2006

UNIBAIL ANNUAL REPORT

unibail

UNIBAIL

THE LEADING COMMERCIAL PROPERTY OWNER IN FRANCE

CONTENTS

Cover page and left

The Dôme: Food hall and leisure area of Les Quatre Temps at La Défense

Capital 8

PROFILE

A portfolio valued at € 10.9 billion

A market capitalisation of over € 8.5 billion

Unibail is a leading French commercial property investment company

With a property portfolio valued at € 10.9 billion as at December 31, 2006, Unibail is a company proactive in three major business lines: shopping centres, offices and convention-exhibitions.

A clear focus

The Group has a clear focus on high-quality assets with a leading competitive edge in their respective markets, in terms of size, technological features, location and reputation.

A value creation approach

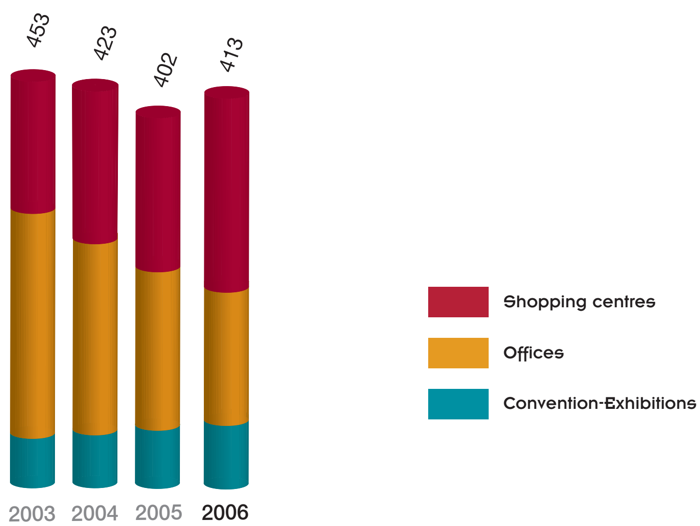
In each of its business divisions, Unibail aims at maximising shareholder value and return on investment through proactive management, a dynamic acquisition and disposal policy, and a high level of expertise in managing major development and refurbishment projects.

An independent Group

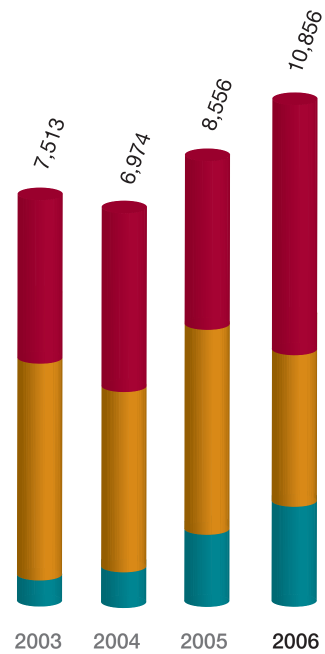
Unibail has the largest free float of all listed property investment stocks in continental Europe. Part of the CAC Next 20 and Euronext 100, Unibail's market capitalisation, as at December 31, 2006 was over € 8.5 billion. The company is rated "A-" by Standard & Poor's and "A3" by Moody's.

This is a free translation into English of the Registration Document issued in French and filed at the AMF* on March 13, 2007 and is provided solely for the use of English speakers.
*L'Authorité des Marchés Financiers (The French Stock Market Authorities)

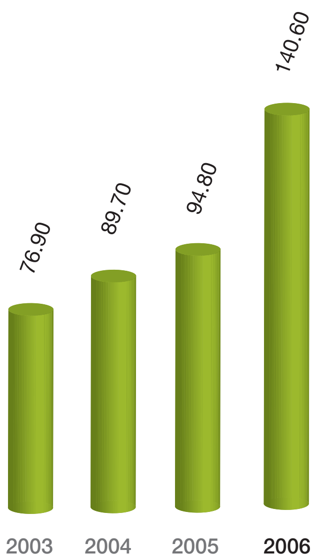
Net rental income
(in millions of euros)



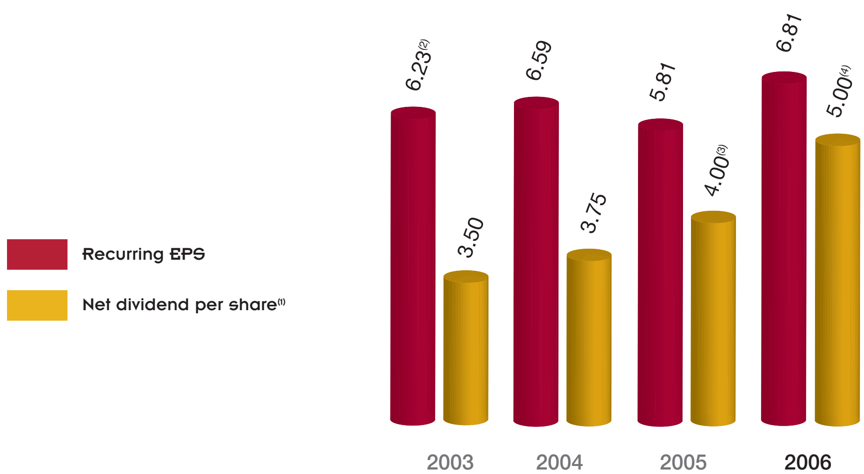
Portfolio valuation
(in millions of euros)



Fully diluted triple net liquidation NAV per share
(in euros)



Recurring EPS and dividend per share
(in euros)



(1) Excluding tax credit.
(2) Before the application of IFRS norms.
(3) Excluding the € 23 exceptional payout of January 7, 2005.
(4) Subject to approval at the 2007 General Meeting.

Strong value creation in 2006

Recurring earnings per share (EPS) amounts to € 6.81 at year-end 2006, a year-on-year increase of 17.2%.

Consolidated net profit (group share), impacted by the increase in asset values under IFRS, rose strongly to € 2,140m, or € 46.62 per share.

Value creation in 2006 amounts to € 49.85 per action, (up 52.6% on 2005), by adding the growth in fully diluted triple net liquidation Net Asset Value (NAV) of € 45.8 to the ordinary dividend of € 4.05 per share, paid during the year.

Consolidated key figures

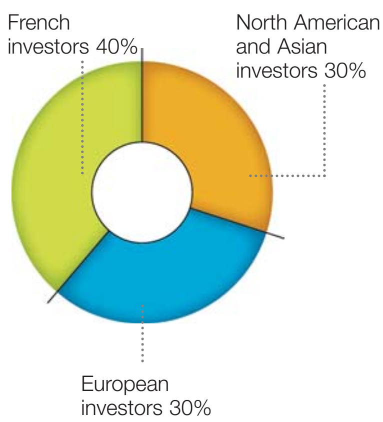
(in millions of euros)	2003	2004	2005	2006
Portfolio valuation	7,513	6,974	8,556	10,856
New investments	205	335	783	535
Disposals	436	992	586	530
Shareholders' equity before appropriation under French GAAP	3,297	2,239	-	-
Shareholders' equity before appropriation under IFRS	3,609[1]	3,258	4,668	6,834
Net rental income				
Shopping centres	*157*	*177*	*199*	*220*
Offices	*246*	*188*	*142*	*129*
Convention-Exhibitions and Hotels	*50*	*58*	*61*	*64*
Total net rental income of divisions	453	423	402	413
Valuation movements and profit on disposals	n/a	613	1,281	1,801
Net operating profit before financing costs	n/a	1,030	1,672	2,227
After tax recurring cash flow (under French GAAP) - group share	284	299	-	-
Recurring net profit (under IFRS) - group share	-	294	264	313
Net profit under French GAAP (group share)	281	219	-	-
Net profit under IFRS (group share)	-	826	1,385	2,140

Key figures per share

(in euros)	2003	2004	2005	2006
Recurring EPS (under IFRS)	n/a	6.59	5.81	6.81
Fully diluted triple net liquidation NAV	76.90	89.70	94.80	140.60
Net dividend for the financial year	3.50	3.75	4.00	5.00[4]
Total distribution over the civil year	1.14	4.40	26.80[2]	4.05
Tax credit (for institutional/individual investors)	0 / 0.19	-	-	-
Number of shares at year-end[3]	44,007,263	45,360,321	45,731,144	46,123,217
Average number of shares	45,633,386	44,607,212	45,499,713	45,901,800
Number of fully diluted shares	46,565,586	46,775,109	47,606,343	48,004,323

(1) Opening IFRS balance sheet as at January 1, 2004.
(2) Including the € 23 exceptional payout of January 7, 2005.
(3) Excluding treasury shares.
(4) Subject to approval at the 2007 General Meeting.

Shareholding structure



Listed on the Paris Stock Exchange since 1972 and currently part of the CAC Next 20, and Euronext 100, Unibail's market capitalisation at year-end 2006 was over € 8.5 billion.

Unibail has a large free float and a diversified shareholding base, which mainly comprises French and international institutional investors.

At year-end 2006, based on available information, French investors account for an estimated 40% of the Company's share capital. European investors (mainly Dutch and British) own an estimated 30% of the capital, while other international investors (mainly North American and Asian) hold a combined stake of around 30%.

Stock market performance

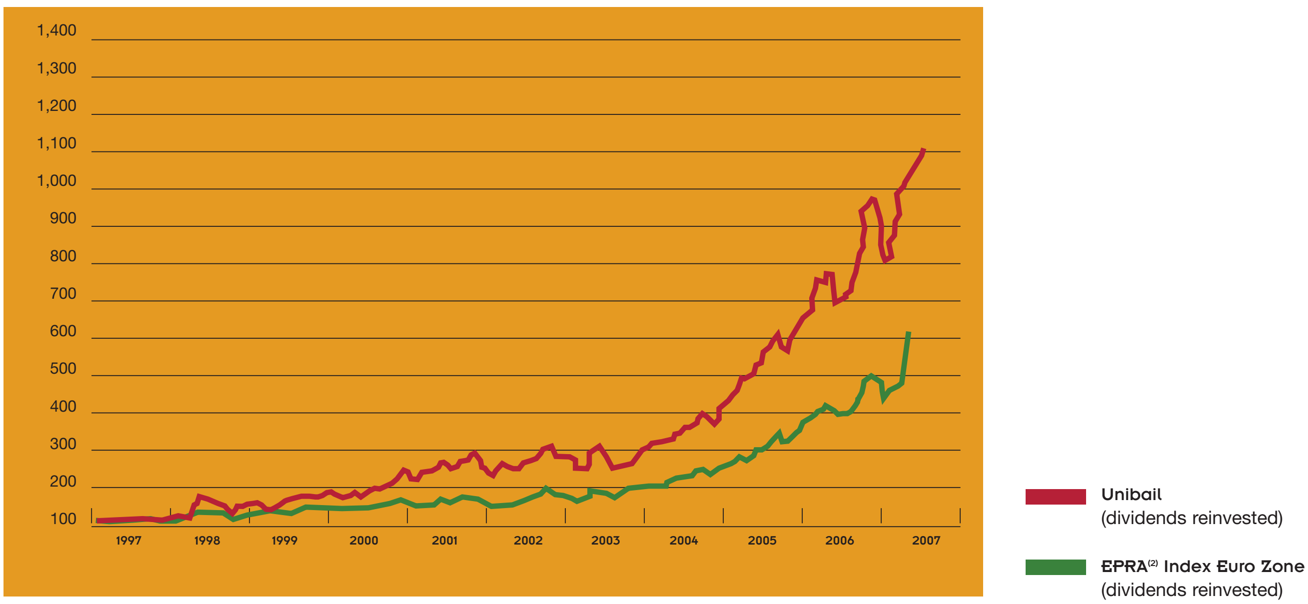
Stock market value creation is measured by Total Shareholder Return (TSR), indicating the total return on owning a share over a given time period, including dividends paid and the change in the company's share price.
In 2006, Unibail's TSR [1] amounted to 68.4%. Between January 1, 1997 and December 31, 2006, annualised TSR for Unibail shares with dividends reinvested amounted to 28.7%, compared with 20.0% for the EPRA[2] property investment companies performance index (Euro zone). ISIN code: FR0000124711, Reuters: UNBP.PA, Bloomberg: ULFP.

[1] The TSR is calculated before taxes on capital gains and dividends, excluding tax credits.
[2] European Public Real Estate Association (http://www.epra.com).

STRONG VALUE CREATION

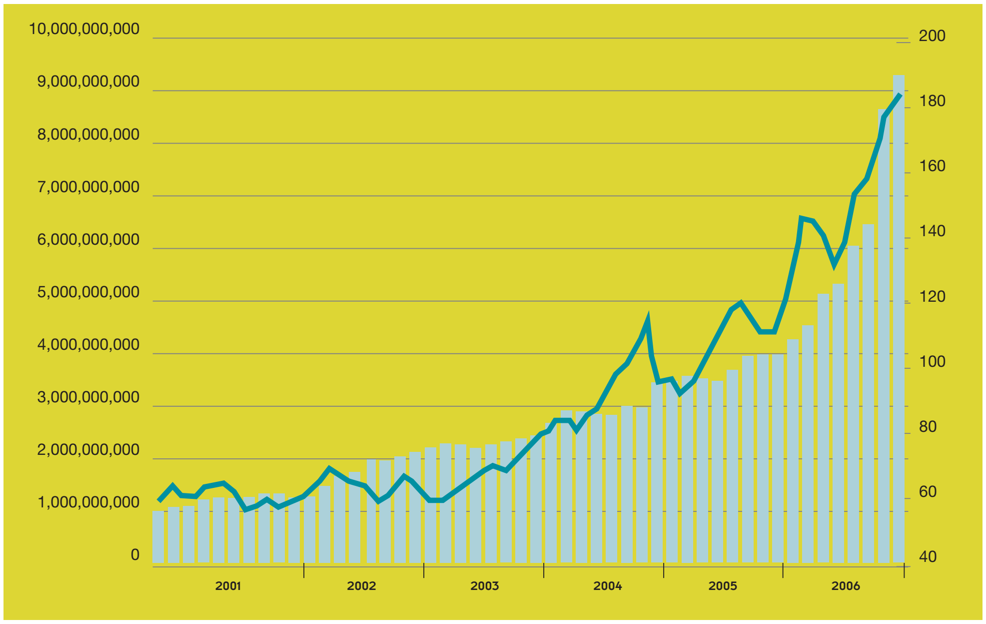
COMPARATIVE PERFORMANCE OF UNIBAIL'S STOCK DIVIDENDS REINVESTED

(basis 100 as at January 1, 1997)



Further increase in stock liquidity

The liquidity of Unibail's stock increased significantly over 2006. The daily volume in Unibail shares grew strongly, reaching an average volume of 245,000 shares traded daily compared with 149,000 in 2005. Average daily traded capitalisation more than doubled to reach € 36.7m in 2006 compared with € 15.5m in 2005.



VOLUME
12-MONTH TRADING VOLUME
(in euros)

Monthly average closing share price (in euros)

Previous 12-month moving volume (in euros)

FOR SHAREHOLDERS

2007-2008 Dividend schedule

To ensure shareholders benefit from substantial and steadily rising income in the long run, Unibail implements a distribution strategy of quarterly interim dividend payment in line with the net recurring profit and a quarterly dividend payment.
The Board will propose at the 2007 General Meeting, a dividend of € 5 per share for the 2006 financial year, representing an increase of 25% compared with the 2005 dividend. Dividend distribution over 2007 and the beginning of 2008 are as follows:

1. For the 2006 financial year:

January 15, 2007 Second interim dividend € 1.00
April 16, 2007 Third interim dividend of € 1.00
July 16, 2007 Payment of the balance of the dividend of € 2.00*.

2. For the 2007 financial year:

October 15, 2007 First interim dividend of € 1.25
January 15, 2008 Second interim dividend of € 1.25
April 15, 2008 Third interim dividend of € 1.25

INVESTOR AND SHAREHOLDER RELATIONS CONTACTS
Website: http://www.unibail.com
Investor relations: Tel: + 33 (0) 1 53 43 73 03

Financial services on shares and dividends:
Crédit Agricole – Caisse d'Epargne Investor services (CACEIS)
Service Emetteurs-Assemblées
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92862 Issy-Les-Moulineaux cedex 9
Telephone: + 33 (0) 1 57 78 34 44
Fax: + 33 (0) 1 57 78 34 00

* Subject to approval at the 2007 General Meeting, after taking into account the three interim dividends (including the € 1 paid out the October 15, 2006).
** The balance of the ordinary dividend for the 2007 financial year proposed by the Board of Directors at the meeting to approve the 2007 year-end accounts and subject to approval at the General Meeting of 2008, after the deduction of the three dividends of € 1.25 to be distributed in October 2007, and January and April 2008.

EXECUTIVE COMMITTEE

From left to right

Michel DESSOLAIN, General Manager of the Shopping Centre Division

Catherine POURRE, Executive Vice-President in charge of the Group's Central Departments

Peter HAZELZET, Chairman & CEO of Exposium

Jean-Jacques LEFEBVRE, Chief Executive for the Group's Major Construction Projects

Jean-Marie TRITANT, General Manager of the Office Division

Guillaume POITRINAL, Chairman and Chief Executive Officer

Renaud HAMAIDE, General Manager of Paris Expo

Olivier BOSSARD, Executive Vice-President in charge of the Group's Development and Strategy

MESSAGE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

2006 has been an occasion to prepare for the future. In our businesses, it is decisions made today that will define 2012.

2006 has been an excellent year for the Group.

Our three divisions (Shopping Centres, Offices, Convention-Exhibitions) benefited from favourable market conditions. Yet they did better: the challenging and continued mobilization of our know-how in development, investment and management paved the way for considerable value creation for the Group as for its shareholders.

For shopping centres, more than ever: "big is beautiful", in a universe where consumers strongly reclaim leisure, well-being and on-going surprises. Our shopping centre portfolio is super-concentrated in such large assets and each asset has been chosen and tailored to respond to and anticipate these trends.

We are in the process of renovating our large-scale properties (Les Quatre Temps, Forum des Halles, Vélizy 2), while building next generation centres across France, with consistent consideration for quality architecture and the environment.

The Office Division had a remarkable year, with 130,000m² let or relet, representing close to 30% of surfaces in operation. Capital 8, the biggest office renovation reconstruction project ever carried out in Paris, is two-thirds let, less than 6 months after its inauguration. At La Défense, the Phare and Majunga projects illustrate our capacity to conceive, with the world's top architects, next generation towers, which bring together efficiency, economy of energy and innovation.

The Convention-Exhibition Division is working on a potential merger between The Paris Chamber of Commerce and Industry's assets (Paris Nord Villepinte, Le Bourget, Le Palais des Congrès and Comexpo) and our own venues (our 7 sites including the Porte de Versailles and Exposium). With this portfolio of assets and the business which accompanies them, Paris and the Paris region will have the scale to fully exist on the international scene.

2006 has been an occasion to prepare for the future. In our businesses, it is decisions made today that will play out in 2012. Our future is as an investor, operator, developer, conscious of our role in society, harnessing value creation and sustainable development opportunities.

Les Quatre Temps
The opening of the Dôme in April 2006 breathes new liveliness into La Défense.

La Tour Phare
Innovative architecture brings a new approach to sustainable development.

The Global Food Marketplace Exhibition (SIAL)
A growing success in France and abroad.

UNIBAIL:

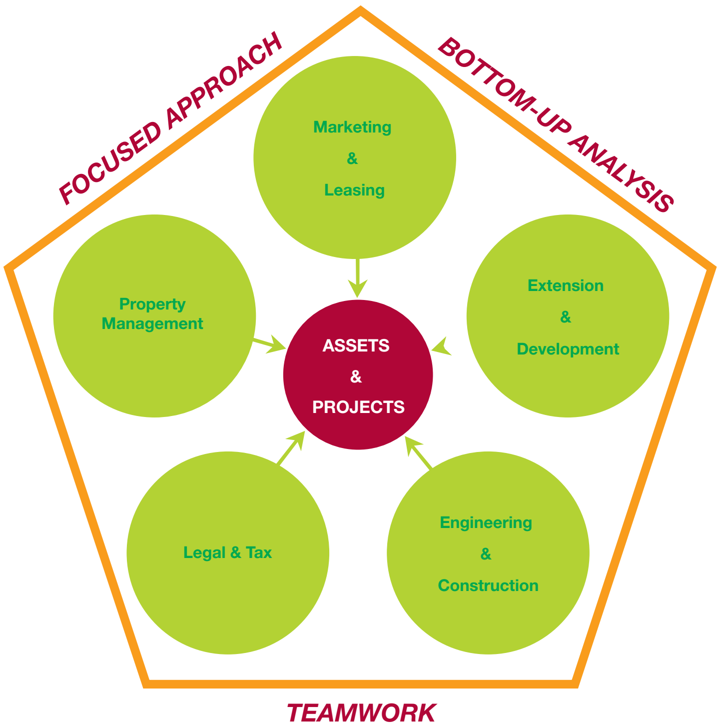
A FULLY INTEGRATED OWNER-OPERATOR FOCUSING ON A TARGETED NUMBER OF ASSETS WITH HIGH GROWTH POTENTIAL

Unibail bases its investment decisions on a detailed analysis of the strengths of each existing or future asset, their growth potential and expected return, as well as any risks or weaknesses. Unibail's approach is to focus on a limited number of assets offering the most attractive risk-reward profile.

Right from the start of a project through to the daily management of the asset, Unibail draws on a culture of close teamwork and the multidisciplinary skills of its integrated teams (marketing and sales, engineering and construction, asset management, law, tax, etc.), to maximise value, with strong impetus from the executive management team.

Through this integrated expertise, Unibail can extract maximum value by exploiting the various management angles of each asset, such as maximising rents, refurbishment and redevelopment, extension and development and seeking related marketing revenues. Combined with its unique expertise in office and shopping centre development acquired over many years of experience, this approach makes Unibail:

- the leading owner, operator and developer of major shopping centres in France,
- the leading owner, operator and developer of major office buildings in the Central Business District of Paris and the Western Paris outskirts,
- the leading owner, operator and developer in La Défense,
- the leading owner, operator and developer of Convention-Exhibition centres in France.



Les Quatre Temps at La Défense. The shopping and leisure centre at the heart of La Défense, which has set the standard of making shopping fun since it opened in 1981, continues its transformation. Under a 31 meter diameter glass structure, the leisure-oriented Dôme which opened on April 26, 2006, houses 14 restaurants, a 16-screen UGC Ciné Cité multiplex cinema and the largest Toys'R'Us store in Europe. This bold structure, which maximises transparency and natural light, was designed by US architect Anthony Belluschi, with assistance from the Saguez & Partners design agency. At the other end of this vast 130,000 m^2 centre, a new milestone will be reached in 2007 when an area devoted to home furnishings and decoration is opened, with Castorama taking up a unit of 9,500 m^2 in sales space.

Unibail wanted to make Les Quatre Temps a forum and a meeting place, to convey a new state of mind and embody La Défense's modernity. It is now setting a new target for Les Quatre Temps: become the largest shopping and leisure centre in continental Europe in terms of sales within five years.

DESIGN AND MANAGE UNIQUE LIFESTYLE CENTRES OFFERING RETAIL, ENTERTAINMENT, SERVICES AND LEISURE ACTIVITIES

The leading owner of **large** regional and supra-regional **shopping and leisure centres** in France, Unibail designs **lifestyle centres** that stand out because of their size, architectural quality and appeal. An ongoing **strategic review** is carried out to refurbish, extend and reposition, where necessary, each of the 25 shopping centres in its portfolio. **Refurbishment and extension** projects accounted for over **107,000 m²** in additional space at the beginning of 2007. In addition, Unibail has embarked on an ambitious policy of building **new retail and leisure space,** with a project portfolio at year-end 2006 totalling over **420,000 m²** in 11 major developments across France.

"Large shopping centres, regional centres, city-centre developments, premium factory outlet stores... our centres are places where people can meet, spend time together and relax. As well as being shopping places, they offer innovative new concepts and an attractive range of services tailored to their environment. Staying closely in touch with cities and their inhabitants, our teams design and develop new models for the future featuring attractive architecture and designs, new retail concepts as well as events and services maintaining visitors' enthusiasm and interest. We firmly believe that there is significant development potential for these centres when they offer a genuinely enjoyable experience."

Michel Dessolain, General Manager of the Shopping Centre Division.

Rosny 2: Renovation and extension project

> Standing out through the scale and quality of its projects, Unibail benefits from the fruits of experience coupled with its teams' know how

Where the beautiful and exceptional meet real financial success.

25 shopping centres in France

Shopping centres with strong positioning

Unibail's 25 shopping centres, which stand out on account of their size, location, the selection of top-performing retail chains and quality of life, attract 260 million visits each year.

A specific strategic positioning is defined for each centre to guarantee that it closely fits the needs of its catchment area. Unibail constantly tracks trends in consumer behaviour and expectations, with the assistance of its integrated marketing team and partnership with Cofremca-Sociovision. The retail mix -which encompasses leading retail chains as well as multi-brand independent retailers- plus the store layout, services and special events offered are devised through this planning process, which aims to set each centre apart and make it unique.

Lastly, with a view to constantly increasing consumer numbers, Unibail manages its commercial leases on a dynamic basis, continuously tailoring the mix to its customer base. This strategy enables the shopping centres run by Unibail to achieve a high level of performance, beating trends in French consumer spending (comparable consumer spending index).

An ongoing policy of strengthening its centres appeal

Aware of the emerging preference among consumers for a fun shopping experience, Unibail has developed an original approach for its shopping and leisure centres. Each centre is designed as a genuine lifestyle centre at which providing an enjoyable shopping experience is of the utmost importance. To create "a preference" in consumers' minds, Unibail endeavours to create excitement among its visitors, asking, for example, highly-reputed artists to help decorate or set the mood at its centres. Patrick Blanc's green wall or Kiko Lopez's light sculpture in Swarovski crystal at the La Défense Dôme and Mathias' Baccarat crystal chandeliers at Nicétoile are prime examples. The centres' special event policy, which consists of eagerly awaited gatherings, such as private shopping sessions at the Carrousel du Louvre, regular themed events such as *Les Galops du Carré* at Carré Sénart and civic initiatives, such as *La Fête des Voisins* (neighbours' festival) at Forum des Halles, is inspired by the same approach. Having fun, consuming and enjoying oneself... this approach, which seeks to increase the frequency, duration and quality of shoppers' visits, is characteristic of Unibail's unique strategy and a key ingredient in how it adds value through its asset management.

The Shopping Centre Division also implements a policy of sustainable development. Key economic players in their region through the jobs and resources they generate, shopping centres also play a prominent role in consolidating social ties in partnership with local authorities. The use of leading architects, designers and artists to create high-quality centres, serving as many people as possible, contributes to this social role.

☐ A tailored project for each asset in the current portfolio

With a view to strengthening the appeal of its centres and achieving value enhancement in its property portfolio, Unibail has defined a modernisation, refurbishment and/or extension plan for each of its assets.

Several extension and refurbishment plans are currently in their final stages, notably:

- the extension of Les Quatre Temps centre at La Défense: in the first phase, a leisure and entertainment space under **Le Dôme** was delivered on April 26, 2006; the second phase, delivery of which is scheduled in 2007, will see the arrival of a large home improvement store (Castorama, 9,500 m²);
- the new **Vélizy 2,** which is being refurbished with a garden theme and architecture emphasising transparency and daylight, was inaugurated on March 20, 2007;
- work on the creation of new retail space at the **Cnit** will be continued as part of the overall restructuring of this major site in La Défense, with delivery scheduled in 2008;
- extension work is due to start in 2007 at the **Rennes Alma** centre acquired in 2005, with the aim of creating the region's leading shopping centre;
- other refurbishment/extension projects are planned for coming years at **Saint-Martial** in Limoges, **Rosny 2, La Toison d'Or** in Dijon, **Labège 2** in Toulouse, **Place d'Arc** in Orléans, **Bab 2** in Biarritz and **Ulis 2,** etc.

These extension projects complement the 11 projects signed to develop major shopping and leisure centres. All these development and extension projects with a total surface area of over 528,000 m² should enable the Group to achieve its target of doubling its retail space and rental income by 2012.

☐ Building the successful shopping centres of the future

Unibail is overseeing the construction of major shopping and leisure centres as part of extensive urban redevelopment programmes. These ambitious projects illustrate the Group's drive to create genuine destinations in the tourist sense of the term. Their location at the heart of, or close to city centres, with the prospect of "getting away from it all" offered by redeveloped river or canal banks, which give them their original appeal.

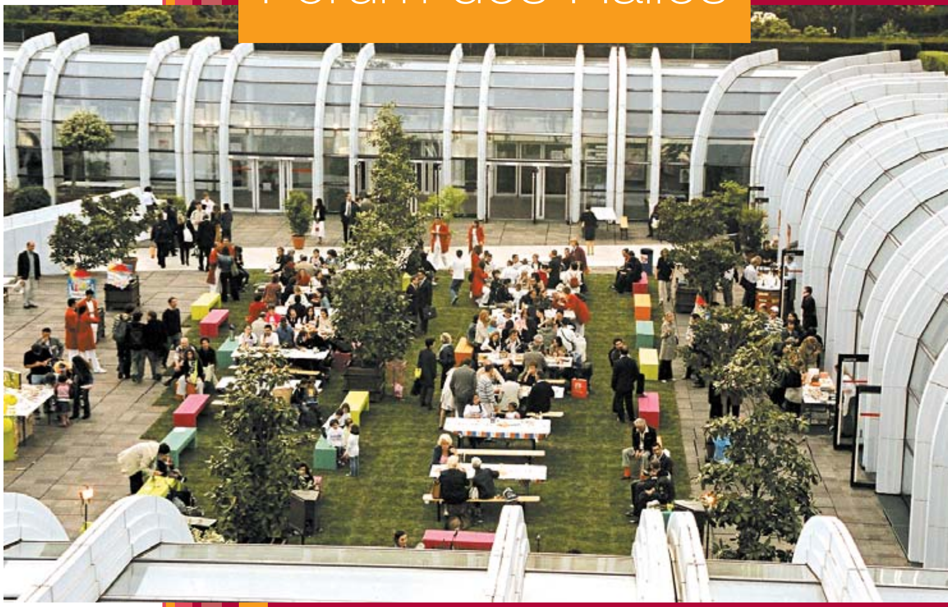
Forum des Halles (Paris) has its finger on the pulse of current trends

Providing further proof that Unibail is working hard to pursue an events policy geared to each centre's environment, Forum des Halles won an award in 2006 for its event policy from the Conseil National des Centres Commerciaux (French National Shopping Centre Council).

The *Forum en Fleurs* (floral event), *Immeubles en Fêtes* (neighbours festival), *Les Petites Têtes de l'Art* (children's art festival) and *Les Terrasses du Forum* (summer fun and relaxation festival) provided interesting attractions for urban visitors who appreciate innovation and creativity.

Local events such as *Forum en Fleurs*, which was organised with floral designers and stylists, enables the centre to spruce itself up for spring with floral and plant designs that take over the facilities and turn them into a flower market for a while.

Forum des Halles



They also include civic initiatives, such as a giant picnic for people living and working next to the centre, as part of a special evening during the *Fête des Voisins* (neighbours festival), in conjunction with the *Immeubles en Fêtes* association. Likewise, the *Petites Têtes de l'Art* event encourages children to develop their creativity. The Forum brings deck chairs, net curtains and greenery to the centre of Paris during the summer when the *Terrasses du Forum* event provides a programme offering both total relaxation and more energetic activities.

These events help make sure that visitors keep coming back and extend the centre's appeal beyond its retail mix.

Docks 76 - Rouen

Unibail develops its large-scale projects at the heart of major urban redevelopment programmes.

Development projects are well on track

- Following the tremendous success enjoyed by the Carré Sénart centre since it opened in August 2002, construction work on the restaurant and bowling alley of **phase 2 of Carré Sénart** was delivered in late 2006, while delivery of the 15,300 m² retail park section is scheduled to take place in late 2007.
- Construction of the **Rivétoile** centre in Strasbourg (27,900 m²), with architecture by Chapman Taylor, Mérat & Partners, started in early 2006. It is due to be delivered during the first quarter of 2008.
- Likewise, the **Passages CMK** in Bordeaux, currently under construction (over 7,000 m² of stores in a mixed service and residential environment) as an extension of the CMK centre, is slated for delivery in April 2008.
- Construction works on the urban shopping and leisure centres at **Lyon Confluence** (51,700 m²) and **Docks de Rouen** (35,800 m²) located at the junction of the Rhône and Saône in Lyon and on the banks of the Seine respectively, are due to be launched in 2007, since the projects were awarded the requisite commercial authorisation and building permits in 2006.
- Administrative applications for the **Aéroville** centre, the **Centre Eiffel** in Levallois and **Versailles-Chantiers** are due to be submitted in 2007. Aéroville, a 65,000 m² centre, aims to provide a lifestyle centre for the 120,000 people who will work at Roissy-Charles de Gaulle airport when the centre opens. The exceptional nature of this service and retail centre designed by Christian de Portzamparc will also help to win over a regional customer base with strong purchasing power.

> “Future growth assured by development and extension projects accounting for over 528,000 m² in total sales space”

593,000 m² of assets in service

Carré Sénart - Phase 2

Selective acquisitions

Unibail pursues a policy of selective acquisitions in the shopping centre sector, focusing on assets with very strong value creation potential.
In 2006, it acquired the Etrembières shopping centre with a total space of 18,500 m² located on the Franco-Swiss border under a partnership with AXA. The centre will be entirely repositioned and refurbished. An extension is already being planned.

528,000 m² in projects

Furthermore, whenever the opportunity arises, Unibail increases ownership of its existing centres by acquiring additional co-ownership lots (a further 5,238 m² at Labège 2 and 6,392 m² at Rosny 2).

Always on the look-out for new retail concepts

Unibail, being extremely selective and strict about the profitability of its acquisitions and development projects alike, is expanding the scope of its activities to formats complementing shopping centres, including retail parks, and premium factory outlet stores.

- With its initial plans to develop retail parks designed by leading architects, such as Vallode and Pistre, who worked on **Phase 2 of Carré Sénart**, Unibail is in the process of reinventing the retail park concept. Another highlight of 2006 was the signature of a partnership with Immobilière Frey to build **Green Center**, a 32,000 m² open-roof shopping centre, North of Toulouse. This centre, which will be built in compliance with the French HQE (high environmental quality) standards, is due to be delivered by 2009. This fast-growing market, which is seeking to gain fresh urban legitimacy, is embracing a more quality-oriented retail mix under the influence of the leading home entertainment and leisure chains, which have shown their interest in this type of retailing.
- **Premium factory outlet stores**, which capitalise on the concept of a fun shopping experience by offering shoppers the top brands at reduced prices in a very pleasant environment, represent the second pillar of this diversification drive. In a strong position due to the success of Marques Avenue-Côte d'Opale (13,400 m²) close to Cité Europe, Unibail is due to open **Le Carré des Marques** at the Carré Sénart shopping centre in 2010, thereby creating the most complete shopping and leisure facility in its entire portfolio. The refurbishment and extension of the Vélizy-Villacoublay **Usines Center**, which was acquired in 2005, have also been scheduled. Likewise, Unibail plans to build a premium factory outlet store in **Romorantin**, which lies close to Orléans.

Through these developments, Unibail intends to expand into this sector, which shares the same retail logic as shopping centres and has to meet shoppers' same comfort and hospitality expectations within a high-quality architectural environment.

Rivétoile in Strasbourg

Located next to the historic centre of Strasbourg, the Rivétoile shopping centre, due to be delivered in 2008, will be the next major urban centre to be opened by Unibail. It provides a perfect illustration of the Group's philosophy in terms of developing new shopping and leisure centres, especially its desire to contribute to urban renewal. Rivétoile is one of the pillars of the programme to renew the Etoile district, which will also feature eight office and residential buildings, a 1,500-space car park, plus a multiplex cinema.

The centre's architectural design emphasises a comfortable and fun experience for visitors. Walks near planted gardens will be created next to the waterside, with walkways linking Rivétoile to the city centre. Restaurant terraces will be built next to the water, while a special events arena will host street festivals, Christmas markets and other attractions.

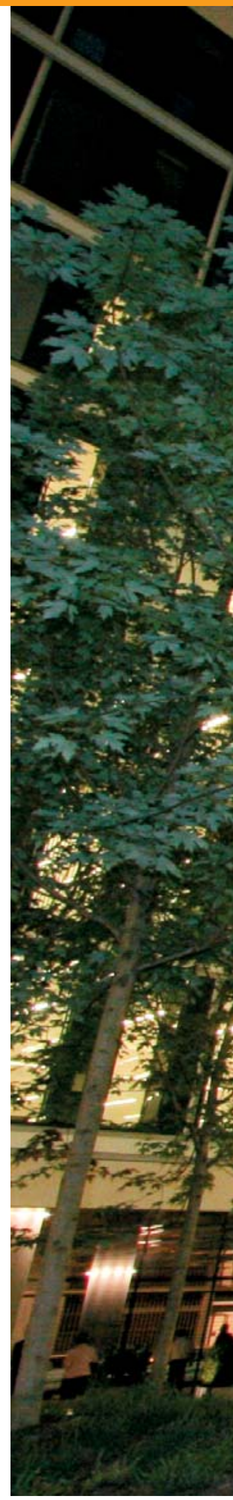
Rivétoile - Strasbourg

This next-generation shopping and leisure centre includes 27,900 m² in sales space occupied by retailers chosen for their ability to create an entirely innovative shopping and leisure universe. It will feature a Leclerc hypermarket, 10 medium-sized stores and around 50 smaller leisure, fashion, home furnishings, lifestyle stores and restaurants. It will benefit from the proximity of a UGC Cinema multiplex. Once it opens, Rivétoile will provide a key retail hub for the Strasbourg region and will have a major influence over the Strasbourg-Kehl (Germany) corridor, a catchment area with a population of over 500,000 people.

Capital 8. On September 21, 2006, 450 guests -partners, journalists, investors and local officials- attended the inauguration of the second phase of the Capital 8 project, in the presence of Christian Sautter, Deputy Mayor of Paris*, and François Lebel, the Mayor of the 8th arrondissement.

Rothschild and Cie, Aforge Finance, Eurazeo, Marionnaud and Gaz de France have already moved or are set to move into the property, which represents the largest complex built within Paris intra-muros, with a total surface of approximately 64,000 m² and 6,000 m² in green space, proposing a unique set of ancillary services.

*In charge of Economical Development, Finance and Employment.



Creating first-class assets sought out by tenants and investors

2006 was a particularly busy year for Unibail's Office Division: with the **delivery** of phase 2 of Capital 8, the **letting** in full of the completely refurbished Tour Ariane, the launch of the project to **build new office towers** at La Défense, and the **sale** of fully let refurbished properties at the best yields on the market. **The future** looks bright: Unibail is working on an **investment programme** covering over 250,000 m^2 in office space to be released by 2012, in line with the constant vision of achieving **value creation** in its portfolio.

"Unibail's strategy in terms of investing in office property is based on niche positioning which enables us to outperform the market when it is rising and to benefit from protection when the cycle passes through low periods. The fundamentals underpinning our investment decisions are the geographical location of assets, their efficiency for end-users and scope for value creation. We focus on large-scale developments located in the Central Business District of Paris and La Défense or in neighbouring districts with seamless connections via the public transport system."

Jean-Marie Tritant, General Manager of the Office Division.

The Cnit

Expertise in all aspects of the office property sector represents a major strength for Unibail.

Creating value: a long standing strategy, underpinned by the integration of extensive expertise within the Group

Unibail's presence in the office property market is characterised by a vision, an ability to plan ahead and to invest in major assets, counter-cyclically if need be, with a view to generating firm rental income over the long term and achieving asset appreciation. As the owner of 26 office buildings in the Paris Central Business District, La Défense and Western Paris, Unibail sees itself as a long-term player pursuing a strategy based on value creation by adopting a highly selective approach to large-scale development and refurbishment projects, by maximising rental income and divesting mature assets.

250,000 m² in office projects due for completion by 2012

As an integrated operator, Unibail possesses a complete array of property skills, ranging from asset management through to property management, including the management of construction and refurbishment projects and lettings to high-profile tenants. This internal expertise, coupled with a short decision-making process, enables the Group to take part in complex property developments from an administrative, legal, financial and tax standpoint, with an unwavering emphasis on risk analysis and control.

A major player in the office sector with a long-term vision

Unibail's strategy is predicated on identifying projects at a very early stage that will generate future growth. This strategy, which was perfectly illustrated by the recent Cœur Défense development, has given rise to the **Capital 8** project. This property complex close to Parc Monceau at the heart of the Central Business District, which was acquired in 2001, represented the largest private redevelopment project within Paris city. The second phase of this office complex, comprising approximately 46,000 m² in new office space, was delivered in mid 2006, following the delivery in the previous year of the first 18,000 m² phase, now fully let.

> Unibail is loyal to its strategy of value creation based on high value-added development projects

Unibail's active partnership with EPAD* as part of its plan launched in 2006 to revitalise La Défense is inspired by the same forward-thinking approach. The origination of several property developments has put the Group at the heart of the process of renovating the La Défense business district as one of the main actors of this renewal programme. The **Tour Phare**, whose architect (Morphosis-Thom Mayne) was selected following an international architecture competition organised by Unibail in conjunction with EPAD and local authorities, symbolises this commitment. This 300 meter-high tower, which will be built as an extension of the Cnit, will not only be the tallest building at La Défense, but will also provide effective facilities for its future occupants and a sustainable development model with ground-breaking architecture.

In the immediate vicinity of the Tour Ariane, Unibail is the owner of an area of wasteland on which the construction of an office tower of 65,400 m² is planned. This tower, called **Tour Majunga**, designed by J.P. Viguier, should be part of the modernisation of the pedestrian walkways between the Puteaux-Villages and the Esplanade, through new panoramic stairs and lifts. Surrounded by a garden area, it will contribute to the improvement of the setting for the neighbouring inhabitants.

26 office buildings in central Paris and at La Défense

accounting for

422,000 m² in surface area.

* EPAD: The Public Body for the Development of La Défense

Capital 8

Delivery of the Capital 8 project, EDF's former head office located close to Parc Monceau in Paris 8, took place in July 2006, thereby completing the transformation of the largest property complex in Paris City.
This project covering close to 64,000 m² in space was handled by architects Carlo Maria Natale, Naud & Poux, Jean-Loup Robert and Juan Trindade. Aside from the working space meeting the requirements of the most demanding tenants, Capital 8 provides a novel range of services, including a concierge service akin to that provided by large hotels, a set of electric bikes, a fitness area, various catering facilities and a conference centre.

Capital 8

A prestigious address

The letting strategy targets prestigious tenants. Rothschild & Cie Banque, which signed a firm 10-year lease in 2005 for over 15,000 m², plus Gaz de France, Eurazeo and AS Watson (Marionnaud), which all signed firm 9-year leases in 2006 for close to 13,000 m², 3,300 m² and 2,800 m² respectively, provide a perfect illustration. A superlative facility in terms of size, architectural quality, natural lighting, flexibility of office space and the landscaped environment, Capital 8 has set new standards in the Paris Central Business District. The outlook is very promising given the increasingly short supply of prime office space in this area. At year-end 2006, six months after its delivery, the building was two-thirds let.

As an integrated property specialist, Unibail focuses on development projects that stand out through their location, size and architectural quality.

Palais du Hanovre-Paris 2

> “Disposal of mature assets let for the long term at the best yield in the market is a key aspect of the value creation process”

A vast portfolio of development projects to be delivered over the next five years

Unibail is pursuing a resolute and ambitious policy to achieve value enhancement in its property portfolio and create first-class assets with strong embedded reversionary potential. All in all, its portfolio of projects aims to create 250,000 m² in new office space, as well as a number of refurbishment and restructuring developments.

- The renovation of the **Cnit** office space was further secured when a building permit was obtained in 2006. The end result will be 21,000 m² in completely refurbished office space in an exceptional environment. This project is part of the complete restructuring of the Cnit complex, an emblematic asset for La Défense district.

- In the Paris Central Business District, Unibail is preparing several restructuring projects for office buildings that are due to be vacated shortly. This includes **7 place Chancelier Adenauer in Paris 16** (12,000 m²), which will be refurbished to the highest market standards, before being relet.

A project identification strategy open to partnerships

- The project being pursued at **24 rue Villeneuve in Clichy**, in partnership with Pitch Promotion, will lead to the delivery in 2008 of an independent office building of 13,500 m², after the restructuring of what was formerly an industrial site. Located in an area undergoing a strong shift towards service activities, this asset boasts a central location on the edge of the Paris city limits and close to major roads and public transport networks.

- At **Versailles-Chantiers**, a 37,200 m² property complex is being built in partnership with Nexity Villes et Projets, with the goal of creating a coherent new business district close to the castle and linked to the Versailles-Chantiers rail hub. The project combining office, retail and leisure space is progressing on schedule, with the submission of an application for the building permit in 2006. Works should start in 2009, with delivery scheduled for 2012.

☐ Lettings: New tenants setting the tone for the market

The signs of recovery seen during 2005 in the rental market gained momentum in 2006, with an acceleration in the letting process to above the reference level of year-2000 and a very clear-cut improvement in rents. The scarce supply of large new or restructured office space has created favourable conditions for an upward acceleration in rents for prime properties during 2007.

This favourable environment is particularly beneficial for Unibail, which marketed around 130,000 m² in surface area during 2006 through new lettings or renewals, thereby accounting for close to 30% of its office portfolio. These let or relet assets are all prime assets located in the Central Business District of Paris or La Défense.

€129 m
in net rental income in 2006

☐ Divesting mature assets, the final stage in the value creation process

In a particularly active investment market, Unibail divested several office buildings during 2006, in line with its policy of capital rotation, in cases where the value creation process had been completed.

5 office assets were sold during 2006 generating net sales proceeds of € 521m.

The Palais du Hanovre provides a perfect example of the disposals made. This 18,800 m² building located close to Place de l'Opéra (Paris 2) with approximately 14,000 m² in office space was delivered in May 2006 following restructuring launched after the previous tenant vacated the property. It was sold on June 30, 2006 to the BNP Paribas group, which is set to occupy the office building, thereby bringing to an end the cycle of value creation on this asset. Through this disposal, Unibail secured a premium of 48% over the asset's market value as at December 31, 2005.

Tour Ariane

When it was designed in 1972 by Jean de Mailly, who was also one of the architects of the Cnit, the Tour Ariane soon established itself as an architectural benchmark, encompassing all the key features of an efficient "user-friendly" tower. The exemplary refurbishment programme overseen in successive tranches by Unibail and completed in 2006 has transformed it into a technologically advanced facility combining high-quality aesthetics and maximum flexibility. Xavier Fogassary was in charge of the interior layout. Petraccone-Vodar handled the refurbishment of the façade featuring aluminium shields and the construction of a lobby on the esplanade.

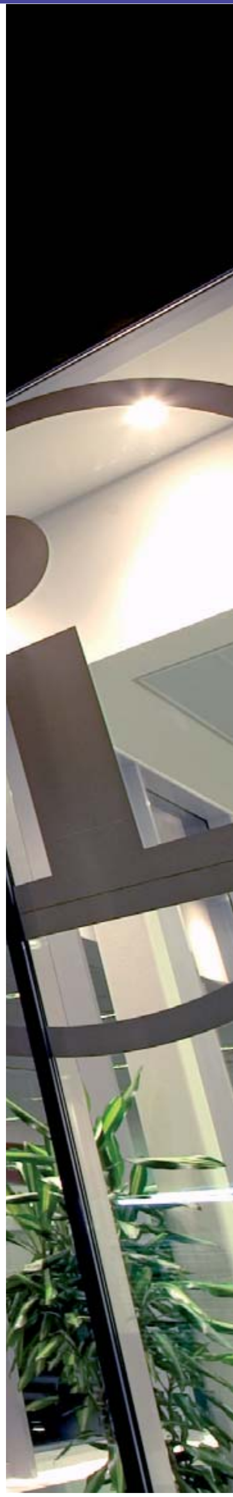
These key strengths enabled it to compete in the marketplace with more recent constructions and rapidly attracted potential tenants. By year-end 2006, the refurbished Tour Ariane had been let in full to several domestic and international groups, including Société Générale, Crédit Lyonnais and Ciments Français, the tower's previous tenants, as well as Completel, Air Liquide and the Marsh McLennan group, which transferred several units there from various different locations during 2006 and now occupy close to 19,000 m² in office space. In addition, BT France, British Telecom's French subsidiary, is due to set up its head office there in 7,500 m² of office space in April 2007. This tenant's signature completed the active letting process initiated in spring 2005 for close to 40,000 m² and lifted the tower's occupancy rate to 100%.

Tour Ariane

The Paris Expo Porte de Versailles centre is currently undergoing a major renovation designed to improve reception facilities for visitors and create areas that are stylish, modern and user-friendly. As is the case with its shopping centres, Unibail pays close attention to the welcome and comfort of visitors. In 2006, the major works included the "scenography" of the pedestrian walkway giving direct access to Hall 7 from the esplanade, harmonisation of the façades visible from the central aisle and renovation of Hall 2, with an environmental design by Olivier Saguez.

The new T3 tramway in Paris will be a major contributor to increasing visitor flow, providing easy access to the Porte de Versailles within half an hour for 3 million potential visitors.

CREATING, ORGANISING AND MANAGING MEETING SPACES



Unibail has a particularly effective Convention-Exhibition Division that encompasses **Paris Expo,** the leading venue operator for exhibitions, conventions and events in France, and **Exposium,** a major organiser of exhibitions in France. Paris Expo and Exposium, two highly complementary businesses, both share the same **customer-focused strategy** and the same underlying goal: to create meeting spaces at the occasion of **leading events** that are true destinations.

"Our main aim is to contribute to the success of events staged at our venues by developing innovative services appreciated by visitors, exhibitors and organisers. We work in a spirit of partnership and support with everyone involved. Examples of this approach are the creation of a call centre for exhibitors, our successful Paris Expo website (400,000 visits in 2006) and the installation of Wifi coverage for the entire Paris Expo Porte de Versailles. We are also actively upgrading our venues to provide maximum comfort for our visitors and for everyone involved in the events hosted there."

Renaud Hamaide, General Manager of Paris Expo

CONVENTION-EXHIBITION DIVISION

The Cnit project

745 **events** at Paris Expo **over 2006**

Unibail's seven convention-exhibition venues are both business showcases and meeting places for visitors and exhibitors.

An organisational structure designed to optimise venue operation

With its seven venues all located in Paris and La Défense, Unibail is a leading player in the buoyant convention-exhibition sector, where 80% of activity in France is concentrated in the Paris region. Paris Expo has three business segments: exhibitions (which account for most of its revenue), conventions and corporate events.

With its range of complementary venues, Paris Expo can stage all types of event, regardless of their size. These venues are highly appreciated by event organisers, which contributes to a high repeat rate for major events from one year to the next.

Driven by their strong reputation, easy access and an active marketing policy, Unibail's venues attract a large proportion of the new shows created each year. In 2006, it staged 31 of the 40 new shows held in the Paris region.

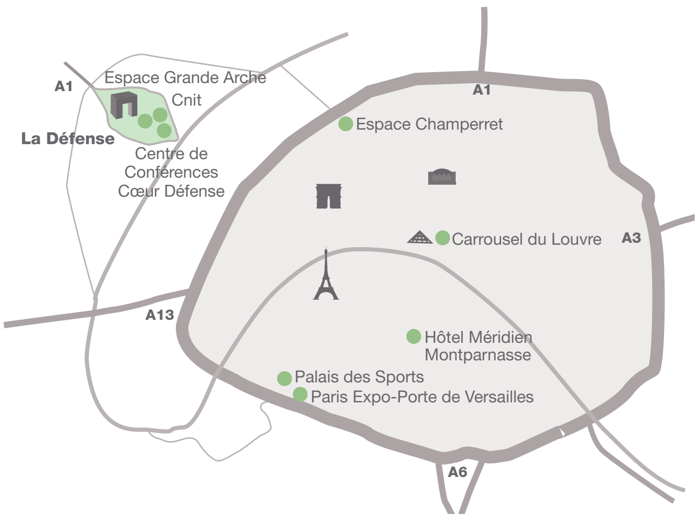
Meanwhile, shows staged traditionnally at Paris Expo venues also performed well.

An ambitious investment programme to increase the appeal of existing venues

Unibail has undertaken a massive programme to renovate its convention-exhibition venues. The aim is to increase their appeal to all customers – organisers, exhibitors and visitors – thereby improving the occupancy rate.

- The **Cnit**, a flagship venue inaugurated in 1958, renamed *"Carrefour des nouvelles initiatives et tendances"* is undergoing an overall redevelopment project. The aim is to make this key venue at La Défense more flexible, providing a clearer and more attractive environment for convention-exhibition visitors, mainly by improving access facilities. The new Cnit aims to be the most innovative of convention-exhibition centres, with its stylish, modern design. Works will begin on April 1st and the centre is due to re-open on September 30, 2007.
- Modernisation work on **Paris Expo Porte de Versailles** continued during summer 2006, with a view to improving visitors' welcome.

> "As a dynamic player in economic life, Paris Expo promotes the image and reputation of Paris both in France and abroad"



Works have begun on Hall 7, the largest of all the halls, which totals 71,000 m^2 or one third of the entire centre. The aim is to increase flexibility by making the buildings more modular to encourage more intensive and effective use of the halls.

This upgrade follows the refurbishment of several other halls. It is designed to reduce the time required to assemble and disassemble events, thereby cutting costs for organisers and exhibitors and increasing the rotation of events staged.

8 leading shows worldwide

Exposium: guaranteed success for cutting-edge exhibitions

In 2006, Exposium posted record business activities with revenue of over € 140m. This performance puts Exposium's target within reach, which is to double its revenue in five years, strengthened by the acquisition of promising exhibitions in 2006.

This performance was driven by an increase in visitor flow and the number of exhibitors in 2006 at exhibitions such as *Intermat* (international construction industry show) and *SIAL* (The Global Food Marketplace Exhibition).

A market-driven approach to each event

Exposium stages shows in 15 different business sectors. In each sector, it has the skills, financial processes, analysis and communication tools, logistics and international networks required to make each show the leading event in its field. In addition, the shows organised by Exposium are not static still but evolve constantly in line with new trends and developments in each sector. As a result of this approach, Exposium organises many shows that are leaders in their market, eight of which are internationally renowned in their sector.

Although a specialist in trade shows, Exposium is also branching out into consumer shows with the same care and focus on effectiveness for exhibitors.

Growth in these shows, especially at the Paris Expo sites, is an example of the synergy that can be exploited between Exposium, which has expertise in creating and managing exhibitions, and Paris Expo, which owns the venues.

A growth-oriented exhibition organiser

Supported in its acquisition strategy by Unibail, in 2006 and early 2007 Exposium added twelve new exhibitions to its portfolio, all of which are set to become leaders in their sector, including:

- *Progilog*, leading event for the supply chain industry;
- Le *Salon de la Copropriété et de la Gestion de Biens,* a property management show;
- *Milipol,* an international state security and defence exhibition;
- *Salon du Meuble de Paris,* an international furniture show;
- *Salon National de l'Immobilier,* a property show.

Salon du meuble, an international furniture show

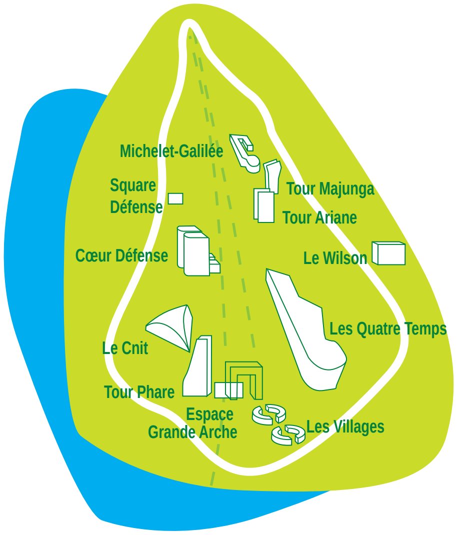
A clear ambition: to become the leading international event in the sector.

The industry responded positively to the innovative project proposed by Exposium based on its belief that Paris should host a show dedicated to furniture and home furnishings. The project actually involved creating two shows taking place at the same time and the same venue but aimed at different audiences:

Peter Hazelzet, Chairman and CEO of Exposium

- *The Salon du Meuble de Paris,* a professional show, stage-set by Christophe Pillet and totally repositioned to play a role in monitoring industry trends;
- creation of *"Futur Intérieur"* for the general public, a vast show room devoted to contemporary furniture and reserved for retailers.

