Vesteda Group

Annual Report 2007

Contents

VESTEDA GROUP ANNUAL REPORT 2007

This Annual Report is an English translation of the Dutch version. The Dutch version will prevail in the event of any differences of interpretation.
Copies of the Annual Report are available on www.vesteda.com

VESTEDA PROJECT BV REPORT 2007 (annex)

The Vesteda Project bv Report 2007, which is included in the Vesteda Group Annual Report 2007, provides information on the company's targets, strategy and activities during the financial year.

Summary

Mission and profile

All our work at Vesteda can be summed up in our simple, but challenging mission: providing people with comfortable housing. We seek to achieve this aim by combining our expertise and passion for quality to create added value so that our tenants, shareholders and employees will be happy and feel at home with Vesteda every day.

PROFILE

Our activities

residential property investment fund

Vesteda develops, lets, manages and sells homes and residential concepts. It is continually improving the quality and sustainability of its residential portfolio, which is held by its in-house investment fund. With the support of external funding, this fund offers shareholders and unit-holders access to attractive investment opportunities in the Dutch housing market. Vesteda offers households comfortable and luxurious rental homes that meet their residential needs. Vesteda is an enterprising property investment fund operating in the residential property sector.

Our market

higher-rent sector in and around Dutch towns and cities

Vesteda focuses primarily on the higher-rent sector, where monthly rents start at €600. The Dutch housing market has insufficient numbers of high-quality rental properties in good locations. Vesteda provides comfortable, carefree housing with an eye for detail and design, and develops modern, sustainable apartments and houses in and around Dutch towns and cities. It has its own network of regional offices, known as *Woongaleries*, which let and manage properties in the markets they serve.

Our customers

smaller households with above-average incomes

Vesteda's products and services reflect the needs of our current and future customers, based on over five years of ongoing research among thousands of tenants each year. And we also use our meetings with tenants and tenants' associations and problems reported to the Vesteda call centre to make sure we know what our customers want. Vesteda's customers are chiefly small households with above-average incomes: people over 50 and single-person and dual-income households. The ageing population means this is a rapidly growing group.

Our shareholders

for institutional investors

Vesteda is not listed on the stock exchange. Vesteda's shareholders are institutional investors and include banks, insurance companies and pension funds. As at the 2007 year end, Vesteda had fifteen investors.

Our environment

responsible management

Vesteda provides housing for around 70,000 tenants, which is equivalent to the population of a medium-sized Dutch town. We strive to ensure sustainable management and a responsible use of energy in all the properties we develop.

Our people

results-driven organisation

Vesteda Group employs over 350 people in a young and dynamic organisation. Surveys and market research form the basis for its investment, development, sales and purchasing policies. The organisation is results-driven and focuses on achieving customer satisfaction and returns.

For more information on Vesteda, see www.vesteda.com

Key figures

	2007	2006*	2005	2004	2003	2002	2001	2000	1999	1998
Units										
Year end letting portfolio										
number of residential properties	**28,334**	27,990	29,276	31,122	33,474	35,904	38,070	40,684	45,849	48,201
commercial m²	**39,789**	41,725	36,098	40,791	36,960	37,266	34,594	35,630	35,587	35,394
Balance sheet										
Year end, amounts in millions	**€**	€	€	€	€	€	€	€	€	€
total portfolio	**4,934**	4,482	4,230	4,106	4,084	4,067	4,056	3,997	3,832	3,685
shareholders' equity	**3,288**	3,169	2,956	2,902	2,892	2,861	2,845	4,006	3,849	4,021
total assets	**5,077**	4,630	4,356	4,323	4,288	4,250	4,204	4,110	3,966	4,126
Occupancy rate										
Year end, calculated on the number of residential properties	**%**	%	%	%	%	%	%	%	%	%
letting portfolio	**97.2**	96.8	96.4	97.4	98.4	98.7	98.7	99.0	98.6	97.3
Customer satisfaction										
(score out of 10)										
letting portfolio	**7.1**	7.1	7.0	7.1	7.2					
Yield										
amounts in millions	**€**	€	€	€	€	€	€	€	€	€
realised result	**133**	149	188	197	196	201	199	297	274	235
unrealised result	**178**	285	206	138	137	136	149	441	321	231
revaluation of derivatives	**18**	11								
total yield	**329**	445	394	335	333	337	348	738	595	466
Yield on shareholders' equity										
as % of shareholders' equity at start of year	**%**	%	%	%	%	%	%	%	%	%
realised result	**4.2**	5.0	6.5	6.9	6.9	7.1	7.1	7.7	6.8	6.3
unrealised result	**5.6**	9.7	7.1	4.8	4.8	4.8	5.3	11.5	8.0	6.2
revaluation of derivatives	**0.6**	0.3								
total yield on shareholders' equity	**10.4**	15.0	13.6	11.7	11.7	11.9	12.4	19.2	14.8	12.5
Net asset value										
per share/unit	**€**	€	€	€	€	€	€			
start of year	**126.74**	118.23	116.08	115.08	114.43	113.77	112.09			
result	**12.45**	17.36	15.74	13.40	13.32	13.47	13.92			
revaluation of derivatives	**0.73**	0.43								
year end, before distribution	**139.92**	136.02	131.83	128.48	127.68	127.23	126.01			
distribution to investors	**−8.40****	−9.28	−13.60	−12.40	−12.60	−12.80	−12.24			
year end, after distribution	**131.52**	126.74	118.23	116.08	115.08	114.43	113.77			
Employees										
Year end										
FTE	**318**	322	298	286	267	189	116	107	101	60

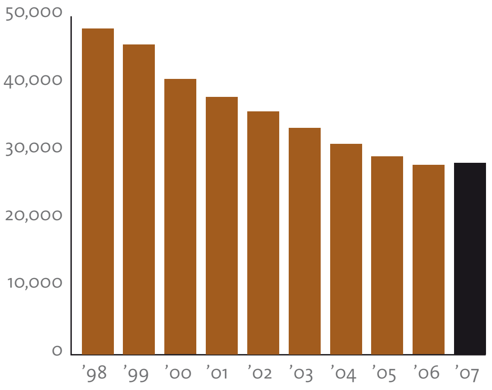
These key figures relate to Vesteda Group. There was a restructuring at the end of 2001. The key figures for Vesteda Group to 2000 are the combination of Holding Vesteda bv and the portfolio it managed. From 2001, Vesteda Group has been Vesteda Groep bv, the portfolio it manages and Vesteda Project bv.

* restated following a change in the method of accounting for derivatives (see page 52 for notes).

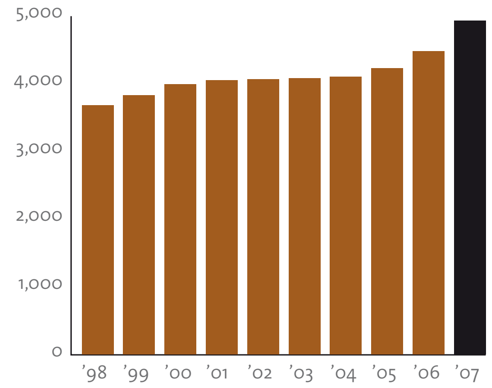
** granted, including €3.20 per share/unit payable in April 2008.

Key events in 2007

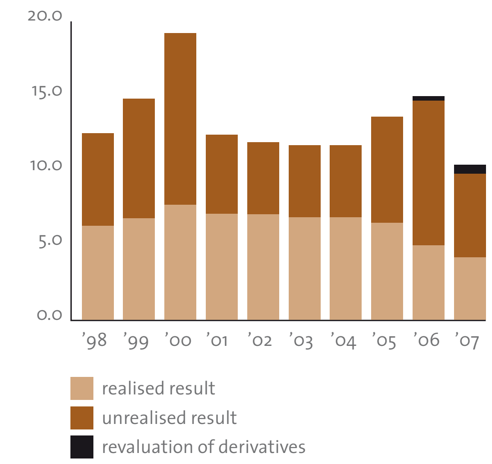
Residential properties units, year end



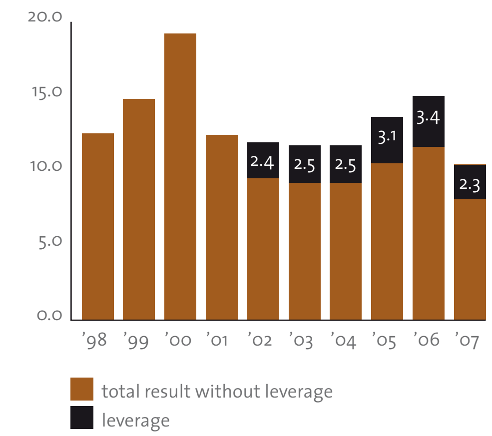
Total portfolio in millions of euros at year end



Yield on shareholders' equity As % of opening shareholders' equity



Effect of financing on result (see page 54 for notes)



- **Placing of two tranches of shares totalling around €320 million** and held by ING Vastgoed Belegging bv were placed with other investors during the year. The first tranche was placed with the existing shareholders Stichting Pensioenfonds voor de Grafische Bedrijven, Loyalis Leven nv and Loyalis Schade nv in July, while the second tranche was placed with the new shareholders Stichting Achmea Dutch Residential Fund, Stichting Pensioenfonds Openbaar Vervoer (the Public Transport pension fund), Stichting Spoorweg Pensioenfonds (the Dutch Railways pension fund) and Stichting Pensioenfonds voor Fysiotherapeuten (the pension fund for physiotherapists) in October. At the end of 2007, a total of fifteen investors held shares/units in Vesteda.

- **Loan capital was increased by €350 million** in April in a funding exercise that was completed in a very short period of time and with an extremely narrow margin of 13 basis points.

- **A total of around 1,600 homes were added** through the purchase of portfolios and the group's own project development activities. Some 1,050 properties were purchased by tender from the Philips pension fund. These homes are all in the mid-segment of the market, which is important for Vesteda, and where monthly rents range between €600 and €1,000. The other 550 properties were completed and handed over by Vesteda Project bv.

- **Increase in development potential**. In December, Vesteda Project bv signed a letter of intent with the municipality of The Hague to develop at least 1,500 new rental homes between now and 2020. Following the agreement signed in 2003 to develop 2,500 homes in the mid-segment of the Amsterdam market between 2003 and 2012, the municipality allocated sites for 1,500 of these homes.

- **The sale of around 1,250 residential properties**, which generated a book profit of approximately €34 million. A total of around 850 homes were sold individually, while around 400 homes were sold by tender.

- **Increase in value of the group's total assets to over €5 billion**, with a portfolio of less than 30,000 units. This represents a milestone for Vesteda and the strategy it has pursued in recent years of seeking to reduce the size of the portfolio while improving its quality.

- **Improvements in letting activities**. Vesteda's ability to find tenants for its properties and commercial management reporting were significantly improved during the year, while contract preparations were further automated and the process of finding homes was made more transparent by details of available properties automatically being published on www.vesteda.com.

- **The occupancy rate in letting portfolio** rose from 96.8% at the end of 2006 to 97.2% at the end of 2007.

- **Inclusion of an 'in control' statement** on the group's financial reporting risks. Such a statement will be included in each annual report from 2007.

SUPERVISORY BOARD

W.F.T. (Frans) Corpeleijn (59), chairman

Dutch nationality. Lawyer with the law firm Stibbe. Appointed from January 2002. Reappointed from January 2006. Appointed chairman from July 2006.

Ancillary positions: Managing board chairman of Sibelco nv, supervisory board chairman of Theodoor Gilissen Bankiers nv, supervisory board chairman of 3w bv, supervisory board chairman of De Stiho Group bv and a supervisory director of Swedish Match Cigars bv

P.S. (Pieter) van den Berg (61)

Dutch nationality. Former controller of and adviser to the Board of PGGM. Appointed from April 2002. Reappointed from April 2006.

Ancillary positions: supervisory director of ING Dutch Residential Fund, supervisory director of ING Dutch Office Fund, supervisory director of ING Dutch Retail Fund, supervisory director of Ampere Equity Fund, board member of Simon Property Group Inc and a member of its Governance Committee, board member of CapitaRetail Japan Fund Private Ltd, board member of Asia Pacific Investment Company Ltd, board member of Asia Pacific Investment Company No.2 Ltd and a member of Maatschap vcHolland, which visits pension funds for internal supervision purposes.

D.J. (Dick) de Beus (61)

Dutch nationality. Former chairman of the managing board of PGGM. Appointed from July 2006.

Ancillary positions: non-executive director of F&C Asset Management PLC, supervisory director of 's Heeren Loo Zorggroep, supervisory director of KFN Holding nv, supervisory board chairman of Stichting Nederlands Philharmonisch Orkest en Nederlands Kamerorkest (responsible for the Dutch philharmonic and chamber orchestras), board chairman of the SNS REAAL pension fund, member of the investment advice committee of the Gasunie pension fund, member of the advisory board of Akkermans & Partners, member of the advisory board of Hay Group bv, member of the Start Foundation investment advice committee and board member of Stichting ILC/Zorg voor Later.

