).

DIVIDEND

As a Fiscal Investment Institution (FBI) and with certain exceptions, Rodamco Europe is required to distribute 100% of its Dutch taxable income. Our dividend policy focuses on growing the dividend in line with direct result after tax and within a payout range of 85 to 95% of the direct result after tax. Within this policy, Rodamco Europe aims to distribute an interim dividend each year that will be approximately 40% of the previous year's full dividend. In August 2006, an interim cash dividend was declared of €1.37 per share (2005: €1.25). For full-year 2006, the management board is proposing to declare a total cash dividend of €3.71 per share (2005: €3.42). This represents an increase of 8.5% on the previous year's dividend at a payout ratio of 90%, in the middle of our range. Based on the share price at year-end 2006 of €100.80, the dividend yield amounts to 3.7% (2005: 4.9%). Rodamco Europe is required to withhold 25% tax on dividends (15% from 2007). Following approval by the Annual General Meeting of Shareholders, Rodamco Europe N.V. shares will be quoted ex-dividend on May 2, 2007. The final dividend will be payable in cash on May 8, 2007.

TOTAL SHAREHOLDERS' RETURNS (TSR)



FINANCIAL CALENDAR

April 3, 2007	Publication 2006 Annual Report
April 27, 2007	Annual General Meeting of Shareholders
May 2, 2007	Shares listed ex-dividend
May 8, 2007	Proposed date final dividend payment
May 8, 2007	Publication Q1 2007 results
August 6, 2007	Publication 2007 interim results
November 5, 2007	Publication Q3 2007 results

For updates during the year, please visit www.rodamco.com, investor relations

RODAMCO EUROPE'S SUPERVISORY BOARD

ROBERT F.W. VAN OORDT (1936), CHAIRMAN
Former consultant and partner at McKinsey & Cie Inc. (1967-1979), Chief Operating Officer and member of the board of directors at Hunter Douglas N.V. (1979-1989), chairman of the executive board of Bührmann Tetterode N.V. (1990-1993), and chairman of the executive board of N.V. Koninklijke KNP BT (1993-1996). Chief Executive Officer of Rodamco Europe N.V. (2000-2001). Currently, supervisory director at Draka Holding N.V. and member of the boards of directors of Fortis Bank N.V. and Schering-Plough Corporation.

FRANS J.G.M. CREMERS (1952)
Until the end of 2004, CFO and member of the executive board of VNU N.V. Before joining VNU, he had a long career with Shell where he was appointed CFO of Shell Expro in 1993. In addition to his Rodamco Europe supervisory board membership, he holds SB positions at NS N.V., Royal Vopak N.V., Fugro N.V. and Schiphol N.V. He is a member of the Capital Market Committee of AFM. He participated in the 2005/2006 investigation into the activities of Royal Ahold on behalf of the Enterprise Chamber of the Amsterdam Court of Appeal.

K. TERRY DORNBUSH (1933)
Professor at Nyenrode University until 2000, he began his career in 1955 with Courts & Company Investment Bankers. From 1968 to 1990, held senior positions with several companies in the United States. Between 1994 and 1998, United States Ambassador to the Netherlands. In 2005, appointed to boards of directors of five hedge funds affiliated with Schröders (London).

ROB TER HAAR (1950)
Until March 2004, CEO of Hagemeyer N.V. Previously, he was chairman of the executive board of De Boer Unigro N.V. He is a member of the supervisory boards of Royal Friesland Foods N.V., Maxeda B.V., Parcom Ventures B.V., Boekhandels Groep Nederland B.V. and B.V. Sperwer Holding.

BART R. OKKENS (1941), VICE-CHAIRMAN
Independent legal advisor; former civil law notary in Rotterdam and managing partner at De Brauw Blackstone Westbroek N.V. Held a number of senior positions, including vice-chairman of the Royal Association of Civil Law Notaries and member of the Supervision of Notaries Chamber in Rotterdam. Supervisory board member of Stichting de Nationale Sporttotalisator and chairman of the supervisory board of the Boijmans van Beuningen museum.

JOS W.B. WESTERBURGEN (1942)
Began his career with the Dutch Ministry of Finance, reaching director level. Went on to join Unilever. Now retired, he is a former Company Secretary and Head of Tax at Unilever N.V. and Unilever plc. Currently supervisory board member of ASML Holding N.V. and vice-chairman of the board of the Association AEGON.

HENK B. VAN WIJK (1944)
From 1984 to June 2000, member of the executive board and CFO of AEGON N.V. Career started in 1973 at Holland Amerika Lijn (HAL) in Rotterdam, where he held various senior positions. From 1981, member of the Group board of AGO Verzekeringen in The Hague. Currently a supervisory board member of Bornet Groep Rotterdam, and a board member of Stichting Garantiefonds Reisgelden and Stichting Calamiteitenfonds Reizen.

REPORT OF THE SUPERVISORY BOARD

It has been another very good year for Rodamco Europe. During 2006, the Group has redefined its medium-term strategic targets for the next five years. New targets are the result of discussions on various growth alternatives within our Return on Retail strategy. Remaining committed to this strategy, Rodamco Europe sees growth potential in both current and new markets and has entered the latter, such as the Slovak Republic and Russia, through investment in (pipeline) shopping centers. However, 2006 was also a year of challenges, as the management board (MB) report and our own supervisory board (SB) activities show.

KEY ISSUES IN 2006

STRATEGY

Throughout 2006, one of the key issues has been future growth. Pipeline has always been vital. In the current market where standing product is priced aggressively, it has become even more important. For this reason, much of our supervisory role has been devoted not only to supporting and approving new, clear medium-term strategic targets (see page 24), with key factors such as updates to investment policy, more precise investment criteria, valuation principles and related management processes, but also by exploring the opportunities offered by expected changes in Dutch tax law applicable to Fiscal Investment Institutions (FBIs). These changes, once adopted by Parliament, will enable Rodamco Europe to take a more active role in developing its future pipeline. This strategic opportunity and the organizational changes it will require were an important topic in many of our meetings. Risk management is another area of focus for us.

THE PORTFOLIO

As already noted, 2006 was a year of challenges. However, it was also a year of opportunity. Throughout the year, we have supported the MB in their attempts to grow the portfolio, also by entering new markets, according to Rodamco Europe's strict acquisition criteria. Many of our meetings, both formal and informal, with the MB and senior management have focused on strategic investments and divestments. For competitive reasons, we refrain here from going into detail on individual projects. Market conditions in 2006 were such that Rodamco Europe decided to divest often lower quality retail and office assets at top prices. Rodamco Europe, working as always within the framework of its consistent price/quality strategic objectives, has been exploring opportunities in existing and potentially new markets where growth potential into the future will support the sustainability of business goals. Apart from investments in France where the Group's position in two shopping centers was reinforced, at year-end, Rodamco Europe successfully acquired its first major pipeline asset in Russia. This pipeline acquisition in Moscow was the end result of a great effort on the part of the organization. We were kept informed on the process of defining possible target projects, the extensive due diligence any new market demands, and supported the ultimate investment proposals. Divestments supervised by the SB included a portfolio of high-street shops in the Netherlands.

RETAIL MANAGEMENT

After three years of Group focus on retail management, we reviewed progress to date on Rodamco Europe's goal of setting industry standards in managing these assets. The Group performed well on established Key Performance Indicators (KPIs), such as like-for-like growth in gross and net rental income. KPIs are used to quantify retail management performance. Results are more than encouraging, especially in light of future development opportunities.

OTHER ISSUES

The reporting year saw another successful €500 million bond issue. The bi-annual Employee Satisfaction Survey was gratifying in that Rodamco Europe scores well above average. One challenge to Rodamco Europe is the implementation and roll-out of new IT systems to support organizational alignment. We received regular updates on progress throughout the year. The 'In Control Framework', that is currently being implemented, is yet another area where we have been active throughout 2006. The Audit Committee especially plays a key role here.

SB COMMITTEES

The SB has three dedicated committees with specific tasks and responsibilities. Where appropriate, specific tasks are allocated to committees that report directly to, and whose findings and/or recommendations are reviewed by, the SB.

THE AUDIT COMMITTEE – ACTIVITIES IN 2006

Among the Audit Committee's (AC) main work areas were monitoring progress made on Rodamco Europe's 'In Control Framework', the update of the Administrative Organization/Internal Control Manual and enhanced risk management, started in 2006. The rollout of the new IT system, which is crucial for the 'In Control Framework', was reviewed and evaluated. Other issues where the AC has a major role include regular budget updates, fiscal issues relating to development opportunities, hedging policy, treasury and working capital management, legal structure and refined valuation methodology. The AC played a key role in monitoring the financial components of medium-term targets. It was active in evaluating the performance of Rodamco Europe's external auditor, PricewaterhouseCoopers (PwC), and monitoring policies for this relationship, including the possible involvement of PwC in non-audit services. Obviously, the external auditors' management letter and board report, ahead of the publication of the annual report, were priority issues for the AC. It was further fully involved in supervising the European Medium-Term Note program in 2006, as well as monitoring progress on new hires for financial positions at both Corporate Center and in our local markets.

THE NOMINATION & CORPORATE GOVERNANCE COMMITTEE – ACTIVITIES IN 2006

In 2006, reviewing composition of the MB was a key activity for the Nomination & Corporate Governance Committee (NCGC). Nomination activities included the proposal to appoint a new Group CFO, Peter van Rossum, which was approved by the 2006 AGM. A program for succession planning to ensure continuity into the future was evaluated and recommendations given. The NCGC further monitored self-assessment of SB and MB performance and worked on refining roles and responsibilities of all SB committees in light of supervisory compliance requirements. The Group has put in place an internal compliance program which was discussed with the NCGC. The committee also reflected on general corporate governance developments, including recommendations made by stakeholder representatives and their effects on Rodamco Europe's governance structure and transparency to stakeholders. These discussions have resulted in a proposal to amend Rodamco Europe's Articles of Association that will be proposed for approval to the AGM in 2007. Another result of these discussions is that Rodamco Europe has joined the 'Stichting Communciatiekanaal Aandeelhouders' (Foundation Communication Channels Shareholders) and hired the services of ADP, the proxy voting firm, in order to facilitate and ease the process of proxy voting for our shareholders.

THE REMUNERATION COMMITTEE – ACTIVITIES IN 2006

A revised remuneration policy for members of the management board was the priority for the Remuneration Committee (RC) in early 2006. The revised policy, based on renewed benchmarks, includes the introduction of a Performance Share Plan that is not only applicable to members of the MB but also available for senior managers throughout the Group. The SB's remuneration was also reviewed and adjustments defined. Resulting proposals were approved at the 2006 AGM.

The new policy was applied to remuneration in 2006 – please see the RC's detailed report, approved by the full SB, on page 83. The RC further discussed target setting for the short-term incentive program for MB members, taking into account interconnection with medium and long-term targets. A review of performance against targets set for 2005 was carried out.

OTHER DEVELOPMENTS

There were no major transactions between the Group and its major shareholders in 2006. In accordance with best practice provisions II.3.4 and principles III.6 and III.6.3 of the Dutch Corporate Governance Code, the SB declares that, to the best of their knowledge, no conflict of interest occurred during the reporting year.

As supervisory board of Rodamco Europe, we are pleased with ongoing pursuit of sound strategy leading to growth in the Group's unique and well-managed portfolio. The favorable economic climate has supported good results, as has the effective investor relations program. In 2006, Rodamco Europe achieved an excellent performance on the Euronext AEX Index. The Group's transparency efforts were recognized by a second Sijthoff Award nomination for transparency in financial reporting.

SUPERVISORY BOARD MEMBER	INITIAL APPOINTMENT	ULTIMATE YEAR OF RESIGNATION [1]	SB COMMITTEE MEMBERSHIP
F.J.G.M. Cremers *Male, Dutch, 1952*	2005	2017	Audit Committee Remuneration Committee
K.T. Dornbush *Male, American, 1933*	1999	2011	Nomination & Corporate Governance Committee
R. ter Haar *Male, Dutch, 1950*	2005	2017	Audit Committee Nomination & Corporate Governance Committee
H.R. Okkens *Male, Dutch, 1941*	2000	2012	Nomination & Corporate Governance Committee Remuneration Committee, chairman
R.F.W. van Oordt *Male, Dutch, 1936*	2001	2013	Nomination & Corporate Governance Committee, chairman Remuneration Committee
J.W.B. Westerburgen *Male, Dutch, 1942*	2005	2017	Nomination & Corporate Governance Committee Remuneration Committee
H.B. van Wijk *Male, Dutch, 1944*	2000	2012	Audit Committee, chairman

1) The 12th year following the relevant SB member's initial appointment.

In this year of challenges and opportunities, we would like to thank everyone in the organization for their ongoing commitment to driving Rodamco Europe forward in a sustainable, predictable and valuable way.

PROPOSALS AND RECOMMENDATIONS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The financial statements of Rodamco Europe N.V. have been audited and approved by PricewaterhouseCoopers Accountants N.V. (please turn to page 147 for the auditors' report). We recommend that the Annual General Meeting of Shareholders (AGM) adopts them.
A further proposal to the AGM in 2007 through an amendment to the Articles of Association is the share split announced on January 29, 2007.

We fully endorse the MB's proposal to distribute a final cash dividend of €2.34 over 2006. The interim cash dividend announced on August 14, 2006 was €1.37. Together, this means a total increase in the proposed dividend of 8.5%. Our dividend policy is to distribute 85% to 95% of direct result after tax; pay-out over 2006 is 90%. The remaining net shareholders' profit of €1,192 million will be added to the reserves.

March 16, 2007

Robert F.W. van Oordt (chairman)
Bart R. Okkens (vice-chairman)
Frans J.G.M. Cremers
K. Terry Dornbush
Rob ter Haar
Jos W.B. Westerburgen
Henk B. van Wijk

Working structure

The supervisory board's (SB) working structure is fully in line with the Dutch Corporate Governance Code (the Code). Its role is to continually monitor developments affecting key strategic issues at Rodamco Europe. All transactions of €100 million and above are presented to the SB by the MB for evaluation and approval. The SB has three dedicated committees: audit, nomination & corporate governance, and remuneration (for full charters and tasks, please visit www.rodamco.com, corporate governance). These committees report regularly to the full SB. The reporting structure at Rodamco Europe is comprehensive and systematic. Reporting is facilitated by a fully aligned organization along functional lines so that both the full SB and dedicated committees receive transparent information enabling them to execute their responsibilities.

WORKING METHOD

The SB meets according to a pre-arranged schedule and through extraordinary meetings with the management board. Where appropriate, senior management and key personnel participate in meetings. In 2006, the SB met nine times with the MB. At one meeting, members received an extensive update on the One Company, One Aspiration program. In addition, they made a two-day working visit to operations in France, meeting with the country management team and visiting a number of shopping centers. Besides these meetings, Audit Committee members gathered six times, the Nomination & Corporate Governance Committee met three times, and the Remuneration Committee came together six times. The SB met three times without the MB; among others, topics discussed during these meetings relate to strategy, performance of the MB and functioning of the SB.

2

return on strategy

(left to right) Joost A. Bomhoff, Suzan van Nieuwkuyk, Peter M. van Rossum, Maarten J. Hulshoff, K. Willem Ledeboer

MANAGEMENT BOARD

MAARTEN J. HULSHOFF (1947), CEO *Dutch national, appointed on June 1, 2001*

Began his career in 1973 at Océ N.V. Joined Citigroup in 1976 and held various general management positions in Europe and Asia from 1982 until 1995. Subsequently, chairman of the managing board of NCM Holding N.V. (now Atradius). Appointed CEO and chairman of the management board of Rabobank International in 1999. Member of the supervisory board of TEB N.V.

JOOST A. BOMHOFF (1948), COO RETAIL MANAGEMENT *Dutch national, joined Rodamco Europe in 1982*

Initially responsible for managing a portfolio of assets in various continental European countries, and later for building up the shopping center portfolios in Spain and France. In 1990, appointed an executive director of Rodamco Europe.

K. WILLEM LEDEBOER (1954), CIO ASSET SELECTION *Dutch national, joined Rodamco Europe in 1986*

A lawyer with Nauta before becoming legal counsel for Rodamco. From 1989 to 1996, a director of Rodamco in Australia, Europe and Asia/Pacific. Was appointed an executive director of Rodamco Europe in 1996.

PETER M. VAN ROSSUM (1956), CFO *Dutch national, joined Rodamco Europe on April 1, 2006*

Built extensive experience during 24 years in international financial positions with Shell, most recently in Asia.

SUZAN VAN NIEUWKUYK (1964), COMPANY SECRETARY *Dutch national, joined Rodamco Europe in 1995*

Began her career as a tax lawyer with Loyens Loeff. Moved to Rodamco Europe as legal counsel in 1995. Now company secretary and Group compliance officer.

REPORT OF THE MANAGEMENT BOARD

For Rodamco Europe, 2006 has been a very strong year in many respects. We have achieved considerable growth in all key areas of our business, leading to significant performance on our stated mission of generating consistent growth in shareholder value. This has been achieved in spite of challenging market conditions.

OUR PERFORMANCE IN 2006

The portfolio – Rodamco Europe as owner:

- property assets increased 16.4% to €10.6 billion (2005: €9.1 billion): €189 million as a result of acquisitions and capital expenditures; pipeline investments and acquisitions of €198 million at cost; minus €239 million (carrying value) due to divestments; and €1,307 million due to valuations. 94.0% (including offices integrated in our shopping centers in Sweden) invested in retail assets (2005: 90.3%);
- revaluation result of standing portfolio €1,270 million (2005: €965 million);
- a total of €259 million (2005: €543 million) in pipeline came into operation in 2006, mainly in the Netherlands and Germany. Our pipeline (excluding 'under consideration') at year-end 2006 was 650,000 square meters/€2.6 billion (2005: €2.4 billion);
- we entered two new markets: the Aupark acquisition in the Slovak Republic was finalized in 2006 and we acquired a pipeline project in Russia. We are now active in 14 countries, growing to 15 with planned expansion into Russia.

Retail management – Rodamco Europe as manager:

- net rental income up 11.8% to €563.1 million (2005: €503.5 million), like-for-like growth was 4.5% (2005: 4.9%); loss of rent fell to 3.8% (2005: 4.6%);
- overall occupancy rate increased to 98.4% (2005: 97.9%), with retail occupancy increasing to 98.9% (2005: 98.6%).

Financial results:

- direct result after tax (the key operational performance indicator) up 8.3% to €369.1 million (2005: €340.9 million) driven by a 9.8% increase in gross rental income;
- Triple NAV up 26.5% to €6,853 million (2005: €5,418 million). NNNAV per share is €76.45 (2005: €60.44).

2

INVESTMENTS/DIVESTMENTS (€ MLN)

	Acquisitions/ Investments		Investments in pipeline		Divestments		Total		Portfolio share %	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Netherlands/Belgium	17	324	73	102	(207)	(116)	(117)	310	35	37
Nordic countries	28	158	53	14	(1)	(54)	80	118	18	17
France	44	81	7	12	(44)	(43)	7	50	18	18
Spain	9	1	40	54	(14)	(23)	35	32	16	15
Central Europe	91	3	25	112	-	(55)	116	60	13	13
	189	**567**	**198**	**294**	**(266)**	**(291)**	**121**	**570**	**100**	**100**
Retail	184	566	189	278	(207)	(74)	166	770	94	90
Offices	5	1	7	6	(44)	(147)	(32)	(140)	5	8
Industrials/Other	-	-	2	10	(15)	(70)	(13)	(60)	1	2
	189	**567**	**198**	**294**	**(266)**	**(291)**	**121**	**570**	**100**	**100**

Shareholder value:

- net shareholders' profit up 19.0% to €1,525.3 million (2005: €1,281.1 million), including indirect result after tax of €1,156.2 million (2005: €941.2 million);
- proposed final dividend for 2006 is €2.34 in addition to interim dividend announced in August 2006 of €1.37. Total dividend for 2006 is €3.71, a 8.5% increase on the total 2005 dividend of €3.42. This translates into a dividend yield of 3.7% (2005: 4.9%).

OUR STRATEGY

Rodamco Europe's strategy, Return on Retail, means we focus on growing and continually enhancing the value of a prime portfolio of retail properties, specifically shopping centers in dominant locations in major cities around Europe. This strategy is based on the greater stability and predictability of longer-term returns in this sector, supporting our mission of consistent growth in shareholder value. To further drive our strategy, we have fully aligned our organization along functional lines. The graphics here show our progress from 2002. We now have a presence in 14 European countries; we made a pipeline acquisition in a new market, Russia, at year-end 2006. The size and quality of our portfolio in the mainly European Union (EU) countries make us the largest listed and most geographically diverse retail property company in Continental Europe.

Our Return on Retail strategy is unique in the sector (please see page 24 for medium-term targets over the next five years).

Multi-domestic: active in 14 countries

- geographic spread of risk and return;
- different planning restrictions and lease laws;
- different consumer requirements, cultures and languages.

Double focus: retail and pan-European

- shopping centers and high-street shops;
- over 60% of retail portfolio in top 10 cities; over 60% in top 25 retail assets.

Dominant locations: major cities

- almost all our shopping centers are urban/suburban in very restrictive zoning environments.

Multi-brand: strong brand values

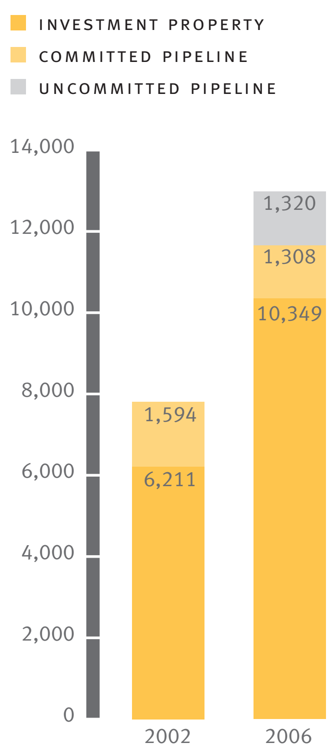
- most of our shopping centers carry the strong local brand values of the area where they are located;
- strong local name recognition.

Food anchored: high visitor numbers

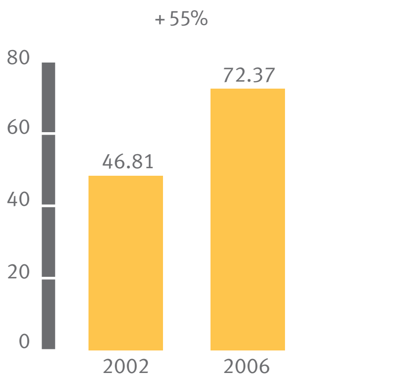
- (fresh) food anchoring draws frequent traffic;
- complementary to other retail mix.

Many of our shopping centers are located in areas where stringent zoning regulations exclude new competitive centers from coming into operation, although this is not the case in all markets. This gives us a competitive advantage. Our strategic focus has proved a sound one. Some years ago, we added direct management of our shopping centers. This has helped us to grow rental income, leading to better performance on direct results and dividends. Increasingly, the old adage that says property value is all about 'location, location, location' has been qualified. While dominant and prime urban location continues to be a key driver, it is not always enough. Quality of the underlying asset, especially quality in retail management, is growing in importance. This is our strength as we push forward on our sustainability goals into the future. By being close to local markets, our image and reputation as a 'local' player open up opportunities, especially on the new pipeline that forms an integral component in our growth strategy. This growth strategy, and its medium-term targets from 2002 to 2006, have taken Rodamco Europe to its targeted position. Strategic medium-term targets for the next five years are detailed on page 24. We aim to achieve them

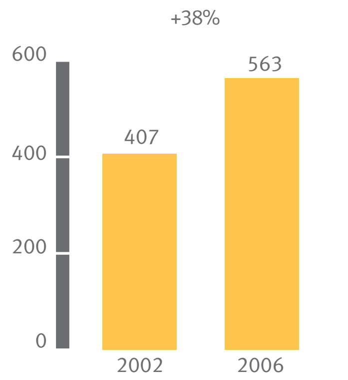
PORTFOLIO (€ MLN)



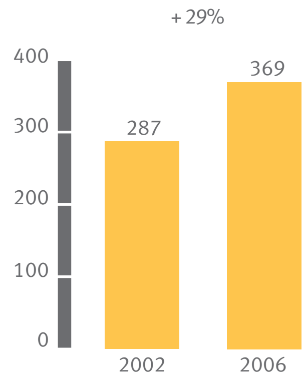
NET ASSET VALUE PER SHARE (€)



NET RENTAL INCOME (€ MLN)



DIRECT RESULT (€ MLN)



by continuing to pursue our proven strategy into the future. In doing so, we see a number of challenges and opportunities:

Challenges:

- increased competition from all directions – huge and continuous investor demand for property as a result of increased allocation to real estate in the investment market;
- yield compression across all asset classes due to increased demand;
- wave of money inflow is significant, but uncertain.

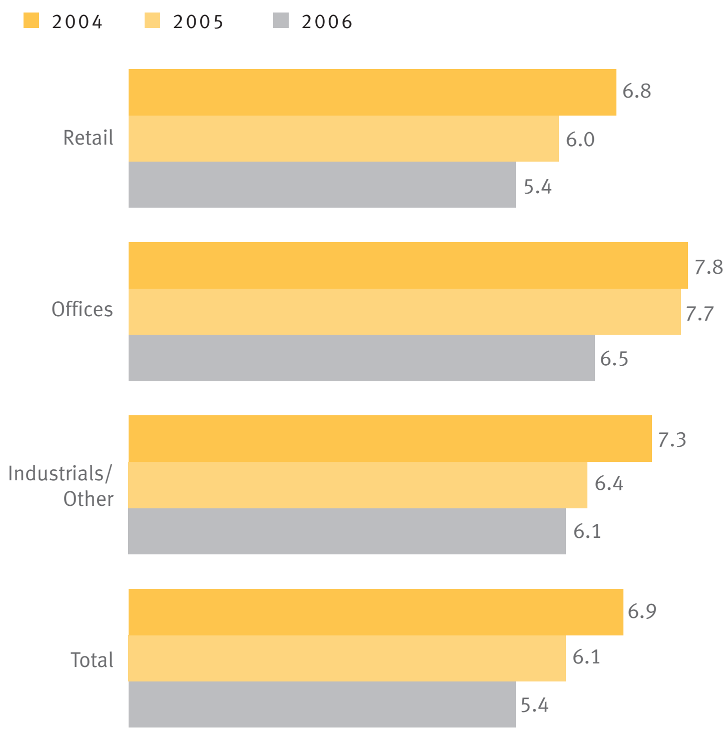
Opportunities:

- continued growth in results through ongoing, smarter retail management, including extending and upgrading standing shopping centers;
- within new FBI boundaries, we would be allowed to develop for our own portfolio, securing quality of future product and, as a result, future income growth, as active developer-investor-manager;
- focus on new markets.

THE EUROPEAN RETAIL PROPERTY MARKET IN 2006

While we benefit from our long-standing strategic choice in terms of return to shareholders and high valuations due to investor demand for property, the latter factor also represents a challenge to our growth ambitions. Through the current widespread recognition of the retail property sector as a solid investment, competition is driving up prices in a massive way. In 2006, Rodamco Europe operated in a

RODAMCO EUROPE'S PROPERTY YIELD SHIFT OVER THE PAST TWO YEARS (%)



market where there were around €295 billion in property transactions. This huge amount is a result of strong investor demand leading to greater allocation to the sector. Property generally is in high demand, with quality retail as one of the most attractive asset classes. What we are seeing in the property sector generally, and in the retail sector in particular is a convergence of net initial yields for the countries where we operate as well as for different levels of quality (see graphic on previous page). For any long-term professional investor in property, the net initial yield level is a key acquisition criterion; it represents the estimated first year's net rental income as a percentage of the gross market value. In the past 10 years, we have seen yields in the new EU markets fall from around 11% to under 7%. At year-end 2006, average net initial yields in new EU member states had converged to the higher end of the old EU range of between 4% and 6.5%.

RODAMCO EUROPE IN THE MARKET

This yield compression is a positive development for our own

[2]

Strategic update

During the reporting year, we have been defining our medium-term targets for the next five years. Many of our existing strategic drivers remain unchanged – they now have proven track record. We have invested heavily in our retail ownership and management focus, an investment that is literally paying healthy dividends for our shareholders and benefits our retail clients and other stakeholders' as well. However, market conditions have been changing for some years. The main shift is in increased demand for retail property, often at yields unacceptable for the financial criteria Rodamco Europe applies in its asset selection. Our strategy is tailored to trends in the continental European market; we have already taken measures to ensure our growth ambitions. We have been focusing on our pipeline portfolio of predominantly extensions to and/or new shopping centers for some years. Our standing shopping centers are regularly extended and/or refurbished to enhance the quality and value of the asset. This has led to growth in our pipeline portfolio from €1.6 billion in seven countries in 2002 to the current €2.6 billion in 11 countries at year-end 2006.

MEDIUM-TERM TARGETS

The majority of our existing markets are maturing rapidly – as convergence in yields shows (please see page 23). Our focus on growing existing markets will continue, as we have local organizations in place and have the economies of scale that facilitate the integration of new shopping centers into regional portfolios. However, new European Union (EU) member states and those with accession ambitions, in our view offer the greatest growth potential for Rodamco Europe, especially if we were to expand our development activities. We will pursue our strategy of carefully selecting quality retail assets, primarily in the shopping center segment, and managing them with the ultimate goal of growing the portfolio by an average 10% per year over the next five years. We aim to achieve this goal by a combination of quantitative and qualitative objectives:

- pipeline of around 25% of the portfolio, preferably with staggered delivery dates to ensure consistent, sustainable growth in the standing portfolio;
- adequate (financial) policies;
- establish top-notch development organization step-by-step once new FBI regulations are in place;
- achieve growth in like-for-like Gross Rental Income and Net Rental Income above indexation;
- outperform the EPRA retail index;
- around 10% of portfolio invested in new markets;
- foster sustainability principles in all activities;
- ensure retention of high-performing key personnel through talent management.

standing and pipeline portfolio, but it makes acquisition of quality standing investments extremely difficult due to our price/quality criteria. This challenge is clear from our investment/divestment program in 2006, whereby we made some significant non-core asset divestments, including some retail. On the investment side, we focused on organic growth in our standing portfolio, through commitments to pipeline extensions and refurbishments. We entered a brand new country, the Slovak Republic, and at year-end 2006, made a pipeline acquisition in Russia.

VALUATION RESULT 2006 (€ 000S)

	Retail	Offices	Industrials/ Other	Total
Netherlands/Belgium	281	49	-	330
France	311	2	-	313
Spain	250	-	10	260
Nordic countries*	243	-	-	243
Central Europe	112	12	-	124
Pipeline	39	(2)	-	37
Total	1,236	61	10	1,307

* Includes revaluation of offices in Sweden.

INVESTMENTS/DIVESTMENTS

In 2006, we made the following investments for €125 million and divestments for €266 million (sale price).

Investments:

- Aupark, Bratislava, Slovak Republic: acquisition of 50% stake for approximately €75 million;
- Markthal, Rotterdam, Netherlands: acquisition of retail pipeline project for approximately €28 million;
- Vélizy 2, Paris, France: acquisition of 3,660 m² for €19.4 million;
- Parly 2, Paris, France: acquisition of 346 m² for €6.5 million;
- La Vaguada, Madrid, Spain: acquisition of 700 m² for approximately €5 million;
- Metropolis, Moscow, Russia: acquisition of 50% pipeline project for approximately €200 million.

Divestments:

- Netherlands: divestment of portfolio of high-street shops for approximately €115 million;
- Netherlands: divestment of portfolio of retail units for approximately €41 million;
- Batavia Stad, Netherlands: divestment of outlet shopping center for approximately €38 million.

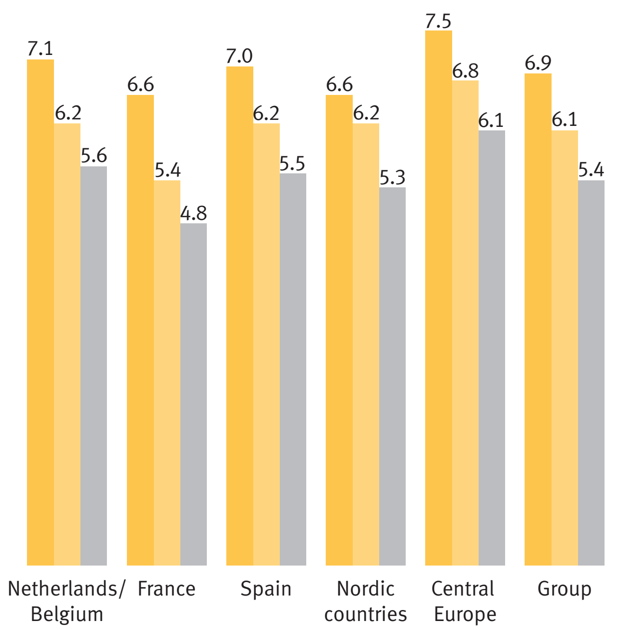
ASSET SELECTION – MANAGING THE PORTFOLIO

Investment/divestment and asset management is part of our core business. It is based on stringent internal selection procedures that incorporate integral risk management components. Every year, we

CONSOLIDATED PROPERTY INVESTMENTS 12/31/2006

	Netherlands/ Belgium	Nordic countries	France	Spain	Central Europe	Total
Theoretical gross rental income (€ mln)	243.7	139.1	100.4	97.8	91.7	672.7
Net rental income 2006 (€ mln)	211.4	93.9	92.3	85.0	80.5	563.1
Total commercial area (000 m²)	1,188.0	552.1	277.3	505.9	517.8	3,041.1
Occupancy rate (%)	97.6	97.4	99.5	99.1	99.8	98.4
Weighted average lease maturity (years)	5.6	3.3	5.9	5.9	6.0	5.2

RODAMCO EUROPE'S NET INITIAL YIELD, BY REGION (%)

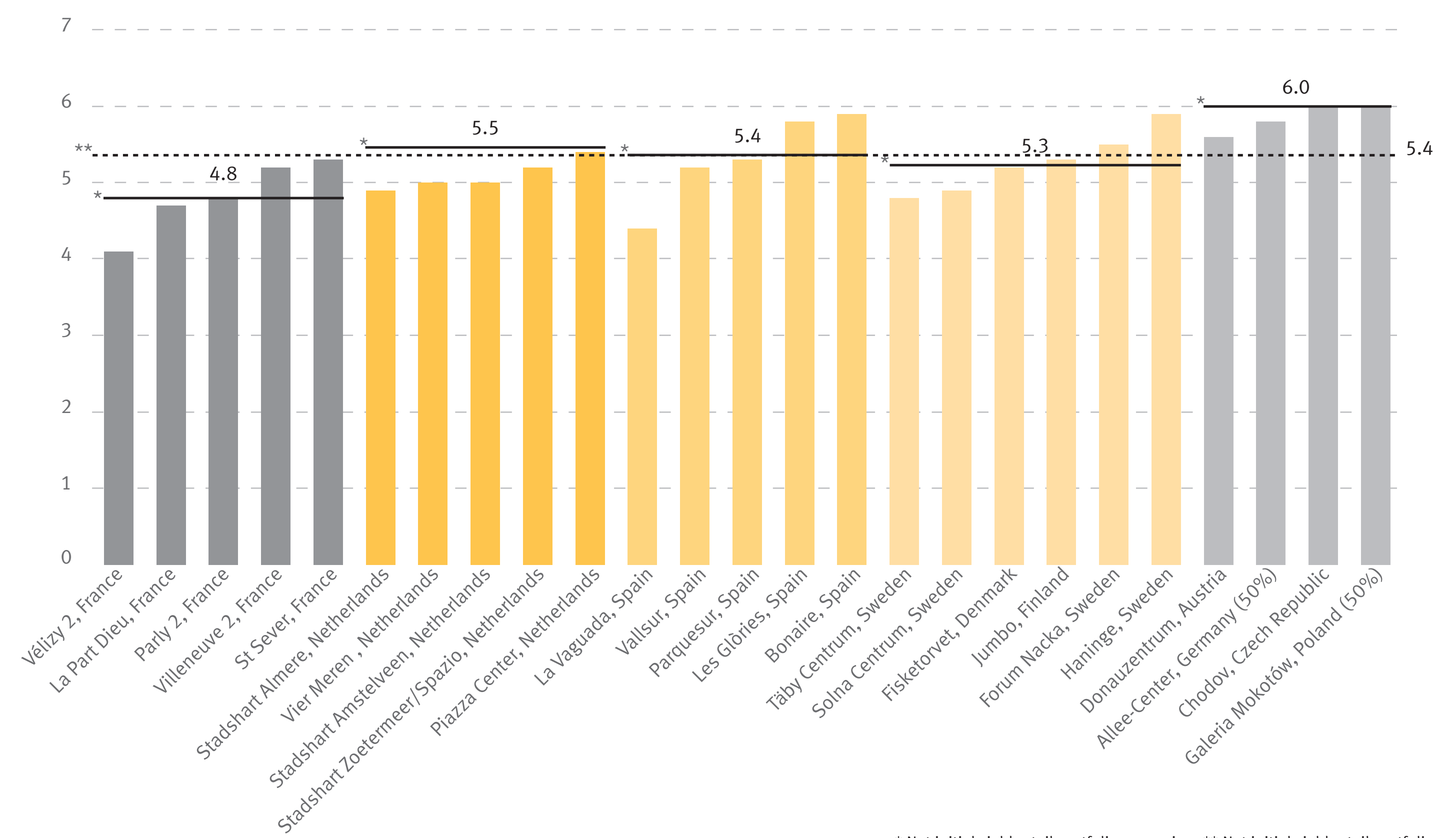


carry out a hold/sell analysis of the standing portfolio based on past performance and future potential. This internal analysis includes quantitative criteria, also based on the Royal Institute of Chartered Surveyors (RICS) guidelines that factor in economic, political and social environment. Our own internal rating system for shopping centers is driven by location, current quality and potential for improvement through, for example, extension, renovation and/or refurbishment, and retail management. Our quality rating ranks shopping centers as A*, A, B and C; currently, 66% of our shopping centers is A or above. The annual rating is a team effort between asset and retail managers and business controllers. Furthermore, four international, independent external appraisers value our shopping center assets four times a year.