This innovative strategy gave the event a new boost. It attracted 550 exhibitors representing 1,100 brands over 120,000 m^2 at Paris Expo Porte de Versailles, giving the event an international dimension while opening it to the general public.



Unibail has been present in La Défense for many years as operator, owner and developer in its three business sectors - offices, shopping centres and convention-exhibitions.
La Défense is a prime location with significant value enhancement potential, driven particularly by the EPAD (1) redevelopment plan.
As a leading property owner at La Défense with a portfolio of approximately 600,000 m² *, Unibail is a major player in this business district.

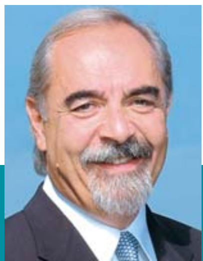
* including Cœur Défense

A LEADING INVESTOR MAJOR PLAYER IN THE REDEVELOPMENT

Tour Phare: innovative architecture combined with a sustainable development approach.
Tour Majunga: a new tower as a bold architectural statement.

CNIT: redevelopment of an iconic building at La Défense.

AT LA DÉFENSE AND OF THE BUSINESS DISTRICT

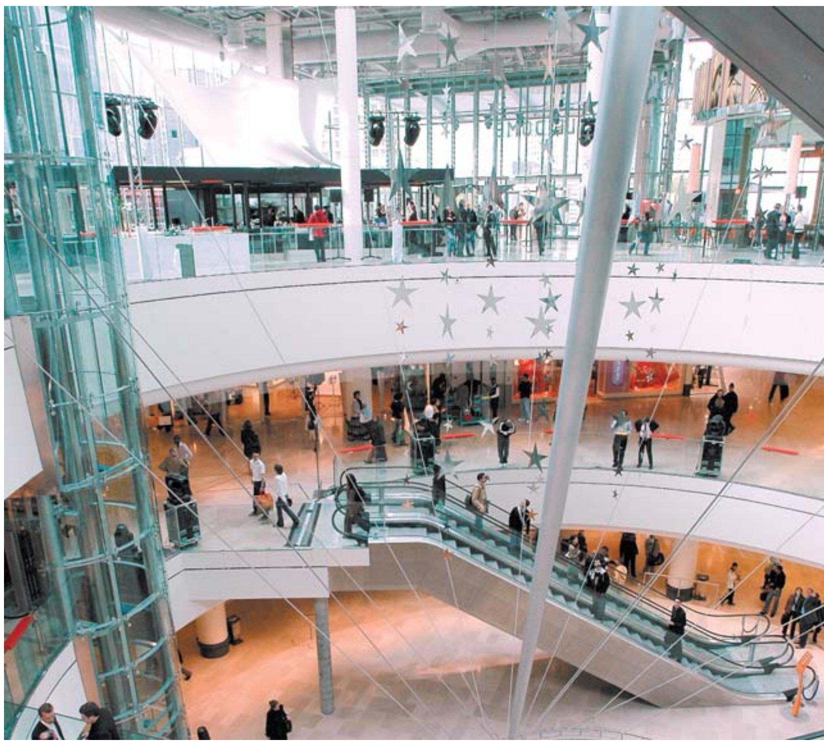


New momentum for La Défense

"La Défense houses 2,500 corporate head offices, over 3 million m² of office space for around 150,000 employees. It is also home to 20,000 inhabitants and 200,000 m² of shops and retail space. La Défense redevelopment plan, announced by the French government in July 2006, includes the conversion of some twenty buildings together with building permission for 450,000 m² of new space by 2013.
The aim is to ensure that La Défense keeps its lead and through this new momentum proves its ability to compete with other major business districts in Europe and the rest of the world. In short, to maintain its status as a leading European business district.
The plan also involves developing and promoting festivals, events and cultural activities to radically transform La Défense's image and encourage nightlife and weekend-life as well as daytime activity.
Le Dôme is a strong symbol and corner stone of this new policy.
It significantly changes the pace of life at La Défense and infuses new life into the area. Le Dôme will help reveal a new side of La Défense to a much wider audience.
In addition, the Tour Phare with its bold architecture will also be a symbol of the new-look La Défense."

Bernard Bled,
General Manager of EPAD (1)

Le Dôme: a new area of restaurants and leisure facilities at La Défense.



(1) EPAD: Public body for the development of La Défense

Green Center – Toulouse. Near Toulouse, the Green Center retail park project is pioneering an original "outdoor shopping" concept. This project, in partnership with *Immobilière Frey*, opted for a High Environmental Quality (HQE) approach emphasising a harmonious relationship between buildings and their environment, an integrated choice of construction processes and products and eco-friendly management of energy, water and waste.

OUR VALUES, OUR COMMITMENTS

As a leading commercial property investment company in France which manages with a **long-term** view and highly integrated approach to its business activities, **Unibail** has long counted at the heart of its priorities the respect and satisfaction of its stakeholders with regards to **sustainable development**. The Group's sustainable development policy is defined and managed by the Group's Executive Committee, which regularly ensures that the principal effects of this policy are accurately measured and monitored by an **internal control and risk management system**.

In view of these objectives, Unibail adhered to the **United Nations Global Compact** in 2003 and committed itself to respect and promote good governance guidelines in the fields of human rights, labour conditions and environmental practices.

Lastly, Unibail is part of the **FTSE4Good Europe** index of companies committed to corporate social responsibility.

This policy is put into practice through:
- Corporate governance;
- Monitoring the impact of environmental issues;
- Social responsibility and business ethics;
- Development of a civic policy.

CORPORATE GOVERNANCE

Since 1995, with regards to its shareholders and financial markets, Unibail has adopted corporate governance guidelines and aims at complying with the highest standards on the Paris Market Place (*Place de Paris*). Unibail regularly updates these guidelines on the basis of recommendations published in the October 2003 AFEP-MEDEF [1] backed report on "Corporate governance of listed companies" and in many cases goes beyond such recommended guidelines and standards.

The Board of Directors [2]

Governance based on the independence of Directors

Pragmatic and permanent quest for good governance practices.

Unibail's Board of Directors comprises ten members of whom 7 are independent. To ensure adequate continuity and give shareholders the opportunity to regularly elect their Board representatives, Unibail's directorships have staggered terms, thus allowing them to be renewed on a regular basis. To this end, the statutory term of office is three years, rather than the maximum of six years allowed by law.

Members of the Board of Directors are appointed subject to independence and expertise criteria. Of the nine Board members (excluding the Chairman of the Board), Mr Jacques Dermagne and Mr Jean-Claude Jolain are the only who do not satisfy the criteria of an independent director, solely due to their having served more than 12 cumulative years.

The procedure for appointing new Directors is governed by stringent guidelines, overseen by the Nominations and Remuneration Committee. This Committee has adopted the "Independent Director" criteria set out in the *AFEP-MEDEF* report of October 2003. Under these criteria, and subject to restrictions on length of service, a Director is deemed to be independent when he or she does not have a direct or indirect relationship of any kind whatsoever with the Company, its subsidiaries or its management that may influence his or her independence of judgment. Furthermore, appointments to the Board and memberships of Specialist Committees systematically take into account expertise, professional track record and experience of candidate directors.

70% of Board members are independent

Directors' Code of Ethics [3]

In order to contribute to the quality of the directors work by favouring the principals, best practices of corporate governance and ethical and efficient practices adopted by Unibail, the Board of Directors added, in 2006, in addition to the internal by-laws adopted in 2002, a Directors' Code of Ethics in line with the recommendations of the French Institute of Directors (*l'Institut Français des Administrateurs*).

Directors Remuneration: complete and transparent information

The Board of Directors in the meeting of January 31, 2007 was able to certify that Unibail's practices conform at all levels to the recommendations on the remuneration of companies' responsible officers (*Mandataires Sociaux*) published by the *AFEP* and the *MEDEF* in their report of January 2007.

Procedures and responsibilities regularly evaluated

As in December 2003, the procedures and responsibilities of the Board of Directors were subject, in December 2006, to a formal review (which takes place every three years in accordance with its internal by-laws) in which the workings of the Board were unanimously judged to be "excellent" with regards to the rules and the best practices in place. This review was conducted by the independent consulting firm "Towers Perrin".

Specialist Committees

An ever increasing contribution from Directors

In September 1995, **the Audit Committee** and **the Nominations and Remuneration Committee** were established in order to assist and report to the Board of Directors. These two Specialist Committees each adhere to internal by-laws outlining their organisation, powers, procedures and responsibilities.

The Audit Committee consists of three directors, two of whom are independent, with financial and accounting expertise. It has been chaired by François Jaclot [4] since 2005.

[1] MEDEF (*Mouvement des Entreprise en France*) – French Business Confederation
[2] For further details, please refer to the Chairman's report on the preparation and organisation of the work performed by the Board of Directors and on the internal control procedures established in accordance with French law on Financial Security (see page 123).
[3] Available on the website www.unibail.com
[4] Independent director.

Aside from recurring issues (interim and annual financial statements, internal control, risk management relating to liabilities and Net Asset Value) and in addition to its contact with senior management, the Audit Committee was free to interview accounting, finance and audit managers, without the presence of the Company senior management, and to hold regular meetings with the Statutory Auditors. The Committee also had access to valuations carried out by independent appraisers, which are used to calculate Net Asset Value. In 2006 the committee paid particular attention and dedicated an entire session to internal management and control.

The Nominations and Remuneration Committee, which consists of three Directors, two of whom are independent, has been chaired by Henri Moulard [(4)] since 2005. The Committee focuses on: (i) analysing the appointment of new Directors; (ii) reviewing the renewal of directorships; (iii) setting the fixed and variable remuneration paid to the Chairman and the Chief Executive Officer; (iv) identifying the beneficiaries of the stock-option plan; and (v) more generally, reviewing the Group's overall remuneration policy.

For the first time this year the allocation of stock-options (which concerns about 12% of the Group's employees) was made in full under the condition of the out performance of Unibail on the EPRA [(5)] Eurozone index, representing companies in the same business sector.

As it does each year, the Committee decided upon on December 14, 2006 the independence of Unibail's Directors with respect to the definition and criteria specified in internal by-laws and continued in the performance evaluation of the CEO.

MONITORING THE ENVIRONMENTAL IMPACT OF UNIBAIL'S PROPERTIES

Health & Safety Manuals

The Group's assets are gradually being equipped with a complete health and environmental impact monitoring and control system called Health & Safety Manuals. By mid-2007, Unibail will have fully completed the gradual deployment of this system to all the assets managed by the Group.

Depending on the risks and specific characteristics of each of the projects, the aspects covered include the monitoring of asbestos-related risks, classified installations (notably cooling towers), legionella in hot water networks, air quality, the quality of drinking water and the tracking of possible electromagnetic risks linked to mobile telephone networks' antennae.
Each Health & Safety Manual must at the very least list the owner's legal obligations and contain an initial diagnostic assessment and risk traceability information, such as analyses, for each risk factor taken into account. Each Health & Safety Manual is audited annually by an external inspection firm.
For instance, the Group commissioned this year 515 legionella tests at its cooling towers, 335 drinking water analyses and legionella tests and 350 air quality tests at its properties.
In parallel, Unibail has entrusted Bureau Veritas with an assignment to monitor and assist Unibail and its service providers on a daily basis with the management and continuous improvement of its Health and Environment standards and its regulatory inspection risk control.

Mobile telephones

A framework agreement was signed in partnership with mobile phone operators covering the installation of indoor relay antennae at the Group's properties under which operators undertake to comply with the most stringent rules applicable at each site (regulations or local charter) and to conduct annual assessments of the electromagnetic fields generated by their on-site installations. The results of these evaluations are included in the Health & Safety Manual.

Asbestos

Wherever possible, the Group continues to take a proactive approach to removing asbestos above and beyond the regulatory requirements. During 2006, it removed around 200 tons of materials and products containing asbestos at 16 assets. As in the previous year, Unibail would have been permitted in most cases to leave these materials and products in place in view of regulations.

Energy and fluid control

Unibail launched an energy audit programme covering 17 properties in three divisions employing a standard methodology at all the locations.

For instance, the energy audit at the Guynemer office building in Issy-les-Moulineaux identified power consumption optimisation measures that generated savings of over 20% during 2006 (corresponding to an emission reduction of over 70 tons in CO_2 p.a. [(6)]).

Environmental Quality Charter for projects

In late 2003, Unibail was inspired by the French HQE (High Environmental Quality) programme to draft an Environmental Quality Charter for projects, which is systematically added to contracts and procurement agreements with project contractors and businesses. All the entities working for the Group on property construction or refurbishment projects are requested

(4) Independent director.
(5) EPRA: European Public Real Estate Association.
(6) Based on an average value of 100g CO_2/kWh.

to identify processes, techniques and materials that aim to minimise their environmental impact in terms of both building design and project monitoring. Several recommendations have been issued and are monitored with respect to the four key themes of construction, property management, tenant comfort and health.
For instance, an open mall without any air conditioning has been incorporated into the design of the Lyon Confluence project to keep the property's power consumption under control. It will be a genuine shopping street, representing a perfectly integrated extension of the city. Special attention has been paid to the property's natural lighting, notably through the use of inflatable and transparent roofing materials.
The air conditioning system chosen at the Rivétoile project (Strasbourg) cools air by pumping water from the adjacent Austerlitz canal and draws on the public heating network, thereby helping to curb the centre's environmental impact.

The Group is developing an active policy of responsible initiatives.

An assessment by external consulting firms to ensure this charter is applied properly during the construction phase identified during 2006 the following measures aimed at controlling nuisances at the Capital 8, Palais du Hanovre and 44 Lisbonne sites:
- contractual limits for construction companies concerning noise and dust emissions;
- appropriate measurement systems which react, should these thresholds be breached;
- corrective and preventative measures, among which the establishment of timetables for the most noisy works in consultation with tenants, the use of noise reduction equipment, the covering of sensitive areas and physical acoustic protection;
- considerable efforts to manage, traffic and treat waste.

SOCIAL RESPONSIBILITY AND BUSINESS ETHICS

Suppliers and service providers

A Code of Ethics formally defines the values which all Group employees must observe in the course of their work. In particular, it states "the process for selecting suppliers should be based on objective comparison criteria and comply with the Group's existing tender procedures", which ensures the highest level of transparency and objectivity when procuring construction-related and other services (maintenance, safety and security, cleaning, etc.).

The contracts and agreements signed with suppliers systematically include clauses on social responsibility and in particular:
- measures to combat undeclared labour (e.g. compulsory registration with social security organisations, compliance with employment regulations and lawful employment of foreign workers, etc.);
- workers' health and safety (compliance with the regulations and special measures, overall health and safety coordination plan, prevention plan, etc.).

Employees

Skills development and employees' behaviour lie at the heart of the Group's success and represent a major priority for Unibail. The initiatives and measures implemented in 2006 are described in the Management's Discussion and Analysis section. Even greater emphasis was placed in 2006 on providing training for the Group's various business divisions, controlling relevant environmental risks and ensuring compliance with the Code of Ethics.

The PHARE project: a strong environmental statement through the winning architectural design

"In the spirit of Gustav Eiffel's innovations in engineering and construction, the Phare Tower will be **a powerful symbol of sustainable, performance-driven design**, putting France at the cutting edge of environmental management. Both the form and the orientation of the building respond to the path of the sun; the south façade's curvilinear double skin minimizes heat gain and glare, while the flat, clear-glazed north façade maximizes interior exposures to year-round natural daylight. A double skin is at work at all times to **maximize energy efficiency**. The resultant benefit of increased daylight and natural ventilation creates a workspace of exceptional quality and comfort for its users. A visually distinctive wind farm crowns the tower and provides clean, alternative energy to power the fans that activate the building's natural ventilation system. This **fully self-sufficient system** will cool the building for half of the year without using any outside energy sources or any supplemental heating or cooling. **A metaphorical garden in the sky**, this crown of wind turbines harvests energy and provides a powerful symbol of committed environmental stewardship. The communications infrastructure integrated into this forest of wind turbines reflects the fundamental inter-dependence of sustainable development and technology in the 21st century" *Architect, Thom Mayne, Design Director of Morphosis.*

Efforts were also made to increase career mobility within the Group and to enrich appraisals of skills and of employees' performance-related pay. Employees were also systematically invited to participate in the public events held by the Group at various facilities, such as the generous "Make a wish" Christmas campaign at the Carrousel du Louvre benefiting the *Laurette Fugain* medical charity and the charity sales made during 2006 in conjunction with Vipp and Baume & Mercier.

71% of employees * are shareholders of Unibail

*(including Exposium)

DEVELOPMENT OF A CIVIC POLICY

Shaping the urban fabric and local economic development

The Group's responsibility towards society is reflected in the way large shopping centres and convention-exhibition centres are inserted into the urban setting playing a key role in regional development, injecting life and creating jobs. It is also reflected in its exhibition organisation and creation activities, which help to showcase the expertise of French businesses and promote good sustainable development practices, such as the SIAL event, which has established itself as a people's show facilitating the nationwide development of the Grocers Solidarity Association and has committed itself to being a partner of food banks.

Working in partnerships and sponsoring initiatives

The Group pursues an active policy of socially responsible initiatives. For several years, Unibail has supported *Habitat et Humanisme*, an organisation reintegrating people into society by providing housing and took part in the *Une clé pour les mal-logés* (A Key for the homeless) campaign by organising a day of meetings and discussions for visitors to Les Quatre Temps shopping centre. The Rosny 2 centre has demonstrated its ongoing commitment to serving society by opening a drop-in and information centre for young people called *Tête à Tête* under the aegis of the Seine Saint-Denis departmental authorities.
Aside from these initiatives at its facilities, Unibail is actively involved in the development of property sector training at the major French business schools (ESCP, HEC, ESSEC and the Ecole Centrale). The Group also provides support to the following organisations: the association for the development of social initiatives by Paris' firemen (*Association pour le développement des oeuvres Sociales des Sapeurs Pompiers de Paris*), the French parks and garden foundation (*Fondation Parcs et Jardins de France*), a partnership with the French Red Cross (*Croix Rouge Française*) and support with the promotion of the *Théâtre du Châtelet* and the *Opéra de Paris*.

Vach'Art Paris 2006

After enjoying undisputed success in a number of cities around the world, the CowParade came to Paris in spring 2006 as part of an event that was renamed Vach'Art. Unibail chose to join in by giving visitors to four shopping centres in the Paris region (Forum des Halles, Carrousel du Louvre, Quatre Temps and Cnit) a once-in-a-lifetime chance to see imitation cows dressed or decorated by famous artists.

This partnership also reflected the Group's shopping centres' commitment to responsible initiatives, since the cows designed for Vach'Art were later auctioned off for the benefit of health and nutrition charitable organisations.

A property portfolio made up of major assets

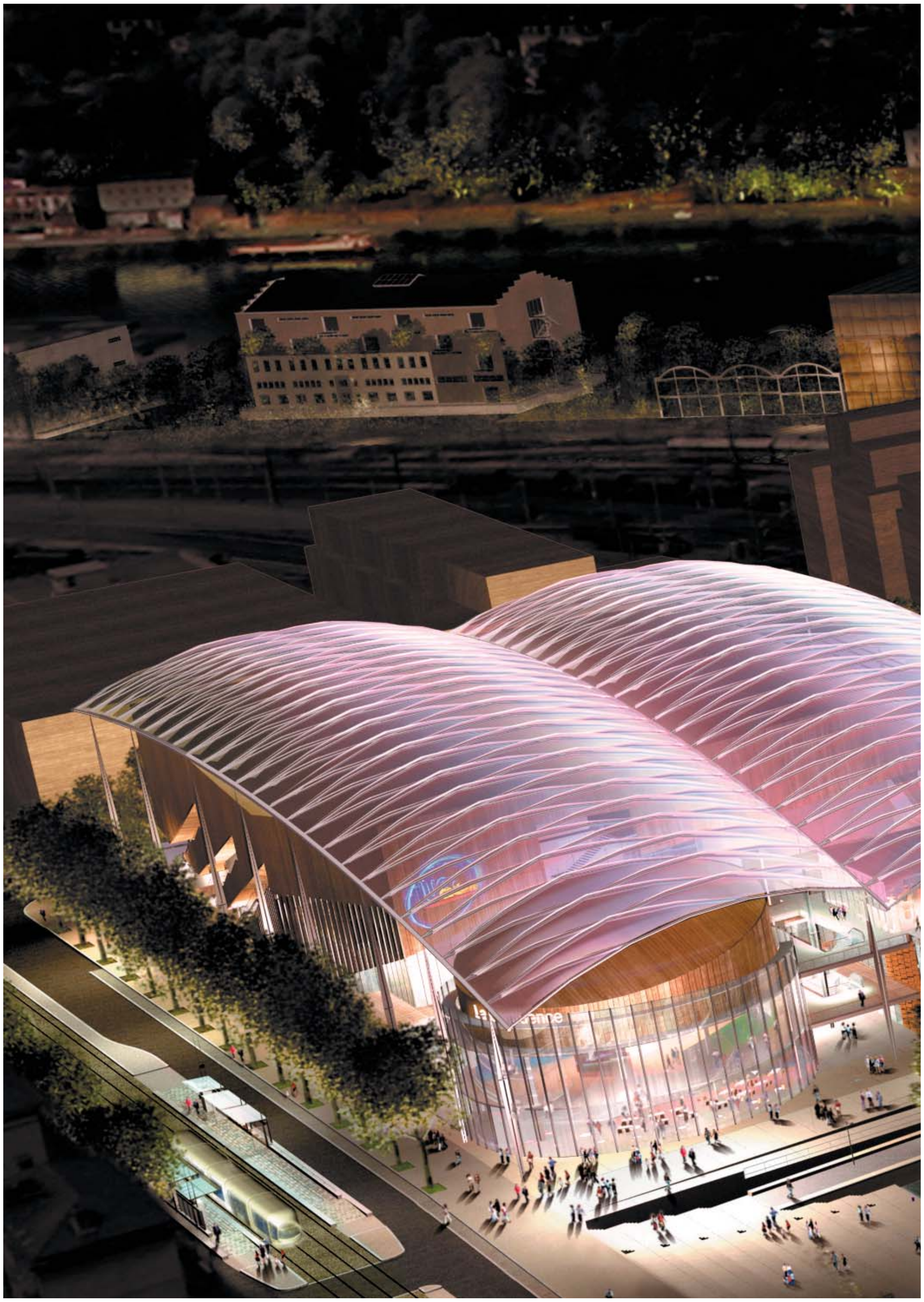
Valued at € 10.9 billion

Total floor space of 1.4 million m²

Shopping Centres
628,543 m²
€ 5,523m

Offices
421,978 m²
€ 3,904m

Convention-Exhibitions and services
362,737 m²
€ 1,429m



SAINT-MARTIAL, Limoges.

Portfolio breakdown by value and by floor space per sector as at December 31, 2006
Figures according to the scope of consolidation

Value (€ m)	Offices	Shopping Centres	Convention-Exhibitions*	TOTAL	%
PARIS CBD and Western Paris outskirts	**3,820**	**2,395** [5]	**1,429**	**7,644**	**70%**
% in value	98%	43%	100%		
of which Paris CBD [1]	*1,525*	*1,015*	-		
of which Paris-La Défense [2]	*1,652*	*1,379*	-		
of which Neuilly-Levallois-Issy	*643*	*1*	-		
Other within Paris or the Paris region	**84**	**1,326**	**-**	**1,410**	**13%**
% in value	2%	24%	-		
French provinces	**-**	**1,802** [6]	**-**	**1,802**	**17%**
% in value	-	33%	-		
TOTAL	**3,904**	**5,523**	**1,429**	**10,856**	
% of the property portfolio in value	**36%**	**51%**	**13%**		**100%**

In floor space (m^2)	Offices	Shopping Centres [4]	Convention-Exhibitions*	TOTAL	%
PARIS CBD and Western Paris outskirts	**415,408**	**246,322** [5]	**362,737**	**1,024,467**	**73%**
% in surface	98%	39%	100%		
of which Paris CBD [1]	*125,772*	*107,022*	*299,697*		
of which Paris-La Défense [3]	*186,188*	*139,300*	*63,040*		
of which Neuilly-Levallois-Issy	*103,448*	-	-		
Other within Paris or the Paris region	**6,570**	**167,519**	**-**	**174,089**	**12%**
% in surface	2%	27%	-		
French Provinces	**-**	**214,702** [6]	**-**	**214,702**	**15%**
% in surface	-	34%	-		
TOTAL	**421,978**	**628,543**	**362,737**	**1,413,258**	
% of the property portfolio in surface	**30%**	**44%**	**26%**		**100%**

*** and services**

(1) Central Business District.
(2) Including Unibail's remaining stake in Cœur Défense.
(3) Excluding Unibail's remaining stake in Cœur Défense and excluding development projects.
(4) Excluding shopping centre development projects: Strasbourg Etoile, les Passages CMK in Bordeaux, Les Docks de Rouen, Lyon Confluence, Aéroville Charles de Gaulle, Carré Sénart Phase 2, Versailles-Chantiers, le CNIT and Centre Eiffel, etc.
(5) Including car dealerships at: 23, bd de Courcelles - Paris 8 and 40ter, av. de Suffren - Paris 15.
(6) Including the minority interest in Boisseuil-Limoges (JLSI).

Shopping Centre Portfolio as at December 31, 2006

	GLA of the whole complex (m²)	Parking spaces	Catchment area (in millions of people)	Number of visits (in millions)	2006 Overall turnover of the complex (in millions of euros)	Year of acquisition	Construction Refurbishment (R) date	GLA of the shop units (m²)	% Unibail [1]	% of consolidation	Total space according to consolidation (m²)
SHOPPING CENTRES IN PARIS AND WESTERN PARIS OUTSKIRTS											**222,560**
Les Quatre Temps (Paris - La Défense)	123,000	6,500	3.1	33.0	766	1992/95	1981	119,000	53%	100%	119,000
Auchan, 13 Mus, 200 shops and a cinema complex						1999	R 2006/07				
Cnit (Paris - La Défense): Shopping Arcade	20,300	1,136	3.1	8.0	121	1999 [2]	1989	20,300	100%	100%	20,300
FNAC, 28 shops and a restaurant area											
Le Forum des Halles (Paris 1)	60,000	2,100	4.2	40.1	540	1994	1979/86	60,000	65%	100%	60,000
FNAC, 10 Mus, 180 shops and a Ciné-cité UGC							R 1996				
Carrousel du Louvre (Paris 1)	10,200	700 [3]	2.1	8.3	53	1999 [2]	1993	10,200	100%	100%	10,200
7 Mus, 45 shops and a food court											
Galerie Gaité (Paris 14)	14,000	- [4]	0.5	-	70	1998	1976	13,060	100%	100%	13,060
4 Mus and 15 shops							R 2000/01				
OTHER SHOPPING CENTRES IN THE PARIS REGION											**164,719**
Rosny 2 (93 - Rosny-sous-Bois)	106,000	5,950	1.0	15.0	598	1994	1973	31,812	26%	26%	8,271
Carrefour, BHV, Fnac, 8 Mus,190 shops and a cinema complex						2001/04/06	R 1997	17,283	100%	100%	17,283
Vélizy 2 (78 - Vélizy)	102,000	7,200	2.3	17.2	835	1994	2005/07	15,372	100%	100%	15,372
Auchan, FNAC, Printemps, 8 Mus, 158 shops and 7 cinemas											
Vélizy Usines Center (78 - Vélizy)	20,500	1,200	2.4	1.5	90	2005	-	20,500	51%	100%	20,500
145 shops											
Carré Sénart (77 - Sénart)	65,000	4,700	0.7	13.5	358	1994/99	2002	56,308	100%	100%	56,308
Carrefour, 15 Mus and 115 shops											
Carré Sénart phase 2 (77 - Sénart)	7,198	-	0.8	n/a	n/a	-	2006	7,198	100%	100%	7,198
4 restaurants and 1 bowling alley											
Chelles 2 (77 - Seine-et-Marne)	49,500	2,500	0.4	4.0	175	2002	1996	24,533	100%	100%	24,533
Carrefour, 5 Mus and 110 shops											
Ulis 2 (91 - les Ulis)	52,000	3,200	0.5	7.2	353	1994	1973	11,217	100%	100%	11,217
Carrefour, 6 Mus, 110 shops and 4 cinemas							R 1998				
Evry 2 (91 - Evry)	93,000	5,300	0.7	15.0	n/a	2004	1975	53,827	7.5%	7.5%	4,037
Carrefour, Galeries Lafayette, 10 Mus, 240 shopping and CGR multiplexes							R 2002/03				
SHOPPING CENTRES IN THE FRENCH PROVINCES											**210,271**
Cité Europe (62 - Coquelles)	73,000	4,250	0.5*	7.3	295	1995	1995	50,830	50%	50%	25,415
Carrefour, 10 Mus, 130 shops, a food court and a cinema complex											
Marques Avenue (62 - Coquelles sur le site Cité Europe)	13,400	850	-	1.3	35	-	2003	13,400	100%	100%	13,400
60 shops											
La Toison d'Or (21 - Dijon)	58,600	3,540	0.4	7.6	354	1994	1990	34,032	51%	100%	34,032
Carrefour, 8 Mus, 130 shops and an aquatic centre											
Labège 2 (31 - Toulouse)	44,600	3,010	0.6	6.4	300	1994	1983/92	12,740	100%	100%	17,372
Carrefour, 3 Mus and 103 shops						2006		4,632			
BAB 2 (64 - Bayonne)	37,000	2,500	0.3	6.7	215	1994	1982	10,951	100%	100%	10,951
Carrefour, 3 Mus and 80 shops											
CMK - Centre Mériadeck (33 - Bordeaux)	35,000	1,500	0.5	11.5	193	1994	1980	23,969	61%	100%	23,969
Auchan, 7 Mus and 80 shops							R 2000				
Saint-Genis 2 (69 - Lyon)	29,000	1,800	0.6	5.0	239	1994/96	1981	5,940	100%	100%	5,940
Auchan, BHV and 65 shops											
Bonneveine (13 - Marseille)	27,000	1,000	0.4	7.4	195	1986	1983	9,813	100%	100%	9,813
Carrefour, 2 Mus, 61 shops and 5 cinemas											
Place d'Arc (45 - Orléans)	27,000	750	0.4	8.4	126	1988	1988	13,537	73%	100%	13,537
Carrefour, 4 Mus and 60 shops											
Nice Etoile (06 - Nice)	19,000	1,200	0.6	11.9	118	2000	1982	16,968	100%	100%	16,968
8 Mus and 92 shops							R 2005				
Saint-Martial (87 - Limoges)	18,000	800	0.2	3.8	66	1989	1989	15,115	100%	100%	15,115
7 Mus and 60 shops											
La Part Dieu (69 - Lyon)	110,000	4,200	1.7	29.2	n/a	2004	1975	3,612	100%	100%	3,612
Carrefour, Galeries Lafayette, 10 MUS, 230 shops and a 14 screen UGC cinema complex							R 2001/02				
Rennes Alma (35 - Rennes)	35,700	2,500	0.5	6.3	211	2005	1971	11,539	51%	100%	11,539
Carrefour, Printemps, 1 Mus and 51 shops							R 1990				
Etrembières (74 - Anemasse)	18,500	1,000	0.6	2.8	109	2006	1994	8,608	50%	100%	8,608
1 hyper Migros, 2 Mus and 44 shops											
Other JLSI [5] minority interest											**4,431**
Aquaboulevard	75,000	1,000	-	5.0	n/a	2006	1990	2,800	100%	100%	2,800
1 MUS											
Car dealerships: 23, bd de Courcelles-Paris 8 and 40 ter, av. de Suffren-Paris 15 [6]											23,762
TOTAL [7]											**628,543**
Assets consolidated under the equity method											
Euralille (59 - Lille)	65,000	2,900	0.8	13.3	234	1994	1994	42,837	40%	40%	17,135
Carrefour, 10 Mus, 110 shops, a food court and activity area											

Catchment area: less than 30 minutes from the centre.
Mus: Medium sized units.
* excluding English clientele.

(1) Unibail's interest in floor areas and rents.
(2) Part of the Vivendi assets acquisition.
(3) The Carrousel du Louvre parking lot is shared between the shopping centre and the exhibition spaces.
(4) 2,227 parking spaces for the whole Gaîté Montparnasse complex (Hotel Méridien, Gaîté shopping Galery and offices).
(5) Acquisition of JLSI (Société Jean-Louis Solal Investissements) in 2004.
(6) Acquisition of Crossroads Property Investors.
(7) As at February 1, 2007 total surface in use, as reduced by Chelles 2 (sold) and Cnit under restructuration and increased by acquisitions since the beginning of the year, came to 593,054 m².

Office Portfolio* as at December 31, 2006

	Year of acquisition	Construction Refurbishment (R) date	Total floor space of asset (m²)	Parking spaces	% consolidation	Total floor space according to consolidation (m²)	Main tenants (in terms of rental income)
PARIS CBD, PARIS AND WESTERN PARIS OUTSKIRTS							
Paris 1							
39-41, rue Cambon	2001	R 1991	16,900	200	100%	16,900	EURONEXT
34-36, rue du Louvre	1976	R 1989	3,788	-	100%	3,788	BNP-PARIBAS
Paris 2							
12, rue du Mail	1985	R 1996	1,622	-	100%	1,622	Office under refurbishment
Paris 8							
Capital 8 (av. de Messine/Monceau/Murat)	2001	R 2005	63,422	513	100%	63,422	ROTHSCHILD, AFORGE, EURAZEO, MARIONNAUD, Gaz de France, AMB PROPERTY
5, boulevard Malesherbes	1999	R 2000	8,444	2	100%	8,444	UNIBAIL's headquarters
44-46, rue de Lisbonne	1999[2]	R 1994	4,175	-	100%	4,175	Vacant
27-29, rue de Bassano	1978	R 1981	1,615	-	100%	1,615	CHAINTRIER ET ASSOCIES
52, rue de Lisbonne	1999[2]	R 1999	1,514	4	100%	1,514	CHINESE EMBASSY
Paris 9							
11-15, rue Saint-Georges	1991	R 1993	7,655	153	100%	7,655	LA HALDE, MACIF, ALTAREA GESTION, HYPO REAL ESTATE
1, rue Saint-Georges	1991	R 1993	2,840	117	100%	2,840	ST INGENIERIE, COMPUMARK, PIERRE LANG FRANCE, DEPFA BANK
Paris 16							
7, place du Chancelier Adenauer	1999[2]	R 1998	12,048	150	100%	12,048	ALCAN
42, avenue d'Iéna	1998	R 1999	1,749	3	100%	1,749	SUN MICROSYSTEMS
Sub-total 'Paris CBD'						**125,772**	
92 PARIS-LA DÉFENSE							
Espace 21 (Les Villages)	1999[1]	C 1993	39,366	1,602	100%	39,366	GENEGIS, JUNIPER NETWORKS, VISTALI
Tour Ariane	1999[1]	R 2004	58,622	218	100%	58,622	CREDIT LYONNAIS, SOCIETE GENERALE, COMPLETEL, MARSH, AIR LIQUIDE, CIMENTS Français, NETWORK, VANCO, BRITISH TELECOM
Cnit (Offices)	1999[2]	C 1989	32,904	-	100%	32,904	ESSEC, SFR, APEC, SELECT TT
Immeuble Michelet-Galilée	1999[1]	C 1986	33,405	127	100%	33,405	TOTAL
70-80, av. Wilson	1999[2]	C 1988	21,005	575	100%	21,005	AXA, EXPOSIUM, ORPHAN
Square Défense	2005	-	886	5	100%	886	
Sub-total 'Paris-La Défense'						**186,188**	
92 NEUILLY-SUR-SEINE							
2, rue Ancelle	1996	R 1995	15,570	170	100%	15,570	GRAS SAVOYE
136, av Charles de Gaulle	1999[1]	R 2004	11,977	260	100%	11,977	CHANEL, POTEL & CHABOT
168, av Charles de Gaulle	1984	R 1995	7,506	126	100%	7,506	BNP-PARIBAS, REGUS, M-REAL, ALTIOR
92 LEVALLOIS							
126, rue Jules Guesde	1988	C 1970	2,791	56	100%	2,791	HACHETTE RELAIS H - Under promise of sale
Courcellor 1	2005	-	20,125	344	100%	20,125	SFIG (Groupe GDF)
92 ISSY-LES-MOULINEAUX							
34-38, rue Guynemer	1999[2]	C 1988	45,479	900	100%	45,479	ACCOR, ALDATA, BERCY SERVICES, SEAVT, SYBASE, MONDADORI
Sub-total 'Neuilly-Levallois-Issy'						**103,448**	
Other office buildings in Paris (Paris 14)							
Gaité-Montparnasse (Offices)	1998	C 1974	6,570	2,227[3]	100%	6,570	LE POINT
Other offices in the Paris Region							
Sub-total of other office assets in Paris and the Paris region:						**6,570**	
TOTAL (according to the scope of consolidation)[4]						**421,978**	
Assets consolidated under the equity method							
Cœur Défense	1998	C 2001	181,817[5]	2,800	49%	-	CREDIT LYONNAIS, SOCIETE GENERALE, AXA, CAP GEMINI, ING BANK, CCF HSBC , ORACLE, MICROSOFT, SIIF, WYETH…

* and related: shops in office buildings, light-industrial space, appartments…

[1] Acquisition from the Vivendi Group.
[2] Acquisition from Crossroads Property Investors.
[3] The Gaîté Montparnasse private parking lot is shared between offices, the Hotel Méridien and the Gaîté Shopping Gallery.
[4] Fully or proportionally consolidated.
[5] The surface given includes the conference centre (3 330 m²).

Convention-Exhibition Portfolio as at December 31, 2006

	Year of acquisition	Construction Refurbishment (R) date	Parking spaces	Total floor space per asset (m²)*	% Unibail [1]	Description
PARIS AND PARIS-LA DÉFENSE						
Paris Expo Porte de Versailles-Paris 15	2000	Hall 5 en 2003	6,500	226,000	100%	8 exhibition halls (from 5,000 à 70,000 m²), 32 conference rooms of which 3 auditoriums
Cnit-La Défense	1999 [2]	1989	1,120	53,540	100%	Exhibition and convention space (43,259 m²) and a Hilton Hotel
Espace Grande Arche-La Défense	2001	R 2003	-	9,500	100%	Flexible space covering 9,500 m²
Espace Champerret-Paris 17	1989/1995	1989	1,800 [3]	9,200	100%	Exhibition space (trade shows)
Carrousel du Louvre (Expos)-Paris 1	1999 [2]	1993	700 [3]	7,125	100%	Exhibition space (Trade and fashion shows, corporate events)
Palais des Sports-Paris 15	2002	-	-	n/a	50%	Flexible entertainment or convention room from 2,000 to 4,200 seats
Sub-total				**305,365**		
Hôtel Méridien-Montparnasse-Paris 14	1998	1974	- [4]	57,372	100%	Hotel, conference centre and private parking lot [4]
TOTAL				**362,737**		
Conference Centre Cœur Défense	2001	2001	-	3,330	100%	Space included in the Office Portfolio.

* total floor space according to consolidation.

(1) Unibail' s interest in floor space and rents.
(2) Part of the Vivendi assets acquisition.
(3) This parking lot does not belong to the group.
(4) 2,227 parking spaces for the whole Gaité Montparnasse complex (Méridien Hotel, Gaité Shopping Gallery and offices).

Capital 8 - Messine building

Lyon Confluence - A new shopping and leisure centre at the confluence of the Saône and the Rhône, by the architect Jean-Paul Viguier, with a profound respect for the environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baccarat chandeliers at Nice Étoile

2006 BUSINESS REVIEW AND RESULTS

1. ACCOUNTING STANDARDS AND SCOPE OF CONSOLIDATION

Unibail's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as at December 31, 2006, as applicable in the European Union at this date.

No changes were made in the implementation of accounting principles except for rent-free periods spread out over the firm duration of leases [(1)], which are now deducted from the fair value of investment properties recorded on the balance sheet.

The options selected by the Group in the application of IFRS accounting standards comply with the recommendations of the European Public Real Estate Association (EPRA) [(2)].

As at December 31, 2006, the scope of consolidation included 131 companies. These companies have been fully consolidated with the exception of:

- 10 companies which are accounted for under the proportional method:
  - Shopping Centre division: the companies that own Rosny 2 and Cité Europe, together with the Boissy 2, Evry 2, Extension Evry 2 joint ventures (Sociétés en Participation or SEPs).

  - Convention-Exhibition division: Société d'Exploitation du Palais des Sports de la Porte de Versailles and four subsidiaries of the Exposium group which own the Femo, Industrie Lyon, Interexpo and Gestion TB exhibitions.

- Six companies which are accounted for under the equity method:
  - Office division: SCI Karanis, which owns Cœur Défense.
  - Shopping Centre division: SCI Triangle des Gares, which owns the Euralille shopping centre, and SAS Grandes Bruyères holder of a retail outlet project.
  - Convention-Exhibition division: two Canadian subsidiaries of the Exposium group.

As at May 12, 2006, Unibail holding acquired a 78.3% share in the *société de Tayninh*, a company listed on the Eurolist Market of the Euronext Paris stock exchange, for € 6.1m.
As the result of a simplified public take over bid initiated by Unibail Holding as at August 4, 2006 and an increase in capital while maintaining preferential subscription rights at closing on December 15, 2006 Unibail Holding now holds a 97.68% stake. This company has no operating activities.

2. KEY INDICATORS AND HIGHLIGHTS

2006 results exceeded targets, with the performance of all three business divisions stronger than expected.

The highlights of the year were as follows:

- Delivery of three major properties:
  - Le Dôme des Quatre Temps in La Défense, a 16 screen cinema multiplex and 14 restaurants, inaugurated in April 2006;
  - Phase 2 of the Capital 8 complex (Murat) in Paris 8, with gross lettable area of 45,315m^2, completed in June 2006;
  - Palais du Hanovre in Paris 2, which was sold on June 30, 2006, immediately after completion.
- The disposal of five office properties for a total of € 521m;
- The acquisition of a 50.02% stake in the Etrembières shopping centre in Haute Savoie and the strengthening of the Group's position in existing properties, for € 150m;
- The continuation of the Group's active growth strategy, with € 385m of works, in both the existing portfolio and new large shopping centre and office development projects, notably in La Défense with two such projects.

Two key indicators reflect the Group's strong performance over the year:

- **Recurring earnings per share (EPS) came to € 6.81 in 2006, up 17.2% compared with 2005.**

- **Fully diluted triple net liquidation NAV (Net Asset Value) amounted to € 140.6 per share, an increase of 48.3% compared with December 31, 2005. Value creation over the year amounted to € 49.9 per share, adding NAV growth of € 45.8 per share and dividends paid over the period, corresponding to € 4.05 per share.**

Net profit (group share) including fair value adjustments for investment properties came to € 2,139.8m as at December 31, 2006.

The income statement has been presented both in the format recommended by EPRA and by business division.

The following comments refer to the income statement by division.

3. BUSINESS REVIEW BY DIVISION

3.1 OFFICE DIVISION

The office property market in 2006[(3)]

Office surface take-up in the Paris region came to around 2.9 million m^2 in 2006, an increase of 32% compared with 2005, itself a record year. 2006 therefore beat the performance of 2000, which until now had been considered the year of reference.

The growth of the Paris region market was based on strong fundamentals, with favourable economic conditions, a robust level of transactions in small and medium-sized properties and strong momentum in large transactions. Business was particularly brisk in transactions of over 5,000m^2, with 85 transactions representing a volume of 1.2 million m^2, corresponding to volume growth of 58% compared with 2005.

These trends were driven mainly by companies aiming for efficiency and savings in work station costs.

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(1) € 31.9m as at December 31, 2006, i.e. 0.3% of the value of the portfolio.
(2) EPRA Best Practices Policy Recommendations November 2006.
(3) Sources: Immostat data, CBRE, Atisreal.

Against this backdrop, new and redeveloped offices were still the most attractive (63% of take-up for transactions of over 5,000m²), reflected distinctively by shorter marketing periods compared with older properties.

Similarly, the Paris CBD, La Défense and the Western CBD saw growth of 17% compared with 2005, confirming their status as the driving force of the Paris region market, representing 52% of take-up in the region. La Défense saw an increase of 48% compared with 2005, exceeding its record of 246,238m² achieved in 2000.

The impact of these excellent results on immediately available supply remained limited due to the combined effect of companies vacating premises and regular new building completions. However, the downward trend in vacancy rates in the Paris region since the end of 2004 continued, falling to a rate of 5.2%. Vacancy rates in the Paris CBD decreased to 4.4% (compared to 5% as at December 31, 2005), with a fall in La Défense to 5.7% (compared with 7.5% as at December 31, 2005).
The proportion of new or redeveloped buildings in immediately available supply decreased to just 19%.

Certain future supply increased by 13% in the Paris region to 1.3 million m² thanks to abundant supply in peripheral sectors. Meanwhile, guaranteed supply fell by 35% in the Paris CBD and 40% in La Défense.

Average rents saw a moderate increase, with a more marked rise in prime rents, up 9% in the Paris CBD over 2006. The difference between headline rent and economic rent decreased further due to the reduction in letting incentives.

For the third year in a row, direct commercial property investment reached a new record level of € 23.1bn in 2006, up 47% on 2005. The Paris region represented 78% of total investments.
Investment in office property also saw a sharp year-on-year increase of 68% in 2006, remaining the dominant product accounting for 89% of total investments.
As a result of robust demand and short supply of available assets, the reduction in prime yields initiated in 2002 continued: 4.6% in La Défense (compared with 5.5% in 2005) and 4.0% in the Paris CBD (compared with 4.5% in 2005).

The French market was driven primarily by French investors (54% of purchases in 2006 compared with 39% in 2005), with an increasing number and greater diversification of foreign investors.

Office Division's business activities in 2006

Office Division (€ m)	2006	2005	2004
Rental income	**136.0**	**146.4**	**201.8**
Net operating expenses	**- 7.1**	**- 4.0**	**- 13.4**
Net service charge expenses	*- 4.5*	*- 5.1*	*- 7.6*
Expenses related to properties	*- 1.6*	*2.0*	*- 4.5*
Property management expenses	*- 0.9*	*- 0.9*	*- 1.2*
Ground rents	**- 0.0**	**- 0.0**	**- 0.1**
Net rents	128.9	142.4	188.3
Asset management expenses	- 4.1	- 4.4	- 4.9
Office division recurring net operating profit	124.9	138.0	183.5
Contribution of companies consolidated under equity method	2.5	3.5	- 0.1
Interest on financial assets	8.2	7.8	3.7
Recurring result of the division	135.5	149.3	187.1

Gross rental income came to € 136m in 2006, a fall of € 10.4m compared with 2005, owing mainly to the following factors:

- A rental shortfall of € 28m, attributable mainly to disposals made in 2005 including, Cité du Retiro and 50 av Montaigne both in Paris 8 and in 2006, 41 rue Ybry in Neuilly and 31 rue du Colisée in Paris 8;
- € 10.8m in additional rental income from the letting of the entire Phase 1 of the Capital 8 complex in Paris 8 and part of Phase 2;
- -€ 0.7m corresponding to -€ 1.5m for properties undergoing works (mainly Cnit in La Défense) and +€ 0.8m relating to acquisitions (mainly Courcellor 1 in Levallois, acquired in April 2005);
- The remaining € 7.5m corresponds to the 7.2% increase in like-for-like gross rental income.

Net rental income for the Office Division came to € 128.9m in 2006, down from € 142.4m in 2005 the result of which was boosted by a non-recurring gain of € 5.7m resulting from the positive outcome of a dispute related to the property at 7 place Adenauer in Paris 16.

On a like-for-like basis and excluding the aforementioned indemnity payment, net rental income increased by 9.6% in 2006 compared with 2005. This increase of € 9.3m breaks down as follows:

- € 2.2m in additional rental income compared with 2005 as a result of rental indexation (up 2.3%);
- New leases signed generated € 8.6m, an increase of 8.9%;
- € 4.7m in additional rental income from lease renewals (up 4.8%);
- Tenant departures generated a net rental shortfall of € 7.1m compared with 2005 (net of indemnities received for early departures), a fall of 7.3%;
- The remaining € 0.9m stemmed primarily from the reduction in non-refundable charges, with the ratio of net rental income to gross rental income rising from 93.5% to 95.6%.

Letting activities were particularly robust in 2006.

A total of 33 new leases were signed in 2006 representing 56,674m² and a rental income of € 33.5m over the full year. The most significant leases [4] signed in 2006 are as follows:

- Tour Ariane in La Défense: the letting of 12 floors (18,960m²) by the Marsh group for a firm period of 12 years, 5 floors (7,489m²) by international telecommunications services provider British Telecom for a firm period of 9 years and one floor (1,533m²) by network services provider Vanco. The property is therefore fully occupied.
- Capital 8 in Paris 8: Following the completion and full letting of Phase 1 in 2005, known as "Messine", Phase 2 or "Murat" was completed in June 2006. Four new tenants have already selected Capital 8: Eurazéo, Marionnaud, Gaz de France and AMB Property France. In addition, Rothschild & Cie Banque, which is already the main tenant of the Messine building, has let additional space.
  These leases of "phase 2" represent a total of 21,877m² (gross lettable area), with leases taking full effect in 2007. The near total of these leases have been signed for a firm period of a minimum of 9 years.
  Of the Capital 8 complex's total lettable area of 63,422m², 20,050m² (excluding inter-company restaurant) is still available.
- 11/15 rue Saint Georges (Paris 9): 2,201m² let to Altarea Gestion and Hypo Real Estate after the early departure of Ecureuil Gestion.

A total of 13 leases were renewed in 2006, including:

- Ernst & Young for 41 rue Ybry in Neuilly, renewed in January for a firm period of 9 years, with a rent re-evaluation for the property which has paved the way for the sale of the property in July 2006 under very favourable terms;
- Total for the Michelet Galilée building in La Défense, for more than 30,000m²;
- Regus for Tour Ariane in La Défense;
- BNP Paribas for 34/36 Rue du Louvre in Paris 1;
- Le Point for 62/82 rue du Maine in Paris 14; renewed with an extended surface area;
- Euronext for 39/41 Cambon in Paris 1; with the return of two floors that underwent renovation, completed in October 2006.

These lease renewals resulted in an increase in rental income [5] of € 6m on an annual basis. Like-for-like, rental income increased by 27.1%.

Since January 1, 2006, 13 departures or lease terminations generating indemnity payments of € 2.5m have been recorded, representing a loss in gross rental income of € 8.7m on an annual basis.

As at December 31, 2006, the Office portfolio represented combined full-year rental income of € 161.9m. The expiry schedule of the leases (next termination option and lease expiry) is shown in the following table.

Lease expiry schedule for the Office Portfolio (Rent roll in € m)				
Year	At date of next termination option	As a % of total	At lease-end date	As a % of total
Lease expired & car parks	1.3	0.8%	1.3	0.8%
2007	15.6	9.6%	8.3	5.2%
2008	29.6	18.3%	2.3	1.4%
2009	21.4	13.2%	13.3	8.2%
2010	20.6	12.7%	1.2	0.8%
2011	9.2	5.7%	5.2	3.2%
2012	6.5	4.0%	6.9	4.2%
2013	4.0	2.5%	46.7	28.8%
2014	4.2	2.6%	15.4	9.5%
2015	25.3	15.6%	33.0	20.4%
2016	14.5	9.0%	17.6	10.9%
Beyond	9.7	6.0%	10.6	6.5%
Total	161.9	100%	161.9	100%

Potential rents from vacant space of offices in operation amounted to € 26.7m at year-end 2006.

The financial vacancy rate was 14.2% compared with 5% at year-end 2005 and 20.4% at June 30, 2006 as a result of the completion of Phase 2 (Murat) of the Capital 8 complex at this date.

As at December 31, 2006, vacant space is primarily comprised of the Capital 8 complex and the following properties:

- 11,922m² at Les Villages in La Défense, following the departure of Cegetel;
- 3,461m² corresponding to the two renovated floors of 39/41 rue Cambon in Paris 1;
- 44 rue de Lisbonne in Paris 8, of which the fully redeveloped 4,023m² was completed in October 2006.

Potential rental income from properties undergoing refurbishment (Cnit) was valued at € 11.3m.

In addition to the net rental income generated by fully consolidated companies, the Group also recorded € 2.5m from profits made by its 49% share in SCI Karanis (owner of Cœur Défense), consolidated under the equity method, as well as € 8.2m in interest on the loan granted to this company.

After deducting € 4.1m in asset management costs, recurring result of the Office division came to € 135.5m in 2006 compared with € 149.3m in 2005.

Five properties were sold for a total selling price of € 521m in 2006:

- 31 rue du Colisée in Paris 8, sold on January 31, 2006;
- 189 Bd Malesherbes in Paris 17, sold on June 30, 2006 following completion of its refurbishment and letting to Rexel with effect from January 2006;
- Palais du Hanovre in Paris 2, sold to BNP-Paribas on June 30, 2006, immediately after the completion of its full renovation in May 2006;
- 41 rue Ybry in Neuilly, sold on July 27, 2006;

[4] Average surface area in m².
[5] Including a higher level of recharging of taxes to tenants.

• 70 bd de Courcelles in Paris 17, sold on December 27, 2006.

All of these properties were sold at prices above the most recent expert appraisals, generating a capital gain of € 105.1m, a 25.6% premium on the market values recorded in the balance sheet as at December 31, 2005 [(6)]. After deducting unamortised rent-free periods, net profit on sales amounted to € 97.8m.

Unibail invested € 184.4m in its Office portfolio in 2006 (compared with € 191.5m in 2005), including:

- € 32.9m in final construction works at the Capital 8 in Paris 8 complex;
- € 81.8m in refurbishment works at other properties in the portfolio, principally Tour Ariane in La Défense, 44 Lisbonne in Paris 8, Cnit in La Défense and completion of Palais du Hanovre in Paris 2;
- € 55.2m for projects under development: an office building in Clichy, acquisition of land in La Défense and studies into the "Phare" project in La Défense;
- The remaining € 14.5m relates to capitalised interest charges (€ 9.3m), letting fees and eviction costs (€ 4.1m) and capitalised internal charges (€ 1.1m).

The Office portfolio was valued at € 3,655.9m (excluding transfer taxes and disposal costs) in the balance sheet as at December 31, 2006. This includes € 3,521.7m of assets recorded as investment property and accordingly marked-to-market based on independent appraisals carried out by DTZ Eurexi (see Net Asset Value section) and € 134.2m of assets stated at historical cost, including the head office at 5 Bd Malesherbes in Paris 8.

The change in fair value of investment properties in 2006 generated a profit of € 699.1m, plus € 153.7m relating to the change in value of shares [(7)] in SCI Karanis, which owns Cœur Défense, accounted for under the equity method.

3.2 SHOPPING CENTRE DIVISION

The shopping centre market in 2006

Following a lacklustre year in 2005, 2006 saw an economic upturn, with projected GDP growth of 2.1% [(8)] compared with 1.2% in 2005. Consumer spending in France increased at a brisk rate, with an estimated full-year increase of 2.8% in 2006 (compared with 2.2% in 2005).

Over 2006, retail distribution increased by 2.4% [(9)], with the leisure and household goods sectors the most buoyant. Supermarkets and hypermarkets recorded a +1% growth in 2006, after a slow year in 2005.

Against this buoyant backdrop, tenants' turnover in Unibail's shopping centres achieved volume growth of 4% over the full year [(10)].

This growth was driven mainly by medium-sized stores, with health and beauty again proving the most dynamic sector with volume growth of 5.9% and confirmation of recovery in the apparel sector with volume growth of 3.2%.

In 2006, growth was stronger in the Paris region (+4.4%) than in the provinces (+3.5%).

In the Paris region, Carrousel du Louvre saw the strongest growth with an increase of 9.2% (in volume). Rosny 2 achieved growth of 7.7%, driven by dynamic re-lettings. Carré Sénart saw strong growth for the third consecutive year of 6.6%. Following the inauguration of the Dôme in La Défense in April 2006, Les Quatre Temps achieved growth of 5.7% despite renovation works in the eastern area, which are set to continue until autumn 2007. Forum des Halles achieved growth of 4.5%.

In the provinces, Nice Etoile saw particularly brisk growth of 12.9%, while CMK in Bordeaux delivered volume growth of 9.1%, thanks, in particular, to the presence of Zara and PC City. Following the openings of H&M and Esprit in the second half of 2006, the Labège 2 centre in Toulouse achieved growth of 8.9%, confirming its attractiveness in its catchment area. The BAB2 centre in Bayonne and Toison d'Or in Dijon both achieved growth of over 5%.