C.A.M. (Kees) de Boo (63)

Dutch nationality. Nominated for membership of the Supervisory Board by Stichting Pensioenfonds ABP. Former board chairman of NS Vastgoed. Appointed from July 2007.

Ancillary positions: board member of the Central Fund for Social Housing, board member of the ROZ-IPD Netherlands Property Index, supervisory director of Vasloc Beheer bv, member of the advisory board of NS Poort, member of the advisory board of HD Projectactual Rotterdam, supervisory director of Gerrichauzen & Partners consultants and treasurer of the Friends of the Netherlands Architecture Institute.

J.D. (Jan) Doets (63)

Dutch nationality. Former CEO of ING Real Estate. Appointed from January 2002. Reappointed from January 2006.

Ancillary positions: supervisory director of Corio, supervisory director of Q-Park nv, supervisory director of M.N. de Nijs Holding, supervisory director of Schiphol Area Development Company, supervisory director of Zuidasonderneming, supervisory director of Aedex, supervisory director of Osira group, supervisory director of Dutch Maritime, supervisory director of Berlage Institute and chairman of ASRE Foundation (Amsterdam School of Real Estate).

MANAGING BOARD

H.C.F. (Huub) Smeets (60), CEO
Dutch nationality. Member of the Managing Board since January 2000. Chairman since November 2003. CEO from August 2006. Focusing on strategy, acquisitions and project development, staff and organisation, legal affairs, corporate communications, investor relations and preliminary-studies of foreign markets.
Ancillary positions: member of the Council for Housing, Spatial Planning and the Environment, vice chairman of Neprom, chairman of the Neprom housing market committee and chairman of Stichting Werner Mantz (photography)

O. (Onno) Breur (57), Director
Dutch nationality. Member of the Managing Board since July 2004. Focusing on strategy, innovation, property management, project marketing, surveys/market research, product development, facilities, disposals, investor relations and preliminary-studies of foreign markets.
Ancillary positions: supervisory director of Westplan and, until 31 December 2007, chairman of IVBN (Association of Institutional Property Investors in the Netherlands)

F.H. (Frits) van der Togt (55)
Dutch nationality. Member of the Managing Board since February 2000. Focusing on strategy, asset management, business development, finance and administration, control, funding, provision of information, tax and investor relations.
Ancillary positions: supervisory director of IRS Holding bv

Supervisory Board and Managing Board at the Vesteda Group head office, Maastricht, 19 February 2008.
Left to right: Frits van der Togt, Onno Breur, Frans Corpeleijn, Dick de Beus, Pieter van den Berg and Huub Smeets.
Not on group photo: Kees de Boo (left) and Jan Doets (right).

Report of the CEO

2007 was the year in which Vesteda celebrated its first ten years of existence. And also a year in which the group worked hard to achieve further improvements in the quality of its portfolio, its results and its organisation. Property demands an intensive degree of management, and that is something of which we at Vesteda are very aware. The way in which we strive to maintain our leading position at the higher end of the rental market also demands continual attention, both within the organisation in our efforts to create innovative and sustainable products and outside the organisation in the way we seek to promote the free or deregulated rental market. Vesteda achieved most of its targets in 2007 and was able to record a good result. Our track record over the past ten years is of annual yields of over 10%, and these are yields we are proud of.

Roll-over strategy implemented

strengthened portfolio

Vesteda Project bv completed some 550 new rental homes in 2007 and added them to the letting portfolio, while a further 1,050 rental properties were acquired from the Philips pension fund towards the end of the year. This addition of around 1,600 properties meant we were able to dispose of some 1,260 properties from the portfolio. The result at the end of the year under review was total assets of over €5 billion, a yield on shareholders' equity of over 10%, a customer satisfaction score of 7.1 and a further reinforcement of the portfolio for the future.

Co-operation with municipalities

long-term agreements form basis for future growth

We are continuing to focus on the availability of good locations so as to ensure an inflow of projects. In 2007, Vesteda Project bv, which is part of Vesteda Group, signed a letter of intent with the municipality of The Hague to build homes for rent in the deregulated segment of the market. Under the terms of this agreement, Vesteda will build at least 1,500 luxury rental homes in The Hague between 2008 and 2020. The municipality has undertaken to do everything it can to identify suitable locations for these properties. Vesteda has expressed a willingness to invest between €500 million and €1 billion in The Hague as it sees good opportunities for building homes in the mid-market and higher-rent segments of the city. New, attractive residential concepts will be needed to encourage new groups of people to settle in the city and attract expatriates. The way we have worked with the municipality in The Hague symbolises our approach, which has previously proved successful in Amsterdam. We have an agreement with the municipality of

Amsterdam to build 2,500 homes in the mid-market segment. Over the next ten years, Vesteda Project bv will be building a total of 4,000 homes in the city, including homes for expatriates close to the city's southern axis and homes in what was previously the head office of a bank on Vijzelstraat.

Dutch housing production

construction levels still too low

The Housing Minister Ella Vogelaar recently wrote to advise the Lower House of Parliament that the annual housing production targets were being cut from 100,000 to 83,000 units for the years to 2011, with a target of 70,000 a year from 2011 to 2015. Realistic figures suggest, however, that the annual totals actually built will be 10,000 lower, partly because of a lack of available locations. Statistics Netherlands recently reported production of 49,000 units in the first nine months of 2007. We believe the figures published by the EIB in January 2008, which forecast completion of almost 80,000 homes in 2007, to be very optimistic. Statistics Netherlands will publish the figures for 2007 as a whole in March, when the actual production levels achieved during the year will become clear. Whatever these figures show, housing production levels are certainly far too low, and this is one of the issues that will have to be resolved if there is to be more trading-up in the market.

Mortgage interest relief

time for choices

In October 2007, the Council for Housing, Spatial Planning and the Environment, which advises the Minister, published a strongly-worded report on the Dutch housing market entitled 'Time for Choices' (in Dutch: 'Tijd voor keuzes'). As a member of this Council, I expect the Cabinet to start consulting with the Lower House of Parliament in the second half of 2008 (at the same time as the Social and Economic Council issues its recommendations) on measures to improve the housing market prior to general elections in early 2010. Support for dialogue on this issue outside the world of politics is growing. The Council recommends gradually phasing out mortgage interest relief and liberalising the rental market so as to achieve a more mature deregulated segment from 2010 onwards.

Ten years of Vesteda

huge progress achieved

We have achieved huge progress in our first ten years of existence. We have devoted a special section in this Annual Report to looking back at the various phases that Vesteda has been through in order to become what we are now: a specialised housing investment fund, operating in the Netherlands and with its own property management and project development activities.

Focus on the Netherlands

foreign orientation not being pursued

During the year under review Vesteda conducted a preliminary study into investment opportunities outside the Netherlands. Having listened to the shareholders' views we decided in consultation with the Supervisory Board not to pursue the issue of investing abroad for the time being.

Vesteda stands for quality

comprehensive focus on quality creates added value

Vesteda and its organisation are synonymous with quality. And there is a good reason why we have chosen 'quality to rent' as our core line. Indeed this quality can be seen in all aspects of our work and services. In our comprehensive vision of living, internally in the way we work within our organisation and externally in the locations we develop and build and in the residential environment, the architecture and the services we provide. And, therefore, in the added value we create. For tenants this means above all enjoying living in comfortable homes, without having to worry about maintaining them.

Sustainability

long-term quality as a standard feature

The concept of sustainability has become increasingly popular in recent years, with every annual report highlighting what the organisation has achieved in this respect. At Vesteda we have regarded the need to provide long-term quality as a standard element of our work for many years. During 2008 we will be responding to various developments in society by explaining the choices we have made from a sustainability and innovation perspective more transparently. These include the New Orleans project, which is the tallest residential apartment block in the Netherlands and located at Wilhelminapier in Rotterdam. The building work on these apartments started in 2007, and the project will use heat/cold storage to reduce CO_2 emissions by 40%.

Shareholders and Supervisory Board

broadening of shareholder basis and strengthening of Supervisory Board

We were pleased to welcome four new shareholders to Vesteda in 2007, with a further two new shareholders joining in early 2008. This brought the total number of Vesteda shareholders to 17 in February 2008. Our results, risk profile and the shelter that our investments provide against inflation are the main reasons prompting new shareholders to want to become part of Vesteda. The Supervisory Board was strengthened during the year by the appointment of Kees de Boo. We are very pleased that over the coming years he will be able to share with us his years of experience at property companies such as Aegon, Amvest and NS Vastgoed.

Our people, our management

human factor decisive

We celebrated a number of achievements in 2007, including our first ten years of existence. We have done our work and have also devoted much time and energy to developing our culture and defined competencies. A new Works Council was elected during the year. It is very important for an organisation such as Vesteda to have a Works Council that functions properly and is prepared to put forward criticism in a constructive way. But we still have some way to go. The new homes for rent are being built with a clear focus on finding tenants for them. Following a review, the property organisation decided at the end of the year to revise its tasks and responsibilities in order to improve both its letting and management activities and achieve greater efficiency, resulting in higher revenues and also greater levels of customer satisfaction.

Lastly, I would like to thank our employees for all their efforts over the past year. It is our people who are the decisive factor in determining the quality and integrity of our organisation. And it is our years of collective expertise that ensure we create value. Simply by doing what we are good at from day to day: providing our tenants with comfortable housing.

Huub Smeets
CEO Vesteda Group

Performance indicators

Vesteda once again achieved almost all its performance indicators in 2007. Only development target was not achieved, primarily because of delays in planning procedures and contracts being put out to tender.

TARGETS ACHIEVED IN 2007

The targets and the extent to which each was achieved during 2007 are discussed below.

targets

All the investment targets were achieved during the year under review.

'development' targets not achieved

The development targets for 2007 were not, however, achieved, with actual investments coming out at €169 million (including VAT), compared with the target of €250 million. A total of 561 homes were completed and added to the letting portfolio during the year, compared with the target of 700 homes. The main reasons for the failure to achieve the targets were spatial planning procedures that caused projects to start late and the cost increases and related tendering issues that meant longer preparation times were needed before building work could start.

'management/letting' targets achieved

All our management/letting targets were achieved.

'value creation' targets achieved

All the targets relating to the creation of value were achieved, with realised and unrealised results and the total yield exceeding the targets.

distribution level below target

The distribution level was, however, slightly below forecast at 6.6%, compared to the target of around 7%.

Performance indicators: target against actual in 2007

Performance indicator	Target 2007	Actual 2007
Investments		
annual rent increase (nominal)	1.5% – 2.0%	1.8%
gross revenue per property	limited increase	increase of 4.4%
letting expenses	approx 28%	27.1%
management expenses	under 40 basis points	37 basis points
net revenue per property	limited increase	increase of 5.5%
sales	approx 1,000 properties	1,263 properties
ROZ/IPD 'all residentials' benchmark	above benchmark	not yet known (2006: 1.4% above benchmark)
Development		
investment level (incl. VAT)	€250 million	€169 million
hand-overs to Vesteda Group	approx 700 homes	561 homes
Management/Letting		
customer satisfaction	7.0	7.1
occupancy rate:		
- letting portfolio	approx 96.6%	97.2%
- of which let for less than 1 year	approx 97.5%	97.7%
Value creation		
realised result on shareholders' equity	approx 4%	4.2%
unrealised result on shareholders' equity	5% – 6%	5.6%
total result on shareholders' equity	9% – 10%	9.8%
revaluation of derivatives effect on shareholders' equity	–	0.6%
total yield on shareholders' equity	–	10.4%
Distribution level	approx 7%	6.6%

Ten years of Vesteda

Vesteda has been through three phases in its ten years of existence. They illustrate how a direct investment in a property portfolio can be converted into an indirect investment in a specialised property investment fund. In the first phase, Vesteda created value at an average rate of over 15% a year, followed by a rate of over 12% in the second phase. The third phase began in 2007, with performance over the coming years being heavily reliant on the level of demand for investments in residential properties.

Origins

created from the reorganisation of ABP's property portfolio

Vesteda was established in December 1997 following the reorganisation of ABP's property portfolio. For several years, Stichting Pensioenfonds ABP had been pursuing a strategy designed to spread its property investments more widely and increase the liquidity of its property portfolio. It consequently decided to convert its direct investments in property into minority interests in property funds investing in specific sectors. The hiving-off of ABP's residential property portfolio resulted in the establishment of Vesteda.

First phase: 1998 – 2000

start and setting the course

Vesteda started the period as a wholly-owned subsidiary of ABP, funded entirely by shareholders' equity, with around 50,000 homes in its portfolio and over 60 employees. During this first period of three years Vesteda was established and spun off from ABP, and its strategy and subsequent restructuring were outlined.

Second phase: 2001 – 2006

restructuring, organisational growth and broadening of shareholder base

This period was dominated by the implementation of the strategy focusing on raising external funding, achieving more diversified ownership, establishing Vesteda Project bv and the decision to bring the property management activities in-house. During this period staff numbers tripled, while around 33% of the shareholders' equity was converted into loan capital and over half of the remaining shareholders' equity was placed with new shareholders.