ABOUT NET INITIAL YIELD

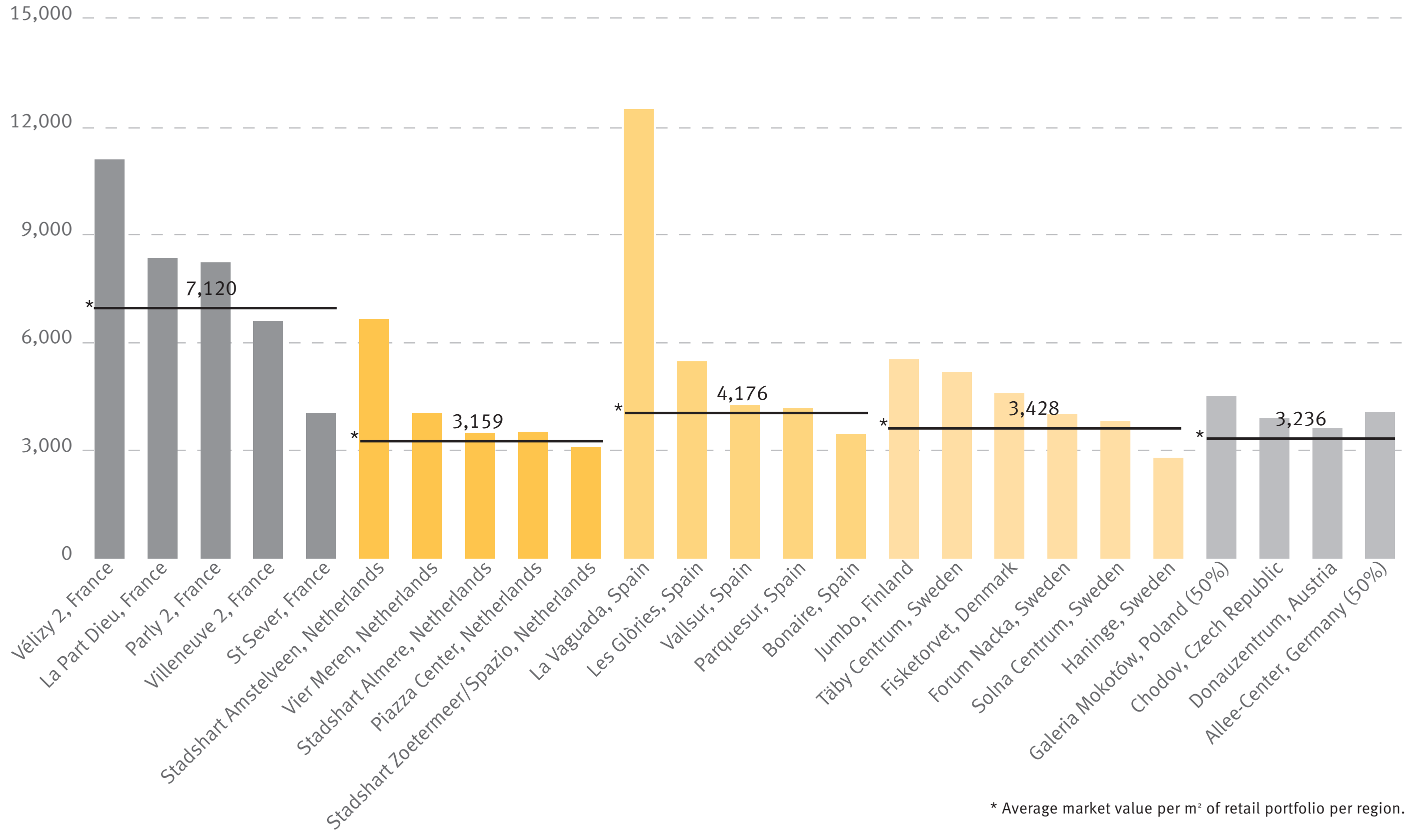
As the graphic left shows, over the past two years, net initial yields in our regions have converged. At Group level, yield compression is 150 basis points, with France as the largest mover with 180 basis points, and our Nordic countries the lowest with 130. However, in 2006, the

NET INITIAL YIELD OF THE TOP 25 SHOPPING CENTERS (%)



* Net initial yield retail portfolio per region. ** Net initial yield retail portfolio.

MARKET VALUE PER M² OF THE TOP 25 SHOPPING CENTERS (€)



* Average market value per m² of retail portfolio per region.

Nordic countries caught up with the European trend with a yield compression of 90 basis points. If we look at net initial yield on our top 25 shopping centers (left), with 4.1% Vélizy 2 in Paris has the lowest net initial yield; it was recently renovated. With 6.0%, the highest are Galeria Mokotów and Centrum Chodov, both in Central Europe. We see potential for our shopping centers to converge to Western European levels as investors appear to be more attracted by underlying quality of cashflows irrespective of location.
Market value per m² averages €3,000 to €4,000 (see above). Highest values per m² for Vélizy 2 and La Vaguada are due to high rental income per m² and low yields. The difference between Group averages and the highest values per m² offers potential upside.

THE PIPELINE

The potential direct development opportunities presented by proposed changes in relevant Dutch Fiscal Investment Institution (FBI) regulations (please see page 30), help us to further address current and anticipated market conditions. For Rodamco Europe, pipeline's importance to future growth ambitions has long been recognized. Given European rising pricing trends, it will only become more crucial in achieving our strategic goals. We see pipeline as both a means to enhance organic growth through the extension and refurbishment of our standing portfolio, and as a way to acquire new standing product that is tailored to our specifications.

THE PIPELINE PORTFOLIO

At Rodamco Europe, pipeline is categorized as committed, uncommitted or under consideration. The total pipeline will add one million square meters to the current standing portfolio of three million square meters. Our committed pipeline of €1.3 billion (2005: €0.9 billion) is

OUR TOP 10 PIPELINE (EXCLUDING 'UNDER CONSIDERATION')

METROPOLIS, MOSCOW, RUSSIA

In late 2006, Rodamco Europe announced the acquisition of a 50% stake in the Metropolis shopping center development in the Russian capital. Construction began in the fall of 2006 on this 80,000 m² of gross lettable area for delivery in the second quarter of 2008. This is a brand new market for Rodamco Europe. As always, we enter through acquisition of a top asset. Metropolis is located in the Voikovsky district, close to the city center and on the main Leningradskoye highway. Densely populated and with the highest per capita income in the city, Voikovsky has a trade area of around 800,000 people. Rodamco Europe acquired the 50% stake in Metropolis for approximately €200 million and net initial yield of 9.6%. We intend to seek non-recourse funding for this project, thus reducing our equity risk at stake.

TÄBY, STOCKHOLM, SWEDEN

Already one of our top 25 shopping centers, a 22,000 m² extension is planned to meet both retailer and visitor demand. This is a major project for our Nordic team – estimated total development cost is €182 million with an expected completion date in late 2013.

www.tabycentrum.se

PARLY 2, PARIS, FRANCE

More than 20 million visitors come to Parly 2 in Paris every year. We aim to enhance this top shopping center through the addition of 21,100 m² for an estimated total development cost of €143 million. Increased facilities for both retailers and visitors, including improved access, will be ready early 2010.

www.parly2.com

TOUR OXYGÈNE, LYON, FRANCE

This office and retail project is adjacent to our number one shopping center, La Part Dieu, in the heart of Lyon. On completion in late 2009, we will be adding 35,700 m² of retail space, especially large units, for an estimated total development cost of €131 million.

FORUM NACKA, STOCKHOLM, SWEDEN

This highly successful shopping center already attracts around four million visitors. It is located in a rapidly growing part of Stockholm. Our 21,700 m² extension at an estimated total development cost of €128 million, will meet growing demand from both retailers and visitors on completion in late 2008.

www.forumnacka.se

SOLNA, STOCKHOLM, SWEDEN

Retailer demand for space in this high quality shopping center had driven extension plans for an additional 18,800 m². Scheduled for completion in 2012 for an estimated total development cost of €124 million, we will be able to improve the retail mix that attracts close to eight million visitors.

www.solnacentrum.se

ČERNÝ MOST, PRAGUE, CZECH REPUBLIC

Our first acquisition in Prague back in 2000, this highly popular shopping center is now ready for extension and renovation. We aim to double its current size by adding 36,000 m² at an estimated total development cost of €109 million and expected completion date in 2009.

www.cernymost.com

ARKÁDY PANKRÁC, PRAGUE, CZECH REPUBLIC

Ideally located at a public-transport hub and built on top of a metro station, this brand new shopping center will serve both local residents and commuters. Estimated total development cost of €89 million will give us 37,000 m² on completion in late 2008, reinforcing our presence in the Czech capital.

DONAUZENTRUM, VIENNA, AUSTRIA

Already the dominant shopping center in Vienna, Donauzentrum is extending to accommodate a waiting list of retailers. We are adding 16,300 m² for an estimated total development cost of €76 million for completion in late 2009.

www.donauzentrum.at

BADAJOZ, BADAJOZ, SPAIN

A brand-new regional shopping center in Spain's heartland, close to the Portuguese border. Anchor tenants will include top Spanish retailer, El Corte Ingles, on completion in early 2010. Estimated total development cost is €71 million for the 33,000 m² we will own in this new property.

The development opportunity

Rodamco Europe is recognized as a strong owner and manager of its retail properties. We have always been fully aware of the importance of a sound pipeline to secure future growth. And we have extensive experience in managing our assets coming into operation. Through our 'Fiscale Beleggingsinstelling' (FBI) status in the Netherlands, we have been unable to act as developer in the Netherlands, except in a forward-funding role. Expected changes to the FBI regime, to become effective retroactively on January 1, 2007, will open up a window of opportunity. These changes would enable us to develop for our own portfolio and leverage the development margin that has previously been achieved by third-party business partners and contractors.

RODAMCO EUROPE AS DEVELOPER-OWNER-MANAGER

We will plan our potential shift into a development role in a phased, well-considered way. Any move would be made cautiously and we would fully integrate this activity into our current business model. Our future integrated business model would characterize Rodamco Europe as developer-owner-manager of our shopping centers. However, we would not change our proven business principles of shopping center management as our 'face' to the market. Our main clients would continue to be our tenants and their customers, the visitors and consumers. This focus enables us to continually enhance our knowledge of shopping center management – knowhow that would help us develop the best assets for our clients' – the retailers – needs.

At present, the pipeline in our portfolio that will come into operation in the next five years is mostly being developed by third-party developers and contractors. This gives us time to move gradually and carefully in a manner that gives reasonable assurance that three principle prerequisites are in place:

- practical, sound and structured development governance;
- we are 'in control' of this shift;
- our reputation is protected.

Our gradual shift into integrated development will support our growth ambitions in that it will:

- secure a supply of product and, therefore, future income growth;
- achieve a potentially higher margin against different risk profiles;
- secure the quality of future product as they are tailored to our requirements;
- benefit from strong leasing expertise throughout the Group – leasing ability is one of the main value drivers in development;
- benefit from local track record – we already have credibility as owner and manager;
- enhance the entrepreneurial spirit and facilitate our sustainability focus.

At the time of writing, the changes in FBI regulations are still under review. Our initial evaluation of the opportunities indicates it would make good business sense to move 'up the chain' to become a front-to-end player for all of the reasons noted above. Our proven experience in managing our standing shopping centers would be a true asset if we opt for a greater role in development. Should we move proactively into this new role, we will inform all stakeholders in a timely fashion as such a move may lead us to adjust our medium-term targets.

STRATEGIC FOCUS OF DEVELOPMENT

Extension and redevelopments – low risk

- Match consumer and retailer preferences
- Increase strength and dominance
- Grow income current assets
- Add and secure

Co developments – medium risk

- Grow future income
- In line with investment strategy
- In line with product and quality preference

New developments – increased risk

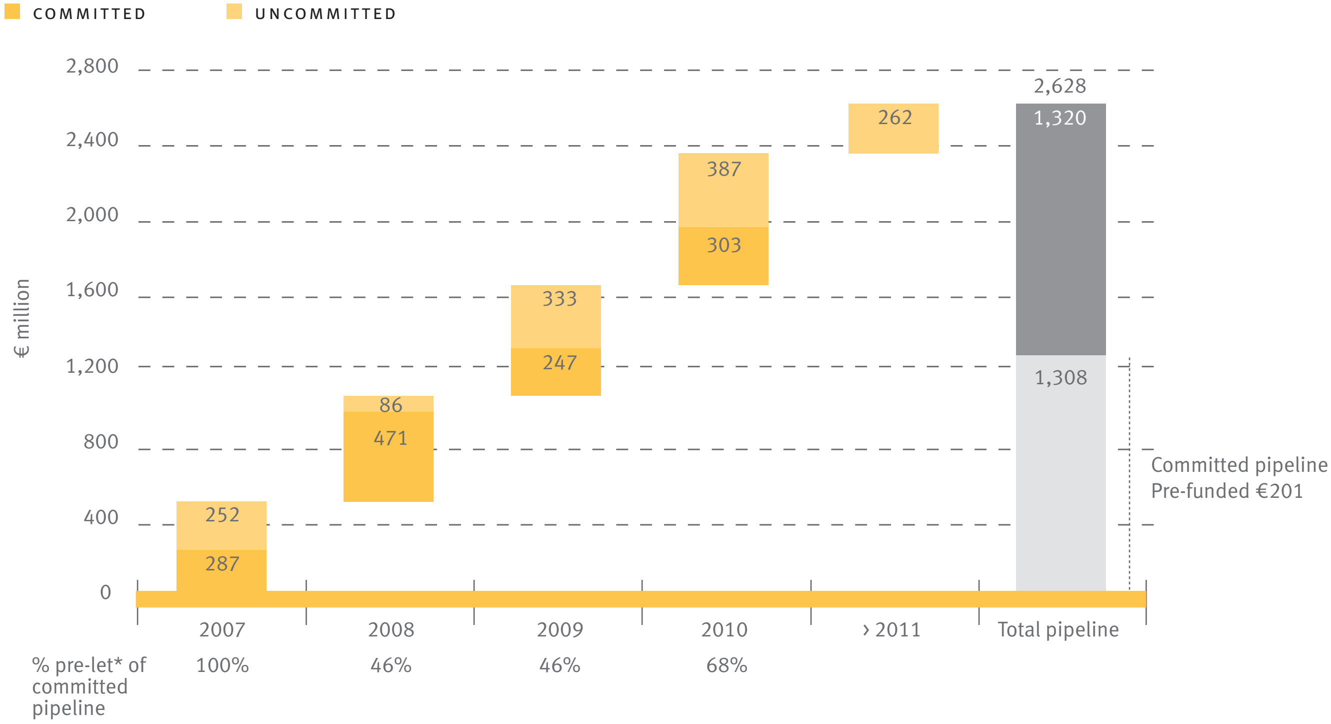
- Grow future income
- (Pro)actively tailor product to our requirements
- In line with quality requirements

→ Moving into development positions Rodamco Europe as an active developer-investor-manager who has a complete skill set to optimize returns

Enhance Rodamco Europe brand

- Match consumer and retailer preferences
- Build well integrated product within consumer surroundings
- Build with an eye for sustainability

PIPELINE BRIDGE (EXCLUDING 'UNDER CONSIDERATION')



* Pre-let based on gross lettable area; can include 'Head of Terms' contracts, which are binding in the Netherlands.

SIZE OF PIPELINE (EXCLUDING 'UNDER CONSIDERATION') BY HOME REGION

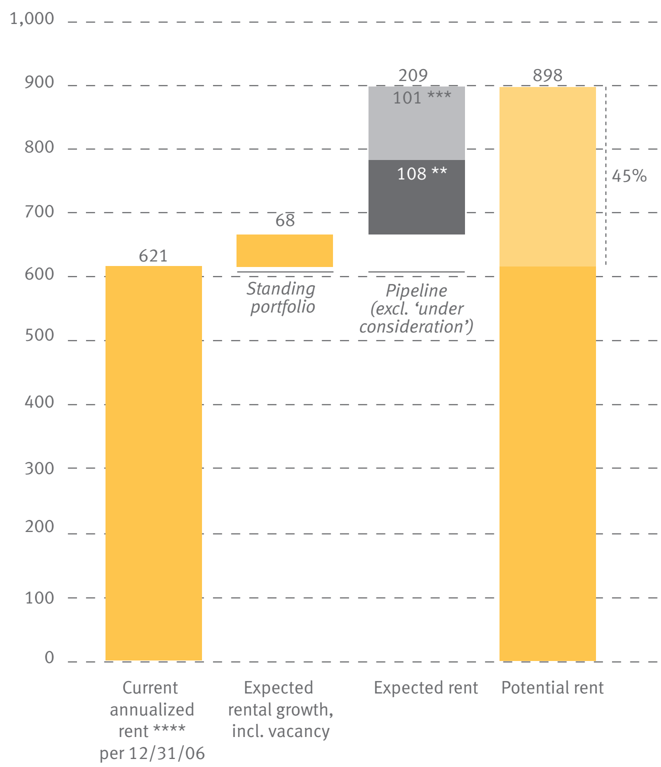
	Amounts in € mln *	%	Size in m²	Completion
NETHERLANDS/BELGIUM				
Committed	231	18	62,100	2007-2010
Uncommitted	391	30	114,100	2008-2014
NORDIC COUNTRIES				
Committed	169	13	35,500	2007-2009
Uncommitted	306	23	40,800	2012-2013
FRANCE				
Committed	301	23	59,800	2007-2010
Uncommitted	2	-	1,400	2008
SPAIN				
Committed	97	7	68,000	2008-2010
Uncommitted	-	-	-	-
CENTRAL EUROPE				
Committed	510	39	134,500	2007-2009
Uncommitted	621	47	136,000	2007-2011

* Estimated total development costs.

or includes those projects where we have a commitment and construction has started or will start in the near future, adding around 360,000 m² GLA. Our uncommitted pipeline of €1.3 billion (2005: €1.5 billion) includes stand-alone projects and/or extensions that are initiated or approved internally but have not yet been committed externally. This will add around 292,000 m² GLA to our portfolio. Under consideration means exactly that; these are projects being pursued and are at various stages. This will add approximately 350,000 m² GLA to our portfolio.

In 2006, pipeline coming into operation contributed €259 million (2005: €543 million) to growth in the portfolio. Around €345 million of uncommitted projects moved to our committed pipeline portfolio. New pipeline in 2006, both committed and uncommitted, is €625 million. In addition to the approximately 350,000 m² GLA 'under consideration', approximately 130,000 m² of new GLA was added to the pipeline in 2006, mainly through, but not limited to, the following projects: Metropolis in Moscow (Russia), an extension to our Täby shopping center in Stockholm (Sweden), a shopping center project in Badajoz (Spain) and an extension to Parly 2 in Paris (France).

RENT POTENTIAL* (€ MLN)



* Estimates based on amounts and projects as planned at year-end 2006, but subject to change.
** Committed pipeline. *** Uncommitted pipeline. **** Annualized minimum guaranteed rent.

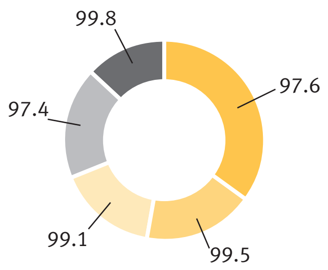
RETAIL MANAGEMENT – GROWING QUALITY

Rodamco Europe has a long-term focus on the retail property sector, specifically the quality shopping center segment. The underlying strategic reason is: quality shopping centers attract quality retail clients (our tenants), including strong food anchors. While retail consumption can be cyclical, food anchorage ensures high visitor numbers whatever the stage in a domestic economic cycle. Our retail clients are often major international players whose own strategies are designed to manage cyclical demand for their products. We see our relationship with retail clients as a partnership. We are frequently the partner of choice for retailers launching new concepts in existing markets and many international clients enter new markets through our dominant shopping centers. This relationship is facilitated through regular meetings with clients in our Group-wide key retailer program. It brings together our own senior management and that of major international tenants on a regular basis. In addition, our local teams work closely with tenants on trends and consumer issues. In our partnership with retail clients, they expect us to support their sales objectives. Maintaining and growing visitor numbers to our shopping centers is, therefore, a key performance driver for both Rodamco Europe and our retail clients. Although the strength of dominant location will remain a powerful prerequisite, we must systematically grow the quality of each individual shopping center to maintain its overall dominance in the market.

MEASURING PERFORMANCE

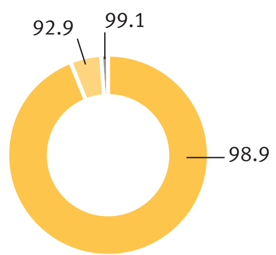
'Quality' is very hard to measure and benchmark. Yet, increasingly, a shopping center's quality is becoming as important as location. We have in place a strategy aimed at improving the quality and therefore the 'value' of our assets, also for retail clients. In quantitative terms, our strategy is based on a number of Key Performance Indicators (KPIs) for both our own performance and as facilitators for our retail clients' own goals. These KPIs help us set targets, supporting mutual growth for both stakeholders – Rodamco Europe and our tenants. Our cash flow is strongly reliant on income from our assets. So our

OCCUPANCY PER HOME REGION (%)



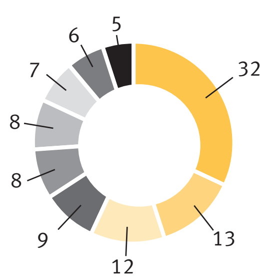
- NETHERLANDS/BELGIUM
- FRANCE
- SPAIN
- NORDIC COUNTRIES
- CENTRAL EUROPE

OCCUPANCY PER SECTOR (%)



- RETAIL
- OFFICES
- INDUSTRIALS/OTHER

RETAIL MIX (%)



- FASHION
- FOOD
- LEISURE GOODS
- SERVICES & OTHER
- HOME & HOUSEHOLD
- FOOTWEAR & ACCESSORIES
- RESTAURANTS
- HEALTH & BEAUTY
- DEPARTMENT & VARIETY STORES

TOP 15 PAN EUROPEAN RETAIL CLIENTS 12/31/2006

Tenants	MGR* in %	Number of shops	Number of countries
Ahold/ICA	4.5	96	5
Hennes & Mauritz	3.2	47	12
Maxeda	3.1	102	3
Inditex (includes Zara)	2.2	81	9
Rallye (includes Casino, Laurus, Go Sport)	1.4	37	3
Blokker	1.1	64	4
Kruidvat/Hutchison Whampoa	1.1	49	7
AFM (includes Auchan, Pimkie)	1.1	30	5
Pinault Printemps Redoute (PPR)	1.0	19	2
Miss Etam	0.9	42	3
Spar	0.8	7	3
Metro (includes Media Markt)	0.7	10	5
Macintosh Retail Group	0.7	46	2
Coltex	0.6	36	2
Douglas Holding	0.6	30	8

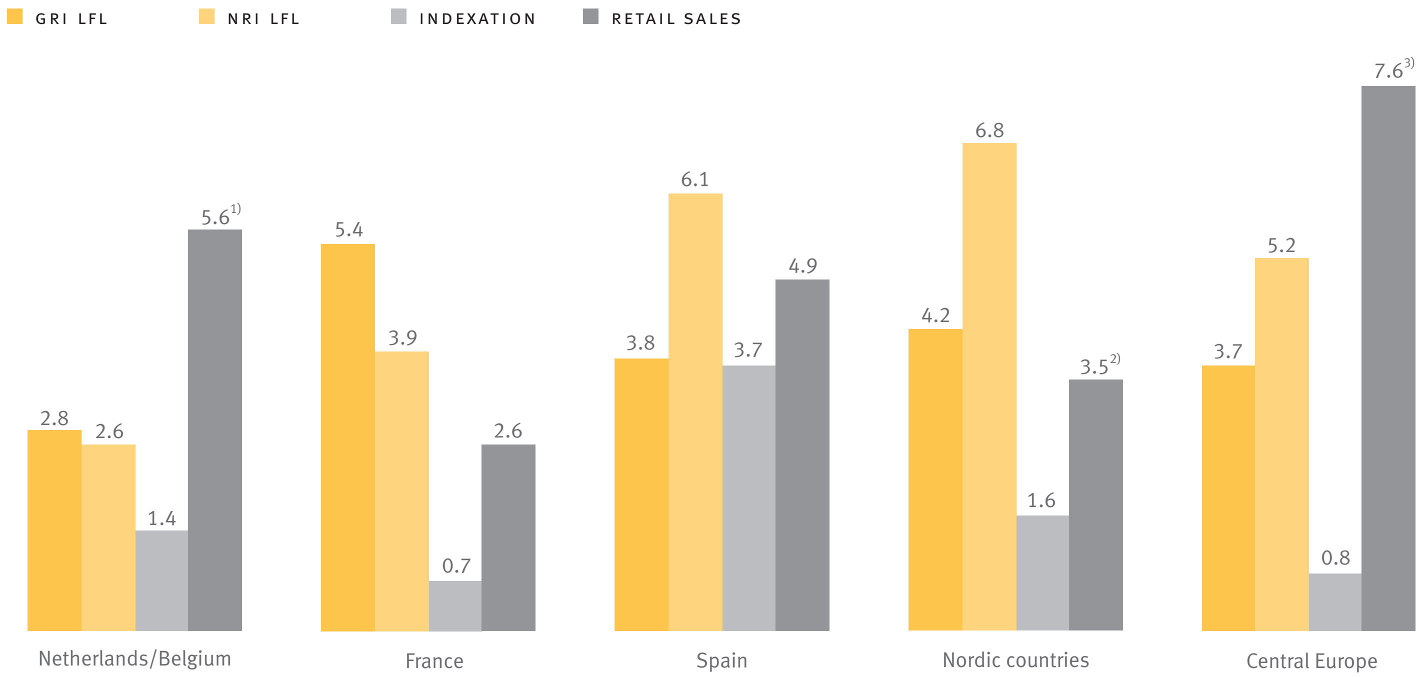
* MGR: Minimum Guaranteed Rent.

TOP 10 CITIES

	Value in € mln	GLA in m^2	Pipeline (excl. ‘under consideration’) GLA in m^2	Growth in %	No. of shopping centers
Stockholm	1,294	384,900	69,800	18	9
Paris	945	120,600*	21,000	17	5
Greater Amsterdam	836	185,300*	16,300	9	6
Madrid	650	132,700	-	-	3
Lyon	540	64,700	9,800	15	1
Greater Rotterdam	462	134,200*	27,000	20	10
Vienna	405	112,000	22,600	20	1
Prague	306	108,000	73,000	68	2
Copenhagen	262	57,100	-	-	1
Barcelona	240	61,100	-	-	2

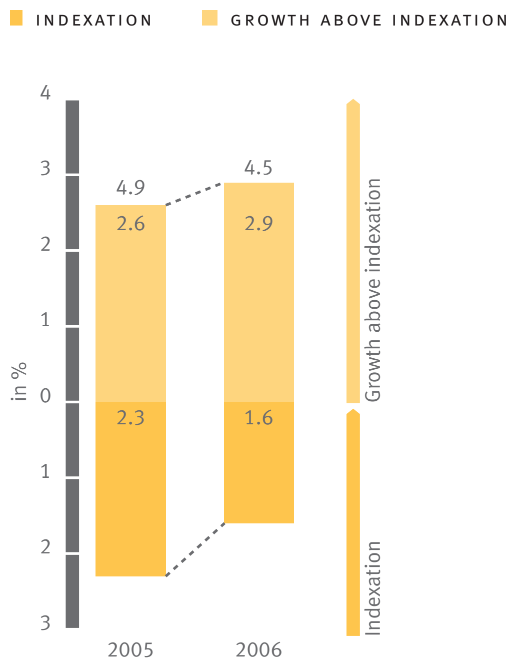
* Includes high-street shops.

GROSS/NET RENTAL INCOME, LIKE-FOR-LIKE GROWTH (%)

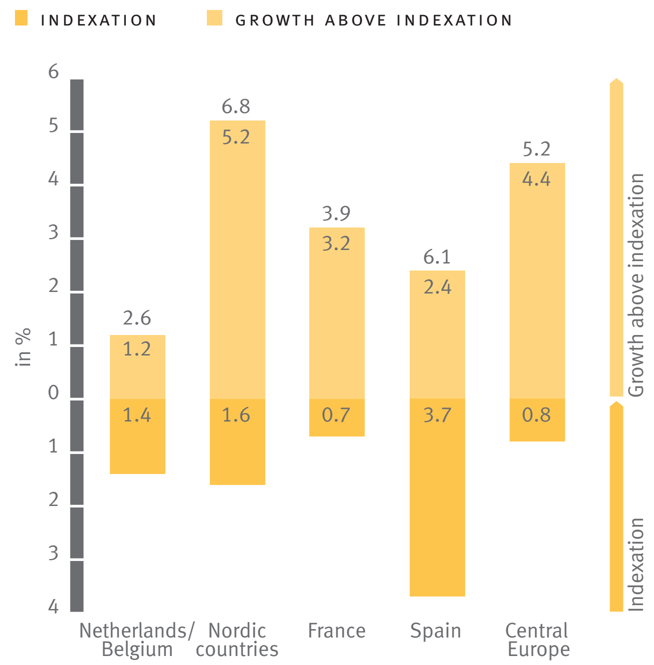


1) CBS Index. 2) Only Sweden. 3) Only Czech Republic.

LFL NET RENTAL INCOME AGAINST WEIGHTED AVERAGE INDEXATION (%)



LFL NET RENTAL INCOME AGAINST WEIGHTED AVERAGE INDEXATION PER REGION (%)



primary KPI is growth in like-for-like net rental income. This KPI measures and facilitates comparisons on the actual increases we have achieved in our standing portfolio; the rent potential graphic on page 32 indicates the estimated rental growth potential – 45% – of our current standing and pipeline (excluding 'under consideration') portfolio. Other indicators that support rental growth performance are:

- occupancy: high occupancy rates enhance the quality of a shopping center for both retail clients and visitors, and reduce our risk of loss of rent which can impact our like-for-like net rental income growth;
- operational margin (see page 42): we manage this KPI proactively, monitoring the operating efficiency of our properties.

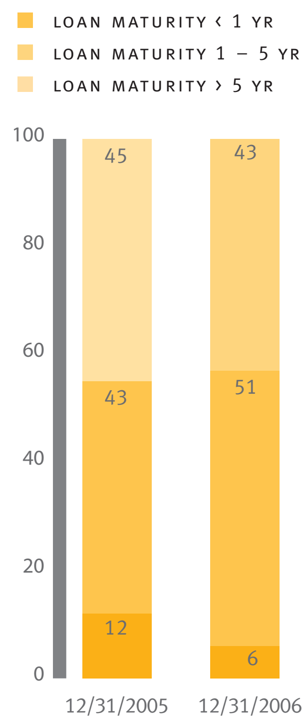
For our retail clients, Rodamco Europe's shopping center KPIs are important to their own performance, as a well-managed property attracts more visitors. We manage all KPIs through focused, individual shopping center management, although we benefit from Group-wide expertise and synergies. Sound leasing management, which is managing the retail offering and mix in a given shopping center, is a primary component in our overall approach. Specialty leasing that, for example, enables us to adjust the retail mix seasonally, is an important and growing part of our retail management efforts. Income was up 25% in 2006. In 2006, we achieved a like-for-like increase in net rental income of 4.5% (2005: 4.9%). As the graphics opposite show, our performance over the past two years against the weighted average indexation is significant; 2006 has even shown an improvement, driven primarily by the Nordic countries and Central Europe. Our occupancy rose to 98.4%. Loss of rent fell to 3.8% (2005: 4.6%). In 2006, we welcomed 415 million (2005: 400 million) visitors to our 73 shopping centers.

FINANCE AND CONTROL – OPTIMIZING CAPITAL STRUCTURE

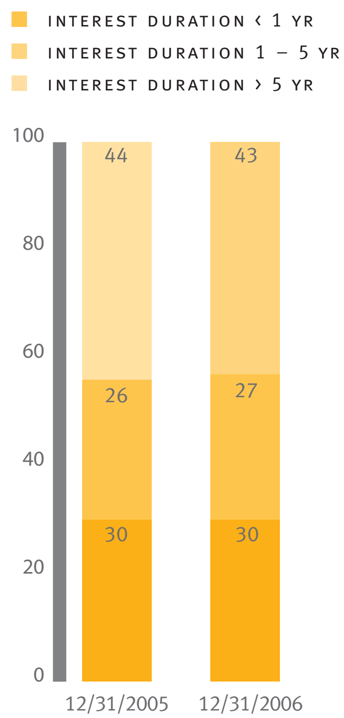
The Group's long-term strategic objectives are pursued in a highly capital-intensive marketplace. Our financial strategy, considered conservative, is based on an optimal capital structure for our investment ambitions. This means we must maintain a strong balance sheet that enables us to fund our business in a viable, secure and sustainable way while minimizing capital costs. Our financing policy is based on a Financial Risk Model that analyzes asset/liability management and defines the optimal capital structure that balances our risk/return objectives. We have defined a number of key components to drive our financial policy:

- We have a long-term investment horizon so we strive for a sound capital structure, also through actively seeking long-term financing. This

LOAN MATURITY PROFILE (%)



INTEREST DURATION PROFILE (%)



means we stagger our loan maturity, aiming for an average of more than five years. At year-end 2006, our average loan maturity was 5.1 years (2005: 5.3 years), matching our average lease contract maturity.
- Our aim is a loan-to-value (LTV) – or total debt to total assets – ratio of between 40% (comfortable) and 45% (maximum). This band is driven to a significant extent by limits on borrowings imposed by our FBI status (see below). However, leverage is still well below the 40% level at 34% at the end of 2006 (2005: 38%). The impact of revaluations combined with low levels of acquisitions, due to tight market conditions, more than matched divestments.
- Our FBI status similarly imposes a high dividend payout. This consumes most of our cash flow, generated by rent from assets. So access to capital and equity for our investments is crucial. We maintain this access through our €3.5 billion European Medium-Term Notes (EMTN) program, the €750 million Commercial Paper (CP) program, and through continually broadening our investor base while promoting the liquidity of our shares. Inclusion in major indices and professional investor relations support these goals.
- A significant share of our financing is funded through instruments such as EMTN issues. This type of instrument helps us manage both loan maturity and the desired interest-rate profile. In 2006, we successfully issued a €500 million, five-year fixed rate bond at a 4.125% coupon. The proceeds were used to refinance shorter-term debt and for general corporate purposes. At year-end 2006, in a rising interest-rate climate, 73% of our borrowings was at fixed rate, just above our policy ceiling of 70%. We redeemed €879 million (2005: €709 million) in outstanding loans.
- We have a committed syndicated credit facility of €600 million. This facility is for general corporate purposes and to support our CP obligations. At December 31, 2006, no drawings were outstanding under this facility.
- We fund or hedge non-euro investments in the same currency.