However, the overall performance of shopping centres in the provinces was impacted by Cité Europe (down 5.9%), penalised by the decline in British customers, as well as Saint-Martial in Limoges (down 1.7%) and Shopping Etrembières (down 1.2%). These three centres are due to undergo repositioning, renovation and/or extension works in 2007.

The shopping centre investment market in France was driven by continuing growth in demand from French and international investors. An unprecedented inflow of liquidity resulted in a fall in yields in all property categories.

For medium size centres, transactions at rates below 5.5% were recorded, while large top-end shopping centres benefited even more from this trend, with several transactions at rates of around 4% for the acquisition of lots within these shopping centres.

Shopping Centre Division's business activities in 2006

Shopping Centre Division (€ m)	2006	2005	2004
Rental income	**243.6**	**218.8**	**196.5**
Net operating expenses	**- 20.4**	**- 17.0**	**- 16.1**
Net service charge expenses	*- 2.9*	*- 2.6*	*- 4.1*
Expenses related to properties	*- 11.1*	*- 8.6*	*- 6.0*
Properties management expenses	*- 6.3*	*- 5.8*	*- 6.0*
Ground rents	**- 3.2**	**- 3.1**	**- 3.8**
Net rents	**220.1**	**198.8**	**176.6**
Asset management expenses	- 5.6	- 5.1	- 4.6
Shopping centre division recurring net operating profit	**214.5**	**193.7**	**172.0**
Contribution of companies consolidated under equity method	3.5	3.3	2.7
Interest on financial assets	0.9	0.9	1.1
Recurring result of the division	**218.9**	**197.9**	**175.8**

In 2006, Unibail's Shopping Centre Division generated gross rental income of € 243.6m, a rise of 11.3% compared with € 218.8m in 2005.

(6) Net of investment during the year.
(7) € 149m due to the increase in value of the property and € 4.7m due to the fair value adjustment of derivatives.
(8) Insee - Economic report, December 2006.
(9) Banque de France – Retail sector – Statistical survey.
(10) Scope of consolidation as consolidated percentage, excluding Chelles 2 disposed of January 19, 2007 and hypermarkets.

Net rental income came to € 220.1m, up 10.7% or € 21.3m compared with 2005. This increase breaks down as follows:

- A € 9m increase relating to the acquisition in the second half of 2005 of 51% of the Rennes Alma and Vélizy Usines Centre shopping centres and co-ownership lots in the Limoges Saint-Martial centre;
- A € 1.9m increase resulted from the acquisition in 2006 of SCI Val Commerces, which owns the Etrembières shopping centre (74);
- An increase of € 0.9m from the acquisition of additional co-ownership lots notably, in Labège 2 in Toulouse;
- A decrease of € 2.9m resulting from the sale of a minority stake in the Massy-X% centre and the booking of provisions for miscellaneous risks;
- The remaining € 12.4m corresponds to a like-for-like increase in net rental income of 6.3%, comprising:
    - an increase of € 1.9m (+1%) from the impact of rent indexation;
    - an increase of € 13m (+6.7%) from new leases [11];
    - a decrease of € 8.1m (-4.2%) from tenant departures or lease terminations;
    - an increase of € 2.9m (+1.5%) from lease renewals;
    - an increase of € 1.5m (+0.8%) from other rental income;
    - an increase of € 1.2m (+0.5%) from a fall in expenses not recharged to tenants.

A total of 314 new leases or lease renewals [12] were signed in 2006 (compared with 272 in 2005), representing full-year rental income of € 30.6m.

- Renewals of expired leases were particularly robust thanks the efforts of a dedicated team, which negotiated 119 leases in 2006 generating an increase of € 2.7m in full-year rental income.
- 195 new lettings and re-lettings were agreed, representing full-year rental income of € 18.8m, with 104 departures over the same period representing a loss of € 10.2m. The main leases signed were for Les Quatre Temps (Monoprix, Manfield, Mango, Lacoste, Andaska, etc.), Labège 2-Toulouse (H&M, Flunch, Mango, etc.), Rosny 2 (Go Sport) and Forum des Halles (Benetton).

Globally, re-lettings, new lettings and renewals generated an average increase of 29.7% on fixed rental income.

As at December 31, 2006, the Shopping Centre portfolio represented aggregate full-year rental income of € 220.4m (compared with € 206.1m as at December 31, 2005).

The following table shows a breakdown of rental income by lease expiry date and by next termination option [13]:

Lease expiry schedule for the Shopping Centre Portfolio (Rent roll in € m)

Year	At date of next termination option	As a % of total	At lease-end date	As a % of total
Lease expired & car parks	25.0	11.3%	25.0	11.3%
2007	38.2	17.3%	12.5	5.7%
2008	70.2	31.9%	8.5	3.9%
2009	53.4	24.2%	14.2	6.4%
2010	23.9	10.9%	27.2	12.3%
2011	2.7	1.2%	20.0	9.1%
2012	1.9	0.8%	38.3	17.4%
2013	0.0	0.0%	16.6	7.5%
2014	1.2	0.5%	18.5	8.4%
2015	0.0	0.0%	16.2	7.4%
2016	0.1	0.0%	17.2	7.8%
Beyond	3.8	1.7%	6.2	2.8%
Total	**220.4**	**100%**	**220.4**	**100%**

The average occupancy cost ratio [14] for Unibail's shopping centres is largely stable at 10.8%.

The financial vacancy rate was 1.8% as at December 31, 2006 (including a strategic vacancy rate of 0.2%), compared with 1.2% as at December 31, 2005. Rental income from vacant space in properties in operation represented € 4m over the full year.

The retail space not available for rent due to refurbishment works at Cnit and Les Quatre Temps represents potential additional rental income of around € 3.6m.

After integrating € 3.5m for Unibail's share in the profits of Euralille, a centre owned by a company accounted for under the equity method, as well as € 0.9m in revenue generated by the loan granted to this company and after deducting € 5.6m in asset management costs, recurring result for the Shopping Centre division came to € 218.9m in 2006 compared with € 197.9m in 2005.

Unibail invested € 280m in its shopping centres in 2006 (€ 221.9m group share), compared with € 279.4m in 2005 (€ 181.4m group share):

- In April 2006, Unibail acquired an interest of 50.02% in SCI Val Commerces, which owns the Etrembières shopping centre (74), close to the Swiss border. Its partner holds an option to sell its shareholding to Unibail at the appraisal value [15].

(11) Including indemnities received in conjunction with new leases and spread over the firm duration of the leases.
(12) Excluding 45 leases signed relating to the Euralille centre, which is accounted for under the equity method.
(13) This table takes into account the sale of Chelles 2 on January 19, 2007, resulting in the expiry of all leases relating to the centre in 2007, representing € 5.3m.
(14) Occupancy cost ratio = [rental charges + service charges] / tenant sales.
(15) In accordance with IFRS, because of this option, the partner's share in shareholders' equity is reclassified as debt in Unibail's consolidated balance sheet.

- Lots were acquired in the Labège 2-Toulouse centre (representing 4,632m²) in February 2006. Following this acquisition, the previous tenant was replaced by H&M, significantly enhancing the centre's appeal.
- Additional lots (representing 6,392m²) were acquired at the end of 2006 in the Rosny 2 shopping centre, thereby increasing the group's weighting in co-ownership by 6.2%.
- € 93.4m was invested (€ 61.8m group share) in the renovation and extension of existing shopping centres, mainly Les Quatre Temps in La Défense.
- € 24.6m in capitalised financial expenses, eviction costs and letting fees;
- € 57.6m was devoted to new shopping centre projects, primarily Rivetoile in Strasbourg (€ 35.8m), with 27,900m² due to open at year-end 2008 and Carré Sénart II (€ 15m), the 'leisure' component of which, comprising canal-side restaurants and a bowling alley, was completed in the fourth quarter of 2006.

The other major development projects continued to progress well. CDEC authorisation and a building permit were obtained for the Lyon Confluence centre (51,700m²). The deed of purchase will be signed and works will begin in the first half of 2007, with a planned opening in 2009.
Having obtained CDEC and a building permit, works at Docks de Rouen (35,800m²) are due to begin in April 2007, with delivery of the first shells in 2008.
Les Passages CMK in Bordeaux (7,300m²), which is currently being built, will be completed as planned in early 2008.
Finally, Versailles-Chantiers, Aéroville in Roissy, for which the construction lease agreement was signed in August 2006 and Eiffel in Levallois projects are continuing with significant progress being made.

As at December 31, 2006, the Shopping Centre portfolio was valued in the balance sheet at € 5,205.4m excluding transfer taxes and disposal costs. Of this total, € 4,981.3m is recognised as investment property and accordingly marked-to-market based on independent appraisals carried out by CB Richard Ellis Bourdais (see Net Asset Value section). This value does not take into account any revaluation of development projects, even for those under construction.

The change in fair value of these properties in 2006 generated a profit of € 971.2m, plus € 4.1m relating to the change in value of shares in SCI Triangle des Gares, which owns the Euralille shopping centre and is accounted for under the equity method.

The shopping centre Chelles 2, which was under a sale agreement as at December 31, 2006, was sold for € 88.1m on January 19, 2007, a 17.7% gain compared with the value recorded on the balance sheet as at December 31, 2005. The buyer disposed of several lots in the Vélizy 2 shopping centre area to Unibail as part of this deal.

3.3 CONVENTION-EXHIBITION DIVISION

Operating profit in the Convention-Exhibition Division comprises the following:
- Operating profit from exhibition venue management activities which includes net rental income and net income from onsite services provided by Paris Expo to organisers and exhibitors;
- Net rental income from the Hilton-Cnit in La Défense and Méridien-Montparnasse hotels;
- Operating profit from the trade-show organisation business (Exposium).

Convention-Exhibitions Division (€ m)	2006	2005	2004
Rental income	101.0	96.9	96.4
Net operating expenses	- 39.0	- 38.2	- 39.6
Ground rents	- 9.2	- 9.2	- 9.3
Net rents	**52.8**	**49.5**	**47.5**
Property services revenues	54.2	42.9	45.3
Net operating expenses	- 40.2	- 32.7	- 33.7
=Contribution from onsite property services	**14.0**	**10.2**	**11.5**
Recurring venue management net operating income (Paris Expo)	**66.8**	**59.7**	**59.0**
Rental income from Hotels	11.6	11.3	11.4
Net operating expenses	- 0.3	- 0.3	- 0.4
Recurring hotel net operating income	**11.4**	**11.0**	**11.0**
Fees from exhibition organising	141.7	31.7	-
Net operating expenses	- 106.3	- 33.3	-
Recurring exhibition net operating income (Exposium)	**35.4**	**- 1.6**	**-**
Tangible assets depreciation	- 4.8	- 3.6	- 3.3
Intangible assets depreciation	- 3.5	- 3.5	- 2.3
Recurring conventions net operating income	**105.2**	**62.1**	**64.5**
Contribution of companies consolidated under equity method	- 0.3	0.4	-
Recurring result of the division	**104.9**	**62.6**	**64.5**

Convention-Exhibition management activities (Paris Expo)

For the first time in five years, the number of new shows created increased sharply, constituting a potential source of growth for future years: 36 new exhibitions were created in 2006 compared with an average of 25 in prior years.

In this market context, total revenues from Paris Expo came to € 155.2m in 2006 compared with € 139.9m in 2005 and € 141.7m in 2004. Even-numbered years always generate higher revenues than odd-numbered years since a large number of major biennial shows (Paris Motor Show, Equip'hôtels, Interclima/Idéobain, etc.) take place in even-numbered years. When comparing 2004 to 2006 (comparable years) a growth of 9.5% is recorded.

In this market climate, at its seven venues[16] Paris Expo showed strong performance in its three main activities:

• *Exhibitions*
Paris Expo achieved growth of 5.75% between 2006 and 2004 (comparable even-numbered years) in this segment, which accounts for 80% of Paris Expo's rental revenues. This growth stemmed partly from the launch of new exhibitions (36, including 31 created), as well as the development of existing shows.
While the number of visitors to Porte de Versailles in 2006 was penalised by works on Boulevard des Maréchaux, causing severe disruptions, the opening of the tram services in December 2006 constitutes a major advantage for the venue.

[16] Porte de Versailles, Palais des Sports, Cnit, Espace Grande Arche, Cœur Défense, Carrousel du Louvre, Espace Champerret.

• *Corporate events*

Paris Expo achieved overall growth in this sector of 25% compared with 2004, with a 52% increase for Porte de Versailles. Despite the opening of the Grand Palais, Carrousel du Louvre benefited from the same level of activity as the previous year.

• *Conventions*

This segment, which accounts for less than 5% of Paris Expo's revenues, saw growth of 18% in 2006 compared with 2005.

Operating income from Paris Expo's combined rental and service activities came to € 66.8m, compared with € 59.7m in 2005 and € 59.0m in 2004. The increase between comparable years was therefore 13.1%.

Net operating income from Méridien-Montparnasse and Hilton-Cnit hotels, which are part of this division, came to € 11.4m in 2006, up from € 11m in 2005.

Investment in the venues managed by Paris Expo totalled € 25.2m in 2006, relating primarily to Parc des Expositions at Porte de Versailles and Cnit.

At year-end 2006, the convention-exhibition and hotels portfolio was valued in the balance sheet at € 909.1m (excluding transfer taxes), including € 865.9m recorded as investment property [17]. Fair value adjustments to convention and exhibition venues based on appraisals by KPMG for convention-exhibitions and DTZ for hotels (see Net Asset Value section) generated a gain of € 31m in the 2006 income statement.

Exposium

Given the frequency of the various shows, 2006 was marked by a favourable combination of biennial and triennial events for Exposium, a subsidiary specialised in exhibition organisation.

The exhibition business saw further growth relating in particular to the Cartes exhibition (the world's leading chip and ID card event), SIAL (a food industry event) and Intermat (civil works equipment), the latter being the largest exhibition ever in France in terms of surface area.
Meanwhile, events for industrial sectors such as *Industrie* (manufacturing), *Emballage* (packaging) and *Manutention* (handling) were affected by a more difficult market, relating to difficulties in the underlying business sectors themselves.

Outside France, the main event was SIAL China, held in Shanghai in May. This exhibition, which is still the most international in its field in China, saw further strong growth in 2006, with a 33% increase in net surface area.

This trade-show organisation business generated revenues of € 141.7m in 2006. This should not be compared with 2005 (€ 31.7m), given the seasonal nature of the business and the consolidation of Exposium as of April 1, 2005. New exhibition acquisitions, representing investment of € 45.3m in 2006, generated relatively limited additional revenues of € 4.1m, as most of the first events falling after the acquisition date will be held in 2007. The two most important are the Salon du Meuble in Paris (furniture) and Milipol (internal state security), due to be held in January and November 2007 respectively.

Exposium made a contribution of € 35.4m to Unibail's consolidated operating income in 2006 (compared with -€ 1.6m in 2005).

Exposium's assets, which are recognised as intangible assets, are not revalued and are thus maintained at their acquisition cost on the balance sheet. However, Exposium was valued by PricewaterhouseCoopers for the purposes of calculating net asset value (see next section). Value tests were carried out for each exhibition, confirming that goodwill and intangible assets recognised on the balance sheet are justified.

3.4 OTHER SERVICES

Other services comprise income from Espace Expansion (property and asset management and property development) and U2M (shopping centre animation and multimedia services). The contribution from these 2 companies comes to € 1.8m in 2006.
In 2006, for the first time, Espace Expansion was appraised by PricewaterhouseCoopers for the purpose of the NAV calculation.

4. 2006 PROFIT

Operating expenses not assignable to a specific division amounted to € 14.9m, versus € 12.5m in 2005. These mainly include head office costs and general expenses shared by all divisions.

Costs incurred in relation to corporate development for abandoned projects amounted to € 5.2m in 2006.

"Other income and expenses" reflects gains and losses in the finance leasing portfolio, on which the residual amount is winding down, amounting to just € 11.7m as at December 31, 2006. The early exercise of a purchase option and the write-off of a provision for a legal dispute generated a gain of € 2.6m.

Total operating result from the divisions, after deducting these general expenses, constitutes net operating profit, as presented on the EPRA-recommended format income statement, amounting to € 2,227.4m, including € 99.4m from asset disposals and € 1,701.3m from fair value adjustments.

Breakdown of 2006 net operating profit (€ m)

	Global	of which recurring
Office division	921.8	124.9
Shopping centre division	1,186.4	214.5
Convention-Exhibition division	137.1	105.2
Property services	0.8	0.8
Other income and expenses	-18.6	-18.6
Net operating profit	**2,227.4**	**426.7**

[17] The difference corresponds to intangible assets, net of deferred tax.

Financial expenses

Group net financial expenses totalled € 97.5m, including capitalised financial expenses of € 13.4m, incurred for the financing of projects under construction, mainly the Capital 8 project in Paris 8.

Net borrowing expenses, deducting capitalised financial expenses in relation to construction projects, therefore had an impact of € 84.1m on recurring profit. An expense of € 1.4m was recognised as cap disposal.

The average refinancing rate was 3.5% in 2006, down from 3.8% in 2005. Unibail's refinancing policy is described in the "Financial resources" section.

Against the backdrop of higher interest rates, derivative instruments (swaps and caps) recorded an increase in value compared with December 31, 2006 of € 86.8m.

In accordance with the options selected by Unibail for IAS 39, this amount was recognised as profit in the income statement.

Discounting of provisions and liabilities (mainly the four-year deferred exit tax payment following the election of SIIC tax status) resulted in a charge of € 5m.

Tax

The tax expense recorded by companies not qualifying for exemption under SIIC tax status amounted to € 24.8m. Deducting tax loss deficit, this corresponds to income from taxable recurring activities (Paris Expo Porte de Versailles, Exposium and its subsidiaries and Espace Expansion) and the transfer of certain assets to a SIIC company.
The entire tax loss deficit for the tax consolidation group had been used as at December 31, 2006.
Unibail Holding, in respect of its taxable sector, had a tax loss deficit of € 36m, which has not been capitalised in the balance sheet as there is no defined plan for its use.

After deferred taxes and the write-off of a provision for an unclaimed tax risk, the tax charge came to € 5.3m on recurring income and € 14m on the fair value adjustment of assets.

Consolidated net profit for 2006 totalled € 2,377m, compared with € 1,525.7m in 2005.

Minority interests' share of net profit came to € 237.2m, concerning mainly the Les Quatre Temps and Forum des Halles shopping centres, together with a few Exposium Group companies.

2006 consolidated net profit (group share) amounted to € 2,139.8m. This figure breaks down as follows:
- **€ 312.6m in recurring net profit;**
- **€ 98.0m in net gains on property disposals;**
- **€ 1,729.2m in fair value adjustments.**

The average number of shares in issue during the period was 45,901,800.

Recurring earnings per share came to € 6.81 in 2006, an increase of 17.2% compared with 2005.

5. DIVIDEND AND SIIC REQUIREMENTS

To qualify for SIIC tax status, Unibail Holding's non-eligible activities must not exceed a ratio of 20%. This ratio measures the respective weightings of gross assets assigned to eligible and non-eligible activities in the parent company's balance sheet. It stood at 14.7% as at December 31, 2006.

Unibail Holding's accounting profit came to € 992.9m in 2006 and its tax profit to € 492.6m.

This breaks down over the different sectors in the following manner:
- € 89.5m in recurring profit from SIIC activities, exempt from tax and subject to an 85% distribution requirement;
- € 127.1m in dividends received from SIIC subsidiaries, exempt from tax and subject to a 100% distribution requirement;
- € 165.1m in capital gains on disposals, subject to a 50% distribution requirement over the next two-year period;
- € 104.8m in capital gains on disposals which have been subject to exit tax, and therefore with no distribution requirement;
- € 1.7m in profit from finance leasing, subject to a 85% distribution requirement;
- The taxable base came to € 4.4m, corresponding essentially to the taxable share of expenses and charges relating to dividends received from Doria, head of the tax consolidation sub-group. This taxable base is written off against the tax loss deficit of € 40.8m, which was therefore reduced to € 36.4m as at December 31, 2006.

The total distribution requirement for 2007 is € 204.6m and € 82.5m in 2007 and 2008 in respect of capital gains on disposals.

The requirement will be respected in full by the payment of a dividend of € 5 per share i.e. € 231m, as to be proposed at the annual General Meeting.

Dividends paid in 2006

Unibail continued to pursue its policy of paying a quarterly dividend to its shareholders and made the following payments:
- January 17, 2006: second 2006 interim dividend of € 0.95 per share;
- April 15, 2006: third 2006 interim dividend of € 0.95 per share;
- July 15, 2006: remaining 2006 dividend of € 1.15 per share;
- October 16, 2006: first 2007 interim dividend of € 1 per share.

The second 2007 interim dividend of € 1 per share or € 46.1m in total, voted upon by the Board of Directors on December 14, 2006 and paid on 15 January 2007, has been deducted from shareholders' equity in the balance sheet as at December 31, 2006, accompanied by the recording of a corresponding liability to shareholders in the balance sheet at year-end 2006.

NET ASSET VALUE (AS AT DECEMBER 31, 2006)

As at December 31, 2006, fully-diluted triple net liquidation NAV (Net Asset Value) per share amounted to € 140.6, up 48.3% from year-end 2005. Over 2006, value creation per share amounted to € 49.85, by adding NAV growth of € 45.8 per share to the € 4.05 per share distribution made in 2006.

1. ASSET PORTFOLIO

The asset portfolio was valued at € 10,856m as at December 31, 2006, including transfer taxes and disposal costs. On a like-for-like basis over 12-months, the total value of the portfolio increased by € 1,638m net of investments, i.e. an increase of 21.6% compared with year-end 2005.

Asset portfolio valuation (including transfer taxes) [1]	December 31, 2005		December 31, 2006		Like-for-like change at Dec 31, 2006 [2]		Like-for-like change net of investments at Dec 31, 2006	
	€ m	%	€ m	%	€ m	%	€ m	%
Offices	3,210	38%	3,904	36%	634	26.4%	551	23.0%
Shopping Centres	4,187	49%	5,523	51%	1,100	27.4%	996	24.8%
Convention-Exhibition centres	881	10%	936	9%	56	6.3%	31	3.5%
Services (Exposium & Espace Expansion)	278	3%	493	5%	60	18.4%	60	18.4%
Total	**8,556**	**100%**	**10,856**	**100%**	**1,850**	**24.4%**	**1,638**	**21.6%**

[1] Based on the full scope of consolidation, including transfer taxes and disposal costs.
The valuation of the portfolio includes:
- the appraised value of the entire property portfolio;
- the market value of Unibail's equity holdings in companies consolidated under the equity method and loans granted to these companies (SCI Karanis, which owns Cœur Défense and SCI Triangle des Gares, which owns the Euralille shopping centre);
- the value of the Exposium group acquired on March 31, 2005, measured at its acquisition cost in the portfolio valuation as at December 31, 2005 and at its market value in the portfolio valuation as at December 31, 2006;
- the market value of Espace Expansion as at December 31, 2006.

[2] Principal changes in the scope of consolidation during 2006:
- disposal of 31 Colisée in Paris 8, 189 Boulevard Malesherbes in Paris 17, Palais du Hanovre in Paris 2, a building in Bondy, 41 Ybry in Neuilly and 70 Courcelles in Paris 17;
- acquisition of the Etrembières shopping centre (74), co-ownership lots in the Labège 2 (Toulouse) and Rosny 2 shopping centres. Construction of an office building in Clichy under a forward purchase agreement;
- acquisition by Exposium of business franchises and ten exhibition brands for a total acquisition cost of € 45.3m and sale of one minor exhibition;
- Espace Expansion has been included in the property portfolio valuation for the first time as at December 31, 2006.

Changes on a like-for-like basis do not include the changes listed above or Phase 2 of the Capital 8 project (Murat), delivery of which in June 2006 was recognised on the consolidated balance sheet as at December 31, 2006.

As at December 31, 2006, independent appraisers had valued 97% of Unibail's portfolio.

The independent appraisers valuing Unibail's assets since 2005 are DTZ Eurexi for the Office division, CB Richard Ellis Bourdais for the Shopping Centre division and KPMG for the Convention-Exhibition division.

As at December 31, 2006, the Hilton-Cnit and Méridien-Montparnasse hotels were appraised by DTZ Eurexi instead of KPMG, as in previous periods. This change was made at the request of KPMG, due to potential conflicts of interest, related to their internal management.

In addition, PricewaterhouseCoopers conducted the valuation as at December 31, 2006 of the Exposium group, acquired in 2005. Espace Expansion which was previously taken into account at its historical cost in Net Asset Value, was also evaluated by PricewaterhouseCoopers as at December 31, 2006. These valuations will be conducted henceforth, on an annual basis on December 31.

The valuations include disposal costs and transfer taxes. They reflect the amount a buyer would have to pay to acquire the same portfolio. Disposal costs and transfer taxes are then deducted for the purposes of the balance sheet presented under IFRS format and the NAV calculation according to specific methods detailed in §3.7.

The remaining assets have been valued as follows:
- At their historical cost for properties under construction. This chiefly concerns shopping centres under development (mainly Rivétoile in Strasbourg, Passages CMK in Bordeaux, Lyon Confluence, Docks de Rouen, the undelivered portion of Carré Sénart II and Aéroville) and office developments (Phare, Majunga and Clichy). These assets represent 2% of the total portfolio.
- At their anticipated disposal price for properties under sale agreements at December 31, 2006 (one office property and one shopping centre property), which represent 1% of the total portfolio.
- At their acquisition cost for assets purchased during the preceding six-month period (excluding Exposium exhibitions acquired in 2006), including principally, the co-ownership lots acquired in the Rosny 2 shopping centre. These assets represent less than 1% of the total portfolio.

Office portfolio

Valuation methodology

The valuation principle adopted by DTZ Eurexi is based on the discounted cash flow and yield methodologies. The independent appraiser determines the market value based on the results obtained from these two methods.

Furthermore, the resulting valuations are cross-checked against the initial yield and the market values per square metre.

The valuation of a property asset under the discounted cash flow method entails the estimation of the discounted cash flows it is expected to generate over a given time period. These cash flows take into account rental income, expenses and planned works expenses, as well as the residual value of the asset at the end of the given time period.

Under this method, future rental cash flows, net of expenses and planned works expenses, are estimated based on assumptions about each tenant depending on lease expiry: either termination or renewal. This estimate also takes into consideration, as the case may be, reletting costs and the shortfall in rental income during the letting period.

The yield method consists of capitalising a net passing income or a market rental value at an appropriate yield and of taking into account the disparity between actual passing rent and potential income through discounted revenue losses or rental gains.

This method involves comparing the market rental value of each property to the net passing rental income from each tenant. If the net passing rental income is close to the market rent, the rent is capitalised at a given market yield, which reflects the quality of the property and its tenant, the building's location, and the remaining duration of the tenant's firm commitment. The yield is determined based on yields observed in recent transactions on the market. If the net passing rental income is substantially higher than the market rental value, the excess is discounted until the next three-year break option and added to the capitalised rental value. For properties substantially underlet, the market rental value is capitalised at the market yield and the shortfall in revenue until the lease expiry date, is deducted from this figure.

When valuing vacant office space, the rental value is capitalised at the market yield plus a risk premium, and the shortfall in rental income (to be recovered during the estimated letting period) is deducted from this figure.

Evolution of the Office Portfolio

Phase 2 of the Capital 8 property complex -the Murat section (45,315 m² in lettable space)- was delivered in June 2006. As at December 31, 2006, DTZ Eurexi's valuation implied a capital gain of € 229.8m (taking into account the leases signed with Eurazéo and Marionnaud in 2006 and the lease signed with GDF in early 2007) compared with the overall costs at December 31, 2006.

On a like-for-like basis[18] the value of the Office portfolio, including transfer taxes and disposal costs, has risen by € 634m since year-end 2005, i.e. an increase of 26.4%. After accounting for the impact of capital expenditure and capitalised financial and leasing expenses, the valuation of the Office portfolio, on a like-for-like basis, has risen by 23.0%, breaking down into: 14.8% from the increase of rents and lettings and 8.2% due to changes in yield.

Office Portfolio by sector	Valuation (including transfer taxes) [1]	
	€ m	%
Paris CBD	1,525	39%
Neuilly-Levallois-Issy	643	17%
La Défense	1,652	42%
Other	84	2%
Total	**3,904**	**100%**

[1] Valuation including transfer taxes and disposal costs of all Office portfolio assets, including the remaining 49% interest in Cœur Défense (including loans granted by Unibail to SCI Karanis, which owns the asset).

Based on an asset value excluding estimated transfer taxes and disposal costs, the yield from the occupied Office portfolio as at December 31, 2006 amounted to 5.6%, down 50 basis points compared with December 31, 2005.

Valuation of occupied office space	Valuation including transfer taxes in € m [2]	Valuation excl.estimated transfer taxes in € m [3]	Net yield excl.estimated transfer taxes [4]	Average price € / m² [5]
Paris CBD	1,142	1,121	5.2%	11,946
Neuilly-Levallois-Issy	642	621	6.1%	5,553
La Défense	1,179	1,146	5.8%	7,474
Other [6]	70	67	5.8%	6,433
Total	**3,033**	**2,955**	**5.6%**	**8,065**

[2] Valuation (including transfer taxes) of occupied office space as at December 31, 2006, based on the appraiser's allocation of value between occupied and vacant space. Excluding Cœur Défense, assets undergoing restructuring and vacant space.
[3] Valuation excluding estimated transfer taxes and disposal costs (see § 3.7) of occupied office space as at December 31, 2006, based on the appraiser's allocation of value between occupied and vacant space. Scope identical to note (2) above.
[4] Annualised rents net of non-refundable charges of assets let, divided by the value of occupied space, excluding estimated transfer taxes and disposal costs. This yield corresponds to 'Net Current Yield' as defined by EPRA , applied to occupied space.
[5] Based on the scope described in note (2) excluding estimated transfer taxes, except for the parking spaces at 68/82 Maine in Paris 14. Restatement of parking spaces on the basis of € 30,000 per space for Paris CBD and Neuilly-Levallois-Issy, and € 15,000 for other areas.
[6] Mainly includes office and car park assets at 68/82 Maine located in Paris 14.

The disposals made during 2006 include six Office portfolio assets (31 Colisée in Paris 8, a property located in Bondy, Palais du Hanovre in Paris 2, 189 Boulevard Malesherbes in Paris 17, 41 Ybry in Neuilly and 70 Courcelles in Paris 17). They imply on average a premium of 25.6% as compared with the appraisal values excluding transfer taxes recorded on the IFRS balance sheet as at December 31, 2005, increased by the total costs of works incurred in 2006 up until the disposal date.

In particular, the sale effective June 30, 2006 of the company that owns Palais du Hanovre implied a value, excluding transfer taxes of the building that was 47.8% above the most recent valuation conducted by independent appraisers in December 2005, increased by the cost of works carried on the property during first-half 2006. This significant rise stemmed notably from the positive impact of the property's delivery on the valuation, as well as the impact of the future occupation of this asset by its purchaser.

[18] Excluding Phase 2 of Capital 8, Cœur Défense, projects under construction and disposals made during 2006.

The sale of the property at 189 Boulevard Malesherbes in Paris 17, also completed on June 30, 2006 led to a gain of 11.2%, as compared with the appraisal values excluding transfer taxes recorded on the IFRS balance sheet as at December 31, 2005, increased by the total costs of 2006 works up until the disposal date.

The sale of the property at 41 rue Ybry in Neuilly, which was completed during second-half 2006, led to a gain of 10.9% compared with December 31, 2005.

The sale of the property at 70 Courcelles in Paris 17, on December 27, 2006, led to a gain of 30% compared with the most recent appraisal as at 30 June 2006 and a gain of 41.6% compared with December 31, 2005.

All in all, the Office portfolio disposals during 2006 generated a capital gain of € 97.8m, net of disposal fees.

Expertim valued Cœur Défense by applying the same valuation methods used for valuing the rest of the Office portfolio. The valuation of Unibail's remaining 49% interest in SCI Karanis, owner of Cœur Défense, is based on this valuation (after deduction of the debt) and on the fair value of the hedging instruments related to this asset.
Value increase stood at € 153.7m over 2006 of which € 149.0m corresponds to a fair value adjustment of this asset.

Shopping Centre Portfolio

The value of Unibail's Shopping Centre portfolio is derived from the combination of the value of each individual asset. Accordingly, no value is placed on Unibail's market share, even though this concept is undoubtedly significant in this sector.

Valuation methodology

For each shopping centre, the valuation methodology used by CB Richard Ellis Bourdais involves discounting future cash flows over a six-year period. This valuation takes into account the value at the end of the period, which is calculated by applying a yield to year 6 net rental income.

The revenues used to calculate discounted cash flows include guaranteed minimum rents, a fixed amount for variable rents, and other durable income generated by the property. Expenses deducted include: non-refundable charges, management and letting fees, as well as provisions for unpaid rents, non-refundable works expenses, maintenance costs and letting expenses. A standard vacancy rate is set for each property.

These valuations are cross-checked by the appraisers using two indicators: (i) the capitalisation rate of net rent (actual initial yield based on net passing rents on the valuation date and asset valuation, including transfer taxes and disposal costs) and (ii) market value per square metre.
Parking spaces currently in service are also valued based on discounted cash flows.

CB Richard Ellis Bourdais valued the entire operating Shopping Centre portfolio at December 31, 2006, except for assets under construction or projects and lots acquired during the second half of 2006. The Etrembières shopping centre, in which the Group acquired a 50.02% stake on April 11, 2006, was valued by these independent appraisers as at December 31, 2006.

Evolution of the Shopping Centre Portfolio valuation

On a like-for-like basis, the value of the Shopping Centre portfolio, including transfer taxes and disposal costs rose by € 1,100m (+27.4%) compared with year-end 2005. After accounting for the impact of capital expenditure, capitalised financial expenses, leasing expenses and eviction costs, the valuation of the Shopping Centre portfolio rose by 24.8% on a like-for-like basis, breaking down into: +9.8% from the increase in revenues of shopping centres and +15.0% due to changes in yield.

Shopping Centre Portfolio by sector	Valuations in including transfer taxes € m	Valuations excl.estimated transfer taxes € m [2]	Net yield excl.estimated transfer taxes [3]
Paris and Paris region	3,641	3,484	4.4%
French provinces [1]	1,693	1,620	5.0%
Development	189	189	n/a
Total	**5,523**	**5,293**	**4.6%**

(1) Including the valuation of shares in SCI Triangles des Gares, which owns the Euralille shopping centre and is accounted for using the equity method, together with the loan granted to this company by Unibail.
(2) Valuation excluding estimated transfer taxes and disposal costs (see §3.7).
(3) Annualised rent (including indexation at January 1, 2007) net of expenses, divided by the value of the portfolio excluding estimated transfer taxes and disposal costs and excluding Euralille and shopping centres under development. This yield is equivalent to the "Net current yield" as defined by EPRA.

Based on the portfolio valuation, excluding estimated transfer taxes and disposal costs, the yield came to 4.6% as at December 31, 2006, compared with 5.3% as at December 31, 2005.

As a reminder, assets in operation in the Shopping Centre division have a reversionary potential of 22%, excluding renovations and extensions.

Shopping Centre development and extension projects

Shopping centre development and extension projects have not been assigned a market value, despite the potential capital gains, but are valued at their historical cost until delivery. The main developments and extensions include Rivétoile in Strasbourg, Les Passages CMK in Bordeaux, Lyon Confluence, Docks de Rouen, Carré Sénart II (undelivered portion), Versailles-Chantiers, the Eiffel project in Levallois, the retail portion of the Cnit under-going restructuring and Aéroville (Paris-Charles de Gaulle airport).

As at December 31, 2006, these shopping centre development projects were valued at a total historical cost in the balance sheet of € 189m, reflecting principally the land and works at Rivétoile in Strasbourg, the Cnit and Les Passages CMK in Bordeaux. The Carré Sénart II restaurants and bowling alley were delivered during second-half 2006 and have thus been accounted for at their appraised value and included in the Paris and Paris region sector as at December 31, 2006.

Convention-Exhibition Portfolio

The value of Unibail's Convention-Exhibition portfolio is derived from the combination of the value of each individual asset. Accordingly, no value is attributed to the portfolio's effect, even though this position is undoubtedly significant in this sector.

Valuation methodology

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

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

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

The valuation methodology used by DTZ Eurexi to determine the market value of the Méridien-Montparnasse hotel premises at December 31, 2006 consists in capitalising the fixed portion of annual income, plus discounting cash flows representing the variable portion of rents. The discounted cash flow model has been adopted for the Cnit-Hilton hotel (operating under an operational lease agreement).

Evolution of the Convention-Exhibition centres valuation

Taking these items into account, the value of Convention-Exhibition centres (including hotels), including transfer taxes and costs, came to € 936m as at December 31, 2006, representing an increase of 3.5% on a like-for-like basis, net of investments, compared with year-end 2005.

Convention-Exhibition Portfolio (including transfer taxes) (€ m)	Dec 31, 2005	Dec 31, 2006	Like-for-like change net of investments € m	%
Paris Expo [1]	689	741	27	3.9%
Hotels: Méridien-Montparnasse and Cnit-Hilton	192	196	4	2.0%
Total	**881**	**936**	**31**	**3.5%**

[1] Paris Expo encompasses all of Unibail's Convention-Exhibition centres.

The valuation of the Convention-Exhibition centres (Paris Expo), including transfer taxes and costs, on a like-for-like basis and net of investments, increased by 3.9% compared with year-end 2005 as a result of the positive impact of performances posted and the slight decline in the discount rate.

Based on these valuations, the initial yield on Paris Expo at December 31, 2006 (2006 recurring operating profit divided by the value of the asset, excluding transfer taxes and costs) was up slightly 9.1%, compared with the 8.8% yield at year-end 2005.

The valuation of the hotels increased by € 4m compared with year-end 2005, representing a rise of 2.0% deriving from the significant appreciation in the value of the Cnit-Hilton thanks to successful operating performance and a stabilisation of the appraisal value of the Méridien-Montparnasse hotel attributable to the sales projections made for this asset by the independent appraiser reflecting its competitive environment.

Services

PricewaterhouseCoopers appraised for the first time as at December 31, 2006, the value of the Exposium group, a tradeshow organisation business and related exhibitions and Espace Expansion, a company specialised in the promotion, marketing and management of property assets, in order to include all significant intangible assets in the portfolio and in the NAV calculation at their market value.

This valuation takes into account the market value of the six exhibitions acquired during second-half 2005 and the ten exhibitions acquired in 2006.

Henceforth, these companies will be valued on a yearly basis in this manner and their market values taken into account in the Asset portfolio and the NAV calculation.

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

Valuation methodology

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

Evolution of the Services valuation

The market value of Espace Expansion and of the Exposium group as at December 31, 2006 amounted to € 493m, an increase on a like-for-like basis of € 60m.

2. NAV VALUATION METHODOLOGY

Triple net liquidation NAV is calculated by adding to consolidated shareholders' equity as shown on the consolidated balance sheet (under IFRS) the following items:

- unrealised capital gains on fixed assets (tangible assets) not recorded at their market value on the balance sheet (namely, Unibail's head office at 5 Boulevard Malesherbes in Paris 8);
- the adjustment to potential taxes and disposal costs, to reflect the likely disposal scheme for assets and the corresponding tax impacts;
- the marked-to-market value of fixed-rate debt, bearing in mind that under IFRS, only derivative financial instruments are measured at their fair value on the balance sheet;
- unrealised capital gains on intangible assets (Exposium group and Espace Expansion), based on the market values of these assets as determined by PricewaterhouseCoopers for the first time at December 31, 2006. Recognition of these capital gains had a net impact on NAV as at

December 31, 2006 of +€ 150.7m, (before tax on capital gain), compared with +€ 31m as at December 31, 2005.

Note that development projects are not revalued but maintained at their historical cost for the purpose of the Net Asset Value calculation.

The NAV Group share is calculated to permit NAV per share calculation.

To take into account the impact of securities giving access to the share capital (including to date stock-options and bonus share allotments), these are assumed to be in issue and the amount of shareholders' equity arising from these potential securities is added to shareholders' equity to give a fully diluted triple net liquidation NAV.

The NAV calculation is reviewed by Unibail's Statutory Auditors, who validate the application of the methodology and the consistency of parameters used and results obtained.

3. TRIPLE NET LIQUIDATION NAV CALCULATION

3.1 CONSOLIDATED SHAREHOLDERS' EQUITY

As at December 31, 2006, consolidated shareholders' equity amounted to € 6,053.1m, compared with € 4,076.1m as at December 31, 2005. Furthermore, amounts due to shareholders stood at € 46.1m as at December 31, 2006 in respect of the interim amount of the 2006 dividend approved by the Board of Directors on December 14, 2006 and paid on January 15, 2007.

Shareholders' equity incorporates net recurring profit of € 312.6m (group share), net profit on sales of properties of € 98.0m, and fair value adjustments on property assets combined with fair value adjustments on derivative financial instruments totalling € 1,729.2m (group share).

3.2 UNREALISED CAPITAL GAINS ON THE PROPERTY PORTFOLIO

The only unrealised capital gains to be taken into account at December 31, 2006 are those arising from the valuation of tangible property assets carried on the balance sheet at historical cost. They notably relate to Unibail's head office building at 5 Boulevard Malesherbes in Paris 8. The unrealised capital gains on this building amount to € 58.5m, excluding estimated transfer taxes and disposal costs.

3.3 CAPITAL GAINS ON SERVICES

Espace Expansion was valued by PricewaterhouseCoopers at its market value for the first time at December 31, 2006. This gave rise to an unrealised capital gain before tax which was taken into account in the calculation of NAV at December 31, 2006. This capital gain includes the restatement of +€ 31.0m, which was incorporated into NAV at December 31, 2005, representing the amount off set against consolidated equity when the company was acquired.

The Exposium group companies were also valued by PricewaterhouseCoopers at December 31, 2006. This gave rise to an unrealised capital gain before tax, which was taken into account in the calculation of NAV at December 31, 2006. This capital gain is calculated based on the value of all the exhibitions in the portfolio as at December 31, 2006.

Unibail's other subsidiaries (U2M, S2B and Unibail Management) are valued at their consolidated book value, i.e. the value of their operating fixed assets. Accordingly, this conservative approach does not give rise to any unrealised capital gains or losses.

3.4 MARKED-TO-MARKET VALUE OF DEBT

In accordance with IFRS, derivative financial instruments are recorded on Unibail's balance sheet at their fair value and impact consolidated shareholders' equity. Only fixed-rate debt is not accounted for at its fair value. Taking fixed rate debt at its fair value (market value) would have a positive impact of € 4.8m. This impact has been taken into account in the NAV calculation.

3.5 SPREAD OF RENT-FREE PERIODS

In the statutory financial statements, the impact of rent-free periods is spread over the fixed term of the lease. As at December 31, 2005, the remaining rent-free periods yet to be deferred, which amounted to € 10.3m on the consolidated balance sheet, were adjusted for the calculation of triple net liquidation NAV. In the consolidated financial statements at December 31, 2006, the unamortised rent-free periods yet to be deferred were deducted directly from the value of assets in the balance sheet and thus from equity in the consolidated accounts.

3.6 ADJUSTMENT OF TAXES

In accordance with accounting standards, deferred tax is calculated on a theoretical basis in the consolidated balance sheet as at December 31, 2006. For the purpose of the NAV calculation, deferred tax on unrealised capital gains on assets not SIIC eligible (mainly the Porte de Versailles venue) is added back and replaced by taxes payable, should a disposal take place.

Therefore, the deferred tax on the balance sheet is calculated at a rate of 34.43% on unrealised capital gains on non-eligible SIIC assets which gives rise to a € 105.9m tax liability. For the purpose of the NAV calculation, this amount is replaced by actual taxes in the event of a disposal, calculated at a rate of 1.72% (corresponding to service charges tax) applied to the estimated capital gain, i.e. € 7.3m. This amount includes the actual tax that would be paid on the disposal of Espace Expansion and Exposium at their appraisal value.

3.7 RESTATEMENT OF TRANSFER TAXES AND DISPOSAL COSTS

Transfer taxes and costs associated with disposals are estimated at 6% of the value of the asset or 5% of the value of the company that owns it, depending on the method of disposal. For VAT-eligible assets, taxes are calculated at a rate of 1%.

Transfer taxes are estimated after taking into account the disposal scheme that will minimise costs: sale of the asset or the company that owns it provided the anticipated method is achievable, which notably depends on the net book value of the asset. This estimate applies on a case-by-case basis to each of the assets.

As at December 31, 2006, estimated transfer taxes and disposal costs totalled € 302.9m, while transfer taxes and costs already deducted from asset values on the balance sheet in accordance with IFRS amounted to € 471.7m.

3.8 TREASURY SHARES AND SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

Unibail held no treasury shares as at December 31, 2006.

Moreover, the exercise of stock-options and bonus shares outstanding at December 31, 2006 would lead to an increase in the number of shares by 1,881,106, increasing shareholders' equity by € 169.4m.

As at December 31, 2006, the fully diluted number of shares taken into account for the NAV calculation totalled 48,004,323, including the dilutive impact of stock-options and bonus shares.

Triple net liquidation NAV (group share) hence stands at € 6,750.0m or € 140.6 per share (fully diluted) as at December 31, 2006, an increase of 48.3% compared with year-end 2005.

Value creation in 2006 amounted to € 49.85 per share, by adding NAV growth of € 45.8 per share and the € 4.05 dividend paid out in 2006.

Evolution of triple net liquidation NAV 2005 to 2006 (in euros)	
Fully diluted NAV per share as at Dec. 31, 2005 (in €)	**94.8**
Revaluation of property assets (excluding deliveries and Cœur Défense):	
Effect of rental growth	13.0
Effect of yield compression	13.9
Revaluation of Cœur Défense	3.2
Delivery of Capital 8	4.8
Revaluation of service subsidiaries	2.5
Capital gains on disposals	2.0
Recurring net profit, net of distributions	2.6
Mark-to-market of debt and financial instruments	2.7
Other	1.1
Fully diluted NAV per share as at Dec. 31, 2006	**140.6**

Triple net liquidation NAV calculation (€ m) (group Share)	December 31, 2005	December 31, 2006
Consolidated shareholders' equity	**4,076.1**	**6,053.1**
Amounts owed to shareholders'	**43.4**	**46.1**
Unrealised capital gains on		
Property excluding investment properties	37.3	58.5
Exposium & Espace Expansion	31.0	150.7
Fixed-rate debt	-29.1	4.8
Restatement of rent-free periods [1]	-10.3	-
Adjustment to taxes		
Deferred tax on gains from non SIIC assets	95.0	105.9
Actual tax on unrealised capital gains from non SIIC assets	-18.0	-7.3
Adjustment of transfer taxes and disposal costs		
Taxes already deducted from value of assets in balance sheet	375.3	471.7
Transfer taxes and disposal costs [2]	-216.7	-302.9
Impact of shares giving access to share capital		
Potential impact of stocks options on shareholders' equity	127.1	169.4
Triple net liquidation NAV (group share)	**4,511.1**	**6,750.0**
Number of fully diluted shares	47,606,343	48,004,323
FULLY DILUTED TRIPLE NET LIQUIDATION NAV (per share)	**€ 94.8**	**€ 140.6**
Year-on-year change %		**48.3%**

[1] As of December 31, 2006 the restatement of rent free periods are deducted directly from fair values of assets in the balance sheet.
[2] Taxes calculated according to the method of disposal (of the asset of the related holding company).

FINANCIAL RESOURCES

1. FUNDS RAISED

Over 2006, new financial resources were obtained from both the money market by issuing commercial paper *(billets de trésorerie)* and the bank loan market, with refinancing transactions focusing on the arrangement of a new 7-year syndicated bank loan of € 700m.

Refinancing operations over the 2006 financial year break down as follows:

- € 2,691m in commercial paper *(billets de trésorerie)* with a maturity of up to one year and an average outstanding amount of € 303m over the year.

- The commercial paper programme is backed by confirmed credit lines [19]. These credit lines protect Unibail against the risk of a temporary or more sustained absence of lenders in the short or medium term debt markets. As at December 31, 2006 the total amount of these confirmed credit lines came to € 648m. These credit lines were provided by leading French and international banks. Their average duration is 4.3 years. As at December 31, 2006, none of these confirmed credit lines were drawn.

- A 7-year syndicated bank loan of € 700m was signed on May 12, 2006. A total of € 258m of this loan was drawn as at December 31, 2006. Unibail pays a variable coupon calculated at 3-month Euribor plus 25 basis points, this margin varying according to the amount drawn on the line.

The financing described above plus the use in full of a syndicated bank loan arranged in July 2005 and the proceeds of asset disposals allowed Unibail to cover the € 750m in bond repayments which occurred over the 2006 financial year.
Unibail's cash surplus was limited in 2006, amounting to an average of € 11m. These surpluses were invested in diversified low-risk money-market unit trusts (SICAV).

Update on the EMTN programme

The update on the EMTN programme was completed on June 30, 2006. The size of the programme stands at € 4bn.

2. RATINGS

Unibail is rated by two rating agencies, namely Moody's and Standard & Poor's.

Following its annual review of the company in March 2006, Standard & Poor's reiterated its "A-" long-term rating and 'A2' short-term rating, while upgrading Unibail's outlook from negative to stable. Moody's gave Unibail a long-term rating of "A3" with a stable outlook.

3. DEBT STRUCTURE AT YEAR-END 2006

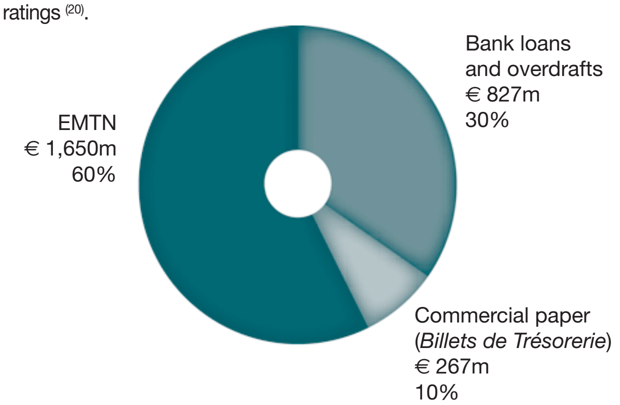
Gross financial debt at December 31, 2006 came to € 2,744m.

Debt breakdown

Unibail's gross financial debt as at December 31, 2006 breaks down as follows:

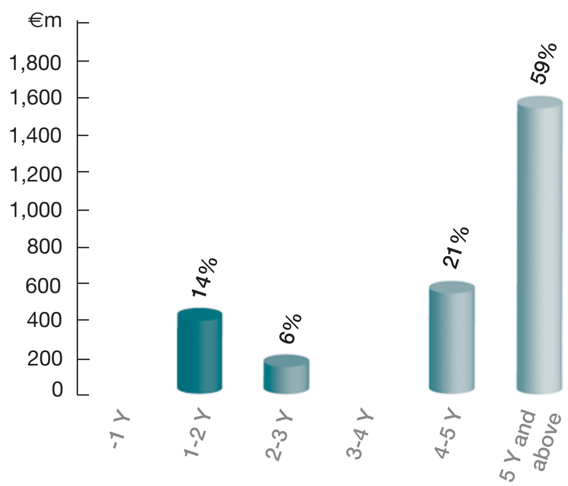
- € 1,650m in Euro Medium Term Notes (EMTN);
- € 267m in commercial paper (*billets de trésorerie*);
- € 827m in bank loans, including € 798m in loans and € 29m in bank overdrafts.

No loans were subject to prepayment clauses linked to the Company's ratings [20].



Debt maturity

The following chart illustrates Unibail's debt as at December 31, 2006 after the allocation of the confirmed credit lines (including the undrawn part of the 7-year bank loan) by date of maturity and based on the residual life of its borrowings.



[19] These confirmed credit lines generally include requirements to meet specific ratios relating to debt, financial expenses and revalued shareholders equity and are not usually subject to prepayment clauses linked to the company's ratings.
[20] Barring exceptional circumstances (change in control)

Following the refinancing operations carried out during the year and € 750m in bond repayments over this period, nearly 60% of the debt had a maturity of over 5 years as at December 31, 2006 (after taking into account credit lines).

The average maturity of Unibail's debt as at December 31, 2006, taking into account the confirmed unused credit lines [21], stood at 4.7 years, representing an increase on 2005 (4.4 years as at December 31, 2005).

Average cost of Debt

Unibail's average refinancing rate came to 3.5% over 2006, a noticeable improvement on the level recorded over 2005 (3.8%). This average cost of debt results from the interest rate environment, the low level of margins on existing borrowings and the interest rate risk hedging programme implemented in 2003 and significantly built up in 2005 and the beginning of 2006.

4. MARKET RISK MANAGEMENT

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

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

Due to its use of derivatives to minimise its interest rate risk, the Group is exposed to potential counterparty defaults. To limit counterparty risk, Unibail relies solely on major international banks for its hedging operations.

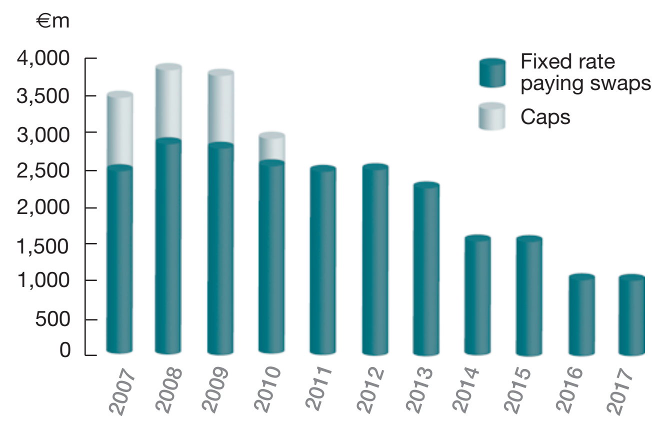
Interest rate hedging transactions

During the first two months of 2006, Unibail took advantage of the low interest rate environment to enhance the hedging of its variable-rate borrowings.

Aside from the 1-year swaps arranged at the very beginning of the year to hedge 2007 variable-rate debt, Unibail put in place 7-year forward swaps to hedge the 2009-2015 period, thereby extending the long-term hedging strategy initiated in 2005.

In October 2006, the Group executed a cancellation of portfolio caps in a strategic move to replace them by € 400m of new caps which will allow for more efficient coverage for the period 2007-2009.

Yearly projection of average hedging amounts (€ m)



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

Measuring interest rate exposure

As at December 31, 2006, net financial debt stood at € 2,712m, excluding partners' current accounts and after taking cash surpluses into account (€ 32m).

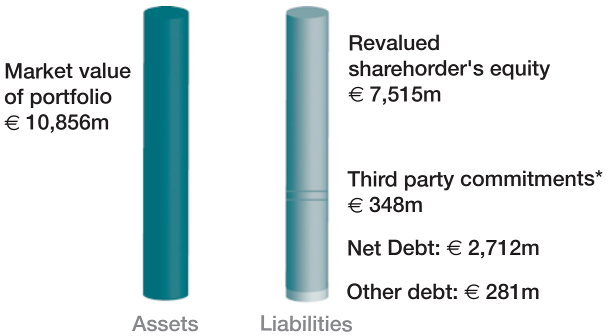
Variable-rate debt or fixed-rate debt immediately converted into variable-rate debt accounts for 92% of net financial debt. This outstanding debt is fully hedged by interest-rate swaps and caps. These derivative instruments also enable Unibail to cover exposure of the debt generated by partners' current accounts (€ 112m) to increases in interest rates.

Based on Unibail's debt situation as at December 31, 2006 and hedging instruments in place, if interest rates were to rise by an average of 1% (100 basis points) during 2007, above 3.725% [22], caps in place will be activated. As a consequence, this increase in interest rates would not generate additional financial expenses, and therefore not have a negative impact on 2007 recurring net profit. Similarly, any additional increase in interest rates would not create an increase in financial expenses. Conversely, a 1% (100 basis points) drop in interest rates would reduce financial expenses by an estimated € 1.7m and would enhance 2007 recurring net profit by an equivalent amount.

[21] Including the undrawn part of the 7-year syndicated bank loan.
[22] 3-month Euribor rate as at December 31, 2006.

5. FINANCIAL STRUCTURE

As at December 31, 2006, the portfolio valuation (including transfer taxes) amounted to € 10,856m, including Unibail's remaining interest in SCI Karanis' share capital and in the subordinated loan granted to SCI Karanis (owners of Cœur Défense).



**Partners and Shareholders and other*

Consolidated shareholders' equity, adjusted for unrealised capital gain (on Espace Expansion, Exposium and non-investment property assets) and adjusted for transfer taxes, stood at € 7,515m.