Third phase: from 2007 onwards

market leader in deregulated sector

Ten years after being established Vesteda now leads the higher-rent end of the market. It has a well diversified investor base of fifteen shareholders, a triple-A rating that substantially improves its yields and its own project development and property management activities. Vesteda has a total of 350 employees.

route determined by housing market opportunities, allocations to investors and Vesteda's performance

The third phase of Vesteda is being characterised on the one hand by the group's capital: in other words, the choices that shareholders and external lenders make over the coming years in respect of their invested capital. Share placements, new shareholders resulting from acquisitions of new housing portfolios or shareholders leaving as a result of disposals and various combinations of these are all possibilities. On the other hand, however, this phase will also depend on what happens in the market. The Vesteda organisation has in-depth experience of working as a team, and the strategy will generate benefits. The inflow of homes will, for example, be boosted by Vesteda's own project development activities and its acquisitions of portfolios. A further shift towards more indirect property investments is also likely, given institutional investors' current sentiments on direct investments in property. Economies of scale achieved through non-organic growth will create new opportunities for Vesteda and its unit-holders and shareholders. Just as in the past ten years, Vesteda's management sees it as its responsibility – also in this phase of its development – to bring together investors' expectations in respect of capital and risk and the various opportunities in the housing market.

See Annex 2 on page 141 for a more detailed overview of ten years of Vesteda.

1998 – 2000: average 15.5% a year

Value creation

If the value created annually is expressed as a percentage of shareholders' equity, Vesteda created average value of 15.5% a year in this period, while average annual distributions of 12.8% meant shareholders' equity increased by an average of 2.7% a year.

2001 – 2006: average of 12.7% a year

In its second phase, Vesteda created value totalling an average of 12.7% a year. The average annual distribution of 10.6% meant shareholders' equity increased by an annual average of 2.1%.

Vesteda outperforms other housing investors by an average of over 1% a year

Ten-year ROZ/IPD residential properties benchmark

Vesteda uses the 10-year ROZ/IPD residential properties benchmark to compare the performance of its portfolio against those of other residential property investors. Vesteda's score for the most recent period was on average 0.9% a year higher than the benchmark (including Vesteda). Vesteda scored 13.4%, compared to the benchmark 12.5% (including Vesteda). If Vesteda's performance is excluded from the benchmark, its yields over the ten-year period are at least 1% higher than those of other residential property investors.

Overview of value created and cash yields

%	**2007**	2006	2005	2004	2003	2002	2001	2000	1999	1998
Value created*	**10.4**	15.0	13.6	11.7	11.7	11.9	12.4	19.2	14.8	12.5
Cash yields**	**6.6**	7.8	11.7	10.7	11.0	11.2	11.3	14.8	19.0	14.6

%	**Phase 2**	**Phase 1**
average annual value created	12.7	15.5
average annual cash yield	10.6	12.8
average annual movement in shareholders' equity	2.1	2.7

* total yield on opening shareholders' equity
** distribution allocated to investors divided by opening shareholders' equity

Ten-year ROZ/IPD Residential Properties Benchmark (see also page 54)

%, category
'All comparable properties'

Benchmark including Vesteda	**2007**	2006
Ten-year yield		
(average for year)		
of ROZ/IPD benchmark	*	12.5
Vesteda Woningen	*	13.4

* Not known at time of publication.

The Vesteda house is built on three foundations: investment, development and letting/management.

INVESTMENT

Vesteda's investment strategy focuses on performing better than the market average. Vesteda has used various surveys as the basis for compiling a model portfolio that sets a framework for the investment policy until 2015. Expansion will be in the core regions, and primarily in properties in the €600 to €1,200 monthly rent band. External funding is used to improve the yield.

ROZ/IPD benchmark

target of outperforming the benchmark

Vesteda compares its yields against those of the ROZ/IPD 'All Residentials' benchmark, which shows the average yields on all participating Dutch residential property investments.

Roll-over principle

annual rejuvenation of portfolio through in and outflows

A key element of Vesteda's investment strategy is the annual rejuvenation of its portfolio. About 3% to 4% of the portfolio is sold each year, up to the size of the inflow of new residential properties so that sales are linked to a similar number of residential properties being added to the portfolio each year in such a way that the portfolio does not fall below the set minimum figure of 27,000 residential properties. The inflow of properties results from project development and the acquisition of portfolios. This ongoing rejuvenation helps to keep the portfolio modern and up-to-date and cashes in on capital gains.

Model portfolios

focus on €600 – €1,200 segment

All purchases and disposals are examined against the framework of the model portfolio, which outlines the composition of the portfolio that Vesteda is seeking to achieve. The model portfolio is reviewed annually and, if necessary, adjusted. In due course, the greatest proportion of the capital invested will be in housing in the €600 to €1,200 monthly rent band as there is continual demand for properties in these more expensive categories.

Disposals

preference for individual sales

Vesteda prefers to dispose of properties through individual sales.

Financing

loan capital boosts yield on shareholders' equity

Loan capital representing up to 45% of invested capital is used to increase the yield on shareholders' equity.

DEVELOPMENT

Vesteda's development strategy is designed to ensure a permanent inflow of high-quality residential projects through Vesteda Project bv. The latter company is Vesteda's project developer and acts as the commissioning authority in acquiring and developing residential construction projects to be built by third parties.

Acquisition and area development

early involvement in urban planning

The projects that are attractive to Vesteda and in attractive locations are few and far between and so need to be developed. Building locations are scarce and can be created through urban renovation. In this, Vesteda looks beyond just the homes as the public spaces, infrastructure and location with respect to the town centre and facilities also determine the quality of life of future tenants.

Co-operation with municipalities

partnership from planning to letting

Experience with various municipalities has shown that Vesteda's specific knowledge of tenants and their wishes can play an effective part in helping to develop areas and neighbourhoods. Early participation is useful for a municipality as it means it can work with the same party during the area and development planning, development and letting, and can transfer some of its tasks to a market player. Early participation is also important for Vesteda Project bv as it can then jointly determine the basic principles applying in respect of the new development.

Pipeline

15,000 homes needed as work in progress

Long preparation processes for projects and lengthier spatial planning procedures mean Vesteda needs a pipeline of around 15,000 residential properties if it is to achieve production volumes of around 1,000 homes a year.

Regional approach

focus on Randstad conurbation, Utrecht and Noord-Brabant

Targets are identified for Vesteda Project bv based on differences between the current and model portfolios and opportunities for acquisitions. The focus over the coming years will be on the Randstad conurbation and the provinces of Utrecht and Noord-Brabant. This has been defined as 'region 1', and it is where Vesteda will be seeking to achieve ¾ of its total acquisitions.

LETTING/MANAGEMENT

Vesteda has its own in-house property management for the administrative, technical and commercial management of its residential properties. The six *Woongaleries*, which form the heart of these activities, handle letting, personal contacts with tenants and possible sales of projects.

In-house property management

unique in Europe

It is usual in the property sector to work with external property management organisations. In Vesteda's view, and given its chosen market sector and the associated growing demands for service, this is not the most effective way of ensuring a continuing focus on customers and high levels of service into the future. As an investor, Vesteda is able to perform its own property management as a result of a combination of its size and the geographical concentration of the portfolio in and around towns. Vesteda is the only property fund of this size in Europe that performs its own property management.

in-house management of customer contacts

Maintenance services are co-ordinated by Vesteda's own centralised call centre, which oversees work and services provided by other parties, monitors agreements and provides feedback to tenants. Parties providing maintenance are paid fees that depend on customer satisfaction and the extent to which they comply with agreements.

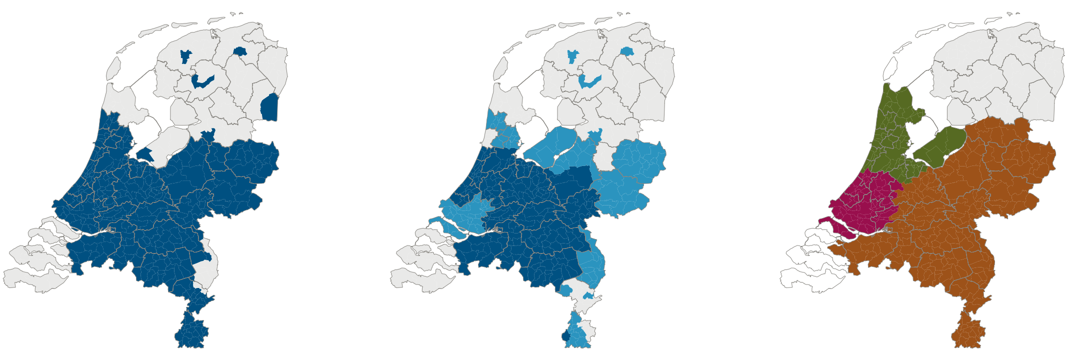
great added value through cost management, customer satisfaction and results

In-house property management offers great added value. Improved manageability means improved control of costs and results, while high levels of service mean improved customer satisfaction and a pleasanter quality of life. The *Woongaleries* also provide good support to the Vesteda brand as a quality name in local housing markets, while direct customer contacts ensure market and project knowledge can be used strategically in asset management and project development.

Core areas
Core area

Acquisition targets
Region 1, target: ¾ of volume
Region 2, target: ¼ of volume

Property management
Randstad-North Region
Randstad-South Region
South-East Region
External property management



Information for investors and lenders

Vesteda is not listed on the stock exchange. Its shareholders are institutional investors and include pension funds, banks and insurance companies. As at the 2007 year end Vesteda had fifteen shareholders. Its funding policy is designed to optimise the yield on shareholders' equity, with very limited exposure to risk. This is done by maximising loan capital at 45% of the balance sheet total and raising finance on terms commensurate with the group's Triple-A rating.

SHARES AND UNITS

Residential property investments

for institutional investors

Residential property investments are an inherent part of any institutional portfolio because of the low volatility in values, the attractive and almost risk-free cash yield and the low correlation with other investment categories, while the annual indexation of leases also acts as a shelter against inflation.

Vesteda's investment profile

'core fund' according to INREV definition'

Vesteda is a residential property investment fund with its own residential portfolio and its own asset management, project development and property management activities. According to the INREV (European Association for Investors in Non-Listed Real Estate Vehicles) classification, Vesteda can from a risk perspective be regarded as a 'core fund', with its debt rated Triple-A and accounting for no more than 45% of its balance sheet. Given the average yield on its shareholders' equity over the past ten years, Vesteda has achieved results above the average for core funds (see 'Ten years of Vesteda' on page 16).

Tax-efficient structure

new shareholders and/or unit-holders

Since 1 January 2002, Vesteda has been regarded as a Fiscal Investment Institution (FII) under Section 28 of the Dutch Corporate Income Tax Act (Wet op de vennootschapsbelasting 1969). This means that the fund is subject to tax at a rate of 0%, providing a number of conditions are met. Depending on their own tax position, investors can choose to participate as shareholders in the FII or as unit-holders in the residential property fund (see page 70 for details of the legal structure).

Management organisation

'dedicated'

Vesteda has a dedicated management organisation, which does not operate on a fee basis. Management and employees receive variable remuneration that reflects both the yield on shareholders' equity ('shareholder performance') and the extent of outperformance against the ROZ/IPD benchmark ('sector performance'). They also receive variable remuneration that is set on a group-wide basis and reflects the scores achieved for customer satisfaction and the occupancy rate of new properties.

Vesteda's Managing Board/ management team (from left to right) Nico Mol (director of Vesteda Project bv), Frits van der Togt (member of the Managing Board), Onno Breur (member of the Managing Board), Ruud Spee (senior controller), Huub Smeets (CEO), Peter Keller (director of Property Management), Johan Manders (HR manager), Han Karstenberg (secretary to the Managing Board) and Ger Römgens (director of Asset Management, Strategy and Product Development).

Distribution policy

at least the realised result including profit on disposals

The fund rules require an annual distribution to investors in order to comply with the distribution requirements for fiscal investment institutions. Vesteda's distribution policy is determined on the one hand by its need for cash and the opportunities for growth in its activities and on the other hand by the dividend expectations of its investors. Factors such as credit ratios influence the financing arranged by Vesteda as our ability to comply with these ratios has a direct impact on our funding costs and, therefore, our profitability. Vesteda seeks to provide a distribution that is to a certain degree predictable and amounts to at least the realised result, including profits on disposals.

Shareholders/unit-holders

fifteen investors

As shown below, Vesteda had a total of fifteen investors at the end of the year under review. All of them participate in Vesteda Group as a shareholder or unit-holder. Two new shareholders joined in January 2008, thus bringing the total number of Vesteda shareholders to seventeen as at the date of publication of the Annual Report.