RODAMCO EUROPE'S FISCAL STATUS

In the Netherlands, Rodamco Europe has Fiscal Investment Institution (Fiscale Beleggingsinstelling – FBI) status and in France, we are a Société d'Investissement Immobilier Cotées (SIIC). In other countries where we operate, we are subject to regular local income tax regimes. Our Dutch and French status have implications for our tax position.

As FBI:
- we are 0% taxed on taxable results;
- we must dividend out all taxable income to shareholders before the end of the eighth month of the year after it was generated. In other words, taxable income earned in 2006 must be distributed before the end of August 2007;
- as indicated above, the maximum amount of debt may not exceed 60% of the fiscal book value of our Dutch property portfolio plus 20% of the fiscal book value of other investments.

As SIIC:
- our normal property operations in France are tax exempt;
- we must distribute at least 85% of tax-exempt income to shareholders before the end of year following the year it was generated;
- at least 50% of tax-exempt capital gains must be distributed within two years.

Clearly, this status in both jurisdictions is important and we aim to maintain both FBI and SIIC into the future. In this context, it should be noted that at the end of 2006, the French parliament approved a revised version of the SIIC legislation (also known as SIIC4). Based on this new legislation, new taxes are introduced on paid-out French-sourced results to foreign tax-exempt large shareholders. The consequences for Rodamco Europe are currently under review.

OUTLOOK 2007

During 2006, as announced on publication of the interim results, we decided to sell around €400 million non-core, low to medium quality assets. We have now completed this divestment program, taking advantage of the strong market conditions. As a result, over 2007, Rodamco Europe expects direct result after tax to grow by 3% or more. Our outlook reflects the short-term impact of our consistent long-term strategy.
We are pursuing this strategy consistently through the continual upgrading of the quality of our portfolio and by a strong focus on growing our pipeline. We have announced the Metropolis project in Moscow, a city we feel comfortable to grow our business through a local organization that we are putting in place. We will also start working on shaping our development organization as soon as the FBI legislation is passed by the Dutch parliament.
As a result, administrative expenses are increasing, also due to increased IT costs (our new SAP-based platform).

This outlook is based on the current investment portfolio and estimated timing of completion of pipeline projects. It disregards changes in IFRS policies, the potential effects of additional acquisitions and divestments and the potential effects of significant changes in exchange rates, interest rates and the general economic environment.

Maarten J. Hulshoff (CEO)
Joost A. Bomhoff
K. Willem Ledeboer
Peter M. van Rossum

Rotterdam, March 16, 2007

FINANCIAL ANALYSIS 2006

PORTFOLIO

Property assets increased by €1,487 million to €10,582 million in 2006 compared to €9,095 million at year-end 2005. Main contributors were the substantial valuation results of investment property (€1,270 million) and pipeline (€37 million). Acquisitions accounted for €125 million, capital expenditures in investment properties (€64 million), capitalized costs, interest and investments in pipeline projects (€198 million at cost), offset by divestments (minus €239 million, at carrying value) and various other movements (€32 million).

PIPELINE

Striving for even greater transparency, Rodamco Europe has added one new category to its pipeline definitions – 'under consideration'. The total pipeline – committed, uncommitted and under consideration – represents around one million m²; our standing portfolio of retail properties is around three million m², so pipeline will add a further third over the coming years. The committed and uncommitted pipeline of €2.6 billion (year-end 2005: €2.4 billion), of which around 50% is committed and 50% uncommitted, represents a Gross Lettable Area (GLA) of around 650,000 m².
In 2006, a total amount of €259 million (market value) came into operation, resulting in a positive revaluation of €39 million. The impairment of pipeline was €2 million.

EPRA BEST PRACTICE

In January 2006, the European Public Real Estate Association (EPRA) issued its Best Practice Policy Recommendations for transparent, uniform and comparable financial information by property companies. We comply to a significant extent with these recommendations. Rodamco Europe states its results based on International Financial Reporting Standards (IFRS). However, IFRS ignores some business aspects in valuing real-estate companies. So, in addition to IFRS disclosure, we also offer two items in evaluating performance based on EPRA: Triple Net Asset Value (NNNAV) for intrinsic value, and direct result after tax for operational performance. Both help investors and other stakeholders to understand the Group's performance even better.

PROPERTY ASSETS VALUATION DATA (EPRA)

Segment/Sector	Valuation movement in the year in € mln	Net market value per year end in € mln	Gross initial yield in %	Net initial yield in %
INVESTMENT PROPERTIES				
Retail	1,197	9,414	6.2	5.4
Offices	63	729	7.3	6.5
Industrials/Other	10	206	6.8	6.1
Total investment properties	1,270	10,349	6.3	5.4
PIPELINE PROJECTS				
Retail	39	189	-	-
Offices	(2)	37	-	-
Industrials/Other	-	7	-	-
Total pipeline projects	37	233	n.a.	n.a.
TOTAL PROPERTY ASSETS	1,307	10,582	N.A.	N.A.

NNNAV FOR THE YEAR ENDED DECEMBER 31 (EPRA)

	2006 € mln	2005 € mln	2006 Per share €	2005 Per share €
Shareholders' equity per IFRS financial statements	6,487	5,272	72.37	58.81
Fair value adjustment pipeline projects	93	45	1.03	0.50
Fair value adjustment financial instruments	(7)	(7)	(0.08)	(0.08)
Deferred tax	559	361	6.24	4.03
Diluted EPRA NAV	7,132	5,671	79.56	63.26
Reinstate fair value adjustment(s) financial instruments	7	7	0.08	0.08
Fair value adjustment bonds and other interest-bearing loans and borrowings	18	(67)	0.20	(0.75)
Deferred tax	(304)	(193)	(3.39)	(2.15)
Diluted EPRA NNNAV	6,853	5,418	76.45	60.44

2

The tables above and on subsequent pages, calculated according to EPRA recommendations, show both figures.

CALCULATING NNNAV

Triple NAV increased by 26.5% to €6,853 million at the end of 2006, or €76.45 per share (2005: €60.44) after final 2005 dividend of €2.17 per share and 2006 interim dividend of €1.37 per share.

The (diluted) EPRA NAV per share measure is derived from the (diluted) NAV per share (based on IFRS) by (i) adjusting for fair value adjustments on pipeline projects; (ii) adjusting for fair value adjustments of financial instruments considered to be economic hedges but not qualifying as hedges under IAS 39; and (iii) eliminating the deferred tax provision.

The Triple NAV per share is derived from the diluted NAV measure as defined by EPRA by: (a) reinstating the fair value adjustment on financial instruments that was made to derive the diluted NAV per share; (b) reinstating marked-to-market adjustments in accordance with IAS 39 in respect of debt not held in the balance sheet at its fair value; and (c) reinstating deferred tax as appropriate for the Group. In calculating the deferred tax, consideration is given to the timing and market norm in which properties are disposed of and the related tax rules.

CALCULATING ADJUSTMENTS

The fair value of pipeline adjustments are based on the expected valuation results according to internal valuation and assessment of the percentage of committed completions:

- within one year: 80% of expected valuation result;
- within two years: 60%;
- completion date later than two years: 40%.

The impact on the triple NAV due to a change in definitions means triple NAV increased by approximately €25 million. Main projects included in this calculation are Złote Tarasy (Warsaw, Poland), Parly 2 (Paris, France) and Forum Nacka (Stockholm, Sweden). The transfer of Złote Tarasy has been postponed; all information available at year-end 2006 has been incorporated.

Reinstating marked-to-market adjustments is explained in note 28 in the Financial Statements for estimatation of fair values.
Deferred tax is discounted over a period of 15 years.

DIRECT RESULT AFTER TAX

Direct result after tax increased 8.3% to €369.1 million in 2006, compared to €340.9 million in 2005. This was largely driven by

DIRECT RESULT PER SHARE FOR THE YEAR ENDED DECEMBER 31

	2006 € mln	2005 € mln	2006 Per share €	2005 Per share €
Net shareholders' profit per consolidated profit and loss account	1,525	1,282	17.02	14.30
Valuation result	(1,307)	(1,028)	(14.58)	(11.47)
Result on disposal of investment property and pipeline	(27)	(10)	(0.30)	(0.11)
Fair value result derivative financial instruments	(7)	(7)	(0.08)	(0.08)
Income tax expenses	2	-	0.02	-
Deferred income tax expenses	181	103	2.02	1.15
Minority interests in respect of the above	2	1	0.02	0.01
DIRECT RESULT	369	341	4.12	3.80

pipeline projects coming into operation and the net positive effect of acquisitions and divestments. Direct result after tax per share increased 8.3% to €4.12 in 2006, compared to €3.80 in 2005. The net shareholders' profit per share amounted to €17.02 in 2006, an increase of 19.0% compared to €14.30 in 2005.

EARNINGS PER SHARE

Direct result per share is calculated according to EPRA best practice recommendations on earnings per share (EPRA term for direct result per share is 'Diluted EPRA EPS'). The direct result per share is derived from the IFRS (diluted) earnings per share by making an adjustment for: (1) fair value adjustments of investment properties and renovation projects; (2) the result on the disposal of investment property; (3) tax on the result of disposals (if applicable); (4) negative goodwill and/or goodwill impairment (if applicable); (5) fair value adjustments of financial instruments considered to be economic hedges, but not qualifying as hedges under IAS 39 (including related foreign exchange differences); (6) making an adjustment for deferred tax relating to the previous items; and (7) making an adjustment for minority interests in respect of the above.

NET SHAREHOLDERS' PROFIT

Net profit (based on IFRS) not only takes the direct result after tax into account, but also includes non-cash items ('indirect result after tax'), such as the valuation result, the cash item 'result on divestments', the fair value result of financial instruments and the deferred tax expense. The net profit under IFRS fully includes any minority shares.

The net shareholders' profit (net profits attributable to Rodamco Europe's shareholders) excludes minority shares and is used as the main indicator for Rodamco Europe's overall performance. The 11.8% increase in net rental income compared to 2005 is the main driver for the 19.0% growth in net shareholders' profit to €1,525.3 million.

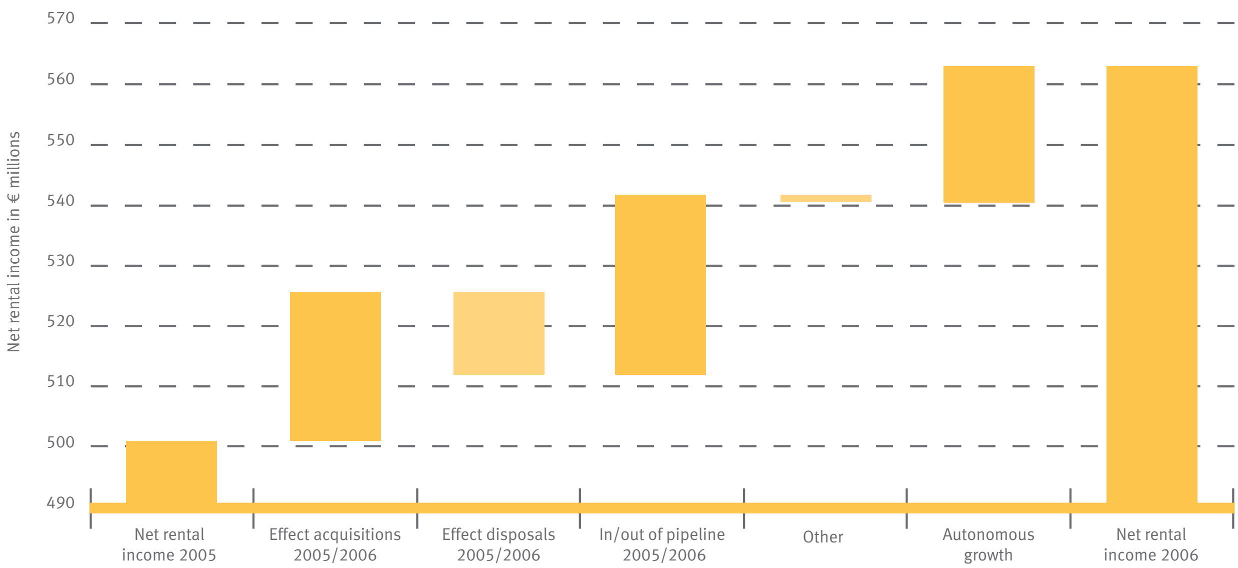
RENTAL INCOME

The gross rental income increased 9.8% to €652.4 million (2005: €594.3 million). This increase is primarily the result of rent generated from acquisitions made during 2005 (€17.7 million; mainly Stadshart Amstelveen in the Netherlands and Jumbo in Finland), acquisitions in 2006 (€5.0 million; primarily Aupark in the Slovak Republic), from properties coming into operation during 2005 and 2006 (€33.1 million; mainly shopping centers in the Netherlands: Vier Meren (Hoofddorp), Spazio (Zoetermeer), parts of Stadshart Almere and parts of Parade, Bergen op Zoom, the Parquesur extension in Madrid and Albacenter in Albacete, both in Spain, and Chodov in Prague, the Czech Republic); and rent increases of €14.5 million. Furthermore, gross rental income increased, mainly as a result of higher specialty leasing income and lower vacancy. The increase in gross rental income was partially offset by the effect of disposals, mainly MECC (exhibition, office, and hotel in 2005) and the high-street shop portfolios (in 2006) in the Netherlands, the Hallunda and Sollentuna shopping centers in Sweden, Pontis Haus (offices) and Rozalia Park (logistics) in Central Europe and two offices (Marceau and Serbie) in Paris, France which reduced the gross rental income by €17.6 million in 2006.

LIKE-FOR-LIKE NET RENTAL INCOME (EPRA)

(in € millions)	Portfolio consistently in operation during last 2 years		Acquisitions		Divestments		Transfers to/ from pipeline		Total net rental income	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Netherlands/Belgium	155.3	151.3	18.1	11.6	9.0	12.0	29.0	14.0	211.4	188.9
Nordic countries	85.7	80.2	8.2	2.0	-	1.0	-	-	93.9	83.2
France	87.7	84.4	2.6	-	2.0	4.5	-	-	92.3	88.9
Spain	76.4	72.0	-	-	-	-	8.6	5.3	85.0	77.3
Central Europe	62.7	59.6	4.8	-	-	5.0	13.0	0.6	80.5	65.2
TOTAL	**467.8**	**447.5**	**33.7**	**13.6**	**11.0**	**22.5**	**50.6**	**19.9**	**563.1**	**503.5**

NET RENTAL INCOME BRIDGE



Net rental income increased 11.8% to €563.1 million, compared to €503.5 million in 2005.
Overall occupancy increased to 98.4% at the end of 2006 compared to 97.9% at the end of 2005; retail occupancy increased slightly to 98.9% (year-end 2005: 98.6%).
Like-for-like growth in net rental income was 4.5% against a weighted average indexation of 1.6%, which is relatively higher compared to the 4.9% like-for-like net rental growth in 2005 against an average indexation of 2.3%.

The loss of rent improved during 2006 to 3.8% (in 2005: 4.6%) due to solid operational management (mainly lower vacancy) and divestments. Property operating expenses (excluding net service charges) decreased by 1.5% to €84.0 million in 2006 (2005: €85.3 million). This decrease is mainly the result of lower maintenance costs and a one-off refund of property taxes in Denmark.

ADMINISTRATIVE EXPENSES

The administrative expenses increased 17.1% to €52.1 million in 2006 compared to €44.5 million in 2005. This was mainly due to higher abortive purchase costs in connection with various large potential retail acquisition projects, an increase in IT expenses, increased staffing due to the growth of the investment portfolio and an increase of compliance activities.

OPERATIONAL MARGIN

As a result of improved loss of rent and decreased operating expenses and in spite of higher administrative expenses, we have been able to increase the operational margin from 74.0% to 75.7%.

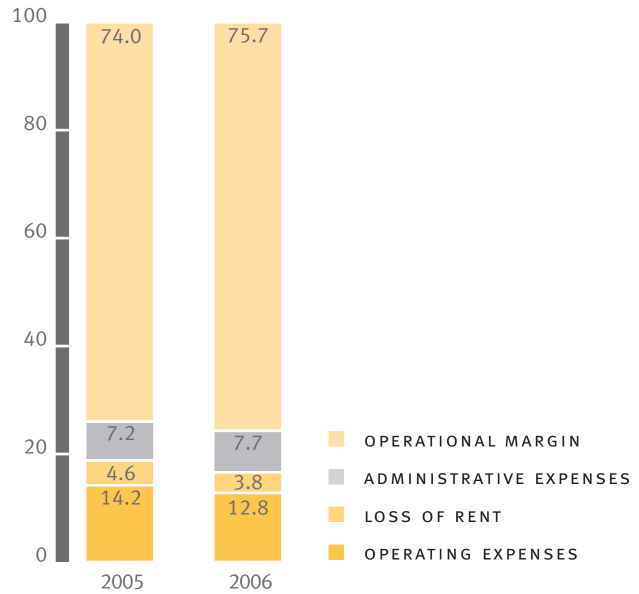
NET FINANCING RESULT

The average debt increased by approximately 12% (€370 million) from €3.0 billion over 2005 to €3.4 billion over 2006, which caused an increase in interest expenses of €17.3 million. The average interest rate during 2006 decreased to 3.93% in 2006 (4.04% in 2005). The €3.4 million positive effect of the lower average interest rate was partly offset by lower interest income of €4.8 million, due to lower capitalized interest on pipeline projects and higher other interest expenses of €2.2 million.
This resulted in an increase of the net interest expenses by 18.7%, from €111.7 million in 2005, to €132.6 million in 2006.
Under IFRS the foreign exchange result (minus €0.5 million) and the change in unhedged fair value of financial instruments are also included in the net financing result. In 2006, a positive fair value result of financial instruments of €6.9 million was reported (as part of the indirect result), primarily arising on valuation movements of unhedged interest rate swaps. These swaps are not directly linked to specific loans and are therefore not subject to hedge accounting treatment.

TAXES

The movement in the deferred tax position as a result of valuation results of properties and changes in tax rates resulted in €180.8 million of deferred income tax expenses (2005: €103.1 million). The deferred tax expenses are calculated using the nominal tax rates for those countries where there is no tax efficient status comparable to that of the Netherlands (FBI) and France (SIIC).
Income tax expenses amounted to €9.3 million, compared to €7.9 million in 2005. A part of 2006 income tax expenses (€1.5 million) is allocated to the indirect result since this relates to tax liabilities arising on indirect results. A number of tax positions are being challenged by local tax authorities or may be challenged in the future. Some items are being litigated before courts. The potential tax exposure may

OPERATIONAL MARGIN ANALYSIS (%)



range from nil to a maximum of €68 million, of which €20 million is provided for in the balance sheet.

VALUATION RESULT AND RESULT ON DISPOSALS

The valuation result of Rodamco Europe's property assets added €1,307 million in value in 2006. Approximately 65% of the valuation result on investment property was attributable to yield shifts, while the remaining 35% was due to increased rental income. The net initial yield on investment property moved from 6.1% at the end of 2005 to 5.4% at year-end 2006.

Valuation results on investment properties in all sectors were positive during 2006 (€1,270 million), revaluations on retail investment properties were €1,197 million, offices showed a positive revaluation of €63 million and industrials €10 million. Revaluation results on investment properties in all home regions over the period were as follows: the Netherlands and Belgium (€330 million), France (€313 million), Spain (€260 million), Nordic countries (€243 million) and Central Europe (€124 million).

A net valuation result of €37 million was realized on completed pipeline projects transferred to investment property mainly due to the completion of Stadshart Almere in the Netherlands and the Allee-Center extension in Magdeburg, Germany.

Rodamco Europe divested for a total sale price of €266 million, mainly consisting of two retail portfolios, our factory outlet center Batavia Stad and some offices in the Netherlands for an amount of €207 million. In Spain, we sold two plots of land from our logistic pipeline project in Ral Leganes for an amount of €14 million. In France, we divested part of our offices in the Tour Credit Lyonnais via a swap transaction for an amount of €19 million; additionally, we divested some non-core retail units in France for a total amount of €25 million. The total net profit on disposals amounted to €27 million before tax.

FINANCING DEVELOPMENTS

Total debt remained stable at €3.3 billion at the end of 2006, at an average interest rate at year-end of 4.06% (year-end 2005: 3.86%). Approximately 73% of total debt was fixed rate funded.

INVESTMENT PROPERTY VALUATION DATA (EPRA)

Segment/Sector	Valuation movement in the year in € mln	Net market value per year-end in € mln	Gross initial yield in %	Net initial yield in %
NETHERLANDS/BELGIUM				
Retail	281	3,187	6.2	5.5
Offices	49	417	7.0	6.3
Total Netherlands/Belgium	330	3,604	6.3	5.6
SPAIN				
Retail	250	1,533	5.8	5.4
Industrials/Other	10	118	6.8	6.1
Total Spain	260	1,651	5.9	5.5
FRANCE				
Retail	311	1,883	5.2	4.8
Offices	2	18	6.5	6.3
Total France	313	1,901	5.2	4.8
NORDIC COUNTRIES				
Retail	243	1,554	-	-
Offices	-	251	-	-
Industrials/Other	-	88	-	-
Total Nordic countries	243	1,893	7.2	5.3
CENTRAL EUROPE				
Retail	112	1,257	6.6	6.0
Offices	12	43	11.7	9.1
Total Central Europe	124	1,300	6.8	6.1
TOTAL INVESTMENT PROPERTIES	1,270	10,349	6.3	5.4

RISK MANAGEMENT

PHILOSOPHY

Rodamco Europe is exposed to a variety of risks. These risks are systematically identified and regularly compiled into reviews of the various risks to our portfolio and our activites in developing and managing it. Risk management at Rodamco Europe is closely linked to our corporate objectives and the 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 systematic redesign, implementation (2005/06) and operation (2007 and beyond) of 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. An overview of principal risks and a sensitivity analysis is included at the end of this section. Our risk management system is tailored to our organization and industry specifics and can be described as follows.

GROUP-WIDE RISK MANAGEMENT

Rodamco Europe's Group-wide risk management is based upon the widely accepted COSO risk management and internal control framework. This framework encourages and guides management to conduct risk assessments and internal control evaluations by analyzing the environment and processes by which Rodamco Europe pursues its primary objectives. 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. To reinforce the underlying framework, in 2005 we started the implementation of 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. Rollout of this IT system, country-by-country, has already begun and will be continued in 2007.

In 2006, we launched our Group-wide 'In Control' program. This is a business-oriented, high-exposure, high-impact program to focus the mindset of all our employees on 'Being In Control' at work. The 'In Control' goal is to optimize our business potential while satisfying Dutch Corporate Governance Code provisions. To embed 'In Control' throughout the Group, the program includes regular workshops, communications, reviews and various tools and visual aids to inspire and involve all our people. An important management and communication instrument is the so-called 'dashboard', tailored to our business and organization, and based on key value drivers and performance indicators. These are individually scored using a simple (universal) scoring system. The scored dashboard is complemented by a prioritized 'action plan'. Together, these form the 'Internal In Control Statements' through which management acknowledge their cascaded 'In Control' responsibility and form the basis of quarterly reporting to the supervisory and management boards.

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. Using the 'In Control' dashboard, this responsibility 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 with the Audit Committee and supervisory board.

GOALS AND PRINCIPLES

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

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 & 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 has a dedicated corporate risk management function. This function is continuously expanding its role towards achievement of Rodamco Europe's risk management goals.

FINANCIAL REPORTING

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

- in-depth management board involvement in structuring and approval of the significant investment/divestment transactions executed each year. The management board discusses extensively – in advance – all significant transactions with the supervisory board;
- 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 the Group instructions (including an AO/IC and 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 management board and Audit Committee.

The management board continues the process of improving the internal control framework, including the alignment of a broad range of processes, policies and procedures designed to provide the management board with control over the Group's operations and financial reporting. This process is to be continued in 2007.

In context of the legal requirements pursuant to the Act on Supervision of Collective Investment Schemes (the 'Wtb' being the 'Wet toezicht beleggingsinstellingen') and the Decree on Supervision of Collective Investment Schemes 2005 (the 'Btb 2005' being the 'Besluit toezicht beleggingsinstellingen 2005'),and without prejudice to statements made in this risk management section, Rodamco Europe N.V. states, in compliance with article 47, 1k of the Btb 2005 that Rodamco Europe has a description of the organization of its business operations (Administrative Organization/Internal Control) as meant in article 8 of the Btb 2005, which meets the specifications as laid down in the Wtb and in the Btb 2005.
This Administrative Organization/Internal Control is part of our in control framework as referred to in this risk management section. During the financial year 2006, we have evaluated various aspects of our Administrative Organization/Internal Control as meant in article 8 of the Btb 2005. In the course of our activities we made no observations that would indicate that the description of the structure of the Administrative Organization/Internal Control, as meant in Article 8 of the Btb 2005, does not meet the requirements as included in the Btb 2005 and related legislation. Also, no observations were made that in 2006 our Administrative Organization/Internal Control as meant in article 8 of the Btb 2005 were ineffective and did not function in accordance with the description.

Given the nature and size of the Group's organizations and operations, inherent internal control limitations exist including shared or minority control; disproportionate control costs versus benefits;

limited possibilities to segregate duties; catastrophe and collusion risk. Absolute assurance cannot be provided as a result of these inherent limitations.

The management board of Rodamco Europe is of the opinion that the design of the internal controls over financial reporting provides a reasonable level of assurance to prevent material inaccuracies in the 2006 financial statements from page 90 of this annual report and there are no indications this will not continue to be so in 2007.

This statement cannot be construed as a statement in accordance with the requirements of section 404 of the US Sarbanes-Oxley Act.

PRINCIPAL RISKS

Rodamco Europe's principal risks can be classified as strategic, operational and financial.

STRATEGIC RISKS

Strategic risks concern primarily the investment strategy and our risk appetite. Managing strategic risks is part of the asset selection and management process in determining where to invest, what we invest in, when we invest (in light of the cyclicality of economies and some market segments) and how much we are willing to invest (diversification of risk and return).

STRATEGIC RISK MANAGEMENT

Our strategic choices have focused on property sector allocation, quality and geographic diversification and proactive portfolio management in the retail property sector. Ahead of the cyclical downturn, we have shifted away from the potentially higher yield but more volatile office sector, which has made us less vulnerable in uncertain economic conditions. Our retail portfolio comprises top quality retail properties in dominant locations in European capital and major cities, whereby scarcity of product and urban planning regulations provide effective entry hurdles to competition. Our office portfolio is now relatively small and remaining investments are on long lease contracts, generating stable cash returns. Rodamco Europe's growing and predictable cash flow returns are a reflection of how strategic risks are being managed proactively.

OPERATIONAL RISKS

The main operational risks are related to the loss of ability to generate stable cash flows, the risks associated with pipeline projects, insurance risk and IT risk.

CASH FLOW GENERATION

The generation of sustainable and predictable cash flows is pivotal to our strategy and value creation for all our stakeholders. Cash flow generation is directly impacted by commercial risks such as vacancy, rent in arrears, tenant defaults, lease incentives, and indirectly by downturns in market/economic situations, increased competition, weakened locations or outdated tenant mix.

CASH FLOW RISK MANAGEMENT

Rodamco Europe's strong and stable cash flow is fuelled by:

- >94% of portfolio focused on retail;
- top quality property assets at A-locations spread across European capital and major cities;
- planning regulations in European cities providing effective entry hurdles to competition;
- high occupancy rates in our retail portfolio (around 98.5%) over the past four years;
- rental income is predominantly inflation indexed; approximately 2.0% of our gross rental income is turnover-related;
- shopping centers, primarily food anchored, with a diversified and high-quality tenant mix;
- spread of maturing lease contracts (on average, approximately 11% of lease contracts mature per year).

VALUATION OF PROPERTIES

Rodamco Europe distinguishes a number of valuation-related risks. The value of properties may decline and cash flow returns may not be optimized. Investment and divestment of properties may take place at uneconomic times and terms. Strong yield shifts in the market may prove incidental rather than structural. Estimated reversionary potential of market rents may not be achieved in rent renewals. The property revaluation result is an integral component of the profit and loss statement and, after deduction of deferred taxation, materially affects net profit. Valuation of properties is not an exact science but very much dependent on in-depth (local) market knowledge, professional judgment and appropriate use of sound valuation models. In property appraisers' circles, valuation ranges of sometimes plus/minus 5% are viewed as acceptable for assessment by different external expert appraisers.

VALUATION RISK MANAGEMENT

Rodamco Europe mitigates undue exposure to credibility of valuation results wherever possible within our scope of control. This is achieved by a consistent and best-practice valuation process, policy and procedures, and structural investment in our internal valuation competency and practices. These principal valuation controls include:

- close and regular monitoring of market sentiment and transactions;
- alignment to International Valuation Standards (IVS) and RICS' Red Book standards;
- valuation reviews of each individual shopping center four times a year, including external and internal value assessments, current and future values, market rent and yield, rent review and indexation;
- benchmarking portfolio performance internally and externally against peer groups using external and internal statistics;
- based on the above input, periodic hold/sell portfolio analysis;
- fair value accounting in our financial statements based primarily on values appraised by reputable, qualified and independent external appraisers;
- external appraisal fees and staff or management incentives not linked to valuation results.

PIPELINE

Rodamco Europe has a substantial pipeline to support the growth strategy. At year-end 2006, committed and uncommitted pipeline was €2.6 billion. Pipeline projects involve risks, most notably:

- delays in timely completion;
- deviations from specifications or poor quality workmanship; and
- inability to rent at full occupancy or inability to rent at a rental level sufficient to generate profits.

The Group's general policy is to transfer pipeline-related risk, other than letting risk, to a large extent to contractual counterparties as developers and general contractors. Notwithstanding our policy, we cannot be certain all pipeline risks will be transferred in full and, therefore, future results could possibly be affected unfavorably. Rodamco Europe willingly accepts letting risk, as we consider early involvement in shopping center design and tenant mix with strong anchor tenants as strategic and crucial in minimizing future operational risks and safeguarding the value of our properties. We have extensive experience and proven skills in controlling our pipeline risk. Possible future changes in tax law may cause the Group to reconsider its policy.

INSURANCE

All Rodamco Europe's properties are insured against property damage, business interruption and damage as a result of terrorism, either through local policies or our European-wide master policy. In cases where the local cover is insufficient, the master policy will provide a so-called Difference in conditions/Difference in limits (DIC/DIL) cover. Our cover includes loss of rent and service charges as a result of material loss and/or damage. Rodamco Europe is not insured against damage from flooding in the Netherlands. Following the terrorism exclusions applied by our property damage and liability insurers, we have put in place a separate terrorism insurance that gives cover in countries where none is provided by insurance pools initiated by national governments. We are insured against liability claims with a limit of indemnity of €100 million per event with a maximum of €200 million per policy year. Furthermore, Rodamco Europe has a Directors' and Officers' liability insurance in place.

INFORMATION TECHNOLOGY (IT)

Against the backdrop of global trends and strengthening corporate governance requirements, demand is increasing for rapid and reliable reporting of financial and operational performance and other regulatory information. Rapid technological and web-based developments call for proactive management and maintenance of IT infrastructure, technology and security. Our goal is to ensure we can meet increasing demands for accurate data on financial and operational performance in an efficient and cost-effective way. To meet these growing requirements, the Group may be exposed to increasing IT expenditures now and in the future.

FINANCIAL RISKS

The principal financial risks identified and managed include access to capital, liquidity and credit risks, derivative exposure, interest rate fluctuations, foreign currency and tax exposure. Rodamco Europe carefully monitors cash flow, interest cover, leverage, debt and interest maturity and derivatives schedules against our finance policy's target ratios. Additionally, asset and liability management techniques are used to assess and optimize our financial management and decision-making process. Risks are continuously monitored through treasury reports and a quarterly management board report, including a legal and tax review.

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 contractual repayment dates. The Group adopts a policy of ensuring that a maximum of 25% of debt is redeemable in any given year (2007: 6.0%). Rodamco Europe has a committed syndicated credit facility of €600 million with a maturity for five years and two extension options for another year. This stand-by facility will now mature on August 12, 2011, with another one-year extension option. At December 31, 2006, no drawings were outstanding under this committed syndicated credit facility.

CREDIT RISK MANAGEMENT

A large number of major international financial institutions are counterparties to the interest-rate swaps, foreign exchange contracts and deposits transacted by the Group. Such transactions are only entered into with counterparties with a long-term Standard & Poor's credit rating of A- or better. The counterparty risk associated with these transactions is the cost of replacing agreements at current market rates in case of default. Management believes the default risk is remote. Credit risk associated with lease debtors is mitigated by receiving deposits and upfront payments.

DERIVATIVES INSTRUMENTS EXPOSURE

Rodamco Europe uses derivative financial instruments to hedge potential exposures to movements in interest and currency exchange rates. These derivative instruments include, but are not limited to, currency and interest rate swaps and forward rate agreements. To the extent these derivative instruments are deemed ineffective under IFRS definitions, they could result in (un)realized marked-to-market profits and losses and materially affect net profit.

INTEREST RATE EXPOSURE AND RISK MANAGEMENT

The Group runs a structural interest rate risk in its balance sheet. 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. We have adopted a policy of ensuring that a range of 60 to 70% of its exposure to changes in interest rates on external debt is at fixed rate (excluding pipeline commitments). We use interest rate derivatives to manage and structure the interest rate profile.

FOREIGN CURRENCY EXPOSURE AND RISK MANAGEMENT

Rodamco Europe has activities and investments in countries outside the euro-zone, primarily in Sweden. When converted into euros, the income and value of our net investment may be influenced by fluctuations in exchange rates against the euro. Wherever possible, we aim to match foreign currency income with expenses in the same currency, reducing the exchange effects on 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 risk management-driven goal. It is our policy to hedge net investments in foreign currencies. We exclude revaluations, capital expenditures and deferred tax in our hedge policy. Currency risk in the building period of pipeline investments is covered as quickly as possible after the signing of the actual building contract. Other monetary assets and liabilities held in currencies other than the euro are managed by ensuring net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term balances.

TAX EXPOSURE

Rodamco Europe owns properties in a number of different European jurisdictions and often enters new markets through acquisitions. We are subject to local tax regulations in each of these jurisdictions. It is our policy to comply with the tax laws in each jurisdiction, while striving to mitigate tax costs. These 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 our best efforts to comply, these factors could 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.

TAX RISK MANAGEMENT

Rodamco Europe endeavors 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;
- Rodamco Europe is 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, provided certain conditions are met (please see page 36). Rodamco Europe closely monitors that these requirements are met and if necessary, specific requirements are discussed with tax authorities and external counsel;
- acquisition and divesting real estate transactions are subject to the analysis and assessment of internal and external local tax lawyers;
- we quarterly monitor current and deferred corporate income tax positions and improve tax reporting formats to enhance the quality thereof;
- from time to time, local and Group-wide tax scans are carried out to improve tax compliance procedures and tax positions;
- based on research, we apply transfer pricing policies and set documentation standards.