The balance of financing needs is covered by:

(i) € 112m in partners' current accounts, which are, in view of their characteristics, considered as shareholders' equity in financial ratio calculations;
(ii) € 74m in guarantee deposits;
(iii) € 46m owed to shareholders on the 2006 dividend payout paid on January 15, 2007;
(iv) € 116m in commitments to buy out minority shareholders;
(v) € 2,712m in net financial debt; and
(vi) € 281m in other debt (mainly operating liabilities).

Key balance sheet ratios

Debt ratio

Over the past years, Unibail has set a prudent upper limit of 50% for its 'net financial debt / portfolio valuation' ratio, which can only be exceeded temporarily.

At December 31, 2006, this ratio stood at 25%, showing a clear decline on the level recorded at December 31, 2005 (32%).

These figures do not take into account the exercise of stock options [23] which would generate € 169m in additional shareholders' equity, further strengthening Unibail's equity base, reducing its debt, and gearing ratios.

Interest coverage ratio

The recurring net operating profit interest coverage ratio came to 4.6x during 2006. This ratio represents an increase on the high levels achieved in recent years (4.0x in 2004, 3.5x in 2005). This level was due to: (i) the low level of the Group's average debt, (ii) the tightly controlled cost of debt and (iii) income growth.

FINANCIAL RATIOS	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
Net financial debt / market value of portfolio	41%[24]	32%	25%
Recurring net operating profit interest coverage ratio [25]	4.0x	3.5x	4.6x

[23] These instruments were all "in the money" as at December 31, 2006.
[24] The debt figure at year-end 2004 includes the exceptional payout of January 7, 2005. Not taking into account this payout, the 'financial debt / portfolio value' ratio would have been 26% at year-end 2004.
[25] Calculation based on the 'total recurring operating results + total general expenses and other income less depreciation and amortization / [recurring net financial expenses, including capitalised interest]'.

HUMAN RESOURCES

Unibail has always attached great importance to its human resources, whose commitment and high standards are key factors behind the Group's success. All Unibail's employees share the same values and business approach: responsiveness and initiative, creativity and resourcefulness, a down-to-earth and ethical business approach, a sense of team spirit and an ability to work in a project-based mode.

1. EMPLOYMENT

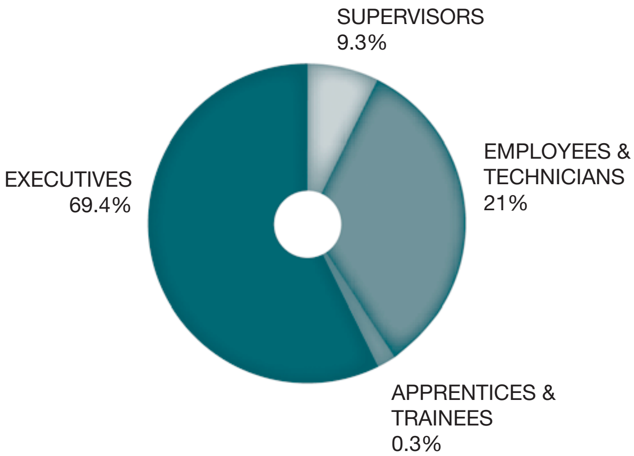
In 2006, the average headcount for the Group was 966. This figure broke down as follows:

Average number of employees

	2004	2005	2006
Unibail Management	191	200	208
Unibail Marketing Multimédia (U2M)	5	3	1
Services to Buildings & Businesses (S2B)	11	1	0
Espace Expansion	256	256	244
TOTAL UNIBAIL UES [1]	**463**	**460**	**453**
Paris Expo Porte de Versailles	145	130	127
Paris Expo SNC	97	83	75
TOTAL PARIS EXPO UES [1]	**242**	**213**	**202**
Unibail Holding	2	5	7
SPSP	8	7	7
Exposium and its subsidiaries	-	268	297
TOTAL	**715**	**953**	**966**

[1] UES: *Unité Économique et Sociale* (Social and Economic Group).

Breakdown of employees by socioprofessional group



Employee movements in 2006

NEW RECRUITS	
Permanent contracts	133
Temporary contracts to cover busy periods	62
Temporary contract for replacements	37
Apprenticeship/professional training contracts	5
TOTAL	237

DEPARTURES	
Resignations	66
Dismissals	46
Retirements	7
Departure during probationary period	15
Expiry of temporary contracts	109
TOTAL	243

Organisation of work time

Unibail's entities have introduced various initiatives to organise statutory working time. These measures take into account the specific operating requirements of each site and business line within the Group. The most common arrangements adopted are as follows:

- A fixed annual number of working days for autonomous executives;
- A shorter working week and extra leave days in other cases;
- An annual number of working hours and yearly adjustment for certain employee categories.

In addition, 45 employees work part-time or fewer fixed days per year, corresponding to a range between 40% and 90% of a full-time activity rate.

For the Group as a whole, overtime amounted to 6,741 hours in 2006, of which 45% was attributable to annual working time adjustments introduced during 2005 at the Paris Expo and Exposium "UES".

During 2006, Unibail called upon the services of 26 FTE (full-time equivalent) employees from outside companies.

Absenteeism totalled 10,635 working days, including 45% for sickness, 22% for maternity leave, 1% for work-related accidents, 4% for family leave and 28% for parental leave, unpaid leave and sabbaticals.

2. TIES WITH UNIVERSITIES – THE "FRESH GRADUATES" POLICY

22 recent graduates from universities, and business or engineering schools (*"Grandes Ecoles"*), joined Unibail during 2006 on permanent contracts. These new recruits represent over 15% of Group permanent position recruitments over the year (22/141). Furthermore, Unibail played host to 37 interns in 2006.

Unibail actively pursued its close partnerships with *Grandes Ecoles*, including the Property Department of the ESSEC business school and the Civil Engineering & Development Department of the Ecole Centrale de Paris and the ESCP - Paris Business School (Espace Expansion prize). It again took part in forums at four top schools (HEC, ESSEC, Centrale, Polytechnique).

3. SKILLS ENHANCEMENT AND CAREER DEVELOPMENT

Staff induction process

During 2006, Unibail continued the staff induction programme, launched in 2003.

This induction process has four main stages:

- A personalised induction morning (welcome address, tour of the premises and workstations, recruitment formalities, and training courses in computer and office equipment);
- One-to-one interviews between each new recruit and his or her future colleagues and direct contacts (during the first month). These interviews aim to familiarise new employees with their job functions and ensure they are operational as rapidly as possible;
- A twice-yearly Unibail Presentation Day, which is attended by all new employees and aims to give them a greater insight into the Group. The day consists of a morning seminar about Unibail and its business activities, followed by a buffet lunch meeting and a tour of some of the Group's major properties. A total of, close to 70 new employees attended one of these two presentations during 2006;
- A follow-up and performance appraisal by the recruit's manager halfway through the induction period. This review is formalised by a feedback report and a systematic interview with the Human Resources department.

Career mobility within the Group

A total of 146 employees underwent a career change within the Group during 2006. These include lateral changes (from one function to another, from one management position to another, from one division to another, etc.), promotional and geographical changes.

Once again, in 2006, more than 60% of these changes were promotions, reflecting the continued success of the employees in their functions (from non-executive to executive, junior to senior, "in charge of" to "responsible for", etc.).

Furthermore, in an organisation with a strong cross-divisional dimension, various employees moved from one management position to another within the same division (from Director of Operations to Centre Director, for instance), from a functional position to an operational position and *vice versa*, and from one division to another (from Exposium to Paris Expo and *vice versa*, for example).

Since July 2005, job offers have been sent out to all the Group's employees via e-mail. This underpins, management's strong support of career mobility within the Group and reflects its desire to develop talents and loyalty of staff.

Appraisals process

Skills appraisals are always conducted both hierarchically by line managers and cross-divisionally. Unibail enhanced its skills appraisal process again in 2006 and extended them to Exposium employees.

Hierarchical appraisal by line managers occurs in two stages:

- Since 2004, a mid-year performance review with line managers has given staff a clearer perspective of their work and targets, in a constantly changing and challenging environment.
- An annual review by line managers gives employees the opportunity to assess their job function, rate their performance and set targets.
  Since 2003, performance criteria have been divided into the following main categories: *personal development, communication and negotiation skills, teamwork and corporate spirit, commitment to action and results, and management skills.*
  A double appraisal is carried out by the operational manager, when applicable (e.g. an operational management controller is appraised both by the head of division and by the Group's head of management control).

After these reviews, the line manager draws up a comprehensive appraisal report. The employee also adds his/her feedback to this report and signs it. The format was remodelled during 2006 to emphasise from the very first page the performance appraisal for the past year and the principal factors influencing efficiency and success, plus areas for improvement.

Cross-divisional appraisal entails the following:

- Since 2004, it has taken place in two half-yearly sessions to fit in better with Unibail's project timescales and to improve the smooth running of the appraisal policy. All in all, it now covers close to 350 employees at all the Group's companies.
- Since last year, this process has incorporated a “project” based assessment (acquisition, disposal, development, large-scale technical and or commercial restructuring, etc.) where each member of the project appraises the other.

At the end of each year, appraisal and remuneration committees conduct a review, organised by comparable job function, to ensure consistency between these appraisals and decisions taken. This process facilitates a careful evaluation of every Group employee in the presence of senior management.

Lastly, a 360° appraisal process called “360° - Management Progress” was expanded to a larger scale to cover all Group managers with direct responsibility for a minimum of three employees.
It was extended to 100 managers in 2006, after being initiated in late 2005 for 26 managers reporting directly to the Executive Committee.

This method involves obtaining the self-assessment of each concerned manager, as well as the opinion of staff directly working with him/her (i.e. close to 550 persons for those 100 concerned managers), on their management skills. This is achieved through an anonymous computerised questionnaire covering 26 different items and an open question.

A comparison of the two points of view helps to identify the strengths and areas for improvement as part of a programme to achieve progress and efficiency, both individually and collectively.

Training programmes are designed and managed by the Unibail Training School, with maximum input from the Group's managers and operational staff. Unibail's training policy is a key component in its value-creation strategy, encompassing all business lines and areas of experience of the Group's employees. Unibail develops and organises cross-divisional training courses with a view to pooling expertise and knowledge, so that it can develop a common training database shared by all the business lines. To ensure the broadest coverage possible, these cross-divisional training programmes are combined with specific training courses tailored to each business line and division.
Training sessions are delivered by expert in-house staff and external lecturers. The Unibail Training School offers a wide range of courses based on real-life experiences that are very relevant to the Group's activities. These courses are adapted to the needs of staff from all business lines.
The 2006 training schedule comprised 49 distinct group training modules (excluding office software and IT training).
In particular, a specifically designed management training course (fundamentals and advanced aspects) was provided to nearly one hundred Group executives. Specific risk management courses were delivered to close to 350 participants.
During 2006, Unibail devoted an overall training budget of nearly € 770,000 to the delivery of close to 16,000 hours of courses to almost 2,100 trainees from the Group.

In 2007, the Group will continue to pursue this training policy. The budgeted training programme is set to feature over 60 collective training action initiatives prioritising management and project management, the enhancement of commercial performance, risk management and business development.

4. REMUNERATION POLICY

Unibail has developed a flexible remuneration policy with the following aims:

- rewarding individual achievements, mainly through a performance-related pay scheme based on targets,
- and giving all staff a vested interest in the Group's overall performance.

Unibail has put in place profit sharing and incentive agreements in all its business divisions. For many years, the Group has implemented an ambitious savings scheme offering employees attractive incentives to invest in Unibail shares, including a significant employer top-up contribution. Originally set up in 2005, this scheme was extended to employees of Exposium when they joined the Group and proved to be very popular with them. A total of 74 Exposium employees were thus able to subscribe to the Company's Savings Plan during 2006.

In 2006, the Group supported the voluntary savings contributions of its staff by making an employer contribution totalling over € 507,000. At December 31, 2006, the percentage of the share capital held by Group employees via the Company Savings Plan stood at 0.48%.

In October 2006, 365,500 options were granted to 110 employees, at no discount to the share price at the time of allocation, with a price of € 161.50 per share, of which 155,000 options were granted to the seven members of the Group's Executive Committee. For the first time, these options were all subject to conditions based on Unibail's share price performance compared with that of the EPRA euro zone index, which is a benchmark for the sector's performance.

In addition, shareholders at the Extraordinary General Meeting on April 28, 2005 authorised the Board to grant bonus shares not exceeding 1% of the existing share capital at the date of said meeting for a period of the 38 following months. In 2006, 8,721 bonus shares (i.e. 1.8 shares for each 10,000 shares in issue) were allotted by the Board of Directors to 30 beneficiaries (including 5 Executive Committee members).

Fixed wage costs and male-to-female ratios:

	Executives		Non-executives	
	Female	Male	Female	Male
As a % of employees	35%	34%	20%	11%
Average gross salary	3,664	4,651	2,150	2,191

On a like-for-like headcount basis, salaries increased by an average of 3% of total salary costs.

Social security costs totalled € 32m in 2006.

5. EMPLOYEE RELATIONS

Keen to enhance employee relations in all its divisions, Unibail has put in place an employee representative body that reflects business features by setting up two UESs (*Unités Economiques et Sociales*):
- Unibail UES in 2000
- Paris Expo UES in 2003

Exposium has set up its own representative bodies, specializing in the exhibition business.

In 2006, as part of a global review of incentive payments based on Paris Expo's performance, a new employee profit-sharing agreement was signed between employee representatives and the Paris Expo UES. This agreement, which runs from 2006 to 2008, is based on growth in consolidated earnings before tax, depreciation and amortization (EBITDA) before rentals in year N compared with year N-2 to reflect the biennial nature of business trends and thus focus on increases between comparable years (i.e. 2006/2004, 2007/2005, 2008/2006).
At the same time, a supplemental agreement to the Paris Expo UES employee profit-sharing plan was signed, providing for the special profit-sharing reserve to be calculated using the statutory formula from 2006 onwards.

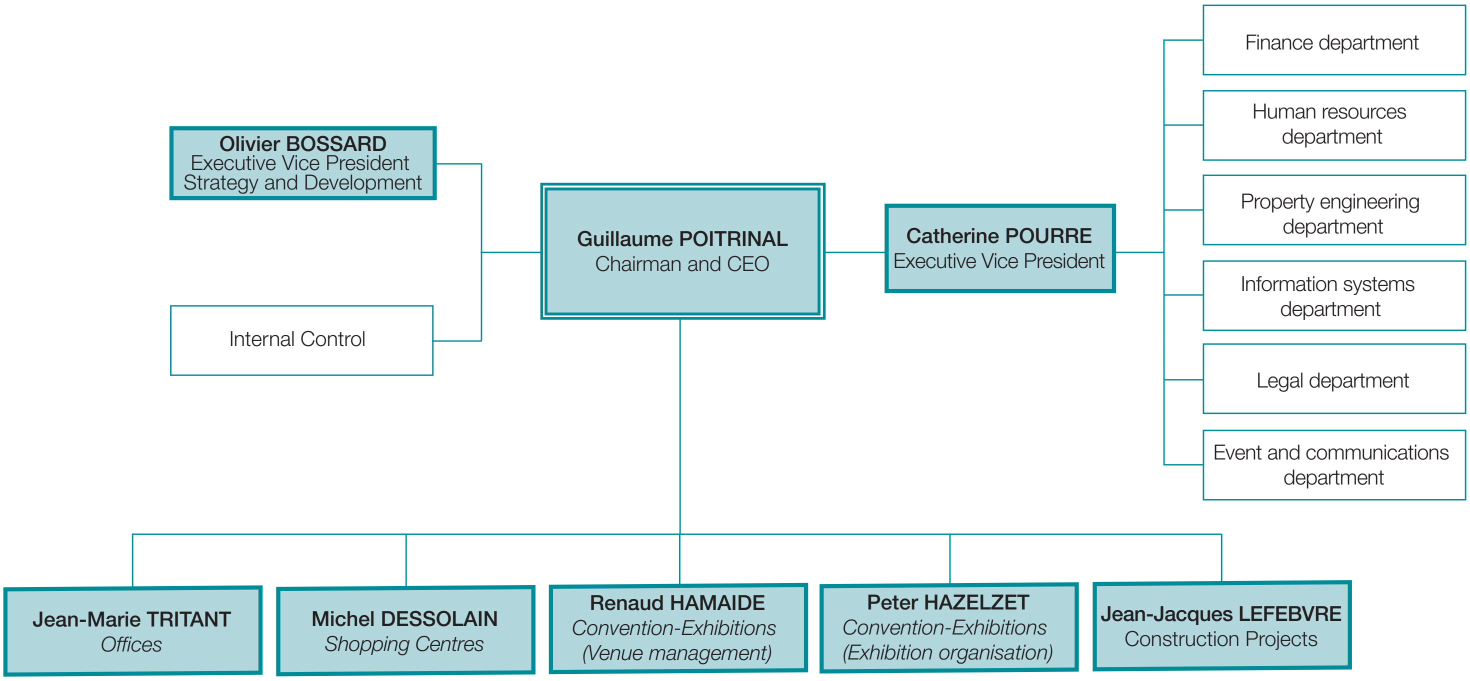
In March 2006, the Group's Company Savings Plan (*Plan d'Epargne Entreprise –PEE*) was updated with several adjustments to the existing regulations proposed, notably including:
- for stock-options exercised by using funds from the Company Savings Plan, the introduction of a binding choice between the allocation of dividends to the Company Savings Plan and direct payments to beneficiaries of these dividends,
- application of the Code of Ethics, such that no redemption requests may be executed during a red period, except for early releases with a view to exercising options using unavailable amounts placed in the Company Savings Plan.

Agreements concerning the 2007 mandatory annual negotiations were finalized at each Group entity (Unibail UES, Paris Expo, Exposium UES).

The internal code of conduct of each entity was amended to include formally the requirement that employees must abide by the Group's Code of Ethics.

In March 2006, Paris Expo UES employee representatives were elected for a term of two years.

Simplified organisation structure as at December 31, 2006



2007 OUTLOOK

For 2007, 60,000 m^2 of new or renovated offices are available for let or relet, offering considerable rental income growth potential in a buoyant market. Shopping centre leasing activities and the delivery of Les Quatre Temps and Carré Sénart II should also make a significant contribution to rental income growth. Given this favourable background, the Group confirms its double-digit growth target in recurring EPS for 2007.

The pipeline of development projects is in strong expansion. It was enhanced by € 1.7 billion in investment capacity, over second-half 2006. This pipeline made up of large shopping centres and centrally located office properties now stands at 850,000m^2 for € 3.5bn of future investment and estimated additional rental income of € 320m.

The combination of these elements supports the Group's target of average annual growth of at least 10% in recurring EPS over the next four years [26].

The Board will propose at the General Meeting, a dividend of € 5 per share for the 2006 financial year, representing an increase of 25% compared with the 2005 dividend. Subject to the approval of the General Meeting, the € 2 balance of this dividend, after the interim dividends of € 1 paid on 16 October 2006, 15 January 2007 and 16 April 2007, will be paid on 16 July 2007.

Regarding the 2007 financial year, Unibail will pay three interim dividends: of € 1.25 in October 2007, January and April 2008 and the balance in July 2008. The objective regarding distribution is to ensure shareholders benefit -over the long term- from substantial and regular income, evolving in line with recurring EPS growth.

[26] Double digit growth in recurring EPS for the next four years is based on the following assumptions: The entire lease portfolios for the Office and Shopping Centre divisions are projected until the scheduled expiry date for each individual lease and re-letting or vacant period during a renovation is evaluated.
Prudent forecasts of the ICC (cost of construction index), the annual progression was taken into account at only 2.1%, which is less than recorded historical growth of 2.8% over 10 years and 3.7% over 5 years.
For the Shopping Centre division the vast majority of rents are indexed as at January 1, 2006, based on ICC of the second-half, which was published in October, hence indexed using the effective index for 2007. For the Office division the indexation is yearly at the date the leases were signed.

Revenues from leasing and services of events hosted or organised by the Convention-Exhibition division are projected taking into account the seasonality of the exhibitions, current market trends and planned developments in the existent scope. As at February 8, 2007, Unibail and the Paris Chamber of Commerce and Industry signed an exclusivity agreement with a view to studying a potential merger of all their operations in the convention-exhibition sector. The effects of this potential merger have not been taken into account, the involved parties are in the process of defining the agreement which will be subject to the approval of the authorities relevant.

Assumed interest rates are those of the forward yield curve, which shows a slight increase over the period; the effect on refinancing rates is limited in the first years given the hedging policy implemented (see chapter Financial Resources). Taking into account the investments necessary for development projects already underway and the development pipeline as described previously as well as the planned disposal of a few office assets which have become mature. The average number of shares evolves at the same pace as previous years, effected by the exercise of stock-options and subscriptions to the Company Savings Plan.

By nature, the assumptions for this target are subject to changes or modification due to uncertainties in particular in economic and financial circumstances.

CONSOLIDATED FINANCIAL ACCOUNTS
AS AT DECEMBER 31, 2006

(1) European Public Real Estate Association

UNIBAIL GROUP CONSOLIDATED INCOME STATEMENTS - EPRA FORMAT-UNDER IFRS

(in millions of euros)	2006	2005	2004 Excluding IAS 32/39
Gross rental income (Note 18)	489.9	472.4	521.6
Ground rents paid (Note 19)	- 12.4	- 12.3	- 13.3
Net service charge expenses (Note 20)	- 7.2	- 8.0	- 11.6
Property operating expenses (Note 21)	- 59.5	- 51.4	- 57.7
Net rental income	**410.8**	**400.7**	**439.0**
Proceeds from trading property disposals	-	-	-
Carrying value of trading properties sold	-	-	-
Corporate expenses	- 24.7	- 22.0	- 20.5
Development expenses	- 5.2	- 1.3	- 2.8
Depreciation	- 1.4	5.3	- 4.9
Administrative expenses (Note 22)	**- 31.3**	**- 18.0**	**- 28.3**
Revenues from ther activities	232.3	115.0	101.1
Other expenses	- 185.1	- 107.1	- 94.5
Net other income (Note 23)	**47.2**	**7.9**	**6.6**
Proceeds from disposal of investment property	527.4	586.3	982.5
Carrying value of investment property	- 428.0	- 448.6	- 917.7
Profit on disposal of investment property (Note 24)	**99.4**	**137.7**	**64.8**
Valuation gains	1,709.6	1,151.6	563.1
Valuation losses	- 8.3	- 8.2	- 15.3
Valuation movements (Note 25)	**1,701.3**	**1,143.4**	**547.9**
NET OPERATING PROFIT BEFORE FINANCING COST	**2,227.4**	**1,671.7**	**1,030.0**
Dividend income from non-consolidated companies	0.1	- 0.1	0.2
Financial income	*45.7*	*41.4*	*32.8*
Financial expenses	*- 129.8*	*- 140.0*	*- 123.3*
Net financing costs (Note 26)	- 84.1	- 98.6	- 90.5
Fair value adjustments to financial instruments (Note 27)	86.8	- 17.4	-
Net gain or loss on disposal of financial instruments (Note 27)	- 1.4	- 2.3	-
Debt discounting (Note 28)	- 5.0	- 5.8	- 11.7
Share of the profit of associates (Note 29)	163.5	24.9	29.1
Income on financial assets (Note 29)	9.1	8.7	4.8
PROFIT BEFORE TAX	**2,396.4**	**1,581.1**	**961.8**
Income tax (Note 30)	- 19.4	- 55.4	- 27.3
NET PROFIT FOR THE PERIOD	**2,377.0**	**1,525.7**	**934.4**
Minority interests (Note 31)	237.2	140.4	108.8
NET PROFIT (GROUP SHARE)	**2,139.8**	**1,385.3**	**825.6**

Earnings per share	2006	2005	2004
Average number of shares undiluted	45,901,800	45,499,713	44,607,212
Net profit - Group share (in millions of Euros)	2,139.8	1,385.3	825.6
Net profit (Group share) per share (in Euros)	**46.62**	**30.45**	**18.51**
Average number of diluted shares	46,583,901	46,068,533	45,261,057
Diluted net profit per share - Group share (in Euros)	**45.93**	**30.07**	**18.24**

CONSOLIDATED INCOME STATEMENTS BY DIVISION

Income statements by division (in millions of euros)	2006				2005				2004			
	Recurring activities	Capital gains	Valuation movements	Net result	Recurring activities	Capital gains	Valuation movements	Net result	Recurring ractivities	Capital gains	Valuation movements	Net result
Rental income	136.0	-	-	136.0	146.4	-	-	146.4	201.8	-	-	201.8
Net operating expenses	-7.1	-	-	-7.1	-4.0	-	-	-4.0	-13.4	-	-	-13.4
Ground rents	-0.0	-	-	-0.0	-0.0	-	-	-0.0	-0.1	-	-	-0.1
Net rents	128.9	-	-	128.9	142.4	-	-	142.4	188.3	-	-	188.3
Asset management expenses	-4.1	-	-	-4.1	- 4.4	-	-	- 4.4	-4.9	-	-	-4.9
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Valuation movements	-	-	699.1	699.1	-	-	435.9	435.9	-	-	161.9	161.9
Provision for impairment of projects	-	-	-	-	-	-	-	-	-	-	-	-
Gains/losses on sales of properties	-	97.9	-	97.9	-	137.8	-	137.8	-	64.4	-	64.4
Office division net operating profit	124.8	97.9	699.1	921.8	138.0	137.8	435.9	711.7	183.5	64.4	161.9	409.8
Contribution of companies consolidated under equity method	2.5	-	153.7	156.2	3.5	-	15.8	19.3	-0.1	-	20.0	20.0
Interest on financial assets	8.2	-	-	8.2	7.8	-	-	7.8	3.7	-	-	3.7
Result of the office division	135.5	97.9	852.8	1,086.2	149.3	137.8	451.7	738.8	187.1	64.4	181.9	433.4
Rental income	243.6	-	-	243.6	218.8	-	-	218.8	196.5	-	-	196.5
Net operating expenses	-20.3	-	-	-20.3	-17.0	-	-	-17.0	-16.1	-	-	-16.1
Ground rents	-3.2	-	-	-3.2	-3.1	-	-	-3.1	-3.8	-	-	-3.8
Net rents	220.1	-	-	220.1	198.8	-	-	198.8	176.6	-	-	176.6
Asset management expenses	-5.6	-	-	-5.6	- 5.1	-	-	-5.1	- 4.6	-	-	-4.6
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Valuation movements	-	-	971.2	971.2	-	-	547.1	547.1	-	-	327.6	327.6
Provision for impairment of projects	-	-	-	-	-	-	6.6	6.6	-	-	-3.7	-3.7
Gains/losses on sales of properties	-	0.7	-	0.7	-	-	-	- 0.0	-	0.4	-	0.4
Shopping centre net operating profit	214.5	0.7	971.2	1,186.4	193.7	-	553.7	747.4	172.0	0.4	323.9	496.3
Contribution of companies consolidated under equity method	3.5	-	4.1	7.6	3.3	-	1.9	5.2	2.7	-	6.5	9.2
Interest on financial assets	0.9	-	-	0.9	0.9	-	-	0.9	1.1	-	-	1.1
Result of the shopping centre division	218.9	0.7	975.3	1,194.9	197.9	-	555.6	753.5	175.8	0.4	330.4	506.6
Rental income	101.0	-	-	101.0	96.9	-	-	96.9	96.4	-	-	96.4
Net operating expenses	-39.0	-	-	-39.0	-38.2	-	-	-38.2	39.6	-	-	39.6
Ground rents	-9.2	-	-	-9.2	-9.2	-	-	- 9.2	- 9.3	-	-	-9.3
Net rents	52.8	-	-	52.8	49.5	-	-	49.5	47.5	-	-	47.5
Property services revenues	54.2	-	-	54.2	42.9	-	-	42.9	45.3	-	-	45.3
Expenses	-40.2	-	-	-40.2	- 32.7	-	-	- 32.7	-33.7	-	-	-33.7
On site property services	66.8	-	-	66.8	59.7	-	-	59.7	59.0	-	-	59.0
Rental income from hotels	11.6	-	-	11.6	11.3	-	-	11.3	11.4	-	15.4	26.8
Net operating expenses	-0.3	-	-	-0.3	-0.3	-	-	-0.3	-0.4	-	-	-0.4
Hotel Net operating income	11.4	-	-	11.4	11.0	-	-	11.0	11.0	-	15.4	26.4
Fees from exhibition organising	141.7	-	-	141.7	31.7	-	-	31.7	-	-	-	-
Net operating expenses	-106.3	-	-	-106.3	-33.3	-	-	- 33.3	-	-	-	-
Exhibition organising net operating income	35.4	-	-	35.4	-1.6	-	-	- 1.6	-	-	-	-
Valuation movements	-	-	31.0	31.0	-	-	160.3	160.3	-	-	58.4	58.4
Gains/losses on sales of disposals	-	0.8	-	0.8	-	-	-	-	-	-	-	-
Tangible assets depreciation	-4.8	-	-	-4.8	-3.6	-	-	-3.6	-3.3	-	-	-3.3
Intangible assets depreciation	-3.5	-	-	-3.5	-3.5	-	-	-3.5	-2.3	-	-	-2.3
Convention-exhibition division net operating profit	105.2	0.8	31.0	137.1	62.1	-	160.3	222.4	64.5	-	73.8	138.3
Contribution of companies consolidated under equity method	-0.3	-	-	- 0.3	0.4	-	-	0.4	-	-	-	-
Result of the convention-exhibition division	104.9	0.8	31.0	136.7	62.6	-	160.3	222.9	64.5	-	73.8	138.3
Income from other property services	1.8	-	-	1.8	5.6	-	-	5.6	1.3	-	-	1.3
Depreciation	-1.0	-	-	- 1.0	-1.4	-	-	-1.4	-1.4	-	-	-1.4
Other property services net operating profit	0.8	-	-	0.8	4.2	-	-	4.2	-0.1	-	-	-0.1
TOTAL OPERATING RESULT	460.0	99.4	1,859.1	2,418.5	414.0	137.7	1,167.7	1,719.4	427.3	64.8	586.0	1,078.2
Corporate expenses	-14.9	-	-	- 14.9	-12.5	-	-	-12.5	-10.8	-	-	-10.8
Development expenses	-5.2	-	-	- 5.2	-1.3	-	-	-1.3	-2.8	-	-	-2.8
Miscellaneous	2.9	-	-	2.9	1.0	-	-	1.0	0.6	-	-	0.6
Depreciation	-1.4	-	-	- 1.4	-1.3	-	-	-1.3	-1.2	-	-	-1.2
Total general expenses and other	-18.6	-	-	- 18.6	-14.1	-	-	-14.1	-14.3	-	-	-14.3
Net financial expenses	-84.1	-	-	- 84.1	-98.6	-	-	-98.6	-90.5	-	-	-90.5
Valuation movements on derivatives	-	- 1.4	86.8	85.4	-	- 2.3	- 17.4	-19.7	-	-	-	-
Discounting of debt and receivables	-	-	- 5.0	- 5.0	-	-	- 5.8	-5.8	-	-	- 11.7	-11.7
Financial cost	-84.1	- 1.4	81.8	- 3.7	-98.6	- 2.3	- 23.2	- 124.1	-90.5	-	- 11.7	-102.3
Contribution of non-consolidated compagnies	0.1	-	-	0.1	-0.1	-	-	- 0.1	0.2	-	-	0.2
PRE-TAX PROFIT	357.4	98.0	1 941.0	2,396.4	301.2	135.5	1 144.5	1 581.1	322.7	64.8	574.3	961.8
Corporate income tax	-5.4	-	-14.0	-19.4	-5.3	-	-50.0	-55.4	-1.3	-	-26.0	-27.3
net profit	352.1	98.0	1 926.9	2,377.0	295.9	135.5	1,094.4	1,525.7	321.4	64.8	548.2	934.4
Minority interest	39.5	-	197.7	237.2	31.7	-	108.7	140.4	27.6	-	81.2	108.8
NET PROFIT GROUP SHARE	312.6	98.0	1,729.2	2,139.8	264.1	135.5	985.7	1,385.3	293.8	64.8	467.0	825.6

Due to the business activity of their tenants, two properties were transferred from the Office division to the Shopping Centre division in 2005. Certain figures previously published have been adjusted to assure comparability.

CONSOLIDATED BALANCE SHEETS

(in millions of euros)	Excluding IAS 32/39 Dec 31, 2004	Impact IAS32/39 at the opening	Dec 31, 2004	Dec 31, 2005	Dec 31, 2006
FIXED ASSETS	**6,758.2**	**- 1.5**	**6,756.6**	**8,143.6**	**10,233.4**
Tangible assets (Note 1)	449.5	-	449.5	452.7	249.4
Investment properties (Note 2)	6,000.9	-	6,000.9	7,046.6	9,046.3
Goodwill (Note 3)	10.4	-	10.4	152.3	168.2
Intangible assets (Note 4)	77.4	-	77.4	267.8	307.7
Loans (Note 5)	52.1	-	52.1	40.7	36.0
Derivatives at fair value (Note 12)	14.3	12.0	26.2	19.8	99.5
Shares of companies consolidated under equity method (Note 7)	153.6	- 13.5	140.1	163.7	326.3
CURRENT ASSETS	**617.1**	**-**	**617.1**	**533.6**	**609.5**
Properties under promise or mandate of sale (Note 2)	**-**	**-**	**-**	**137.7**	**96.3**
Stocks (Note 6)	**-**	**-**	**-**	**13.8**	**28.1**
Trade receivables from activity (Note 8)	**95.8**	**-**	**95.8**	**107.6**	**156.2**
Property portfolio	77.3	-	77.3	79.9	129.1
Other activities	18.5	-	18.5	27.7	27.1
Other trade receivables (Note 9)	**337.9**	**-**	**337.9**	**252.1**	**296.6**
Tax receivables	61.3	-	61.3	73.9	96.9
Receivables on sale of property	102.0	-	102.0	-	0.2
Other receivables	146.9	-	146.9	143.0	161.0
Accrued income and deferred expenses	27.7	-	27.7	35.3	38.5
Cash and equivalent (Note 10)	**183.4**	**-**	**183.4**	**22.4**	**32.3**
Financial assets	175.9	-	175.9	3.3	3.3
Cash	7.5	-	7.5	19.1	29.0
TOTAL ASSETS	**7,375.2**	**- 1.5**	**7,373.7**	**8,677.2**	**10,842.9**
Shareholders' equity (group share)	**2,809.9**	**- 1.5**	**2,808.4**	**4,076.1**	**6,053.1**
Share capital	226.8	-	226.8	228.7	230.7
Additional paid-in capital	32.9	-	32.9	47.1	64.5
Consolidated reserves	1,815.6	- 0.5	1,815.1	2,187.9	3,353.5
Hedging reserve	-	- 1.0	- 1.0	- 2.1	1.4
Retained earnings	31.4	-	31.4	316.1	355.4
Result	825.6	-	825.6	1,385.3	2,139.8
Dividend down payment	- 122.5	-	- 122.5	- 86.9	- 92.2
MINORITY INTERESTS	**448.6**	**-**	**448.6**	**592.3**	**781.1**
TOTAL SHAREHOLDERS' EQUITY	**3,258.5**	**- 1.5**	**3,257.0**	**4,668.4**	**6,834.2**
NON CURRENT LIABILITIES	**2,208.4**	**-**	**2,208.4**	**2,359.1**	**2,672.4**
Commitment to purchase minority interests (Note 11)	-	-	-	64.3	115.5
Long term bonds (Note 12)	1,899.8	-	1,899.8	1,975.9	2,238.3
Derivatives at fair value (Note 12)	15.5	-	15.5	21.0	11.0
Deferred tax liabilities (Note 13)	77.8	-	77.8	186.6	196.8
Long term provisions (Note 14)	47.8	-	47.8	32.7	30.5
Provisions for retirements (Note 14)	2.1	-	2.1	3.7	3.4
Guarantee deposits	68.0	-	68.0	72.2	73.7
Tax liabilities (Note 17)	97.2	-	97.2	2.7	3.2
CURRENT LIABILITIES	**1,908.4**	**-**	**1,908.4**	**1,649.7**	**1,336.3**
Amounts owed to shareholders (Note 15)	**1,125.2**	**-**	**1,125.2**	**43.5**	**46.1**
Amounts due to suppliers and other current debt (Note 16)	**307.2**	**-**	**307.2**	**433.3**	**505.3**
Amounts due to suppliers	120.8	-	120.8	97.9	97.2
Amounts due on investments	67.5	-	67.5	95.6	119.1
Sundry creditors	79.9	-	79.9	142.4	210.1
Accrued expenses	39.1	-	39.1	97.4	78.9
Current borrowings and amounts due to credit institutions (Note 12)	**338.5**	**-**	**338.5**	**949.4**	**669.5**
Tax & social security liabilities (Note 17)	**133.2**	**-**	**133.2**	**208.0**	**94.5**
Contingencies and other current liabilities (Note 14)	**4.3**	**-**	**4.3**	**15.6**	**20.9**
TOTAL LIABILITIES	**7,375.2**	**- 1.5**	**7,373.7**	**8,677.2**	**10,842.9**

CONSOLIDATED CASH FLOW STATEMENTS

(in millions of euros)	2006	2005	2004
Operating activities			
Net profit	2,377.0	1,525.7	934.4
Depreciation & provisions	9.6	-3.9	-6.2
Changes in value of property assets	-1,701.3	-1,143.3	-547.9
Changes in value of financial instruments	-85.4	19.7	-
Income/charges from discounting	5.0	5.7	11.6
Charges and income relating to stock options and similar items	4.2	4.1	1.6
Other income and expenses	0.3	0.3	0.4
Net capital gains/losses on sales of properties [4]	-108.2	-138.0	-74.8
Income from companies consolidated under the equity method	-163.5	-24.9	-29.1
Income on financial assets	-9.1	-8.6	-4.8
Dividend income from non-consolidated companies	-0.1	-0.1	-0.2
Net financing costs	84.1	98.6	90.5
Income tax charge	24.7	53.6	27.3
Cash flow before net financing costs and tax	**437.3**	**388.9**	**402.8**
Income on financial assets	4.7	5.8	4.8
Dividend income and result from non-consolidated companies	0.1	0.1	1.3
Income tax paid	-	-0.9	-0.3
Change in working capital requirement	-66.3	241.4[1]	-98.0
Total cash flow from operating activities	**375.8**	**635.3**	**310.6**
Investment activities			
Property activities	**-72.5**	**-177.9**	**268.1**
Acquisition of consolidated subsidiaries (Note 32)	-86.2	-292.5	-82.6
Amounts paid for works and acquisition of property assets	-421.7	-378.1	-256.4
Exit tax payment	-97.9	-97.9	-98.1
Property financing [3]	5.4	4.7	-79.6
Disposal of consolidated subsidiaries (Note 32)	215.5	197.2	478.8
Disposal of non-consolidated subsidiaries	-	-	0.2
Disposal of investment property	312.4	388.7	305.8
Finance leasing and short-term lending activities	**5.7**	**10.7**	**16.2**
Repayment of finance leasing	5.7	10.7	16.2
Financial activities	**0.5**	**0.7**	**2.5**
Disposal of financial assets	0.5	0.7	2.5
Total cash flow from investment activities	**-66.3**	**-166.5**	**286.8**
Financing activities			
Capital increase	19.4	16.1	41.1
Dividends paid to parent company shareholders	-186.1	-1,216.4	-197.4
Dividends paid to minority shareholders of consolidated companies	-4.7	-2.7	-0.4
Purchase of treasury shares	-	-	-10.6
Exercise or purchase of warrants	-	-	22.8
New borrowings and financial liabilities	4,469.6	2,610.3	2,118.6
Repayment of borrowings and financial liabilities	-4,478.2	-1,909.0	-2,697.6
Net interest paid	-113.9 [5]	-102.3	-94.1
Other financing activities	-2.1	-9.1	-3.1
Net cash flow from financing activities	**-296.0**	**-613.1**	**-820.7**
Change in cash and cash equivalents during the year	**13.5**	**-144.3**	**-223.3**
Cash at beginning of year [2]	**-10.4**	**133.9**	**357.1**
Cash at year-end [2] (Note 33)	**3.1**	**-10.4**	**133.9**

[1] The change in working capital requirement relates mainly to the proceeds received on January 11, 2005 from the sale of the Quai Ouest building, the payment in January 2006 of the VAT on the sale of Retiro and the change in working capital requirement of the Exposium Group.
[2] Cash and Cash equivalents include bank accounts and current accounts with terms of less than three months.
[3] "Property financing" corresponds to loans granted to companies not fully consolidated.
[4] This item includes capital gains/losses on property sales (excluding charges spread over the duration of the lease), disposals of short-term investment property, disposals of finance leasing and disposals of operating assets.
[5] Of which € 28.6m of accrued interest.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in milions of euros)	Capital	Additional paid-in capital	Treasury shares	Consolidated reserves [1]	Consolidated net profit	Cash flow hedging reserves	Total (group share)	Minorities	Total share-holders' equity
Shareholders' equity as at January 1, 2004 (IFRS)	**225.0**	**674.9**	**-72.2**	**2,143.6**	**280.9**	**-**	**3,252.2**	**365.8**	**3,618.0**
Earning appropriation	-	-	-	280.9	-280.9	-	-	-	-
Stock options and Company Savings Plan	4.7	36.0	-	-	-	-	40.7	-	40.7
Purchases/sales of treasury shares	-	-	-10.6	-	-	-	-10.6	-	-10.6
Exercise of warrants using treasury shares	-	-1.9	40.9	-16.2	-	-	22.8	-	22.8
Share cancellations	-2.9	-39.0	41.9	-	-	-	-	-	-
Dividend	-	-	-	-156.6	-	-	-156.6	-18.3	-174.9
Interim dividends	-	-	-	-122.5	-	-	-122.5	-	-122.5
Exceptional payout	-	-637.1	-	-406.2	-	-	-1,043.3	-	-1,043.3
Net profit for the year	-	-	-	-	825.6	-	825.6	108.8	934.4
Cost of payments in shares	-	-	-	1.6	-	-	1.6	-	1.6
Changes in scope of consolidation	-	-	-	-	-	-	-	-7.7	-7.7
Shareholders' equity as at December 31, 2004 (IFRS)	**226.8**	**32.9**	**-**	**1,724.6**	**825.6**	**-**	**2,809.9**	**448.6**	**3,258.5**
Impact of mark-to-market of financial instruments [2]	**-**	**-**	**-**	**-0.5**	**-**	**-1.0**	**-1.5**	**-**	**-1.5**
Shareholders' equity as at January 1, 2005 (IFRS)	**226.8**	**32.9**	**-**	**1,724.1**	**825.6**	**-1.0**	**2,808.4**	**448.6**	**3,257.0**
Earning appropriation	-	-	-	825.6	-825.6	-	-	-	-
Dividends relating to 2005	-	-	-	-48.0	-	-	-48.0	-19.6	-67.6
Interim dividends	-	-	-	-86.9	-	-	-86.9	-	-86.9
Stock options and Company Savings Plan	1.9	14.2	-	-	-	-	16.1	-	16.1
Net profit for the year	-	-	-	-	1,385.3	-	1,385.3	140.4	1,525.7
Cost of payments in shares	-	-	-	4.0	-	-	4.0	-	4.0
Derivative intruments:									
depreciation of hedging reserves	-	-	-	-	-	-1.1	-1.1	-	-1.1
Other	-	-	-	-1.8	-	-	-1.8	-	-1.8
Changes in scope of consolidation	-	-	-	-	-	-	-	87.3	87.3
Reclassification of minority interests	-	-	-	0.1	-	-	0.1	-64.4	-64.3
Shareholders' equity as at December 31, 2005	**228.7**	**47.1**	**-**	**2,417.1**	**1,385.3**	**-2.1**	**4,076.1**	**592.3**	**4,668.4**
Earning appropriation	-	-	-	1,385.3	-1,385.3	-	-	-	-
Dividends relating to 2005	-	-	-	-96.6	-	-	-96.6	-24.2	-120.8
Interim dividends relating to 2006	-	-	-	-92.2	-	-	-92.2	-	-92.2
Stock options and Company Savings Plan	2.0	17.4	-	-	-	-	19.4	-	19.4
Net profit for the year	-	-	-	-	2,139.8	-	2,139.8	237.2	2,377.0
Cost of payments in shares	-	-	-	4.2	-	-	4.2	-	4.2
Derivative intruments:									
depreciation of hedging reserves	-	-	-	-	-	3.5	3.5	-	3.5
Other	-	-	-	-0.4	-	-	-0.4	-0.2	-0.6
Changes in scope of consolidation	-	-	-	-1.4	-	-	-1.4	17.9	16.5
Reclassification of minority interests	-	-	-	0.7	-	-	0.7	-41.9	-41.2
Shareholders' equity as at December 31, 2006 (IFRS)	**230.7**	**64.5**	**-**	**3,616.7**	**2,139.8**	**1.4**	**6,053.1**	**781.1**	**6,834.2**

[1] Comprises the following, as found in the consolidated balance sheet: Capital reserves, retained earnings and cash flow hedging reserves.
[2] See note §1.6.

CHANGES IN SHARE CAPITAL

	Total number of shares	Treasury shares included in total
As at January 1, 2004	**45,000,835**	**993,572**
Exercise of Warrants	-	-554,617
Exercise of stock-options	893,664	-
Purchases of treasury shares	-	136,737
Cancellation of shares on May 13, 2004	-570,000	-570,000
Capital increase reserved for employees under Company Savings Plan	41,514	-
Cancellation of shares on September 23, 2004	-5,692	-5,692
As at December 31, 2004	**45,360,321**	**-**
Capital increase reserved for employees under Company Savings Plan	55,983	-
Exercise of stock-options	314,840	-
As at December 31, 2005	**45,731,144**	**-**
Capital increase reserved for employees under Company Savings Plan	31,214	-
Exercise of stock-options	360,859	-
As at December 31, 2006	**46,123,217**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES AND CONSOLIDATION METHODS

In accordance with EC regulation no. 1606/2002 of July 19, 2002, on the application of international accounting standards, Unibail has prepared its consolidated financial statements for the financial year ending December 31, 2006, under International Financial Reporting Standards (IFRS) as adopted in the European Union and applicable at this date.

These standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards) 1 to 41, as well as their SIC and IFRIC interpretations as adopted in the European Union.

The amended norms IFRS 7 and IAS 1, apply as of January 1, 2007. The Group has chosen not to adopt these standards prospectively. They should not have any impact on consolidated shareholders' equity or net profit.

Unibail's consolidated financial statements to December 31, 2004 were prepared in accordance with French accounting standards, which differ in certain respects from IFRS as adopted in the European Union. For comparison purposes the 2004 financial statements prepared under French accounting standards have been restated where necessary in order to comply with IFRS. Unibail did not opt for the early application of IAS 32 and 39 on financial instruments, as offered under IFRS 1 "First-time application of IFRS". These standards are applied to financial instruments as of January 1, 2005, and therefore do not have a previous comparable year, whilst the Group continued to apply French accounting standards for such operations in 2004. Adjustments made to the opening balance sheet as at January 1, 2005, relate mainly to derivatives and are set out in paragraph §1.6.

The methods of applying these new accounting standards and the accounting options selected by Unibail are described in detail in the 2004 annual report filed with the AMF as the registration document.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management, particularly with regards to the fair value of financial instruments and the valuation of goodwill, intangible assets and rental portfolio. The most significant estimates are set out in the notes to the financial statements. Actual future results or outcomes may differ from these estimates. The property portfolio and intangible assets used by the exhibition organisation business and by Espace Expansion are subject to independent appraisals.

1.1. OPTIONS SELECTED UNDER IFRS 1

When adopting IFRS for the first time, IFRS 1 grants certain exemptions with regards to the application of other IFRSs. These exemptions are optionally applied.

The exemptions applied relate mainly to business combinations, where the application of IFRS 3 "Business combinations" retrospectively to business combinations which occurred prior to the transition to IFRS is optional. Unibail has chosen to use this exemption.
Prior business combinations have generated goodwill which has been allocated to the fixed assets of the companies acquired. The goodwill amounts for Espace Expansion (1995) and Paris Expo Porte de Versailles (2000) have been recorded and amortised over a period of 20 and 26 years respectively. However, in accordance with IFRS 1, goodwill on assets relating to provision of services governed by contractual agreement are recognised as an intangible asset and amortised over the remaining life of the agreement. Accordingly, goodwill for Paris Expo Porte de Versailles has been reclassified as an intangible asset on the opening balance sheet dated January 1, 2004 (with recognition of a € 25m deferred tax liability) and amortised over the remaining life of the operating contract.

For its stock-option plans, the Group has chosen to apply IFRS 2 for stock-options granted after November 7, 2002.

Finally, Unibail has chosen not to apply other options provided by IFRS 1.

1.2 SCOPE AND METHODS OF CONSOLIDATION

The scope of consolidation includes all companies controlled by Unibail and all companies in which the Group exercises joint control or significant influence. The method of consolidation is determined by the type of control exercised.

- Full control: fully consolidated. Control is presumed if Unibail directly or indirectly holds an interest of more than 50%, unless there is clear evidence that this shareholding does not provide control. Full control also exists when the parent company holds 50% or less of the voting rights in a company and has authority regarding the company's financial and operational strategies and to appoint or dismiss the majority of members of the Board of Directors or an equivalent decision-making body.
- Joint control: proportionally consolidated. This is demonstrated by the sharing of control of an economic activity under a contractual agreement. It requires the unanimous agreement of partners for operating, strategic and financial decisions.
- Significant influence: consolidated under the equity method. Significant influence is identified when there is authority to contribute to financial and operational decision-making of the company concerned, but without exercising control over its strategy. Significant influence is assumed where the Group directly or indirectly holds more than 20% of voting rights in a company.

The consolidated financial statements are established by integrating the individual financial statements of Unibail Holding with all relevant subsidiaries over which Unibail Holding exercises control. Subsidiaries closing their accounts more than three months before or after that of Unibail Holding prepare pro forma interim statements to December 31, determined on a 12-month basis. All inter-group balances, profits and transactions are eliminated.

1.3 BUSINESS COMBINATIONS

In business combinations, acquisition cost is measured as the sum of the fair values at the given date of acquisition of assets, incurred or assumed liabilities and equity instruments issued in exchange for control of the acquired company, plus any costs directly attributable to the business combination.
At the date of acquisition and in accordance with IFRS 3, identifiable assets, liabilities, off-balance sheet items and contingent liabilities of the

acquired company are valued individually at their market value regardless of their purpose. The analysis and appraisals required for the initial valuation of these items, as well as any corrections based on new information, may be carried out within 12 months of the date of acquisition.

Any surplus in the price paid over the market value of the interest in acquired company's net assets is recorded under "Goodwill" in assets in the consolidated balance sheet. Any negative amount of goodwill is charged immediately to the income statement.

Goodwill on acquisitions is carried at cost and is subject to regular reviews by the Group and impairment tests at least once per year or whenever there is an indication of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units expecting to benefit from the acquisition. Potential amounts of goodwill impairment are determined with regards to the recoverable amount(s) from cash-generating unit(s). Cash-generating units are the lowest level at which management determines the return on investment on assets. The recoverable amount of a cash-generating unit is determined using the most appropriate method, most commonly the discounted cash flows method, and is applied to the full cash-generating unit rather than each legal entity.

If the recoverable amount of the cash-generating unit(s) is lower than the carrying amount, an irreversible impairment charge is recorded in the consolidated income statement for the period.

The goodwill for Espace Expansion has not been reclassified. In accordance with options available under IFRS 1, it is no longer amortised as of January 1, 2004 but is subject to an annual impairment review.

Under current accounting standards, acquisition of additional shares from minority shareholders are regarded as equity transactions and therefore no additional goodwill is recognised.

Consequently, when minority shareholders have an agreement to sell, minority interests are reclassified as debt at the present value of the exercise price. The difference between the latest value and the net carrying value of the minority interests is recognised as equity. Any subsequent change in debt is also accounted for as equity. Income from minorities and dividends are booked in equity.

1.4 ASSET VALUATION METHODS

Investment property (IAS 40)

Investment property is defined as property held for the purpose of receiving a rental income or capital appreciation or both.

Nearly all properties in Unibail's portfolio (96.4% in value terms) are recorded as investment properties. Properties undergoing refurbishment, to be re-let once works are complete, are also categorised as investment property.

Under the benchmark treatment recommended by IAS 40, investment properties are shown at their market value.

The market value adopted by Unibail is determined by independent external appraisers, who value the Group's portfolio as at June 30 and December 31 of each year; after applying a 6% discount to this value in order to reflect disposal costs and transfer taxes [1]. For properties subject to VAT, those costs are valued at 1%.

The income statement for a given year (Y) records the change in value for each property, which is determined as follows:

market value Y – [market value Y-1 + amount of works expenses and other costs capitalisable in year Y]

Capital gains on disposals of investment property are calculated by comparison to their latest market value recorded in the closing balance sheet for the previous financial year.

Properties for which a sale process has been initiated are identified separately in the balance sheet.

Tangible assets (IAS 16)

Under the preferential method proposed by IAS 16, operating assets are valued at their historic cost, less cumulative depreciation and any decrease in value. Depreciation is calculated using the "component accounting" method, where each asset is broken down into major components based on their useful life. The four components of a property are the main structure, the facade, technical equipment and finishing fixtures and fittings, depreciated respectively over 60, 30, 20 and 15 years for office properties and 35, 25, 20 and 15 years for retail outlets.
Buildings under construction are valued at cost.

Once the construction of a property is complete, it is recorded as an investment property (IAS 40) at marked-to-market value. The corresponding change in value is recorded on the income statement under valuation movements.

The following properties are recognised as tangible assets:
- the Group's head office at 5 boulevard Malesherbes, Paris 8;
- buildings under construction, mainly shopping centres under development including Rivetoile Strasbourg, Lyon Confluence, Docks de Rouen, Ilôt Bonnac Bordeaux and Carré Sénart II…

If the net book value of a property becomes higher than the appraisal value, an impairment provision is booked.

Borrowing costs generated by construction projects

Under IFRS (IAS 23), borrowing costs incurred by construction projects may be recognised as an expense or capitalised as part of the cost of the relevant asset.

[1] Transfer taxes are valued on the assumption that the property is sold directly, even though the cost of these taxes can, in certain cases, be reduced by selling the property's holding company.

Unibail considers borrowing costs incurred by construction projects to be part of the cost of the construction project or major renovations and has opted to capitalise these charges incurred during the construction period.

They are measured by applying the Group's average refinancing rate to the average value of the work completed at the end of each quarter.

Intangible assets (IAS 38)/ Impairment of assets (IAS 36)

An intangible asset is recognised when it is identifiable and separable and can be sold, transferred, licensed, rented, or exchanged, either individually or as part of a contract with an attached asset or a liability, or which arises from contractual or other legal rights regardless of whether those rights are transferable or separable. After initial recognition, intangible assets are recognised at cost, less any amortisation charges and impairment losses.

Intangible assets with a finite life are amortised on a linear basis over the life of the asset. The useful life of an asset is reviewed each year and an impairment test is carried out whenever there is an indication of impairment.

Intangible assets with an indefinite useful life are not amortised but their life span is reviewed each year. These assets are subject to impairment tests annually or whenever there is an indication of impairment, which consists of comparing the book value with the recoverable amount of the intangible. The recoverable amount of an asset or a cash-generating unit is the maximum between its fair value less disposal costs and its utility value.
Indications of impairment are reviewed at each closing date. The recoverable amount on the asset is assessed on the basis of the present value of expected future cash flows from the continued use of the asset and its terminal value. Impairment tests are carried out by grouping assets together into cash-generating units. In the case of reduction in value, a corresponding impairment charge is recognised in the income statement.

1.5 LEASING

Leases are classified as finance leases when they transfer substantially all risks and rewards of ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

The Group's remaining finance leasing activity concerns a residual outstanding amount of € 11.1m as at December 31, 2006. The Group is the lessee of a number of co-ownership lots. These agreements as classified as finance leases.

Assets leased as operating leases are recorded on the balance sheet as investment property assets. Rental revenue is recorded on a straight-line basis over the firm duration of the lease.

Accounting treatment of rents and key money

Under IAS 17 and SIC 15, the financial impacts of terms set out in the lease agreement are spread over the fixed duration of the lease starting from the date the premises are made available. This applies to rent-free periods, step rents and key money.

Eviction costs

Compensation payments to evicted tenants may be capitalised, in view of the securing of higher rentals through new lease agreements on improved terms and which ultimately enhance or at least maintain asset performance.

Leaseholds

Based on the analysis of existing contracts, IAS 17 and IAS 40, a leasehold may be classified as either an operating lease or a finance lease. The choice is made on a contract-by-contract basis and depending on the risks and rewards transferred to the Group.