Shareholders/unit holders in Vesteda
At year end 2007 (in alphabetical order):

Delta Lloyd Levensverzekering nv
Delta Lloyd Real Estate Management Company SARL
Delta Lloyd Vastgoed Participaties bv
ING Vastgoed Belegging bv*
Loyalis Leven nv
Loyalis Schade nv
Stichting Achmea Dutch Residential Fund
Stichting Bedrijfstakpensioenfonds voor de Media PNO
Stichting Pensioenfonds ABP*
Stichting Pensioenfonds Openbaar Vervoer
Stichting Pensioenfonds PGGM*
Stichting Pensioenfonds voor de Grafische Bedrijven
Stichting Pensioenfonds voor Fysiotherapeuten
Stichting TPG KPN Pensioen Real Estate Fonds
Stichting Spoorwegpensioenfonds

* interest in excess of 5%

Dates of general meetings of shareholders in 2008
Tuesday, 18 March
Wednesday, 19 November

FINANCING

Bonds

triple-A rating, extremely low spreads

Vesteda has issued a series of secured floating rate notes, with a nominal value of €500,000 each. These notes are listed on the NYSE Euronext Amsterdam stock exchange and have been given a triple-A rating by Moody's, Standard & Poor's and Fitch Ratings. The average spread on these bonds is about 18 basis points, while the remaining average term at the end of the year was around four years.

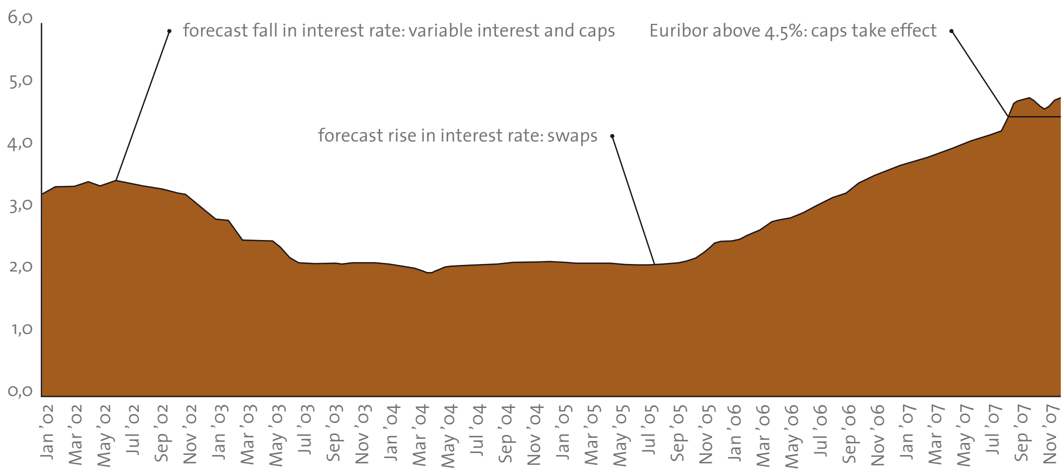
interest rate policy

Policy decisions have been taken on several occasions in recent years on hedging interest rate risks.

2002: variable rates

It was decided at the time of the refinancing in the summer 2002 to opt for floating interest, based entirely on the three-month Euribor rate. The risk of a sharp increase in interest rates was partially hedged by interest rate caps with a ceiling of 4.5%. This decision allowed Vesteda to benefit from the subsequent falls in interest rates.

Euribor and Vesteda's interest rate policy



2005: fixed rates

Vesteda completely refinanced its loan capital in 2005 and decided, in view of the low interest rates and the rise that was forecast, not to remain exposed to Euribor volatility. The group decided to start using forward-swap contracts, in addition to caps, to hedge exposure to interest rate increases. As a result of the forward-swap contracts, interest expense will no longer be affected by fluctuations in Euribor, but will be fixed for the full term of the loans. The swap contracts will be phased in as the current caps expire. The pure interest rate costs of the forward-swap contracts, excluding spreads and transaction costs, are on average 3.4%.

Loan capital

€350 million increase

Loan capital was increased by €350 million during the year under review. The group issued a bond in April with a very short throughput time. The finance was raised – just before the start of the sub-prime crisis in the United States – with a very low spread of 13 basis points.

External financing

start of year: €1.3 billion caps

At the start of the year, the interest rate on the external financing was based entirely on the three-month Euribor rate, with the risk of a sharp increase in rates being partially hedged by agreements capping interest at 4.5%.

end of year: €1.05 billion caps/€600 million swaps

As shown below, Vesteda had drawn down a total of €600 million under the A3b and A4 bond facilities at the year end, with interest based on three-month Euribor rates capped at 4.5%. As Euribor rose above 4.5% in August 2007 and subsequently remained above that level, the caps came into effect and limited interest expense to 4.5%. Thanks to the forward swaps, the average interest rate at the year end on the total of €1,050 million raised under the A1, A2, A3a and A5 bond series was 3.5%.

Financing

Bonds				Caps			Swaps		
Series	Original value (in millions of euros)	Start	Maturity	Cap rate	Start	Maturity	Swap rate	Start	Maturity
A1	200	20.07.2005	20.07.2008	4.500%	20.07.2005	20.04.2007	2.850%	20.04.2007	20.07.2008
A2	400	20.07.2005	20.07.2010	4.500%	20.07.2005	20.04.2007	3.130%	20.04.2007	20.07.2010
A3a	100	20.07.2005	20.07.2012	4.500%	20.07.2005	20.04.2007	3.370%	20.04.2007	20.07.2012
A3b	300	20.07.2005	20.07.2012	4.500%	20.07.2005	20.04.2009	3.645%	20.04.2009	20.07.2012
A4	300	20.07.2005	20.07.2015	4.500%	20.07.2005	20.04.2009	3.895%	20.04.2009	20.07.2015
A5	350	20.04.2007	20.07.2012				4.236%	20.07.2007	20.07.2012
Total	1,650								

Value of financial instruments

year end: €41 million

Based on the level of interest rates on 31 December 2007, the cap contracts and forward swap contracts had a fair value of €41 million. The method of valuing derivatives was changed in 2007. From 1 January 2007, these financial instruments are carried in the balance sheet at fair value.

Financing ratios

compliance with ratios since issuance

As shown below, the ratios applying for the credit rating have been more than met since the bonds were issued.

Financing ratios

	Standard	**2007**	2006	2005	2004	2003
Loan to value ratio (LTV)	Max. 0.45*	**0.34**	0.30	0.32	0.32	0.32
Debt service cover ratio (DSCR)	Min. 1.80	**2.77**	3.72	3.61	3.69	3.65
Cash flow ratio (CFR)	Min. 1.50	**2.23**	3.04	2.94	2.99	2.89

* Until year end 2004: max. 0.40

Report of the Supervisory Board

Presentation of Annual Report and Financial Statements

To the general meeting of shareholders and unit-holders of Vesteda Groep bv

We hereby present the 2007 financial statements, incorporating the proposed dividend distribution, as drawn up by the Managing Board and discussed by this Board, for adoption by the General Meeting. Pursuant to the Articles of Association, adoption of the financial statements will serve to ratify the actions of the Managing Board in respect of its management and those of the Supervisory Board in respect of its supervision in the past year.

unqualified report by auditors

The financial statements of Vesteda Groep bv have been audited by Ernst & Young Accountants who issued an unqualified report which is included in the financial statements in 'Other information' on page 118. Ernst & Young Accountants also issued unqualified auditor's reports on the financial statements of Vesteda Group and Vesteda Woningen, which can be found on pages 102 and 132.

meetings

The Supervisory Board met seven times last year, including one meeting, when the Managing Board was not present, to evaluate its own operation. As usual, some meetings were held on location to increase the Supervisory Board's involvement with Vesteda's projects and operating units. The principal subjects discussed by the Supervisory Board in 2007 were:

Governance & management

risk management and 'in control' statement

- During the year the Supervisory Board was kept advised, as required by the Managing Board and Supervisory Board directors, of the progress made on the issue of an 'in control' statement within the meaning of the Tabaksblat Code. The external auditors were also involved in this process during the year. Although the Supervisory Board and Managing Board have chosen not to establish audit committees, it was nevertheless agreed to involve a member of the Supervisory Board in this process. The relevant director conveyed the views of the Supervisory Board on this issue and reported back to the Board. The 'in control' statement issued in respect of the financial reporting risks is discussed elsewhere in the Annual Report.

change in composition of Supervisory Board

- Unit-holder ING Vastgoed Belegging bv advised the group in March 2007 that it wished for allocation reasons to reduce the size of its investment in Vesteda. Most of the units were placed with existing and new investors during the year under review. As a result, ING's interest has fallen below 25% and it is consequently no longer entitled to nominate a member of the Supervisory Board. It was agreed by the Supervisory Board and the General Meeting of Shareholders that Mr Doets should complete the term for which he had been appointed to the Supervisory Board. ABP nominated Mr de Boo for appointment to the Supervisory Board, which appointment was approved by the General Meeting of Shareholders/Unit-holders. The Supervisory Board consequently returned to full strength during the year and has no vacancies.

Investor relations

intensified investor relations

- Discussions with shareholders and unit-holders were more intensive than in previous years because of ABP's decision to sell part of its shareholding in 2006 and ING's decision to do so in 2007. The Managing Board increased its quarterly visits to shareholders and unit-holders and also agreed arrangements for interim reporting with the new investors. The chairman of the Supervisory Board attended these meetings, when the Managing Board used the opportunity to explain the fund's strategy on new investors and its policy on internationalisation and provide details of its meetings.

investors may be represented by external parties

- The Managing Board, Supervisory Board and General Meeting of Shareholders/Unit-holders agreed to allow shareholders and unit-holders to be represented at meetings by external parties.

Strategy

2007 – 2009 business plan adopted

- The 2007-2009 business plan was adopted, following discussion of the increasing importance of policy on sustainability and innovation.

innovation management discussed

- The Board discussed the way in which Vesteda wishes to shape its innovation management activities. Vesteda believes innovation to be an integral part of its customer strategy, a vital element in creating value and a weapon that can be deployed in an increasingly competitive market.

foreign orientation stopped

- Given the intended maximum focus on activities in the Netherlands, the Managing Board in consultation with the Supervisory Board decided to stop the review of foreign investment opportunities for the time being.

increasing interest in 'residential care'

- The 'residential care' segment will become a more important part of Vesteda's strategy and portfolio in the next few years. This decision has been based on growing demand and the expectation that additional returns can be achieved in this sector.

'sustainability' plan discussed

- A specific action plan was discussed for sustainable business practices with respect to both Vesteda's portfolio and the area developments it participates in.

development of web communication considered

- The further development of web communication as the heart of the letting and management process was explained by the Managing Board and considered by the Supervisory Board.

Financial

the required yield for the year set

- The required yield for the year was set during the first meeting of 2007. As in 2006, it includes regional differentiation as a response to the different regional market conditions under which projects are acquired.

2006 financial statements and annual report discussed

- The 2006 financial statements and the annual report were discussed with the external auditor and accordingly adopted.

increase of €350 million in loan capital discussed

- The details of the €350 million increase in the loan capital in the spring were discussed. As usual the financing structure, terms, interest rates forecasts and risk cover were discussed.

effect of credit management discussed

- The effect of credit management was discussed, with particular focus on the results of actions taken in 2006, including the reduction of arrears in service charges and implementing the 'reminders' project.

2008 budget adopted

- The 2008 budget was, as usual, discussed and adopted during the autumn meeting. The discussion included performance, controlling management expenses, the successful expansion of the Vesteda Project bv organisation, dividend plans and the way in which Vesteda should enter its 'third phase' after ten years in existence.

Market and portfolio developments

results of the tenants' surveys discussed

- The results of the tenants' survey held in 2006 were discussed, looking particularly at tenants' comments on Vesteda's customer approach. Attention was given to the importance that tenants attach to their surroundings and the immediate availability of homes and the use of the internet as a means of communication were discussed.

investment proposals, purchases and transfers discussed/ approved

- The treatment and approval of investment proposals and purchases from Vesteda Project bv and transfers from Vesteda Project bv to Vesteda Groep bv were discussed, to the extent that they were not covered by the mandate of the Managing Board, as was approval of bids on large acquisitions, such as the cluster of homes in the Philips portfolio. For governance reasons, not all the members of the Supervisory Board took part in the consultations.

progress on 'residential care' projects discussed

- The position with respect to 'residential care' related projects was discussed as was further development of this segment.

progress on other major projects discussed

- Progress on large projects in the development and investment phases was discussed, including New Orleans on the Wilhelminapier in Rotterdam, New Amsterdam on the Zuid-as in Amsterdam and the Vesteda Toren in Eindhoven.

Organisation

management and organisation culture discussed

- Reports on management, progress on the culture project already under way and the 'high potentials' policy following up the culture change started by the Managing Board in 2005 were discussed. Attention was also given to the further implementation of the organisational culture wanted in the second and third ranks.

reorientation of property management

- An interim report on the reorientation of the property management process set in train during the year was discussed.

site meetings

- As in previous years, some Supervisory Board meetings were held on site, at projects under construction or being let. This allows the Managing Board to make presentations on site and lets the staff directly involved comment.

Remuneration

remuneration of the Managing Board

- The Managing Board's remuneration for 2006 was based on pre-agreed targets and an assessment of the actual results. The targets for 2007 were set at the beginning of the year. The principles for the remuneration of the Managing Board were set for the period 2008 to 2010.

remuneration of the Supervisory Board

- The remuneration of the Supervisory Board continued along the lines set out in 2004 and checked for competitiveness, once they had been agreed by the General Meeting of Shareholders and Unit-holders.