SENSITIVITY ANALYSIS

	In/decrease in %	Estimated influence on result/ shareholders' equity 2006 in € mln	Estimated influence on result/ shareholders' equity 2005 in € mln
Net rental income	1	6	6
Loss of rent	1	7	6
Net interest expenses	1	9	10
SEK/€ exchange rate	10	35	18
Revaluation investment property	0.5	52	44
Yield shift	(0.5)/+0.5	+1,056/(877)	+790/(667)

Sustainability at work

At Rodamco Europe, many of the concepts now known as sustainability and corporate social responsibility (CSR) have long been pursued as basic best business practice. In our various regions, our teams are encouraged to adopt a proactive approach to markets, bearing in mind relevant social and environmental norms. Just one example here. In France, we have guaranteed, pass-protected parking spaces for handicapped visitors. This approach has always formed part of our Business Principles that combine core values and Code of Conduct. In 2006, we developed a plan aimed at formalizing and further improving our sustainability and CSR. Our goal with this program is to be an industry leader on these important business components, also in our retail property management, by 2010.

THE CASE FOR SUSTAINABILITY AT WORK

For Rodamco Europe, sustainability is the simultaneous pursuit of:

- profitable economic growth;
- social progress; and
- environmental quality.

We believe that sustainability or CSR without a real business case is no more than philanthropy. If we cannot measure the effects of our commitment and report these transparently, then they are no more than public relations. Formalizing our sustainability and CSR Group-wide is obviously aimed at contributing to social and environmental improvements. But we believe there is a strong business case for this focus. Today's best-run companies consider it a strategic business driver, based on the 'survival of the best fitting' concept. Many of our own shareholders and our retail clients, the tenants, are also committed to sustainable pursuit of their business. Rodamco Europe aims to join this drive, also in cooperation with our retail clients, as it continues its growth objectives.

As in everything we do, our approach to a Sustainability at Work program is realistic. We do not expect to become industry leaders overnight. We understand this program will require the commitment of our full pan-European team. This is why we have set realistic targets for the organization. These targets form part of our initial Sustainability at Work Agenda 2008. This is a program of activities that will help us create tangible content. Much of what we are currently doing is preparation. In 2006, we have already achieved:

- full management board approval for the Agenda 2008;
- defined rationale, ambition and initial goals;
- put in place a sustainability structure, also through an inventory of existing activities.

Using this work as basis, we aim to work closely with both our shareholders and retail clients on sustainability. Many have already committed to similar goals. In partnership, we will be able to gain from their experience.

In 2007, our goals include:

- the formulation of Key Performance Indicators and targets with measurement benchmark;
- consideration of relevant international standards;
- the identification of Group-wide policies on investment, environment and purchasing.

Our ultimate aim is to report on our sustainability framework in future annual reports.

To review our Business Principles and find more on sustainability, please visit www.rodamco.com, corporate governance.

HUMAN RESOURCES

For Rodamco Europe, attracting and retaining people with top skills and capabilities who are able to perform in the challenging European retail property sector is a strategic priority. We aim to position ourselves as preferred employer. Investment in our people and their career development is crucial. At the same time, we work continually on our organizational health as a means to create an inspiring and safe environment for our people. These ongoing aspirations are fully in line with our core values. Rodamco Europe and its people are committed to:

- Sharing by stimulating knowledge exchange, best practice, clarity and constructive feedback.
- Predictability by promoting honesty, consistency, reliability, responsible behavior and accountability.
- Team play by building long-term relationships, mutual respect, motivation, dedication and commitment.
- Continuous improvement by being proactive and creating win-wins for our stakeholders.

Our core values are all about creating a corporate culture and working environment that is transparent, challenging and reliable so that Rodamco Europe is a good place to work.

CAREER OPPORTUNITIES

Our recruitment efforts are focused on attracting people with the skills and potential for an international career with Rodamco Europe. Our human resources (HR) philosophy is not about hiring for a 'job', but rather searching out the right candidates who see Rodamco Europe as a career opportunity. We aim to offer a working environment where individuals can fulfill their potential and aspirations while ensuring a stream of competent and qualified people to fill senior positions as Rodamco Europe pursues its growth strategy. We achieve these dual goals by attracting candidates who exceed job requirements, investing in them by offering training, mentoring and stretched job assignments within Europe. At year-end 2006, our total team throughout Europe had grown to 626 (2005: 578), in line with our growth targets. Through our continued focus on people we were able to fill 25% of our management vacancies with internal candidates. The average age of our people is 37 years, and our voluntary turnover rate is 12%.

WORKING ENVIRONMENT

Investing in people means investing in their working environment. Equipping our people to deliver top quality performance is key. This is why Rodamco Europe carries out employee satisfaction surveys (ESS) through an external provider on a regular basis. In 2006, we conducted our second ESS. Once again, our people ranked the working environment and conditions well above industry standard. Through our continued focus on employee satisfaction Europe-wide, we were able to further reduce absenteeism through sickness to 2.4% (2005: 2.9%).

FLEXIBILITY

Our business environment is highly competitive and our clients and stakeholders are demanding. Our culture is, therefore, performance driven. We ask a lot from our people, but we also offer a lot in return. Besides a challenging working environment and a good compensation and benefits package, we offer our people a considerable level of flexibility, especially on working times. This creates a win-win situation for both Rodamco Europe and our people.

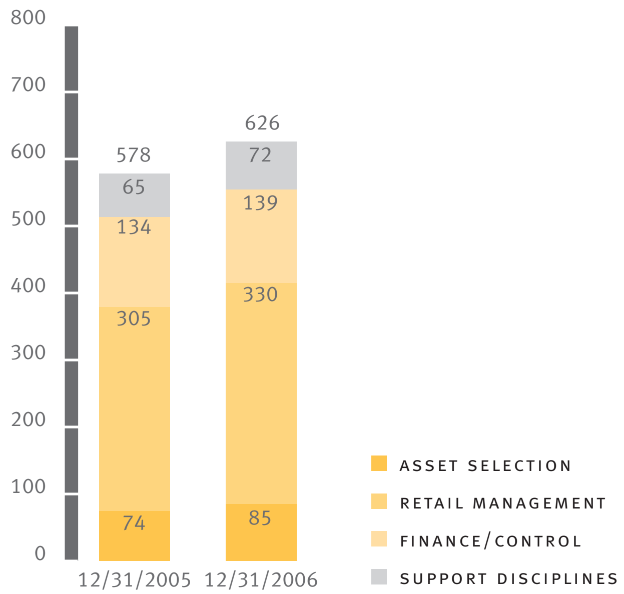
OUR PAN-EUROPEAN TEAM

We want to create an environment built upon mutual respect. Our goal is to ensure our team is representative of and reflects regional

HR statistics

	2006	2005
Total headcount	626	578
Management vacancies filled by internal candidates %	25	n.a.
Voluntary turnover as a % of total headcount	12	n.a.
Average age	37	38
Gender profile as a % of total headcount, male/female	53/47	55/45
Managerial positions by gender as a % of total headcount, male/female	62.5/37.5	n.a.
Absenteeism %	2.4	2.9

HOW OUR 626 PEOPLE ARE ALLOCATED



Where our people work

	2006	2005
Netherlands/Belgium	82	67
Nordic countries	152	148
France	81	70
Spain	129	130
Central Europe	117	108
Corporate Center	65	55
TOTAL	626	578

demographics. Women are strongly represented at all levels and in all disciplines in the organization. Europe-wide, the male/female ratio is 53/47 (2005: 55/45).

ONGOING INVESTMENT IN PEOPLE

Every year, regular performance appraisals and career-path evaluations help us to define individual development needs. In 2006, Rodamco Europe spent around 4% (2005: 4.1%) of gross annual salary for training purposes (this amount excludes time spent and other costs of internal training).

LEADERSHIP DEVELOPMENT

Investing in people, especially those identified as our (future) company leaders, ensures continuity and maintenance of our corporate culture. We invest in our people through a variety of training and mentoring programs, including the Executive Development program. Designed to help develop the leadership abilities of our executives, it comprises:

- Assessment: tools to evaluate the performance of current and future leaders. Rodamco Europe's senior staff are offered a 360-degree feedback program;
- Lessons in Leadership: an executive formal training program;
- Succession Management: the process that helps Rodamco Europe leadership identify and develop potential successors to key positions in the Group.

Through programs such as these, and our regular, ongoing training at all levels, Rodamco Europe aims to meet its goal of preferred employer in the highly competitive retail property market, now and in the future.

For more on human resources and possible opportunities with us, please visit our website, www.rodamco.com.

3

return on management

[3]

HOME REGIONS

Rodamco Europe's €10.6 billion portfolio is spread across five home regions: the Netherlands & Belgium; the Nordic countries: Sweden, Denmark and Finland; France; Spain; and Central Europe: Austria, Czech Republic, Germany, Hungary, Poland, Russia, the Slovak Republic and Ukraine.

At Rodamco Europe, a home region is defined as a country or group of countries with more than €1 billion in investment and a local organization dedicated to all three core activities – asset selection and pipeline management, retail management, and finance and control.

No two European markets are exactly the same. This is why we believe it is crucial to have local teams, with local knowledge close to the market and our tenants, the retailers.

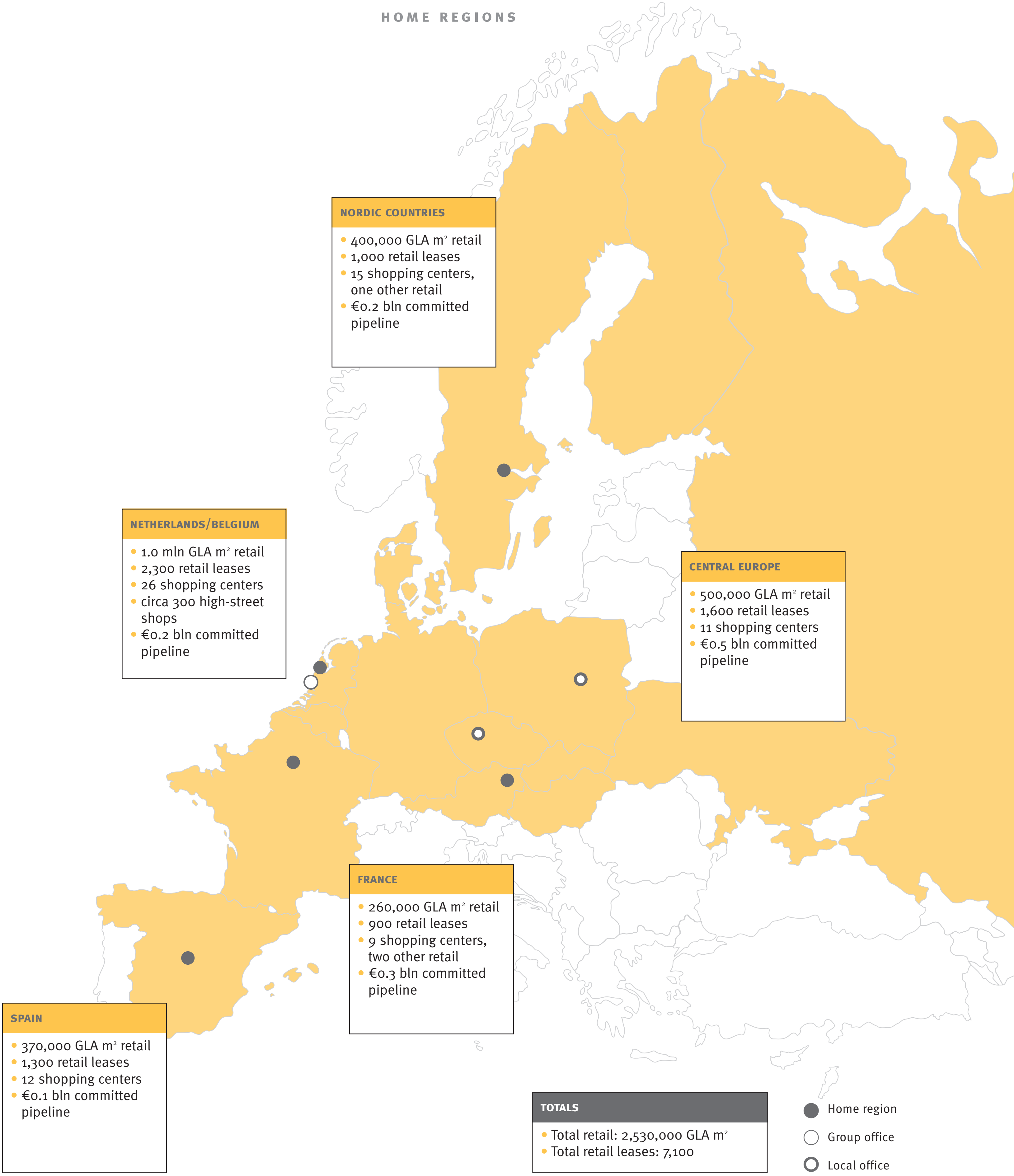
Local asset selection teams know their markets. They are able to identify potential investment properties through that knowledge.

Our retail management teams are crucial to maintaining and growing the value of our shopping centers. They are in constant touch with our clients, the retailers. Often, Rodamco Europe shopping centers are the location of choice for retailers launching new concepts.

Business controllers around the Group ensure there is a clear separation of roles and responsibilities.

In this section of the annual report, we look at each home region. All our home regions pursue the Group's Return on Retail strategy, focusing on quality retail assets and their management. Market conditions for all are similar in some respects – there is huge investor demand for property in general and retail in particular. Each home market review reports highlights in 2006 and looks at opportunities and challenges in current market conditions.

HOME REGIONS



MANAGEMENT TEAM NETHERLANDS & BELGIUM

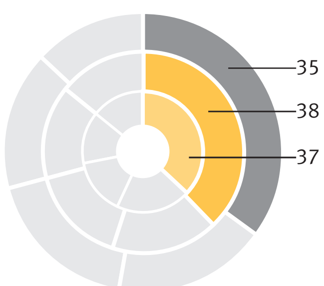
Our regional management team (left to right): Hélène Pragt, Director Finance; **Karin Laglas,** Managing Director; **Richard Dallinga,** Director Retail Management.

At year-end, our full team was 82 (2005: 67). Of this number, 16 work in asset selection; 40 in retail management; 16 in finance and control; and 10 in support. The male/female ratio is 57/43; average age of our team is 41 years.

NETHERLANDS & BELGIUM

SHARE TOTAL PORTFOLIO/
TOTAL GROSS RENTAL INCOME/
TOTAL NET RENTAL INCOME

- % OF TOTAL INVESTMENTS
- % OF NET RENTAL INCOME
- % OF GROSS RENTAL INCOME



As Rodamco Europe's largest regional portfolio, our operations in the Netherlands and Belgium are crucial for both continuity and sustainable growth into the future. Rodamco Europe is a strong player in the Dutch market. It has a high-quality retail portfolio, including 26 shopping centers and around 300 high-street shops. In 2006, the portfolio has undergone a restructuring program through which non-core assets were divested. This has further improved quality and focus, enhancing operational efficiency. Rental income grew, partly through supply of shopping center pipeline coming into operation.

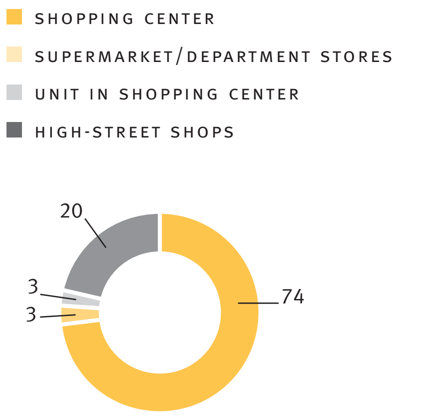
In 2006, main highlights were:

- pipeline retail assets such as the main parts of Stadshart Almere (City Heart) and Parade in Bergen op Zoom, and the Woensel shopping center came into operation;
- total non-core retail divestments for around €207 million (sale price);
- ongoing insourcing of retail management for key shopping centers (such as Stadshart Amstelveen);
- acquisition of the Markthal Rotterdam pipeline project.

PROPERTY INVESTMENTS 12/31/2006 – NETHERLANDS/BELGIUM

	Retail	Offices	Industrials/ Other	Total
Theoretical gross rental income (€ mln)	210.3	33.4	-	243.7
Total commercial area (000 m²)	1,008.8	179.2	-	1,188.0
Occupancy rate (%)	98.4	93.2	-	97.6

RETAIL SPLIT IN THE NETHERLANDS (%)



RODAMCO EUROPE'S DUTCH AND BELGIAN MARKETS

The reporting year can be described as a period of strategic restructuring and consolidation. The share of high-quality retail in the portfolio has grown following the divestment of a cluster of office and non-core retail assets. These retail sales were more than balanced by considerable pipeline coming into operation. Our future committed pipeline was reinforced by the addition of a number of new projects for a total investment amount of €166 million, such as Markthal in Rotterdam, Almere Buiten, and Molsterrein in Breda. The constant search for new pipeline matches Group medium-term growth targets (see page 24). In addition, we have reinforced our retail management capacity so that activities are fully in line with long-term strategy. This strengthening of retail management capability was also driven by development opportunities that will ensue from changes in regulations in 2007.

MARKET POSITION

Rodamco Europe in the Netherlands ended 2006 well positioned in its market. Strengths include its dominant position in the retail property sector and the quality of the portfolio. It has knowledge and experience that can be deployed once regulations on development are eased. Similarly to the rest of Europe, there is strong investor demand for quality retail product. This limits opportunities to acquire good standing product and achieve targeted growth through this avenue. Lack of third-party pipeline is also recognized as a potential weakness. Crucial here is the ability to initiate development inhouse; this could counteract any potential pipeline discontinuity due to overpricing of third-party projects. Our extensive standing portfolio offers a basis for new pipeline projects and our presence in inner cities through top high-street shop assets also gives us the local insight and experience essential to proactively bringing in new pipeline projects.

RETAIL MANAGEMENT IN THE NETHERLANDS

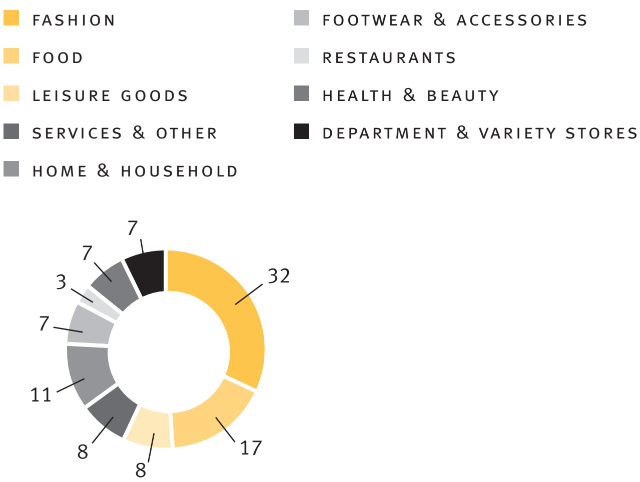
In line with Group strategy, we continue to grow our retail management capability. In 2006, we further expanded our key retailer program that supports our own expertise in the retail market while facilitating enhanced service to our clients – the retailers. Active retail management also helps us improve the attractiveness of our shopping centers. Greater proactivity, supported by strong leasing capability, enables us to limit vacancy and improve retail mix. In the reporting year, we insourced the shopping center management of our major 2005 acquisition, Stadshart Amstelveen. Stadshart Almere, that came into operation in 2006, has been managed inhouse from front to end. Over the whole retail portfolio, like-for-like Gross and Net Rental Income (GRI and NRI) increased by 2.8% and 2.5% compared to 2005. Retail occupancy was up to 98.4% (2005: 98.2%). Loss of rent fell by 0.2% (2005: 4.6%). Rent in arrears remained unchanged at 5.0% (2005: 5.0%). Retailers' sales

TOP 5 RETAIL TENANTS – NETHERLANDS/BELGIUM

	MGR* in € mln	% of total MGR
Maxeda (V&D, Hema)	18.8	8.2
Ahold/ICA	18.0	7.9
Hennes & Mauritz	7.1	3.1
Blokker	6.7	2.9
Kruidvat/Hutschison Whampoa	5.3	2.3

* Minimum Guaranteed Rent of retail units leased.

RETAIL MIX – NETHERLANDS/BELGIUM (%)



OUR TOP FIVE IN THE NETHERLANDS

STADSHART AMSTELVEEN, AMSTELVEEN

Rightly named, the 'city heart' is exactly that. Attracting 6.2 million visitors from all over the Amsterdam region, Stadshart has the feel of a traditional high-street – there's even a weekly open-air market – in a state-of-the-art shopping center environment.

www.stadshartamstelveen.nl

STADSHART ALMERE, ALMERE

For new town Almere, the long-awaited opening of the downtown shopping area was a highlight in 2006. More than 13 million visitors shop here. Our 74,000 m² of retail units is an investment in the future – Almere is the fastest growing urban area in the Netherlands.

www.stadshart-almere.nl

figures are not published in the Netherlands, so we are unable to offer average sales/square meter ratios here.

THE BELGIAN PORTFOLIO

This portfolio of high-street shops in Belgium's main cities has been managed from Amsterdam since 2005. The main reason for the change in management is our proven track record in managing this retail segment. Like-for-like GRI and NRI were both up by 3.5% and 6.0%, respectively.

FOCUS IN 2007

In recent years, we have materially upgraded and optimized the quality of the assets we intend to retain in the standing portfolio. Into the medium-term, we intend to focus on expected development opportunities if FBI regulations are adjusted.

ECONOMIC NUMBERS – NETHERLANDS/BELGIUM (%)

	2006	2005
NETHERLANDS		
GDP	2.7	1.9
Inflation	1.1	2.0
Unemployment	5.0	6.0
BELGIUM		
GDP	3.1	1.7
Inflation	1.6	2.9
Unemployment	7.8	8.4

STADSHART ZOETERMEER/SPAZIO, ZOETERMEER

Futuristic in design, Spazio was opened in 2005. Over 10 million shoppers already love this extension to the Zoetermeer 'city heart'. It is proving an indispensable part of this city's high quality of life.

www.stadshart.nl

VIER MEREN, HOOFDDORP

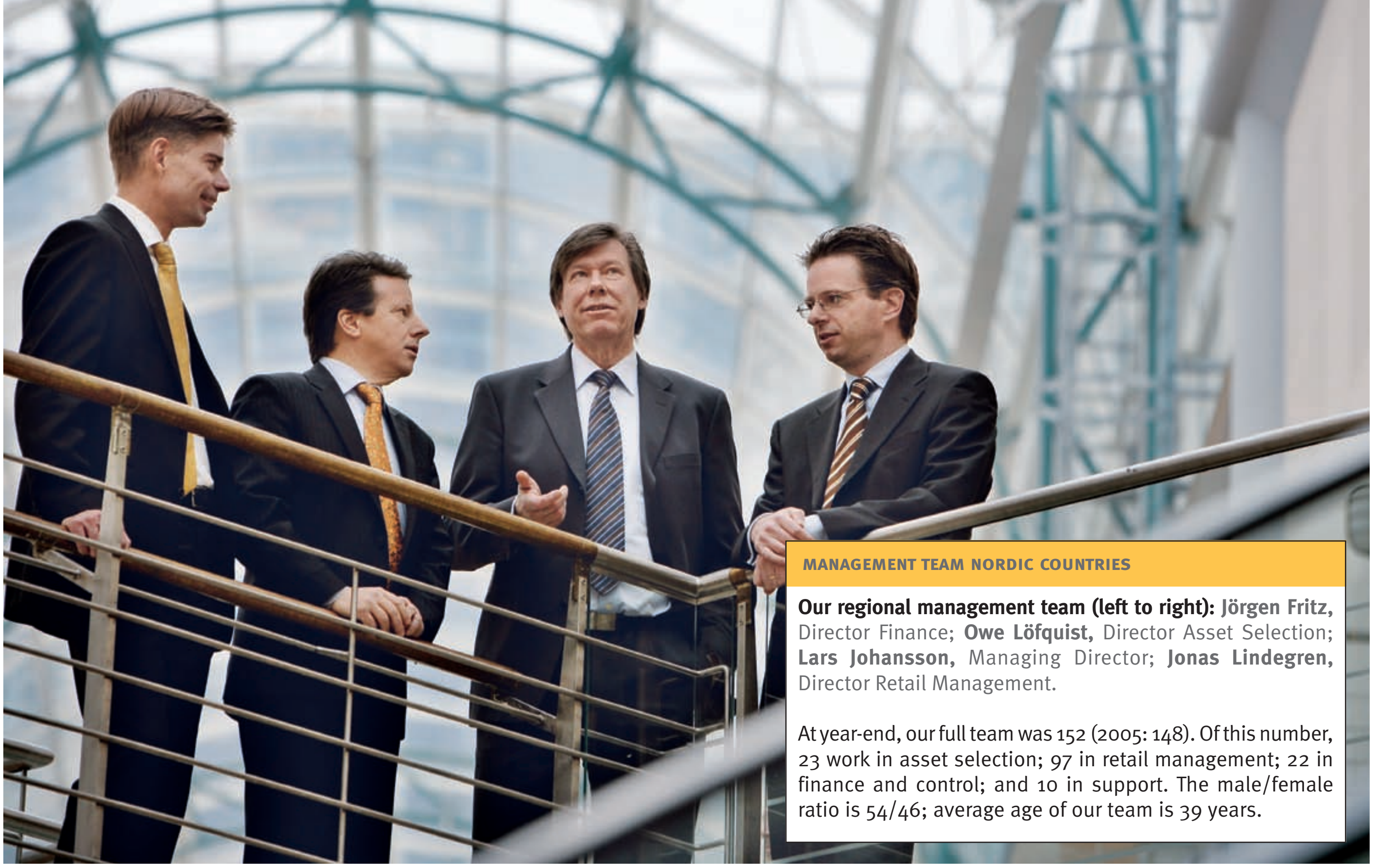
Increasingly a preferred place to live and raise a family, and just down the highway from Amsterdam, Hoofddorp was in real need of Vier Meren, our great new shopping center. Opened in 2005, Vier Meren's strong tenant mix reflects the growing demand for a big city offering from close to five million visitors.

www.viermeren.nl

PIAZZA CENTER, EINDHOVEN

The name says is all – Piazza forms the link between the traditional high-street retail areas and retail of the future. Experience shopping in an environment where light, transparent design opens up the ambience, Piazza attracts over six million visitors every year.

www.piazzacenter.nl



MANAGEMENT TEAM NORDIC COUNTRIES

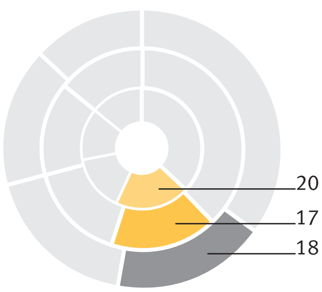
Our regional management team (left to right): Jörgen Fritz, Director Finance; **Owe Löfquist,** Director Asset Selection; **Lars Johansson,** Managing Director; **Jonas Lindegren,** Director Retail Management.

At year-end, our full team was 152 (2005: 148). Of this number, 23 work in asset selection; 97 in retail management; 22 in finance and control; and 10 in support. The male/female ratio is 54/46; average age of our team is 39 years.

NORDIC COUNTRIES

SHARE TOTAL PORTFOLIO/
TOTAL GROSS RENTAL INCOME/
TOTAL NET RENTAL INCOME

- % OF TOTAL INVESTMENTS
- % OF NET RENTAL INCOME
- % OF GROSS RENTAL INCOME



Rodamco Europe's Nordic region – Sweden, Finland and Denmark – is the second largest in the total portfolio. It is a very important region for us. We are already Sweden's market leader in ownership and management of quality shopping centers, currently concentrated in the Stockholm area. From this strong position, we have expanded into neighboring Denmark and, most recently, Finland. Highlights in 2006 include:

- upgrade and refurbishment of Väsby Centrum in Stockholm was started;
- we completed the upgrade and 3,700 m² extension to Haninge Centrum, Stockholm;
- a 6,000 m² expansion of award-winning Nova Lund in the south of Sweden completed;
- major progress on the massive 21,700 m² extension of Forum Nacka to the south-east of Stockholm;
- planned extension of Täby shopping center, Stockholm, to add 22,000 m² to this dominant shopping center;
- Solna shopping center, also in Stockholm, also in planning pipeline. The extension will add 18,800 m² to this prime location.

PROPERTY INVESTMENTS 12/31/2006 – NORDIC COUNTRIES

	Retail	Offices	Industrials/Other	Total
Theoretical gross rental income (€ mln)	112.8	18.6	7.7	139.1
Total commercial area (000 m²)	399.2	105.0	47.9	552.1
Occupancy rate (%)	98.2	92.3	100.0	97.4

RODAMCO EUROPE'S NORDIC MARKETS

A SWOT analysis of our activities in the Nordic region shows our main strengths lie in the limited supply and availability of quality standing shopping centers, our long experience of managing quality assets and access to funding for both the ongoing renovation and refurbishment of our standing portfolio and new acquisitions. Weaknesses are the concentration of our Swedish portfolio in the Stockholm area, although as often is the case, this is also a strength and an opportunity. In Denmark, highly concentrated demographics mean competition in the limited number of urban areas is a challenge. Our main threats are the shortage of quality standing properties that meet Rodamco Europe's strict price/quality criteria. This means our growth strategy and targets are focused on pipeline, specifically through the extension of shopping centers in the Swedish standing portfolio, and through expansion in our other markets, Denmark and Finland.

SWEDEN

We operate in a market where there is strong investor demand for opportunities in the whole property sector, and retail in particular. However, new shopping center developments are rare, also due to regulatory restrictions. Similarly to 2005, no planning permission was given for brand new pipeline projects in 2006. This means our strategic growth depends on our ability to manage, expand, renovate and refurbish our standing portfolio. Pipeline is crucial. In 2006, we pursued our ambitious extension and refurbishment program, also in line with new medium-term strategic targets (see page 24). Currently, our committed pipeline is €169 million in three major projects – Forum Nacka, Tyresö (Stockholm) and Örebro, which are planned to come into operation in 2007 to 2009.

RETAIL MANAGEMENT

Our main strength is the clear focus on, and competence in, retail management. In 2006, the Swedish economy remained strong. Our shopping centers performed in line with national averages. Top locations and strong retail management ensure high occupancy and we have generated growth in like-for-like Gross and Net Rental Income (GRI and NRI, respectively) of 4.0% and 5.6%. Retail occupancy was up to 98.0% (2005: 97.8%). Loss of rent increased by 0.4% (2005: 5.7%). Rent in arrears was down 0.2% (2005: 1.4%). Average sales/square meter ratios remained stable (2005: 3.1%). Around 61 million visitors came to our shopping centers in 2006.

DENMARK

The Danish shopping center market is similar to Sweden. Strong investor demand is putting pressure on yields and making it difficult to acquire standing assets at realistic price levels. A number of new shopping centers came into operation in 2005. We anticipated this potential competition for our flagship Fisketorvet in Copenhagen from recently opened properties. Continual improvement of facilities and the opening of a pedestrian/cycle bridge to neighboring Amager that improved access for around 25,000 consumers in our trade area, have delivered strong increases in like-for-like Gross and Net Rental Income which improved by 4.8% and 13.4% respectively in 2006. Occupancy was down slightly to 98.4% (2005: 98.8%). Loss of rent fell by 4.0% (2005: 8.0%). Rent in arrears was up 0.6% (2005: 4.8%). Average sales/square meter ratios were up 7.5% (2005: 6.0%). Around five million visitors came to Fisketorvet in 2006. This is a clear example of how proactive retail management can improve shopping center performance.

FINLAND

This was a new market for Rodamco Europe in 2005. The acquisition of the prestigious Jumbo shopping center in Helsinki gave us an initial foothold. Sales figures for Jumbo exceeded expectations – sales in December 2006 alone were up 42% on the previous year,

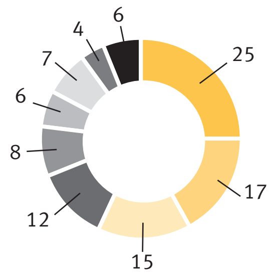
TOP 5 RETAIL TENANTS – NORDIC COUNTRIES

	MGR in € mln	% of total MGR*
Ahold/ICA	8.2	6.1
Hennes & Mauritz	3.8	2.8
Stadium	3.3	2.5
Åhléns	3.3	2.5
KF	2.9	2.2

* Minimum Guaranteed Rent of retail units leased.

RETAIL MIX – NORDIC COUNTRIES (%)

- FASHION
- FOOD
- LEISURE GOODS
- SERVICES & OTHER
- HOME & HOUSEHOLD
- FOOTWEAR & ACCESSORIES
- RESTAURANTS
- HEALTH & BEAUTY
- DEPARTMENT & VARIETY STORES



OUR TOP FIVE IN NORDIC COUNTRIES

TÄBY CENTRUM, STOCKHOLM

The largest shopping center in Sweden, and in this case, big is certainly best. With over nine million visitors per year, Täby is recognized as one of the country's, and certainly the capital's, retail places to be. Vacancy is rare, but a strong specialty leasing program opens up opportunities for retailers. Plans to extend the center have been approved, so tenants and visitors alike can expect even more from Täby in the future.

www.tabycentrum.se

SOLNA CENTRUM, STOCKHOLM

The top shopping destination for Sweden's north side, over eight million visitors come to Solna Centrum every year. They are attracted by the strong retail mix in an area where light and space create the ambience. We're also planning an extension to Solna Centrum to make it even better.

www.solnacentrum.se

also due to the opening of an extension in late 2005. Occupancy was down to 99.5% (2005: 100%). Loss of rent amounts 3.3%. Rent in arrears amounts 0.2%. Average sales/square meter ratios were up 11.7%. No like-for-like rental income comparisons are offered here as we only owned Jumbo for four weeks in 2005. We welcomed around seven million visitors in 2006. In spite of heavy competition for (retail) assets in this rapidly internationalizing market, we see real opportunities for growth into the future.

FOCUS IN 2007

In Sweden, we have a sizeable pipeline portfolio of extensions to the three largest shopping centers: Forum Nacka, Täby and Solna – all in the greater Stockholm region. Projects of this size and importance for the portfolio require strong management. Furthermore, we continue to explore opportunities in both Sweden and Finland.

ECONOMIC NUMBERS – NORDIC COUNTRIES (%)

	2006	2005
SWEDEN		
GDP	4.4	2.7
Inflation	1.2	1.2
Unemployment	4.6	5.4
DENMARK		
GDP	2.9	2.4
Inflation	1.8	2.2
Unemployment	3.9	5.2
FINLAND		
GDP	0.9	0.9
Inflation	2.2	1.1
Unemployment	6.4	7.6

FISKETORVET, COPENHAGEN

Our flagship shopping center and one of Denmark's top retail destinations, Fisketorvet's great location on the city's waterfront is an added attraction for the five million visitors every year who are drawn by a super retail mix.

www.fisketorvet.dk

FORUM NACKA, STOCKHOLM

This is a growing area of Stockholm and we are extending Forum Nacka to meet rising demand and the influx of new inhabitants. Our standing center is already at the heart of the local community, attracting around four million visitors. When the extension is finished in 2008, it will have an even better retail offering.

www.forumnacka.se

JUMBO, HELSINKI

Our Finnish flagship, Jumbo is Helsinki's top retail center. For tenants, this is the best place to be. A major extension was opened in late 2005, increasing visitor numbers to around seven million.

www.jumbo.fi

MANAGEMENT TEAM FRANCE

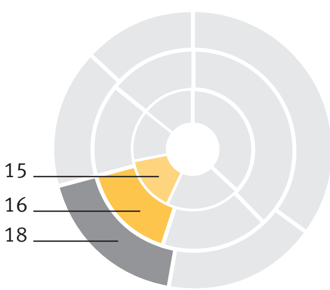
Our regional management team (left to right): Marc Kerharo, Director Retail Management; **Emmanuel Cronier,** Director Finance; **Jérôme Le Grelle,** Managing Director; **Louis Valérian,** Director Asset Selection.

At year-end, our full team was 81 (2005: 70). Of this number, 12 work in asset selection; 38 in retail management; 16 in finance and control; and 15 in support. The male/female ratio is 52/48; average age of our team is 40 years.