Leaseholds signed by the Group are recognised as operating leases. Rental payments are recognised as expenses in the income statement.
Rental payments made at the start of the contract are classified as prepaid expenses over the life of the contract.

Buildings constructed on land under a lease agreement are recognised in accordance with the accounting principles described in §1.4.

1.6 FINANCIAL INSTRUMENTS (IAS 32/IAS 39)

IAS 32 and IAS 39 have been applied for the first time as of January 1, 2005, since Unibail did not opt for their early application in 2004. French accounting standards have therefore been applied to financial instruments in the comparative 2004 financial statements.

As of January 1, 2005, the following accounting principles have been applied:

a) Classification and measurement of non-derivative financial assets and liabilities

Loans and receivables
Loans and receivables, acquired or granted, not held for the purpose of trading or sale, are recorded on the balance sheet as "Loans and receivables". After initial recording, they are measured at amortised cost based on the effective interest rate. They may be subject to impairment when necessary.

Available-for-sale securities
These are non-derivative financial assets held for an undetermined period that may be sold by the Group at any time. These financial assets are recorded on the balance sheet under "Available-for-sale securities" and measured at their fair value at the accounting date. Interest accrued or received on fixed-income securities is recorded as income based on the effective interest rate. Changes in market value other than income are recorded in shareholders' equity under "Unrealised or deferred gains or losses. Fair value variations are recorded on the income statement if the asset is sold or significantly impaired.

Non-derivative financial liabilities
Non-derivative financial liabilities are measured after initial booking at amortised cost using the effective interest rate. In certain cases, IAS 39 permits financial liabilities to be designated as at fair value upon initial recording.

b) Classification and measurement of financial derivatives and hedge accounting

All financial derivatives are recorded as financial assets or liabilities at fair value on the balance sheet. Fair value variations of financial derivatives, apart from those designated as cash flow hedges (see below) are recognised in the income statement for the period.

Unibail uses a macro-hedging strategy for its debt. It has chosen not to use the hedge accounting proposed by IAS 39, which would allow the mark-to-market of derivatives qualified as cash flow hedges to be recorded directly under equity. All derivatives are therefore measured at their market value and any fair value variations as of January 1, 2005, are recorded in the income statement.

Derivatives designated as cash flow hedges under the French accounting standards applied in 2004 are recorded on the opening balance sheet as at January 1, 2005, at their fair value at this date. The difference of -€ 1 m is booked to equity as a hedging reserve and depreciated over the remaining lifetime of these financial instruments. In the income statement split by division, these depreciation charges and value changes do not impact recurring income and are recorded under "Valuation Movements".

1.7 DISCOUNTING OF DEFERRED PAYMENTS

Long-term liabilities and receivables are discounted when this has a significant impact.

- The exit tax liability payable over a four-year period (to qualify for the SIIC tax regime) has been discounted.
- Guarantee deposits received from tenants have not been discounted given the negligible impact of discounting.
- Provisions for material liabilities taken under IAS 37 are discounted over the estimated duration of the disputes they cover.

1.8 TAXES

Companies in the Group that have opted for SIIC tax status are exempt from tax on recurring income and capital gains.
Due to the diversity of its business activities, Unibail Holding undergoes a specific tax treatment:

- its SIIC-eligible business is exempt from tax on recurring income and capital gains on disposals;
- activities relating to finance leasing contracts signed before January 1, 1991, are tax exempt;
- all other operations are taxable.

Almost all the companies of the Unibail Group not eligible for SIIC tax status are grouped under a tax consolidation sub-group (Doria), which has opted for the tax consolidation scheme instituted by Article 68 of the 1988 French Budget Act (Loi de Finance).

Deferred tax

Deferred tax applies mainly to companies that did not opt for SIIC tax status. Deferred taxes are recognised in respect of all temporary differences between the carrying amount and tax base of assets and liabilities at each financial year end.

Deferred tax assets or liabilities are calculated based on total temporary differences and on tax losses carried forward, using the tax rate that will apply on the expected reversal date of the concerned differences, if this rate has been set. Otherwise, they will be calculated using the applicable tax rate in effect at the financial year-end date. Within a given fiscal entity and for a given tax rate, debit balances are booked to assets for the amount expected to be recoverable over a foreseeable period.

The main deferred tax liabilities relate to:

- the mark-to-market of investment properties, resulting in the recognition of a deferred tax liability for non tax-exempt assets under the SIIC regime (mainly the Porte de Versailles exhibition centre);
- the recognition of intangible assets identified on Porte de Versailles and following the acquisition of Exposium.

1.9 SHARE-BASED PAYMENTS

Under IFRS 2, all transactions relating to share-based payments must be recognised in the income statement. This standard affects Unibail due to its Stock-Option Plan, Company Savings Plan and Bonus Share Plan.

Stock-options granted to employees are stated at their fair value on the date of allocation. This value remains unchanged, even if the options are never exercised. It is booked as an expense, with a corresponding increase in equity which is spread over the vesting period (i.e. the period during which employees must work for the company before they can exercise the options granted to them).

IFRS 2 applies to all equity instruments granted after November 7, 2002. For Unibail, it will apply to stock-options granted in 2003, 2004, 2005 and 2006. The stock-options have been valued using a binomial model for those with no performance criteria and using a Monte Carlo model for those subject to performance criteria.

Bonus shares were allocated in 2006. They are valued at their market price on the date of allocation less two years of estimated dividends. The value is recognised as an expense deferred over the two-year vesting period.

Shares issued under the Company Savings Plan are offered at a discount to the share price. This discount represents an employee benefit and is recorded in the income statement for the period, with a corresponding increase in equity.

The additional expenses incurred by the stock-option plans, company savings plan and bonus share awards are classified under personnel expenses.

1.10 EMPLOYEE BENEFITS

Under IAS 19, a company must recognise all commitments made to its employees (i.e. current or future, formal or informal, cash payments or payments in kind. The cost of employee benefits must be recorded during the vesting period.

Post-employment benefits

Pension schemes may be defined contribution or defined benefit schemes. Under defined contribution schemes, the employer only pays a contribution, with no commitment from the Group regarding the level of benefits to be provided. The contributions paid are booked as expenses for the year.

Under defined benefit schemes, the employer makes a formal or implied commitment to an amount or level of benefits and therefore carries the medium or long-term risk. A provision is booked to balance sheet liabilities to cover all of these pension commitments. This provision is assessed regularly by independent actuaries using the projected unit credit method, which takes into account demographic assumptions, early retirements, salary increases and discount and inflation rates. Any differences relating to changes in assumptions are recognised immediately in the income statement.

Long-term benefits

These are benefits paid to employees more than 12 months after the end of the financial year during which the corresponding service was provided. The same valuation method is used as for post-employment benefits.

At Unibail, pensions due under the various compulsory retirement schemes to which employers contribute are managed by specialist external organisations. Defined contributions paid into these various compulsory retirement schemes are recognised in the income statement for the period.

Provisions are booked for retirement allowances relating to defined benefit schemes based on the net present value of these future allowances.

Other than the provision for retirement allowances, no other commitments relating to long-term or post-employment benefits need to be provisioned.

1.11 REVENUES FROM EXHIBITIONS

Concerning Exposium activities, revenues and external expenses are booked the day the event takes place whereas expenses incurred in the preparation and organisation of exhibitions are recorded directly on the income statement as soon as they arise.

The uneven distribution of exhibitions between even and odd numbered years and non-deferral of expenses relating to the organisation of exhibitions for accounting purposes (particularly personnel charges) to the year in which the actual events take place result in significant fluctuations in the income statements.

1.12 BUSINESS SEGMENT REPORTING

At the first level of segment reporting, the Group presents its result by division: Offices, Shopping Centres, Convention-Exhibition and Property services.

The Convention-Exhibition division comprises management of exhibition venues (Paris Expo), leasing and lease management of the Méridien Montparnasse and Cnit Hilton hotels, and the organisation of exhibitions (Exposium).

The second level of segment reporting is by region: Paris, La Défense, and Western CBD, Paris Region and Provinces.

1.13 EARNINGS PER SHARE

The fundamental earnings per share indicator is calculated by dividing net profit (group share) by the weighted average number of ordinary shares in circulation over the period.

To calculate diluted earnings per share, the average number of shares in circulation is adjusted to take into account the conversion of all potentially dilutive ordinary shares, in particular stock-options and bonus shares during the vesting period. The dilutive impact is determined using the treasury stock method, which assumes that proceeds from the exercise of warrants or options are used to repurchase company shares at their market value. The market value corresponds to the average monthly share price weighted by trading volumes.

The theoretical number of shares that may be purchased at the market value is deducted from the total number of shares resulting from the exercise of rights. This number is then added to the average number of shares in circulation and hence constitutes the denominator.

1.14 CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

In accordance with IAS 1 “Presentation of Financial Statements”, assets and liabilities other than consolidated shareholders’ equity are classified in the balance sheet as “current” when they are due or payable within twelve months of the balance sheet date.

2. SCOPE OF CONSOLIDATION

List of consolidated companies	% interest Dec 31, 2004	% interest Dec 31, 2005	% interest Dec 31, 2006	% control Dec 31, 2006	Method [1]
SA Unibail Holding	100.00	100.00	100.00	100.00	FC
OFFICES					
SARL Unibail Développement	100.00	100.00	100.00	100.00	FC
SAS Alba	100.00	100.00	100.00	100.00	FC
SAS Babylone	100.00	100.00	100.00	100.00	FC
SAS Corto	100.00	100.00	100.00	100.00	FC
SAS Immobilière 125 Wilson	100.00	Dissolved	-	-	-
SAS Immobilière 27-29 Bassano	100.00	100.00	100.00	100.00	FC
SAS Immobilière 41 Ybry	100.00	100.00	Dissolved	Dissolved	-
SAS Immobilière Château Garnier	100.00	100.00	100.00	100.00	FC
SAS Immobilière Louvre	100.00	100.00	100.00	100.00	FC
SAS Immobilière Montgolfier	100.00	Dissolved	-	-	-
SAS Immobilière Tolbiac Masséna	100.00	Dissolved	-	-	-
SAS Iseult	100.00	100.00	100.00	100.00	FC
SAS Liberty	100.00	100.00	100.00	100.00	FC
SAS Noria	100.00	100.00	Sold	Sold	-
SAS Quai Ouest	100.00	Dissolved	-	-	-
SAS SFAM	100.00	100.00	100.00	100.00	FC
SAS SIG 34	100.00	100.00	100.00	100.00	FC
SAS Unibail Investissement II	100.00	100.00	100.00	100.00	FC
SAS Véga	100.00	100.00	100.00	100.00	FC
SCI 189 Malesherbes	100.00	100.00	Dissolved	Dissolved	-
SCI Arali	-	100.00	100.00	100.00	FC
SCI 3-5 Malesherbes	100.00	100.00	100.00	100.00	FC
SCI 39-41 Cambon	100.00	100.00	100.00	100.00	FC
SCI 7 Adenauer	100.00	100.00	100.00	100.00	FC
SCI Ariane Défense	100.00	100.00	100.00	100.00	FC
SCI Colisée 31	100.00	100.00	Dissolved	Dissolved	-
SCI Gaité Bureaux	100.00	100.00	100.00	100.00	FC
SCI Galilée Défense	100.00	100.00	100.00	100.00	FC
SCI Karanis	49.00	49.00	49.00	49.00	EM
SCI Village 1 Défense	100.00	Dissolved	-	-	-
SCI Village 2 Défense	100.00	Dissolved	-	-	-
SCI Village 3 Défense	100.00	100.00	100.00	100.00	FC
SCI Village 4 Défense	100.00	100.00	100.00	100.00	FC
SCI Village 5 Défense	100.00	100.00	100.00	100.00	FC
SCI Village 6 Défense	100.00	100.00	100.00	100.00	FC
SCI Village 7 Défense	100.00	100.00	100.00	100.00	FC
SCI Village 8 Défense	-	100.00	100.00	100.00	FC
SCI Wilson 70	100.00	100.00	100.00	100.00	FC
SCI VRG 2	-	100.00	100.00	100.00	FC
SCI Phare La Défense	-	-	100.00	100.00	FC
SCI Eiffel Levallois Bureaux	-	-	100.00	100.00	FC
SNC 50 Montaigne	90.00	Sold	-	-	-
SNC Capital 8	100.00	100.00	100.00	100.00	FC
SNC Gaité Parkings	100.00	100.00	100.00	100.00	FC
SNC Sogec	100.00	100.00	Dissolved	Dissolved	-
SNC Le Foullon	-	-	100.00	100.00	FC
SHOPPING CENTRES					
SSA Société d'Exploitation des Parkings Forum des Halles	65.00	65.00	65.00	65.00	FC
SAS Nice Etoile	100.00	100.00	100.00	100.00	FC
SARL Sage	53.30	53.30	Dissolved	Dissolved	-
SARL Immolimo	-	100.00	100.00	100.00	FC
SAS Franklin[*]	100.00	Dissolved	-	-	-

[1] FC=Fully Consolidated companies, PC=Proportional Consolidation method, EM=Consolidated under the Equity Method
[*] Companies in the Jean-Louis Solal Investissements Group acquired in June 2004.

List of consolidated companies	% interest Dec 31, 2004	% interest Dec 31, 2005	% interest Dec 31, 2006	% control Dec 31, 2006	Method [1]
SA SFLA	-	-	100.00	100.00	FC
SAS La Toison d'Or	100.00	100.00	100.00	100.00	FC
SAS Le Carrousel du Louvre	100.00	100.00	100.00	100.00	FC
SAS UniCommerces	100.00	100.00	100.00	100.00	FC
SAS Les Grandes Bruyères	-	-	10.00	10.00	EM
SCI 42 Lisbonne	100.00	100.00	100.00	100.00	FC
SCI Colline Défense	53.30	53.30	53.30	53.30	FC
SCI Coquelles et Coquelles	100.00	100.00	100.00	100.00	FC
SCI du CC Chelles 2	100.00	100.00	100.00	100.00	FC
SCI du CC de Bordeaux Préfecture	61.00	61.00	61.00	61.00	FC
SCI du CC des Pontôts	100.00	100.00	100.00	100.00	FC
SCI du Forum des Halles de Paris	65.00	65.00	65.00	65.00	FC
SCI Espace Commerce Europe	50.00	50.00	50.00	50.00	PC
SCI Evry Expansion [*]	100.00	100.00	100.00	100.00	FC
SCI Grigny Gare [*]	100.00	100.00	100.00	100.00	FC
SCI Kleber Massy [*]	100.00	100.00	Sold	Sold	-
SCI Maltese	100.00	100.00	100.00	100.00	FC
SCI Pégase	53.30	53.30	53.30	53.30	FC
SCI Rosny Beauséjour	50.00	50.00	50.00	50.00	PC
SCI Rosvil	-	-	60.00	60.00	FC
SCI SCC de la Défense	53.30	53.30	53.30	53.30	FC
SCI Sicor	73.00	73.00	73.00	73.00	FC
SCI Sirmione	100.00	100.00	100.00	100.00	FC
SCI Takiya	100.00	100.00	100.00	100.00	FC
SCI Triangle des Gares	40.00	40.00	40.00	40.00	EM
SCI Vendome Boisseuil [*]	100.00	100.00	100.00	100.00	FC
SCI Vendome Boissy 2 [*]	100.00	100.00	100.00	100.00	FC
SCI Vendome Lescar [*]	100.00	Dissolved	-	-	-
SCI Vendome Massy 2 [*]	100.00	100.00	Sold	Sold	-
SCI Vendome Saint-Genis [*]	100.00	100.00	100.00	100.00	FC
SCI VRG1	-	100.00	100.00	100.00	FC
SCI VRG3	-	100.00	100.00	100.00	FC
SCI VRG4	-	100.00	100.00	100.00	FC
SCI Aéroville	-	100.00	100.00	100.00	FC
SCI Bordeaux Bonnac	-	100.00	100.00	100.00	FC
SCI Labex	-	-	100.00	100.00	FC
SCI Val de Commerces	-	-	50.02	50.02	FC
SCI Eiffel Levallois Commerces	-	-	100.00	100.00	FC
SEP Boissy 2 [*]	10.00	10.00	Dissolved	Dissolved	-
SEP CC Evry 2 [*]	7.50	7.50	7.50	7.50	PC
SEP Extension Evry 2 [*]	7.50	7.50	7.50	7.50	PC
SEP Lyon Part Dieu [*]	6.50	Dissolved	-	-	-
SEP Massy [*]	17.02	17.02	Dissolved	Dissolved	-
SEP Première Extension Evry 2 [*]	7.50	7.50	7.50	7.50	PC
SEP Rosny 2	26.00	26.00	26.00	26.00	PC
SEP Saint-Genis 2 [*]	17.92	Dissolved	-	-	-
SEP Ulis 2	55.00	Dissolved	-	-	-
SEP Vélizy 2	54.00	Dissolved	-	-	-
SNC Bures Palaiseau	100.00	100.00	100.00	100.00	FC
SNC Centre Commercial Francilia	100.00	100.00	100.00	100.00	FC
SNC du CC Labège	100.00	100.00	100.00	100.00	FC
SNC Foncière Richelieu Commerces	100.00	100.00	100.00	100.00	FC
SNC Les Docks de Rouen	100.00	100.00	100.00	100.00	FC
SNC Les Passages de l'Etoile	100.00	100.00	100.00	100.00	FC
SNC Randoli	100.00	100.00	100.00	100.00	FC

[1] FC=Fully Consolidated companies, PC=Proportional Consolidation method, EM=Consolidated under the Equity Method
[*] Companies in the Jean-Louis Solal Investissements Group acquired in June 2004.

List of consolidated companies	% interest Dec 31, 2004	% interest Dec 31, 2005	% interest Dec 31, 2006	% control Dec 31, 2006	Method [1]
SNC Saint-Genis Laval	100.00	100.00	100.00	100.00	FC
SNC Vélizy Petit Clamart	100.00	100.00	100.00	100.00	FC
SNC Almacie	-	51.00	51.00	51.00	FC
SNC Vuc	-	51.00	51.00	51.00	FC
SNC Eiffel Levallois	-	-	100.00	100.00	FC
CONVENTION-EXHIBITION					
SA Paris Expo Porte de Versailles	100.00	100.00	100.00	100.00	FC
SAS Espace Champerret	100.00	100.00	100.00	100.00	FC
SAS Société d'Exploitation du Palais des Sports	50.00	50.00	50.00	50.00	PC
SCI Pandore	100.00	100.00	100.00	100.00	FC
SAS Groupe Exposium Holding (**)	-	100.00	100.00	100.00	FC
SA Exposium (**)	-	100.00	100.00	100.00	FC
SA Exposima (**)	-	65.00	65.00	65.00	FC
SA SIAL (**)	-	58.90	58.90	58.90	FC
SA SE Intermat (**)	-	65.00	65.00	65.00	FC
SEP Femo (**)	-	60.00	Dissolved	Dissolved	-
SEP Industrie Lyon (**)	-	60.00	60.00	60.00	PC
SARL Interexpo (**)	-	50.00	50.00	50.00	PC
SEP MD Expo (**)	-	25.00	Dissolved	Dissolved	-
Aiboxiya (**)	-	50.07	50.07	85.00	FC
Réseau Exposium Canada Inc. (**)	-	100.00	100.00	100.00	FC
Pac Ex Ltd Partnership (**)	-	50.00	80.00	80.00	FC
Expo Commerciale Canada (**)	-	50.00	50.00	50.00	EM
Expo Canada France (**)	-	29.45	29.45	50.00	EM
Gestion TB (**)	-	-	50.00	50.00	PC
SAS SESMP (**)	-	-	65.00	65.00	FC
Expo Gestion (**)	-	-	100.00	100.00	FC
SAS Européenne de Salons (**)	-	-	100.00	100.00	FC
SAS Salon Sitting (**)	-	-	100.00	100.00	FC
Gem Passion (**)	-	-	35.00	35.00	EM
PROPERTY SERVICES					
SARL Sovalec	50.00	50.00	50.00	50.00	FC
SARL SPSP	100.00	100.00	100.00	100.00	FC
SAS Cnit Restauration	100.00	100.00	100.00	100.00	FC
SAS Espace Expansion	99.99	99.99	99.99	99.99	FC
SAS Paris Expo Services	100.00	100.00	100.00	100.00	FC
SAS S2B	100.00	100.00	100.00	100.00	FC
SAS Société d'Exploitation Hôtelière du Cnit	100.00	100.00	100.00	100.00	FC
SAS U2M	100.00	100.00	100.00	100.00	FC
SAS Unibail Management	100.00	100.00	100.00	100.00	FC
SNC Paris Expo	100.00	100.00	100.00	100.00	FC
SNC Roosevelt (*)	100.00	Dissolved	-	-	-
HOLDINGS AND OTHER					
SARL Espace Expansion Immobilière	100.00	100.00	100.00	100.00	FC
SAS Borée	100.00	100.00	100.00	100.00	FC
SAS Doria	100.00	100.00	100.00	100.00	FC
SAS Murray	100.00	100.00	100.00	100.00	FC
SAS Vuc Holding	-	100.00	100.00	100.00	FC
SAS Almacie Holding	-	100.00	100.00	100.00	FC
SAS Waimea	-	100.00	100.00	100.00	FC
SAS Unibail Participations	-	-	100.00	100.00	FC
SNC Financière 5 Malesherbes	100.00	100.00	100.00	100.00	FC
SA Société de Tayninh	-	-	97.68	97.68	FC

[1] FC=Fully Consolidated companies, PC=Proportional Consolidation method, EM=Consolidated under the Equity Method
(*) Companies in the Jean-Louis Solal Investissements Group acquired in June 2004.
(**) Companies in the Exposium Group.

3. HIGHLIGHTS AND COMPARABILITY OF THE LAST THREE YEARS

In 2004

1. Release of a major part of Cœur Défense

- Unibail sold a 51% equity stake in SCI Karanis, the owner of the property, as well as the € 505m subordinated loan it had granted to SCI Karanis when it completed its € 820m CMBS (Commercial Mortgaged Backed Securities) issue.
- Unibail took a € 76m stake in the € 505m subordinated loan purchased by the banks. The stake is split into three tranches, each bearing different rates of interest. Interest payments are made based on funds available after servicing other loans. Non-payments are capitalised and bear interest. Furthermore, payment of part of the interest of the last tranche is subject to the disposal of the asset or refinancing of it.

Accounting treatment of the Cœur Défense transaction

- In the first half of 2004, SCI Karanis was fully consolidated, as previously.
- Following the transaction, Unibail has maintained a significant influence over SCI Karanis. As a result, its remaining 49% stake in SCI Karanis was consolidated under the equity method as of date of the transaction.
- Unibail's € 76m participation in the subordinated loan is recorded on the balance sheet under "Shares in companies consolidated under the equity method".

Impact on the comparability of 2004 and 2005

- 2004 recurring net profit includes:
  - in the first half of the year, net rents of € 44.8m relating to Cœur Défense and financial expenses of € 25.5m.
  - in the second half of the year, a share of recurring result from companies consolidated under the equity method - € 0.1m and recurring interest on financial assets of € 3.7m.
- In 2005, Cœur Défense made a contribution to the recurring result of the division of € 3.5m booked as a result from companies consolidated under the equity method and € 7.8m in recurring interest on financial assets.

2. Disposals

In 2004, the Group made large-scale disposals of office property, amounting to a total of € 302m (excluding Cœur Défense).

3. Acquisition of Jean-Louis Solal Investissements

Jean-Louis Solal Investissements (JLSI) was acquired by Unicommerces (a subsidiary of Unibail Holding) on June 30, 2004. This company, since renamed SAS Franklin, holds minor co-ownership interests in various shopping centres, either directly or through subsidiaries.
These co-ownership interests represent a total floor area of 17,500 m^2, and generate approximately € 6.3m in gross rental income for Unibail, either directly or through joint venture companies.
As a Unibail subsidiary, SAS Franklin has opted for SIIC tax status with effect from July 1, 2004. € 11.4m in exit tax is payable in order to qualify for this new regime (16.5% on unrealised capital gains). Three quarters of this amount was paid on December 15, 2004, 2005 and 2006. The remaining installment is due on December 15, 2007.
SAS Franklin was integrated into Unicommerces in 2005.

4. Acquisition of 100% of the Marques Avenue shopping centre in Coquelles - Calais

The Group acquired a 30% stake held by a minority partner of the Marques Avenue shopping centre on the Cité Europe site.

5. Exceptional payout

The Extraordinary General Meeting of December 15, 2004, approved an exceptional payout of € 23 per share (including a € 12.84 equity repayment) that was paid on January 7, 2005.

In 2005

1. Exceptional payout

The exceptional payout of € 23 per share was made on January 7, 2005, approved by shareholders' majority vote at the Extraordinary General Meeting of December 15, 2004. The impact of this payout was reflected in Unibail's 2004 year-end financial statements by a reduction in shareholders' equity and the recording of a corresponding amount under amounts owed to shareholders. The debt to shareholders was extinguished upon effective payment of this sum.

2. Acquisition of the Exposium group

On March 31, 2005, Unibail acquired Exposium, a leading French exhibition organiser, at a total cost of € 232.6m (€ 180.7m for the shares, € 47.8m for the acquisition of current accounts and € 4m in acquisition-related expenses). The Exposium group comprises 25 companies owned by a holding company called Groupe Exposium Holding SAS.
Fourteen of these companies meet Unibail significance thresholds and are included in the scope of consolidation. In accordance with IFRS 3, all intangible assets owned by the acquired Group have been identified and valued. This appraisal process was carried out by PricewaterhouseCoopers Corporate Finance.

Two categories of intangible assets were identified:
- The Exposium brand name, which has been valued at € 7.8m;
- The different exhibitions for which Exposium is the owner, the concession holder, and/or operator. Thirty-three exhibitions were identified and valued at a total of € 187.7m.

After a case-by-case analysis, all exhibitions were considered to have an indefinite lifespan. As a result, these intangible assets will not be amortised but will be subject to annual impairment tests.
Based on the valuations of these identified intangible assets, a deferred tax liability of € 66m was recognised in the balance sheet.
Exposium's revalued shareholders' equity amounts to € 42.7m. Based on the total purchase price of the shares, i.e. € 184.7m, a residual goodwill charge of € 142m has been recorded in the consolidated balance sheet.
Unibail's year-end 2005 consolidated income statement incorporates Exposium's income statement for the nine months after its acquisition.
Exposium companies subject to corporate income tax are consolidated under the Doria tax sub-group as of July 1, 2005.

3. Acquisition of an office building in Levallois

Unibail acquired the Courcellor 1 office building, fully let to Gaz de France, in April 2005 for € 43m (including transfer taxes).

4. Acquisition of Immolimo

On September 16, 2005, Unibail acquired Immolimo, which owns co-ownership interests in the Saint-Martial Limoges shopping centre (valued at € 5m). As a result of this acquisition, the Group obtained control over the entire shopping gallery of this centre.

5. Disposals

In a buoyant property investment market, the Group pursued its policy of divesting mature office properties, representing a total net disposal price of € 586m over the year. The two main disposals were 50, avenue Montaigne and Cité du Retiro, both located in Paris 8.

6. Acquisition of majority interests in two shopping centres

Two SCI companies formed by Unibail in partnership with Bail Investissement, which hold 51% and 49% interests in both companies respectively, acquired the Rennes-Alma shopping centre and the Usines Center in Vélizy-Villacoublay on November 30, 2005. These centres were previously fully owned by Bail Investissement. The minority partner has a sale option over its holding at a value to be determined by expert appraisal.
Unibail's investment in this transaction amounted to € 67m.

7. Delivery and letting of the first phase of Capital 8 - Paris 8

Buildings located on Avenue de Messine and Rue de Monceau, representing phase 1 of the Capital 8 –Paris 8, project, were completed and delivered in May 2005. Tenants were found for the full floor area of the first phase: Aforge Finance since July 1, 2005 and Rothschild & Cie Banque as of January 1, 2006.

In 2006

1. Shopping Centre division acquisitions totalling € 106m

- Acquisition in April 2006 of a 50.02% interest in SCI Val Commerces, owner of the Etrembières shopping centre (74) near the Swiss border. The minority partner has a sale option over its holding at a value to be determined by expert appraisal.
- Acquisition of additional co-ownership lots in Labège, Toulouse and Rosny 2.

2. Completion of the second phase of Capital 8 in Paris 8

At end June 2006, the Murat section of Capital 8 (Paris 8) was completed, thereby ending this 63,422 m² refurbishment/redevelopment project.
After letting the entire first phase in 2005, 21,877 m² of new completed space was let to Marionnaud, Eurazeo, AMB Property France and Gaz de France.

3. Disposals totalling € 530.2m

Including:
- Palais du Hanovre, Paris 2: sale of the company that owns the building
- 189 bd Malesherbes, Paris 17
- 31 rue du Colisée, Paris 8
- 41 rue d'Ybry, Neuilly 92
- 70 bd de Courcelles, Paris 17
- Minority holding in the Massy 2 shopping centre

An undertaking to sell the Chelles 2 shopping centre was signed in December 2006 contingent upon the pre-emptive right being removed. The right was lifted and the sale effective on January 19, 2007.

4. Convention-Exhibition division acquisitions

Exposium has made several acquisitions to complete its convention-exhibition portfolio, for a total sum of € 39.2m (group share):
- the *Progilog* and *Copropriété* exhibitions;
- the Paris *Salon du Meuble* via the acquisition of 65% of the organising company;
- Européenne de Salons, the company that organises the *Milipol* and *Expozoo* exhibitions;
- creation of Salons Sitting SAS, which will take holdings in new shows being created.

These exhibitions did not make a notable contribution to 2006 net profit.

5. Development projects at La Défense

Alongside continuation of the Cnit and Les Quatre Temps refurbishment projects, Unibail has also acquired a piece of land near the Tour Ariane where it plans to build an office property.
Following an international architecture competition organised by Unibail, the firm Morphosis was selected in November 2006 to design what will be the tallest tower at La Défense (Phare project), near the Cnit. This project is at the drawing board stage and no construction commitment had been made as at December 31, 2006.

6. Acquisition of the Société de Tayninh

As at May 12, 2006, Unibail holding acquired a 78.3% share in the Société de Tayninh, a company listed on the Eurolist Market of the Euronext Paris stock exchange, for € 6.1m.
As the result of a simplified public take over bid initiated by Unibail Holding as at August 4, 2006 and an increase in capital to € 15m while maintaining preferential subscription rights, at closing on December 15, 2006 Unibail Holding now holds a 97.68% stake. This company has no operating activities and has changed its corporate object. After opting for SIIC tax status, it will become a vehicle for transactions with groups wishing to outsource their property portfolio, especially under SIIC 2 and SIIC 3 provisions.
Société de Tayninh did not make a material contribution to the consolidated income statement.

4. BUSINESS SEGMENT REPORTING

4.1 FIRST LEVEL OF SEGMENT REPORTING – DIVISIONS

Unibail is made up of the following divisions:
- Offices;
- Shopping Centres (including retail space in the Cnit centre);
- Convention-Exhibitions which comprise venue management activities (Paris Expo) and the exhibition organisation business (Exposium). Leasing (management) of hotels is also allotted to this division.
- Property services, which comprises Espace Expansion (property management and project development) and U2M (management of advertising space and multimedia in shopping centres).

Results by division at year-end 2005

In millions of euros	Offices	Shopping Centres	Convention-Exhibitions Venue management	Hotels	Exhibition organisation	Property services	Intergroup	Not allocated	TOTAL Year-end 2005
Rental revenues	146.4	218.8	96.9	11.3	-	-	-1.0 [(1)]	-	472.4
Net rents	**142.4**	**198.8**	**49.5**	**11.0**	**-**	**-**	**-1.0**	**-**	**400.7**
Administrative expenses	**-4.4**	**1.4** [(2)]	**-**	**-**	**-**	**-**	**-**	**-15.0**	**-18.0**
Revenues from other activities	-	-	42.9	-	31.7	39.4	-	1.0	115.0
Net other income	**-**	**-**	**4.0**	**-**	**-2.3**	**4.2**	**1.0**	**1.0**	**7.9**
Gains on disposals	**137.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**137.7**
Valuation movements	**435.9**	**547.2**	**148.5**	**11.8**	**-**	**-**	**-**	**-**	**1,143.4**
Operating income	**711.7**	**747.4**	**201.9**	**22.8**	**-2.3**	**4.2**	**-**	**-14.0**	**1,671.7**
Contribution of companies consolidated under equity method & interest on financial assets	27.1	6.1	-	-	0.4	-	-	-	33.6
Financial expenses	-	-	-	-	-	-	-	-124.1	-124.1
Income and dividends from non-consolidated companies	-	-	-	-	-	-	-	-0.1	-0.1
Pre-tax profit									**1,581.1**
Corporate income tax	-	-	-	-	-	-	-	-55.4	-55.4
NET PROFIT									**1,525.7**

(1) Mainly leasing of space by Exposium to owner/operator companies of Porte de Versailles and Cnit.
(2) Including provision reversals of € 6.6m for projects in progress following the granting of administrative authorisations.

In millions of euros	Offices	Shopping Centres	Convention-Exhibitions Venue management	Hotels	Exhibition organisation	Property services	Intergroup	Not allocated	TOTAL Year-end 2006
Rental revenues	136.0	243.6	101.0	11.7	-	-	2.4 [(1)]	-	489.9
Net rents	**128.9**	**220.1**	**52,8**	**11.4**	**-**	**-**	**-2.4**	**-**	**410.8**
Administrative expenses	**-4.1**	**-5.6**	**-**	**-**	**-**	**-**	**-**	**-21.6**	**-31.3**
Revenues from other activities	-	-	54.2	-	141.7	35.2	-1.7	2.9	232.3
Net other income	**-**	**-**	**7.5**	**-**	**33.6**	**0.8**	**2.4**	**2.9**	**47.2**
Gains on disposals	**97.9**	**0.7**	**-**	**-**	**0.8**	**-**	**-**	**-**	**99.4**
Valuation movements	**699.1**	**971.2**	**27.1**	**3.9**	**-**	**-**	**-**	**-**	**1,701.3**
Operating income	**921.8**	**1,186.4**	**87.4**	**15.3**	**34.4**	**0.8**	**-**	**-18.7**	**2,227.4**
Contribution of companies consolidated under equity method & interest on financial assets	164.4	8.5	-	-	-0.3	-	-	-	172.6
Financial expenses	-	-	-	-	-	-	-	-3.7	-3.7
Income and dividends from non-consolidated companies	-	-	-	-	-	-	-	0.1	0.1
Pre-tax profit									**2,396.4**
Corporate income tax	-	-	-	-	-	-	-	-19.4	-19.4
NET PROFIT									**2,377.0**

(1) Mainly leasing of space by Exposium to owner/operator companies of Porte de Versailles and Cnit.

Balance sheet items at year-end 2005

In millions of euros	Offices	Shopping Centres	Convention-Exhibitions	Property services	TOTAL Year-end 2005
Allocated fixed assets	3,025.9	3,943.5	1,233.1	15.0	8,217.5
Of which investment property	*2,428.1*	*3,808.8*	*809.7*	-	*7,046.6*
Of which shares of companies consolidated under equity method	*85.7*	*77.5*	*0.5*	-	*163.7*
Allocated current assets	76.8	189.2	80.2	10.5	356.7
Non-allocated assets	-	-	-	-	103.0
TOTAL ASSETS	**3,102.7**	**4,132.7**	**1,313.3**	**25.5**	**8,677.2**
Allocated liabilities	211.2	283.6	191.2	18.4	704.4
Non-allocated liabilities	-	-	-	-	3,304.4
TOTAL LIABILITIES excluding shareholders" equity	**211.2**	**283.6**	**191.2**	**18.4**	**4,008.8**

Balance sheet items at year-end 2006

In millions of euros	Offices	Shopping Centres	Convention-Exhibitions	Property services	TOTAL Year-end 2006
Investment properties	3,268.9	4,911.5	865.9	-	9,046.3
Properties under promise or mandate of sale	8.2	88.1	-	-	96.3
IAS 16 properties	134.2	96.0	-	-	230.2
Shares and investments in companies consolidated under the equity method	244.5	81.8	-	-	326.3
Inventories	-	28.1	-	-	28.1
	3,655.8	**5,205.5**	**865.9**	**-**	**9,727.2**
Other allocated assets	105.6	268.5	59.1	28.3	461.5
Non-allocated assets					654.2
TOTAL ASSETS	**3,761.5**	**5,473.9**	**924.9**	**28.3**	**10,842.9**
Allocated liabilities	117.1	334.2	183.0	16.9	651.2
Non-allocated liabilities	-	-	-	-	3,357.5
TOTAL LIABILITIES excluding shareholders' equity	**117.1**	**334.2**	**183.0**	**16.9**	**4,008.7**

Investments at year-end 2005

The investments presented in the following table take into account changes in the scope of consolidation.

In millions of euros	Offices	Shopping Centres	Convention-Exhibitions	Property services	Not allocated	TOTAL Year-end 2005
Investments in investment property	114.7	216.4	33.7	-	-	364.8
Investments in tangible assets	76.7	60.7	6.4	1.3	1.2	146.3
Acquisition of Exposium	-	-	275.0	-	-	275.0
Acquisition of exhibitions	-	-	2.6	-	-	2.6
Investments and capitalised expenses	**191.4**	**277.1**	**317.7**	**1.3**	**1.2**	**788.7**

Investments at year-end 2006

The investments presented in the following table take into account changes in the scope of consolidation.

In millions of euros	Offices	Shopping Centres	Convention-Exhibitions	Property services	Not allocated	TOTAL Year-end 2006
Investments in investment property	95.8	217.1	25.2	-	-	338.1
Properties under promise or mandateof sale	1.0	1.8	-	-	-	2.8
Investments in tangible assets	87.6	60.9	2.6	0.7	0.7	152.5
Acquisition of exhibitions	-	-	45.5	-	-	45.5
Investments and capitalised expenses	**184.4**	**279.8**	**73.3**	**0.7**	**0.7**	**538.9**

4.2 SECOND LEVEL OF SEGMENT REPORTING – BY GEOGRAPHIC LOCATION

Segment reporting by region concerns only the Group's rental activities. Items relating to property services and exhibition organisation, most of which are carried out in France[1], are shown in the column entitled "Not allocated".

Year-end 2005

In millions of euros	Paris, La Défense & Western CBD	Paris Region	French Provinces	Not allocated	TOTAL Year-end 2005
Investment property	4,816.7	1,087.3	1,142.6	-	7,046.6
Properties under promise or mandate of sale	137.7	-	-	-	137.7
Tangible assets	374.2	4.5	52.9	21.1	452.7
Inventories	-	-	13.8	-	13.8
Intangible assets	-	-	-	267.8	267.8
Total assets	**5,328.6**	**1,091.8**	**1,209.3**	**288.9**	**7,918.6**
Shares and investments in companies consolidated under the equity method	**85.7**	**-**	**77.5**	**0.5**	**163.7**
Investments					
Investments in investment property	197.8	91.2	75.8	-	364.8
Investments in tangible assets	76.3	3.6	57.4	9.0	146.3
Acquisition of Exposium	-	-	-	275.0	275.0
Acquisition of exhibitions	-	-	-	2.6	2.6
Total investment	**274.1**	**94.8**	**133.2**	**286.6**	**788.7**
Rental revenues	**344.0**	**58.2**	**70.2**	**-**	**472.4**

[1] International revenues in China and Canada amounted to € 1.5m or 4.6 % of the total revenues generated by the exhibition organisation business.

Year-end 2006

In millions of euros	Paris, La Défense & Western CBD	Paris Region	French Provinces	Not allocated	TOTAL Year-end 2006
Investment property	6,253.2	1,280.0	1,513.1	-	9,046.3
Properties under promise or mandate of sale	8.2	88.1	-	-	96.3
Tangible assets	134.1	15.0	81.1	19.2	249.4
Inventories	-	-	28.1	-	28.1
Intangible assets	-	-	-	307.7	307.7
Total assets	**6,395.5**	**1,383.1**	**1,622.3**	**326.9**	**9,727.8**
Shares and investments in companies consolidated under the equity method	**244.5**	**-**	**81.8**	**-**	**326.3**
Investments					
Investments in investment property	224.3	36.6	77.2	-	338.1
Properties under promise or mandate of sale	1.0	1.8	-	-	2.8
Investments in tangible assets	87.8	18.6	42.5	3.6	152.5
Acquisition of exhibitions	-	-	-	45.5	45.5
Total investment	**313.1**	**57.0**	**119.7**	**49.1**	**538.9**
Rental revenues	**341.6**	**67.2**	**81.0**	**-**	**489.9**

[1] International revenues in China and Canada amounted to € 2.0m or 1.4 % of the total revenues generated by the exhibition organisation business.

5. NOTES AND COMMENTS

5.1. NOTES TO CONSOLIDATED BALANCE SHEET ASSETS

Note 1. Tangible assets

Change in tangible assets (in millions of euros)

Year-end 2004

Net value	Year-beginning 2004	Acquisitions and capitalised expenses	Disposals	Changes in scope of consolidation	Other movements	Year-end 2004
Operating assets	81.6	-	-	-	-1.5	80.1
Buildings under construction	265.4	92.5	-	-	-4.9	353.0
Technical installations, fixtures and furniture fittings	16.5	3.9	-1.6	-	-2.4	16.4
TOTAL	**363.5**	**96.4**	**-1.6**	**-**	**-8.8**	**449.5**

Year-end 2005

Net value	Year-end 2004	Acquisitions and capitalised expenses(1)	Entries into the scope of consolidation(2)	Disposals	Other movements(3)	Year-end 2005
Operating assets	80.1	-	-	-	-1.4	78.7
Buildings under construction	353.0	137.4	-	-2.2	-135.3	352.9
Technical installations, fixtures and furniture fittings	16.4	8.9	1.1	-2.0	-3.3	21.1
TOTAL	**449.5**	**146.3**	**1.1**	**-4.2**	**-140.0**	**452.7**

(1) Acquisitions and capitalised expenses mainly relate to the Capital 8 office complex (€ 64.1m), the Rivetoile Strasbourg shopping centre (€ 43.1m) and Les Passages CMK (formerly Ilôt Bonnac) in Bordeaux (€ 12.1m). Capitalised financial expenses amounted to € 15.0m as at December 31, 2005. The capitalisation rate applied to calculate capitalised financial expenses corresponds to the Group's average refinancing rate in 2005, i.e. 3.83%.
(2) Changes in the scope of consolidation correspond to the consolidation of Exposium.
(3) The balance relates mainly to the transfer of Avenue de Messine (€ 95.2m) and La Colline de la Défense (€ 34.1m) on their delivery date to investment property, as well as the transfer to inventories of the value of car parks at the Rivetoile shopping centre, subject to a formal sale to the developer (€ 13.8m).

Year-end 2006

Gross value	Year-end 2005	Acquisitions and capitalised expenses(1)	Entries into the scope of consolidation	Disposals	Reclassifications and transfers of category(2)	TOTAL Year-end 2006
Operating assets	84.6	-	-	-	-	84.6
Buildings under construction	352.9	148.6	-	-	-348.6	152.9
Technical installations, fixtures and furniture fittings	33.2	3.9	0.8	-1.8	-0.2	35.9
TOTAL	**470.7**	**152.5**	**0.8**	**-1.8**	**-348.8**	**273.4**

Depreciation/Impairment	Year-end 2005	Charges	Entries into the scope of consolidation	Reversals	Reclassifications and transfers of category(2)	TOTAL Year-end 2006
Operating assets	5.9	1.4	-	-	-	7.3
Buildings under construction	-	-	-	-	-	-
Technical installations, fixtures and furniture fittings	12.1	4.8	0.7	-0.9	-	16.7
TOTAL	**18.0**	**6.2**	**0.7**	**-0.9**	**-**	**24.0**

Net value	Year-end 2005	Acquisitions and capitalised expenses	Entries into the scope of consolidation	Capital gains	Other movements	TOTAL Year-end 2006
Operating assets	78.7	-	-	-	-1.4	77.3
Buildings under construction	352.9	148.6	-	-	-348.6	152.9
Technical installations, fixtures and furniture fittings	21.1	3.9	0.1	-0.9	-5.0	19.2
TOTAL	**452.7**	**152.5**	**0.1**	**-0.9**	**-355.0**	**249.4**

(1) The main works during 2006 concerned the Capital 8 project –Paris 8 (€ 25.7m), as well as the Rivetoile shopping centre in Strasbourg (€ 35.8m) and the Carré Sénart II shopping centre (€ 15.0m).
Capitalised financial expenses amounted to € 8.7m, calculated at the Group's average refinancing rate of 3.50%.
Main acquisitions: land at La Défense near the Tour Ariane and first stage payment on the Clichy off-plan purchase.
(2) Other movements are due to the completion of phase 2 of Capital 8 and the Restaurant zone at Carré Sénart II and their reclassification as investment property, as well as the transfer to inventories of the value of car parks at the Rivetoile shopping centre, which are due to be sold to the developer.

Note 2. Investment property

Under the preferential treatment recommended by IAS 40, investment properties are shown at their market value as determined by independent external appraisers (see "Accounting principles and consolidation methods", §1.4). In accordance with the principles of corporate governance, which recommend the regular changing of organisations involved in valuations and control of companies, Unibail appointed new experts to value its property assets in 2005. They are: DTZ Eurexi for the Office division and hotels, CB Richard Ellis Bourdais for the Shopping Centre division and KPMG for the Convention-Exhibition division.

The following valuation methodologies were used:

Offices: the valuation principle is based on the discounted cash flows methodology and the yield methodology. The independent appraiser determines the market value based on the results obtained from these two methods. Furthermore, the resulting valuations are cross-checked against the initial yield and the market values per square metre.

Shopping Centres: the valuation methodology used by the independent appraiser involves discounting future cash flows over a six-year period, taking into account the terminal value at the end of the period, which is calculated by applying a yield to year six net rental income. Net revenues are calculated by taking into account guaranteed minimum rents, a fixed amount for variable rents and other durable income generated by the property. Expenses deducted include: non-refundable charges, management and letting fees, provisions for unpaid rents and non-refundable works expenses. A standard vacancy rate is set for each property. The valuations obtained are cross-checked by the appraiser against the capitalisation rate of net rent and the value of the property per square metre.

Convention-Exhibitions: the valuation methodology is mainly based on a discounted cash flows model projected over the term of the contract or the leasehold (in particular for Porte de Versailles) or over a 10-year period. The residual value is estimated based on capitalising cash flows in the last year or the residual contractual value of the concession. Costs of maintenance works, refurbishments, redevelopments and extensions, as well as concession fees, are included in projected cash flow figures.

Year-end 2004

In millions of euros	Year-beginning 2004	Acquisitions	Entries into the scope of consolidation	Capitalised expenses	Disposals	Exits from the scope of consolidation(1)	Reclassifications and transfers of category	Valuation movements	TOTAL Year-end 2004
Offices	3,694.9	-	-	56.9	-256.7	-1,250.3	-16.0	161.9	2,390.7
Shopping Centres	2,487.1	46.1	89.4	31.1	-1.2	-	20.8	327.6	3,000.9
Convention-Exhibitions	530.4	-	-	24.9	-1.0	-	-3.4	58.4	609.3
Total investment property	**6,712.4**	**46.1**	**89.4**	**112.9**	**-258.9**	**-1,250.3**	**1.4**	**547.9**	**6,000.9**
Properties under promise or mandate of sale	-	-	-	-	-	-	-	-	-
TOTAL	**6,712.4**	**46.1**	**89.4**	**112.9**	**-258.9**	**-1,250.3**	**1.4**	**547.9**	**6,000.9**

(1) Exits from the scope of consolidation relate to the consolidation of SCI Karanis under the equity method, since the sale of a 51% stake in the company. New entries into the shopping centre scope of consolidation relate to the acquisition of interests in shopping centres owned by Jean-Louis Solal Investissements, renamed SAS Franklin (see 3. "Highlights and comparability of the last three years").

Year-end 2005

In millions of euros	Year-end 2004	Acquisitions (1)	Entries into the scope of consolidation (2)	Capitalised expenses (3)	Disposals (4)	Exits from the scope of consolidation (5)	Reclassifications and transfers of category (6)	Valuation movements	TOTAL Year-end 2005
Offices	2,390.7	50.5	-	64.2	-305.2	-145.5	-62.5	435.9	2,428.1
Shopping Centres	3,000.9	3.9	136.0	76.5	-2.3	-	46.6	547.2	3,808.8
Convention-Exhibitions	609.3	-	-	33.7	-0.8	-	7.2	160.3	809.7
Total investment property	**6,000.9**	**54.4**	**136.0**	**174.4**	**-308.3**	**-145.5**	**-8.7**	**1,143.4**	**7,046.6**
Properties under promise or mandate of sale	-	-	-	-	-	-	137.7	-	137.7
TOTAL	**6,000.9**	**54.4**	**136.0**	**174.4**	**-308.3**	**-145.5**	**129.0**	**1,143.4**	**7,184.3**

(1)The main acquisitions are Courcellor 1 in Levallois and additional acquisitions at the Les Villages site in La Défense.
(2)Changes in the scope of consolidation mainly concern the acquisition of a majority stake in the Rennes Alma and Vélizy Usines Center shopping centres from Bail Investissement.
(3) Capitalised financial expenses amounted to € 3.3m, with letting fees and eviction costs of € 16.1m. The principal works over the period relate mainly to Tour Ariane, Les Quatre Temps and Nice Etoile shopping centres and the Porte de Versailles exhibition centre.
(4) Disposals include Cité du Retiro, Courcellor 2 and 125 avenue Wilson in Levallois, as well as the remaining floor area of the Tolbiac Masséna building in Paris 13th.
(5) Relates to the sale of 50, avenue Montaigne.
(6) Relates to the transfers from tangible assets to investment property of phase 1 of the Capital 8 development project, Paris 8th (€ 95.2m) for the Office property division and of Colline Défense at Les Quatre Temps (€ 34.1m) for the Shopping Centre Division.

Year-end 2006

In millions of euros	Year-end 2005	Acquisitions (1)	Entries into the scope of consolidation (2)	Capitalised expenses (3)	Disposals (4)	Exits from the scope of consolidation (5)	Reclassifications and transfers of category (6)	Valuation movements	TOTAL Year-end 2006
Offices	2,428.1	-	-	95.8	-162.8	-140.5	349.2	699.1	3,268.9
Shopping Centres	3,808.8	27.4	77.0	112.7	-	-7.5	-66.8	959.8	4,911.5
Convention-Exhibitions	809.7	-	-	25.2	-	-	-	31.0	865.9
Total investment property	**7,046.6**	**27.4**	**77.0**	**233.7**	**-162.8**	**-148.0**	**282.4**	**1,689.9**	**9,046.3**
Properties under promise or mandate of sale	137.7	-	-	2.8	-107.3	-	51.7	11.4	96.3
TOTAL	**7,184.3**	**27.4**	**77.0**	**236.5**	**-270.1**	**-148.0**	**334.1**	**1,701.3**	**9,142.6**

(1) The main acquisitions comprise the co-ownership lots at the Rosny 2 shopping centre.
(2) Mainly the acquisition of a majority holding in the Etrembières shopping centre and co-ownership lots in the Toulouse Labège 2 shopping centre.
(3) Capitalised financial expenses amounted to € 4.7m, with letting fees and eviction costs of € 25.0m. The main works during the period relate to Tour Ariane, Les Quatre Temps shopping centre and the Cnit at La Défense, and the Porte de Versailles exhibition centre.
(4) Relates to five buildings, of which three were under mandate as of December 31, 2005.
(5) Relates to the Palais du Hanovre –Paris 2 building owned by SCI Noria, which was sold on June 30, 2006, and lots in the Massy shopping centre owned by SCI Vendôme Massy and Kléber Massy.
(6) Reclassifications comprise:
- transfer of Murat (Capital 8 –Paris 8) for € 326.5m and the Restaurant zone of Carré Sénart II for € 7.8m following their completion;
- suspension of the sale mandates on two buildings for - € 23m;
- signature of a new sale undertaking (Chelles 2 shopping centre).

Note 3. Unallocated goodwill

Year-end 2005

In millions of euros	Year-end 2004	Entries into the scope of consolidation	Charges	Reversals	Other movements	Year-end 2005
Gross value	10.4	141.9	-	-	-	152.3
Amortisation	-	-	-	-	-	-
TOTAL	**10.4**	**141.9**	**-**	**-**	**-**	**152.3**

Year-end 2006

In millions of euros	Year-end 2005	Entries into the scope of consolidation	Charges	Reversals	Other movements	Year-end 2006
Gross value	152.3	15.9	-	-	-	168.2
Amortisation	-	-	-	-	-	-
TOTAL	**152.3**	**15.9**	**-**	**-**	**-**	**168.2**

At year-end 2006, this item comprised:
- historical goodwill on Espace Expansion,
- goodwill arising on the acquisition of Exposium in 2005 (see "Highlights and comparability of the last three years");
- goodwill arising on the acquisition of SESMP, EDS and Société de Tayninh in 2006 (see "Highlights and comparability of the last three years").

An appraisal of these assets is undertaken at each year end in accordance with the principles set out in Note 1.3 to ensure that no impairment charge is required. For Espace Expansion and Exposium, impairment tests are based on the independent appraisals of net asset value at December 31, 2006 conducted by PricewaterhouseCoopers – Valuation & Strategy.

Note 4. Intangible assets

Change in intangible assets (in millions of euros).

Year-end 2005

Net carrying value	Year-beginning 2004[2]	Year-end 2004[2]	Acquisitions[1]	Entries into the scope of consolidation	Disposals	Reclassifications and other movements	Year-end 2005
Rights and exhibitions	49.7	72.8	2.6	191.7	-	-3.2	263.9
Other intangible assets	5.0	4.6	0.5	0.9	-0.2	-1.9	3.9
TOTAL	**54.7**	**77.4**	**3.1**	**192.6**	**-0.2**	**-5.1**	**267.8**

[1] Relates to three exhibitions acquired by Exposium since its inclusion in the scope of consolidation.
[2] The main change in 2004 relates to the recognition of a deferred tax charge in the Porte de Versailles intangible asset, which has been reclassified (see "Accounting principles and consolidation methods").

Year-end 2006

Gross value	Year-end 2005	Acquisitions	Entries into the scope of consolidation	Disposals	Reclassifications and other movements	Year-end 2006
Rights and exhibitions	278.5	5.0	40.5	-	-0.4	323.6
Other intangible assets	20.0	0.5	0.1	-2.4	0.1	18,3
TOTAL	**298.5**	**5.5**	**40.6**	**-2.4**	**-0.3**	**341.9**

Amortisation	Year-end 2005	Charges	Entries into the scope of consolidation	Reversals	Reclassifications and other movements	Year-end 2006
Rights and exhibitions	14.6	3.5	-	-	-	18.1
Other intangible assets	16.2	2.2	0.1	-2.3	-	16.2
TOTAL	**30.8**	**5.7**	**0.1**	**-2.3**	**-**	**34.3**

Net carrying value	Year-end 2005	Acquisitions	Entries into the scope of consolidation	Disposals	Reclassifications and other movements	Year-end 2006
Rights and exhibitions	263.9	5.0	40.5	-	-3.9	305.5
Other intangible assets	3.9	0.5	-	-0.1	-2.1	2.2
TOTAL	**267.8**	**5.5**	**40.5**	**-0.1**	**-6.0**	**307.7**

At December 31, 2006, intangible assets mainly comprised:

- Porte de Versailles for the rights to provide services included in the operating contract of the site. This intangible asset is amortised on a straight-line basis over the remaining term of the concession, i.e. until 2026.
- Intangible assets relating to the acquisition of Exposium. € 7.8m relates to the valuation of the Exposium brand name and € 183.7m to the consolidated share in 33 exhibitions. Every show is considered to have an indefinite lifespan and consequently not amortised, but are subject to annual impairment tests (see "Highlights of the last three years and comparability").
- Intangible assets recognised in 2006 relating to SESMP and EDS, which principally comprise the value of three exhibitions for € 39.4m.

All these intangible assets have been tested for impairment in accordance with the accounting principles described in paragraph 1.4. The value of the exhibitions has been tested by applying the discounted cash flow method, using forecast cash flows over 6 years and a perpetual growth rate of 2% thereafter. The discount rates used vary from 8.2% to 15% depending on the nature of the exhibition.