In conclusion, the Supervisory Board would like to express its appreciation of the efforts and commitment of the Managing Board and employees during the year.

Maastricht, 19 February 2008

Supervisory Board of Vesteda Groep bv
W.F.T. Corpeleijn, *chairman*
P.S. van den Berg
D.J. de Beus
C.A.M. de Boo
J.D. Doets

Report of the Managing Board

Pursuant to Part 9, Book 2 of the Netherlands Civil Code, the information in the Summary in the first section forms part of the Report of the Managing Board. For presentational reasons, this information is not repeated in this section.

The Dutch housing market

Demand for housing is strongly determined by the growth and age structure of the population, household composition and family income. The population will grow minimally in the next few decades but its composition will change. As the proportion of people living alone is increasing, the number of households will grow faster than the population and so more homes are needed. New house building lags well behind demand and so pressure on the housing market continues to be high. The type of housing in demand is also changing, partly as a result of the aging population combined with higher prosperity of older people, and partly because more younger people are remaining single for longer, especially in towns. The percentage of very old people is playing an increasing role. What types of homes do we need in particular? Smaller, more luxury and more service are the keywords.

Households

mainly smaller households

At the end of 2007, the population of the Netherlands was some 16.3 million, living in 7.25 million households. The average household size was about 2.26 persons and two-thirds of Dutch households were made up of one or two persons. At the end of 2007, there were over 2.5 million single people in the Netherlands. One in five women and one in six men over 15 years old live alone.

Dutch households by size

Year end, thousands Source: ABF Research, Socrates	**2007**	%	2006	%
1-person	**2,650**	37	2,601	36
2-persons	**2,085**	29	2,075	29
families (3 or more persons)	**2,515**	34	2,521	35
	7,250	100	7,197	100

Housing stock

more than 50% owner-occupied

The Dutch housing stock was 7.0 million units at the end of 2007, of which 43% were rented.

Dutch housing stock

Year end, thousands Source: ABF Research, Socrates/Statistics Netherlands, Vesteda's calculations	**2007**	%	2006	%
owner-occupied	**3,995**	57	3,952	57
rental	**3,042**	43	3,031	43
	7,037	100	6,983	100

seven million homes mark exceeded in 2007

A hundred or so years ago, in about 1896, the Netherlands had one million homes. It took until 1962 before the three million homes mark was exceeded. The housing stock increased by a million every ten years from 1962 until 1992. The housing stock reached six million fifteen years ago, in 1992. The seven million homes mark was exceeded in 2007.

Pressure on the housing market is increasing

growth in the housing market declines as a result of less new construction and more demolition

During 2007, about 90% of new building was the result of new construction. During the past ten years, house building has fallen steadily from about 92,000 new residential properties per year in 1997 to 72,000 in 2006. Withdrawals of residential properties from the market, for example, as a result of demolition, have almost doubled in the same period: in 1997, 13,000 properties per year were withdrawn and in 2006 the figure was 23,000. The net annual addition of residential properties has fallen in the past ten years from 84,000 to 58,000 and this at a time when there is increasing demand for new homes and, especially from the aging population, for different types of home. This is putting further pressure on the housing market.

New house building falls further

increased new construction wanted by politicians not yet visible

The number of building permits granted for new homes fell by 16% during the first nine months of 2007 compared with the year before. Up to September 2007, permits had been issued for about 60,000 homes. This is over 11,000 fewer than in the same period in 2006. The lost ground occurred in the first half of 2007.

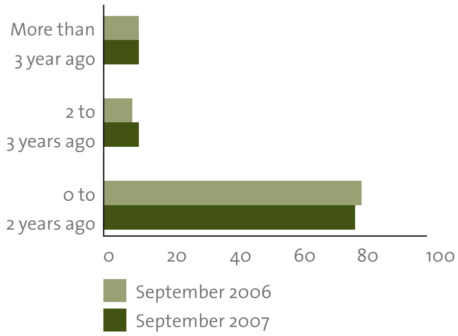
homes completed at the same level as in 2006

In the same period, to September, the number of completed residential properties increased marginally. Almost 42,000 new homes were completed in the first nine months of 2007, which is 1% more than in the same period in 2006.

stocks of homes ready for delivery at a record level

At the end of September 2007, the stock of homes ready for delivery was almost 187,000 which is 5% more than a year earlier and an absolute record in the history of new house building. The building permits for more than 20% of these uncompleted homes had been issued more than two years earlier.

Stock of homes for delivery by date of granting building permit



no prospect of improvement in new house building in 2007

The chart above shows that 2007 will also not go down in the records as a year with an increasing rate of delivery of new house building. The average time between granting a building permit and the completion of the property has increased further. The statistics do not suggest a higher production figure for completed homes in 2007, such as the construction of almost 80,000 units in 2007 forecast by the EIB. Statistics Netherlands will publish the annual figures for 2007 at the end of March 2008.

Population trends

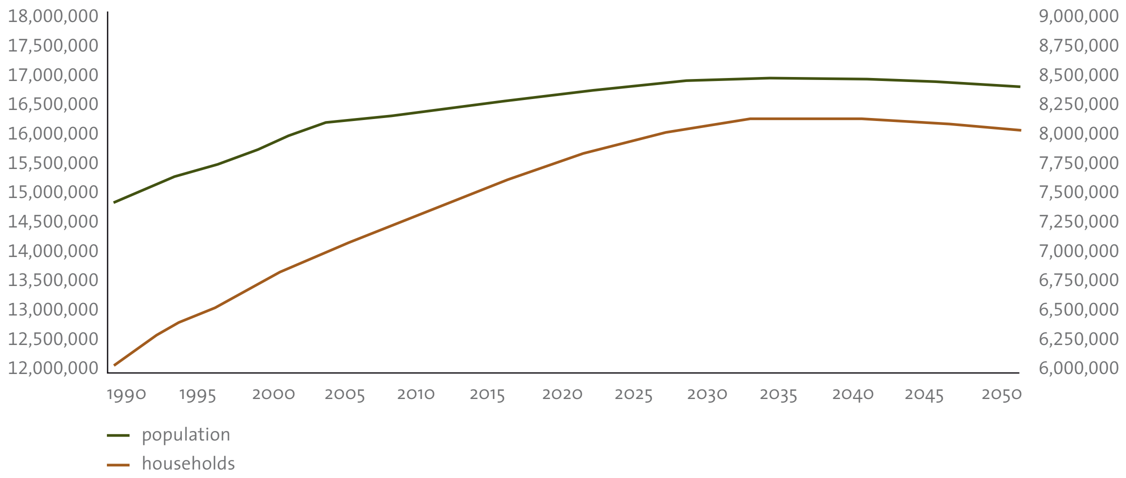
maximum population figure in about 2035

Forecasts indicate modest population growth for the next few years. The population of the Netherlands will be 16.4 million by 2010 and 16.8 million by 2025. The population is forecast to peak at slightly more than 17 million people in 2035 and then decline marginally to 16.9 million by 2050.

household size falling to 2.11 persons

Average household size has fallen in recent years. An average household at the end of 2006 was 2.26 persons. This will have fallen to 2.24 in 2010 and to 2.11 in 2025. There are now almost 400,000 more single people than 10 years ago. Part of the increase is because of population growth and part because relationships are failing more often and more young people are living alone and cohabiting later. In the 55-74 age group, women frequently live alone after their husbands have died, while divorce is a significant reason why men live alone.

Population and household trends



Need for more homes

number of households growing

With marginal growth in the population and a reduction in the average household size, the number of households in the Netherlands is increasing and so the need for residential properties is rising. Eight million homes will be needed by 2025.

strong regional differences

This trend is not spread equally throughout the country or happening at the same time. Analysis of population trends to 2020 shows that expected growth differs between provinces. Flevoland – as a result of its home-building targets – will grow fastest and Noord-Brabant the least. Limburg comes last with a fall in population.

small households especially in the towns

At the end of 2007, more than half of the people in the Netherlands lived in towns. The larger the town the higher the proportion of single-person households. The smaller the town, the higher the proportion of couples and families with children. The proportions of single and two-person households (couples or one-parent families) will move in the next few years towards the single-person.

Need for different types of home

sharply aging population

The Netherlands has more elderly and fewer young people. The average age is rising. The main reason for this is that people born in the post-war baby boom are growing older. Life expectancy is also rising. In addition, the number of children per family is falling, and so the number of young people is declining.

aging population clearly visible in the next decade

'Grey pressure', the proportion of people over 65 compared with the working population (15-64 years of age), is increasing. Here too, there are regional differences, with the Randstad conurbation ageing less than the more peripheral regions. The effects of the welfare state are also leading to longer life expectancy, and so the population is growing older. 'Double ageing', the increase in the share of people over 75, will accelerate in the next decade.

older people growing richer

Based on information in 2007, the average old person's income is expected to increase in the next few years. New generations of old people have higher supplementary pensions and older generations are dying out. The income of older people is also growing compared with the younger generations. Older people are, on average, actually richer than younger generations.

mismatch in demand and supply

This will lead to a mismatch in demand and supply, especially in homes for older people.

THE HIGHER-RENT SECTOR

Residential properties with a monthly rent over about €622 are classified as the higher-rent sector. In total, there were about 195,000 such properties in the Netherlands at the beginning of 2007, representing about 2.8% of the overall housing stock. Most of these higher-rent residential properties are owned by institutional investors, such as Vesteda. Higher-rent residential properties are scarce since demand is about half as high again as the annual supply. Demand will increase further in the next few years.

Residential Tenancies (Rent) Act

Housing Evaluation System determines rent deregulation

The Residential Tenancies (Rent) Act (*Huurprijzenwet Woonruimte*) stipulates that the maximum rent for a home in the Netherlands depends on a points score. The Housing Evaluation System sets the way the score is calculated. The better the quality of the home, the more points it gets. And the higher the number of points, the higher the maximum rent. Points are allocated on various criteria, such as floor area, facilities, type of accommodation and equipment. If the rent under the Housing Evaluation System is higher than the deregulation threshold, the lease is deregulated. The deregulation threshold until 1 July 2007 was a monthly rent, excluding service charges, of €615.01 per month. Since 1 July 2007 it has been €621.78. If a lease is deregulated, it is in the free or deregulated sector. Rental homes below the deregulation threshold are known as HPW (*Huurprijswet*) homes.

Higher-rent sector

units as a proportion of the Dutch housing stock
Year end 2007, units

Source: ABF Socrates, Vesteda's calculations	thousands	%	thousands	%
Owner-occupied	3,995	57		
Rental	3,042	43		
of which low and medium rents (HPW sector)			2,847	94
of which higher rents (deregulated sector)			195	6
	7,037	100	3,042	100

Players in the rental sector

mainly owned by institutional investors

Almost all of the roughly 195,000 homes that make up the higher-rent sector are owned by institutional investors and housing associations which serve this segment of the market. They are a marginal part of the property portfolios of the housing associations, being roughly 3% or about 55,000 of their residential properties. The situation is completely different for institutional investors as about one-third of the capital they have invested is in homes in the deregulated sector; in total they own about 140,000 homes in the higher-rent sector.

Supply and demand in the higher-rent sector

higher-rent residential properties are scarce

Demand for higher-rent residential properties is about half as high again as the annual supply. Annual demand for single-unit residential properties is forecast at 12,090 units, while only 10,440 become available and so the excess demand factor is 1.16. For multiple-residency properties the annual demand is 34,490 units, while only 16,040 are available and so the excess demand factor is 2.03.

Annual demand and supply by housing type and price

Units
Source: Woon 2006, ABF Research, 2007

	supply	demand	shortfall	stock	shortfall	excess demand
Single-unit residential properties higher-rent	10,440	12,090	1,650	94,600	2%	1.16
Multiple-residency units higher-rent	16,040	34,490	16,450	100,500	16%	2.03
Total higher-rent	26,480	44,580	18,100	195,100	9%	1.68

Letting policy

coalition agreement: drop reform proposals, back to the beginning

In 2007, the government decided in the coalition agreement mainly to do nothing to the poorly functioning housing market. The new letting policy prepared by the previous Minister of Housing, Spatial Planning and Environment, Sybilla Dekker, was dropped and the desperately needed deregulation of the rental sector, like mortgage interest relief, will not be considered during the government's term of office. Consequently, the government has opted for an inflation adjusted letting policy which will further limit the scope of landlords of regulated properties. This also affected Vesteda in 2007 in the amount of rent rises and no improvement is expected during the government's term of office.

recommendations of the VROM council: 'time to decide'

The Council of Housing, Spatial Planning and the Environment (VROM council) presented its recommendations on the reform of housing policy to Ella Vogelaar, Minister for Housing, Communities and Integration in October 2007. This comprehensive and thorough report with the self-evident title 'Time to decide. Prospects for a balanced housing market' tackles the serious problems identified in the housing market. Trading up is stagnating, there is a shortage of high quality homes, new building is stagnating, higher prices put owner-occupied homes out of reach for first-time buyers, there are waiting lists in the rental sector, illegal sub-letting is no longer an exception and there is increasing 'skewing', as a large proportion of the cheaper housing stock of housing associations is no longer occupied by the target group of low income households.

searching for market equilibrium and balance

According to the VROM council, the guiding principle for the reform of housing policy is greater consumer choice. A significant element in this is more neutral treatment of the rental and owner-occupied sectors but also housing support focused more on people with low incomes. Acceptance of these two criteria in the policy will have far-reaching consequences for the functioning of the housing market. They would mean that tenants are treated equally by the government and that the privileged position of owner-occupiers, partly through mortgage interest relief, is reduced. Of course, this will have to be done gradually to avoid sudden price adjustments. Furthermore, demand support must continue, especially for the disadvantaged members of the community, but this could be done in an ownership-neutral way.

broadly-based support for the recommendations of the VROM council

The recommendations of the VROM council have received wide support and offer hopeful prospects. This policy offers Vesteda new opportunities. It is expected that the rental sector will become a good alternative to owner-occupation for larger groups of the population. Deregulation of the rental sector also offers more scope for profitable rental residential properties in response to the demand for high quality rental homes.