FRANCE

SHARE TOTAL PORTFOLIO/
TOTAL GROSS RENTAL INCOME/
TOTAL NET RENTAL INCOME

- % OF TOTAL INVESTMENTS
- % OF NET RENTAL INCOME
- % OF GROSS RENTAL INCOME



Ranking among this country's top three listed retail property companies, 18% of Rodamco Europe's total portfolio is located in France. As owner-managers of some of the best shopping centers, one of our longer-term goals in France is to further increase our market position in the retail sector. In 2006, a number of highlights showed how we are working on this goal:

- strengthened our ownership share in two prime shopping centers: we acquired a further 3,700 m² in Vélizy 2, Paris through a swap transaction for offices in our Credit Lyonnais Tower. We now own 27.1% of this prestigious shopping center as largest shareholders with food anchor Auchan;
- in Parly 2, also in Paris, we purchased 350 m² of retail units. Our share in this shopping center is now 69.3%;
- we divested some non-core retail in Bordeaux for €11.3 million at net initial yield 7.5% and in Paris Bobigny for €12.2 million at net initial yield of 8%;
- our retail managers achieved a 99.5% (2005: 99.2%) occupancy.

PROPERTY INVESTMENTS 12/31/2006 – FRANCE

	Retail	Offices	Industrials/Other	Total
Theoretical gross rental income (€ mln)	98.9	1.5	-	100.4
Total commercial area (000 m²)	264.3	13.0	-	277.3
Occupancy rate (%)	99.6	92.0	-	99.5

RODAMCO EUROPE IN FRANCE

Ownership and management of a dominant, high-quality and growing portfolio has enhanced our positioning as a major player in France. In SWOT terms, we see this as a major strength, especially as retailers are taking advantage of strong consumer consumption and are looking for expansion. This means our own organic-growth driven focus on pipeline projects in our own standing shopping centers is supported by retail client demand. We see opportunities for extension and refurbishment in a number of our shopping centers. Competition is tough in France. Our strategy is to combat competition from the numerous new projects coming into operation by continually improving quality. A challenge here is the co-ownership structure of the majority of retail assets in France. Our co-owners must share our ambitions for improving quality. This is one of the reasons why, whenever possible, we increase our ownership share in standing product. As the highlights show, we increased our ownership in Parly 2 and Vélizy 2, both in Paris, during 2006. Following the purchase of an additional 4,720 m² GLA in Vélizy 2, Paris, in 2005, we acquired a further 3,700 m² in 2006 through a swap transaction.

RETAIL MANAGEMENT

Strong performance from our retail managers in 2006 enabled us to push even closer to full occupancy. One major success for us was the growth of specialty leasing. This is a comparatively new concept in France (and elsewhere in Europe). We are one of the first major owners/managers to launch this flexible and potentially enhancing approach to the retail mix. In 2006, specialty leasing represented 2% of total Net Rental Income (NRI). We see further opportunities to grow this business. Like-for-like NRI itself was also up by 3.9% (2005: 7.9%) against like-for-like Gross Rental Income of 5.4% (2005: 8.0%).

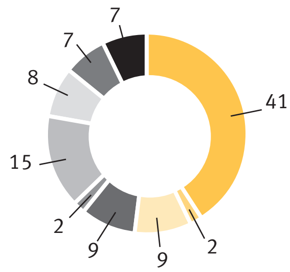
TOP 5 RETAIL TENANTS – FRANCE

	MGR* in € mln	% of total MGR
Pinault Printemps Redoute (PPR)	5.8	6.3
Hennes & Mauritz	4.3	4.6
Rallye (includes Casino, Laurus)	3.8	4.1
AFM (includes Auchan and Pimkie)	2.9	3.2
Vivarte	2.4	2.6

* Minimum Guaranteed Rent of retail units leased.

RETAIL MIX – FRANCE (%)

- FASHION
- FOOD
- LEISURE GOODS
- SERVICES & OTHER
- HOME & HOUSEHOLD
- FOOTWEAR & ACCESSORIES
- RESTAURANTS
- HEALTH & BEAUTY
- DEPARTMENT & VARIETY STORES



OUR TOP FIVE IN FRANCE

LA PART DIEU, LYON

Our flagship regional shopping center and the largest of its kind in France, La Part Dieu serves a trade area of 1.7 million. Every year, we welcome around 30 million shoppers to this state-of-the-art retail and leisure complex. Great access, also through public transport, we even have our own TGV railway station.

www.partdieu.com

PARLY 2, PARIS

Paris' first-ever regional shopping center, Parly 2 continues to generate some of the highest retail sales figures in France. With a trade area of 1.7 million on Paris' west side and close to Versailles, we welcome over 20 million shoppers every year.

www.parly2.com

Occupancy was up to 99.5% (2005: 99.2%). Loss of rent was up 0.1% (2005: 2.1%). Rent in arrears was up 1.2% (2005: 0.2%). Average sales ratios remained stable at 2.6% (2005: 2.6%). Around 83 million visitors came to our shopping centers in 2006.

FOCUS 2007

We aim to grow our shareholdings in our standing shopping centers, while realizing our development targets on extensions to Parly 2 and La Part Dieu through the Tour Oxygène pipeline project of 8,300 m^2 retail and 27,400 m^2 offices.

ECONOMIC NUMBERS – FRANCE (%)

	2006	2005
GDP	2.2	1.0
Inflation	1.5	1.5
Unemployment	8.6	9.6

VÉLIZY 2, PARIS

Serving the south side of Paris and its suburbs, Vélizy 2 is one of the great regional shopping centers, so much so that we have recently acquired another 3,700 m^2. Great tenant mix, especially after full refurbishment, attracting over 17 million visitors every year.

www.velizy2.com

VILLENEUVE 2, LILLE

Lille's top retail destination. Great tenant mix, over 16 million visitors, and very easy to get to, the shopping center known affectionately by the local community as V2, is another one of our best. Renovated and extended in 2006, retail tenants are already benefitting from higher sales.

www.lecentrev2.com

ST SEVER, ROUEN

Located in the heart of one of France's most historic cities, St Sever draws around 11 million visitors every year. They come for the great retail offering and the leisure choices – all on the River Seine. A new branch mix and onsite events have pushed up retail sales.

www.centre-st-sever.com

MANAGEMENT TEAM SPAIN

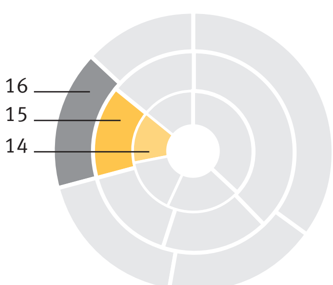
Our regional management team (left to right): José Manuel Llovet, Director Asset Selection; **Simon T. Orchard,** Managing Director; **José Antonio Mejia,** Director Retail Management; **Ana Isabel García,** Director Finance; **Francisco J. Cernuda,** Director Pipeline Spain.

At year-end, our full team was 129 (2005: 130). Of this number, 12 work in asset selection; 78 in retail management; 22 in finance and control; and 17 in support. The male/female ratio is 49/51; average age of our team is 35 years.

SPAIN

SHARE TOTAL PORTFOLIO/
TOTAL GROSS RENTAL INCOME/
TOTAL NET RENTAL INCOME

- % OF TOTAL INVESTMENTS
- % OF NET RENTAL INCOME
- % OF GROSS RENTAL INCOME



The leading shopping center investor in Spain, Rodamco Europe has a strong reputation in the whole (retail) property sector. We have grown our portfolio consistently to the current 16% of total Rodamco Europe assets through both acquisition and pipeline extension. Our reputation is further enhanced by proactive retail management of our unique quality shopping centers located strategically throughout the country. Highlights in 2006 include:

- the 6,400 m² Barnasud extension in Barcelona, including a Media Markt unit and nine new movie theaters, was successfully included in the standing portfolio;
- enhanced ownership within La Vaguada, Madrid, through the acquisition of previously owner-occupied unit for €5.2 million; Hennes & Mauritz also became an anchor tenant in 2006;
- opened Media Markt anchor tenant unit in Parquesur, Madrid;
- started construction of the 35,000 m², €25 million pre-let RAL Leganes logistics development;
- increased committed pipeline by €71 million through a 33,000 m² shopping center in Badajoz.

PROPERTY INVESTMENTS 12/31/2006 – SPAIN

	Retail	Offices	Industrials/Other	Total
Theoretical gross rental income (€ mln)	89.9	-	7.9	97.8
Total commercial area (000 m²)	367.2	-	138.7	505.9
Occupancy rate (%)	98.5	-	99.7	99.1

RODAMCO EUROPE IN SPAIN

With its dominant portfolio in key Spanish cities, Rodamco Europe is one of the country's top retail property players. A SWOT of our business shows our reputation has been built not only on the consistent and successful pursuit of quality assets, but also on our ability to create value through asset management, and a strong reputation to client attention and retail management. This strength drives our strategic growth.

In 2006, Spain saw around €20 billion in merger & acquisition activity in the real estate sector, a clear consolidation of the main players, and confidence indicator for the market. We are already geared to implementing our new focus on developments that will enable us to take advantage of new opportunities, as the merged companies seek to adjust their strategies. Threats include the continual supply of new shopping center product at a time when retailer and consumer confidence is under some pressure, the latter due to higher oil prices and the prospect of even higher interest rates. Declines in consumer confidence have knock-on effects for our primary clients, the retailers.

RETAIL MANAGEMENT

Combating this threat has two clear tactics that we combine. One is the continual upgrade and, where appropriate, extension of our standing shopping centers. The second is hands-on retail management. By continually managing the retail mix, anticipating consumer trends and adding specialty leasing to fulfill the consumer's needs, we can continue to grow our like-for-like Gross and Net Rental Income (GRI and NRI). Like-for-like NRI was up by 6.1% (2005: 6.5%) against like-for-like Gross Rental Income of 3.8% (2005: 7.5%). Occupancy was up to 99.1% (2005: 98.7%). Loss of rent fell by 0.9% (2005: 4.4%). Rent

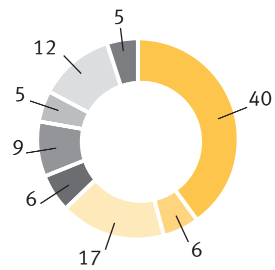
TOP 5 RETAIL TENANTS – SPAIN

	MGR in € mln	% of total MGR*
Inditex (includes Zara)	7.7	8.2
AFM (includes Auchan and Pimkie)	3.2	3.4
Group ECI – El Corte Ingles	2.4	2.6
Group Mondragon (Eroski)	2.3	2.5
Hennes & Mauritz	2.0	2.2

* Minimum Guaranteed Rent of retail units leased.

RETAIL MIX – SPAIN (%)

- FASHION
- FOOD
- LEISURE GOODS
- SERVICES & OTHER
- HOME & HOUSEHOLD
- FOOTWEAR & ACCESSORIES
- RESTAURANTS
- HEALTH & BEAUTY



OUR TOP FIVE IN SPAIN

PARQUESUR, MADRID

The fantastic new extension to this top regional shopping center opened in May 2005, reaffirming Parquesur's leading position in greater Madrid. Every major retailer is there, and so are the 17.5 million visitors and shoppers who account for high sales figures while enjoying the fabulous open-landscaped public areas.

www.parquesur.com

LA VAGUADA, MADRID

The capital's hottest shopping center, with the best location, top retail mix and lots of leisure options for our close to 24 million visitors. This is experience shopping at its best and we're proud of it.

www.enlavaguada.com

in arrears was down 0.6% (2005: 2.6%). Average sales/square meter ratios were up 2.9% (2005: 14.9%). Our 12 shopping centers welcomed around 103 million visitors in 2006.

FOCUS IN 2007

The coming year offers good prospects for growth within the existing portfolio, due both to planned leasing and asset management initiatives, capitalizing on the strength of our shopping centres and rental growth prospects.

ECONOMIC NUMBERS – SPAIN (%)

	2006	2005
GDP	4.0	3.6
Inflation	2.5	2.9
Unemployment	8.3	8.7

LES GLÒRIES, BARCELONA

Combining open-air and covered areas, Les Glòries is more a meeting point of shopping and leisure than simply a retail destination. Three buildings and open areas around a piazza with restaurants and cafes reinforce the cool ambience in one of the city's top locations for more than 11 million visitors.

www.lesglories.com

BONAIRE, VALENCIA

One of Europe's largest shopping centers, Bonaire's unique open-air architecture takes full advantage of cool breezes in this hot climate. It has everything – lots of good places to eat and a special park for the kids to play while the close to eight million grown-ups take advantage of the great retail mix.

www.bonaire.es

VALLSUR, VALLADOLID

Our super regional shopping center serving the whole province. Located in the south of the city of Valldolid, Vallsur attracts no less than 6.5 million shoppers every year. With a perfect retail mix and great facilities, it is also a day out for visitors in this rural province.

www.vallsur.com

MANAGEMENT TEAM CENTRAL EUROPE

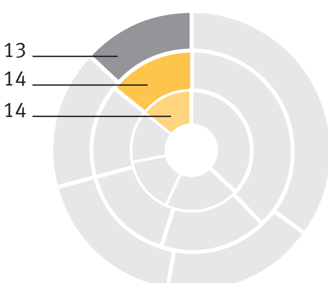
Our regional management team (left to right): Sylwester Flaga, Director Finance; **Nils-Christian Hakert,** Director Retail Management; **Scott Dwyer,** Managing Director; **Hans Vermeeren,** Director Asset Selection; **Cas van Koetsveld,** Director Pipeline Management.

At year-end, our full team was 117 (2005: 108). Of this number, 11 work in asset selection; 72 in retail management; 28 in finance and control; and six in support. The male/female ratio is 49/51; average age of our team is 34 years.

CENTRAL EUROPE

SHARE TOTAL PORTFOLIO/
TOTAL GROSS RENTAL INCOME/
TOTAL NET RENTAL INCOME

- % OF TOTAL INVESTMENTS
- % OF NET RENTAL INCOME
- % OF GROSS RENTAL INCOME



Rodamco Europe is one of the top names in shopping center ownership and management in a region that covers eight countries: Austria, Czech Republic, Germany, Hungary, Poland, the Slovak Republic, Ukraine, where we have a small office portfolio, and most recently Russia (see page 28). We own dominant shopping centers in capital cities in the region and manage a number of them. Our activities are managed both centrally from Vienna and locally so that we can work our markets close to the ground. This is a region were we see considerable opportunities for growth, both in our existing and in new markets. Highlights in 2006 include:

- entry into the Russian market through the 50% acquisition of the pipeline Metropolis shopping center in Moscow, due to come into operation in 2008;
- extension to Allee-Center in Magdeburg, Germany opened;
- finalization of the Aupark acquisition in Bratislava, Slovak Republic and started 7,300 m² extension.

PROPERTY INVESTMENTS 12/31/2006 – CENTRAL EUROPE

	Retail	Offices	Industrials/Other	Total
Theoretical gross rental income (€ mln)	89.0	2.7	-	91.7
Total commercial area (000 m^2)	503.6	14.2	-	517.8
Occupancy rate (%)	99.9	96.1	-	99.8

RODAMCO EUROPE IN CENTRAL EUROPE

With €1.3 billion invested in the region, our strengths are based on early entry into many of the new markets that opened up in the 1990s. Our presence there, often through investing in pipeline now in operation, has given us knowledge and expertise, especially in identifying the right projects. Our strength lies in our established teams and market knowledge within the region. We use both as a platform to identify new investments, usually pipeline, in existing and new markets. Rodamco Europe entered the Slovak Republic and Russia through a pipeline project in 2006. Increasing competition and yield compression are seen as the two principal factors that may affect our ability to grow the portfolio.

RETAIL MANAGEMENT

We manage a number of our shopping centers in Central Europe. This gives us an even greater insight into local conditions, retailer needs and consumer trends. In 2006, throughout our shopping centers the goal was to increase Gross Rental Income (GRI), including the enhancement of specialty leasing which is well developed in the region. This resulted region-wide in an increase of like-for-like GRI and Net Rental Income (NRI) of 3.7% and 5.2%, respectively, against 11.1% and 13.4% in 2005. Occupancy was up to 99.8% (2005: 99.7%). Loss of rent increased by 1.2% (2005: (0.1)%). Rent in arrears was up 0.1% (2005: 3.6%). Our 11 shopping centers welcomed around 93 million visitors in 2006.

TOP 5 RETAIL TENANTS – CENTRAL EUROPE*

	MGR in € mln	% of total MGR**
Spar	5.2	6.2
Hennes & Mauritz	2.9	3.4
Ahold/ICA	2.1	2.5
C&A	2.0	2.4
Globus	1.6	1.9

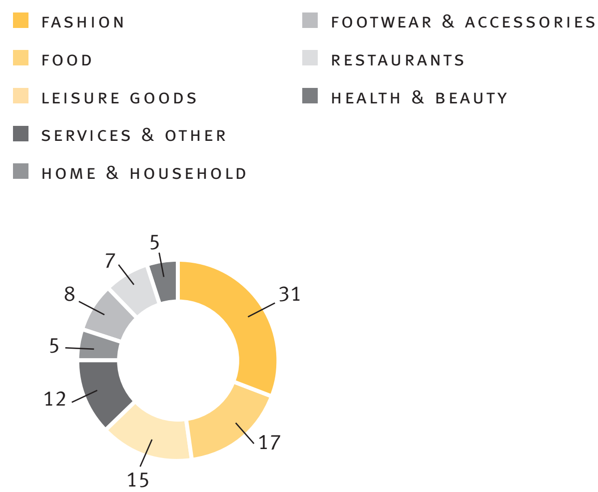
*The top tenants provided here include the largest tenants (based on MGR) with a minimum of two leases. Lease details of retailers with only one lease are not disclosed for commercial reasons.
** Minimum Guaranteed Rent of retail units leased.

ECONOMIC NUMBERS – CENTRAL EUROPE (%)

	2006	2005
AUSTRIA		
GDP	3.3	2.6
Inflation	1.5	1.5
Unemployment	n.a.*	n.a.*
CZECH REPUBLIC		
GDP	5.8	6.7
Inflation	1.7	2.2
Unemployment	7.7	8.9
GERMANY		
GDP	3.5	1.1
Inflation	1.4	2.1
Unemployment	9.8	11.3
HUNGARY		
GDP	3.2	4.8
Inflation	6.5	3.3
Unemployment	7.5	7.3
POLAND		
GDP	5.8	4.5
Inflation	1.4	0.7
Unemployment	14.9	17.6
RUSSIA		
GDP	6.7	6.4
Inflation	7.8	8.3
Unemployment	6.9	7.7
SLOVAK REPUBLIC		
GDP	9.5	7.5
Inflation	4.2	3.7
Unemployment	9.4	11.4

* Not published.

RETAIL MIX – CENTRAL EUROPE (%)



OUR TOP FIVE IN CENTRAL EUROPE

DONAUZENTRUM, VIENNA

The Austrian capital's largest shopping and entertainment center. Already offering a great mix of tenants, our plans to extend the shopping center will create an even more attractive retail destination for the more than 17 million visitors who shop at Donauzentrum every year.

www.donauzentrum.at

CHODOV, PRAGUE

Our state-of-the-art, brand-new shopping center is now the place to be for a trade area of over half a million in the south and suburbs of Prague. Opened in November 2005, tenants and 11.5 million visitors love the light, space and incredible ambience.

www.centrumchodov.cz

GALERIA MOKOTÓW, WARSAW

Warsaw's premier shopping center, Mokotów's light and luxury ambience reflects the high quality tenant mix. Attracting 11.6 million of the capital's high spending, often young consumers, Mokotów is so hot, it is the coolest retail spot in the country.

www.galeriamokotow.pl

ALLEE-CENTER, MAGDEBURG

In the heart of Magdeburg's busy city center, we opened an extension to Allee-Center in March 2006. By extending the shopping area by 10,000 m^2, 40 new shops have opened for business. A better retail mix ensures even more visitors – we now have 10 million every year.

www.allee-center-magdeburg.de

AUPARK, BRATISLAVA

The largest shopping center in Bratislava, Aupark is home to major national and international retailers and over 200 specialty shops. This is very much the retail and visitor place to be in the Slovak Republic's exciting capital.

www.aupark.sk

MANAGEMENT TEAM CZECH REPUBLIC

Our Czech management team (left to right): Martin Machác, Director Retail Management; **Vera Mrázová,** Director Finance; **Robert Neugröschel,** Managing Director.

At year-end, our team was 35 (2005: 27). Of this number, five work in asset selection; 19 in retail management; 11 in finance and control. The male/female ratio is 26/74; average age of our team is 35 years.

AUSTRIA

Donauzentrum is our flagship in the Austrian capital. One of Austria's top shopping and entertainment centers, we welcomed 17 million visitors in 2006. Our retail clients, the tenants, including Spar, C&A and Esprit, saw sales increase by 3.8%. We are continually looking to expand the portfolio in Austria, in spite of great investor demand. This is, however, a market dominated by privately-held assets that rarely come onto the market. We remain alert to opportunities; our presence as 90% owners and managers of Donauzentrum give us an edge in this market.

CZECH REPUBLIC

Rodamco Europe owns two of Prague's top shopping centers – Černý Most and Centrum Chodov; the latter opened in November 2005. Our ability to acquire the Chodov center is a recognition of track record in this highly desirable (international) investment market. Overall, our retail clients, such as Hypernova, Globus, VRI, Inditex (including Zara) and Hennes & Mauritz benefited from ongoing consumer confidence and the dominance of our locations. A local presence, with real knowledge of the local market, is accepted as one of two key criteria in winning (pipeline) projects in this rapidly growing market. Experience with pipeline projects is the other. Rodamco Europe has both in the Czech Republic.

MANAGEMENT TEAM POLAND

Our Polish management team (left to right): Artur Nowakowski, Managing Director and Director Retail Management; **Sylwester Flaga,** Director Finance.

At year-end, our team was 26 (2004: 30). Of this number, 11 work in retail management; 11 in finance and control; and four in support. The male/female ratio is 61/39; average age of our team is 33 years.

GERMANY

This is perhaps one of the most difficult European markets to achieve portfolio growth through acquisition of standing product. Competition for quality assets is intense, in spite of continued low consumer confidence in an economy that is finally showing some growth. The retail fight for consumer spend is equally intense. Our task in growing the value of our standing assets is to ensure we support retail clients, including Wal-Mart, Hennes & Mauritz, Douglas, Benetton and Deichmann. One way is through extension and refurbishment. In 2006, we opened a 10,000 m^2 extension to the Allee-Center in Magdeburg as part of our growth strategy.

HUNGARY

Rodamco Europe wholly owns the Europark shopping center and has a 33% stake in the prestigious Arkad shopping center, both in Budapest. Both shopping centers are managed externally.

POLAND

Already owners and managers of the top Galeria Mokotów in Warsaw, our local team was fully prepared to take over retail management of Złote Tarasy in the heart of the city in 2006. After several delays, the retail section of Złote Tarasy opened on February 7, 2007. Unfortunately, we have been informed that delivery of our 50% of the shares in the project could not take place due to the fact that ING Real Estate, as developer, is not yet in possession of 100% of the shares. But, while we are waiting, there is still more than enough for our people to do in this dynamic market. The property sector is vibrant. International investors are looking for quality product and they have deep pockets. This means our growth strategy has significant competition. Part of our strategic response to these market conditions is strong retail management, leading in 2006 to an extension of Galeria Mokotów. Our major retail clients – Ahold, Peek & Cloppenburg, Royal Collection and Cinema City – saw visitor numbers increase significantly and sales rise by 5.7%.

RUSSIA

A brand-new market for us. We have acquired 50% of a top pipeline shopping center in the capital, Moscow. The 80,000 m^2 retail area of Metropolis is expected to be one of the city's top shopping centers following opening in the second half of 2008. The Russian property market is expected to show significant growth, with strong international investor and retailer interest. With 10 million inhabitants accounting for one-third of total Gross Domestic Product, Moscow is already the second largest retail city in continental Europe. Our entry is consistent with Rodamco Europe's early mover strategy into new markets.

SLOVAK REPUBLIC

Our entry into the Slovak Republic through the acquisition of the Aupark shopping and entertainment center in Bratislava was finally approved by the Slovak authorities in April 2006. Our approach in this new market was classic Rodamco Europe. We acquired a 50% stake in the capital's most dominant and successful regional center with a well-established partner in the region. We will be able to increase our stake as from 2013. The vendor also has option rights to sell their stake from the final closing date on the initial acquisition in 2006. The purchase price on both options will be based on the market value at that date set by appraisers or by third-party investors. In 2006, the shopping center started an extension that will come into operation in 2007.

4

return on governance

4

CORPORATE GOVERNANCE

Effective leadership and adequate oversight are considered key foundations for Rodamco Europe's sustainable growth into the future. This means we must adhere to sound governance policies and procedures complying with both external and internal laws, codes and regulations, such as the Dutch Corporate Governance Code (the Code) and our own Code of Conduct.

GOVERNANCE STRUCTURE

Rodamco Europe's governance is structured effectively. It is organized along functional lines with embedded working processes to ensure clear roles, responsibilities and accountabilities. This organizational structure, supported by our core values and Code of Conduct, facilitates transparent reporting throughout the Group to both the supervisory board (SB) and the management board (MB). In turn, both SB and MB report to the Annual General Meeting of Shareholders (AGM). AGM, SB and MB each have specific powers and responsibilities; these are described comprehensively in the Articles of Association and separate charters that are available on our website, www.rodamco.com, corporate governance.

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

The AGM's full powers are described in detail in Rodamco Europe's Articles of Association on our website. 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 both the Group's remuneration policy and the remuneration of the SB. The AGM further approves the appointment of external auditors. For 2006, PricewaterhouseCoopers Accountants N.V. was appointed.

THE SUPERVISORY BOARD

Rodamco Europe's supervisory board is responsible for overseeing all our activities and providing guidance and advice to the management board. Supervision focuses on the achievement of strategic goals, realization of business objectives and corporate sustainability goals. The SB is tasked with in-depth and independent supervision of the proper execution of internal risk and control structures, adequate financial reporting, and legal and regulatory compliance. It further decides on the individual remuneration of MB members according to policies approved by the AGM. In pursuing these 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. Members have diverse expertise in international markets, ranging from economic and legal to financial and international business experience. The chairman is responsible for the proper functioning of the SB and its committees (see below). He is supported by Rodamco Europe's corporate secretary, whose task is to assist the SB and its committees in the proper execution of their role, including adherence to SB procedures. At Rodamco Europe, the corporate secretary also acts as the Group compliance officer.

SUPERVISORY BOARD COMMITTEES

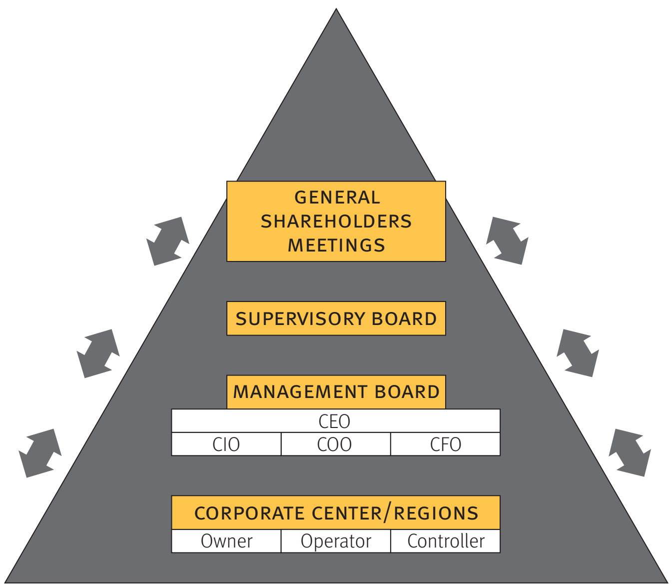
The SB is supported by three committees:

- the Audit Committee;
- the Nomination & Corporate Governance Committee; and
- the Remuneration Committee.

These committees are composed of SB members with relevant experience; both Henk van Wijk and Frans Cremers are financial experts in the sense of the Code. All committees operate under the overall responsibility of the SB, in accordance with the best practice stipulations of the Code. The charters and composition of all supervisory board committees can be reviewed on our website, www.rodamco.com, corporate governance.

THE MANAGEMENT BOARD

Under the supervision of the SB, the management board is responsible for managing the Group. It is accountable for the development and pursuit of corporate strategy and the realization for each of the related goals and policies, including accomplishing pre-agreed objectives for the Group as a whole and for each of Rodamco Europe's individual regional operating companies. It is responsible for providing the SB with all necessary information on the performance of its tasks. The MB consists of four members: a Chief Executive Officer (CEO), a Chief Financial Officer (CFO), a Chief Investment Officer (CIO), and a Chief Operations Officer (COO). The MB as a whole is responsible for the day-to-day management, including comprehensive risk management, control, financing, and regulatory compliance. At operating company level, the MB is tasked with ensuring subsidiaries adhere to legal and other applicable regulatory requirements. Rodamco Europe and its operating companies are organized along clear (functional) reporting lines. Throughout the Group, corporate and operating company accountabilities, roles and responsibilities are in place. Operating country/regional management teams report formally, at least on a quarterly basis, to the MB to discuss operational performance, execution of strategic goals and investment opportunities and divestments. Informal contact between the MB and senior managers in the operating companies takes place regularly, often on a daily basis. Best practice exchange takes place through Europe-wide meetings along functional lines and on a daily basis through contacts between functional specialists.



BUSINESS PRINCIPLES: CODE OF CONDUCT & CORE VALUES

Rodamco Europe's Business Principles comprise both Code of Conduct and core values, please see our website, www.rodamco.com, corporate governance. Both are in line with the Dutch Corporate Governance Code. Business Principles play an integral role in ensuring Rodamco Europe employees fully understand and are committed to both the business strategy and the behaviors expected of them in pursuing that strategy. The Code of Conduct includes guidelines for behavior relating to conflicts of interest, gifts, confidential information, trading of shares, working environment and equal opportunity, among others. The core values reflect the whole Group's focus and commitment to integrity, transparency, accountability and knowledge exchange. Both Code of Conduct and core values form an integral part of introduction programs for new personnel and are a key part of our compliance. A comprehensive compliance program has been developed. This program aims to ensure we adhere to (local) laws and regulations so that the integrity of our business and our people are safeguarded. Compliance is seen as a living process and activity; we see it as a key building block in our 'In Control Framework'.

TRANSPARENCY TO STAKEHOLDERS

As part of our good business practice and transparency, Rodamco Europe communicates regularly and in a timely way to all stakeholders. Our communication to and with the investment community and press is simultaneous. The CEO has direct responsibility for making available any information that can affect our share price. At least every quarter, we host meetings where we present and discuss our performance and results. These meetings and presentations can be followed live and reviewed afterwards on our website, www.rodamco.com. Material information is distributed simultaneously to all stakeholders through press releases. All information is fact-based and timely.

INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

A detailed description of our risk & control framework is included in this report on pages 44 to 50, including those actions taken to ensure reasonable assurance that these systems are reliable and comply with regulatory requirements.

COMPLIANCE WITH THE DUTCH CODE

Rodamco Europe applies the Principles and Best Practice provisions determined by the Code to its corporate governance structure with few exceptions. The governance structure was presented and explained to the Annual General Meeting of Shareholders in 2004. The structure, including deviations from the Code, was approved by the AGM. Major deviations from the approved governance structure and/or the Code, such as the remuneration policy in 2006, have been proposed for approval to the AGM and will be proposed for approval in the future if and when applicable. Exceptions to the Code in the current governance structure are:

DURATION OF MB APPOINTMENT (II.1.1 OF THE CODE)

MB members appointed before January 1, 2004, when the Code was published, are on indefinite contracts. These contracts will be honored. Duration of the first term of office of Peter M. van Rossum, who was appointed as CFO at the 2006 AGM, is four full calendar years as of appointment until year-end 2010. Subsequently, he can be reappointed. Each reappointment is for a maximum of four years.

RISK MANAGEMENT AND IN CONTROL SYSTEMS (II.1.4 OF THE CODE)

A description of our strategic, financial, operational, financial reporting and compliance risks, as well as a description of the risk management systems that address those risks, have been included in this Annual Report on pages 44 to 49.

In 2006, a number of key elements of the design effectiveness and operating effectiveness of those risk management systems have been evaluated by the management board for the first time. A full evaluation of operating effectiveness will formally be assessed as from 2007. This scheme is fully in line with our project of continuously improving the internal control framework and an integral part of our One Company, One Aspiration program. This program started in 2004, was described in our annual report 2005, and is outlined on page 44 of this Annual Report.

An in-control statement regarding the design effectiveness of internal controls over financial reporting is included on page 45. As from 2007 this in-control statement will also cover the operating effectiveness of those internal controls over financial reporting. By the end of 2007 we will therefore fully comply with the best practice provision II.1.4 of the Dutch Corporate Governance Code and the recommendations 2005 thereon of the Monitoring Commission Corporate Governance ('Frijns Commission').

SEVERANCE OF MB MEMBERS (II.2.7 OF THE CODE)

Agreements on severance payments with MB members appointed prior to January 1, 2004, will be honored. For further information on the specific agreements, see Remuneration Report page 83.

The employment contract with Peter M. van Rossum stipulates that in case of change of control and loss of position, he will receive a severance payment of one year's Total Fixed Income (TFI: annual total fixed income including vacation allowance) plus a one-year bonus equal to the average bonus over the three preceding years. In all other cases where he is asked to leave the Group (except upon immediate dismissal), he will receive a severance payment in line with the Code (i.e. not exceeding one year's TFI).

SHARE PURCHASE PLAN (II.2.8 OF THE CODE)

The former Share Purchase Plan (SPP) applicable until year-end 2005 was not fully in line with the best practice principles of the Code. Although the SPP was replaced by a Performance Share Plan (PSP) in 2006, some MB members still own shares and related loans under the former SPP.

II.2.8 of the Code prohibits the grant of personal loans or waiver of such loans to management board members. Although not in line with best practice II.2.8, the specifics of the SPP justify the receipt by the participant of an interest-free loan (a part of which may be waived) – full details can be found on page 85.

The new Performance Share Plan (for details see remuneration report on page 83), which applies as per 2006, is in line with the Code except for the possibility to sell shares upon vesting to fulfill tax and social security obligations. It was approved by the Annual General Meeting of Shareholders in 2006.

CHAIRMAN OF THE SB (III.4.2 OF THE CODE)

Rodamco Europe's supervisory board chairman, Robert F.W. van Oordt, is a former chairman of the management board. He served in that capacity from June 2000 to June 2001 on an interim, part-time basis following the sudden departure of the then MB chairman. Based on these circumstances, the SB is of the opinion that best practice provision III.4.2 is not violated.

REMUNERATION REPORT

INTRODUCTION

Within the context of its overall responsibilities, Rodamco Europe N.V.'s supervisory board (SB) is responsible for submitting the remuneration report to the Annual General Meeting of Shareholders (AGM) for approval. The report was prepared by the SB's Remuneration Committee (RC) and accepted by the full SB on February 23, 2007. The report describes current policy and remuneration in 2006, as approved by the AGM of April 20, 2006. The bi-annual review of management board (MB) and SB remuneration policies and practices will be performed in 2007. If material changes are deemed desirable, they will be submitted to the AGM for approval.

REMUNERATION POLICY – GOAL

The aim of our remuneration policy is to attract, motivate and retain qualified board members who will contribute to the long-term success of Rodamco Europe. The remuneration policy is designed to reward members of the MB for their contribution to the Group's performance and shareholder value. Compensation of both SB and MB is reviewed regularly, most recently in 2005, by external consultants and includes benchmarking against a number of criteria. The benchmarking in 2005 resulted in a revised policy for MB and SB remuneration that was submitted to and approved by the 2006 AGM.

WORKING METHOD/GOVERNANCE

At the beginning of each calendar year, the RC reviews and discusses the remuneration of the CEO and other members of the MB. The RC further reviews the proposals for target setting for the short-term incentive program for MB members and discusses the way these targets are embedded into the medium to long-term targets. Finally, the RC reviews performance of the CEO and other members of the MB against targets set in the previous year. Every two years, the RC evaluates whether the remuneration policy is still in line with the strategic goals of the company (see also under benchmarking). When doing so, the RC will consult an external remuneration expert. The external consultant is appointed by and reports to the RC. Subsequently, the SB decides on proposals by the RC on all aspects of remuneration for the MB within the agreed policy. When applying the so-called Fairness Review, the SB may deviate from policy should extraordinary circumstances so require.