Note 5. Loans and receivables

In millions of euros	Year-end 2004			Year-end 2005			Year-end 2006		
	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
Outstanding finance leasing[(1)]	29.2	-	29.2	17.4	-	17.4	11.1	-	11.1
Finance leasing receivables	3.7	-1.7	2.0	2.9	-1.9	1.0	1.9	-1.3	0.6
Advances to companies consolidated under the proportional method	17.6	-	17.6	19.4	-	19.4	21.4	-	21.4
Non-consolidated interests	0.7	-0.1	0.6	1.3	-0.6	0.7	1.1	-0.3	0.8
Deposits paid	2.7	-	2.7	2.2	-	2.2	2.1	-	2.1
Other financial assets[(2)]	12.1	-12.1	-	12.1	-12.1	-	12.2	-12.2	-
TOTAL	**66.0**	**-13.9**	**52.1**	**55.3**	**-14.6**	**40.7**	**49.8**	**-13,8**	**36.0**

(1) No new finance leasing contracts have been entered into since 1991. As a result, outstanding financing is decreasing as contracts terminate (at maturity or due to early exercise of purchase options or cancellations).
(2) Other financial assets cover loans to property developers granted by Omnifinance (dissolved). The full amount was provisioned at year-end 2003.

Note 6. Inventories

This item comprises the value of car parks at the Rivetoile shopping centre in Strasbourg, which are under a forward sale agreement with the developer. The increase of € 14.3m at December 31, 2006 is due to works carried out during the year.

Note 7. Shares and investments in companies consolidated under the equity method

In millions of euros	Year-end 2004	Impact IAS 32/39	Year-beginning 2005	Year-end 2005	Year-end 2006
Share in SCI Karanis consolidated under the equity method	0.5	-13.5	-13.0	8.3	167.0
Loan granted to SCI Karanis	77.4	-	77.4	77.4	77.5
Sub-total SCI Karanis investment	**77.9**	**-13.5**	**64.4**	**85.7**	**244.5**
Share in SCI Triangle des Gares consolidated under equity method	53.9	-	53.9	57.9	61.9
Loan granted to Triangle des Gares	21.8	-	21.8	19.6	20.0
Sub-total SCI Triangle des Gares investment	**75.7**	**-**	**75.7**	**77.5**	**81.9**
Other companies consolidated under equity method	-	-	-	0.5	-0.1
TOTAL	**153.6**	**-13.5**	**140.1**	**163.7**	**326.3**

Buildings owned by SCI Karanis and SCI Triangle des Gares, as well as derivatives in the case of SCI Karanis, are estimated at their market value.
The main balance sheet and income statement items of companies consolidated under the equity method are presented in the table below. This gives a full reflection on a 100% basis of items including restatements for consolidation purposes.

In millions of euros	Year-beginning 2005 after impact of IAS 32/39	Year-end 2005	Year-end 2006
Investment property	1,454.5	1,497.0	1,812.7
Current assets	49.8	57.4	63.5
Total assets	**1,504.3**	**1,554.4**	**1,876.2**
Restated shareholders' equity	100.2	153.0	486.7
External borrowings and debts to partners	1,378.1	1,358.8	1,359.5
Other non-current liabilities	11.7	16.1	10.1
Current liabilities	14.3	26.5	19.9
Total liabilities	**1,504.3**	**1,554.4**	**1,876.2**
	2004	**2005**	**2006**
Rental revenues	**52.2 (1)**	**106.5**	**111.8**
Change in fair value of properties	**57.1**	**41.7**	**314.2**
Net result	**13.6 (1)**	**52.4**	**342.5**

(1) Consolidation of SCI Karanis under the equity method as of the second-half of 2004.

Note 8. Trade receivables from activity

All these receivables are due within one year.

Related receivables (in millions of euros)	Year-end 2004	Year-end 2005	Year-end 2006
Trade receivables	85.9	92.8	119.1
Doubtful accounts	10.0	9.9	12.0
Rent-free periods and step rents (1)	7.4	12.9	34.2
Gross value	**103.3**	**115.6**	**165.3**
Provisions for doubtful accounts	-7.6	-8.0	-9.1
Net	**95.7**	**107.6**	**156.2**

Breakdown of trade receivables by division	2004	2005	2006
Offices [1]	12.0	15.0	33.7
Shopping Centres [1]	30.0	43.8	80.5[2]
Convention-Exhibitions	39.1	40.4	34.1
Property services	12.1	7.7	7.2
Other	2.5	0.7	0.7
TOTAL	**95.7**	**107.6**	**156.2**

[1] In the 2004 and 2005 financial statements, "rent-free periods" and "step rents" were included in Note 9 "Other receivables". The increase in this item in 2006 is due to major new lettings, particularly at Capital 8 and Tour Ariane.
The balance of these rent-free periods and step rents is deducted from the appraisal value of investment properties to determine their fair value in the balance sheet.
[2] The increase is due to the recognition of a receivable due by Les Quatre Temps co-owners association following re-invoicing for works at the shopping centre.

Note 9. Other receivables

All these receivables are due within one year.

Tax receivables (in millions of euros)	2004	2005	2006
Value-added tax	55.2	72.4	93.0
Corporate income tax	6.1	1.5	3.9
TOTAL	**61.3**	**73.9**	**96.9**

Receivables on sales as at December 31, 2004 (€ 102m) reflect the deferred proceeds from the sale of Quai Ouest (payment received on January 11, 2005). At December 31, 2006, this item totalled € 0.2m.

Other receivables (in millions of euros)	2004	2005	2006
Receivables from suppliers	21.1	18.4	20.0
Service charges due	100.0	94.6	112.2
Other debtors	23.8	27.4	26.4
Receivables from partners	2.6	2.9	2.6
Gross value	**147.5**	**143.3**	**161.2**
Provisions	-0.5	-0.3	-0.2
Net	**147.0**	**143.0**	**161.0**

Prepaid expenses (in millions of euros)	2004	2005	2006
Leaseholds: payments made at the start of the contract [1]	22.2	21.6	21.3
Prepaid expenses [2]	5.5	13.7	17.2
TOTAL	**27.7**	**35.3**	**38.5**

[1] Straight-line depreciation over the life of the contract. The balance of these prepaid expenses is deducted from the appraisal value of investment properties to determine their fair value in the balance sheet.
[2] The increase in prepaid expenses in 2005 relates to the inclusion of companies in the Exposium group into the scope of consolidation. Expenses allocated to exhibitions are recorded in the income statement at the closing of the exhibition (see "Accounting principles and consolidation methods", § 1.11).

Note 10. Cash and cash equivalents

In millions of euros	2004	2005	2006
Available-for-sale investments(1)	175.9	3.3	3.3
Cash	6.6	18.7	28.9
Accrued interest due	0.3	-	-
Current account to balance out cash flow	0.6	0.4	0.1
TOTAL	**183.4**	**22.4**	**32.3**

(1) As at December 31, 2006, this item comprised € 3.3m in SICAV (marketable securities). There are no unrealised capital gains or losses on the portfolio.
As at December 31, 2005, this item also comprised investments in SICAV.
As at December 31, 2004, this item comprised € 70m in certificates of deposit and € 106m in SICAV.

5.2 NOTES TO THE CONSOLIDATED BALANCE SHEET LIABILITIES

Note 11. Commitments to purchase minorities' interests

This increase in this item is due to:
- the change in fair value, based on the appraisal value of the underlying asset, of the commitment already existing as at December 31, 2005 to purchase the minority interests in the Rennes-Alma and Vélizy Usines Center shopping centres, in which the Group acquired a 51% stake in 2005;
- recognition of minority interests in the Etrembières shopping centre, in which the Group has acquired a 50.02% stake. These minority interests have been reclassified as debt as the Group has given an undertaking to purchase them at their market value. The value of this commitment is determined on the basis of the appraised value of the underlying asset.

Note 12. Current and non-current financial liabilities

Borrowings and financial liabilities (in millions of euros)	Year-end 2004	Year-end 2005	Year-end 2006
Bonds and EMTNs	**2,036.8**	**2,453.4**	**1,676.7**
Principal debt	1,978.6	2,396.8	1,650.0
Accrued interest	53.5	53.8	25.6
Charges and premiums on issues of borrowings	4.7	2.8	1.1
Bank borrowings	**96.9**	**272.2**	**829.5**
Principal debt	48.0	238.4(1)	797.5(2)
Accrued interest	1.2	2.4	4.8
Charges and premiums on issues of borrowings	-1.5	-1.4	-2.1
Bank overdrafts	41.1	26.4	25.8
Current account to balance out cash flow	8.1	6.4	3.5
Other financial liabilities	**104.6**	**199.7**	**401.6**
Interbank market instruments and negotiable instruments(3)	-	100.1	267.0
Current accounts with minority partners	104.6	99.6	134.6
TOTAL	**2,238.3**	**2,925.3**	**2,907.8**

(1) A € 600m bank loan was drawn on January 7, 2005, the date of the exceptional payout. Taking into account Unibail's cash position, notably a surplus generated through disposals in 2005, Unibail prepaid € 400m of the loan at end December 2005. The loan was then repaid in full in October 2006.
(2) In 2006, this item mainly comprises: i/ a € 500m seven-year syndicated bank loan arranged in July 2005, which was drawn on for the first time in January 2006 and then drawn in full in June 2006; and ii/ a € 258m draw on the € 700m seven-year syndicated bank loan arranged in May 2006.
(3) Partial use of the € 600m commercial paper programme.

The following table shows a breakdown of outstanding duration to maturity of these borrowings and financial liabilities:

Outstanding duration to maturity (in millions of euros)	Current Less than 1 year	Non-current 1 year to 5 years	More than 5 years	Total Year-end 2006
Bonds and EMTNs	**356.7**	**1,320.0**	**-**	**1,676.7**
Principal debt	330.0	1,320.0	-	1,650.0
Accrued interest	25.6	-	-	25.6
Charges and premiums on issues of borrowings	1.1	-	-	1.1
Bank borrowings	**44.8**	**25.8**	**758.9**	**829.5**
Principal debt	12.8	25.8	758.9	797.5
Accrued interest	4.8	-	-	4.8
Charges and premiums on issues of borrowings	-2.1	-	-	-2.1
Bank overdrafts	25.8	-	-	25.8
Current account to balance out cash flow	3.5	-	-	3.5
Other financial liabilities	**268.0**	**133.6**	**-**	**401.6**
Interbank market instruments and negotiable instruments	267.0	-	-	267.0
Accrued interest	1.0	-	-	1.0
Current accounts with minority partners	-	133.6	-	133.6
TOTAL	**669.5**	**1,479.4**	**758.9**	**2,907.8**

As at December 31, 2006, Unibail's average debt maturity was 4.7 years, after the allocation of unused confirmed credit lines (€ 648m as at December 31, 2006) and the € 700m syndicated bank loan signed on May 12, 2006 on which € 442m remained undrawn as at December 31, 2006.

Characteristics of bonds and EMTNs

Issue date	Face value (€)	Rate	Amount at end-2006 (€ m)	Maturity
August 2002	100,000	Fixed rate 5.050%	10.0	August 2007
November 2002	1,000 / 10,000 / 100,000	Fixed rate 4.750%	500.0	February 2008
October 2004	1,000	Fixed rate 4%	500.0	October 2011
January 2005	100,000	Euribor 3 + 0.16%	70.0	January 2007
January 2005	50,000	Euribor 3 + 0.17%	50.0	April 2007
March 2005	10,000	Euribor 3 + 0.15%	100.0	September 2007
March 2005	1,000	Euribor 3 + 0.20%	150.0	March 2009
May 2005	50,000	Euribor 3 + 0.20%	100.0	May 2007
June 2005	50,000	Euribor 3 + 0.27%	50.0	September 2008
June 2005	10,000	Euribor 3 + 0.23%	20.0	June 2008
December 2005	50,000	Euribor 3 + 0.20%	100.0	December 2008
TOTAL			**1,650.0**	

In 2006, Unibail did not issue any new private placements under its Euro Medium Term Notes programme.

Bonds issued are not restricted by any covenant based on financial ratios which can lead to early repayment of the debt.

The € 500m bond issue launched in October 2004 includes an early redemption clause in the event of a change in ownership.

Financial instruments

Unibail is exposed to interest rate fluctuations on its variable rate loans, which fund its investment policy and secure the cash position required. The Group's primary strategy as regards to interest rate risk is to minimise the impact that changes in rates could have on earnings and minimise the overall cost of financing. In order to implement this strategy, Unibail borrows at variable rates and uses derivatives (mainly caps and swaps) to hedge its interest rate exposure. The Group does not enter into any derivative contracts other than those designated as hedges. Transactions are managed centrally by the Group.

Market value of financial instruments

Unibail uses a macro-hedging strategy for its debt and has opted not to apply the hedge accounting option provided under IAS 39. All derivatives are therefore measured at their market value and any fair value variations as of January 1, 2005, are recorded in the income statement (see “Accounting principles and consolidation methods”, §1.6).

Derivatives are valued by discounted estimated future cash flows based on the interest rate curve at year-end 2006. The valuation has been cross-checked against valuations by banks.

The mark-to-market of derivatives generated a positive valuation movement of € 86.8m in the 2006 income statement and is reflected in the recognition of derivatives of € 99.5m under assets and € 11m under liabilities. In addition, the disposal of certain financial instruments generated a loss of € 1.4m.

IAS 39 does not allow fair value adjustments to liabilities other than in certain circumstances under the fair value option. The market value of fixed-rate debt is presented in the table below. This has been valued either on the basis of a market price at year-end 2006 (for listed instruments), or on the basis of discounted future cash flows based on a given interest rate curve at year-end 2006 (swap rate curve plus a margin for Unibail’s credit risk).

The Group’s variable rate debt is valued as the sum of the nominal amount and coupon payments (carrying value).

Market value of financial instruments

(in millions of euros)	Year-end 2004		Year-end 2005		Year-end 2006	
	Carrying value	Market value	Carrying value	Market value	Carrying value	Market value
Long-term debt						
Fixed-rate borrowings, interbank instruments and negotiable market instruments (1)	1,798.3	1,847.0	1,793.2	1,822.4	1,044.0	1,039.2

(1) Fixed-rate borrowings have been reduced by issue premiums and issue costs.

The change in fair value of fixed-rate borrowings includes an increase of € 2.6m related to a change in credit risk. The change in credit risk is due to a re-appraisal of the company’s intrinsic credit risk and a decrease in maturity of the fixed-rate borrowings.

Interest rate risks

in millions of euros	Total outstanding at year-end 2004 (1)		Total outstanding at year-end 2005		Total outstanding at year-end 2006	
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Financial liabilities	1,805.0	367.0	1,795.2	1,072.4	1,114.5	1,741.6
Financing of the exceptional payout		1,043.0				
Financial assets	-	-183.0	-	-22.4	-	-32.3
Net financial liabilities before hedging programme	1,805.0	1,228.0	1,795.2	1,050.0	1,114.5	1,709.3
Hedging	-845.0	845.0	-845.0	845.0	-910.0	910.0
Net financial liabilities after micro-hedging (2)	960.0	2,073.0	950.2	1,895.0	204.5	2,619.3
Swap rate hedging (3)	-	-1,770.0	-	-1,320.0	-	-2,020.0
Net debt not covered by swaps	-	303.0	-	575.0	-	599.3
Cap and floor hedging	-	-900.0	-	-900.0	-	-1,000.0
Hedging balance	-	-597.0	-	-325.0	-	-400.7

(1) After the exceptional payout (see “Highlights and comparability of the last three years”).
(2) Partners’ current accounts are included in variable-rate debt.
(3) Forward hedging instruments are not accounted for in this table.

During the first two months of 2006, Unibail took advantage of the low interest rate environment to enhance the hedging of its variable-rate borrowings. Aside from the 1-year swaps arranged at the very beginning of the year to hedge 2007 variable-rate debt, Unibail put in place 7-year forward swaps to hedge the 2009-2015 period, thereby extending the long-term hedging strategy initiated in 2005. In October 2006, the Group executed a cancellation of portfolio caps in a strategic move to replace them by € 400m of new caps which will allow for more efficient coverage for the period 2007-2009.

By taking into account a cash surplus of € 32.3m excluding partners’ accounts, Unibail’s net debt stood at € 2,711.4m as at December 31, 2006. This amount includes € 2,507m (92%) in variable-rate debt or fixed-rate debt immediately convertible into a variable-rate, which is fully hedged by caps and swaps. These derivative instruments also allow Unibail to cover exposure of debt generated by partners’ current accounts to increases in interest rates.

Based on Unibail's debt situation as at December 31, 2006 and hedging instruments in place, if interest rates were to rise by an average of 1% (100 basis points) during 2007, above 3.725% caps in place will be activated. As a consequence this increase in interest rates would not generate increased financial expenses, and therefore not have a negative impact on 2007 recurring net profit. Similarly, any additional increase in interest rates would not create an increase in financial expenses. Conversely, a 1% (100 basis points) drop in interest rates would reduce financial expenses by an estimated € 1.7m and would enhance 2007 recurring net profit by an equivalent amount.

Note 13. Deferred tax

Year-end 2004

In millions of euros	Year-beginning 2004	Increase	Decrease	Other restatements[1]	Changes in scope of consolidation	Year-end 2004
Deferred tax liabilities						
Deferred tax liabilities on properties	19.8	26.1	-2.6	-	-	43.3
Deferred tax on intangible assets	-	-	-	25.4	-	25.4
Other deferred tax liabilities	5.6	3.6	-0.1	-	-	9.1
- Doria tax consolidation group	6.4	3.6	-	-	-0.7	9.3
- Others	-0.8	-	-0.1	-	0.7	-0.2
TOTAL DEFERRED TAX LIABILITIES	**25.4**	**29.7**	**-2.7**	**25.4**	**-**	**77.8**

(1) Following the reclassification of intangible assets relating to Porte de Versailles in the 2004 balance sheet under IFRS, a deferred tax liability of € 25.4m was recorded in the balance sheet at December 31, 2004 (see "Accounting principles and consolidation methods" §1.1).

Year-end 2005

In millions of euros	Year-end 2004	Increase	Decrease	Changes in scope of consolidation	Year-end 2005
Deferred tax liabilities					
Deferred tax liabilities on properties	43.3	58.2	-	-	101.5
Deferred tax on intangible assets	25.4	-	-1.5	58.6	82.5
Other deferred tax liabilities	9.1	-2.2	-	-4.3	2.6
- Doria tax consolidation group	9.3	-2.4	-	-4.3	2.6
- Others	-0.2	0.2	-	-	-
TOTAL DEFERRED TAX LIABILITIES	**77.8**	**56.0**	**-1.5**	**54.3 [1]**	**186.6**

(1) Concerns the booking of deferred tax liabilities of € 66m on intangible assets valued at the time of the acquisition of Exposium, after deducting the deferred tax of € 7.5m relating to the write-off of existing intangible assets booked in the company's accounts, as well as the capitalisation of the existing deficit at the acquisition date.

Year-end 2006

In millions of euros	Year-end 2005	Increase	Decrease	Changes in scope of consolidation	Year-end 2006
Deferred tax liabilities					
Deferred tax liabilities on properties	101.5	11.6	-6.5 [1]	-	106.6
Deferred tax on intangible assets	82.5	-	-1.3	13.8	95.0
Other deferred tax liabilities	2.6	9.4	-13.5	-3.3	-4.8
- Doria tax consolidation group	2.6	9.3	-13.5 [1]	-	-1.6
- Other	-	0.1	-	-3.3	-3.2
TOTAL DEFERRED TAX LIABILITIES	**186,6**	**21,0**	**-21,3**	**10,5**	**196,8**

[1] Due to exit from taxable status of the final two properties not subject to SIIC status following the disposal of 70 rue de Courcelles - Paris 17 and the transfer of phase 2 of Capital 8 - Paris 8 to a subsidiary within the SIIC scope.

Deferred tax liabilities relate mainly to companies that are not eligible for SIIC status and which form part of the Doria tax consolidation sub-group (see “Accounting principles and consolidation methods” §1.8). Companies consolidated under the Doria tax sub-group mainly comprise property services or property development companies, Paris Expo Porte de Versailles and, since July 1, 2005, companies in the Exposium Group. All tax losses previously carried forward by this group were used at end 2006.

Unibail Holding’s taxable activities have a tax-loss carry-forward which has not been recognised as a deferred tax asset due to the lack of a reliable reversal schedule. The amount of tax-loss carry-forwards not recognised as deferred tax assets amounted to € 36.3m at end-2006 (€ 41.0m at end-2005).

Note 14. Provisions for liabilities and charges

Year-end 2005

In millions of euros	Year-end 2004	Charges	Reversals used	Reversals not used	Discount	Changes in scope of consolidation	Other movements	Year-end 2005
Long-term provisions	**47.8**	**22.9**	**-2.0**	**-23.7**	**-1.1**	**3.3**	**-14.5**	**32.7**
Provisions for charges	0.8	-	-	-	-	-	-	0.8
Provisions for litigation	39.4	22.2	-0.4	-22.7	-1.1	3.2	-14.4	26.2
Other provisions	7.6	0.7	-1.6	-1.0	-	0.1	-0.1	5.7
Provisions for pension liabilities	**2.1**	**0.1**	**-**	**-0.1**	**-**	**1.6**	**-**	**3.7**
Short-term provisions	**4.3**	**0.6**	**-3.8**	**-**	**-**	**-**	**14.5**	**15.6**
Provisions for litigation	2.4	0.1	-2.0	-	-	-	14.4	14.9
Other provisions	1.9	0.5	-1.8	-	-	-	0.1	0.7
TOTAL	**54.2**	**23.6**	**-5.8**	**-23.8**	**-1.1**	**4.9**	**-**	**52.0**

Year-end 2006

In millions of euros	Year-end 2005	Charges	Reversals used	Reversals not used	Discount	Changes in scope of consolidation	Other movements	Year-end 2006
Long-term provisions	**32.7**	**4.8**	**-1.2**	**-7.3**	**0.7**	**0.3**	**0.5**	**30.5**
Provisions for charges	0.8	-	-	-	-	-	-	0.8
Provisions for litigation [1]	26.2	1.5	-0.7	-4.7	0.7	-	0.5	23.5
Other provisions	5.7	3.3	-0.5	-2.6	-	0.3	-	6.2
Provisions for pension liabilities	**3.7**	**0.2**	**-0.2**	**-0.3**	**-**	**-**	**-**	**3.4**
Short-term provisions	**15.6**	**5.0**	**-1.3**	**-**	**0.4**	**1.2**	**-**	**20.9**
Provisions for litigation [2]	14.9	1.2	-0.5	-	0.4	-	-	16.0
Other provisions	0.7	3.8	-0.8	-	-	1.2	-	4.9
TOTAL	**52.0**	**10.0**	**-2.7**	**-7.6**	**1.1**	**1.5**	**0.5**	**54.8**

[1] Relates mainly to disputed tax adjustments. As at December 31, 2006, provisions for tax disputes of € 5.4m were reversed as they no longer had a purpose. The balance relates to tax adjustments notified to Unibail Holding, which have been contested (see “Other information”).
[2] Including a € 12.7m provision for a legal dispute relating to the valuation of Cnit (see “Other information”).

The provision for retirement allowances, recognised under the provision for pension liabilities, is based on the net present value of these future allowances. This calculation is performed by an external actuary and establishes the expected allowance that each employee is entitled to on his or her retirement date, based on age, length of service, final salary and the probability that these allowances will actually be paid out. The present value of these allowances as at the valuation date is calculated by discounting expected future allowances based on a discount rate (fixed at 4.07% in 2006 and 3.89% in 2005), mortality likelihood (actuarial table TV 88-90) and the company's staff turnover rate.
The provision at December 31, 2006 fell by € 0.2m compared with the previous year, as a 2.8% increase in the average number of employees was more than offset by a slight decrease in length of service and average age and an increase in the discount rate.

Note 15. Amounts owed to shareholders

As at December 31, 2006, this item comprised the second 2007 interim dividend (€ 1 per share), paid on January 15, 2007, approved by the Board of Directors on December 14, 2006.
As at December 31, 2005, this item comprised the second 2006 interim dividend (€ 0.95 per share) paid on January 16, 2006.
As at December 31, 2004, this item comprised the € 1,043.3m exceptional payout of January 7, 2005, together with € 81.6m in interim dividends paid on January 17, 2005 (€ 0.90 per share) and April 15, 2005 (€ 0.90 per share).

Note 16. Trade payables

Trade payables are due within one year.

Trade payables by division (in millions of euros)	2004	2005	2006
Offices	4.7	7.1	4.9
Shopping Centres (1)	56.5	23.1	20.7
Convention-Exhibitions (2)	38.6	54.1	62.6
Property services	8.8	4.8	3.0
Others	12.2	8.8	6.0
TOTAL	**120.8**	**97.9**	**97.2**

(1) The reduction in this item relates to the change as of 2005 in the method of accounting for service charges due from shopping centre tenants, with a corresponding increase in "Sundry creditors".
(2) The increase in this item relates mainly to entry of Exposium into the scope of consolidation in 2005.

Amounts due on investments

As at December 31, 2006, this item related to outstanding amounts due to suppliers for properties undergoing renovation (mainly Tour Ariane, Les Quatre Temps and Porte de Versailles). These amounts are due within one year.

Amounts owed to "sundry creditors" are due within one year.

Sundry creditors (in millions of euros)	2004	2005	2006
Due to customers (1)	48.3	104.5	169.1
Due to partners	3.0	3.5	1.7
Other creditors	28.6	34.4	39.3
TOTAL	**79.9**	**142.4**	**210.1**

(1) The increase in this item is mainly due to a change as of 2005 in the method of accounting for service charges due from shopping centre tenants, with a corresponding decrease in "Trade payables".

Deferred income & accrued liabilities (in millions of euros)	2004	2005	2006
Prepaid income 1)	42.8	97.4	78.9
Premiums on off-balance sheet items	-3.7	-	-
TOTAL	**39.1**	**97.4**	**78.9**

(1) The increase in this item in 2005 is mainly due to the entry into the scope of consolidation of Exposium, whose revenues are booked at the end of exhibitions.

Note 17. Tax and social security liabilities

In millions of euros	2004	2005	2006
Tax liabilities (1)	97.2	2.7	3.2
TOTAL NON-CURRENT	**97.2**	**2.7**	**3.2**
Social security liabilities	16.3	24.5	25.8
Value-added tax (2)	23.5	87.3	38.0
Other tax liabilities(1)	93.4	96.2	30.7
TOTAL CURRENT	**133.2**	**208.0**	**94.5**

(1) "Other tax liabilities" comprise the Group's discounted exit tax liabilities of € 6.8m under the SIIC regime. The decrease in this item is due to the payment on December 15, 2006 of the last of the four € 95.3m instalments of exit tax due by Unibail in respect of the decision made in 2003. The balance comprises exit tax due by SAS Franklin acquired in 2004 and dissolved into Unicommerces in 2005, by Immolimo acquired in 2005 and by Labex and SFLA acquired in 2006. Other tax liabilities are due within one year.
(2) The increase in this item in 2005 relates mainly to the value-added tax due on the sale of Cité du Retiro (€ 53.4m), paid in January 2006.

5.3. NOTES TO THE CONSOLIDATED INCOME STATEMENTS

Note 18. Rental revenues

Rental income consists of rents and similar income (e.g. occupancy compensation, key money, parking revenues) invoiced for office properties and shopping centres during the financial year. The effects of rent-free periods, step rents and key monies are spread over the fixed term of the leases (see "Accounting principles and consolidation methods" §1.5).
Rental income from the Convention-Exhibition division includes turnover generated by the rental of exhibition space and the provision of unavoidable associated support services to this space.
Charges invoiced to tenants are not included in rental income but deducted from property-related expenses.

Note 19. Ground rents

Ground rents correspond to lease payments (or depreciation of initial payments) for properties built on land subject to a leasehold or operated under an operating contract (concession). This item mainly applies to shopping centres, in particular Forum des Halles and Carrousel du Louvre, and Paris Expo Porte de Versailles, to which the City of Paris authorities have granted an operating contract (concession) to operate the "Parc des Expositions" exhibition centre at Porte de Versailles.

Note 20. Net service charge expenses

These expenses are net of charges re-invoiced to tenants and relate mainly to vacant premises.

Note 21. Property related expenses

These expenses comprise service charges borne by the owner, works-related expenses, litigation expenses, charges relating to doubtful accounts and expenses relating to property management.

Note 22. Administrative expenses

This item comprises head office and Group administrative expenses, expenses relating to development projects and depreciation charges for Unibail's head office.

Note 23. Net other income

Revenues from other activities cover:

- fees for property services received by companies in the Convention-Exhibition division, which also includes Exposium's turnover as of 2005;
- fees for property management and maintenance services provided to offices and shopping centres. These fees are invoiced by Espace Expansion for its property management activities on behalf of owners outside the Unibail Group;
- fees for project development and consulting services invoiced by Espace Expansion. The internal margins generated on these construction and renovation operations, the costs of which are capitalised in the Group's individual company accounts, are eliminated;
- revenues from other property services, mainly invoiced by U2M;
- revenues from residual financing leases, which comprise lease payments net of related amortisation costs.

€ 37m of the increase in net other income is due to Exposium's entry into the Unibail Group on April 1, 2005, as well as the seasonal impact of exhibitions, with 2006 benefiting from both two-yearly and three-yearly events.

Other expenses

"Other expenses" comprise charges relating to property services, general costs and depreciation charges for related fixed assets.

Note 24. Profit on disposal of investment property

Proceeds from the disposal of investment properties correspond to the disposal price received net of disposal costs. The carrying value of disposed assets corresponds to the latest market valuation recorded on the closing balance sheet for the previous financial year, plus works costs and capitalised expenses for the year, and adjusted for reversals of rent-free periods and step rents. See section on 2006 highlights for details of the main asset disposals.

Note 25. Valuation movements

This item reflects changes in the market valuation of investment properties (see "Accounting principles and consolidation methods" §1.4).

In millions of euros	2004	2005	2006
Offices	161.9	435.9	699.1
Shopping Centres	327.6	547.2	971.2
Convention-Exhibitions	58.4	160.3	31.0
TOTAL	**547.9**	**1,143.4**	**1,701.3**

Note 26. Net financing costs

Financial income	2004	2005	2006
Security transactions	4.2	0.7	0.5
Other financial interest	0.2	0.7	5.4
Interest income on caps and swaps	28.4	39.0	38.9
Currency gains	-	1.0	0.9
Total financial income	**32.8**	**41.4**	**45.7**
Financial expenses			
Security transactions	-2.3	-2.2	-9.0
Interest on bonds	-80.6	-93.4	-72.5
Interest and expenses on loans	-15.8	-19.0	-24.6
Interest on partners' advances	-3.5	-3.7	-5.2
Other financial interest	-0.1	-0.1	-0.1
Interest expenses on caps and swaps	-34.7	-39.3	-30.6
Currency losses	-	-0.7	-1.1
Total financial expenses	**-137.0**	**-158.4**	**-143.1**
Capitalised financial expenses (1)	13.7	18.4	13.3
Net financial expenses	**-90.5**	**-98.6**	**-84.1**

(1) Financial expenses capitalised in 2006 are attributable mainly to Capital 8 (€ 5.3m) and Rivetoile (€ 1.6m), as well as works on Tour Ariane (€ 1.9m) and the Les Quatre Temps shopping centre (€ 1.6m).

Note 27. Fair value adjustments and proceeds from the sales of derivatives

As of January 1, 2005, Unibail has opted to mark-to-market derivatives. The 2004 figures have not been restated (see "Accounting principles and consolidation methods" §1.6).
In 2005, changes in fair value of derivatives (caps and swaps) generated a loss of € 2.3m on the sales of certain derivatives, while the rest of the portfolio was subject to a change in value of - € 17.4m.
In 2006, changes in fair value of derivatives (caps and swaps) generated a loss of € 1.4m on the sales of certain derivatives, while the rest of the portfolio was subject to a change in value of + € 86.8m.

Note 28. Discounted payables and receivables

This item records the discounting of provisions and liabilities, and relates mainly to the exit tax liability payable over four years to qualify for the SIIC tax regime.

Note 29. Share of the profit of associates and income on financial assets

This item breaks down as follows:

In millions of euros	Recurring profit	Fair value of investment property	Fair value of derivatives	Result
Income from stake in SCI Karanis consolidated under equity method	2.5	148.9	4.8	156.2
Income from stake in SCI Triangle des Gares consolidated under equity method	3.5	4.1	-	7.6
Income from other companies consolidated under equity method	-0.3	-	-	-0.3
Total share of income from companies consolidated under equity method	**5.7**	**153.0**	**4.8**	**163.5**
Interest on the loan granted to Karanis	8.2	-	-	8.2
Interest on the loan to Triangle des Gares	0.9	-	-	0.9
Total interest on receivables	**9.1**	**-**	**-**	**9.1**

Note 30. Corporate income tax

In millions of euros	2004	2005	2006
Deferred tax on:			
- Marking-to-market of investment property	-26.0	-50.0	-12.6
- Non-recurring	-	-	20.0 [1]
- Other current	-0.3	-4.5	-7.4
Reversal for fiscal risk	-	-	5.4
Total tax due	-1.0	-0.9	-24.8 [1]
TOTAL TAX	**-27.3**	**-55.4**	**-19.4**

[1] Due to exit from taxable status of the final two properties not subject to SIIC status:
- Disposal of 70 Courcelles;
- Transfer of phase 2 of Capital 8 in Paris 8 to another subsidiary within the SIIC scope.

Companies opting for SIIC tax status are exempt from tax on recurring income and capital gains on property sales.
The remaining companies are part of the Doria tax consolidation group (see “Accounting principles and consolidation methods” § 1.8).

Note 31. Minority interests

As at December 31, 2006, this item mainly comprised minority interests in net profits from Les Quatre Temps (€ 124.7m) and Forum des Halles (€ 67m) shopping centres, as well as the newly-acquired Rennes Alma and Vélizy Usines Center in 2005 and Etrembières in 2006.

5.4 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Cash flow is presented net of cost of financing and before tax.

The tax charge is classified under cash flow from operating activities. However, the tax charge due as at December 31, 2006 did not give rise to a cash outflow at December 31, 2006.

Net financial interest payments, as well as cash flow relating to the purchase or sale of derivative instruments, are classified as cash flow from financing activities. Interest received on loans granted to associates is classified as cash flow from operating activities.

The change in working capital requirement in 2005 is mostly attributable to proceeds received on January 11, 2005 on the sale of the Quai Ouest building, the VAT payment on the disposal of Cité du Retiro in January 2006 and Exposium’s change in working capital requirement.

Dividends paid as at December 31, 2005 break down into: € 1,043.3m for the exceptional payout on January 7, 2005, € 129.7m for interim dividends and the dividend balance paid in respect of the 2004 financial year and € 43.4m for the interim dividend paid in October 2005.

Note 32. Breakdown of acquisitions and disposals of consolidated subsidiaries

In millions of euros	2004	2005	2006
Acquisition price of shares	-88.2	-255.4	-81.6
Cash and current accounts acquired	5.6	- 37.1	-4.6
Acquisitions net of cash acquired	**-82.6**	**-292.5**	**-86.2**
Net price of shares sold [1]	8.5	13.4	90.0
Cash and current accounts sold	470.3	183.8	125.5
Sales net of cash sold	**478.8**	**197.2**	**215.5**

[1] Corresponds to the disposal price of shares net of disposal costs.

Note 33. Reconciliation of cash assets and cash on the balance sheet

In millions of euros	2004	2005	2006
Available-for-sale investments	175.9	3.3	3.3
Cash	6.6	18.7	29.1
Current account to balance out cash flow	-7.5	-6.0	-3.5
Bank overdrafts	-41.1	-26.4	-25.8
Cash at year-end	**133.9**	**-10.4**	**3.1**

6. FINANCIAL COMMITMENTS AND GUARANTEES

All significant commitments are shown below. The Group does not have any complex commitments.

Commitments given

Commitments given (in millions of euros)	2004	2005	2006
Mortgages and first lien lenders	16.9	7.2	7.2
Commitments related to construction works [1]	299.1	267.1	203.3
Guarantees related to works contracts	1.2	77.6	1.2
Residual commitments related to works contracts	N/A	84.3	83.5
Residual commitments related to forward purchase agreements [2]	-	5.0	64.6
Liability warranties (capped) [3]	31.7	42.1	16.1
Purchase undertakings and contingent fees [4]	111.9	91.3	116.5
Other guarantees given [5]	820.7	4.2	0.5
TOTAL	**1,281.5**	**578.8**	**492.9**

[1] Mainly concerns the commitment to carry out maintenance and refurbishment works under the Porte de Versailles concession.
[2] Mainly concerns the Clichy office property and the Rivetoile shopping centre in Strasbourg.
[3] Liability warranties granted under the usual terms for the disposal of companies, capped at € 16m, with the exception of certain specifically identified representation and warranties.
[4] In the context of development projects, the Group has signed conditional purchase undertakings amounting to a total of € 101.6m in the Shopping Centre division (mainly Lyon Confluence and Carré Sénart II, as well as the off-plan forward acquisition of a shopping centre in Toulouse).
- The exhibition organisation division has made a conditional purchase undertaking for € 8m;
- Unibail also gave an earn-out commitment in the event that SCI 39-41 Cambon is sold before January 26, 2008. The maximum amount of this payment is € 5.2m.

[5] For the loan secured against Coeur Défense in December 2003, Unibail has provided a guarantee of € 820m for two years in the event that the deed of sale for the property purchased by SCI Karanis becomes null and void and the first lien loan granted by SCI Karanis cannot be implemented. This guarantee had matured by December 31, 2005.

Other commitments given

- As part of the acquisition of 50.02% of Val Commerces in 2006, Unibail gave the minority partner an undertaking to sell one share in the SCI Val Commerces (Etrembières shopping centre), if the Group's call option over the shares in the minority partner were to be null and void, cancelled or terminated.

- As part of the acquisition of a 50% holding in Gestion TB, organiser of the Technibois exhibition, Exposium made a commitment to purchase at the end of 2008 all the shares held by the co-shareholder on that date at a price determined as a multiple of net operating income.

- Unibail gave an earn-out commitment in the event that an extension permit is obtained for the Chelles 2 shopping centre before 2012. The maximum amount of this payment is € 91.47 per square metre of contractual GLA (Gross Leasable Area), indexed according to the CCI (Construction Cost Index).

- In 2005, Unibail acquired 51% of the Rennes Alma shopping centre, for which negotiations on the extension have already been initiated by Bail Investissement. Unibail Holding made a commitment to compensate the various partners and service providers in the event that these negotiations are broken off without due cause. This commitment expires on March 28, 2007.

- Unibail Holding has undertaken to retain its interests in the three subsidiaries that own the Docks de Rouen, Carré Sénart II and Rivetoile projects until these centres are opened to the public.

- At the time of the disposal in 2005 of the company that owns the property at 50, Avenue Montaigne, an indemnity warranty was given payable in the event there proves to be an inaccuracy in the representations made regarding the asset's legal position.

- Undertaking to sell shares in various exhibitions if the Group's call option is not exercised within a certain timeframe (price determined as a multiple of net operating income).

- Undertaking to acquire shares in the company that owns land at Ris-Orangis, scheduled for the construction of a shopping centre contingent upon obtaining the requisite administrative consents.

- As part of the acquisition of 10% of the shares of Grandes Bruyères, a project to build a multi-brand store, Unibail signed an undertaking to acquire the remaining 90%, contingent upon certain conditions.

Commitments received

Commitments received (in millions of euros)	2004	2005	2006
Refinancing agreements obtained but not used [1]	1,253.2	1,163.2	1,090.2
Guarantees received relating to Hoguet Regulation	48.2	52.8	64.8
Guarantees received from tenants	35.8	25.1	32.7
First lien lenders [2]	75.0	75.0	75.0
Other guarantees received [3]	271.2	300.5	378.1
TOTAL	**1,683.4**	**1,616.6**	**1,640.8**

[1] These agreements are usually accompanied by a requirement to meet specific target ratios based on revalued shareholders' equity and debt. These ratios have not changed since December 31, 2004. Certain credit lines are also subject to an early pre-payment (in full or in part) clause in the event of a change in ownership or a series of disposals reducing portfolio assets below a given threshold. Based on forecast budgets, excluding exceptional circumstances these thresholds are not expected to be attained during the current year.
[2] Lenders' second lien granted by Karanis to Unibail. Equates to Unibail's share in the loan granted (i.e. € 75m).
[3] Mainly liability warranties for acquisitions of companies, which are also subject to bank guarantees in an amount of € 5.2m.

Other commitments received

- Following the acquisition of a 50% stake in the operating company named Société d'Exploitation du Palais des Sports, Unibail Holding was accorded a promissory agreement to purchase the remaining 50%.

- Following the acquisition of a 51% stake in the Rennes Alma and Vélizy Usines Center shopping centres, Unibail was awarded by the minority shareholders a promissory agreement to purchase the remaining 49%, which comes into effect between December 1, 2008, and November 30, 2009.

- Following the acquisition of Val Commerces (Etrembières shopping centre), an indemnity warranty was received payable in the event there proves to be an inaccuracy in the representations made regarding the asset's legal position. A similar warranty was also received with respect to the acquisition of Labex.

- As a result of its participation in the subordinated loan granted to Karanis, Unibail benefits from the following guarantees: bank account security, cap contracts, shares in Karanis owned by Skyline and assigned insurance policies.

- Commitments received from partners in the sale of interests in exhibitions, the prices being determined on a multiple of net operating income.

Commitments relating to operating leases

General overview of the main provisions of lease agreements.

Unibail's entire property portfolio is based in France and is therefore governed by French law. Commercial lease agreements are covered by articles L.145-1 to L.145-60 of the French Commercial Code. The minimum term of the lease is nine years and the tenant has the exclusive right to terminate the agreement at the end of each optional three-year break period subject to giving six months' notice by extrajudicial agreement. However, lease contracts can provide for waiving of this three-year break provision.

Rents are usually received quarterly, in advance and are annually indexed to the INSEE construction cost index. Rents may be stepped or constant and can include rent-free periods or step rents. The level of rent is determined once the lease agreement is signed and remains in force for the term of the lease. All charges, including land duties and office tax, are usually paid by the tenant, unless stated otherwise in the lease agreement. In the case of shopping centres, rent is based on turnover, with a minimum guaranteed rent, indexed and established so that the variable part of rents represent a small part of total rents. In 2006, variable rents accounted for just 2.3% of total rents.

Minimum guaranteed rents under leases

As at December 31, 2006, minimum future rents due under leases until the next possible termination date break down as follows:

	Minimum future rents per year (in millions of euros)		
Year	Offices	Shopping centres	Total
2007	158.6	183.6	342.2
2008	137.1	118.1	255.2
2009	105.5	60.8	166.3
2010	86.9	15.6	102.5
2011	69.9	8.3	78.2
2012	60.7	5.6	66.3
2013	57.4	5.1	62.5
2014	51.6	4.9	56.5
2015	45.9	3.9	49.8
2016	15.8	3.8	19.6
Beyond	19.8	21.4	41.2
Total	**809.2**	**431.1**	**1.240.3**

In the Convention-Exhibition portfolio, minimum future rents due within one year amounted to € 42.8m and those due in more than one year to € 2.5m.

Minimum future rents in relation to the exhibition organisation business amounted to € 5.3m, including € 4.5m due within one year and € 0.8m due in more than one year.

7. EMPLOYEE REMUNERATION AND BENEFITS

7.1. PERSONNEL COSTS

Personnel costs (in millions of euros) [(1)]	2004	2005	2006
Head office personnel costs	**20.6**	**21.2**	**22.0**
Unibail Management	18.7	19.3	20.3
Unibail Holding	1.6	1.8	1.7
Other	0.3	0.1	-
Personnel costs for property services activities	**19.5**	**16.7**	**18.0**
Espace Expansion	17.6	16.0	17.3
Services to Building & Businesses (S2B)	1.0	0.3	-
Unibail Marketing Multimedia (U2M)	0.5	0.2	0.1
Sovalec	0.4	0.2	0.6
Personnel costs for exhibition organisation activities	**-**	**14.7**	**22.0**
Exposium SA [(2)]	-	14.5	20.2
Others [(2)]	-	0.2	1.8
Personnel costs for convention-exhibition centre management activities	**15.3**	**15.0**	**14.5**
Paris Expo SNC	5.1	5.1	4.8
Paris Expo Porte de Versailles	9.5	9.1	9.0
SAS Société d'exploitation du Palais des Sports	0.7	0.8	0.7
Employee benefits [(3)]	**1.7**	**4.1**	**4.2**
TOTAL	**57.1**	**71.7**	**80.7**

(1) Personnel costs are shown net of expenses reinvoiced internally.
(2) Acquisition of Exposium group in March 2005.
(3) Expense relating to the Company Savings Plan, stock-options and bonus share awards, recognised with an equivalent increase in equity.

Employee profit sharing

Employees belonging to the UES (Unité Économique et Sociale-Social and Economic Group) comprising Unibail Management, Espace Expansion, S2B and U2M, as well as employees of Unibail Holding, benefit from an employee profit-sharing plan and a profit-sharing agreement introduced in 2002. The profit-sharing agreement is based on the annual growth in pre-tax recurring cash flow per share and growth in NAV.
Employees belonging to the Paris-Expo UES benefit from an employee profit-sharing plan and a profit-sharing agreement renewed in 2006 based on growth in net operating income.
Exposium employees benefit from an employee profit-sharing plan and a profit-sharing agreement signed in 2004 based on the company's net operating income.

The following amounts were allocated to these schemes:

(in millions of euros)	2004	2005	2006
Regulated employee profit-sharing plan	0.5	1.2	2.2
Employee profit-sharing agreement	1.9	1.7	1.8

7.2. NUMBER OF EMPLOYEES

The average number of employees of the Group's companies breaks down as follows:

AVERAGE NUMBER OF EMPLOYEES	2004	2005	2006
Unibail Management	191	200	208
Unibail Marketing Multimedia (U2M)	5	3	1
Services to Buildings & Businesses (S2B)	11	1	-
Espace Expansion	256	256	244
TOTAL UNIBAIL UES [1]	**463**	**460**	**453**
Paris Expo Porte de Versailles	145	130	127
Paris Expo SNC	97	83	75
TOTAL PARIS EXPO UES [1]	**242**	**213**	**202**
Unibail Holding	2	5	7
SPSP	8	7	7
Exposium SA	-	268	268
SESMP	-	-	29
TOTAL	**715**	**953**	**966**

[1] UES: Unité Économique et Sociale (Social and Economic Group).

7.3 EMPLOYEE BENEFITS

Company Savings Plan

Subscription to the Company Savings Plan is offered to employees who have been with the Group for more than three months. The subscription period is opened once per year after the share capital increase reserved to employees has been authorised by the Board of Directors, which also sets the subscription price. The subscription price is equal to the average share price over the last 20 market trading days prior to the meeting of the Board of Directors, to which a 20% discount is applied. A minimum and maximum voluntary payment is set and the amount subscribed must be fully paid by the employee. The Group also makes an employer contribution.
The total cost of subscriptions to the Company Savings Plan (employer contribution and difference between the subscription price and the share price on the date of the capital increase) amounted to € 1.2m in 2006 compared with € 2.6m in 2005 and € 1m in 2004.

Stock-option plans

There are currently three stock-option plans granted to directors and employees of the Group. The main characteristics are as follows:

- The plan authorised in 2000, relating to options allocated in 2000, 2001 and 2002, of which 175,064 options had not been exercised as at December 31, 2006. These stock-options have a life span of eight years and may be exercised as follows: 30% at the end of the second year after the date of allocation, 30% at the end of the third year and the remainder or all options at the end of the fourth year, it being stipulated that beneficiaries may not sell the shares before the end of the fourth year.
- The plan authorised in 2003, relating to options allocated in 2003, 2004 and 2005. These stock-options have a life span of seven years and may be exercised at any time in one or more instalments after the fourth anniversary of the date of allocation by the Board of Directors. Two stock-option schemes have been adopted: one scheme is unconditional and the other is subject to performance criteria. The latter scheme is intended mainly for the company's responsible officers (*mandataires sociaux*) and members of the Executive Committee. The right to exercise stock-options is subject to Unibail stock performance being higher in percentage terms than that of the benchmark EPRA index over the given period. As at December 31, 2006, unexercised options totalled 972,617 under the unconditional plan and 359,204 under the performance-related plan.
- The plan authorised in 2006, which only comprises stock-options subject to performance criteria. These stock-options have a lifespan of seven years and may be exercised at any time after the fourth anniversary of the date of allocation. The performance criteria are identical to those of the 2003 plan. As at December 31, 2006, a total of 365, 500 options allocated had not been exercised.

The table below shows allocated stock-options that had not been exercised at the year end:

Plan		Exercise period	Adjusted subscription price (€) (1)	Number of options granted	Adjustments (1)	Number of options cancelled	Number of options exercised	Potential number of shares	Unconditional scheme	Performance-scheme
2000 plan	2000	from 21/11/2002 to 20/11/2008	40.81	502,500	29,924	66,156	463,992	2,276	2,276	-
	2001	from 09/10/2003 to 08/10/2009	41.99	317,000	53,685	31,500	304,646	34,539	34,539	-
	2002	from 09/10/2004 to 08/10/2010	46.62	394,000	89,319	4,074	340,996	138,249	138,249	-
2003 plan	2003	from 15/10/2007 to 14/10/2010	53.88	434,500	118,466	-	-	552,966	397,072	155,894
	2004	from 13/10/2008 to 12/10/2011	76.91	308,000	83,038	13,683	-	377,355	268,545	108,810
	2005	from 13/10/2009 to 12/10/2012	108.59	404,500	-	3,000	-	401,500	307,000	94,500
2006 plan	2006	from 11/10/2010 to 10/10/2013	161.50	365,500	-	-	-	365,500	-	365,500
Total				**2,726,000**	**374,432**	**118,413**	**1,109,634**	**1,872,385**	**1,147,681**	**724,704**

(1) Adjustments reflect the dividends paid from retained earnings and take into account the adjustment made after the exceptional payout of January 7, 2005.

The table below shows the number and weighted average exercise prices of stock-options:

	2006		2005		2004	
	Number	Weighted average price (€)	Number	Weighted average price (€)	Number	Weighted average price (€)
In circulation at start of period	1,875,199	67.76	1,792,541	53.28	2,000,452	51.90
Allocated over the period	365,500	161.50	404,500	108.59	308,000 (1)	97.88 (1)
Cancelled over the period	-7,455	89.66	-7,002	71.40	-6,300	80.75
Exercised over the period	-360,859	44.30	-314,840	37.70	-893,664	42.47
Average share price on date of exercise		156.80		104.91		99.63
In circulation at end of period	1,872,385	90.49	1,875,199	67.76	1,408,488	67.81
(after adjustment following the exceptional payout on January 7, 2005)	-	-	-	-	*1,792,541*	*53.28*
O/w exercisable at end of period	175,064	45.63	344,225	43.68	380,000	38.25

(1) Before adjustment.

Stock-options allocated after November 7, 2002, i.e. those allocated in 2003, 2004, 2005 and 2006, are accounted for in accordance with IFRS 2. The expense recorded on the income statement in relation to stock-options came to € 3.5m in 2006, € 1.7m in 2005 and € 1.1m in 2004.

The performance-related stock-options allocated in 2006 were valued at € 11.70 using a Monte Carlo model. This valuation is based on an exercise price of € 161.50, a share price at the date of allocation of € 167.40, an estimated lifespan of 4.7 years, a market volatility of 19.6%, a dividend of 3.85% of the value of the share, a risk-free interest rate of 3.72% and a vesting period of four years. It also takes account of the probability of Unibail achieving the market performance condition.

Stock-options allocated in 2005 were valued at € 13.90 using a binomial model for the unconditional scheme and € 6.90 using a Monte Carlo model for performance-related options.

Stock-options allocated in 2004 were valued at € 12.9 using a binomial model for the unconditional scheme and € 7.1 using a Monte Carlo model for performance-related options. Options allocated in 2003 were valued at € 9.3 for the unconditional scheme and € 6.8 for the performance related scheme using a Monte Carlo model.

Bonus shares

In 2006, 3,830 bonus shares were allocated (excluding those allocated to the Chairman and members of the Executive Committee – see "Related-party disclosures"). The bonus shares vest after a period of two years and are subject to a two-year lock-up period once they have been issued.
The impact on the 2006 result is not material.

8. RELATED PARTY DISCLOSURES

8.1 TRANSACTIONS WITH RELATED COMPANIES

The consolidated financial statements include all of the companies in the Group's scope of consolidation (see § 2 "Scope of consolidation"). The parent company is Unibail Holding SA.
To the Group's knowledge, there are no shareholders' pacts nor persons or groups of persons exercising or who could exercise control over the Group.

Related party transactions relate to transactions with companies consolidated under the equity method.

In millions of euros	2004	2005	2006
SCI Karanis			
Loan	77.4	77.4	77.5
Recognised interest	3.7	7.8	8.2
Fees invoiced (1)	0.5	1.1	1.4
Rental payments (2)	-0.4	-0.8	-1.0
SCI Triangle des Gares			
Rental payments	21.8	19.6	20.0
Recognised interest	1.1	0.9	0.9
Fees invoiced (1)	0.5	0.4	0.7

(1) Fees invoiced correspond to asset management and property management fees invoiced by the Group.
(2) Rental payments correspond to rentals of conference rooms paid to Paris Expo SNC and rentals of car parks paid to S2B.
All of these transactions are based on market prices.

8.2 TRANSACTIONS WITH OTHER RELATED PARTIES

Remuneration of the Chairman and Chief Executive Officer:

The offices of Chairman of the Board of Directors and Chief Executive Officer have been organised as follows:
- from January 1, 2004 to April 28, 2005: - Chairman and Chief Executive Officer plus Managing Director
- from April 29, 2005 to June 30, 2006: - Chairman of the Board of Directors plus Chief Executive Officer
- since July 1, 2006: - Chairman and Chief Executive Officer

Gross remuneration paid including benefits and directors' fees (in euros)	2004 Fixed remuneration	2004 Variable remuneration	2005 Fixed remuneration	2005 Variable remuneration	2006 Fixed remuneration	2006 Variable remuneration
from 01/01/2004 to 28/04/2005						
- Chairman and Chief Executive Officer	450,000	675,000	150,000	696,886	-	-
- Managing Director	283,406	412,530	124,817	303,892	-	-
du 29/04/2005 au 30/06/2006						
- Chairman of the Board of Directors	-	-	322,816	-	250,644	-
- Chief Executive Officer	-	-	260,298	-	202,430	380,000
as of July 1, 2006						
- Chairman and Chief Executive Officer	-	-	-	-	202,447	-

During 2006, the Chairman and Chief Executive Officer was allocated 40,000 stock-options by the Board of Directors, all of which are subject to performance criteria, and 2,685 bonus shares valued at € 354,689 on the basis of the share price on the date of allocation less two years of estimated dividends.
The Chairman and Chief Executive Officer does not benefit from any specific pension plan.
In the event of his dismissal (except in the case of gross misconduct or gross negligence), the Group has agreed to pay the Chairman and Chief Executive Officer a specific fixed compensation equal to twice this gross remuneration (fixed and variable), plus bonuses corresponding to the equivalent value of any bonus shares allocated over the previous 12 months. Any social security deductions applicable to this compensation payment are borne by the Group.

Remuneration of members of the Executive Committee:

Members of the Executive Committee (excluding the company's responsible officers - *mandataires sociaux*) received total remuneration of € 1,736,937 before tax in 2006, comprising a variable amount of € 580,000 in respect of 2005, as well as the benefit of a company car valued at € 30,946.
In 2006, members of the Executive Committee were allocated a total of 115,000 stock-options, all of which are subject to performance criteria. Towers Perrin, an independent firm, valued each option at € 11.70.
Members of the Executive Committee were also allocated 2,206 bonus shares, valued at € 346,913 based on the share price on the date of allocation less two years of estimated dividends.
Members of the Executive Committee who are not responsible officers (*mandataires sociaux*) do not benefit from any specific pension plan or contractual termination benefits.

Directors' fees paid to the Company's responsible officers (*mandataires sociaux*):

The Combined General Meeting of April 8, 2004 set the amount of Directors' fees at € 350,000 to be allocated each year as of January 2004. In 2006, € 296,406 was paid to directors (excluding Directors' fees paid to the Chairman, integrated as above).

Loans or guarantees granted to directors: None.

None

Transactions involving directors:

None

9. OTHER INFORMATION

Transactions after the accounting date

- On January 15, 2007, the second interim dividend of € 1.00 per share was paid in respect of the 2006 financial year, representing a total of € 46.1m.
- On January 8, 2007, the Group acquired SCI Régine 31, which owns 606 m² in the Labège shopping centre in Toulouse.
- On January 19, 2007, the Group sold the Chelles 2 shopping centre and simultaneously acquired 1,888 m² of co-ownership lots very close to the Vélizy 2 shopping centre.