The Dutch property investment market

further growth in size, lower yields

Thanks to the flourishing economy and high liquidity of property investors, the Dutch property investment market developed well. Demand for commercial space in particular increased, cutting vacancies and encouraging development activities. These good prospects led to declining yields. The convergence of yields in different regions and the office, retail and residential sectors continued in 2007.

mortgage crisis tempers highly-leveraged transactions

Interest rates rose from the beginning of 2007 as a result of the strong economic growth, and this – in combination with high property prices – made it more difficult to finance purchases. The sub-prime crisis in the United States added a significant adverse element: lack of confidence in the ability of the property market to properly manage, or even to quantify, risks. What started as an American problem in May quickly took on global proportions. There is still no observable direct effect on the price of property, although several large, highly-leveraged transactions did not go through.

record number of transactions, especially in offices

Investment activity on the Dutch market in 2007 was substantially higher even than 2006 which itself had been a strong year. In total, about €12.8 billion of investment property changed owners, compared with over €8.5 billion in 2006. The conversion of direct ownership into indirect ownership (ABP, Philips Pensioenfonds), making portfolios more sector-specific (Corio) and increase in scale (Rodamco) were key drivers. Including ABP's sale of KFN to ING Real Estate, in 2007 almost €8 billion was invested in offices.

considerable interest for residential investment, little supply

The number of sales of complete complexes has been falling in recent years. Institutional investors continue to be interested in rental homes, but the supply is minimal. The combined ownership of investors in the IVBN, which was over 200,000 units in 2000, had fallen to less than 138,000 by year end 2007.

Price trends in the Dutch housing market

owner-occupied homes 4.1% more expensive

Existing owner-occupied homes were on average 4.1% more expensive in December 2007 than a year earlier. This increase was about the same as the average for the previous four years. In 2007, 3.5% fewer existing homes were sold than in 2006.*

biggest rise in Noord-Holland and Utrecht

Prices of owner-occupied homes rose the most in Noord-Holland. Selling prices were on average 7.2% higher in December than a year earlier. Prices also rose above average in Utrecht, by 6.1%.

fewer homes sold

202,000 existing owner-occupied homes were sold to private individuals in 2007. This was 3.5% fewer than in 2006, when 210,000 homes changed hands. The number of sales of homes fell in every province. At 8.4% the fall was greatest in Drenthe. The fall in Zuid-Holland was limited to 0.9%.

sales of apartments rose the most

In 2007, over 9% fewer terraced homes were sold than in 2006. In contrast, sales of apartments and detached homes rose, by 3.7% and 2.7%, respectively.

Vesteda saw its decisions to focus on specific core areas and build up the portfolio confirmed in the housing price trends in 2007.

* Statistics Netherlands and Land Registry

INVESTMENT

The total portfolio grew modestly in size in 2007. The acquisition of part of the Philips portfolio at the end of 2007 was a particularly substantial addition of properties in the mid-market sector which is very important to Vesteda. Rents were increased by an average of 1.8% from 1 July.

Appraisal and valuation policies

more than half the portfolio appraised during the year

Over 50% of the letting portfolio was appraised by external valuers in 2007. The valuation of the remaining properties was updated by external valuers. The discounted cash flow (DCF) method (allowing for transfer and other selling expenses) is used for either type of valuation of properties that have been in the letting portfolio for two years or more. The external appraisals were performed at regular intervals through the year.

different valuation policies used for the different portfolios

Projects in the development portfolio are stated at cost. Projects in the letting portfolio are stated at fair value, being the higher of market value with sitting tenants and net realisable value on disposal of complete complexes to organisations specialising in selling individual units. Newly-added projects are exceptions to the general rule and are stated at the lower of cost and market value for the first two years after completion.

Rent rise

average 1.8% rent rise from 1 July

Vesteda rents increased by an average of 1.8% from 1 July 2007. About 59% of the homes in the letting portfolio on 1 July were in the social rental segment, where there are limits on rent rises. The average rent rise for these homes was 1.0%. Vesteda offers its tenants in the deregulated segment, contractual rent protection. For some years, Vesteda has stipulated in leases that the annual rent rise will be no more than 2% above inflation. Vesteda can compare rents against market rents once every five years. If market rents are at least 10% higher, Vesteda may increase the annual rent rise to 4% in real terms. Vesteda applies this voluntary rent restraint to all residential leases, irrespective of whether rent protection is included in the contract and this demonstrates Vesteda's long-term involvement and social role to tenants and municipalities. Inflation in 2006, which determined the rent rises in 2007, was 1.1%. The average rent rise in the deregulated segment was 2.7%.

Acquisition of part of the Philips portfolio

1,046 homes acquired in strategically important 'mid-segment'

In December 2007, Vesteda acquired 1,046 homes from the Philips pension fund. There was great interest for the some 1,500 residential properties that Philips sold by tender in November. The residential properties purchased by Vesteda have a value of more than €200 million. They are in 17 projects, mainly in the Randstad and are almost all single-unit homes in the €600 to €1,000 monthly rent band. In this way, Vesteda acquired properties in the strategically significant mid-segment of the deregulated sector.

Financial planning software package

first part implemented

In 2007, Vesteda implemented the first part of a new software package for its long-term financial planning of the property portfolio. The '4cast' model was developed and built entirely in-house using the experience of previous programmes. The model offers a greater ability to quickly compute and compare scenarios for homes, projects or parts of projects. The model will be developed further and the second part will be implemented in the spring of 2008 with the aim of having it fully operational for the 2009 long-term plan which will be produced in the autumn of 2008.

Composition of the portfolio

change of focus on acquisitions to the mid-sector from €800 to €1,200

As the portfolio in the top segment of the higher-rent sector has been brought to almost the desired size, acquisitions will focus on the mid-sector from €800 to €1,200. During 2007, several projects in this segment were added from our own project developments, including the Gerenstein and De drie Bouwmeesters projects in Amsterdam, HollandCarré in Tilburg and Ravel in Zutphen.

target inflow not yet achieved

A number of recent developments mean that the original acquisition targets to 2009 will probably not be achieved. Firstly, residential building in the Netherlands is still disappointingly low, although there are signs of some improvement. In addition, the competition from the owner-occupied sector and housing associations is considerable. Both have a privileged position compared with investors such as Vesteda. Both the owner-occupied sector, subsidised by mortgage interest relief, and the housing associations, financed by public capital, are able to offer higher prices for building land or residential complexes. Within the deregulated rental segment, investors are facing ever more competition from housing associations which are turning their attention more specifically outside the social sector and thus use their privileged position from the social rental sector. Their privileged competitive position is tolerated by the government, despite criticism from market parties. As a result of this competition, yields are under pressure and Vesteda not infrequently loses on price.

differentiated approach and standards per region

The regional spread of the portfolio is managed on the basis of economically strong regions, the expected trend in demand from the target groups and the desired and feasible market share. With this approach, Vesteda has divided the Netherlands roughly into three regions as shown on the map on the next page. Region 1 (roughly the Randstad conurbation, Noord-Brabant and some medium-sized towns) is the area that Vesteda regards as offering the best opportunities for returns in the future. Region 2 (roughly the rest of the Netherlands except for the north and Zeeland) is not insignificant, but has much less economic potential and growth in the target group. Finally, with some exceptions, Region 3 (the north and Zeeland) is not generally an area of interest to Vesteda. The focus on this region is modest and limited to a few towns and tighter yield criteria and stricter risk controls apply here. The differences in regional economic and demographic prospects are expressed in the weighting in the model portfolio and the requirements for initial and life-time yields. In line with market evidence, Vesteda uses a lower required yield for single-unit homes than for multiple-residency properties.

growth mainly in the Randstad and Noord-Brabant

A forecast has been prepared of the development expected in the current portfolio by rent band and regional distribution. This takes into account contracted projects in development and construction, but also the current (hard and soft) acquisition portfolio with the chance of each project succeeding being estimated. It also includes the forecast sales of homes. Finally, account is taken of possible future acquisitions, whose effect to 2010 is reasonably limited in view of long development periods, often of many years. Looking at the regional distribution, most of the expansion of the portfolio in the next few years will be in region 1 (see map). About three-quarters of the hard acquisitions are in this region and about one quarter in region 2. An almost identical picture is seen in the stock of soft acquisitions. As a relatively large proportion of the residential properties to be sold are also in regions 1 and 2, the distribution in units will be less. Thanks to this approach, Vesteda is reinforcing its share in the higher-rent sector (> €600) in regions 1 and 2. The share in region 3 remains relatively limited.

Innovation

further development of various products

Product innovation has taken further shape with the development of short stay properties, homes with office space, age-independent homes and application of residential technology. In 2007, Vesteda further incorporated the systematic integration of sustainability as part of development and management.

DEVELOPMENTS

The organisation of Vesteda Project bv was brought up to strength during 2007. The number of homes for delivery and the annual investment volume are still not on target. In the next few years, the energy put into building up a pipeline of projects under development in recent years, will be cashed in. After 2008, the number of deliveries will rise until the desired level of 1,000 rental and 500 owner-occupied homes per year is achieved in 2011.

Positioning of Vesteda

Vesteda as developing investor

Vesteda wishes to retain the position it has built up of a developing investor. This can be done by focus on the mid-sector, from €800 to €1,200, additional attention to the slightly lower basic segment and greater accent on the owner-occupied sector. Optimum use must be made of the cycles in the owner-occupied and rental markets. This will be done by creating a higher degree of flexibility in the development process with respect to choices between owner-occupied and rental.

Co-operation with municipalities

more specific long-term co-operation

Vesteda aims for long-term relationships with municipalities, as in Amsterdam and The Hague. In 2003, the municipality of Amsterdam and Vesteda entered into a framework agreement for the construction of 2,500 rental homes in the mid-sector. By the end of 2007, sites for 1,500 homes had been allocated. A letter of intent was signed with the municipality of The Hague at the end of 2007 for the construction of at least 1,500 homes. The conclusion of such agreements offers certainty of new housing for both the municipalities and Vesteda.

Residential technology

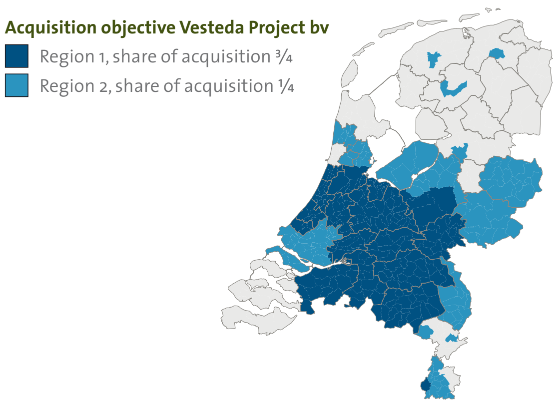
demand for services increasing

The use of residential technology (domotics) for alarms, social safety, burglary prevention, comfort and care is making a significant contribution to our tenants' quality of life. Furthermore, the ability of older people to be able to receive services and care at home in the future is an absolute condition for being able to live independently. We are already seeing increasing demand for service and care packages. Demand for services in a wide sense by segment and target group and the financial feasibility of offering them is becoming clearer. Vesteda is linking supply and demand as far as possible to clearly defined quality and price categories to establish the domotics package. This is an ongoing process given the rapid developments in both technology and services.

Leisure

appreciation and increasing visits

In its conceptual approach to luxury living, Vesteda offers its tenants leisure facilities such as swimming pools, fitness centres and saunas, exclusively for residents. The availability of leisure in the complexes matched to target groups are without exception appreciated. Data on actual use indicate an increase in visitor numbers and so this concept meets a need and the type of leisure facilities offered, if any, will be assessed project by project.



Sustainability and innovation

sustainable energy

The use of sustainable energy (heat/cold storage), under Vesteda's management or otherwise, was developed specifically at a number of projects under development and construction during 2007.