REMUNERATION OF THE MANAGEMENT BOARD

CONTRACT TERMS

Duration: In accordance with the Principles and Best Practice Provisions II.1.1 of the Code, from January 1, 2004, new MB members are appointed for a maximum period of four (full) calendar years. Thereafter, MB members can be reappointed. Each reappointment is for a maximum of four years. MB members appointed before January 1, 2004 are on indefinite contracts. In accordance with the Code's principle of seeking approval from the AGM for deviations, these differences were approved by the 2004 AGM. As a result, these arrangements are honored by Rodamco Europe.

Severance payment: If MB members, appointed after January 1, 2004, are asked to leave the Group (except for cause), they will receive a severance payment not exceeding one year's Total Fixed Income (TFI: annual total fixed income including vacation allowance). An exception is made for the CFO, Peter M. van Rossum, whose appointment and remuneration package was approved by the 2006 AGM. In case of change of control, he will receive a severance payment of one year's TFI plus a one-year bonus equal to the average annual bonus over the three preceding years.

Contract terms for MB members appointed before January 1, 2004 deviate from the Code. The same procedures for seeking approval from the AGM were followed in 2004 and these arrangements are also honored by Rodamco Europe. The CEO, Maarten J. Hulshoff, has an exit arrangement that can be enforced if his present position changes to such an extent that he cannot reasonably be expected to function under the same conditions, i.e. after a merger or acquisition. In such case, he is entitled to a one-time compensation equal to the average of the three preceding years' TFI plus bonus and pension arrangements. The other MB members appointed before January 1, 2004, do not have exit arrangements other than those defined by Dutch employment law.

BENCHMARKING & REMUNERATION PEER GROUP

The remuneration policy and actual remuneration of the MB is benchmarked every two years, most recently in 2005. A new (international) property peer group was proposed to and approved by the 2006 AGM.

The remuneration peer group was selected according to the following criteria:

- important focus on retail property;
- pan-European strategy;
- majority of Dutch (property) companies;
- inclusion of pan-European property companies.

When applying these criteria to the list of European property companies, a group of 10 relevant companies remained. These are:

Bouwfonds (NL)	Corio (NL)
Eurocommercial properties (NL)	Hammerson (UK)
ING real estate (NL)	Klépierre (F)
Liberty (UK)	Unibail (F)
VastNed Retail (NL)	Wereldhave (NL)

Following the selection of this peer group, an analysis of remuneration practices of the companies comprising this peer group was carried out, in total and of each remuneration element.

Comparisons were based on 2004 annual income, bonuses over 2003 disbursed in 2004, long-term incentives, and pension and other benefits. In addition, the analysis took into account the diversity of these peers: size, property value, number of employees, geographic asset distribution. Based on this analysis, which clearly showed that Rodamco Europe ranks higher than many of the companies in the peer group on most criteria, the 2006 AGM approved the use of a median plus 10% as a guideline for total compensation and its specific remuneration elements.

REMUNERATION ELEMENTS

The level of remuneration of MB members reflects their collective responsibilities and individual contributions and performance. This package includes:

- base salary (total fixed annual income or TFI);
- short-term incentive (pay for performance or PfP);
- long-term incentive (performance share plan or PSP);
- pension; and
- other benefits.

TOTAL COMPENSATION: BASE SALARY (IN €000)

Base salary (TFI) is the total fixed annual income, including fixed elements such as vacation allowance.

Based on the approved use of the peer-group median plus 10% level, the CEO is eligible for a base salary (100% 2004 reference level) of €471, and MB members of €367. The reference level will – until the next benchmark – be indexed annually in line with the general salary increases for personnel at Corporate Center. The actual remuneration will vary between 80 and 100% of the set 2004 reference level, based upon company performance, property knowledge and experience, team and personal performance, (market) value of the executive, and tenure. Given adequate performance, the base salary and short-term bonus will gradually grow to the 100% level to be reached in April 2007. The long-term incentive was set at the 100% level as from 2006.

TOTAL COMPENSATION: SHORT-TERM INCENTIVE (PAY FOR PERFORMANCE – PFP)

Short-term incentive is income that is not guaranteed, but is dependent on achievement of specific targets. The majority of companies in the peer group have an ‘at target’ structure, distinguishing between ‘at target’ and maximum bonus.

TARGET BONUS

In line with the peer group, MB members are entitled to an annual target bonus with additional upswing, capped at a maximum percentage. The short-term incentive bonus (PfP) is based on achievement of targets, set at the beginning of the year. All targets, with one exception – Direct result per share – carry payout only when targets are achieved; for Direct result per share, payout is possible below target level, if achievement is within a pre-agreed performance incentive zone.

The short-term incentive structure is as follows:

- at target bonus as percentage of base salary;
- significant share of bonus (40%) based on quantitative performance indicators;
- pay out once per year after evaluation of achieved targets.

In percentage terms, this structure translates into:

- CEO at target – 50% of base salary; upswing capped at 60%;
- MB members at target – 40% of base salary; upswing capped at 60%.

TARGET WEIGHTING

Weighting on targets is as follows:

	MB members	CEO
• Group targets:	40%	40%
• MB targets:	20%	40%
• Functional targets:	20%	-
• Individual targets:	20%	20%
Total	**100%**	**100%**

Group targets may vary from year to year and relate, for example, to Direct result (earnings per share), Loss of Rent, growth in Net Rental Income on a like-for-like basis, Administrative Expenses and Pipeline as well as standing deal flow, resulting in a combination of financial, operational and risk-related targets relevant to the retail property business.

MB targets relate to those areas and tasks where the whole management board shares responsibility for achievement related to, for example, strategy, organizational health (Code of Conduct and core values) and operational performance.

Functional targets relate to the specific accountabilities within the different business processes, such as asset selection, retail management and finance. They differ per MB member.

Individual targets are derived from the individual responsibilities and accountabilities of each MB member and also incorporate qualitative job requirements. These are measured and/or determined at individual level.

Group targets are quantitative; others are a mix of qualitative and quantitative. Each quantitative target is weighted in advance. Quantitative targets are measured against actual (financial) performance; qualitative targets are assessed through appraisal. All targets are reviewed periodically.

In principle, the potential to achieve the (capped) upswing is based upon achieving stretching direct earnings per share targets.

TOTAL COMPENSATION: LONG-TERM INCENTIVE

As part of its bi-annual review of Rodamco Europe's remuneration policy & practices, the Remuneration Committee (RC) examined the existing Share Purchase Plan in 2005. The reasons for this review included the non-compliance of some aspects of this plan with the Dutch Corporate Governance Code, its operational complexity and the desire to provide a stronger focus on relative shareholder value creation. On the basis of the RC's advice following this review, the SB proposed to the AGM in 2006 to replace the Share Purchase Plan with a Performance Share Plan (PSP), which was approved.

PSP FEATURES

The features of the PSP are as follows. The participant will obtain the right to receive without cost a number of shares, subject to Rodamco Europe's relative total shareholder return (TSR) performance over a three-year period. The PSP (long-term incentive) – at target level – represents a value equal to 38% of base salary for the CEO and 27% for the other members of the MB. For detailed information on the determination and value of these grantings please see the explanation and proposal for the PSP which can be found on www.rodamco.com, corporate governance, remuneration. After vesting of the performance shares (three years), the shares are subject to a holding restriction of two years, aligning the interests of the MB with those of shareholders even further. Shares vested will be granted either by issuing new shares or repurchasing existing shares, to be decided by the MB subject to approval by the SB, prior to the first vesting date (April 2009).

TSR measures returns received by shareholders, capturing both the share price increase and dividends paid. TSR is measured relative to a peer group of direct competitors. To ensure objectivity and independence in the composition of this peer group, it is decided to measure Rodamco Europe's TSR performance against the European Public Real Estate Association (EPRA) retail sector peer group. The reason the EPRA peer group has been selected, rather than applying the remuneration peer group (see page 84), is that it is too small for performance benchmarking purposes and not all companies in the remuneration peer group have a full retail focus; it also includes non-listed companies whose performance is not in the public domain. For the purpose of the PSP, Rodamco Europe is excluded from the EPRA peer group. It includes the following companies:

Capital & Regional (UK)	Citycon OYJ (SF)
Corio (NL)	Deutsche Euroshop (D)
Eurocommercial Properties (NL)	Freeport (UK)
Hammerson (UK)	Immobiliare Grande (F)
Klépierre (F)	Liberty International (UK)
Shaftesbury (UK)	Town Centre Securities (UK)
VastNed Retail (NL)	

The peer group is weighted regularly by EPRA on the basis of market capitalization and free float. Rodamco Europe will not make any changes to the peer group as applied by EPRA. The TSR results are measured over a three-year period. The share prices are converted to a single currency, i.e. the euro. In determining target performance, the SB considered the specific business characteristics of Rodamco Europe versus the peer group.

PSP PAYOUT CRITERIA

There will be no payout for performance below the median of the peer group for MB members. At meeting peer group performance, 75% of the at target number of shares will vest. The payout is maximized at two times the initial number of performance shares if Rodamco Europe outperforms the peer group by 6.53%. Payout between the threshold and maximum performance will be determined based on a straight-line approach.

For further details, also on payout in case of change of control or other circumstances, see the explanation and description of the PSP that can be found on www.rodamco.com, corporate governance, remuneration.

TOTAL COMPENSATION: PENSION

Rodamco Europe has a competitive package of pension and other benefits. MB members receive allowances and benefits in accordance with general Group remuneration policy and rules. Sound pension arrangements are considered essential, also as a means to retain senior management for the Group and ensure a proper retirement. Rodamco Europe reviewed and adjusted its pension scheme effective April 2003. MB members appointed after April 2003 participate in a pension scheme based on a combination of a revalued career average and defined contribution plan including a specified own contribution. MB members appointed prior to April 2003 enjoy a defined benefit arrangement up to a certain pensionable salary above which a capped defined contribution plan applies. These pension provisions are honored by Rodamco Europe.

TOTAL COMPENSATION: OTHER BENEFITS

Other benefits include use of a company car, cost allowance, (mobile) phone, accident insurance, business-related travel insurance and mortgage suppletion (gross 25% of mortgage interest, mortgage capped at 3.5 times the base salary/TFI). Mortgage suppletion continues partly after pensionable age for MB members appointed prior to 2002.

SUPERVISORY BOARD FAIRNESS REVIEW

The SB retains the option of a so-called Fairness Review on total annual MB compensation. This review could lead to an (up or downward) adjustment of total annual compensation or elements of that compensation if major unforeseen events take place or special circumstances apply.

REMUNERATION OF THE SUPERVISORY BOARD

The members of Rodamco Europe's SB receive a fixed compensation; i.e. they do not receive any variable (attendance fees) or equity-related compensation, nor do they accrue any pension rights. Rodamco Europe grants no personal loans or guarantees to SB members. A market comparison conducted in December 2005 indicated an increase in SB remuneration was justified from 2006 onwards so that Rodamco Europe remains competitive in attracting SB members of the right caliber and experience. In light of the upgrade of Rodamco Europe to the AEX index, the reference group in this comparison consisted of a

REMUNERATION IN 2006

selected number of AMX and AEX companies (AMX 1 to 10, AEX 15 to 25, respectively, based on revenues at year-end 2004). The median level was chosen as reference for determining the proposed remuneration. In line with market practice and considering the increased time spent in serving on committees, both the introduction of a committee membership fee and an expense reimbursement was proposed to and approved by the 2006 AGM. Following approval by the 2006 AGM, supervisory board (SB) members receive a set annual fee of €35 per member and €45 for the chairman. For each committee membership, a committee member receives €4.5 and the chairman of a committee €6.0. Reimbursement of expenses amounts to €1.8 for members and €2.4 for the chairman.

MANAGEMENT BOARD REMUNERATION IN 2006 (€000)

In 2006, members of Rodamco Europe's management board received total remuneration (including €481 economic and conditional value on long-term incentive plan) of €2,771 (2005 €1,991); payments are specified in tables on page 134.

PERFORMANCE SHARE PLAN

The Performance Share Plan is part of the total remuneration package for members of the management board as included in the remuneration policy. The expected value (at target level) of the PSP under the remuneration policy is determined at 17% of the total package or 38% of total fixed income for the CEO, and 14% and 27% respectively for

REMUNERATION POLICY COMPONENTS

Fixed Variable		Element	Vehicle	Objective	Performance measure	Pay-out at target performance	Pay-out maximum performance
Fixed	CEO: 60% MEMBER: 65%	Base salary	Cash	Attracting and retaining people	Appraisal discussion	Reference level remuneration benchmark (median + 10%)	n.a.
Fixed		Pension	Cash	Ensuring appropriate financial package after pension	n.a.	n.a.	n.a.
Variable	CEO: 40% MEMBER: 35%	Short-term incentive	Cash	Rewarding achievement of short-term targets	Achievement of specific (operational) targets	CEO 50% MB-member 40%	60% 60%
Variable		Long-term incentive	(Performance) shares	Creating long-term economic value aligning interest of shareholders and management	Realization of TSR performance against peer group	75%	200%

the other MB members. In April 2006, the number of at target shares granted to the CEO amounted to 8,273 and 3,858 each for the CIO and COO. The number of 'at target' shares granted to the CFO has been pro-rated to the number of months he was employed in 2006 and amounts to 2,894 shares. The maximum number of shares to be granted to the CEO is 16,546 and 7,715 to each of the other MB members. This number will only be awarded in case of exceptional performance. The choice has been made to set very challenging performance targets for both 'at target' and 'maximum' performance. For full details please see www.rodamco.com, corporate governance, remuneration.

PENSION

Maarten J. Hulshoff and Joost A. Bomhoff have a defined benefit arrangement with a retirement age of 62, with a cap on pensionable salary of €317,646 and €226,890, respectively. For the part of their salary exceeding this maximum, a defined contribution arrangement applies up to a maximum salary of €422,646 for Maarten J. Hulshoff, and €301,890 for Joost A. Bomhoff. In addition, a temporary retirement pension is accrued for the latter to compensate for the absence of social security (AOW) between the age 62 and 65.

K. Willem Ledeboer participates in a pension plan with a retirement age of 65 years. A combination of a defined benefit scheme and a defined contribution scheme is applicable with a cap on pensionable salary of €226,890. For the part of the salary exceeding this maximum, a fully defined contribution scheme applies up to a maximum salary of €301,890.

Peter M. van Rossum, who started on April 1, 2006, participates in Rodamco's new pension scheme with a retirement age of 63. This pension plan is a combination of a revalued career average (to a maximum of €48,899) and a defined contribution (to a maximum of €301,890). For the parts of the pension plan that cover the annual risk of death and disability, a maximum salary of €226,890 applies. An own contribution of 4% of pensionable salary minus an offset is applicable.

All pension costs for MB members up to the (maximum) salary levels as explained above are incurred by Rodamco Europe, with the exception of MB members appointed after April 2003 who have an own contribution of 4% of pensionable salary minus an offset. Above these levels, additional pension can be accrued within the applicable legal and fiscal framework based on personal contributions by each respective MB member.

SUPERVISORY BOARD REMUNERATION IN 2006 (€000)

The total remuneration in 2006 was as follows:

In €000s	2006	2005
R.F.W. van Oordt (chairman)	55.5	40
H.R. Okkens (vice-chairman)	45.5	30
F.J.G.M. Cremers	44.0	30
K.T. Dornbush	39.5	30
R. ter Haar	44.0	30
J.W.B. Westerburgen	44.0	30
H.B. van Wijk	41.0	30
A.P. Timmermans*	-	9
Total	313.5	229

* Stepped down on April 20, 2006.

At year-end 2006, J.W.B. Westerburgen owned 1,272 (2005: 1,272) shares in Rodamco Europe.

REMUNERATION POLICY FOR 2007 AND BEYOND

It is the intention to continue the current remuneration policy in 2007. In line with the stated bi-annual benchmarking, evaluation of MB and SB remuneration packages will take place in 2007. Depending on the outcome of such evaluation, amendments to the policy may be proposed in 2008 or beyond.

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return on performance

contents

RETURN ON PERFORMANCE

financial statements 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2006

(IN € MILLIONS)

	Note	2006	2005
Gross rental income	4	652	594
Service charge income	5	98	83
Revenues		**750**	**677**
Service charge expenses	5	(103)	(89)
Property operating expenses	6	(84)	(85)
Net rental income		**563**	**503**
Valuation result investment property	7	1,270	965
Valuation result renovation projects	7	-	-
Valuation result pipeline projects	7	37	63
Valuation result		**1,307**	**1,028**
Result on disposal of investment property and pipeline	7	27	10
Administrative expenses	8	(52)	(44)
Other income and expenses	9	-	2
Operating profit		**1,845**	**1,499**
Interest income	10	3	2
Interest expenses	10	(136)	(113)
Fair value result derivative financial instruments	10	7	7
Foreign exchange result	10	-	-
Financing result		**(126)**	**(104)**
Share of the profit of associates		-	-
Profit before tax		**1,719**	**1,395**
Income tax expense	11	(190)	(111)
NET PROFIT FOR THE YEAR		**1,529**	**1,284**
Attributable to:			
Equity holders of the parent		1,525	1,282
Minority interest		4	2
Profit for the year 1)		**1,529**	**1,284**
Basic earnings per share (€)	23	17.02	14.30
Diluted earnings per share (€)	23	17.02	14.30

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

	Note	2006	2005
Direct result	12	369	341
Indirect result	12	1,156	941
Net shareholders' profit for the year		1,525	1,282

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CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2006

(IN € MILLIONS)

	Note	2006	2005
ASSETS			
Investment property	13	10,349	8,831
Pipeline projects	14	233	264
		10,582	9,095
Goodwill	17	33	20
Investments in associates	15	1	1
Other investments		1	-
Other property, plant and equipment	18	25	11
Deferred tax assets	19	18	24
Derivative financial instruments	28	1	11
Deferred lease incentives		10	9
Other assets		5	-
Total non-current assets		10,676	9,171
Income tax receivables		1	2
Derivative financial instruments	28	-	10
Trade and other receivables	20	75	109
Cash at banks	21	46	88
Total current assets		122	209
TOTAL ASSETS		10,798	9,380
SHAREHOLDERS' EQUITY			
Share capital	22	717	717
Share premium reserve	22	2,956	2,956
Legal reserves	22	3	(4)
Retained earnings	22	2,811	1,603
Total shareholders' equity		6,487	5,272
Minority interest		11	8
Total equity		6,498	5,280
LIABILITIES			
Bonds	24	2,098	1,791
Interest-bearing loans and borrowings	24	1,014	1,094
Derivative financial instruments	28	28	28
		3,140	2,913
Employee benefits	25	5	5
Provisions	26	35	21
Deferred tax liabilities	19	577	385
Income tax payable	27	24	51
Deferred lease incentives		7	4
Total non-current liabilities		3,788	3,379
Bank overdrafts	21	31	16
Bonds	24	200	-
Interest-bearing loans and borrowings	24	8	418
Trade and other payables	27	273	287
Total current liabilities		512	721
Total liabilities		4,300	4,100
TOTAL EQUITY AND LIABILITIES		10,798	9,380

CONSOLIDATED STATEMENT OF CASH FLOWS UNDER INDIRECT METHOD FOR THE YEAR ENDED DECEMBER 31, 2006

(IN € MILLIONS)

	Note	2006	2005
OPERATING ACTIVITIES			
Net profit before tax		1,719	1,395
Adjustments for:			
Valuation result	7	(1,307)	(1,028)
Net result on disposal of investment properties and pipeline	7	(27)	(10)
Net interest expenses		133	111
Movement in trade and other receivables		33	(29)
Movement in trade and other payables		(57)	18
Movement in derivative financial instruments		9	-
Movement in provisions and employee benefits		(2)	-
Movement in deferred income tax		-	1
Other adjustments		5	2
Cash generated from operations		506	460
Interest paid		(137)	(126)
Interest received		3	3
Current income taxes paid		(9)	(2)
Cash flow from operating activities		363	335
INVESTING ACTIVITIES			
Divestments in investment property and pipeline		266	291
Investments in investment property and pipeline		(115)	(523)
Capital expenditure on investment property and renovation projects	13	(64)	(43)
Cost capitalized on pipeline projects	14	(157)	(282)
Other divestments/(investments)		(10)	(8)
Cash flow from investing activities		(80)	(565)
FINANCING ACTIVITIES			
Proceeds from bonds and interest-bearing loans and other borrowings		856	1,231
Repayment of bonds and interest-bearing loans and other borrowings		(879)	(709)
Payment of transaction costs		-	(3)
Dividends paid	22	(317)	(282)
Cash flow from financing activities		(340)	237
Net increase/(decrease) in cash at banks		(57)	7
Cash at banks at January 1	21	72	65
Effect of exchange rate fluctuations on cash held		-	-
CASH AT BANKS AT DECEMBER 31		15	72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006

(IN € MILLIONS)

	Note	2006	2005
Foreign exchange translation differences		14	(25)
Net gain/(loss) on hedge of net investment in foreign subsidiary	28	(9)	19
Value of employee services	25	1	-
Cash flow hedges:			
Changes in fair value recognized in cash flow hedge reserve		-	(2)
Transferred to the profit and loss account		2	-
Net result recognized directly in equity		**8**	**(8)**
Profit for the year		1,529	1,284
Total changes in equity for the year		**1,537**	**1,276**
Attributable to:			
Equity holders of the parent		1,533	1,275
Minority interest		4	1
TOTAL CHANGES IN EQUITY FOR THE YEAR		**1,537**	**1,276**

NOTES TO THE 2006 CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Rodamco Europe N.V. ('the Company') is a public limited company domiciled in Rotterdam and is engaged in the holding of group companies that invest in and manage property. The address of its registered office is Hofplein 20, 3032 AC in Rotterdam, the Netherlands. The consolidated financial statements of the Company for the year ended December 31, 2006 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 is listed on the stock exchanges in Amsterdam, Paris, Frankfurt and Brussels.
The financial statements were authorized for issue by the supervisory board on March 16, 2007 and will be proposed for adoption to the Annual General Meeting of shareholders to be held on April 27, 2007.
On July 19, 2006, the Company has been granted a license under the Act on the Supervision of 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. The AFM is responsible for the supervision of market conduct and focuses on the question of whether the participants in the financial markets are handled properly and whether they have accurate information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) and as adopted by the European Commission per December 31, 2006.

5

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, 2007 or later. The Group has decided against early adoption of such standards, amendments and interpretations.

(b) Basis of preparation

The financial statements are presented in euros, rounded to the nearest thousand and as a result roundings up to €1 could exist. 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.
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 affect 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 32.
The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with article 402 of the Dutch Civil Code.

Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits. The impact of this amendment on the accounts of the Group is nil, as actuarial gains and losses are not recognized outside the profit and loss.

IAS 21 (Amendment), Net Investment in a Foreign Operation. The impact of this amendment on the accounts of the Group is nil. The Group reviews balances between foreign operations and other entities on a regular basis as part of its treasury policy and none of these balances are considered to be part of the net investment.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions. The presentation of these accounts is not affected by this amendment.

IAS 39 (Amendment), The Fair Value Option. The Group did not choose to apply the election measuring assets and liabilities at fair value, but applies amortized cost instead.

IFRIC 4, Determining whether an Arrangement contains a Lease. The presentation of these accounts is not affected by this new interpretation.

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

IAS 1 (Amendment), Presentation of Financial Statements

IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies

IFRIC 8, Scope of IFRS 2

IFRIC 9, Reassessment of Embedded Derivatives

IFRIC 10, Interim Financial Reporting and Impairment

IFRIC 11, IFRS 2- Group and Treasury Share Transactions

IFRIC 12, Service Concession Arrangements

IFRS 7, Financial Instruments: Disclosures

IFRS 8, Operating segments

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but are not relevant for the Group's operations:

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards

IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

(c) 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 exercizable 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, 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 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 venturers), 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 at 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 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.

(d) 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:

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

The consolidated financial statements are presented in euros, which is the Group'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 assets 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.

(e) 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

Both fixed to floating interest rate swaps, as well as floating to fixed interest rate swaps, entered into prior to January 1, 2005 are designated as hedges with the purpose of managing interest rate exposures on the Group's borrowing portfolio at a macro level. If there is no direct relationship with an underlying loan, no hedge accounting is applied for these swaps. Consequently, the fair value changes are recorded as 'fair value changes derivative financial instruments' as part of the financing result in the profit and loss account as these instruments are designated as hedging instruments.
As from January 1, 2005, 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.

5

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 (currency 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.

(f) 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, except for the high-street shop portfolio in the Netherlands and Belgium. The valuations of these high-street shops are equally spread throughout the year by externally appraising 25% of this portfolio each quarter. At year-end, 75% of the portfolio, which is already assessed during the year, is additionally supported by external updates as per the end of the year.

The Group has a shortlist of independent appraisers, determined based on a number of solid qualifications, e.g. reputation, credibility, compliance with RICS and IVSC and code of conducts. The shortlist is used for selecting appraisers and comprises of: 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). Except for the high-street shop portfolio as described above, each individual property valuation 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 by 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 is classified as non-current assets held for sale under IFRS 5. 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, significant risks and rewards have been transferred to the buyer and the sale conditions are secured, the fair value will be determined on the basis of the offer made by the willing buyer. In cases whereby the property is available for sale, significant risks and rewards have not yet been transferred to the buyer and the sale is less probable or unlikely to occur, the applicable fair value is the value as determined by the aforementioned professional appraisal company and the property will not be reclassified as non-current assets held for sale but remains classified as investment property.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(g) 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.

(h) Pipeline projects

New constructions for future use as investment property are classified as a pipeline project and stated at cost, less any expected 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.

A property is transferred from 'investment property' to 'pipeline project' at its carrying value only in case of major reconstruction whereby starting the project results in a reduction of nearly all net rental income and the projected capital expenditure more or less equals or exceeds the carrying value. Any other reconstruction is accounted for as renovation projects.

(i) 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 circumstance 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 only part of a property it owns, utilization of less than 10% of the individual property is regarded as immaterial, which means that the whole property is stated at fair value model as an investment property. If the Group itself uses more than 10% 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 and 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 indefinite
- 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.

(j) Investments in associates

Investments in associates are accounted for using the equity method whereby the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of profit or loss of the investee after the date of acquisition. Goodwill recognized from an acquisition of an associate is presented as part of the investment in the associate. The Group's share of profit or loss is recognized under share of the profit of associates in the profit and loss account.

Changes in the associates' equity that have not been recognized in the profit and loss account are recognized directly in the Group's equity for its share. Unrealized gains on transactions between the Group and associates are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(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)). 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 cash deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with an original 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 (f)), deferred tax assets (refer accounting policy (v)), derivative financial instruments (refer accounting policy (e)), 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 circumstance 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 reserve

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

(iii) Legal reserves

Legal reserves are reserves to be maintained, following IFRS, and comprise hedging reserves and currency translation reserves. The amounts recognized by these reserves are not freely distributable.

(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.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Where the calculation results in a benefit to the Group, the recognized asset is limited to the present value of available contribution reductions or refunds plus unrecognized actuarial losses and unrecognized past service costs.

(iii) Equity-settled share-based payments

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.

(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 the net amount of service charges.

(i) 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 and provision doubtful debtor 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.
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 as a change in net rental income. 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 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) 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 review. 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 interest expenses, fair value result of derivative financial instruments and foreign exchange results.

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 to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 utilised. 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, Offices, Industrials/Other), or in providing products or services within a particular economic environment (Netherlands and Belgium, France, Spain, Nordic countries, 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, the Slovak Republic and Ukraine, managed from Austria) are considered home regions based on specific operational and strategic factors.

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
- Industrials/Other

(in € millions)	Netherlands/ Belgium		France		Spain		Nordic countries		Central Europe		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Income from external customers:												
Gross rental income	240	217	101	96	94	86	128	119	89	76	652	594
Net service charge expenses	(1)	(2)	(1)	(1)	(2)	(1)	-	-	(1)	(2)	(5)	(6)
Property operating expenses	(28)	(27)	(7)	(6)	(7)	(8)	(34)	(36)	(8)	(8)	(84)	(85)
Valuation result	357	168	313	322	260	223	246	156	131	159	1,307	1,028
Net result on disposals of investment property	19	4	1	-	7	-	-	4	-	2	27	10
Other income and expenses	-	-	-	-	-	2	-	-	-	-	-	2
TOTAL INCOME	587	360	407	411	352	300	340	243	211	227	1,897	1,543
Administrative and interest expenses	(51)	(43)	(52)	(52)	(63)	(46)	(65)	(48)	(78)	(80)	(309)	(271)
Income tax expenses	(5)	(2)	(1)	30	(75)	(50)	(74)	(56)	(35)	(33)	(190)	(111)
SEGMENT RESULT	531	315	354	389	214	204	201	139	98	114	1,398	1,161
Intra-group income at holding level											127	121
Net shareholders' profit for the year											1,525	1,282
Investment property and pipeline	3,637	3,385	1,940	1,617	1,689	1,387	1,951	1,571	1,365	1,135	10,582	9,095
Other segment assets	44	50	26	22	29	21	27	41	61	104	187	238
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	1
Unallocated assets*	-	-	-	-	-	-	-	-	-	-	29	46
TOTAL ASSETS	3,681	3,435	1,966	1,639	1,718	1,408	1,978	1,612	1,426	1,239	10,798	9,380

(in € millions)	Netherlands/ Belgium		France		Spain		Nordic countries		Central Europe		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Segment liabilities	655	945	912	940	1,242	1,141	1,582	1,427	1,228	1,176	5,619	5,629
Unallocated liabilities**	-	-	-	-	-	-	-	-	-	-	(1,319)	(1,529)
TOTAL LIABILITIES											4,299	4,100
Costs capitalized (including capitalized interest)	86	110	26	26	20	54	70	32	27	115	229	337
Impairment losses	(3)	(8)	-	-	1	-	-	-	-	-	(2)	(8)
Capital expenditure	-	-	-	-	-	-	-	-	3	-	3	-

* Unallocated assets relate to intra-group assets.
** Unallocated liabilities relate to intra-group liabilities.

(in € millions)	Retail		Offices		Industrials/Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Income from external customers:								
Gross rental income	583	513	62	62	7	19	652	594
Net service charge expenses	(4)	(5)	(1)	(1)	-	-	(5)	(6)
Property operating expenses	(72)	(71)	(10)	(11)	(2)	(3)	(84)	(85)
Valuation result	1,236	998	61	18	10	12	1,307	1,028
Net result on disposals of investment property	18	6	2	4	7	-	27	10
Other income and expenses	-	2	-	-	-	-	-	2
TOTAL INCOME FROM EXTERNAL CUSTOMERS	1,761	1,443	114	72	22	28	1,897	1,543
SEGMENT ASSETS	9,603	8,471	766	498	213	126	10,582	9,095
COSTS CAPITALIZED (INCLUDING CAPITALIZED INTEREST)	214	320	12	7	2	10	228	337
Impairment losses	-	(6)	(3)	(2)	1	-	(2)	(8)

4 GROSS RENTAL INCOME

(in € millions)	2006	2005
Gross lease payments collected/accrued	668	609
Provision for doubtful debtors	(14)	(13)
Amortization of deferred lease incentives	(2)	(2)
	652	594

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 5.2 years. 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, 2006 is approximately as follows:

- Not later than 1 year: 87
- Later than 1 year and not later than 5 years: 267
- Later than 5 years: 278

Approximately 2% of 2006 gross rental income relates to turnover based rent (2005: 1%).

5 NET SERVICE CHARGES

(in € millions)			2006			2005
	Vacant	Rented out	Total	Vacant	Rented out	Total
Service charge income	-	98	98	-	83	83
Service charge expenses	(4)	(99)	(103)	(5)	(84)	(89)
	(4)	(1)	(5)	(5)	(1)	(6)

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)	2006	2005
Property taxes	13	11
Property insurance premium	3	2
Property management expenses	34	31
Maintenance expenses	14	14
Valuation fees	2	2
Letting fees	8	11
Other operating expenses	10	14
TOTAL PROPERTY OPERATING EXPENSES	84	85

7 VALUATION RESULTS AND RESULT ON DISPOSALS

(in € millions)	Positive 2006	Negative 2006	Total 2006	Total 2005
Valuation result investment property and renovation projects				
Netherlands/Belgium	345	(15)	330	154
Spain	260	-	260	215
France	313	-	313	322
Nordic countries	243	-	243	156
Central Europe	128	(4)	124	118
	1,289	(19)	1,270	965
Valuation result pipeline projects	39	(2)	37	63
TOTAL VALUATION RESULT			1,307	1,028

Net result on disposal of investment property and pipeline:

(in € millions)	2006	2005
Disposal proceeds investment property and pipeline	266	291
Carrying amount of investment property and pipeline sold	239	281
NET RESULT ON DISPOSAL OF INVESTMENT PROPERTY AND PIPELINE	27	10

8 ADMINISTRATIVE EXPENSES

(in € millions)	2006	2005
Wages and social security expenses	53	47
ICT services	8	8
Housing and office costs	8	7
Consultancy and advisory costs	5	5
Listing and marketing costs	4	3
Other administrative expenses	8	5
Gross administrative expenses	86	75
Charged to pipeline projects	(4)	(4)
Charged to operating expenses	(16)	(14)
Charged to third parties	(14)	(13)
ADMINISTRATIVE EXPENSES	52	44

The total fees of our statutory auditor comprise of 80% of auditor services (2005: 73%) and 20% for IFRS, tax and other advisory services (2005: 27%).
Wages and social security expenses include €2 (2005: €1) of contributions to the defined contribution plans and €1 (2005: €2) relating to the defined benefit pension expenses.
The average number of personnel at year-end was 602 (2005: 552) employed in the following functional areas:

	2006	2005
Asset selection	79	68
Retail management	318	291
Finance	137	128
Other	68	65
AVERAGE NUMBER OF PERSONNEL	602	552

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

	2006	2005
Central Europe	113	99
Corporate Center	60	51
France	75	67
Netherlands/Belgium	74	65
Nordic countries	150	147
Spain	130	123
AVERAGE NUMBER OF PERSONNEL	602	552

9 OTHER INCOME AND EXPENSES

(in € millions)	2006	2005
Income from cancellation of pipeline project Azul Talavera, Spain	-	2
	-	**2**

10 FINANCING RESULT

(in € millions)	2006	2005
Interest income	3	2
Interest capitalized	8	13
Interest expenses	(144)	(126)
Net interest expenses	**(133)**	**(111)**
Foreign exchange result	-	-
Fair value result derivative financial instruments	7	7
	(126)	**(104)**

Interest expenses include commitment and other financing fees of €1 (2005 €1).

11 INCOME TAX EXPENSE

Recognized in the profit and loss account

(in € millions)	2006	2005
CURRENT INCOME TAX EXPENSES		
Current year	9	8
	9	**8**
DEFERRED INCOME TAX EXPENSES		
Origination and reversal of timing differences	152	91
Increase/(Reduction) in tax rates	26	-
Benefit of tax losses recognized	3	12
	181	**103**
TOTAL INCOME TAX EXPENSE IN THE PROFIT AND LOSS ACCOUNT	**190**	**111**

Reconciliation of effective tax rate

	2006		2005	
	%	€ mln	%	€ mln
Profit before tax		1,719		1,395
Income tax using the average tax rate	27.2	467	27.5	384
Tax exempt profits (incl. effect of FBI and SIIC)	(17.8)	(305)	(17.0)	(238)
Tax exempt costs	0.1	1	(0.4)	(5)
Effect of tax losses utilized	-	-	(0.1)	(2)
Effect of tax provisions	-	-	0.4	5
Effect of non-recognized tax losses	0.2	3	(0.1)	(1)
Effect of change in tax rates	1.5	26	(2.2)	(31)
Other	(0.2)	(2)	(0.1)	(1)
	11.0	190	8.0	111

The relatively low effective tax rate of 11% (2005: 8%) is mainly caused by tax exempt profits in the Netherlands and France following the FBI and SIIC regimes, respectively.

5

12 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 shareholders' profit for the year based on IFRS, but additionally splits it into a direct result and an indirect result following EPRA guidelines. This split does not replace the IFRS measures but provide additional information to help investors understand the Group's performance even better.