Tax disputes

In 2005, Unibail Holding underwent a tax inspection for the 2001 to 2003 financial years. The tax adjustments notified by the authorities in January 2006 have been contested by the company. However, a provision was nonetheless taken as at December 31, 2006.

Other exceptional events or litigation

Following the takeover-merger between Unibail and Cnit SA (Unibail subsidiary), a former minority shareholder of Cnit SA disputed the terms of the merger in 2001, despite the fact that the exchange ratios were (i) based on valuations conducted by independent external appraisers; (ii) approved by the merger auditors appointed by the commercial court; and (iii) endorsed by a fairness opinion from an independent third party. After having its case dismissed by the judge in emergency interim proceedings, the plaintiff decided to take the case further and demanded € 22.9m in damages from Unibail. The experts appointed by the court have submitted their report, which concurs with the exchange ratios applied in the merger. The case is still pending. As a strictly cautious measure, the previously booked € 12.7m provision has been maintained in the balance sheet.

To the Company's knowledge, there are no other exceptional events, disputes or litigation that may have a significant effect on the Group's financial position, results, business and assets.

Shares in the parent company (Unibail Holding) pledged by third parties

At year-end 2006, 78,534 shares held in a registered custodian account (nominatif administré) were pledged, while no standard registered shares (nominatif pur) were pledged.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

Following our appointment as Statutory Auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Unibail Holding for the year ended December 31, 2006.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2006 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of French Company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As detailed in notes 1.3 and 1.4 to the financial statements, the Group carries out on an annual basis an evaluation of goodwill and intangible fixed assets based on a discounted cash-flows approach. In accordance with professional standards applicable to accounting estimates, and on the basis of documents available to date, we have appreciated the data and the assumptions retained by your Company to carry out this evaluation, and have checked the accuracy of the calculations. On these bases, we assessed whether these estimates were reasonable.

- As stated in note 1.4 to the financial statements, the real estate portfolio is the subject of valuation procedures carried out by independent real estate appraisers. We ensured that the fair value of investment properties as stated in the consolidated balance sheet and in note 5.1 to the financial statements was determined in accordance with the valuations carried out by the aforesaid appraisals. Moreover, we have ensured that for properties stated at historical cost in the consolidated financial statements (IAS 16), the level of depreciation was sufficient taking into consideration these external appraisals.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Paris-La Défense, March 2, 2007

The Statutory Auditors

BDO MARQUE & GENDROT	ERNST & YOUNG Audit
French original signed by	*French original signed by*
Joël Assayah	Bernard Heller

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

LEGAL INFORMATION

1. GENERAL INFORMATION

Company name

UNIBAIL HOLDING [1] - ABBREVIATED TO “UNIBAIL”
Registered office and place of business:
5, boulevard Malesherbes - 75008 PARIS
Tel: +33 (0)1 53 43 74 37

Legal form and specific applicable legislation

Unibail is a joint stock company *(société anonyme)* governed by French legislation applicable to commercial companies and in particular the French Commercial Code (*Code de commerce*) and Decree no. 67-236 dated March 23, 1967.

Using the authorisation granted by the Extraordinary General Meeting of June 17, 2003, the Board of Directors, in its meeting of July 23, 2003, decided that the Company and its eligible subsidiaries would opt for the new tax regime applicable to Listed Property Investment Companies (SIIC) introduced by the 2003 French Finance Act (Article 208C of the French General Tax Code - *Code général des impôts*) and implemented by decree no 2003-645 dated July 11, 2003. The option for the SIIC tax regime has been applied retroactively to January 1, 2003.

Attention is drawn to the following points:
- Prior to this date, and up to July 1, 1991, the Company was approved as a Sicomi (commercial and industrial property finance leasing company). The finance leasing agreements signed by Unibail prior to January 1, 1991 remain governed by the Sicomi regulations;
- Until November 28, 2002 the Company was also governed by the French Monetary and Financial Code (*Code Monétaire et Financier*) by virtue of its “finance company” status [2].

Term of the company

99 years from July 23, 1968.

Corporate object

In accordance with article 2 of the Articles of Association, the corporate object of the Company in France and abroad, is:
- the acquisition, management, letting, leasing, sale and exchange of all types of land, buildings, real property and real property rights, the development of all types of land, the construction of all buildings and the fitting out of all property complexes; whether directly, or through the acquisition of investments or interests, or by creating any civil or commercial company or economic interest group;
- generally, all financial, commercial, industrial, personal or real property transactions related directly or indirectly to the corporate object or enabling it to promote its development;
- the acquisition of any interest in all types of legal entities whether French or foreign.

Commercial and Companies Registry

682 024 096 RCS Paris - SIRET 682 024 096 00047 - APE code: 702 C

Place where documents and information relating to the Company may be consulted

At the registered office: 5, boulevard Malesherbes - 75008 Paris
Tel: +33 (0)1 53 43 74 37

Financial year

The financial year runs from January 1 to December 31.

Distribution of profits

Distribution pursuant to the Articles of Association

Distributable profit consists of the profit for the financial year, less the previous losses and the sums retained as reserves in accordance with the law, plus any profits carried forward. In addition to the allocation of the Company’s distributable profits, the General Meeting may decide to distribute the sums deducted from available reserves, by indicating expressly from which reserves the deduction has been made. The dividends must however be drawn first from the distributable profit for the financial year.
Distributable sums consist of the total amount of the distributable profit and the reserves that the General Meeting decided to allocate. After approving the financial statements and ascertaining the existence of distributable sums, the General Meeting determines the amount to be allocated to shareholders in the form of a dividend.

However, under the regulations applicable to Sicomi companies, at least 85% of the net income, calculated as for corporate income tax purposes, resulting from finance leasing contracts and benefiting from a tax exemption pursuant to Article 208-3 quater of the French Tax Code, shall be distributed, provided it does not exceed the net income for the fiscal year.

Dividend obligations and other consequences of adopting SIIC status

In addition to the rules stated in the Articles of Association, and pursuant to the adoption of the SIIC tax status, recurring income from the activities

[1] On November 29, 2002, following the withdrawal of its ‘finance company’ status, the Company had to change its corporate name to ‘Unibail Holding’ but it is still entitled to use the abbreviated name ‘UNIBAIL’ for listing purposes on the Premier Marché of the Paris Stock Exchange.
[2] After running down its outstanding loans to zero, Unibail requested that the French banking regulator (CECEI) withdraw Unibail’s ‘finance company’ status. As a result, on November 28, 2000, the CECEI made a decision to withdraw Unibail’s ‘finance company’ status as from November 28, 2002.

eligible for the SIIC status and capital gains on property sales covered by the regime are exempt from tax, provided that the dividend rule is respected, i.e. (i) 85% of the recurring income of Year N should be paid out in Year N+1 and (ii) 50% of the capital gains realised in Year N should be distributed no later than in Year N+2.

Administrative and management bodies

In accordance with law No. 2001-420 dated May 15, 2001, relating to the New Economic Regulations in France, the General Meeting of Shareholders held on April 10, 2002 decided to bring the Company's Articles of Association in line with this legislation, in particular by recognising the powers granted respectively to the Board of Directors and to the Chairman of the Board of Directors, as well as the terms governing the general management of the Company.

With effect from April 28, 2005 and until June 30, 2006, Mr Léon Bressler – the former Chief Executive Officer (CEO) - was appointed Chairman of the Board of Directors, and Mr Guillaume Poitrinal, a non-Board member, was appointed CEO. Mr Léon Bressler subsequently indicated that he wished to stand down. The Board of Directors decided, on April 27, 2006, on the advice of the Nominations and Remuneration Committee, to merge the functions of Chairman of the Board of Directors with those of the CEO, with effect from June 30, 2006. Mr Guillaume Poitrinal, who was appointed a Director at the General Meeting of Shareholders on April 27, 2006, was appointed Chairman and thus became Chairman and CEO with effect from June 30, 2006.

General Meetings of Shareholders

General Meetings of Shareholders are convened and deliberate in accordance with the law. Under current rules in practise [3], any shareholder can participate in the General Meetings by registering their shares in their name or though a representative at least three open days prior to the General Meeting, before midnight, Paris time. The shareholder who has already voted by post, appointed another person as a proxy, requested an admission card or a certificate of participation may nevertheless at any time, sell all or a part of his/her shares. If this disposal comes before the third open day before the General Meeting (midnight, Paris time), the authorised person must notify the Group and/or a representative of the Group of the disposal and in consequence, invalidate or modify as necessary the vote placed, power of proxy, the admission card or the certificate of participation.

A single voting right is attached to each share. There are no preference shares.

Disclosure of ownership thresholds pursuant to the Articles of Association

Every shareholder who becomes the owner of a number of shares equal to or greater than 2% of the total number of shares, or equal to a multiple of this percentage, is bound within 15 days of the date upon which any of these ownership thresholds is passed, to inform the Company of the total number of shares he/she owns, by registered letter with acknowledgment of receipt requested, addressed to the registered office (refer to Article 9 bis of the Articles of Association).

Should the shareholder fail to notify the Company in accordance with the conditions set out above, all shares in excess of the above thresholds shall forfeit their voting rights in any Shareholders' Meeting during a period of two years following the date of rectification of the notification, if the failure has been recorded and if one or more shareholders holding at least 2% of the share capital request so, in accordance with the conditions provided by law.

2. GENERAL INFORMATION ABOUT THE SHARE CAPITAL

Conditions imposed by the Articles of Association in respect of changes to the share capital and to the respective rights attached to the various categories of shares

None.

Authorised share capital - Form of shares

The share capital as at December 31, 2006 amounted to € 230,616,085 divided into 46,123,217 fully paid-up shares with a nominal value of € 5 each.

At the shareholder's discretion, the shares are either registered or bearer shares.

Authorisations to increase the share capital

The following authorisations have been granted to the Board of Directors by the Extraordinary General Meeting of Shareholders:

Issue of ordinary shares to be subscribed for in cash, or of any negotiable securities giving access to the capital while maintaining shareholders' preferential subscription rights

The Combined General Meeting held on April 28, 2005 delegated to the Board of Directors, during a 26-month period, its power, in accordance with Articles L 225-129-2 and L 228-92 of the French Commercial Code, to increase the share capital on one or more occasions by the issue, in France or abroad, of ordinary shares to be subscribed for in cash, or of negotiable securities giving access by any means to ordinary shares of the company, whether immediately and/or in the future, up to a maximum nominal value of € 75,000,000, if necessary adjusted to preserve the rights of holders of negotiable securities giving access to shares.

At the General Meeting, held to approve the accounts for the year ending December 31, 2006, the Board of Directors will propose to shareholders that this authorisation be renewed.

[3] For more information, see Article 136, of the decree of March 23, 1967, modified as at December 11, 2006.

Issue of ordinary shares to be subscribed for in cash, or of any negotiable securities giving access to the capital with the exclusion of shareholders' preferential subscription rights

The Combined General Meeting held on April 28, 2005 delegated to the Board of Directors, during a 26-month period, its power, in accordance with Articles L 225-129-2, L 225-135 and L 228-92 of the French Commercial Code, to increase the share capital on one or more occasions by the issue, in France or abroad, of ordinary shares to be subscribed for in cash, or of negotiable securities giving access by any means to ordinary shares of the company, whether immediately and/or in the future, up to a limit of 25% of the authorised share capital existing on the date of the said General Meeting. The issue price of the shares must comply with the regulations in force, and in the case of transactions involving less than 10% of the authorised share capital per year, may be fixed by reference to the average of the three stock market prices preceding the decision to make the issue, but may not represent a discount of more than 10%.

At the General Meeting, held to approve the accounts for the year ending December 31, 2006, the Board of Directors will propose to shareholders that this authorisation be renewed.

Issue of ordinary shares or of any negotiable securities giving access to the capital with the exclusion of shareholders' preferential subscription rights for the purpose of paying for capital contributions in the form of securities including in the context of a public exchange offer

The Combined General Meeting held on April 28, 2005 delegated to the Board of Directors, during a 26-month period, its power, in accordance with Articles L 225-129-2, L 225-135 and L 228-92 of the French Commercial Code:

- to issue ordinary shares or any negotiable securities giving access to the share capital, for the purpose of paying for securities transferred to the Company in the context of a public exchange offer,
- to increase the share capital on one or more occasions, on a report from the auditor, by the issue of ordinary shares or of any negotiable securities giving access to the share capital, up to a limit of 10% of the authorised share capital on the date of the transaction, in order to pay for capital contributions to the company in the form or shares or negotiable securities giving access to share capital, when the provisions of Article L 225-148 do not apply.

At the General Meeting, held to approve the accounts for the year ending December 31, 2006, the Board of Directors will propose to shareholders that this authorisation be renewed.

Capitalisation of reserves

The Combined General Meeting held on April 28, 2005 delegated to the Board of Directors, during a 26-month period, its power, in accordance with Articles L 225-129-2 of the French Commercial Code, to increase the share capital on one or more occasions by the incorporation of premiums, reserves, profits or other items that may be capitalised legally and in accordance with the Articles of Association, in the form of allocations of bonus shares or an increase in the nominal value of existing shares.

At the General Meeting, held to approve the accounts for the year ending December 31, 2006, the Board of Directors will propose to shareholders that this authorisation be renewed.

Share subscription and/or purchase option plans

The Extraordinary General Meeting held on January 24, 1995 (*Plan No.1*) authorised the Board of Directors to grant the Group's managers and employees options to acquire newly-issued shares, up to a limit of 4% of the share capital for a period of five years.
The Combined General Meeting held on May 12, 2000 (*Plan No.2*), authorised the Board of Directors to grant the Group's managers and employees options to acquire newly-issued or existing shares, on one or more occasions during a five-year period, up to a limit of 2.5% of the fully diluted share capital.
The Combined General Meeting held on June 17, 2003 (*Plan No.3*), in accordance with Articles L 225-177 and following of the French Commercial Code, authorised the Board of Directors to grant the Group's managers and employees options to acquire newly-issued shares up to a limit of 3% of the fully diluted share capital, on one or more occasions during a 38-month period.
The Combined General Meeting held on April 27, 2006 (*Plan No.4*), in accordance with Articles L 225-177 and following of the French Commercial Code, authorised the Board of Directors to grant the Group's managers and employees options to acquire newly-issued shares up to a limit of 3% of the fully diluted share capital, on one or more occasions during a 38-month period.

Bonus shares

The Combined General Meeting held on April 28, 2005 authorised the Board of Directors, in accordance with Articles L 225-197 and following the French Commercial Code, to issue bonus shares, whether existing or to be issued, on one or more occasions, to the Company's managers and salaried members of staff and possibly those of associated companies within the meaning of Article L 225-197-2 of the French Commercial Code or some of them, under the conditions provided by law, up to a limit of 1% of the existing authorised share capital on the date of the General Meeting granting the authorisation. This authorisation was granted for a period of 38 months.

Company Savings Plan

The Combined General Meeting held on April 28, 2005 authorised the Board of Directors, in accordance with Article L 225-129-5 of the French Commercial Code, to carry out increases in the share capital reserved for managers and employees of Unibail or of its subsidiaries members of the Company and/or Group Savings Plan on one or more occasions within a period of five years from the date of this meeting, up to a limit of 1% of the fully diluted share capital.

Table summarising authorisations to increase the share capital (as at December 31, 2006)

Type of authorisation	Amount authorised (1)	Date of General Meeting	Expiry date of authorisation	Beneficiaries	Issue terms and conditions	Amount of authorisation used: number of shares issued/subscribed for or permanently allocated	Outstanding amount of authorisation: potential options/ shares in acquisition period (2)
Increases in the share capital reserved for employees, Order of October 21, 1986 and subsequent regulations (*Plan No.1*)	4% of the share capital	EGM of January 24, 1995	January 23, 2000	Group Managers and employees	Powers delegated to Board to set terms and conditions. No discount	1,286,805 following exercise of options	0
Increases in the share capital reserved for Directors and employees, Stock Option Plan (*Plan No.2*)	2.5% of the fully diluted share capital	CGM of May 12, 2000	May 11, 2005	Group Managers and employees	Powers delegated to Board to set terms and conditions. No discount	1,109,634 following exercise of options	175,064
Increases in the share capital reserved for Directors and employees, Stock Option Plan (*Plan No.3 and Plan No.3 Performance*)	3% of the fully diluted share capital	CGM of June 17, 2003	August 16, 2006	Group Managers and employees	Powers delegated to Board to set terms and conditions. No discount	0	1,331,821 (3) o/w *Plan No.3*: 972,617 o/w *Plan No.3 Performance:* 359, 204
Increases in the share capital reserved for employees, Company Savings Plan	1% of the fully diluted share capital	CGM of April 28, 2005	April 27, 2010	Subscribers to Company Savings Plan	Powers delegated to Board to set terms and conditions. 20% discount to average share price during last 20 trading days.	87,197 following subscriptions to Company Savings Plan	Amount can be increased up to 1% of the fully diluted share capital
Increases in the share capital by incorporation of reserves	Subject to applicable law and provisions of the Articles of Association	CGM of April 28, 2005	June 27, 2007	Shareholders	Powers delegated to Board to set terms and conditions: bonus shares or increase in nominal value	0	Not used
Increase in the share capital by the issue of ordinary shares to be subscribed in cash, or of any negotiable securities with PSR (4)	€ 75,000,000 nominal value, possibly adjusted to preserve the rights of holders of negotiable securities giving access to shares	CGM of April 28, 2005	June 27, 2007	Shareholders	Power delegated to Board to set terms and conditions	0	Not used
Increase in the share capital by the issue of ordinary shares to be subscribed in cash, or of any other securities PSR waivered (4)	25% of the authorised share capital on the date of the CGM of April 28, 2005	CGM of April 28, 2005	June 27, 2007	Certain shareholders and/or third parties	Powers delegated to Board to set terms and conditions: removal of the preferential subscrip-tion right with the possi-bility of a priority right. Average of the last 3 stock market prices and discount of 10% if transaction < 10% of the annual share capital	0	Not used
Increase in the share capital by the issue of ordinary shares to be subscribed in cash, or of any negotiable securities or capital contributions in the form of securities, including PEO with PSR waivered (4)	If PEO: Article L 225-148 Capital contributions: 10% of the authorised share capital on the date of the transaction	CGM of April 28, 2005	June 27, 2007	Beneficiaries of the transaction	Powers delegated to Board to set terms and conditions: removal of the preferential subscription right	0	Not used

Allocation of bonus shares	1% of the authorised share capital on the date of the CGM of April 28, 2005	CGM of April 28, 2005	June 27, 2008	Managers and Group employees	Powers delegated to Board to set terms and conditions	0	8,721 [5] o/w 230 subject to performance conditions
Increase in the share capital reserved for managers and employees, Stock Option Plan (*Plan No.4 Performance*)	3% of the fully diluted share capita	CGM of April 27, 2006	June 26, 2009	Managers and Group employees	Powers delegated to Board to set terms and conditions. No discount.	0	365,500 options subject to performance conditions

(1) For more details, refer to the exact text of the resolutions.
(2) After adjustments.
(3) This authorisation will no longer be used, following the adoption of a new resolution by the General Meeting on April 27, 2006 (*Plan No. 4 Performance*).
(4) Preferential subscription rights.
(5) The conditions of allocation, retention and, if applicable, performance are set by the Board for each allocation. The shares are not created until the expiry of the acquisition period.

Other securities giving access to the share capital

Options to subscribe for and/or purchase shares

Stock options allocated to employees in the context of the plans described below have been granted by taking into account exemplary behaviour, the assumption of responsibility or the playing of key roles within the Group. There is nothing automatic about the allocations, whether in terms of their amount or their frequency. No discount is applied.

In accordance with the authorisation granted by the Extraordinary General Meeting held on January 24, 1995 (*Plan No.1*), the Board of Directors granted the Group's managers and employees options to acquire newly-issued shares, up to a limit of 4% of the share capital. The options have a duration of 8 years and can be exercised at any time, on one or more occasions, with effect from the fifth anniversary of the date of their allocation by the Board of Directors. Under this plan and after the 3-for-1 share split carried out in June 2001, 1,230,000 stock options have been granted, totalling 1,366,506 after adjustments according to the following coefficients: 1.1016 for the 1995, 1996 and 1997 tranches, 1.071 for the 1998 tranche, 1.030 for the 1999 tranche, and 1.2726 following the exceptional distribution of January 7, 2005 for all subscription options yet to be exercised. As at December 31, 2006, under Plan no. 1, 1,286,805 new shares had been issued. There are no more potential new shares under this plan.

In accordance with the authorisation given by the Combined General Meeting held on May 12, 2000 (*Plan No.2*), the Board of Directors granted the Group's managers and employees options to acquire newly-issued and/or existing shares up to a limit of 2.5% of the fully-diluted share capital. The options have a duration of 8 years and may be exercised as follows: 30% at the end of the 2nd year following the date of allocation, 30% at the end of the 3rd year, and the balance or the entirety of the options at the end of the 4th year, on the understanding that the shares cannot be sold by the beneficiaries before the end of the 4th year.
1,213,500 options have been granted under *Plan no. 2*, totalling 1,386,428 after adjustments made following the division of the nominal value by 3 in 2001 and the application of the adjustment coefficient of 1.2726 following the exceptional distribution of January 7, 2005 for all subscription options yet to be exercised. As at December 31, 2006, under *Plan no. 2*, 1,109,634 new shares had been issued, and the potential number of new shares amounted to 175,064 after cancellations due to staff departures.

In accordance with the authorisation granted by the Combined General Meeting held on June 17, 2003 (*Plan No.3 and Plan No.3 Performance*), the Board of Directors granted the Group's managers and employees options to acquire newly-issued shares up to a limit of 3% of the fully-diluted share capital. The options have a duration of 7 years, and may be exercised at any time, on one or more occasions, as from the fourth anniversary of the date of their allocation by the Board of Directors. Following a proposal by the Nominations and Remuneration Committee, the Board of Directors on October 15, 2003 approved the terms of two plans, one relating to a "traditional" unconditional stock option plan (*Plan No.3*) and one relating to a stock option plan subject to performance criteria (*Plan No.3 Performance*).

Plan No.3 Performance is intended mainly for Unibail's responsible officers and members of Unibail's Executive Committee, although these persons also remain eligible for *Plan No.3*. The right to exercise options depends on Unibail's overall stock market performance being higher in percentage terms than that of the EPRA benchmark index over the reference period (i.e. the period between the date on which the Board of Directors decides to grant options and the last trading day before the recipient exercises the options, which will be at the end of the fourth year, at the earliest, and at the end of plan's term, i.e. the end of the seventh year, at the latest).

Attention is drawn to the following points:

(i) Unibail's overall stock market performance is defined as the movement in Unibail's share price during the reference period, with all gross interim and final dividends reinvested on the date of their payment;
(ii) the performance of the EPRA (European Public Real Estate Association) index is defined as the movement in the EPRA Euro Zone Total Return index during the reference period. This index comprises the leading property stocks in the Euro Zone. This is a "total return" index, which includes dividends paid. The gross dividend figures included in the calculation of Unibail's overall stock market performance are those published by Bloomberg, which serve as the basis for the EPRA Euro Zone Total Return index.

As at December 31, 2006, the potential number of shares amounted to 1,331,821, distributed among 972,617 options granted under *Plan No.3* and 359,204 options granted under *Plan No.3 Performance* (after adjusting by a coefficient of 1.2726 following the exceptional payout of January 7, 2005, and after the cancellation of options due to staff departures).

In accordance with the authorisation granted by the Combined General Meeting held on April 27, 2006 (*Plan No.4 Performance*), the Board of Directors can grant the Group's managers and employees options to acquire newly-issued shares up to a limit of 3% of the fully-diluted share capital. The options have duration of 7 years, and may be exercised at any time, on one or more occasions, as from the fourth anniversary of the date of their allocation by the Board of Directors. Following a proposal by the Nominations and Remuneration Committee, the Board of Directors on October 11, 2006 exclusively approved a stock option plan subject to performance criteria (*Plan No.4 Performance*).

The right to exercise the options depends on Unibail's overall stock market performance, on the same terms as apply to *Plan No.3 Performance* set out above. As at December 31, 2006, the potential number of new shares dependent on performance criteria (*Plan No.4 Performance*) was 365,500.

Bonus shares

In accordance with the authorisation granted by the Combined General Meeting held on April 28, 2005, authorising the Board of Directors to allocate bonus shares during a 38-month period, which followed the Board's adoption of the bonus shares plan as decided by the Board on April 27, 2006, managers and employees of the Group were allocated 8,721 bonus shares during the financial year, including 230 subject to performance criteria.

Options to purchase existing shares and/or subscribe for new shares

Currently, there are no warrants in existence entitling the holder to purchase existing shares and/or subscribe for new shares.

Convertible bonds

Currently, Unibail has no outstanding convertible bonds.

Share buyback programme

The Combined General Meeting held on April 27, 2006 authorised the Board of Directors, pursuant to Article L 225-209 of the French Commercial Code, to buy back its own shares up to the legal limit of 10% of the total number of outstanding shares, adjusted for any change in the share capital during the authorisation period, notably to allow the Company:

(i) to reduce its share capital by cancelling shares in whole or in part in order to optimise earnings per share and/or cash flow per share;
(ii) to hold shares which may be granted to its managers and employees and those of affiliated companies under stock option plans or Company Savings Plans;
(iii) to hold shares enabling it to honour obligations in connection with debt securities convertible into shares;
(iv) to hold shares that may be retained and subsequently used by way of exchange or payment in the context of external growth transactions (including new or increased equity interests); or
(v) to stimulate the market or the liquidity of the share through an investment service provider, in the context of a liquidity contract in accordance with an AFEI code of conduct recognised by the A.M.F.

The maximum purchase price is set at € 140 excluding fees and the minimum sale price at € 100 excluding fees, based on a nominal value of € 5. The total amount devoted to this share buyback programme cannot exceed € 500m. This authorisation is valid for a period of eighteen months as from the Combined General Meeting of April 27, 2006.

At the General Meeting, held to approve the accounts for the year ending December 31, 2006, the Board of Directors will propose to the shareholders that this authorisation be renewed. Under the new authorisation, the maximum purchase price will be € 250 per share (excluding fees) and the minimum sale price would be € 150 per share (excluding fees), based on a nominal value of € 5. The maximum amount devoted to this share buyback programme may not exceed 10% of the total number of shares comprising the share capital as at December 31, 2006, namely 4,612,321 shares representing a maximum amount of € 1.15 billion. In addition to the objectives of the previous programme, this new share buyback programme may be used to implement any new market practice that might be allowed by the A.M.F., and more generally, to carry out any transaction in accordance with current regulations.

Review of share buyback programme running from April 27, 2006 to December 31, 2006

On December 31, 2006, the Company did not hold any treasury shares.

Under this share buyback programme, the Company: (i) has not purchased any shares according to market conditions, and (ii) has not cancelled any treasury share.

	Gross totals		Open positions on prospectus filing date	
	Purchases	Sales/transfers	Buy	Sell
Number of shares	None	None	None	None
Average maximum maturity	-	-	-	-
Average transaction price	-	-	-	-
Average strike price	-	-	-	-
Total amount	-	-	-	-

The Company has not entered into any market-making or liquidity agreements.

The Company has not used any derivative products as part of its share buyback programme.

Pledged Company's shares

At year-end 2006, 78,534 shares were held in a registered custodian account (*nominatif administré*), and no standard registered shares (*nominatif pur*) were pledged.

Escheat shares

In accordance with the provisions of Article L 228-6 of the French Commercial Code, the Board of Directors at its meetings on March 9, 1999 and June 1, 2005 decided to sell on the Paris stock market Unibail shares unclaimed by shareholders within a period of two years following the publication of a notice in the newspaper La Tribune on July 8, 2005, following merger/takeover transactions or the registration of such shares. As at December 31, 2006, with regard to exchange rate parities and the division of the nominal value by 3 which took place on June 13, 2001, 82,971 shares are affected.

Other securities giving entitlement to the share capital

None

Dividends

The amount of dividends paid over the last five financial years is shown on page 112 of this report. The dividend is paid out from profits, retained earnings and, if necessary, available reserves.
As yet, Unibail has not used the authorisation provided for in Article 21 of the Articles of Association to distribute the dividend in the form of new shares.

The General Meeting held on April 27, 2006 fixed the dividend at € 4 per share. Taking into account the interim dividends of € 0.95 per share decided on by the Board of Directors at its meetings on October 12, 2005, December 14, 2005 and February 1, 2006 and paid on October 17, 2005, January 16, 2006 and April 18, 2006, respectively, and each totalling € 43.44m, the final dividend of € 1.15 per share paid on July 17, 2006 amounted to € 52.8m, and the overall dividend in respect of the 2005 financial year amounted to € 183.4m.

The Board of Directors at its meetings on October 11, 2006 and December 14, 2006 decided to pay an interim dividend of € 1 per share in respect of the 2006 financial year, to be paid as to € 46.06m on October 16, 2006 and as to € 46.12m on January 15, 2007, respectively. A third interim dividend of € 1 per share was decided on by the Board of Directors at its meeting on January 31, 2007, and will be paid on April 16, 2007. Subject to adoption by the General Meeting held to approve the accounts for the year ending December 31, 2006, of an overall dividend of € 5, the final dividend (namely € 2 per share) will be paid on July 16, 2007.

Dividends that remain unclaimed for a period of five years from the date they are made available for payment are paid over to the French Treasury, in accordance with Articles L 27 and R 46 of the French State Property Code (*Code du Domaine de L'État*).

Increases/decreases in Unibail's share capital over the past five years

Dates	Movements in the share capital	Number of shares issued	Total number of shares	Total share capital	Premium resulting from transaction
06/02/2002	Exercise of options (1995–1996 tranches)	27,112	46,678,534	€ 233,392,670	€ 460,757.36
10/04/2002	Exercise of options (1995–1996 tranches)	219,934	46,898,468	€ 234,492,340	€ 3,638,736.71
15/05/2002	Exercise of options (1995–1997 tranches)	18,867	46,917,335	€ 234,586,675	€ 335,455.26
24/07/2002	Company Savings Plan	51,513	46,968,848	€ 234,844,240	€ 2,245,492.65
24/07/2002	Exercise of options (1995–1997 tranches)	28,267	46,997,115	€ 234,985,575	€ 512,247.26
09/10/2002	Exercise of options (1995–1997 tranches)	28,329	47,025,444	€ 235,127,220	€ 463,425.69
11/12/2002	Exercise of options (1995–1997 tranches)	25,211	47,050,655	€ 235,253,275	€ 434,349.79
05/02/2003	Exercise of options (1995–1997 tranches)	31,085	47,081,740	€ 235,408,700	€ 546,811.30
23/04/2003	Exercise of options (1995–1998 tranches)	79,390	47,161,130	€ 235,805,650	€ 1,677,543.09
25/04/2003	Cancellation of shares	-1,729,863	45,431,267	€ 227,156,335	€ 89,709,921.00
16/07/2003	Company Savings Plan	46,522	45,477,789	€ 227,388,945	€ 1,907,402.00
23/07/2003	Exercise of options (1995–1998 tranches)	87,986	45,565,775	€ 227,828,875	€ 1,848,149.93
08/09/2003	Exercise of warrants (1)	189	45,565,964	€ 227,829,820	€ 6,855.00
15/10/2003	Exercise of options (1995–1998 tranches)	47,669	45,613,633	€ 228,068,165	€ 1,055,210.82
18/12/2003	Exercise of options (1995–1998 tranches)	31,275	45,644,908	€ 228,224,540	€ 733,929.70
30/12/2003	Cancellation of shares	-648,073	44,996,835	€ 224,984,175	€ 38,884,380.00
04/02/2004	Exercise of options (1996–1998 tranches)	31,682	45,028,517	€ 225,142,585	€ 704,611.72
12/05/2004	Exercise of options (1996–2000 tranches)	289,645	45,318,162	€ 226,590,810	€ 8,714,911.80
13/05/2004	Cancellation of shares	-570,000	44,748,162	€ 223,740,810	€ 38,594,700.00
13/07/2004	Company Savings Plan	41,514	44,789,676	€ 223,948,380	€ 2,458,043.94
28/07/2004	Exercise of options (1996–2001 tranches)	1,426	44,791,102	€ 223,955,510	€ 37,815.64
23/09/2004	Cancellation of shares	-5,692	44,785,410	€ 223,927,050	€ 406,978.00
13/10/2004	Exercise of options (1996–2001 tranches)	33,474	44,818,884	€ 224,094,420	€ 773,011.19
15/12/2004	Exercise of options (1996–2002 tranches)	541,437	45,360,321	€ 226,801,605	€ 23,323,152.62
28/04/2005	Exercise of options (1997–2002 tranches)	74,497	45,434,818	€ 227,174,090	€ 1,714,923.01
01/06/2005	Exercise of options (1998–2002 tranches)	30,596	45,465,414	€ 227,327,070	€ 643,617.40
12/07/2005	Company Savings Plan	55,983	45,521,397	€ 227,606,985	€ 3,937,305.73
21/07/2005	Exercise of options (1998–2002 tranches)	9,946	45,531,343	€ 227,656,715	€ 342,906.69
12/10/2005	Exercise of options (1998–2002 tranches)	11,649	45,542,992	€ 227,714,960	€ 411,075.69
14/12/2005	Exercise of options (1999–2002 tranches)	75,572	45,618,564	€ 228,092,820	€ 2,799,903.64
01/02/2006	Exercise of options (1998–2002 tranches)	122,490	45,741,054	€ 228,705,270	€ 4,757,584.35
27/04/2006	Exercise of options (1998–2002 tranches)	113,547	45,854,601	€ 229,273,005	€ 4,112,799.29
28/06/2006	Company Savings Plan	31,214	45,885,815	€ 229,429,075	€ 3,289,331.32
24/07/2006	Exercise of options (1998–2002 tranches)	18,664	45,904,479	€ 229,522,395	€ 704,983.80
11/10/2006	Exercise of options (1998–2002 tranches)	8,934	45,913,413	€ 229,567,065	€ 341,859.29
14/12/2006	Exercise of options (1999–2002 tranches)	163,707	46,077,120	€ 230,385,600	€ 6,802,258.34

(1) Issue of 2,081,500 warrants to subscribers to the increase in the share capital decided on by the Board of Directors on April 22, 1999, pursuant to powers delegated by the General Meeting of the same date. These warrants could be exercised until May 11, 2004, after adjustments, at the rate of 3.15 shares with a nominal value of € 5 for 5 warrants and € 130.

Note: Increases in the share capital associated with the exercise of options are taken into account on the date of the first meeting of the Board of Directors following such exercise.

Dividends over recent years

	2001	2002	2003	2004	2005
Number of remunerated shares	46,678,534	45,507,099	44,341,065	45,471,093	45,873,265
Net dividend per share (in euros)	1.70	1.14	3.50	3.75	4.00

3.SHARE CAPITAL AND VOTING RIGHTS

Ownership of capital and voting rights

The Group's share capital as at December 31, 2006 comprised 46,123,217 fully paid-up shares with a nominal value of € 5 each. A voting right is attached to each share.

Over 99% of the share capital is free floating. To the best of the Company's knowledge, the breakdown of share ownership has been constant in the last three years, and is as follows:

- French investors: around 40%;
- International investors: around 60%.

The Company's shareholding structure has changed as follows over the last three years:

Owner	Year-end 2004 Number of shares	Year-end 2004 % of capital	Year-end 2004 % of voting rights	Year-end 2005 Number of shares	Year-end 2005 % of capital	Year-end 2005 % of voting rights	Year-end 2006 Number of shares	Year-end 2006 % of capital	Year-end 2006 % of voting rights
Free float	44,956,658	99.11%	99.11%	45,216,928	98.88%	98.88%	45,846,113	99.40%	99.40%
Treasury shares	-	0%	0%	-	0%	0%	-	0%	0%
Company's responsible officers	211,099	0.47%	0.47%	271,639	0.59%	0.59%	56,345	0.12 %	0.12%
Employees (Company Savings Plan)	192,564	0.42%	0.42%	242,577	0.53%	0.53%	220,759	0.48%	0.48%

In accordance with Article 11 of the Articles of Association, the Company's Directors must each own at least one share. These must be registered shares, pursuant to Article L.225-109 of the French Commercial Code.

Ownership threshold disclosures notified between February 22, 2006[(4)] and January 31, 2007

To the Company's knowledge, between February 22, 2006 and January 31, 2007:

- ABP Investments fell below the 5% disclosure threshold and on March 3, 2006 owned 4.82% of the Company's capital and voting rights;
- The Crédit Agricole group (including Prédica) fell below the 6% disclosure threshold. Based on the last notice, on July 4, 2006, this group directly or indirectly owned 5.94% of the Company's share capital and voting rights;
- The Société Générale group and Société Générale have on several occasions exceeded and fallen below the 2%, 4%, 5% and 6% disclosure thresholds provided by the Articles of Association and by law. Based on the last notice, on January 12, 2007, the Société Générale group owned 2.695% of the Company's authorised share capital and voting rights;
- UBS Global Asset Management has exceeded the 4% disclosure threshold. Based on the last notice, on August 14, 2006, this group owned 4.86% of the Company's share capital and voting rights;
- Barclays PLC informed the Company on October 31, 2006 that it had exceeded the 5% disclosure threshold. Based on the last notice, Barclays owned 5.51% of the Company's share capital and voting rights;
- ING Bank NV (London Branch) has successively exceeded and fallen below the 2% of capital and voting rights disclosure threshold provided by the Articles of Association. Based on the last notice, on October 31, 2006, ING Bank NV (London Branch) no longer owns any stake in the Company;
- UBS Investment Bank has successively exceeded and fallen below the legal disclosure threshold of 2% of capital and voting rights. Based on the last notice, on December 13, 2006, UBS Investment Bank owns 1.91% of the Company's share capital and voting rights;
- Crédit Agricole Asset Management has successively exceeded and fallen below the legal disclosure threshold of 2% of capital and voting rights. Based on the last notice, on December 19, 2006, Crédit Agricole Asset Management has fallen below the legal disclosure threshold of 2% of capital and voting rights and now owns 1.5% of the Company's share capital and voting rights.

So far as the Company is aware, there is neither shareholders' agreement, nor any person or group of persons exercising or capable of exercising control over the Company.

Unibail's responsible officers (*mandataires sociaux*) and all other staff are subject to a Code of Ethics with respect to the transactions of the Company's securities carried out in a personal capacity. In particular they are prohibited from acquiring or selling securities (or financial products associated with such securities) within the 30-day period preceding the publication of the annual or half-yearly results. The Company's responsible officers and certain of its employees, who by reason of their functions have access to insider information, are also classified as permanent insiders[(5)].

(4) Threshold disclosures notified prior to February 22, 2006 can be viewed on the A.M.F. website.

(5) This list is updated to take into account employees joining and leaving.

4. SHARE CAPITAL AND STOCK MARKET PERFORMANCE

Shares

All shares forming the share capital are listed on the Eurolist market and are part of the SBF 120, SBF 80, CAC Next 20 and Euronext 100 indices.

	2001	2002	2003	2004	2005	2006
Market capitalisation (€ m)[1]	**2,661.4**	**3,190.8**	**3,345.5**	**5,252.7**	**5,127.5**	**8,537.4**
Trading volume						
Average daily turnover	89.01	129.73	145.37	139.02	148.59	245.27
(in thousands) after the share split						
Share price (€) after the share split						
- High	66.0	70.9	76.0	117.5	122.4	187.9
- Low	48.7	54.0	55.1	73.0	88.2	111.8
- Latest closing price	57.1	67.8	74.4	115.8	112.4	185.1

[1] Based on the last quoted price for the year.

Trading volumes (number of shares and total value) in the last 18 months - Source Euronext, including off-system transactions

Shares
(based on intra-day prices)

Month	Highest price (€m)	Lowest price (€m)	Volume traded (€m)	Amount traded (€m)
2004				
August	93.20	87.10	1,824,450	165.24
September	100.60	93.30	2,386,786	232.05
October	108.00	96.30	3,237,459	322.13
November	109.20	102.20	2,181,785	231.56
December	117.50	106.90	2,896,460	324.96
2005				
January	115.70	88.20	5,559,405	539.75
February	98.55	90.80	3,039,847	287.20
March	94.00	88.30	3,159,382	286.54
April	98.80	90.70	4,521,029	426.93
May	105.50	95.10	2,152,346	215.89
June	107.20	100.70	2,588,576	269.97
July	115.40	104.50	2,386,316	264.20
August	122.40	113.10	2,399,741	282.23
September	122.00	115.40	1,900,962	225.80
October	121.80	106.30	4,723,193	533.18
November	113.80	102.50	3,038,162	331.88
December	113.00	103.70	2,842,155	310.21
2006				
January	123.20	111.80	6,664,378	781.29
February	139.30	119.70	2,868,236	371.31
March	150.20	137.10	3,579,366	515.53
April	155.40	135.20	4,663,715	673.74
May	145.00	121.70	4,567,084	603.80
June	136.50	122.00	3,743,936	484.36
July	148.60	132.50	6,547,136	907.80
August	159.50	143.00	3,098,342	469.84
September	168.00	148.00	3,207,024	500.41
October	172.00	164.60	16,609,066	2,776.54
November	185.00	165.00	3,585,462	634.99
December	187.90	172.00	3,410,242	619.07

Proposed allocation (in euros)[1]

Net profit	992,948,022
Retained earnings	355,406,061
Total distributable profit	1,348,354,083
Legal reserves	196,038
Distribution (€ 5 per share)	230,616,085
Total allocation	1,348,354,083

(1) Subject to the approval of the General Meeting held to approve the accounts for the year ending December 31, 2006, on the basis of 46,123,217 shares as at December 31, 2006.

5. BOARD OF DIRECTORS

Mr Guillaume POITRINAL was born in Paris in 1967, he is a graduate of the *Ecole des Hautes Etudes Commerciales* (HEC) and joined Unibail in 1995. Since June 30, 2006, he has been the Company's Chairman and CEO after having been appointed a Director by the General Meeting held on April 27, 2006 for a period of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2008. In addition, he is Chairman of Groupe Exposium Holding SAS and of Doria SAS, Vice-Chairman of the Supervisory Board of Salon International de l'Alimentation (SIAL) SA, and a Director of the Fédération des Sociétés Immobilières et Foncières. He is Chairman of the Board of Directors of Paris Expo-Porte de Versailles and a permanent representative of Unibail Participations SAS on the Supervisory Board of SEML Nouvelle du Parc du Futuroscope. He is permanent representative of Unibail Holding, which is the parent company of the Waiméa limited company (SAS) and a permanent representative of Doria limited company (SAS), the manager of La Financière 5 Malesherbes.

Mr Jacques DERMAGNE was born in Paris in 1937. He holds a masters degree in private law and is Chairman of the Economic and Social Council. He has been a Director of Unibail since 1993. His directorship was last renewed at the General Meeting held on April 28, 2005, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2007. He is a member of Unibail's Nominations and Remuneration Committee.
Mr Dermagne is also a member of the Supervisory Boards of Devanlay, D.M.C. and Cetelem, and a Director of Rallye.
Jacques Dermagne has been, over the last five years, a member of the Supervisory Boards of the companies Optorg and France Convention

Mr François JACLOT was born in Neuilly-sur-Seine in 1949. He is a Treasury auditor (*Inspecteur des Finances*) and graduate of *ENA* and the *Institut d'Etudes Politiques*. He also holds a masters degree in mathematics, and is a graduate of the *Ecole Nationale de Statistiques et d'Administration Economique* (ENSAE). Mr Jaclot was appointed as a Director at the General Meeting held on June 17, 2003, and had his term of office renewed by the General Meeting held on April 27, 2006, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2008. He is the Chairman of Unibail's Audit Committee, and is a Director of a number of foreign companies.
François Jaclot has held, over the last five years, the following positions: Chairman and CEO of the Company involved in the extraction of energy resources in the Nivernais region (SEREN); Chairman of the Board of Directors of the Financière du Bois du Roi, manager of FJ Consulting, Chief financial officer and then Senior Advisor for Inbev (ex Interbrew) and a director of Eurotunnel (Corporation et PLC).

Mr Jean-Claude JOLAIN was born in Laxou (54) in 1943. He is a graduate of the *Institut d'Etudes Politiques* in Paris, the holder of a post-graduate professional law degree (DES) and graduate of *ENA* (Turgot class of 1968). Mr Jolain has served on Unibail's Board since 1989. His directorship was last renewed at the General Meeting held on April 8, 2004, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2006. He is a member of Unibail's Audit Committee, and acts as Chairman and CEO of Villes Services Plus, as a Director of HSBC France, and as a member of the Supervisory Board of GCE Immobilier (Caisse d'Epargne Group).
Over the last 5 years Jean-Claude Jolain has held the following positions: Chairman and CEO of property management company (SAGI) and of Villes Services Plus, Director of Perexia, SEMIDEP, EFIDS, C.C.F, CNAM, permanent representative of SAGI at the heart of SNC Duranti, and on the Board of Directors of a company concerning the Eiffel Tower (SNTE), of SEMAVIP, SEMAEST and Paris Expo. He is also on the Supervisory Board of Sogaris (Société de la Gare Routière de Rungis), Chairman of the European Economic Social Union for housing (UESL) and a member of the Supervisory and Direction Board for the Bank-Credit Municipal de Paris.

Mr Yves LYON-CAEN was born in Paris in 1950. He is a law graduate, a graduate of the *Institut d'Etudes Politiques* in Paris and a former student of the *Ecole Nationale d'Administration*. He was appointed a Director of Unibail at the General Meeting held on April 28, 2005, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2007. He is a member of Unibail's Audit Committee is also Chairman of the Supervisory Board of Bénéteau S.A. and of Sucres & Denrées, and is a Director of Nexans.

Mr Bernard MICHEL was born in Metz (57) in 1948, and is an economics graduate. He is a former Financial Inspector-General, a member of the executive committee of Crédit Agricole Corporation, and Chairman of the Board of Directors of Crédit Agricole Immobilier and of UNIMO, and Chairman of AEPRIM limited company (SAS). He is a director of the following: CA Leasing, Cholet Dupont Gestions, Sopra Group and Atticaz (from February 2007). He is a member of the Supervisory Board of Corelyon, a director and the Vice-Chairman of Prédica, Vice-Chairman of the Supervisory Board for CRP Billets. He is permanent representative of Crédit Agricole corporation, on their Guaranteed Fund Deposits Supervisory Board and in this position holds the role of the Chairman of the I.T. Exchange and Treatment Systems Supervisory Board (STET). He is a *Chevalier de la Légion d'Honneur* and an *Officier de l'ordre national du Mérite*. He became a Director of Unibail at the General Meeting held on April 27, 2006, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2008. Over the last five years, Bernard Michel has held the position of director of CEDICAM (GIE), of Euro Securities Partners limited company (SAS), of President de Progicas limited company (SAS), of Silca (GIE), member of the Sopra Group's Supervisory Board and member of the Executive committee of TLJ limited company.

Mr Henri MOULARD was born in St-Genis-Terre-Noire (42) in 1938. He is a graduate of the I*nstitut d'Etudes Politiques* in Lyons, a graduate in Private Law, and the holder of a post-graduate professional degree (DES) in Public Law. He was appointed as a Director at the General Meeting held on May 20, 1998. His directorship was last renewed at the General Meeting held on April 8, 2004, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2006. He is the Chairman of Unibail's Nominations and Remuneration Committee.
Mr Moulard is Chairman of Invest in Europe (an asset management company), HM & Associés (a consulting firm) and of Attijariwafa Bank Europ (an ex commercial bank in Marocco) where he is also a director, and is Chairman of the Supervisory Board of Dixence (a property investment company). He is also a Director of Burelle SA, Elf Aquitaine, Foncia and Française de Placements Investissements. Mr Moulard is also a member of the Supervisory Board of Financière Centuria SAS and acts as a censor for Gerpro SAS and GFI Informatique. He is also Chairman of the Audit Committees of Crédit Lyonnais, Calyon (formerly Indosuez) and Crédit Agricole S.A.
Henri Moulard has held over the last five years the positions of treasurer and office member of the Foundation de France. Previously he held the following positions: Chairman and CEO of Generali France Holding, Generali France Assurances and its subsidiaries (GPA Iard, GPA Vie and GFA Iard), the Fédération Continentale and of France Assurances he was also Chairman of the Executive Board of ABN AMRO France; director of Corifrance, DIL France corporation (Dutch French Bank), of Equité, of ISIS, of the Crédit Agricole corporation, and of Wafabank; a permanent representative of GFA Iard in Europe Assistance Holding and of Generali France Holding in Generali Finances.

Mr Jean-Jacques ROSA was born in Marseille (13) in 1941. He holds a doctorate in economics and a post-graduate degree in economic sciences. He was appointed as a Director of Unibail at the General Meeting held on May 20, 1998. His directorship was last renewed at the General Meeting held on April 8, 2004, for a term of three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2006. Mr Rosa is also a university professor and teaches at the *Institut d'Etudes Politiques* in Paris.
Over the last five years, Jean-Jacques Rosa has been a director of SAIA.

Mr Jean-Louis SOLAL was born in Algiers in 1928. He is a graduate from George Washington University in the United States. Mr Solal has played a pioneering role in large-scale shopping centres, both in France and internationally (Spain, Italy, Belgium and US). He was the developer behind the Elysée 2, Parly 2, Vélizy 2, Rosny 2, Bobigny 2, Ulis 2, Evry 2, La Part-Dieu, Bab 2 and Madrid 2 shopping centres. Mr Solal is also one of the founding members and the former Director of the Real Estate Center Board in Wharton, University of Pennsylvania. For sixteen years, he was Chairman of the European Council of the International Council of Shopping Centers. He has been awarded the medals of *Officier de la Légion d'Honneur* and *Chevalier de la Couronne de Belgique*.
Mr Solal has been a Director of the Company since December 15, 2004. His term of office was renewed on April 28, 2005, for three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2007.

Mr Claude TENDIL was born in Bourg-d'Oisans (38) in 1945. He is a graduate of the *Ecole des Hautes Etudes Commerciales*, the *Institut d'Etudes Politiques* in Paris and the *Centre des Hautes Etudes de l'Assurance* in Paris. He has been a Director since June 17, 2003, and his term of office was renewed at the General Meeting held on April 27, 2006, for three years, i.e. until the General Meeting called to approve the accounts for the financial year ending December 31, 2008. He is a member of Unibail's Nominations and Remuneration Committee.
Mr Tendil has been Chairman and CEO of Generali France, the holding company of the Generali Group in France (since 2002), as well as of Generali Assurances Vie and Generali Iard. He is also Chairman of the Board of Directors of Assurance France Generali, Europ Assistance Holding and Europ Assistance Italie. He is also a Director of Scor and the permanent representative of Europ Assistance Holding, itself a Director of Europ Assistance Spain.
Claude Tendil has held, over the past five years the following positions: Chairman and CEO of Generali France Assurances Vie and of the Group Europ Assistance; Chairman of the Board of Directors of Generali France Assurances Iard, of Generali Assurances Iard, of Assurance France Generali, GPA Vie, GPA Iard, of the Fédération Continentale; Vice-Chairman of the Board of directors of Europ Assistance Portugal; Director of Equité, Continent Holding, Continent Lard, Scor Vie and Europ Assistance Germany.

Proposed directorships for approval at the next General Meeting:

Mr Jean-Pierre DUPORT was born in Saint. Sever (40) in 1942, and is a graduate of the *Institut d'Études Politiques* in Paris. He is a law graduate, and is a former student of *ENA* (Marcel Proust class of 1967).
Since 2005, he has been an external member of the Conseil d'État. He has occupied a variety of positions in the development and planning fields. In particular, he was a delegate on the body responsible for local development and regional action between 1989 and 1993. He was Prefect of Seine Saint-Denis between 1993 and 1997, before becoming Prefect of the Ile-de-France region and of Paris between 1998 and 2002. Mr Duport was the Chairman of the Board of Directors of *Réseau Ferré de France* and was a Director of Lyon Turin Ferroviaire SA between 2002 and 2005.
Currently, he is a Director of the company HLM Pax Progrès Pallas. He is an *Officier de la Légion d'Honneur* and a *Chevalier de l'Ordre National du Mérite*.

Mr Jean-Louis LAURENS was born in Loudun (86) in 1954, and is a graduate of the *Ecole des Hautes Études Commerciales*. He has a doctorate in economics and a master's degree in law.
Mr Laurens has held the positions of Chairman and CEO of AXA Investment Managers Paris of Deputy CEO of AXA Investment Managers. He has been Chairman of the Supervisory Board of AVIP and of the Supervisory Board of Dresdner Gestion Privée and Dresdner RCM Gestion since 1998. He is Chairman of ROBECO France Gestion and of the Management Board of Banque ROBECO (France). He is a *Chevalier de l'Ordre National du Mérite*.

EXECUTIVE MANAGEMENT

Chairman and CEO: Mr Guillaume Poitrinal

6. REMUNERATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

Mr Guillaume Poitrinal was appointed Chairman and CEO, on a recommendation from the Nominations and Remuneration Committee, by the Board of Directors at its meeting on April 27, 2006, the appointment being effective from June 30, 2006. Until that date Mr Poitrinal was the Company's CEO.

In respect of his functions as Chairman and CEO, as was the case of the positions he previously held, Mr Poitrinal's remuneration consists of a fixed annual amount and a variable annual amount, of € 380,004 and € 380,000 respectively, for the 2006 financial year, determined according to the criteria set out below.

• The variable annual remuneration is determined in two parts, on the basis of two Group performance indicators, to the exclusion of any qualitative criteria:

- the net recurring income and its growth in excess of inflation;
- the creation of value during the period, measured by the growth in excess of inflation of Net Asset Value per share, plus distributions made over the same period;

• each of these parts being calculated independently and only being used insofar as it is positive or zero. This variable gross annual remuneration determined under the supervision of the Nominations and Remuneration Committee will be paid after approval of the accounts by the Annual General Meeting. It is subject to a ceiling of 100% of the fixed gross remuneration.

In addition, due to the performance in excess of the above two indicators in 2005, the Chairman and CEO was allocated 2,685 bonus shares by the General Meeting held on April 27, 2006 which approved the accounts for the financial year ending December 31, 2005, valued on the basis of the share price on the date of the allocation, subject to deduction of the estimated dividends over two years, at € 354,689. In respect of 2006, having regard to the Company's performance in excess of the criteria, the Chairman and CEO will be allocated bonus shares at the next General Meeting approving the accounts for the financial year ending December 31, 2006, having a value of € 380,000.

In his capacity as a Director and as Chairman and CEO, the total amount of directors' fees received by Mr Poitrinal in 2006 was € 32,344, on the understanding that the sum of € 21,797 (in respect of the fourth quarter of 2006 and the variable remuneration for the financial year 2006) was paid in January 2007.

The Chairman and CEO has a company car. The estimated value of this benefit in kind is € 8,281, in addition to his fixed remuneration.

He has the benefit of the Company's mutual insurance cover and of the welfare and loss of employment cover associated with his status as a company officer (type GSC). He does not have the benefit of any special provident cover, nor does he benefit from any special pension plan.

He remains eligible for the allocation of bonus shares and stock options but does not have the benefit of the profit-sharing and incentive schemes or of the discount and company contribution to the E fund (Unibail shares in the context of the Company Savings Plan).

The following table contains a comparative presentation of his gross remuneration before tax in the last three financial years (*variable remuneration due in respect of year N is paid in year N+1*); since Mr Poitrinal was appointed CEO during 2005, the gross remuneration before tax paid takes into account his change of status; his appointment as Chairman and CEO did not give rise to any change in the basis of calculation of his remuneration.

Amounts due in respect of the year (in €)	**2004**	**2005**	**2006**
Fixed remuneration	275,928	377,168 (1)	380,004
Variable remuneration	303,892	380,000	380,000
Benefits in kind	7,478	7,947	14,326
Grand Total	**587,298**	**765,115**	**774,330**

(1) Including paid holiday leave included in the Contract of the managing director.

As at December 31, 2006, the chairman and CEO owned 55,811 Unibail shares and had 194,208 stock options (included those allocated in 2006).

Details of options allocated and exercised during the 2006 financial year (Article L.225-184 of the French Commercial Code)

For the 2006 financial year, the Board of Directors, at its meeting on October 11, 2006, awarded the Chairman and CEO 40,000 stock options, all subject to performance conditions (*Plan 4 Performance* – see page 110 of this report) which will be exercisable between October 11, 2010 and October 10, 2013 at a price of € 161.50. Based on the option valuation carried out by the independent firm Towers Perrin, these options have a value of € 468,000.