LETTING/MANAGEMENT

In the rental segment where Vesteda operates, direct customer contact is vital for success. Vesteda has its own in-house property management for the administrative, technical and commercial management of residential properties. The organisation and processes of this largest part of the organisation were reviewed during 2007 and this led to a change of responsibilities and improvement in the commercial focus. The techniques for letting new properties and the supporting commercial and financial reports have been improved. There was a lot of consultation with tenants and the tenants' organisations. The number of people registering to search for a home increased by a third compared with a year earlier. In 2007, Vesteda was rated at 7.1 for customer satisfaction.

Own property management

in-house property management

It is usual in the property sector to work with external property management organisations. In Vesteda's view, given its chosen market sector and the associated growing demand for service, this is not the most effective way of safeguarding customer orientation and good service. Consequently, Vesteda has phased property management into its organisation. The biggest step in this long-term organisational growth was taken in 2003. As an investor, Vesteda is able to perform its own property management as a result of a combination of its size and the geographical concentration of the portfolio in and around towns. Vesteda is the only property fund of this size in Europe that performs its own property management.

Nationwide network

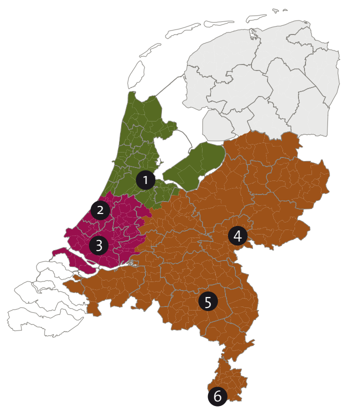
Woongaleries, supported by local satellites

The *Woongaleries* and their satellite offices handle letting, personal contacts with tenants and possible sales of projects. They are supported by a centralised call centre, where tenants make maintenance enquiries and which co-ordinates and gives feedback on maintenance. The centralised back office looks after the financial flows. Vesteda has six regional offices, the woongaleries. Woongalerie Amsterdam serves Noord Holland and the Amsterdam and Flevoland regions. Woongalerie Haaglanden serves the area in and around The Hague. Woongalerie Rotterdam serves the greater Rotterdam area. Together, these three offices handle the Vesteda portfolio in the Randstad conurbation and have relatively small areas of operation. The Arnhem, Eindhoven and Maastricht Woongaleries serve the rest of the Netherlands, except for Groningen and Friesland, where there is external property management. Depending on the need, mainly from letting new residential properties, the *Woongaleries* have temporary or permanent support from the local satellite offices which are often located in new projects and are used to receive tenants for contract signature and also serve as work places.

Property management, regions and regional offices

- Randstad-North Region
- Randstad-South Region
- South-East Region
- external property management

1. Woongalerie Amsterdam
2. Woongalerie The Hague
3. Woongalerie Rotterdam
4. Woongalerie Arnhem
5. Woongalerie Eindhoven
6. Woongalerie Maastricht



Assessment of the organisation and processes

leads to geographical reorientation and improved commercial focus

The conclusion five years after bringing property management in house is that the decision to perform our own property management was correct for marketing and letting. With a few exceptions, the commercial results on letting new projects are, after an initial phase, good and would not have been possible without an in-house organisation. The working methods and organisation of property management were assessed during 2007. Every process was critically reviewed, along with staff levels and the distribution of offices around the country. This reorientation was also in the light of the changes in the portfolio expected in the next few years, which to a significant extent will determine the future property management activities. A new organisation structure for the *Woongaleries* was decided on, guided in part by the desired company culture, in which responsibilities are as low as possible in the organisation, and the deliberate decision to make an optimum customer approach the standard, after thorough investigation, a test period in The Hague region and good consultation with the Works Council. Work is no longer allocated regionally, but is specialised by process and underlying personal competences. Unlike in the past, several managers, each with specific responsibilities, will look after the same buildings. The letting agent is responsible for commercial matters, following up applications and letting. The management consultant is responsible for customer relationships and management after the move. It has also been decided to put several offices in certain regions under one office manager. The new structure is shown in the accompanying map. The new approach will be phased in at the offices during 2008.

Synergy between investment and operational property management

closer to the customer

Vesteda is very different from other residential property investors in letting and management. With its own network of offices and their image on the market, its own call centre and the strong IT-supported letting and other processes, Vesteda is literally closer to its customers. Partly as a result of this, Vesteda can distinguish itself by its customer approach and communication by internet and with its focused efforts on marketing and promotional means.

Tenants' associations

pleasant and useful co-operation

Vesteda holds two formal meetings with tenants' associations a year and between the spring and autumn meetings there are frequent informal contacts with the associations or their committee members and important matters in and around the building and homes are often discussed informally. Thanks to the efforts of both sides, Vesteda regards this as a pleasant and useful way of communicating. These contacts were strengthened and deepened further in 2007. The subjects discussed are proposed maintenance, settlement of service costs, the annual rent rises, reletting and in some cases the possible sale of a project. There are about a hundred tenants' associations and most of them are members of the Vesteda Platform, the umbrella organisation for Vesteda's tenants.

Umbrella national organisation for Vesteda's tenants

positive critical and constructive co-operation

The Vesteda Platform was set up over five years ago to consult tenants on subjects with national consequences. Its board looks after, in a professional way, the general interests of our tenants which go beyond individual specific projects, such as leases and the rent policy. Tenants' associations may join the Platform and Vesteda reimburses the membership fee. One subject addressed in 2007 was standardised billing of heating and service costs for all Vesteda tenants. Unfortunately, the agreement reached with the board was not accepted during the autumn meeting of the tenants' associations. The intention is to reach agreement with individual tenants' associations in early 2008, after further consultations. Vesteda regards the co-operation with the Vesteda Platform as positively critical and constructive. Several meetings were held in 2007.

Letting new properties

new development methods and efforts

A lot of energy was put into letting new properties in 2007. Different new methods and resources were used to achieve almost full letting. Several events and customers meetings were organised in addition to advanced techniques for approaching target groups and refined marketing activities.

different letting strategies, depending on target group

Experience shows that Vesteda has to use different strategies for advance letting. Many small-scale projects, in or near neighbourhoods with a high percentage of owner-occupied homes, seem to be ideal for the 55+ target group, meaning that they are almost all fully let in advance. Customers in this group take plenty of time to decide on a new home and are often involved from the start of the construction in the complex. These future residents are kept up to date on the progress of the building work and other matters of interest including by newsletters. Other buildings, more suited to future residents in the 30 – 55 age group call for a letting strategy concentrating activities in the months immediately before and

Interior of a Woongalerie

after hand over. Matters such as a new job or relationship (life events) are key reasons why this group of customers move house, and the need for a new home may be less well planned and immediate availability of the home is important to the decision.

continuous improvement of the offer

There is an in-depth review for each project of the unique qualities of the building and the homes and the experience of the proposed target group. In this way, Vesteda tries to offer products closely aligned with the actual needs of customers. By continuously reconciling the results of these reviews with Vesteda Project bv, Vesteda Group is working continuously on its offering in the housing market.

Internet

primary channel for communication and letting

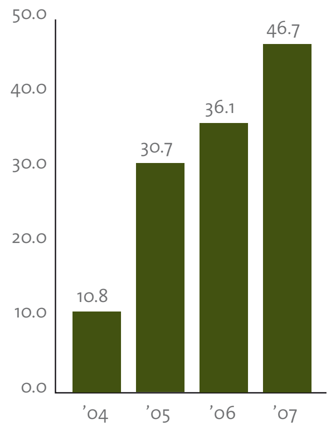
The www.vesteda.com website is central to communication with potential tenants. Each day, the website automatically displays an up-to-date list of housing actually available. The registration module can be used by people wishing to register an interest. Their information is sent automatically to the letting planner, a method developed by Vesteda to record potential tenants, so that vacant residential properties can quickly be relet.

inflow of applications from people looking for a home increases further

During 2007, Vesteda recorded over 46,000 applications from about 22,000 people looking for a home. In 2006, this had been 36,000 applications from 10,000 people. During the year, a project group addressed future internet developments and the integration of the internet in the letting process.

Inflow of applications in the letting planner

Units, thousands



properties available online

In 2007, Vesteda set itself the aim of displaying homes immediately available for letting on the website and so a lot of effort was put into IT during the year to bring together information stored in different computer systems. The new website was launched in November 2007 and initial experiences have been extremely positive. Potential tenants can use simple searches to select the home of their preference, after which a viewing appointment can be quickly arranged.

Employees from different *Woongaleries* at a consumer fair in Utrecht

Customer survey

structural review of the reasoning of new, sitting and departing tenants

Vesteda has carried out an ongoing survey, the Vesteda Tenants' Monitor, since 1997. It provides information on the characteristics, views, wishes and opinions of the various groups of tenants. As a matter of course, all new and departing tenants receive a questionnaire that they can return by post or complete online. New tenants are asked why they are renting, the orientation and decision-making process and their findings as a new customer. Departing tenants are asked why they are moving and for suggestions for improving products and services. In addition, each month, a sample of 500 sitting tenants are sent a questionnaire asking about matters such as satisfaction with the home, surroundings and the service from the *Woongaleries*. There is also a customer requirements survey. The 'Leads' survey, which we use to identify the reasons why people did not in the end decide to rent from Vesteda, started in 2007. The Serviced Apartments module will form a standard part of the Tenants' Monitor from 2008. The aim of this survey is to respond more effectively to the specific wishes and needs of this target group.

reports have a solid place in the primary operating processes

16,500 surveys have been processed and analysed since the start of the completely new survey in 2003. The response rate is about 40%, which is good given that it is an extensive written survey. The different modules were recently also made available to tenants digitally. The various disciplines at Vesteda are provided with an extensive report each quarter. A special theme is highlighted along with the standard sections of the reports on different aspects of services. The reports have a solid place in the primary operating processes.

tenants are satisfied with their homes

Tenants are satisfied with their homes having given them an average rating of 7.4 for years. The most important aspects of their homes according to the tenants are the quality for the price, peace and quiet and the size of the home.

surroundings more than satisfactory

The rating of the surroundings has also been fairly constant over the years at an average of 7.3. Accessibility (by public transport and car) and the level of facilities get good ratings. Tenants regard their surroundings, in particular the style, atmosphere, leisure facilities and tranquillity, as important.

location, layout and immediate availability are principal reasons for renting

Reasons why new tenants rent a specific home are its location, quick availability and the size or layout. New tenants are making greater use of the internet in their search for a new home. The main reasons for leaving a home are the wish to become an owner-occupier or a more attractive new home and surroundings.

service levels more than satisfactory but there are some areas for attention

Sitting tenants are less satisfied with the service than new and departing tenants, rating it at 6.8. Particular areas for attention are answering enquiries, promptly complying with arrangements and dealing with complaints. Availability by phone and customer friendliness rate over 7.

call centre more than satisfactory

The call-centre service was rated 7.4.

overall rating for customer satisfaction 7.1

The overall rating for customer satisfaction, including for the home, surroundings and service, was 7.1 in 2007.

start of customer panel in 2008

The Vesteda Customer Panel will start in 2008. The advantages of such a panel are direct contact and interaction with tenants. Themed discussions, testing ideas and plans, in-depth surveys and increased insight and involvement between landlord and tenant are on the agenda.

Evaluation of contract management

most targets achieved

Contract management is evaluated twice a year. The evaluation is of status monitoring, customer satisfaction, technical and financial quality and these are linked to incentives. The evaluation is of a total of 45 contract parties. The majority of pre-agreed targets have been achieved. Discussions are held with contract parties rated unsatisfactory. The service from companies which carry out work for Vesteda was rated at 7.3.

Certification on energy performance advice

audit performed, certification granted

The Energy Performance of Buildings Directive was published on 4 January 2003. It is designed to cut energy consumption in buildings in the European Union and was incorporated into Dutch law at the end of last year. Obligations started on 1 January 2008. For Vesteda and the rental homes, this involves both training and certification of the organisation. After an audit, the certificate was issued to Vesteda in September. A start has also been made on collecting the building permits with the associated calculations on the energy performance standard.

Credit management

rent arrears cut further

There were good results from credit management once again in 2007 and it has led to a further fall in arrears. Arrears were reduced to 19% of monthly rents, over 1% lower than at year end 2006. Expressed in annual rents this was 1.6% at the end of 2007.

Movements in the property portfolio

During 2007, 1,263 residential properties were sold, 1,046 were added by purchasing portfolios and 561 homes were added from in-house project development. Consequently, the letting portfolio grew modestly on balance to about 28,300 homes. The occupancy rate rose further to 97.2%. The gross yield fell to 5.1%. Average rents rose 4.0%, of which 1.8% was a result of rent rises for sitting tenants. The portfolio is still modern: two-thirds of the homes are 25 years old or newer. Of the 1,263 homes sold, 849 were sold individually and 414 in three tenders. The book profit on sales was €34 million, with the result on disposal of each home rising to €27,000.

CLASSIFICATION OF THE PORTFOLIO

All properties and property developments are referred to jointly as the total portfolio. The total portfolio is subdivided into the development portfolio and the letting portfolio.