Direct result after tax approximates the net cash earnings of the group 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 the 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)	2006	2005
DIRECT RESULT		
Net rental income	563	503
Administrative expenses	(52)	(44)
Interest income	3	2
Interest expenses	(136)	(113)
Income tax expenses	(7)	(8)
Foreign exchange result	(1)	-
Other income and expenses	-	2
Minority interest	(1)	(1)
Total	369	341
INDIRECT RESULT		
Valuation result	1,307	1,028
Result on disposal of investment property and pipeline	27	10
Fair value result derivative financial instruments	7	7
Income tax expenses	(2)	-
Deferred income tax expenses	(181)	(103)
Minority interest	(2)	(1)
Total	1,156	941
TOTAL NET SHAREHOLDERS' PROFIT	1,525	1,282

13 INVESTMENT PROPERTY

(in € millions)	Investment property	Renovation projects	Total
Balance at January 1, 2005	7,056	9	7,065
Acquisitions	524	-	524
Transfer from/to renovation projects	9	(9)	-
Capital expenditure	43	-	43
Transfer from/to pipeline projects	543	-	543
Disposals (carrying value)	(277)	-	(277)
Revaluations (incl. lease incentives)	965	-	965
Currency translation differences	(32)	-	(32)
BALANCE AT DECEMBER 31, 2005	**8,831**	**-**	**8,831**
Balance at January 1, 2006	8,831	-	8,831
Acquisitions	125	-	125
Transfer from/to renovation projects	-	-	-
Capital expenditure	64	-	64
Transfer from/to pipeline projects	259	-	259
Disposals (carrying value)	(230)	-	(230)
Transfer from/to other property, plant and equipment	(7)	-	(7)
Revaluations (incl. lease incentives)	1,270	-	1,270
Currency translation differences	37	-	37
BALANCE AT DECEMBER 31, 2006	**10,349**	**-**	**10,349**

The total of property, plant and equipment (including investment property, pipeline projects and other property, plant and equipment) amounts to €10,607 (2005: €9,106) broken down as follows:

(in € millions)	2006	2005
Investment property	10,349	8,831
Pipeline	233	264
Other property, plant and equipment	25	11
TOTAL	**10,607**	**9,106**

Security

At December 31, 2006, properties with a carrying amount of €1,191 (2005: €975) are subject to a registered debenture to secure bank loans (refer to note 28).

14 PIPELINE PROJECTS

(in € millions)	2006	2005
Balance at January 1	264	453
Cost capitalized	156	282
Investments	34	-
Upward revaluation	39	71
Impairments	(2)	(8)
Interest capitalized	8	12
Disposals	(9)	(4)
Transfer from/to investment property	(259)	(543)
Currency translation differences	2	1
BALANCE AS AT DECEMBER 31	233	264

The total of property, plant and equipment (including pipeline projects and other property, plant and equipment) amounts to €258 (2005: €275).
During the year, completed pipeline projects mainly are: Stadshart, Almere (Netherlands), Parade, Bergen op Zoom (Netherlands) and Allee-Center, Magdeburg (Germany). These projects have consequently been reclassified to investment property.

15 INVESTMENT IN ASSOCIATES

Associates are those entities over which the Group has significant influence, but no operating power over the financial and operating policies.
The Group has the following investments in associates:

Operation	Ownership	Through	Legal seat
Sovalec	50%	Rodamco Europe France SA	Paris
PFA Betriebsgesellschaft	22%	Rodamco Germany	Berlin

Summary financial information on associates – 100% basis:

(in € millions)	Assets	Liabilities	Equity	Revenues	Profit/(loss)
2005					
Sovalec	3	2	1	2	-
PFA Betriebsgesellschaft	1	1	-	-	-
	4	3	1	2	-
2006					
Sovalec	3	2	1	1	-
PFA Betriebsgesellschaft	1	1	-	-	-
	4	3	1	1	-

16 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's share of ownership.

The Group has the following investments in joint ventures:

Operation	Ownership	Through	Legal seat
Ring-Center 1	67%	Geschäftszentrum Frankfurter Allee	Berlin
Allee-Center	50%	Mülhauser & Co Einkaufszenter Magdeburg	Hamburg
Aupark	50%	Rodamco Inversiones SI	Madrid
Árkád Örs Vezér Tére	33%	Vezér Center Kft.	Budapest
Galeria Mokotów	50%	Rodamco Europe CH1 Sp. Z.o.o.	Warsaw
Kiinteistö OY Vantaanportin Liiketalat	21%	Rodamco Sverige AB	Vanda
Kiinteistö OY Vantaanportin Liikekeskus	60%	Rodamco Sverige AB	Vanda
Pankrac k.s.	50%	Rodamco Sverige AB	Prague

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)	2006	2005
Non-current assets	468	338
Current assets	16	18
Non-current liabilities	122	56
Current liabilities	118	118
NET ASSETS	244	182
Income	71	25
Expenses	(9)	(6)
NET PROFIT	62	19

The movement in the net asset value of the joint ventures is mainly caused by the first time proportional consolidation in 2006 of Aupark.

17 GOODWILL

(in € millions)	2006	2005
Balance at January 1	20	-
Acquisitions through business combinations	13	20
BALANCE AT DECEMBER 31	33	20

The goodwill acquired through business combinations in 2005 relates to the goodwill paid on the acquisition of the Jumbo shopping center in Helsinki, Finland, as a result of recording the total deferred income tax liability in Finland at nominal value. Annually, the Group carries out impairment tests on goodwill balances using the relevant cash-generating unit. The Groups unit's impairment test is based on fair value less selling costs.

In the first half of 2006, Rodamco completed the acquisition of a 50% stake in the Aupark shopping and entertainment center. Aupark is a large shopping center in Bratislava, the capital of the Slovak Republic. The acquisition was announced on December 14, 2005 and was subject to approval of the Slovak Antimonopoly Office. Formal approval has been obtained in the second quarter of 2006. The goodwill following the Aupark acquisition mainly relates to the recognition of a deferred tax liability at nominal value. Please refer to note 26 Provisions for a recognized purchase price adjustment in respect of the Aupark acquisition.

Rodamco has an option to extend its stake to 90% as from 2013; the vendor also has an option to sell its stake from the final closing date. The option to increase the Group's stake to 90%, either by the Group's offer to acquire the additional 40% interest or by the vendor's offer to sell it, does not have a value within the scope of IAS 32/39 and has consequently not been recognized in these accounts because:

- though the option gives the right to both the Group and the vendor, it does not constitute a present obligation as the execution of the transfer is suspended until such a time that an offer is made and accepted by both parties. As a consequence, the possible obligation to purchase the additional shares does not give rise to a liability;
- the option has no fixed price, yet is exercisable at the fair value prevailing in 2013.

(in € millions)	
Purchase consideration	
Cash paid	43
Earn-out consideration	14
Direct costs relating to the acquisition	3
Total purchase consideration	**60**
Fair value of net identifiable assets	**47**
Goodwill	**13**

The goodwill is largely explained by the recognition of a deferred tax liability of €12.

The assets and liabilities arising from the acquisition are as follows:

(in € millions)	Acquiree's carrying amount	Fair value
Non-current assets	31	90
Current assets	3	2
Non-current liabilities	26	39
Current liabilities	5	6
NET ASSET VALUE	**3**	**47**

18 OTHER PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land & buildings		Furniture & equipment		Total	
	2006	2005	2006	2005	2006	2005
Balance at January 1	-	-	11	8	11	8
Transfer from/(to) investment property	7	-	-	-	7	-
Acquisitions	-	-	1	1	1	1
Additions	-	-	10	6	10	6
Divestments	-	-	(1)	-	(1)	-
Depreciation	-	-	(3)	(4)	(3)	(4)
Balance at December 31	**7**	**-**	**18**	**11**	**25**	**11**

Following a change in the use of a part of an investment property, i.e. the move of Rodamco Nederland BV in Amsterdam to the owned property Oostelijke Handelskade, the Netherlands, an amount of €7 has been transferred from 'Investment property' to 'Other property, plant and equipment' in 2006.

19 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	
	2006	2005	2006	2005	2006	2005
Investment property	-	(2)	604	413	604	411
Other items	-	-	4	2	4	2
Value of tax losses carry-forward recognized	(18)	(22)	(31)	(30)	(49)	(52)
TAX (ASSETS)/LIABILITIES	**(18)**	**(24)**	**577**	**385**	**559**	**361**

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.

From the total net deferred tax liability of €559, an amount of €(14) will be recovered through use and the remaining balance of €573 will be recovered through sale.

Unrecognized deferred tax assets

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

(in € millions)	2006	2005
Temporary differences investment properties	18	20
Tax losses carry-forward not recognized	64	80
TOTAL UNRECOGNIZED LOSSES	82	100

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 01/01/2005	Recognized in profit and loss account	Movement through balance [1)]	Balance 12/31/2005
Investment property	388	87	(64)	411
Other items	(2)	4	-	2
Value of loss carry-forwards recognized	(53)	12	(11)	(52)
	333	103	(75)	361

(in € millions)	Balance 01/01/2006	Recognized in profit and loss account	Movement through balance [2)]	Balance 12/31/2006
Investment property	411	176	17	604
Other items	2	2	-	4
Value of loss carry-forwards recognized	(52)	3	-	(49)
	361	181	17	559

1) 2005: Movement from deferred tax liabilities to current liabilities mainly due to election SIIC regime France and recognition of deferred tax resulting from acquisition of Jumbo. Under the SIIC regime, income and capital gains from the full French portfolio are exempt from tax in France.
2) 2006: Movement resulting from the acquisition of Aupark as well as currency translation differences.

5

20 TRADE AND OTHER RECEIVABLES

(in € millions)	2006	2005
Rent receivables	30	26
Tax receivables	15	11
Other receivables	30	72
	75	109

Trade and other receivables are shown net of impairment losses amounting to €14 (2005: €11) arising from identified doubtful receivables from tenants. Any possible impairment losses are charged to the profit and loss account under 'gross rental income'. There are no receivables expected to be realized after more than 12 months.

21 CASH AT BANKS

(in € millions)	2006	2005
Cash deposits	8	67
Current bank accounts	38	21
Cash at banks	46	88
Bank overdrafts	(31)	(16)
CASH AT BANKS IN THE STATEMENT OF CASH FLOWS	15	72

22 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

(in € millions)	Share capital	Share premium reserve	Legal reserves (IFRS) Hedging	Legal reserves (IFRS) Currency translation	Retained earnings	Share-holders' equity	Minority interest	Total equity
Balance at January 1, 2005	717	2,956	-	3	603	4,279	7	4,286
Changes in equity	-	-	(2)	(5)	1,282	1,275	1	1,276
Dividends to shareholders	-	-	-	-	(282)	(282)	-	(282)
Appropriation of net profit 2004	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2005	717	2,956	(2)	(2)	1,603	5,272	8	5,280
Balance at January 1, 2006	717	2,956	(2)	(2)	1,603	5,272	8	5,280
Changes in equity	-	-	2	5	1,526	1,533	4	1,537
Dividends to shareholders	-	-	-	-	(317)	(317)	-	(317)
Other movements	-	-	-	-	(1)	(1)	(1)	(2)
BALANCE AT DECEMBER 31, 2006	717	2,956	-	3	2,811	6,487	11	6,498

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, 2006, similar to 2005. The shares have a par value of €8 each. No movements occured in 2006, as was the case in 2005.

Legal reserves

Legal reserves are reserves to be maintained following IFRS and comprise of hedging reserves and currency translation reserves. The amounts recognized by these reserves, totalling €3, are not freely distributable. 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 €2,889 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.

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)	2006	2005
€2.34 per qualifying ordinary share (final dividend 2005: €2.17)	209,755	194,517

23 EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2006 is based on the net profit attributable to ordinary shareholders of €1,525 (2005: €1,282) and a weighted average number of ordinary shares outstanding during the year ended December 31, 2006 of 89,639,292 (2005: 89,639,292).
Except for the PSP plan (see note 25) for which the Group has not yet decided whether new shares will be issued, there are no dilutive potential ordinary shares, therefore the diluted earnings per share are the same as the basic earnings per share.

24 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 28.

(in € millions)	2006	2005
NON-CURRENT LIABILITIES		
Eurobond 7 yr (till 2012), nominal €500, fixed rate 3.75%	498	498
Eurobond 7 yr (till 2010), nominal €500, fixed rate 3.75%	495	494
Eurobond 10 yr (till 2014), nominal €500, fixed rate 4.375%	494	493
Eurobond 3 yr (till 2007), nominal €200, 3 month EURIBOR + 0.21%	-	200
Swedish Krona bond 3 yr (till 2008), nominal SEK 1000, 3 month STIBOR + 0.12%	111	106
Eurobond 5 yr (till 2011), nominal €500, fixed rate 4.125%	492	-
Other bonds and credit institutions	1,022	1,094
	3,112	2,885
CURRENT LIABILITIES		
Swedish Krona bond 1.5 yr (till 2006), nominal SEK 720, 3 month STIBOR + 0.11%	-	77
Eurobond 3 yr (till 2007), nominal €200, 3 month EURIBOR + 0.21%	200	-
Current portion of loans from credit institutions	8	341
TOTAL DEBT	3,320	3,303

In August 2005, the Group terminated the November 2003 Credit Facility to benefit from the market conditions at that moment and replaced it with the August 2005 Credit Facility. This facility has a maturity of five years with two extension options for another year. In 2006 the Group exercized its extension option. The facility will now mature on August 12, 2011 with another one year extension option. In August 2005, the Group arranged a €600 multicurrency revolving credit facility. As at December 31, 2006, no drawings are outstanding under this committed syndicated credit facility. The commitment fee is five basis points and an interest margin of 17 basis points over Euribor. The facility is for general corporate purposes and to support commercial paper obligations.

In April 2006, the Group issued a €500 five year fixed rate bond. The issuance carries a coupon of 4.125% and was sold to international institutional investors. The proceeds were used to refinance short-term debt and for general corporate purposes.

Loan maturity profile

(in € millions)		December 31, 2006		December 31, 2005
	Secured	Unsecured	Total debt	Total debt
After 5 years	212	1,210	1,422	1,471
Between 1-5 years [1]	247	1,443	1,690	1,414
Total liabilities > 1 year	**459**	**2,653**	**3,112**	**2,885**
Total liabilities due within 1 year	**8**	**200**	**208**	**418**
TOTAL DEBT	**467**	**2,853**	**3,320**	**3,303**

1) European Commercial Paper due within one year mainly have a long-term character and are fully backed by the existing long-term committed credit facility of €600, therefore these are classified as non-current debt.

Currency and interest rate profile

	Fixed rate debt 1) € mln	Floating rate debt 2) € mln	Total debt amount € mln	Weighted average interest rate in %	Interest maturity in years	Weighted average maturity of debt in years
2005						
Euro	2,027	241	2,268	4.36	5.9	6.2
Swedish krona	184	627	811	2.38	0.4	3.3
Danish krone	-	25	25	5.00	0.8	3.8
US dollar	46	44	90	5.86	3.2	7.3
Czech koruna	-	109	109	2.42	0.1	0.2
	2,257	1,046	3,303	3.86	4.3	5.3
2006						
Euro	2,113	49	2,162	4.32	5.4	5.6
Swedish krona	80	823	903	3.21	0.2	3.7
Danish krone	174	-	174	4.18	5.6	5.6
US dollar	36	45	81	6.45	2.2	6.8
	2,403	917	3,320	4.06	4.7	5.1

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.

25 EMPLOYEE BENEFITS

Pension plan

(in € millions)	2006	2005	2004
Present value of funded obligations	33	23	20
Fair value of plan assets	(21)	(20)	(17)
Present value of net obligations	12	3	3
Unrecognized actuarial gains and losses	(7)	2	2
Recognized liability for defined benefit obligations	5	5	5

The 2006 increase in the present value of funded obligations is caused by an increased percentage of assumed future pension increases from 0.8% to 2.0%.

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

(in € millions)	2006	2005	2004
Beginning of the year	23	20	17
Current service cost	1	2	2
Interest costs	1	1	1
Contributions	-	-	-
Benefit payments	-	-	-
Curtailments	(1)	-	-
Actuarial gains and losses	10	-	-
Settlements	(1)	-	-
End of year	33	23	20

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

(in € millions)	2006	2005	2004
Beginning of the year	(20)	(17)	(14)
Expected return on plan assets	(1)	(1)	(1)
Contributions	(1)	(1)	(5)
Benefit payments	-	-	-
Curtailments	-	-	-
Actuarial gains and losses	-	(1)	3
Settlements	1	-	-
End of year	(21)	(20)	(17)

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Net liability for defined benefit obligations

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.

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.

Movements in the net liability recognized in the balance sheet

(in € millions)	2006	2005	2004
Beginning of year	5	5	8
Contributions paid	(1)	(2)	(5)
Expense recognized in the profit and loss account	1	2	2
END OF YEAR	5	5	5

Expense recognized in the profit and loss account

(in € millions)	2006	2005	2004
Current service costs	1	2	2
Interest costs	1	1	1
Expected return on plan assets	(1)	(1)	(1)
TOTAL FOR THE YEAR	**1**	**2**	**2**

The expense is recognized within administrative expenses.

Principal actuarial assumptions used were:

(in %)	2006	2005	2004
Discount rate	4.30	4.10	4.75
Expected return on plan assets	4.10 - 4.30	3.70	4.40
Future salary increase	3.75 - 4.50	2.25	2.25
Future inflation	2.00	2.00	2.00
Future pension increase	2.00 - 3.00	0.80	0.80

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, with grant date April 24, 2006, and other senior staff, with grant date May 18, 2006. The number of shares that will actually be delivered is based on meeting performance conditions. The fair value of the plan has been calculated by a professional actuarial firm and is equally spread over the vesting period (until vesting date April 24, 2009).

This plan falls under the scope of IFRS 2 Share Based Payment as the Group receives services from the management board and senior staff during the vesting period and will pay for these services in its own shares. The Group has not yet decided whether new shares will be issued or whether own shares will be held in treasury.

The fair value is measured using the Monte Carlo simulation model, 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.

The significant inputs into the model are as follows:

Grant date	April 24, 2006	May 18, 2006
Vesting date	April 24, 2009	April 24, 2009
Share price at grant date (€)	86.35	78.05
Expected volatility (%)	13.7	13.7
Dividend yield (%)	4.9	4.9
Risk-free interest rate (%)	3.775	3.775
Correlation coefficient	0.33	0.33

With the introduction of this plan, no more grants under the former Share Purchase Plan will be done. For further details, see also note 30: Related Parties.

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26 PROVISIONS

(in € millions)	2006	2005
Balance at January 1	21	21
Provisions made during the year	14	7
Provisions used during the year	-	(2)
Provisions reversed during the year	-	(5)
BALANCE AT DECEMBER 31	35	21
Non-current	35	21
Current	-	-

Provisions consist of provisions for tax claims and other obligations. A number of corporate income tax positions are being challenged by local tax authorities or may be challenged in the future. Some items are being litigated before courts. The total potential tax exposure may range from nil to a maximum of €68, of which €20 is provided for in the balance sheet.
The other obligations relate for €16 to the contractual agreed 'earn-out' in respect of the Aupark acquisition. The earn-out amount is based on the expected net rental income of 2008 and the adjustment has subsequently been discounted for 2006, amounting to €14.

27 TRADE AND OTHER PAYABLES

(in € millions)	2006	2005
Accounts payable	42	41
Rents received in advance	42	45
Operating expenses payable	18	12
Interest payable	31	23
Income tax payable	32	27
VAT payable	8	17
Security deposits	37	33
Investment creditors (pipeline projects)	34	55
Accrued liabilities	29	34
	273	287

The interest payable relates to interest on short-term loans and mortgages. The income tax payable relates to the tax payable due to the SIIC elections in 2005 and 2004. The amount is payable in four annual installments. The long-term part of €24 is classified in the balance sheet as non-current income tax payable.

28 FINANCIAL INSTRUMENTS

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 to assess and optimise the Group's financial management and decision-making process.

Credit risk management

A large number of major international financial institutions are counterparties to the interest rate swaps, foreign exchange contracts and deposits transacted by the Group. Such transactions are only entered into with counterparties with a long-term credit rating as defined by S&P of A- or better. 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.

Liquidity risk management

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 group adopts a policy of ensuring that a maximum of 25% of debt is redeemable within a year (for year-end 2006 6.22%). In August 2005, the Group terminated the November 2003 Credit Facility to benefit from the market conditions at that moment and replaced it with the August 2005 Credit Facility. This facility has a maturity of five years with two extension options for another year. In 2006 the Group exercized its extension option. The facility will now mature on August 12, 2011 with another one year extension option. As at December 31, 2006, no drawings are outstanding under the committed syndicated credit facility. For further details with respect to this facility, reference is made to note 24.

Interest rate risk management

The Group runs a structural interest rate risk in its balance sheet. 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 adopts a policy of ensuring that a range of 60-70% of its exposure to changes in interest rates on external debt is on a fixed rate basis (this excludes pipeline commitments). The Group uses interest rate derivatives to manage and structure its interest rate profile. The outstanding interest rate swaps as of year-end 2006 are presented in the table below. At December 31, 2006, the Group had interest swaps with a notional contract amount of €930 and a mark-to-market of €(27). The fixed to floating ratio per December 31, 2006 is 73% (excluding unfunded pipeline commitments).
The net fair value of interest rate swaps at December 31, 2006 was €(27) comprising assets of €1 and liabilities of €28. These amounts were recognized as derivative financial instruments under the assets and liabilities, respectively.

	Number of contracts	Nominal in € mln	Fair value in € mln
Interest rate swaps			
Up to 1 year	3	130	-
From 1 year to 5 years	3	414	(14)
From 5 years to 10 years	5	386	(13)
TOTAL INTEREST RATE SWAPS	11	930	(27)

For more information on the average interest costs of loans and the interest durations, refer to note 24.

Foreign currency risk management

The Group has activities and investments in countries outside the euro-zone, primarily in Sweden. When converted into euros, the income and value of the Group's 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 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 risk 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 has adopted a policy of ensuring that a range of 60% to 70% of its exposure to changes in interest rates on external debt is at fixed rate. We use 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 €9 million. This is for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect Rodamco Europe financial position and results.
Rodamco Europe has activities and investments in countries outside the euro-zone, primarily in Sweden. When converted into euros, the income and value of Rodamco Europe 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 €35 million in shareholders equity.

Forecasted transactions

The fair value of forward exchange contracts used as hedges of forecasted transactions at December 31, 2006 was €0 (2005: €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, 2006 was €0 (2005: €10) recognized in trade receivables.

Hedge of net investment in foreign subsidiary

The Group's SEK denominated European Commercial Paper and Bonds, as well as some of the foreign currency derivatives, are designated as a hedge of the Group's investment in its subsidiary in Sweden. The carrying amount of the loan and derivatives at December 31, 2006 was €190 (2005: €351).
A foreign exchange loss of €9 (2005: gain of €18) was recognized in equity on translation of the loan and derivatives into euros.
The following table contains the euro equivalents of the Group's main foreign currency positions at the balance sheet date.

	Assets	Liabilities	Net exposure	Hedging instruments 1)	Exposure net of hedges 2)	Managed exposure net of hedges 3)
SEK	1,493	522	971	586	385	16
DKK	258	76	182	127	55	38
HUF	2	-	2	-	2	2
USD	168	55	113	51	62	1
CZK	3	-	3	-	3	3
SKK	-	1	(1)	-	(1)	(1)
	1,924	654	1,270	764	506	59

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.
3) Managed exposure is the remaining exposure after exclusion of accepted exposures resulting from capex, revaluations and deferred taxes. Exchange rate differences on these items are recognized in the currency translation reserve.

Fair values

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

(in € millions)	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	76	76	111	111
Cash at banks	46	46	88	88
Interest rate swaps:				
Assets	1	1	6	6
Liabilities	(14)	(14)	(28)	(28)
Cross currency interest rate swaps				
Assets	-	-	15	15
Liabilities	(14)	(14)	-	-
Bank loans:				
EUR loan	(488)	(500)	(733)	(768)
CZK loan	-	-	(109)	(109)
SEK loan	(406)	(406)	(478)	(478)
DKK loan	(47)	(47)	(25)	(26)
USD loan	(81)	(86)	(90)	(96)
Bond issues:				
EUR bonds	(2,187)	(2,152)	(1,685)	(1,710)
SEK bonds	(111)	(111)	(183)	(183)
Trade and other payables	(297)	(297)	(338)	(338)
Bank overdrafts	(31)	(31)	(16)	(16)
Total	(3,553)	(3,535)	(3,465)	(3,532)
UNRECOGNIZED PROFITS/(LOSSES)		18		(67)

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.

29 OFF BALANCE SHEET COMMITMENTS

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

(in € millions)	2006	2005
Less than 1 year	1	3
Between 1 and 5 years	9	7
More than 5 years	4	1
	14	11

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, 2006, €3 was recognized as an expense in the profit and loss account in respect of operating leases (2005: €3).

Capital commitments

The Group has a substantial committed pipeline (€1,308) to support its growth in the coming years and actively works on new opportunities in both new projects and (extension of) current shopping centers. Of this €1,308, €201 was invested until December 31, 2006. The Group strategically accepts letting risk as it considers early involvement in shopping center design and tenant mix as with strong anchor tenants as crucial for minimizing future operational risks and safeguarding the value of its properties.

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. The total potential tax exposure may range from nil to a maximum of €68, of which €20 is provided for in the balance sheet.

On April 23, 2002, RoProperty Holding BV ('RoProperty') completed the sale of RREEF US. As part of the transaction, Rodamco Europe N.V. issued a letter of credit to Deutsche Asset Management amounting to US$27 at the end of 2004 which will expire in 2008, according to warranties under the stock purchase agreement. Rodamco Europe N.V. settled the main part of this risk through an insurance structure in 2003. A liability has been accrued for which covers costs and non-insured commitments for Rodamco Europe relating to this transaction.

As part of the Jumbo swap transaction on September 30, 2005, Rodamco Europe N.V. granted to IVG Immobilien AG the exclusive right to purchase the real estate located in Paris 8eme at numbers 18 to 20 Av. Hoche, once the real estate has been redeveloped and 90% of the surface has been leased. The purchase price will be based on the market value the date of purchase. This right expires on December 31, 2009.

On December 27, 2006 Rodamco Europe announced the acquisition of 50% of the Metropolis shopping center development in Moscow for approximately €200. Conditional to the building permit being obtained and the receipt by Rodamco Europe of a first demand guarantee, Rodamco Europe will remit €15 as an advance payment to the purchase price. In 2005 the Group announced the acquistion of the Arkády Pankrác shopping center in Czech Republic. Upon receipt of the building permit, the Group will acquire an additional 25% interest.

The Group has entered into an off balance sheet arrangement in respect of the Aupark acquisition. For further details see note 17.

30 RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its subsidiaries, joint ventures (see note 16), associates (see note 15), employees (see note 25) 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 supervisory board and the management board. Compensation of key management personnel is outlined in this note and note 31.

One of our major shareholders Aegon, a large life insurance and pension company, has its headquarters in The Hague, the Netherlands, a property that in return is owned by the Group. In addition, Aegon provides the Group with a customized local pension and employee benefits program. For the purpose of these financial accounts, these transactions qualify as related party transactions, yet these transactions have all been done based on arm's length conditions. There have been no related party transactions with other large shareholders.

The relations between the parent and its subsidiaries involve transactions that are necessary for managing the Group's normal operations.

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

Long-term incentive plans

As per December 31, 2006 the Group had the following long-term incentive remuneration plans:

(1) Share Purchase Plan;

(2) Performance Share Plan.

Share Purchase Plan

Main features

From 2002, the Group has operated a Share Purchase Plan (SPP) for Group and country management. This long-term incentive plan aims 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. The SPP requires a personal contribution from the participants themselves; consequently alignment is not only achieved when markets are strong, but also when they deteriorate. The value of the shares acquired using the interest-free loan may fluctuate. This means the participant's own investment (shares acquired with own contribution) may also fluctuate. Shares acquired under the scheme must be held for at least three years. However, participants receive dividend on all of their shares and as such benefit from the scheme right from the start.
With the introduction of the Performance Share Plan (see hereafter), no more grants have been done in 2006 nor will be done in the future under the SPP. Shares purchased under the SPP must be retained for a period of three years. The loan is to be repaid when shares purchased with this loan under the SPP are sold after the three-year tie-up period or ultimately after five years. The Company waives part of this loan if the share price at repayment is below the purchase price of shares acquired through this loan; the level of individual contribution and the actual decline of the share price determine how much may be waived. The waiver is applicable when the share price falls by more than 5%, 10% or 15% of the original share purchase price, depending on the level of personal contribution.
If the decline is more than 25%, Rodamco Europe has the right to demand full repayment of the loan. If an employee leaves the Group within the three-year tie-up period, then the loan must be repaid in full. In such cases, a portion of the gains made on increases in share price and dividend received will also have to be reimbursed to the Group.

Transactions with the management board

Under de SPP the following number of shares were acquired:

	Number of SPP shares at 01/01/2006	Weighted average purchase price SPP shares acquired before 2006 (€)	Number of SPP shares disposed of in 2006	Number of SPP shares at 12/31/2006	Other shares 1)	Total number of shares at 12/31/2006
M.J. Hulshoff	23,470	45.66	13,500	9,970	-	9,970
J.A. Bomhoff	8,065	48.26	3,637	4,428	-	4,428
K.W. Ledeboer	2,530	48.16	-	2,530	884	3,414
P.M. van Rossum	-	-	-	-	-	-
	34,065		17,137	16,928	884	17,812

1) K.W. Ledeboer additionally privately owns 884 shares Rodamco Europe.

In 2006, the Group provided no new interest-free loans for participation in the SPP to the management board members. At year-end 2006, these loans have a nominal value of €1 (2005: €1).

(in € thousands)	Outstanding loans at 12/31/2005	New loans 2006	Redemption loans 2006	Outstanding loans at 12/31/2006	Value of SPP shares at 12/31/2006
M.J. Hulshoff	810	-	433	377	1,005
J.A. Bomhoff	320	-	133	187	446
K.W. Ledeboer	125	-	6	119	255
P.M. van Rossum	-	-	-	-	-
	1,255	-	572	683	1,706

Transaction with other employees

At year-end 2006, interest-free loans to other employees under the SPP have a total nominal value of €1 (2005: €2).

(in € thousands)	Outstanding loans at 12/31/2005	New loans 2006	Redemption loans 2006	Outstanding loans at 12/31/2006	Value of SPP shares at 12/31/2006
Other employees	1,937	-	405	1,532	3,321

Performance Share Plan

Main features

As from 2006, the Group operates an equity-settled, share-based compensation plan, the so-called Performance Share Plan. Under the Performance Share Plan (PSP), the participant will obtain 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. After this so-called performance period, the performance shares will vest and the shares become unconditional or are unconditionally granted through a transfer of ownership to the participants. After vesting of the performance shares, the shares are subject to a holding restriction of two years, aligning the interests of the management board with those of the shareholders even further. During this holding period, the participant cannot sell, transfer, trade or otherwise dispose of the shares that have been obtained through vesting of these shares.

TSR measures returns received by shareholders, capturing both the share price increase and dividends paid. TSR is measured relative to a peer group of direct competitors. To ensure objectivity and independence in the composition of this peer group, Rodamco Europe's TSR performance is measured against the European Public Real Estate Association (EPRA), European Retail sector peer group. For this comparison, the Group itself is excluded from the peer group and any changes made by EPRA to the composition of the peer group will be taken into account for the purpose of this plan.

The TSR of the Group and each company in the selected comparison group is calculated as the percentage of change in the closing value versus the opening value over the three-year performance period. The number of shares that will vest depends on the difference between the TSR of the Group and the TSR of the peer group.

As noted above, under this plan, Rodamco Europe N.V. grants the management board and other senior staff rights to its own equity instruments in return for their services and subsequently this plan qualifies as an equity settled share-based plan. As a consequence, these financial statements are affected by the recognition of the employee benefits expenses for a total amount of €1. These expenses are based on the fair value of the services received in exchange for the right to receive a number of shares. The basis of determination of the fair value of the goods or services received, or the fair value of the equity instruments granted, is a valuation model that is developed in assistance of a professional actuarial services firm.

The inputs used in this model are: date of award and performance period, share price and volatility thereof, dividend yield, risk-free interest rate and the correlation coefficient (see also note 25 Employee benefits).

The total amount to be expensed over the vesting period is determined by reference to the fair value of the right to receive the performance shares.

31 REMUNERATION MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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 €3 (2005: €2) and is specified as follows:

(in € thousands)	Base salary 1)		Other periodic compensation 2)		Total periodic compensation	
	2006	2005	2006	2005	2006	2005
M.J. Hulshoff	435	397	19	22	454	419
J.A. Bomhoff	291	267	28	29	319	296
K.W. Ledeboer	291	273	28	31	319	304
P.M. van Rossum 3)	212	-	16	-	228	-
J.A. de Die	-	182	-	18	-	200
	1,229	1,119	91	100	1,320	1,219

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.
3) As from April 1, 2006.

(in € thousands)	Total periodic compensation		Performance related bonus 4)		Other 8)		Pension 7)		Total remuneration	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
M.J. Hulshoff	454	419	186	158	211	-	146	135	997	712
J.A. Bomhoff	319	296	98	83	98	-	92	85	608	464
K.W. Ledeboer	319	304	96	88	98	-	77	79	590	471
P.M. van Rossum 3)	228	-	-	-	299	-	49	-	576	-
J.A. de Die 5)/6)	-	200	-	64	-	50	-	30	-	344
	1,320	1,219	380	393	706	50	365	329	2,771	1,991

4) (Short-term) performance-related bonus is related to previous year performance.
5) Resigned August 31, 2005.
6) J.A. de Die received €50 bonus for his performance in 2005.
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 2006.
8) These amounts include the economic cost recognized in 2006 associated with the 'at target' grant of conditional shares under the Performance Share Plan (PSP). Upon commencement of employment P.M. van Rossum received cash compensation of €225 for the lost rights on shares and option schemes at his previous employment.

Management board members also participate in the Group's share option program (see note 30).

Supervisory board

The total remuneration of the supervisory board members amounts to €313 (2005: €229) and is specified below. As of 2006, each member of the supervisory board receives €35 per year. The remuneration for the Chairman and each member of the supervisory board is set at €45 and €35, respectively, per year. In addition, for each committee membership, a committee member receives €4.5 and the chairman of a committee €6. Reimbursement of expenses amounts to €1.8 and €2.4 for the chairman.

(in € thousands)	2006	2005
R.F.W. van Oordt	55	40
F.J.G.M. Cremers	44	30
K.T. Dornbush	40	30
R. ter Haar	44	30
B.R. Okkens	45	30
A.P. Timmermans [1]	-	9
J.W.B. Westerburgen [2]	44	30
H.B. van Wijk	41	30
	313	229

1) Resigned April 19, 2005.
2) J.W.B. Westerburgen privately owns 1,272 shares in Rodamco Europe.

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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).

32 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.

Critical accounting estimates and assumptions

Accounting estimates and assumptions discussed in this section are considered to be the most critical to an 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 (f) 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:

(a) 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.

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

The principle 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.

(c) 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.

(d) Provisions

The Group has entered into an 'earn-out' agreement in connection with the Aupark acquisition (see also note 26). 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.

33 POST-BALANCE SHEET EVENTS

In line with the Group's policy to divest non-core investments and increase its focus on high quality retail, primarily dominant shopping centers in key European cities, the Group announced the following transactions:

- the divestment of an office building in Rotterdam, the Netherlands, also known as Robeco huis, to KanAm Grundinvest. The sale will take place for an amount of approximately €75 and will result in a disposal profit of approximately €5;
- the divestment of 'Zeilgalerie' shopping center in Frankfurt, Germany to Signature Capital, an Irish based real estate company, for an amount of €42 will result in a disposal profit of approximately €8;
- the acquisition of six office buildings in shopping center Leidsenhage in Leidschendam, the Netherlands, from IEF Capital for an amount of approximately €24. Rodamco Europe has the intention to convert the offices into retail units in future time.