For the 2006 financial year, the Chairman and CEO exercised 13,200 options allocated to him by the Board of Directors at its meeting on October 9, 2002 (*Plan no. 2* – see page 110) at a price of € 46.62 (after adjustments until 2005 inclusive).

For the record, Mr. Léon Bressler, Chairman of the Board of Directors until June 30, 2006, received fixed remuneration of € 225,004 (excluding directors' fees) and had a company car, a benefit in kind valued at € 2,829, in addition to his fixed remuneration.

Undertaking by the Company

In the event of the dismissal of the Chairman and CEO (other than for gross negligence or misconduct) the Company has agreed to offer him, within 5 days of the actual termination of his functions, a settlement in a fixed amount of twice the gross (fixed and variable) remuneration including gratuities received by him during the last twelve months preceding his dismissal as aforesaid, together with a sum corresponding to the exchange value of the shares allocated to him free of charge during the last twelve months. Social contributions payable in respect of this settlement would be paid by the Company.

Remuneration of executive committee members who are not company responsible officers (*mandataires sociaux*)

In 2006, members of the Executive Committee who are not Unibail's responsible officers received a total gross remuneration before tax of € 1,736,937, including a variable amount of € 580,000 in respect of 2005 and benefits in kind in the form of company cars valued at € 30,946.
They were awarded a total of 115,000 stock options in 2006, subject to performance conditions. The independent firm Towers Perrin valued each option allocated at € 11.70. Based on this valuation, the options allocated have a value of € 1,345,500.
In addition, 2,206 bonus shares were allocated, with a value of € 346,913 based on the share price on the date of allocation after deduction of likely dividends over the next two years.
Members of the Executive Committee other than responsible officers do not benefit from any special pension plan or contractual lump sum on retirement.

Remuneration of the company's responsible officers (*mandataires sociaux*) (6)

The Combined General Meeting of April 8, 2004 set the budget for Directors' fees allocated each year at € 350,000 with effect from January 1, 2004. The Board of Directors has laid down the following allocation rules:

- With effect from January 1, 2006, each Director receives a fee of € 22,500, based on the existing allocation rules: three-quarters of this amount comprises a fixed fee of € 16,875, while the remaining quarter (€ 5,625) is a variable portion that depends on each Director's attendance rate at meetings. The fixed fee is paid in four equal quarterly instalments. The variable portion is based on a number of points accumulated by each Director according to his effective attendance (one point per meeting). Each Director automatically receives two points. At the end of the year, the value per point is calculated by dividing the total amount to be allocated by the total number of points awarded for attendance. Double directors' fees are paid to the Chairman and CEO.

In addition, attendance fees for members of the Specialist Committees are allocated as follows:

- Chairman of the Audit Committee: € 20,000 paid in two half-yearly instalments,
- Members of the Audit Committee: € 10,000 paid in two half-yearly instalments,
- Chairman of the Nominations and Remuneration Committee: € 15,000 paid in two half-yearly instalments,
- Member of the Nominations and Remuneration Committee: € 7,500 paid in two half-yearly instalments.

On a recommendation of the Nominations and Remuneration Committee, assisted by the firm Towers Perrin, the Board of Directors decided on January 31, 2006 to increase directors' fees to € 25,000 for each Director with effect from July 1, 2007, three-quarters of which will be fixed, the remainder depending on the attendance. Directors' fees in respect of specialised committees remain unchanged.

Directors' fees paid to Directors in 2006 (7-8)

Mr Léon Bressler (1)	€ 22,812.50
Mr Nicholas Clive Worms (2)	€ 29,687.50
Mr Jacques Dermagne	€ 42,500.00
Mr François Jaclot	€ 61,250.00
Mr Jean-Claude Jolain	€ 46,250.00
Mr Yves Lyon-Caen	€ 44,062.50
Mr Bernard Michel (3)	€ 18,281.25
Mr Henri Moulard	€ 53,750.00
Mr Jean-Jacques Rosa	€ 29,375.00
Mr Jean-Louis Solal	€ 30,312.50
Mr Claude Tendil	€ 37,500.00

(1) Chairman of the Board of Directors until June 30, 2006.
(2) Director until the General Meeting held on April 27, 2006.
(3) Director appointed at the Combined General Meeting of April 27, 2006.

Information on share transactions and Permanent insiders

In accordance with the more stringent disclosure requirements of the A.M.F. General Regulations, persons with management responsibilities within the Company have been informed of the new disclosure rules (also applicable to "individuals with a close personal relationship" with such persons) with which they must comply in relation to any dealings with the Company's shares, both as regards the A.M.F. and the Company itself.

In the same context, and in accordance with the provisions of Article L. 621-18-4 of the French Monetary and Financial Code, the Company has provided the A.M.F. a list of persons categorised as permanent insiders.

Prospectus regulations - negative declaration

The Company's responsible officers and members of the Executive Committee are not subject to the situations and restrictions referred to in Article 14 of Annex 1 of the Regulation (EC 809/2004).

(6) Excluding the Chairman of the Board and CEO. With the exception of the Chairman and CEO, Company Responsible Officers, do not benefit from stock-options.
(7) Including the fourth quarter of the 2005 financial year (paid in January 2006) and all those due in respect of the 2006 financial year, without taking into account if they were banked by the respective director.
(8) Excluding information relating to the Chairman and CEO.

Stock option information as at December 31, 2006

Date of the plan	Plan No.1 1995 Tranche	Plan No.1 1996 Tranche	Plan No.1 1997 Tranche	Plan No.1 1998 Tranche	Plan No.1 1999 Tranche	Plan No.2 2000 Tranche	Plan No.2 2001 Tranche	Plan No.2 2002 Tranche	Plan No.3 2003 Tranche + Performance (1)	Plan No.3 2004 Tranche + Performance (1)	Plan No.3 2005 Tranche + Performance (1)	Plan No.4 2006 Tranche + Performance (1)
Date of Board Meeting	28/03/1995	27/03/1996	19/03/1997	18/03/1998	09/03/1999	21/11/2000	09/10/2001	09/10/2002	15/10/2003	13/10/2004	14/12/2005	11/10/2006
Total number of shares that may be acquired through exercising options, of which:	315,000	172,500	306,000	327,000	109,500	502,500	317,000	394,000	434,500	308,000	404,500	365,500
- by responsible officers	105,000	48,000	114,000	48,000	-	75,000	-	136,000	115,000	90,000	60,000	40,000
- by top ten employee option holders (2)	-	-	-	-	-	70,313	90,867	112,500	197,500	90,000	169,000	146,500
Adjustment	34,638	20,010	43,957	32,652	5,249	29,924	53,685	89,319	118,466	83,038	-	-
End of lock-up period	28/03/2000	27/03/2001	19/03/2002	18/03/2003	09/03/2004	21/11/2002	09/10/2003	09/10/2004	15/10/2007	13/10/2008	14/12/2009	11/10/2010
Expiry date	27/03/2003	26/03/2004	18/03/2005	17/03/2006	08/03/2007	20/11/2008	08/10/2009	08/10/2010	14/10/2010	12/10/2011	13/12/2012	10/10/2013
Strike price (€)	22.40	25.46	26.20	32.00	36.30	52.72	53.44	59.33	68.57	97.88	108.59	161.50
Adjusted price (€) (3)	20.05	22.78	18.40	23.15	27.31	40.81	41.99	46.62	53.88	76.91	108,59	161.50
Exercise terms (if the plan has more than one tranche)	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 108 of this report	See page 109 of this report
Number of options subscribed as at December 31, 2006	349,638	192,510	339,457	311,775	93,425	463,992	304,646	340,996	-	-	-	-
Number of options cancelled	-	-	10,500	47,877	21,324	66,156	31,500	4,074	-	13,683	3,000	-
Outstanding options (3)	-	-	-	-	-	2,276	34,539	138,249	552,966	377,355	401,500	365,500

(1) The valuation of these options took into account the performance conditions applicable to some of these options.
In 2004, the valuation by the independent firm Towers Perrin amounted to a total of € 3,262 thousand.
In 2005, the valuation by the independent firm Towers Perrin amounted to a total of € 4,961 thousand.
In 2006, the valuation by the independent firm Towers Perrin amounted to a total of € 4,276 thousand.
(2) Under the non-discrimination principle, the number of employees mentioned may exceed ten in the event that they own the same number of options, or may be less than ten in the event that fewer than ten employees hold options under one of the plans.
(3) After taking into account the adjustment applied on January 7, 2005.

Top ten executives (excluding Company Responsible Officers – mandataires sociaux) in terms of receiving and exercising options in 2006

Top ten executives (excluding Company Responsible Officers) in terms of receiving and exercising options [1]	Number of options granted/exercised	Weighted average strike price	Expiry date	Plan
Options granted during the year by Unibail and by any company included within the option granting structure, to the ten employees of Unibail and any company within this structure receiving the most number of options (overall information)	146,500	€ 161.50	10/10/2013	No.4 [2]
Options held by Unibail exercised during the year by the ten employees of Unibail exercising the highest number of options (global information)	146,361	€ 43.10	26/03/2004 18/03/2005 17/03/2006 08/03/2007 20/11/2008 08/10/2009 08/10/2010	Nos.1 and 2 [3]

(1) Only includes employees still working for the Group at December 31, 2006.
(2) See page 116 of this report
(3) See page 115 of this report

NB: The ten employees who were granted the most options may differ from those that exercised the most options during the previous financial year.

Information on bonus shares as at December 31, 2006

Top ten executives (excluding responsible offices) in terms of receiving and exercising bonus shares [1]	Number of shares allocated	Acquisition period	Retention period	Weighted average price [2]
Shares granted during the year by Unibail and by any company included within the option granting structure, to the ten employees of Unibail and any company within this structure receiving the most number of options (overall information)	5,836	2 years years from allocation date	2 years from the end of the acquisition period	164.62 €

(1) Under the non-discrimination principle, the number of employees mentioned may exceed ten in the event that they own the same number of bonus shares.
(2) Share price on the date of allocation after deduction of estimated dividends over two years.

Fees paid by the group to its statutory auditors and members of their affiliated companies (€ thousands)

	Ernst & Young			Euraaudit Fideuraf Appointment ceased with accounts to	BDO Marque & Gendrot		Others		
	2004	2005	2006	31/12/2004	2005	2006	2004	2005	2006
- Statutory auditing	812	955	938	89	196	229	68	27	96
- Ancillary assignments	457	68	177	-	-	-	-	-	-
Other services - Legal, Fiscal, HR	-	-	-	-	-	-	-	-	-

Ernst & Young Audit is part of the international multi-disciplinary network, Ernst & Young, which is not exclusively involved in statutory auditing and whose members share common business interests. Ernst & Young has implemented a global strategy which distinguishes between clients for which it provides statutory auditing services (*Channel 1 accounts*) and clients for which it provides services that are incompatible with statutory auditing assignments (*Channel 2 accounts*). “Ancillary assignments” included the changeover to International Financial Reporting Standards (IFRS) and acquisition audits.

The company BDO Marque & Gendrot is the French member of BDO: an international network of auditors and consultants which is not exclusively involved in statutory auditing and whose members share common business interests.

FEES OF EXPERT VALUERS

The Group has the assets of each of its three business sectors valued twice a year by a firm of valuers.

The fees paid are fixed by agreement and amount to € 705,000 for the year 2006. In the case of each of the firms of valuers, the fees invoiced represent less than 10% of their turnover.

7. RISK FACTORS

The Unibail Group's internal control, which is based on reference documents, charters, standards, procedures and best practices, aims to create and maintain an organisation that helps to prevent and control risks, notably, economic, financial and legal risks to which the Group and its subsidiaries are exposed, even if risk can never be totally eliminated.

The monitoring procedures and management components implemented by Unibail are described in the "Insurance and risk cover" section, as well as in the Chairman's report on internal control procedures.

Investors' attention is drawn to the fact that the list of risk factors discussed in this section is not exhaustive and that there may be other risks, either unknown or of which the occurrence is not considered at the filing date of this Registration Document as likely to have a material adverse effect on the Group, its operations, its financial situation and/or its results.

Risks inherent in Unibail's business activities

Risks arising from trends in the property market

The Unibail Group is present in various sectors of the commercial property sector, specifically, shopping centres, offices, conventions-exhibitions and associated services. Apart from risk factors specific to each asset, the Group's activities are exposed to factors beyond its control and specific systemic risks, such as the cyclical nature of the sector in which it operates. The Group's strategy and policies are aimed at curbing the negative effects of these risks. However, sudden changes in the economic, financial, currency, regulatory, geopolitical, political, social, health and ecological environment may have an adverse impact on the Group, the value of its assets, its results, its development plans and/or its investment activities.

Risks arising from property asset construction and refurbishment projects

Unibail conducts development activities, primarily in the Office and Shopping Centre divisions' property segments, the principal risks of which are linked to securing the requisite legal authorisation (building permits, CDEC administrative authorisation), controlling construction costs (staying on time and on budget) and achieving a good letting rate for properties (letting of all surface at sufficient rent levels). Although the internal control system implemented by the Group aims to control the risks linked to construction, it is conceivable that a failure in the existing system may have an unfavourable impact on Unibail's financial results.

Tenant insolvency risks

Unibail's ability to collect rents depends on the solvency of its tenants. Tenants' creditworthiness is taken into consideration by Unibail before it enters into all its leases. Nevertheless it is possible that tenants may not pay rent on time or may default on payments, which could potentially affect Unibail's operating performance.

Legal, regulatory, environmental, insurance and tax-related risks

Legal and regulatory risks

Unibail has to comply with regulations in various fields, notably including urban planning, construction and operating permits, health and safety, the environment, lease law, corporate and tax law, notably under the provisions of the SIIC [9] regime. Changes in the regulatory framework could require Unibail to adapt its business activities, its assets or its strategy, possibly leading to a negative impact on the value of its property portfolio or its results, increasing its expenses, or slowing or even halting development of certain investment or letting activities.

In the normal course of its business activities, the Group is involved in legal proceedings and is subject to tax and administrative audits. The Group sets aside a provision each time a risk is identified and the cost associated with this risk can be estimated.

Tax risk linked to SIIC status

Unibail is subject to the SIIC tax regime, which enables it to benefit from a corporate income tax exemption provided that it meets certain obligations. Should Unibail fail to meet these obligations, notably those concerning payouts. If Unibail did not respect these obligations it would be liable to standard corporate income tax in respect of the relevant years, which would have a negative impact on its business activities and its results. Likewise, should one or more shareholders acting together reach the 60% ownership threshold or voting rights (bearing in mind that Unibail has a 100% free float, at the date of the registration of the reference document). Unibail could be faced with a supplementary tax charge in the case of dividends being paid out, free of tax to a shareholder not subject to corporate income tax or an equivalent tax holding of at least 10% of Unibail's share capital, if Unibail is not in a position to pass on the burden to the single relevant shareholder. Finally, Unibail remains exposed to changes in the tax rules currently in force.

Environmental risks

As a property owner, Unibail has to comply with environmental protection regulations, notably by conducting compliance checks on technical installations. The Group has equipped itself accordingly: it has put in place a Health and Environment record for each asset, provided training to its employees and commissioned external audits. Environmental risks and risk control and measurement policies are described in greater detail in the

[9] Listed Property investment companies - *Sociétés d'Investissements Immobiliers Cotées*

"Sustainable Development" section of this Registration Document. A failure in the internal control system or regulatory changes may however potentially lead to higher expenses or hamper the development of Group activities, thereby potentially affecting Unibail's results.

Insurance-related risk

Unibail benefits from insurance cover which protects its capital, its revenues and its liability for all its relevant business activities. Since the Group depends on the insurance market and its financial ability to raise capital to cover risks, it may experience, for instance, owing to limited availability capacity in the marketplace, insurance shortfalls or find it impossible to cover all or part of certain risks.

Risks associated with Unibail's financing policy and Unibail's financial activities

Market risks

Market risks (interest rate risk, currency risk and counterparty risk) and their management are described in the "Financial resources - Market risk management" section of this Registration Document.

Liquidity risk

Unibail's strategy depends on its ability to raise financial resources, either in the form of borrowings or equity capital, so that it can finance its ongoing activities and its investments. It is possible, for instance in the event of a crash in the bond or equity markets, events affecting the property market, a downgrade in Unibail's credit rating or a change in Unibail's business activities, financial situation or ownership structure that the Group may not at a given time have desired access to the liquidity and cash resources that it needs and may thus struggle to raise the requisite funds or to secure them on attractive terms.

Risk of conflicts of interest

Risks of conflicts of interest with the Société de Tayninh, a company in which the Group is the majority shareholder

Unibail is the majority shareholder with an interest of 97.68% in the Société de Tayninh, listed on the Paris Eurolist, at the date of the registration of the reference document a dormant company. It is possible that Unibail may in certain circumstances perform investments via the Société de Tayninh, rather than through a wholly-owned Unibail subsidiary or investment.

8. INSURANCE

Unibail is covered by a comprehensive insurance scheme, which is underwritten by leading insurance companies and will reimburse the Group for any losses or damages to its property assets arising from any interruption to business activities or rent losses. The cover period for these insurance policies varies based on the nature of the property asset.
All of the Group's property assets are insured at their full reconstruction costs and are regularly assessed by specialist insurance property valuers.

The Group has also taken out "civil liability policies" covering any financial damages to third parties.

Construction projects and renovation works on properties are covered by "Contractor's All-Risk" and "Building Defects" insurance policies.
These insurance policies are managed centrally by a dedicated department, which liaises with Unibail's insurance brokers. Insurance claims relating to the Group's property assets are managed individually by each division. 2006 premiums came to almost € 5.5m, including premiums relating to Exposium activity, bearing in mind that a large proportion of insurance premiums are invoiced to tenants or to other co-owners occupiers as part of their service charges. The premium of "Contractor"s All-Risk' and "Building Defects" came to € 1.5m in 2006.

By negotiating the renewal terms of its insurance policies at year-end 2006 and enhancing its risk prevention policy. Unibail managed to reduce its insurance premium budget while maintaining or, in some cases, improving its cover and guarantees.

In terms of terrorism risks, Unibail's assets remain fully covered up to their insured amounts, or by the maximum statutory indemnities payable.

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Report by the Chairman of the Board of Directors on the arrangements for planning and organising the work of the Board and on the Group's internal control procedures for the year ending December 31, 2006 (*pursuant to Article L.255-37 para. 6 of the French Commercial Code*).

Pursuant to Article L.225-37 para. 6 of the French Commercial Code, this report by Unibail's Chairman and Chief Executive Officer (CEO) describes the arrangements for planning and organising the work of the Board, and the internal control procedures implemented by the Company.

This report was prepared with the cooperation of the Executive Vice President and the Group's Internal Audit Manager. It was discussed with the Group's Statutory Auditors and with the Board's Audit Committee.

1.ORGANISATION OF THE BOARD'S WORK

For comprehensive information on Unibail's corporate governance, see the "Corporate Governance" chapter of this annual report.

1.1 THE BOARD OF DIRECTORS

Reminder of duties and powers

The Board of Directors determines the Group's strategy and watches over its implementation subject to the powers granted to the Shareholders' General Meeting by the Articles of Association or internal by-laws[1]. Since October 9, 2002, internal by-laws have governed the internal procedures and defined the powers of the Board of Directors, in terms of:

- Definition of the Group's strategy and direction;
- Prior approval of acquisitions, disposals or investments within the framework of the Group's adopted strategy and in excess of € 300m;
- Prior approval of acquisitions or investments outside the framework of the Group's adopted strategy, except for those under € 25m; and
- Any takeover bid or public exchange offer.

Board Members

The Board of Directors currently consists of ten directors.

Notion of the "independent director"

Following a proposal by the Nominations and Remuneration Committee, the Board Meeting of October 9, 2002 adopted the "independent director" criteria defined in the Bouton report. According to these criteria, a director is independent if he/she:

- is not, and during the last five years has not been, an employee or responsible officer (*mandataire social*) of the Company;
- is not a responsible officer of another company in which the Company holds a directorship, either directly or indirectly, or in which a directorship is held by an executive of the Company designated as such, or by a current or former (within the last five years) responsible officer (*mandataire social*) of the Company;
- is not a client, supplier, investment banker or commercial banker: that is significant for the Company or its Group; or for whom the Company or its Group represent a significant part of their business;
- does not have any close family ties with a responsible officer (*mandataire social*) of the Company;
- has not been an auditor of the Company during the last five years;
- has not been a director of the Company for more than twelve years;
- directors representing major shareholders of the Company are considered independent as long as those shareholders do not have a controlling interest in the Company and hold less than 10% of the share capital. In excess of this 10% threshold, the Board must make a ruling based on a report from the Nominations and Remuneration Committee, and taking into account the Company's shareholding structure and any potential conflicts of interest.

At its meeting on December 14, 2006, the Board once again discussed its procedures and decided to continue to apply the "independent director" criteria set out in the Bouton report.

Accordingly, Unibail complies with the recommendation in the Bouton report that at least 50% of Board members must be "independent directors". After examining the composition of the Board of Directors, the Board believes that François Jaclot, Yves Lyon-Caen, Bernard Michel, Henri Moulard, Jean-Jacques Rosa, Jean-Louis Solal and Claude Tendil are "independent directors".

The two "non-independent" directors (excluding the Chairman and CEO) are only considered to be so due to their having exceeded the criterion of a maximum directorship of 12 years.

[1] (*Réglement intérieur*) amended at the Board meetings of May 12, 2004, April 28, 2005, February 1 and May 23, 2006.

Information about the directors (as at December 31, 2006)

Name	Age	Main duties	Year of first appointment	Directorship expiry
Mr Guillaume POITRINAL	39	Chairman and Chief Executive Officer (CEO) of Unibail	2006	GM called to approve the accounts for the year ending Dec. 31, 2008
Mr Jacques DERMAGNE	69	Chairman of the Economic & Social Council	1993	GM called to approve the accounts for the year ending Dec. 31, 2007
Mr François JACLOT Independent	57	Company Director	2003	GM called to approve the accounts for the year ending Dec. 31, 2008
Mr Jean-Claude JOLAIN	63	Chairman and CEO of SAGI and Villes Services Plus	1989	GM called to approve the accounts for the year ending Dec. 31, 2006
Mr Yves LYON-CAEN Independent	56	Chairman of the Supervisory Boards of Bénéteau S.A. and Sucres & Denrées.	2005	GM called to approve the accounts for the year ending Dec. 31, 2007
Mr Bernard MICHEL Independent	59	Member of the Executive Committee of Crédit Agricole SA Chairman of the Board of Directors of Crédit Agricole Immobilier	2006	GM called to approve the accounts for the year ending Dec. 31, 2008
Mr Henri MOULARD Independent	68	Chairman of Invest in Europe and HM & Associés	1998	GM called to approve the accounts for the year ending Dec. 31, 2006 (1)
Mr Jean-Jacques ROSA Independent	65	University Professor at the Institut d'Etudes Politiques, Paris.	1998	GM called to approve the accounts for the year ending Dec. 31, 2006
Mr Jean-Louis SOLAL Independent	78	No other current positions (former manager of several companies)	2004	GM called to approve the accounts for the year ending Dec. 31, 2007
Mr Claude TENDIL Independent	61	Chairman & CEO of Generali France, and Chairman of the Board of Directors of Europ Assistance	2003	GM called to approve the accounts for the year ending Dec. 31, 2008

(1) Proposal for renewal to be presented to the General Meeting called to approve the accounts for the year ending December 31, 2006.

Meetings and attendance

Under internal by-laws, the Board of Directors must hold at least five Board meetings each year. The schedule for these meetings is sent to the directors during the second half of the year and covers the following year. Additional meetings of the Board are held as and when the Group so requires.
To encourage active participation in Board meetings, the variable portion of each director's fee (i.e. one quarter of the total fee) is based on his attendance rate at meetings.

Availability of information

Notice of Board meetings is issued at least eight days before the date of the meeting (except in urgent cases-ad hoc meetings) and is always accompanied by a detailed agenda. In practice, Board members receive a comprehensive report covering the topics on the agenda five days before the meeting is held (the internal by-laws stipulate a minimum of 48 hours) so that they are fully briefed on the Company's activities and can make an effective contribution to the meeting.
Whenever required, Board members are sent details of any consultations and recommendations made by the Company's taxation, legal and accounting advisors. In order to promote the directors' knowledge of the assets, at least one Board meeting a year takes place outside the registered office.

Board members are kept regularly and individually informed of the Company's financial situation, cash position, business activities in each division, market conditions and outlook, together with any disputes that could potentially impact its financial position or business activities.
Whenever required, management delivers on-screen presentations along with its comments and provides additional documentation.
To ensure that all the directors are kept fully informed, Unibail sends them copies of press articles, as well as published financial reports on Unibail.

Summary of Board activity in 2006

Six Board meetings were held in 2006. Overall attendance at Board meetings was 81% in 2006, compared to 87.5% in 2005.
In addition to the statutory items and decisions legally within its remit (e.g. approval of accounts, appropriation of profits, budgets etc.), the Board discussed all major actions taken in 2006, both externally (e.g. acquisitions, disposals, letting transactions, the Group's markets and strategy, development projects, financial policy, etc.) and internally (e.g. organisation, appointments, procedures, code of ethics, internal control, etc.).

The Board was kept informed of, analysed or approved the following points:
- The integration of the duties of the Chairman of the Board and Chief Executive Officer (CEO);
- The various components of the Chairman and CEO's remuneration;
- The Group's revalued net assets, financial resources and consolidated balance sheet;
- The amendment of the internal by-laws of the Board, the Nominations and Remuneration Committee and Audit Committee;
- The interim dividend distribution policy;
- The Directors' Charter;
- External growth projects and operations; and
- The Company Savings Plan and the allocation of stock options and bonus shares.

Board members were also kept up to date on the work and recommendations of the specialist committees and Statutory Auditors.
The minutes of Audit Committee meetings are appended to the minutes of Board meetings.

To gain a fuller insight into projects, challenges and progress, during 2006, members of the Board of Directors visited one of the Group's assets: the Palais du Hanovre, as well as La Défense in the context of a presentation of the international architecture competition launched for the Phare project.

Remuneration

Since January 1, 2006, each director received a fee of € 22,500. Three quarters of this amount is fixed while the remaining quarter is allocated according to the director's attendance at Board meetings; a double fee is allocated to the Chairman and CEO.

The Nominations and Remuneration Committee has presented the Board with an analysis of Unibail's practices compared with the recommendations of the AFEP-MEDEF report of January 2007 on the remuneration of managers and responsible officers, from which it appears that the Company has applied all the recommendations for a number of years.

The Nominations and Remuneration Committee makes recommendations to the Board each year on which the Board bases its decision regarding the principles and rules for the determination of the Chairman's remuneration. These recommendations cover the two components of the Chairman and CEO's remuneration, namely the fixed part and the variable part. The variable part is subject to a quantitative performance indicator and to a ceiling of 100% of the gross fixed remuneration. The items making up the remuneration of the Chairman and CEO are more fully described in the legal section of the annual report and in the notes to the annual accounts. In the event of superior performance, and on a recommendation from the Committee, the Board can allocate stock options and bonus shares.

Limitations on the powers of the Chairman and CEO set by the Board

The Chairman and CEO has full powers to implement the strategy defined annually by the Board of Directors. However, he must obtain the Board's prior approval in respect of:

- Any acquisitions or disposals of assets or portfolios of assets (directly or indirectly through companies owned) which amount to a total cumulative commitment in excess of € 300m;
- Any investments in internal development projects which amount to an overall cumulative commitment in excess of € 300m;
- Any friendly or hostile takeover bids or public exchange offers, regardless of the size of the operation and the regulated market on which the target company is listed; and
- Any transaction outside the framework of the Group's strategy and representing an overall cumulative commitment in excess of € 25m.

These limitations apply to any transactions carried out by the Company and all its subsidiaries.

1.2 FUNCTIONING OF SPECIALIST COMMITTEES SET UP BY THE BOARD OF DIRECTORS

Two specialist committees were formed to assist the Board of Directors in its duties: the Audit Committee and the Nominations and Remuneration Committee. These specialist committees adhere to the internal by-laws (*réglement intérieur*) adopted on October 9, 2002 and amended by the Board on April 28, 2005 and May 23, 2006.

Audit Committee

Tasks

The main role of the Audit Committee is to carry out preliminary reviews of the Company's accounts and risks in order to provide the members of the Board of Directors with more detailed information and facilitate its task of approving the parent Company accounts and the consolidated accounts.

In this context, and in accordance with its internal by-laws, the Audit Committee examines the following factors before expressing an opinion to the Board of Directors:

- Accounting methods and principles, and in particular, the standards and scope of consolidation applied, with a view to achieving completeness, continuity and comparability;
- Yearly or half-yearly parent and consolidated Company accounts and accompanying information on the business to explain those accounts, asset valuations, off-balance sheet obligations and the cash position;
- The Company's financial policy and associated risks;
- Organisation of internal and risk control, and reports on activity in these fields.

The Audit Committee expresses an opinion on proposals to appoint or re-appoint the Company's statutory auditors and independent experts responsible for valuing Company and Group assets. The Audit Committee is kept informed of the annual fees paid to such experts in respect of their principal duties, and of any fees paid for advisory services.

It also analyses annual audit plans, together with their conclusions and recommendations and any follow-up action taken.

Members

The Audit Committee consists of three directors (at least two of whom must be "independent directors" according to the criteria set out in the Bouton report). These directors are appointed by the Board of Directors on a proposal from the Nominations and Remuneration Committee.

One of the independent directors is appointed as the Audit Committee's Chairman.

In addition to the Statutory Auditors, the following persons regularly attend Audit Committee meetings:

- the Chairman and CEO,
- the Executive Vice President,
- the Head of Accounting and Taxation,
- the Head of Financial Resources, and
- the Head of Audit and Risk Management.

Meetings

Under the internal by-laws, the Audit Committee must hold at least two meetings a year. The schedule for these meetings is sent to the directors during the second half of the year and covers the following year. (This schedule can be amended when the business of the Group so requires).

Meetings are held at least 48 hours before Board meetings. The Audit Committee may also hold additional meetings at the request of the Board, its Chairman or a majority of its members, in order to discuss any matter within its remit.
The Audit Committee met three times in 2006, and the attendance rate of its members was 88% (compared to 100% in 2005).

Availability of information

The Audit Committee's agenda is set by its Chairman. In practice, members of the Audit Committee receive a comprehensive report covering the topics on the agenda three days before the meeting is held (the internal by-laws stipulate a minimum of 48 hours).
If necessary, the Audit Committee can meet with the Company's employees or its Statutory Auditors without the presence of the senior management, which is informed in advance of such meetings.

The Audit Committee receives a report that presents Unibail's financial statements, describes the accounting rules and principles adopted, and comments on and analyses the Group's risks, including any off-balance sheet items. This report is submitted to the Statutory Auditors for their opinion.
The Audit Committee also receives details of annual audit plans, together with their conclusions and recommendations and any follow-up action taken. The Audit Committee is kept informed of the fees paid to the Statutory Auditors in respect of their principal duties, and of any fees paid to them by the Company for advisory services.
The Committee can also be assisted by any outside party if that is considered necessary.
Minutes are drawn up after each Audit Committee meeting, and are provided to the directors and attached to the minutes of Board meetings.
In 2006, the Committee was, in particular, involved in and/or expressed an opinion on:

- The Chairman's report on internal control procedures and the functioning of the Board of Directors;
- The manner of preparation of the Company's accounts;
- The manner of determining the Group's Net Asset Value;
- The application of accounting standards, the treatment of disposals and off-balance sheet obligations;
- The organisation and methods of the Group's internal control and the duties of the Internal Audit Department.

Remuneration

Since 2005, the Audit Committee's Chairman has received an annual fee of € 20,000 and the other members a fee of € 10,000 each, in addition to their fee for attending Board meetings.

Nominations and Remuneration Committee

Tasks

The main role of the Nominations and Remuneration Committee is to assist the Board of Directors in establishing the remuneration paid to responsible officers, determining the Group's remuneration policy including the allocation of stock options and bonus shares, selecting future directors and assessing their competence and independence in order to propose their appointment as directors at the General Meeting.

Members

The Nominations and Remuneration Committee comprises three directors, two of whom are considered to be "independent directors" according to the criteria set out in the Bouton report. The Group's responsible officers cannot be members of this Committee. The Chairman and CEO regularly attends meetings of this Committee, but does not take part in any discussions that personally concern him, such as remuneration, the allocation of stock options or bonus shares, benefits in kind, etc. The Chairman and CEO is regularly consulted on matters within his competence, and particularly on the Group's remuneration policy.

Meetings

Under the internal by-laws (*règlement intérieur*), the Nominations and Remuneration Committee must hold at least two meetings a year. The schedule for these meetings is sent to the directors during the second half of the year and covers the following year. Other meetings can be organised when the business of the Group so requires. Meetings are held at least 48 hours before Board meetings. The Committee may also hold additional meetings at the request of the Board, its own Chairman or a majority of its own members, in order to discuss any matter within its remit.

In 2006, the Nominations and Remuneration Committee met four times, with an overall attendance rate of 78% (compared to 88% in 2005).

Availability of information

The Nominations and Remuneration Committee's agenda is set by its Chairman. Members of the Committee receive, in practice, a comprehensive report covering the topics on the agenda three days before the meeting is held.

The Nominations and Remuneration Committee may also seek outside assistance from any third party whenever it considers this necessary, and draw on such assistance when deciding the remuneration of Unibail's key managers and the manner of allocating stock options and bonus shares.

Minutes are drawn up after each Nominations and Remuneration Committee meeting.
In 2006, the Committee was, in particular, involved in and/or expressed an opinion on:

- The remuneration paid to the Chairman and CEO and the assessment of his performance;
- The review of directors' independence;
- The renewal and nomination of directors;
- The conditions governing the distribution of directors' fees;
- The rules governing the allocation of stock options and the Group's remuneration policy.

Remuneration

Since 2005, the Chairman of the Nominations and Remuneration Committee has received an annual fee of € 15,000 and the other members a fee of € 7,500 each, in addition to their fee for attending Board meetings.

2. INTERNAL CONTROL SYSTEM

The Unibail Group is present in the commercial property sector, particularly in the area of shopping centres, offices, conventions-exhibitions and associated services. Apart from general risk factors, the Group's business is subject to common exposure and systemic risks including in particular, the cyclical nature of the sector. Its strategy and policies are aimed at limiting the negative effects of these risks. However, sudden changes in the geopolitical, political, social, economic, financial, monetary, regulatory, health and ecological environments could have a negative impact on the Group resulting in a decrease in asset values and an increase in certain costs, or to further investment operations being delayed or even jeopardised. More controllable risk factors are managed by the Unibail Group's internal control system, which is based on a set of principles that provide reasonable assurance that the following internal control objectives are met:

- **Transactions are executed effectively and optimised;**
- **Property assets are protected;**
- **Financial information is reliable; and**
- **All operations comply with prevailing legislation, regulations and in-house rules.**

This internal control system is based (i) on standardised procedures; (ii) on the accountability of managers in charge of the business; (iii) on a committee-based decision-making process (for acquisitions, disposals and refurbishment/construction projects); and (iv) on a separation between the executive and control functions.

Under the authority of the Chairman and CEO, Unibail is run by an Executive Committee, which manages all the Group's activities. This Committee includes the Executive Vice President, who is in charge of central support functions including the Finance Department, the General Managers of the three business divisions, and the Chairman of Exposium. This size of this Executive Committee was increased to eight members with the arrival of the Chief Executive for the Group's Major Construction Projects, on December 8, 2006, and of a Executive Vice President in charge of development and strategy, on January 1, 2007.

The Executive Committee holds regular fortnightly meetings, as well as ad hoc meetings whenever required. It acts as a decision-making body for issues that require the involvement of the Group's senior management due to their financial significance or strategic and/or cross-functional nature.
The Committee's powers are set out in its internal by-laws.

The standardised procedures mainly comprise:

- A code of ethics, which covers the Group's core values and rules of conduct, with particular emphasis on conflicts of interest, confidentiality of information and transactions involving Unibail shares;
- A clear and precise set of job descriptions together with a centralised appraisal system based on performance targets;
- A set of delegated powers and documented responsibilities, spanning all the Group's activities;
- A set of procedures of a general and specific nature applicable to each business, together with a series of less formal instructions and recommendations that nevertheless form an integral part of the internal control system.

The main risks monitored by this internal control system are as follows:

Approval of development projects

Property acquisition projects are always discussed by the relevant division's Business Review Committee. This Committee comprises the CEO, the division's General Manager (including Exposium's Chairman when the Convention-Exhibition division is concerned) and its investment teams. It determines whether the transactions are worth pursuing and investigating, and appoints a project manager.
A legal, financial, technical and commercial review of these transactions is subsequently presented to an ad-hoc committee comprising the same members. This committee approves the value creation strategy, the assumptions made and the offer price, subject to a more in-depth audit (data room) and to the final approval of the Executive Committee. Various financial models (e.g. discounted cash flows, peer comparisons, etc.) have been developed and provide a basis for this committee's work.
During the annual budget review with the business divisions (mainly the Office Division), a disposal schedule is drawn up for mature properties. These transactions are then prepared and analysed by the committee referred to above, which verifies the assumptions on which the disposal price is based.
The Unibail Group has set up a centralised organisation to manage the legal documentation of its office property assets. This centralised organisation makes it easier to prepare data rooms when selling properties, and helps improve the liquidity of these assets. This system of organising legal documentation was used for shopping centres in 2006 and will be extended to conventions-exhibitions next year.

Unibail's property assets are valued twice a year by external experts. This enables the Group to assess their market value while also verifying and validating the internal assumptions used to determine the selling prices or rental values of its properties.

Most of the teams involved in reviewing and managing these transactions have experience in Mergers & Acquisitions acquired at investment banks, law firms or other institutions specialising in this area of business. The Group regularly relies on external experts (e.g. lawyers, tax specialists, auditors, consultants, etc.) as required.

In accordance with the Executive Committee's internal by-laws, any transactions exceeding € 20m (or under € 20m if not planned in the budget) are subject to its final approval, bearing in mind that acquisitions, disposals or investments exceeding € 300m must be authorised in advance by Unibail's

Board of Directors, even if they are within the scope of the Group's strategy.

Similarly, any transactions exceeding € 25m and not covered by the strategy agreed upon by the Board of Directors must be authorised by the Board in advance.

Risks associated with the management of construction and refurbishment projects

Unibail selects contractors for construction and refurbishment projects by issuing invitations to tender based on a set of specifications, save in exceptional cases. The final choice of contractors is made after the tender documents have been reviewed by a committee and after a comparative analysis of the written offers has been carried out. Any discrepancies in relation to the budget must be explained.

Unibail also employs building experts within its own organisation. They act as project development managers (*maîtrise d'ouvrage déléguée*) whose main tasks are to ensure that:

- The properties built by the Group's contractors comply with the design specifications;
- Construction and renovation costs are kept under control and remain in line with initial budgets; and
- Buildings comply with Unibail's Environmental Quality Charter and any regulations applicable to owners.

These in-house experts report to the project supervisors (*maîtrise d'ouvrage*), the General Management of the relevant division and its investment teams.

The progress of the works, budget monitoring and internal rate of return of each project are reviewed on a quarterly basis by the relevant division's business committee. This committee comprises the Chairman and CEO, the Executive Vice President, the Head of Management Control, the Head of Accounting, the Head of Financial Resources, and the General Manager of the relevant division (including the Chairman of Exposium when the Convention-Exhibition division is concerned) and its management team. In addition to its briefing report, the committee also draws up a formal list of the decisions taken after each meeting.

Asset protection risks

In addition to the insurance coverage taken out for its properties (discussed in the section "Risk Factors and Insurance"), Unibail regularly arranges inspections of any technical facilities that could potentially have a bearing on the environment or personal safety (e.g. fire-fighting equipment, ventilation and air conditioning systems, electric installations and elevators, etc.). These inspections are carried out by independent specialist companies, which produce reports of their findings organised in order of importance, which are taken into account by the technical teams responsible for the sites concerned and their service providers.

To protect against health risks, the Group has issued a Health & Safety Manual to be used for all its main properties. This handbook provides a single and comprehensive source of information for the management of risks (water, air, lead, asbestos and Legionnaire's disease).

It includes a section describing the networks, applicable regulations and any specific issues, and a formal section on the monitoring of risks comprising the plan for monitoring plan critical areas, examination of the qualifications of staff employed by service providers, corrective actions in the event of incidents, and the monitoring of preventative maintenance operations. The same methodology is applied in the case of the risk posed by asbestos, which has made it easier for the Group to update its statutory Asbestos Manual.

In the case of buildings open to the public, or high-rise buildings, the safety of persons and property is the responsibility of a dedicated Safety Officer or an external safety representative.

Risks associated with property leasing and ancillary services

The marketing of assets is handled by dedicated teams, with support from leading external brokers (in the Office Division). Targets (e.g. prices, deadlines and prospective tenants) are defined in collaboration with the relevant division's General Management and Investment Department, which also ensure that tenants are credit-worthy. Lease proposals are drafted by specialised lawyers from the Legal Department on the basis of a standard form of lease. In the case of the most important leases in terms of value (e.g. offices), any special terms and conditions (e.g. price, term, security etc.) must be approved in advance by the Chairman and CEO.

The main tenants of Unibail's office properties are blue-chip companies listed on the CAC 40 index, which account for nearly one third of rental income. This tenant profile minimises insolvency risks. In the Shopping Centre division, the risk of insolvency is spread widely across a large number of tenants.

When tenants sign their leasing agreements, they are required to provide financial guarantees, such as a deposit, first-demand guarantee or surety bond amounting to between three and six months' rent.

The amounts due under the leasing agreements are invoiced by the Group's Property Management Department, which reports to the Executive Vice President. A centralised procedural manual available on Unibail's intranet site describes how invoicing and the recovery of rents and service charges are organised and monitored.

The costs of running properties are monitored by the Financial Control Departments of each division, based on the budgets voted upon at the beginning of the year, and any cost overruns are always explained. For the most part, these costs are recouped as part of tenants' service charges when the leases so permit. The vast majority of these expenses relate to services purchased under yearly contracts.

Payments for ancillary services provided by the Convention-Exhibition division are generally received in advance, thereby reducing the risk of unpaid debts.

Late payment reminders are automatically issued in respect of late payments, and penalties are applied. Such late payments are monitored by a special "default" committee in each business division, which decides on the pre-litigious or litigious action to be taken. After each meeting of the committee, it sends a report on any unpaid rents and recovery procedures initiated to the Group's senior management and to the General Managers of the different divisions.

Finally, the income statements for each of the Group's properties are reviewed on a quarterly basis by the divisions' Investment and Management Control Department, to identify any invoicing discrepancies.

Financial risks

Sensitivity to interest rate movement, liquidity and counterparty risks are monitored by the Financial Resources Department on the basis of the policy defined by the Asset-Liability Committee, which has five members including two members of the Executive Committee (the Chairman and CEO and the Executive Vice President), and which meets regularly (five times in 2006).

The groundwork of this committee is prepared by the Financial Resources Department, which provides each member with a report highlighting the Group's interest rate position, liquidity projections, outstanding confirmed credit lines, proposed refinancing or hedging operations (if applicable), and the details on any refinancing operations completed since the last Asset-Liability Committee meeting.

The Group's market trading guidelines (for hedging operations and transactions involving Unibail shares) and transaction control guidelines are formally set out in two procedures, ensuring total separation between execution and control functions.

To minimise fraud and embezzlement risks, the Group has implemented a secure payments procedure and has formalised the rules for opening, changing and closing bank accounts.

Legal risks

Legal risks are monitored by the Legal Department, which ensures that Unibail complies strictly with the regulations governing its operations. This department also protects the Group's legal interests in lease agreements, construction contracts and other agreements.

The Group has a central Legal Department which reports to the Executive Vice President. It employs lawyers specialised in the law governing leases, co-ownership law (in compliance with the Hoguet law governing property management activities and transactions), company law, the law of contract and dispute resolution. Whenever necessary, this department enlists the assistance of outside experts.

In addition, every six months, the Legal Department provides the Executive Committee with a formal progress report on the Group's main outstanding disputes. This is a summary document comprising a series of data sheets. Discussions are also held with the Head of Management, Accounting and Taxation to determine whether the Group needs to make any additional provisions for contingencies or to adjust its existing provisions.

The Legal Department has also implemented systematic information procedures to keep senior management informed immediately of any new risks or of any events likely to alter the assessment of an existing risk.

It should be noted that the receipt of all registered letters with return receipts requested has been centralised. Each letter is signed for personally by a member of the addressee's department, and its details are recorded. Every day, a copy of the first page of these letters is automatically sent to the Chairman and CEO, Executive Vice President, the Head of the Legal Department and the Head of Internal Audit, in particular.

Information Technology risks

A breakdown in Unibail's information systems is not considered as a critical risk for the Group's business operations.

The Group's IT risk management is based mainly on regular and formalised data backup procedures and on automatic processes to verify the technical quality of such backups. In addition, backup media are stored off-site. Unibail has signed a computer services contract which aims to ensure that normal operations can be resumed within a reasonable time in the event of a major incident.

Risks associated with the production of financial and accounting data

Accounting systems can also be a source of financial risks, particularly in the context of end-of-period accounting, consolidation of the accounts or accounting for off-balance sheet obligations.

Accounting processes are handled by a head office team using a standardised information system. This centralisation makes it easier to validate accounting treatments and ensures that they are consistent with the audit trail and with the accounting principles and standards adopted by the Group. It also allows the Group to verify that its accounting operations are complete, reliable and accurate. This standardised information system was extended in 2006 to include companies in the Exposium Group, though Exposium's accounting department remained on-site.

Unibail maintains an analytical accounting system for each property, event and exhibition, allowing it to monitor its budget closely.

The figures produced at the end of each accounting period are double-checked by the Group Management Control Department, which analyses any discrepancies between the budget and end-of-period forecasts.

The following main internal checks are carried out when consolidating the

accounts:
• The accounting totals for each individual company are reconciled with the totals calculated by the consolidation system; and
• The adjustments to consolidated figures are analysed and explained in a report.

These checks are carried out by a dedicated team within the Accounting and Taxation Department.

The rules for off-balance sheet obligations are defined by a procedure which ensures that each obligation is centrally logged by the Legal Department, and then properly recorded by the Accounts Department, before being brought to the attention of the Board of Directors.

The Group's financial and accounting information is then verified by the Statutory Auditors before it is presented and explained to the Group's Audit Committee, whose role is described previously.

This internal control system is monitored by the Internal Audit Department, which employs two people to conduct regular assignments in all the Group's business units, based on the annual audit plan approved by the Group's Executive Committee and Audit Committee.

Occasionally, the Chairman and CEO may ask the Internal Audit Department to carry out one-off "flash" assignments, to respond rapidly to urgent requirements for the audit and/or treatment of new risks or problems. Audit reports are submitted to the Group's senior management, while a summary of audit assignments is sent to the Group's Audit Committee twice a year.

Unibail's Internal Audit Charter sets out the different steps of the audit function and requires the department to report directly to the Chairman, thus ensuring its genuine independence.

Guillaume Poitrinal
Chairman and Chief Executive Officer

STATUTORY AUDITORS' REPORT

Statutory Auditors' Report, prepared in accordance with Article L. 225-235 of French Company Law (Code de commerce), on the report prepared by the Chairman of the Board of Directors of Unibail Holding, on the internal control procedures relating to the preparation and processing of financial and accounting information.

To the Shareholders,

In our capacity as Statutory Auditors of Unibail Holding, and in accordance with Article L. 225-235 of French Company Law (Code de commerce), we report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of French Company Law (Code de commerce) for the year ended December 31, 2006.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted in:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;

- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board of Directors' report, prepared in accordance with Article L. 225-37 of French Company Law (Code de commerce).

Paris and Paris-La Défense, March 2, 2007

The Statutory Auditors

BDO MARQUE & GENDROT	ERNST & YOUNG Audit
French original signed by	*French original signed by*
Joël Assayah	Bernard Heller

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' REPORT

Statutory Auditors' report on agreements and commitments involving members of the Board of Directors of the Company

To the Shareholders,

In accordance with our appointment as statutory auditors of your Company, we hereby report on the agreements and commitments involving members of the Board of Directors of the Company.

Pursuant to Article L. 225-40 of the French Commercial Code (Code de Commerce), agreements and commitments previously authorised by the Board of Directors have been brought to our attention.

The terms of our engagement do not require us to identify such agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article 92 of the Decree of March 23, 1967, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France; those standards require that we agree the information provided to us with the relevant source documents.

With Doria

Revolving credit agreement with Société Générale Corporate & Investment Banking:

Nature, purpose and terms and conditions

On April 27, 2006, the Board of Directors authorised your Company to enter into a revolving credit agreement for a total amount of € 700 million with Société Générale Corporate & Investment Banking, in favour of the Company and its subsidiaries Doria and Paris Expo Porte de Versailles, dated May 12, 2006.
The amount initially concerning Doria of € 250 million was increased to € 400 million by authorisation of the Board of Directors on 14 December 2006, in amendment n°1 signed December 18, 2006.

The outstanding credit balance as at December 31, 2006 was € 123 million.

Mr. Guillaume Poitrinal is Chairman of Doria and your Company controls SAS Doria within the meaning of Article L 233-3 of the French Commercial Code *(Code de Commerce)*.

Sight guarantee:

Nature, purpose and terms and conditions

In the context of the revolving credit agreement with Société Générale Corporate & Investment Banking, your Board of Directors authorised, on April 27, 2006, your Company to provide sight guarantees on behalf of its subsidiaries Doria and Paris Expo Porte de Versailles.
The amount initially concerning Doria of € 275 million, was increased to € 440 million by authorisation of the Board of Directors on December 14, 2006, in amendment n°1 signed December 18, 2006.

Mr. Guillaume Poitrinal is Chairman of Doria and your Company controls SAS Doria within the meaning of Article L 233-3 of the French Commercial Code *(Code de Commerce).*

Interest-rate hedge agreements:

Nature, purpose and terms and conditions

On April 27, 2006, your Board of Directors authorised your Company to set-up with its subsidiary Doria, on May 12, 2006, an interest-rate hedge agreement with a term of 10 years and in the amount of € 250 million, in order to "fix" the maximum interest rate paid, as the revolving credit agreement bears floating-rate interest.

This agreement was entered into to hedge 100% of the maximum draw-down on the credit agreement.
- Floating-rate interest paid by Unibail Holding: 3-month Euribor
- Fixed-rate interest paid by Doria: 4.24% p.a.

Your Board of Directors authorised, on December 14 2006, your Company to implement on December 18, 2006 with its subsidiary Doria, a further interest-rate hedging agreement in the amount of € 150 million.

Floating rate paid by Unibail Holding: Euribor 3 months
Fixed rate paid by Doria: 3.91% p.a.

Interest income recognised by your Company in the year ended December 31, 2006 totalled € 3 thousand.

Mr. Guillaume Poitrinal is Chairman of Doria and your Company controls SAS Doria within the meaning of Article L 233-3 of the French Commercial Code *(Code de Commerce).*

With Paris Expo Porte de Versailles

Revolving credit agreement with Société Générale Corporate & Investment Banking:

Nature, purpose and terms and conditions

On April 27, 2006, the Board of Directors authorised your Company to enter into a revolving credit agreement for a total amount of € 700 million with Société Générale Corporate & Investment Banking, in favour of the Company and its subsidiaries Doria and Paris Expo Porte de Versailles, dated May 12, 2006. The amount concerning Paris Expo Porte de Versailles is € 150 million.

The outstanding credit balance as at December 31, 2006 was € 135 million.

Directors concerned: Mr. Léon Bressler and Mr. Guillaume Poitrinal.
Your company controls Doria within the meaning of Article L. 233-3 of the French Commercial Code (Code de Commerce), which in turn holds over 10% of the voting rights in SA Paris Expo Porte de Versailles.

Sight guarantee:

Nature, purpose and terms and conditions

In the context of the revolving credit agreement with Société Générale Corporate & Investment Banking, your Board of Directors authorised, on April 27, 2006, your Company to provide sight guarantees on behalf of its subsidiaries Doria and Paris Expo Porte de Versailles.
The amount concerning Paris Expo Porte de Versailles is € 165 million.

Directors concerned: Mr. Léon Bressler and Mr. Guillaume Poitrinal.
Your Company controls Doria within the meaning of Article L. 233-3 of the French Commercial Code (Code de Commerce), which in turn holds over 10% of the voting rights in SA Paris Expo Porte de Versailles.

Interest-rate hedge agreements:

Nature, purpose and terms and conditions

On April 27, 2006, your Board of Directors authorised your Company to set-up with its subsidiary Paris Expo Porte de Versailles, on May 12, 2006, an interest-rate hedge agreement with a term of 10 years and in the amount of € 150 million, in order to “fix” the maximum interest rate paid, as the revolving credit agreement bears floating-rate interest.

This agreement was entered into to hedge 100% of the maximum draw-down on the credit agreement.
- Floating-rate interest paid by Unibail Holding: 3-month Euribor
- Fixed-rate interest paid by Paris Expo Porte de Versailles: 4.16% p.a.

Interest income recognised by your Company in the year ended December 31, 2006 totalled € 978 thousand.

Directors concerned: Mr. Léon Bressler and Mr. Guillaume Poitrinal.
Your Company controls Doria within the meaning of Article L. 233-3 of the French Commercial Code (Code de Commerce), which in turn holds over 10% of the voting rights in SA Paris Expo Porte de Versailles.

Signed in Paris and Paris- La Défense, March 2, 2007

The Statutory Auditors

BDO Marque & Gendrot	ERNST & YOUNG Audit
French original signed by Joël Assayah	*French original signed by* Bernard Heller

This is a free translation of the original text in French for information purposes only.
It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards

PERSONS RESPONSIBLE FOR THIS DOCUMENT, FOR THE FINANCIAL INFORMATION AND FOR AUDITING THE ACCOUNTS

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT *(document de référence)*

Guillaume Poitrinal, Chairman and Chief Executive Officer

Declaration by the person responsible for the registration document

To the best of my knowledge, after taking all necessary measures, the data contained in this registration document gives an accurate and fair view of the financial situation of the Company and the information contained within is free from any material misstatement.

I have obtained from the statutory auditors their end-of-audit letter, which states they have verified the information on the financial position of the Company and the company accounts included in this reference document as well reading the totality of this reference document.

Guillaume Poitrinal

PERSONS RESPONSIBLE FOR AUDITING THE ACCOUNTS

Principal Statutory Auditors

ERNST & YOUNG Audit
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex
Bernard HELLER

BDO Marque & Gendrot
23, rue de Cronstadt
75015 PARIS
Joël ASSAYAH

Commencement date of the first term of office, respectively, AGM's of May 13, 1975 and April 28, 2005
Expiry of term of office at the AGM held for the purpose of closing the 2010 accounts

Deputy Auditors

BARBIER, FRINAULT ET AUTRES
41, rue Ybry
95576 Neuilly-Sur-Seine Cedex

MAZARS & GUERARD
39, rue de Wattignies
75012 PARIS

Commencement date of the first term of office, respectively, AGM's of April 28, 2005 and May 26, 1992
Expiry of term of office at the AGM held for the purpose of closing the 2010 accounts

Documents available to the public

The following documents are available on Unibail's website at www.unibail.com:
• The registration documents in the form of annual reports, as well as their updates, which are filed at the AMF
• The financial press releases of the Group
Unibail Holding's Articles of Association and parent company accounts may be consulted at the headquarters of the Company - 5 Bd Malesherbes, 75008 Paris, or obtained on demand.

CONCORDANCE TABLE OF THE REGISTRATION DOCUMENT

The table below sets out the principal categories required under the European Regulation (CE) 809/2004.

In application of Article 212-11 of the AMF General Regulation, the following are included for reference purposes:

- The consolidated accounts for the 2004 financial year prepared in accordance with French accounting standards, including reports pertaining to statutory auditors, on pages 45-78 of the 2004 registration document lodged at the AMF (Autorité des Marchés Financiers) on March 7, 2005 under the reference number D-05-0179.
- The consolidated accounts for the 2005 financial year prepared in accordance with French accounting standards, including reports pertaining to statutory auditors, on pages 55-95 of the 2005 registration document lodged at the AMF (Autorité des Marchés Financiers) on March 14, 2006 under the reference number D-06-0129.

*This is a free translation into English of the Registration Document issued in French and filed at the AMF * on March 13, 2007 and is provided solely for the convenience of English-speaking users.*
When consulting this document, and in the event of a conflict in interpretation, reference should be made to the original French version.
** L'Autorité des Marchés Financiers (The French Stock Market Authorities)*

The Dôme at les Quatre Temps

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