34 CHANGES IN THE COMPOSITION OF THE GROUP

In early 2006, Rodamco completed the formal purchase of a 50% stake in the Aupark shopping and entertainment center. Aupark is the largest and most successful regional shopping center in Bratislava, the capital of the Slovak Republic. The acquisition was announced on December 14, 2005 and was subject to approval of the Slovak Antimonopoly Office. Formal approval was received in the second quarter of 2006.

PROFIT AND LOSS ACCOUNT RODAMCO EUROPE N.V. FOR THE YEAR 2006

(in € millions)	Note	2006	2005
Corporate profit after tax		(7)	(1)
Result of subsidiaries after tax	3	1,532	1,283
NET PROFIT AFTER TAX		1,525	1,282

BALANCE SHEET RODAMCO EUROPE N.V. AS AT DECEMBER 31, 2006

(BEFORE PROFIT APPROPRIATION)

(in € millions)	Note	2006	2005
Investments in Group companies		6,782	5,470
Investments	3	**6,782**	**5,470**
Trade and other receivables		2	-
Receivables		**2**	**-**
Cash at banks		9	6
Other assets	4	**9**	**6**
TOTAL ASSETS		6,793	5,476
Share capital		717	717
Share premium		2,956	2,956
Legal/revaluation reserves		2,889	1,735
Other reserves		3	(2)
Retained earnings		(1,603)	(1,416)
Profit for the year		1,525	1,282
Shareholders' equity	6	**6,487**	**5,272**
Interest-bearing loans and borrowings		100	-
Long-term liabilities		**100**	**-**
Bank overdrafts		12	5
Interest-bearing loans and borrowings		35	-
Intercompany loans		159	199
Short-term liabilities	5	**206**	**204**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,793	5,476

NOTES TO THE 2006 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, 2006.

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.

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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)	2006	2005
Balance previous year-end	5,470	4,404
IFRS Adjustments [1]	-	(18)
Balance January 1	5,470	4,386
Result of subsidiaries	1,532	1,283
Dividends from subsidiaries	-	(400)
Subsidiary acquisition [2]	-	204
Subsidiary disposal [2]	(225)	-
Other	5	(3)
BALANCE AT DECEMBER 31	**6,782**	**5,470**

1) As a result of adopting IAS 32/39 – derivative financial instruments.
2) As a result of an internal legal restructuring.

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, 2006.

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	Legal reserves Revaluation	Legal reserves Currency translation	Other reserves	Unappropriated net result for the year	Total
Opening balance at January 1, 2005	717	2,956	374	3	(141)	388	4,297
Change in accounting principles (IAS 32/39)	-	-	-	-	(18)	-	(18)
Change in accounting principles Dutch Civil Code [1)]	-	-	442	-	(442)	-	-
Restated balance at January 1, 2005	717	2,956	816	3	(601)	388	4,279
Final dividend 2004	-	-	-	-	(170)	-	(170)
Appropriation of net result 2004	-	-	95	-	293	(388)	-
Net result 2005	-	-	-	-	-	1,282	1,282
Interim dividend 2005	-	-	-	-	(112)	-	(112)
Currency translation result	-	-	-	(5)	-	-	(5)
Other movement	-	-	-	-	(2)	-	(2)
Movement revaluation reserve	-	-	824	-	(824)	-	-
BALANCE AT DECEMBER 31, 2005	**717**	**2,956**	**1,735**	**(2)**	**(1,416)**	**1,282**	**5,272**
Opening balance at January 1, 2006	717	2,956	1,735	(2)	(1,416)	1,282	5,272
Final dividend 2005	-	-	-	-	(195)	-	(195)
Appropriation of net result 2005	-	-	-	-	1,282	(1,282)	-
Net result 2006	-	-	-	-	-	1,525	1,525
Interim dividend 2006	-	-	-	-	(122)	-	(122)
Currency translation result	-	-	-	5	-	-	5
Value employee services	-	-	-	-	1	-	1
Movement revaluation reserve	-	-	1,154	-	(1,154)	-	-
Other movements	-	-	-	-	1	-	1
BALANCE AT DECEMBER 31, 2006	**717**	**2,956**	**2,889**	**3**	**(1,603)**	**1,525**	**6,487**

1) As of January 1, 2005 the applicable legal regulations concerning realization and maintaining legal and revaluation reserves have been changed. As a result of this change in the Dutch Civil Code and the relating accounting principles, the composition of the shareholders' equity has been changed. This has led to negative other reserves per year-end 2005. For dividend distribution however, the total of other reserves, profit for the year and share premium reserve is available.

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, 2006, equal to December 31, 2005. 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.

Legal reserves

Legal reserves in the company balance sheet are reserves to be maintained by local legislation and comprise revaluation reserve and currency translation reserve. The amounts recognized by these reserves, totalling €2,892, are not freely distributable. A legal reserve is a restricted reserve under Dutch Civil Code. A brief description of the legal 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 30 of the consolidated accounts for details.

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

Please refer to note 30 of the consolidated accounts for details.

9 EMPLOYEES

During 2006, the legal entity employed an average of 1 employee located in the Netherlands.

10 REMUNERATION MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Please refer to note 31 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.

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 2006 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 30 of the consolidated financial statements.

Decree Article 10 Takeover Directive

Information based on Article 1 of the Decree Article 10 Takeover Directive guidelines:

a. the Company's capital structure is described in this annual report on page 123;

b. the Company has no restrictions on share transfers;

c. shareholdings in the Company with a reporting requirement according to Article 5:38 and Article 5:43 of the Financial Market Supervision Act:

i.	Stichting pensioenfonds PGGM:	24.50%
ii.	Stichting pensioenfonds ABP:	11.58%
iii.	AEGON N.V.:	5.59%

d. there are no special control rights linked to shares in the Company;

e. the control mechanism on regulations which allocate rights to employees to take or acquire shares in the Company's capital are described extensively in the remuneration report on page 85 of this annual report and can also be reviewed on our website, www.rodamco.com, corporate governance, remuneration;

f. the Company has no restrictions on voting rights;

g. the Company has no knowledge of agreements by shareholders that could give rise to restrictions on the transfer of shares or to restriction of voting rights;

h. the provisions relating to appointment and dismissal of management board and supervisory board members and changes to the statutes are described in the Corporate Governance section on page 80;

i. the management board is authorized, with approval from the supervisory board, to issue and repurchase shares in the Company; these, and all other powers, are described comprehensively in the statutes and regulations of the management board that can be found on www.rodamco.com, corporate governance;

j. at the time of writing, there is one agreement as meant by Article 1, sub j of the Decree Article 10 Takeover Directive: the holders of securities issued on April 21, 2006 through the Company's Guaranteed Euro Medium-Term Note Program, have the right to demand early repayment if a third party acquires 50% or more of the shares or 50% or more of the voting rights in the Company (change of control) and such a change in control results in a reduction of the external rating as described on page 2 of the Supplementary Offering Circular of April 6, 2006 which can be reviewed on our website, www.rodamco.com;

k. any agreement between the Company and management board members which provides for a severance payment following termination of employment as a result of a public offer are described in the remuneration report on page 83 of this annual report.

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, 2006, the members of the management board together held 17,812 Rodamco Europe shares.

13 OTHER INFORMATION

Post balance sheet events

See note 33 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 total expense ratio for 2006 is: 2.59% (2005: 3.04%).

The net asset value per share is as follows:

	2006	2005	2004
Net asset value (€ million)	6,487	5,272	4,297
Shares outstanding	89,639,292	89,639,292	89,639,292
Net asset value per share (€)	72.37	58.81	47.94

Rotterdam, March 16, 2007

Supervisory board:

Robert F.W. van Oordt, chairman

Frans J.G.M. Cremers

K. Terry Dornbush

Rob ter Haar

Bart R. Okkens

Jos W.B. Westerburgen

Henk B. van Wijk

Management board:

Maarten J. Hulshoff, CEO

Joost A. Bomhoff

K. Willem Ledeboer

Peter M. van Rossum

OTHER INFORMATION

Rodamco Europe N.V. is a public limited 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 license 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 a 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 2006, the management board, in agreement with the supervisory board, proposes the payment of a final cash dividend of €2.34 per share. This in addition to the interim dividend of €1.37 per share, which was paid out on October 13, 2006 and representing a total cash dividend for 2006 of €3.71 per share. The total amount of the dividend, based on the outstanding number of shares (89,639,292) will be €333. It is proposed to add that part of the 2006 net result, which is not distributed, being €1,192 to the retained earnings.
Should this proposal be accepted, the final dividend will be payable from May 8, 2007. The shares of Rodamco Europe N.V. will be quoted ex-(final) dividend on May 2, 2007. 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 General Meeting of Shareholders of Rodamco Europe N.V.

Report on the financial statements

We have audited the accompanying financial statements 2006 of Rodamco Europe N.V., Rotterdam as set out on pages 92 to 145. 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, 2006, the consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows under the indirect method for the year then ended, and the notes to the 2006 consolidated financial statements. The company financial statements comprise the company balance sheet as at December 31, 2006, the company profit and loss account for the year then ended and the notes to the 2006 company financial statements.

The management board'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, the Act on the Supervision of Collective Investment Schemes (Wet toezicht beleggingsinstellingen), and for the preparation of the management board reporting 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, 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, 2006, 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 and with the Act on the Supervision of Collective Investment Schemes.

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, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and with the Act on the Supervision of Collective Investment Schemes.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the annual report as set out on pages 4 to 88 is consistent with the financial statements as set out on pages 92 to 145 as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, March 16, 2007
PricewaterhouseCoopers Accountants N.V.

J. ten Kate RA

Location	Property	Gross lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)

RETAIL

NETHERLANDS/BELGIUM

Location	Property	Gross lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)
Alkmaar	Laat 143, 147 and 185	11,900	-	-	1,077
Alkmaar	Langestraat 19, 48 and 103	1,000	-	-	356
Alkmaar	Geert Groteplein	5,100	-	-	503
Alkmaar	Ringers Complex	29,000	-	180	2,082
Alkmaar	Shopping Center De Hoef	6,700	-	-	805
Almere	Shopping Center Stadshart Almere	74,000	-	6,360	16,019
Almere	Shopping Center Zoetelaarpassage	4,900	-	-	998
Almere Buiten	Shopping Center Buitenmere	9,700	-	-	1,760
Alphen aan den Rijn	Van Boetzelaerstraat 10-12-14	2,200	-	-	526
Amersfoort	Shopping Center St. Jorisplein	21,600	-	450	7,164
Amstelveen	Winkels Buitenplein Stadshart	50,600	-	1,600	19,560
Amsterdam	Kalverstraat 21, 93-101, 100-106, 121-123, 126, 154, 166, 172 and 198	4,900	-	-	1,690
Amsterdam	Shopping Center Boven 't IJ	5,200	-	-	1,891
Arnhem	Vijzelstraat 26-27	2,300	-	-	517
Barendrecht	Shopping Center Carnisse Veste	15,900	-	500	3,613
Barendrecht	Woonboulevard Rijerwaard	17,300	-	-	1,679
Bergen op Zoom	De Parade	9,000	-	-	1,952
Beverwijk	Shopping Center Beverhof	10,400	-	-	1,801
Breda	Molsterrein	-	-	380	1,363
Capelle aan den IJssel	Shopping Center De Koperwiek	8,600	-	-	2,629
Castricum	Geesterduin 27-29	2,400	-	-	395
Deventer	Brink 100	7,700	-	-	749
Deventer	Shopping Center Colmschate	11,300	-	-	2,101
Dordrecht	Bagijnhof 46, 52-54	2,800	-	-	389
Dordrecht	Voorstraat 292-294-296	1,900	-	182	523
Eindhoven	Rechtestraat 22, 28 and 54	3,300	-	-	639
Eindhoven	Shopping Center Piazza	30,800	-	1,830	7,085
Eindhoven	Shopping Center Woensel	10,000	-	-	3,592
Emmen	Shopping Center De Weiert	9,300	-	-	1,804
Enschede	Raadhuisstraat 2, 4 and Van Loenshof 1, 5, 6, 10, 11, 12, 14 and 15	3,800	-	-	570
Ermelo	Shopping Center De Enk	2,500	-	-	519
Goes	Lange Kerkstraat 18, 19, 20, 33 and 46	1,000	-	-	356
Gouda	Kleiweg 19-21, 25, 33 and 49-51	900	-	-	377

1) Gross letting area includes space owned by third parties.
2) Theoretical gross annual rent of space owned by third parties is excluded.

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Location	Property	Gross lettable area (in m^2) [1)]	Third-party owned gross lettable area (in m^2)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) [2)]
Gouda	Shopping Center Nieuwe Marktpassage	6,600	-	459	3,011
's-Gravenhage	Shopping Center Leijenburg	5,800	-	-	998
's-Gravenhage	Shopping Center Royaardsplein	5,400	-	40	650
's-Gravenhage	Wagenhoek Gebouw	9,200	-	149	2,183
's-Gravenzande	Shopping Center Koningswerf	3,100	-	-	640
Groningen	Ciboga Gebouw	5,100	-	-	878
Groningen	Grote Markt 3, 7 and 8	4,400	-	-	896
Groningen	Guldenstraat 4a+b, 40-44, Vismarkt 7 and Zwanestraat	1,700	-	-	328
Groningen	Herestraat 2, 15-17, 39, 45-47, 52b and 53	3,500	-	-	1,445
Groningen	Shopping Center De Wijert	4,300	-	-	646
Groningen	Shopping Center Helperplein	4,800	-	-	834
Groningen	Shopping Center Lewenborg	7,600	-	-	1,073
Haarlem	Shopping Center Schalkwijk	2,800	-	-	1,023
Harderwijk	Shopping Center De Stadsdennen	4,100	-	-	485
Hendrik Ido Ambacht	Shopping Center De Schoof	9,600	-	15	1,919
Hengelo	Shopping Center Hasselo	10,300	-	-	1,859
's-Hertogenbosch	De Helftheuvel Passage	4,600	-	-	829
's-Hertogenbosch	Hoogesteenweg 17 and 25	1,800	-	-	360
's-Hertogenbosch	Shopping Center De Bossche Boulevard	51,400	-	-	3,585
Hilversum	Kerkstraat 43-45, 47-51, 51-53 and 76	12,200	-	72	1,856
Hilversum	Shopping Center Seinhorst	6,200	-	205	1,132
Hoofddorp	Dik Tromplein 2, 8 and Marktplein 86-92	6,900	-	-	782
Hoofddorp	Shopping Center De Vier Meren	26,800	-	1,000	6,654
Hoogeveen	Schutstraat 65	2,600	-	-	355
Hoogezand	Shopping Center De Hoge Meren	10,300	-	-	1,676
Hoorn	Grote Noord 45, 60, 68, 70, 73, 77, 111, 138 and 140	6,000	-	-	1,023
Huizen	Centrum Huizen	13,700	-	342	2,573
Leeuwarden	Nieuwestad 156, 160a+b, 162-164	1,900	-	-	462
Leidschendam	Shopping Center Leidsenhage	55,000	34,800	1,064	6,003
Lelystad	Shopping Center Kroonpassage	6,500	-	75	1,238
Maassluis	Shopping Center Koningshoek	15,400	-	-	2,549
Maastricht	Grote Staat 42, 50, 54, Kleine Staat 6 and 15	2,900	-	-	797
Middelburg	Lange Delft 4-31 and 103	4,600	-	-	575
Nijmegen	Broerstraat 52-52a	1,600	-	-	348
Nijmegen	Burchtstraat 3, 9 and 49	2,700	-	-	389
Nijmegen	Shopping Center Dukenburg	2,300	-	-	418
Oldenzaal	Shopping Center In den Vijfhoek	7,800	-	-	1,381
Oosterhout	Shopping Center Arendshof	18,400	9,300	561	2,861
Purmerend	Shopping Center Willem Eggert	19,600	-	375	4,862
Rijswijk	Shopping Center In de Bogaard	12,000	-	-	2,030
Roermond	Munsterplein 9	8,000	-	-	678

1) Gross letting area includes space owned by third parties.
2) Theoretical gross annual rent of space owned by third parties is excluded.

Location	Property	Gross lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)
Roosendaal	Shopping Center Roselaar	28,000	16,100	-	3,158
Rotterdam	Korte Lijnbaan 3, 4, 5, 7, 10, 12, 13, 14, 16, 17-19, Lijnbaan 55, 57, 59, 60, 61, 65, 71, 72-74, 76-78, 85-91, 90, 98, 102, 102, and 108	13,900	-	-	5,050
Rotterdam	Hoogstraat 177-177a-179-179a	4,900	-	-	677
Rotterdam	Beursplein 8	1,600	-	-	847
Rotterdam	Coolsingel 2	1,600	-	-	409
Rotterdam	Karel Doormanstraat 284, 286, 290, 294, 300, 320-328 and 449-461	2,700	-	-	599
Rotterdam	Shopping Center Plaza	3,800	-	-	878
Rotterdam	Woonmall Alexandrium III	4,500	-	-	527
Schiedam	Shopping Center Spaland	3,900	-	-	764
Soest	Shopping Center Soest Zuidpromenade	4,600	-	-	749
Stadskanaal	Shopping Center De Oude Markt Passage	6,600	-	-	708
Utrecht	Bakkerstraat 15, 17-19, 27-29	700	-	-	261
Utrecht	Lange Elisabethstraat 4, 8-8a and 17-19	400	-	-	344
Utrecht	Shopping Center Overvecht	9,200	-	-	1,790
Venlo	Vleesstraat 11-13-15-17-34-69, 78, 82 and 86	8,000	-	-	1,294
Vlaardingen	Liesveld 10-13-17-23	1,700	-	-	423
Vlissingen	Gildeweg 6	6,100	-	-	890
Vught	Moleneindplein 100-116	2,700	-	-	493
Waalwijk	Shopping Center De Els	1,200	-	-	444
Weert	Shopping Center De Munt	4,900	-	-	772
Winschoten	Shopping Center 't Rond	4,100	-	-	515
Zoetermeer	Shopping Center Rokkeveen	7,800	-	20	1,664
Zoetermeer	Stadshart & Spazio	68,700	15,000	3,210	12,212
Zoetermeer	Woonhart	22,500	-	248	2,233
Zwijndrecht	Shopping Center Walburg	15,100	-	-	2,666
Zwolle	Diezerstraat 1-12-14-16-32	1,300	-	-	517
Zwolle	Shopping Center AA-Landen	9,800	-	-	1,539
Aalst	Nieuwstraat 29-35	6,500	-	99	826
Antwerp	Meir 35	1,000	-	-	465
Brussels	Nieuwstraat 56-62	300	-	-	347
Brussels	Nieuwstraat 80	2,000	-	-	725
Ghent	Veldstraat 31-37	1,000	-	-	619
Ghent	Veldstraat 56-58	1,600	-	-	448
Ghent	Veldstraat 70	400	-	-	290
Total Retail < €5 mln		63,400	-	130	12,875
TOTAL RETAIL IN NETHERLANDS/BELGIUM		1,084,000	75,200	19,546	210,386

Location	Property	Gross lettable area (in m^2) [1)]	Third-party owned gross lettable area (in m^2)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) [2)]
NORDIC COUNTRIES					
Copenhagen	Fisketorvet	57,100	-	2,000	20,599
Greater Stockholm	Arninge Centrum	20,000	-	500	3,631
Greater Stockholm	Bålsta Centrum	13,800	-	250	2,720
Greater Stockholm	Eurostop Arlandastad	40,300	-	1,580	6,751
Greater Stockholm	Forum Nacka	40,600	-	850	12,056
Greater Stockholm	Haninge Centrum	40,000	-	850	9,389
Greater Stockholm	Solna Centrum	78,300	-	1,150	22,059
Greater Stockholm	Täby Centrum	79,100	-	2,400	26,033
Halmstad	Eurostop Halmstad	30,300	9,900	1,500	2,880
Helsingborg	Helsingborg	8,200	-	-	1,213
Jönköping	Eurostop Jönköping	12,500	-	450	1,051
Lund	Nova Lund	26,000	-	1,300	6,161
Örebro	Eurostop Örebro	14,500	-	800	1,466
Tyresö	Tyresö Centrum	35,800	-	855	6,731
Väsby	Väsby Centrum	37,000	-	700	7,553
Helsinki	Jumbo	85,000	56,500	4,600	8,783
TOTAL RETAIL IN NORDIC COUNTRIES [3)]		618,500	66,400	19,785	139,076
FRANCE					
Lille	Center Commercial 'Villeneuve 2'	54,000	21,300	3,300	11,812
Lyon	Center Commercial 'La Part Dieu'	110,000	45,300	4,200	28,200
Paris	Center Commercial 'Bobigny 2'	27,100	20,600	1,100	1,222
Paris	Center Commercial 'Parly 2'	107,000	61,200	5,050	18,986
Paris	Center Commercial 'Les Ulis 2'	47,000	27,400	3,200	4,177
Paris	Center Commercial 'Vélizy 2'	98,000	73,500	7,200	12,515
Paris	Rue du Faubourg St. Honoré 17/21	4,400	-	-	4,329
Paris	Plaisir	5,000	-	120	557
Rouen	Center Commercial 'Saint Sever'	50,000	14,700	1,800	9,168
Argenteuil	Côté Seine	29,000	14,400	1,350	5,501
Châlons En Champagne	Croix Dampierre	26,000	14,800	2,200	2,382
TOTAL RETAIL IN FRANCE		557,500	293,200	29,520	98,849

1) Gross letting area includes space owned by third parties.
2) Theoretical gross annual rent of space owned by third parties is excluded.
3) Including offices in Sweden.

Location	Property	Gross lettable area (in m^2) [1)]	Third-party owned gross lettable area (in m^2)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) [2)]
SPAIN					
Barcelona	Barnasud	43,600	13,200	2,500	5,109
Barcelona	Les Glòries	56,300	25,600	3,200	10,382
Cádiz	Bahía Sur	59,000	32,200	3,350	5,758
Madrid	Equinoccio	36,800	1,600	1,500	5,139
Madrid	Parquesur	151,200	75,000	5,800	17,982
Madrid	La Vaguada 'Madrid 2'	85,500	64,200	3,600	12,486
San Sebastian	Garbera	36,000	12,900	3,000	5,464
Seville	Los Arcos	43,400	27,400	1,800	4,784
Seville	Dos Hermanas FOC	16,500	-	1,200	2,504
Valladolid	Vallsur	31,300	-	3,500	6,855
Valencia	Bonaire	135,000	87,000	5,700	11,603
Albacete	Albacenter	25,300	13,600	1,200	1,908
TOTAL RETAIL IN SPAIN		719,900	352,700	36,350	89,974
CENTRAL EUROPE					
Bratislava	Aupark (50% ownership)	43,400	-	2,215	5,293
Budapest	Europark	25,000	-	950	3,164
Budapest	Árkád Örs Vezér Tér (33% ownership)	45,000	-	1,350	3,893
Prague	Centrum Černý Most	53,000	-	2,500	7,050
Prague	Centrum Chodov	55,000	-	2,600	14,718
Warsaw	Galeria Mokotów (50% ownership)	62,000	-	2,600	9,610
Vienna	Donauzentrum	112,000	-	2,750	26,860
Berlin	Ring-Center 1 (66.7% ownership)	20,200	-	-	4,815
Cottbus	TKC, Gerhard Hauptmanstr. 15	24,000	-	800	2,689
Frankfurt	Zeilgalerie	12,600	-	-	3,341
Magdeburg	Allee-Center (50% ownership)	51,400	-	1,250	7,527
TOTAL RETAIL IN CENTRAL EUROPE		503,600	-	17,015	88,960

Location	Property	Gross lettable area (in m^2) 1)	Third-party owned gross lettable area (in m^2)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)
OFFICES					
NETHERLANDS					
Amsterdam	Locatellikade 1	7,000	-	-	1,593
Amsterdam	Oostelijke Handelskade	14,600	-	240	4,290
Delft	Delft Kalfjeslaan	4,200	-	-	591
's-Gravenhage	Aegonplein 1-50	40,500	-	532	7,292
Groningen	Oude Boteringestraat 18	7,300	-	-	833
Haarlem	Schonenvaert	15,600	-	200	2,670
Rotterdam	Coolsingel 6	9,200	-	28	1,147
Rotterdam	Coolsingel 120	19,000	-	185	4,233
Rotterdam	Hofplein 33	3,500	-	-	579
Rotterdam	Weena 580-618 (Plaza)	29,600	-	487	6,857
Zoetermeer	Stadshart & Spazio Offices	15,700	-	-	2,254
Total Offices < €5 mln		13,000	-	-	1,039
TOTAL OFFICES IN NETHERLANDS/BELGIUM		179,200	-	1,672	33,378
FRANCE					
Lyon	Tour du Crédit Lyonnais	25,000	12,000	120	1,520
TOTAL OFFICES IN FRANCE		25,000	12,000	120	1,520
CENTRAL EUROPE					
Total Offices < €5 mln		14,200	-	60	2,733
TOTAL OFFICES IN CENTRAL EUROPE		14,200	-	60	2,733

1) Gross lettable area includes space owned by third parties.
2) Theoretical gross rental income of space owned by third parties is excluded.

Location	Property	Gross lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)

INDUSTRIALS/OTHER

Location	Property	Gross lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)
SPAIN					
Barcelona	Mas Blau RAL	17,100	-	-	1,293
Madrid	RAL Alcala Garena	51,500	-	-	3,201
Madrid	Getafe CLA	33,100	-	-	1,903
Madrid	Miralcampo II	37,000	-	-	1,475
TOTAL INDUSTRIALS/OTHER IN SPAIN		138,700	-	-	7,872

Location	Property	Gross lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income 12/31/06 (€ 000) 2)	Rodamco Europe area
NETHERLANDS/BELGIUM	Retail	1,084,000	75,200	19,546	210,386	1,008,800
	Offices	179,200	-	1,672	33,378	179,200
	TOTAL	1,263,200	75,200	21,218	243,764	1,188,000
NORDIC COUNTRIES	Retail 3)	618,500	66,400	19,785	139,076	552,100
	TOTAL	618,500	66,400	19,785	139,076	552,100
FRANCE	Retail	557,500	293,200	29,520	98,849	264,300
	Offices	25,000	12,000	120	1,520	13,000
	TOTAL	582,500	305,200	29,640	100,369	277,300
SPAIN	Retail	719,900	352,700	36,350	89,974	367,200
	Industrials/Other	138,700	-	-	7,872	138,700
	TOTAL	858,600	352,700	36,350	97,846	505,900
CENTRAL EUROPE	Retail	503,600	-	17,015	88,960	503,600
	Offices	14,200	-	60	2,733	14,200
	TOTAL	517,800	-	17,075	91,693	517,800
TOTAL RODAMCO EUROPE	Retail	3,483,500	787,500	122,216	627,245	2,696,000
	Offices	218,400	12,000	1,852	37,631	206,400
	Industrials/Other	138,700	-	-	7,872	138,700
	TOTAL	3,840,600	799,500	124,068	672,748	3,041,100

1) Gross letting area includes space owned by third parties.
2) Theoretical gross annual rent of space owned by third parties is excluded.
3) Including offices in Sweden.

Location	Property	Gross Lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income at completion (€ mln) 2)
RETAIL					
NETHERLANDS/BELGIUM					
Almere	Stadshart	8,000	-	-	6.3
Almere	Almere Buiten phase 5	8,300	-	126	2.2
Bergen op Zoom	Parade	6,800	-	-	1.0
Groningen	Lewenborg	1,000	-	-	0.3
Breda	Molsterrein	20,000	-	869	6.9
Capelle a/d IJssel	WC Koperwiek extension	6,250	-	-	1.5
Rotterdam	Markthal	8,200	-	-	2.0
TOTAL RETAIL IN NETHERLANDS/BELGIUM		58,550	-	995	20.2
FRANCE					
Lyon	Tour Oxygène shopping center	8,300	-	442	2.1
Paris	Parly 2	26,600	5,500	400	8.7
TOTAL RETAIL IN FRANCE		34,900	5,500	842	10.8
NORDIC COUNTRIES					
Stockholm	Forum Nacka	21,700	-	820	10.4
Tyresö	Tyresö	7,300	-	220	1.9
Örebro	Eurostop Örebro	6,600	-	-	1.2
TOTAL RETAIL IN NORDIC COUNTRIES		35,600	-	1,040	13.5
SPAIN					
Badajoz	Badajoz	33,000	-	2,600	5.8
TOTAL RETAIL IN SPAIN		33,000	-	2,600	5.8
CENTRAL EUROPE					
Bratislava	Aupark (50% ownership)	14,600	-	-	1.7
Moscow	Metropolis (50% ownership)	80,700	-	3,000	20.6
Prague	Pankrác (75% ownership)	39,800	-	1,000	5.9
Prague	Pankrác Ext. (75% ownership)	9,500	-	-	1.1
Vienna	DZ Fitness Klepp	6,300	-	-	0.3
Warsaw	Złote Tarasy (50% ownership)	87,300	-	1,600	16.0
TOTAL RETAIL IN CENTRAL EUROPE		238,200	-	5,600	45.6

COMMITTED PIPELINE PROJECTS

Location	Property	Gross Lettable area (in m²) 1)	Third-party owned gross lettable area (in m²)	Parking places	Theoretical gross rental income at completion (€ mln) 2)
OFFICES					
NETHERLANDS/BELGIUM					
Hoofddorp	Melis Spaansweg 178	3,600	-	-	0.4
TOTAL OFFICES IN THE NETHERLANDS/BELGIUM		3,600	-	-	0.4
FRANCE					
Lyon	Tour Oxygène Offices	27,400	-	50	7.1
Paris	Avenue Hoche	3,000	-	22	2.0
TOTAL OFFICES IN FRANCE		30,400	-	72	9.1
INDUSTRIALS/OTHER					
SPAIN					
Madrid	Ral Leganes	35,000	-	561	2.3
TOTAL INDUSTRIALS/OTHER IN SPAIN		35,000	-	561	2.3

1) Gross letting area includes space owned by third parties.
2) Theoretical gross annual rent of space owned by third parties is excluded.

GLOSSARY

Average interest maturity: The weighted average maturity of fixed and floating rate debt until renewal or redemption.

Capital Expenditures: Expenditures are capitalized on a property asset when it is probable that the future economic benefits associated with these expenditures will flow to the Group.

Deferred capital gain tax: Capital gains tax that would be realized on the sale of assets on a non-discounted basis.

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

Dividend yield: Paid interim dividend plus proposed final dividend in relation to the share price at period end.

EBITDA: Net rental income minus administrative expenses, plus net result of other income and expenses and plus other operating leases.

Estimated Rental Value (ERV): The estimated market rent for which a rental space could be leased between a willing lessor and a willing lessee at a certain date under no limiting conditions. Each of Rodamco Europe's individual units has an ERV determined by an external appraiser.

FFO/Total debt: Funds from Operations as a percentage of total carrying amount of external debt at year end.

Fixed rate debt: Consists of all external financing at carrying amount with a remaining interest period of more than one year at a fixed rate, taking into account the effect of interest rate derivatives.

Floating rate debt: Consists of all external financing at carrying amount with a remaining interest period of less than one year (including all debt at a fixed rate and floating rate), taking into account the effect of interest rate derivatives.

Funds From Operations: Cash flow from operations adjusted for operational leases plus working capital cash flow changes.

Gross initial yield: Estimated first year's annual gross rental income expressed as a % of gross open market value (market value including transfer costs).

Gross market value: Market value including transfer costs.

Gross Rental Income: The minimal guaranteed rent for the period for let units (excluding vacant units) including turnover rent and other rental income, after taking into account the net effect of straight lining for net lease incentives.

Indirect result: Indirect result is defined as the total sum of the revaluation result on investment properties, renovation projects and pipeline projects, plus the result on disposal of property assets, plus or minus the fair value result derivative financial instruments, minus the deferred income tax expenses minus the income tax expenses related the indirect result minus minority interest.

Interest cover: EBITDA divided by total interest expenses.

Lease incentives: Any financial stimuli related to the income inciting a tenant to agree to a proposed lease contract.

Like-for-like growth: Like-for-like growth compares the income growth of the part of the portfolio which has been consistently in operation during the full two periods under review (so called stabilized portfolio).

Loan-to-value: Total carrying amount debt, including bank overdrafts, operating leases and post-retirement benefit obligations, expressed as a percentage of property assets adjusted for deferred tax.

Loss of rent in % of Theoretical Gross Rental Income: Total amount of rent not received due to vacancy, lease incentives and impairments for doubtful debtors expressed as a % of theoretical gross rental income.

Market value of investment property: 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 each act knowledgeably, prudently and without compulsion. This value is excluding transfer costs.
Market value is also referred to as Net Market Value.

Minimum guaranteed rent: Contractual rental income as agreed between tenant and landlord, which is not dependant on the tenant's turnover. The minimum guaranteed rent does not include service charges.

Net asset value per share: Shareholders' equity divided by the number of shares outstanding at the end of the period under review.

Net initial yield: The estimated first year annual net rental income expressed as a % of gross open market value (market value including transfer costs).

Net Rental Income: Gross rental income including service charge income and minus property operating expenses and service charges expenses.

NNNAV: The net asset value corrected for fair value adjustments of equity elements which are not reported at fair value under IFRS. The following elements are corrected for fair value: pipeline projects, deferred tax, bonds, interest bearing loans and borrowings.

Non-recoverable service charges: Shopping center service charge expenses are proportionally distributed to all rental units as defined in the lease agreement. Non-recoverable service charges are the result of vacant units and are covered by the landlord.

Occupancy: The total annualized minimum guaranteed rent of currently occupied units at measurement date expressed as a percentage of the total annualized theoretical rental income. Vacant units for which a lease contract has been signed with a lease commencement date within 12 month of the reporting date are considered occupied. This ratio provides a spot (forward looking) measurement, rather than an average rate over the past reporting period (financial measurement).

Occupancy cost ratio: Total gross rent including service charges (excluding VAT) as a percentage of total tenant turnover (including VAT)

Operational Margin: Net Rental Income minus Administrative Expenses as a percentage of Theoretical Gross Rental Income. The operational margin measures the operating efficiency of an organizational unit relative to its theoretical maximum.

Pipeline: Properties that are being (or will be) constructed or developed for future use as an investment property.

- **Committed pipeline:** Stand-alone projects and/or extension projects with a commitment, construction has started or will start in the near future.
- **Uncommitted pipeline:** Stand-alone projects and/or extension projects, internally initiated and/or approved, but not yet externally committed.
- **Under consideration:** Other projects being pursued in various stages.

Pre-let: A lease signed with a tenant prior to the completion of a pipeline project. Heads of Terms contracts are included for countries were these contracts are binding.

Price/earnings ratio: The share price at year end divided by earnings per share.

Property operating expenses: All expenses directly related to rental income and including costs such as day-to-day property management, property tax, maintenance, insurance premiums, valuation fees, etc., which are for the account of the property owner.

Property revaluation: The indirect result achieved due to increase or decrease in the market value of an investment property.
The value of a property can fluctuate as a result of changes in return requirements for such an investment property, state of maintenance and anticipated changes in future generated cash flow
(e.g. rent adjustments, occupancy).

Renovation projects: Existing properties that are being refurbished or renovated for future use as an investment property.

Return on shareholders' equity: Capital growth and net profit for the year expressed as a percentage of shareholders' equity at the beginning of the year.

Sales based rent: Rent paid to a landlord (in addition to minimum guaranteed rent) if a tenant's turnover figures over a 12 month period exceed a certain amount.

Theoretical Gross Rental Income: Total gross rental income of our current leases, turnover rent and other rental income included, increased by the market rent of vacant space available for letting as at year end.

Total development costs: All capital expenditures on a pipeline project including the book value of the property on commencement of transfer to pipeline, including capitalized interest and other costs.

Total earnings per share reported: Net profit divided by the average number of shares.

Trade area: Geographic area from which a center draws its shoppers, divided into segments (primary, secondary, tertiary). The extent of the area is governed by accessibility, distance, travel time and location of competing facilities.

Weighted average lease maturity: Average lease terms weighted in terms of the annualized minimum guaranteed rent.

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