Development portfolio

The development portfolio includes projects in the development, preparatory and construction phases. The development phase is for projects where there is an acquisition agreement or contract for an area development or other types of venture or acquisition and for which Vesteda is or will be preparing a development decision. As soon as a development decision has been taken on a project, it moves to the preparatory phase. The project transfers to the construction phase when building work starts. As soon as a project is both ready for letting and handed over, it is transferred to the letting portfolio. A project may be transferred in stages.

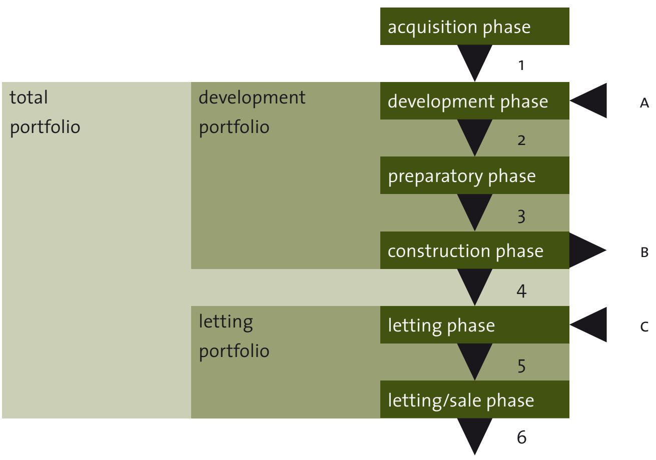
Letting portfolio

The letting portfolio includes projects in the letting phase and projects in the letting/sale phase. As soon as a decision is taken to dispose of a project, it becomes part of the letting/sale phase. The projects in the letting portfolio are listed in annex 1 'Properties in the letting portfolio' on page 135.

Disposals

There are regular disposals of individual residential properties and projects from the letting portfolio.

Diagram of the classification of the property portfolio



1 acquisition contract
2 development decision
3 start of construction
4 handed over and ready for letting
5 decision to dispose
6 disposal

Secondary process

A purchase of turn-key projects/ portfolios
B disposal of new homes and projects
C purchase of projects under development

Transfer from Vesteda Project bv to Vesteda Woningen

Under the long-term plan, based on analyses of the ideal and actual portfolios, Vesteda Groep bv determines its need for new projects, which is then passed on to Vesteda Project bv. Suitable projects are placed in the development portfolio with the aim of including them in Vesteda Woningen, a common fund for collective investment. They can be transferred to Vesteda Woningen once an investment decision has been taken and projects have been developed. The date when these conditions are met and the transfer can be made depends on the type of project and ranges from before the start of construction to the hand-over date.

TOTAL PORTFOLIO

The value of the total portfolio was €4,934 million at year end 2007, about 10% higher than at the beginning of the year.

Total portfolio, value

Excluding acquisition investments, year end

(millions of euros)	**2007**	2006	2005	2004	2003
	4,934	4,482	4,230	4,106	4,084

DEVELOPMENT PORTFOLIO

Value

The value of the development portfolio was €135 million at year end 2007, which was a fall of 23% in value during the year as a result of the value of projects handed over being higher than the value of new investments in the development portfolio.

Development portfolio, value

Excluding acquisition investments, year end

(millions of euros)	**2007**	2006	2005	2004	2003
	135	176	196	256	218

Investment

The table below shows the annual investment in the development portfolio. Vesteda Project bv did not achieve its project development targets in 2007. Longer preparatory processes for projects and spatial planning procedures meant that the start of construction work on several projects was moved to 2008. A total of €169 million, including VAT, was invested against a target of €250 million.

Development portfolio, investment

Excluding acquisition investments, incl. VAT

(millions of euros)	**2007**	2006	2005	2004	2003
Target	**250**	220–250	230	200	140
Actual	**169**	169	184	206	153

Development portfolio properties

A list of the properties in the development portfolio is set out on page 135.

Vesteda Project bv report

There is a description of Vesteda Project bv and its activities in a separate annex to this Annual Report.

LETTING PORTFOLIO

Value

The table below shows the value of the letting portfolio.

Letting portfolio, value

At year end (millions of euros)	2007	2006	2005	2004	2003
Single-unit residential properties*	**2,055**	1,794	1,734	1,804	1,964
Multiple-residency residential properties*	**2,744**	2,512	2,300	2,046	1,902
Total	**4,799**	4,306	4,034	3,850	3,866

* including value of associated parking/garage spaces and commercial space in projects

The value of the letting portfolio was €4,799 million at the end of 2007. The value of both single-unit and multiple-residency properties was higher than at the start of the year.

Size

For the first time in years, the portfolio grew in size during 2007. At the end of 2007, the letting portfolio was made up of 28,334 homes. As well as the residential properties, Vesteda owned about 40,000 m² of commercial space and some 9,000 parking spaces at the year end.

Letting portfolio (units)

Number at year end	2007	2006	2005	2004	2003
Single-unit residential properties	**12,034**	11,476	12,244	13,624	15,775
Multiple-residency properties	**16,300**	16,514	17,032	17,498	17,699
Total residential properties	**28,334**	27,990	29,276	31,122	33,474
Parking/garage spaces	**8,984**	8,185	7,203	7,146	6,928
Commercial space m²	**39,789**	41,725	36,098	40,791	36,960
of which offices	**27,768**	29,341	23,470		
retail	**12,021**	12,384	12,628		

In 2007, the net increase in the portfolio was 344 residential properties. In total 1,263 properties were sold and 1,607 were added. The addition consisted of 561 homes from in-house developments and 1,046 homes were acquired as portfolios. At the end of the year, about 27,700 of the 28,000 units in the portfolio had been let for at least one year.

Movements in letting portfolio, size

Number of residential properties	2007	2006	2005	2004	2003
1 January	**27,990**	29,276	31,122	33,474	35,904
– sold during the year	**1,263**	1,758	2,515	2,756	2,892
– movements as a result of change in layout		5			
+ added by acquisition of portfolios	**1,046**				
31 December, let for at least one year	**27,773**	27,513	28,607	30,718	33,012
+ added from in-house developments	**561**	477	669	404	462
31 December	**28,334**	27,990	29,276	31,122	33,474
of which added during the year	**1,607**	477	669	404	462

Letting portfolio properties

A list of the properties in the letting portfolio is set out on page 135.

Value with vacant possession

The value with vacant possession of the letting portfolio was €5,785 million at the end of 2007, meaning an increase of 8% during the year.

Letting portfolio, value with vacant possession

Year end (millions of euros)	**2007**	2006	2005	2004	2003
Value with vacant possession	**5,785**	5,355	5,181	5,117	5,230

Average value per home

The average value per home rose by 11% as a result of inflow, outflow and value increases. At the end of 2007, the average value of the residential units was about €167,000, compared with about €151,000 a year earlier.

Letting portfolio, average value per home

Year end (thousands of euros)	**2007**	2006	2005	2004	2003
Average value per home	**167**	151	136	127	115

RENTAL INCOME AND OCCUPANCY

Market rental value and theoretical rental income

At the end of 2007, the annual market rental value of the letting portfolio was €259 million and the theoretical annual gross rent was €245 million.

Letting portfolio, market rental value and theoretical gross rent

(millions of euros)

Year end	**2007**	2006	2005
Market rental value	**259**	247	245
Theoretical gross rent	**245**	233	232

Occupancy rate

There was a rise in the occupancy rate of the letting portfolio during 2007 to 97.2%. Vesteda regards the first year of letting as the initial letting phase. If the properties which were added less than a year ago are ignored, the occupancy rate of the letting portfolio is 97.7%.

Letting portfolio, occupancy rate

Calculated on the number of residential properties percentages, year end	**2007**	2006	2005	2004	2003
Occupancy rate of letting portfolio	**97.2**	96.8	96.4	97.4	98.4
of which let for at least a year	**97.7**	97.5	97.8		

Letting portfolio, tenancy turnover

Calculated on the number of residential properties

percentages	**2007**	2006	2005
tenancy turnover for the year	**11.8**	12.7	11.5
tenancy turnover, three-year average	**12.0**		

Rental income

Total gross rental income receivable during the year rose by 2.3% compared with 2006 to €226 million. Of the total gross rental, 97.8% is attributable to residential properties. Net annual rent as a proportion of gross annual rent rose slightly to 73% in 2007.

Letting portfolio, rental income received

(millions of euros)	**2007**	2006	2005	2004	2003
Gross annual rent	**226**	221	219	230	238
Net annual rent	**165**	159	162	173	178
Net/gross annual rent	**73%**	72%	74%	75%	75%

Gross yield

The gross yield on the letting portfolio, defined as the theoretical rent at year end divided by the value of the portfolio at year end, was 5.1%.

Letting portfolio, Gross yield

(percentages)	**2007**	2006	2005
Gross yield	**5.1**	5.4	5.8

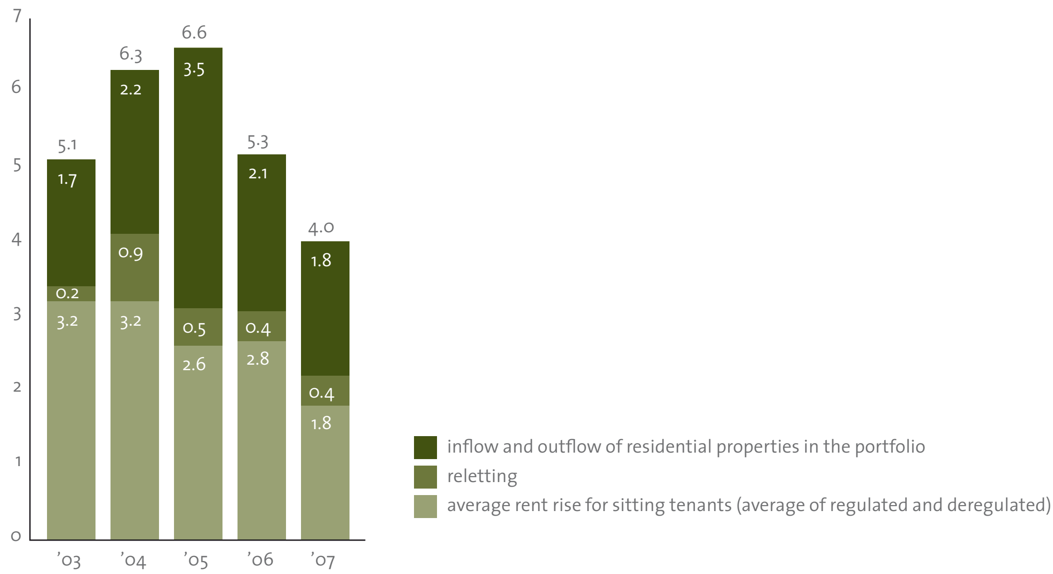
Rent trends

The average monthly rent per residential unit at the end of 2007 was €688, compared with €661 in 2006. This represents an increase of 4.0% which came from three sources. The first is the inflow and outflow of residential properties in the portfolio, which contributed 1.8%, because of the outflow of cheaper properties to make way for more expensive ones. The second source is reletting. Residential properties are relet at market rents after being vacated. Reletting, when the rent is raised in some cases, contributed 0.4%. The final source is the annual rent rise for sitting tenants from 1 July which accounted for a rise of 1.8% in the average rent

Letting portfolio, average monthly rent

Year end (€)	**2007**	2006	2005	2004	2003
Average monthly rent	**688**	661	628	589	554

Letting portfolio, average rent rise by source, percentage points



Segmentation the letting portfolio

The next pages set out key figures for the letting portfolio, by sub-portfolio. In line with IVBN definitions, Vesteda breaks this into single-unit and multiple-residential properties.

Letting portfolio, movement in value*

2007 (millions of euros)	single-unit residential properties	multiple-residential properties	total
Value, at beginning of year	1,794	2,512	4,306
Additions	243	245	488
Disposals	–65	–100	–165
Transfers		–8	–8
Revaluation	83	95	178
Value at year end	2,055	2,744	4,799

* including value of associated parking/garage spaces and commercial space in projects

Letting portfolio, units

year end 2007	single-unit residential properties	multiple-residential properties	total
number of properties	12,034	16,300	28,334

Letting portfolio, value with vacant possession, market rental value and theoretical gross rent

year end 2007 (millions of euros)	single-unit residential properties	multiple-residential properties	total
Value with vacant possession	2,497	3,288	5,785
Market rental value	103	156	259
Theoretical gross rent	99	146	245

Letting portfolio, occupancy rate

year end 2007

calculated on number of residential properties (percentages)	single-unit residential properties	multiple-residential properties	total
Letting portfolio	98.4	96.3	97.2
of which let for at least one year	98.4	97.3	97.7

Letting portfolio, realised rental income

2007 (millions of euros)	single-unit residential properties	multiple-residential properties	total
Gross annual rent	91	135	226
Net annual rent	70	95	165
Net/gross annual rent	77%	70%	73%

Letting portfolio, gross yield 2007

year end (percentages)	single-unit residential properties	multiple-residential properties	total
Gross yield	4.8	5.3	5.1

Letting portfolio, average monthly rent

2007 (in €)	single-unit residential properties	multiple-residential properties	total
beginning of year	668	657	661
year end	684	691	688

Letting portfolio, result on disposals

2007

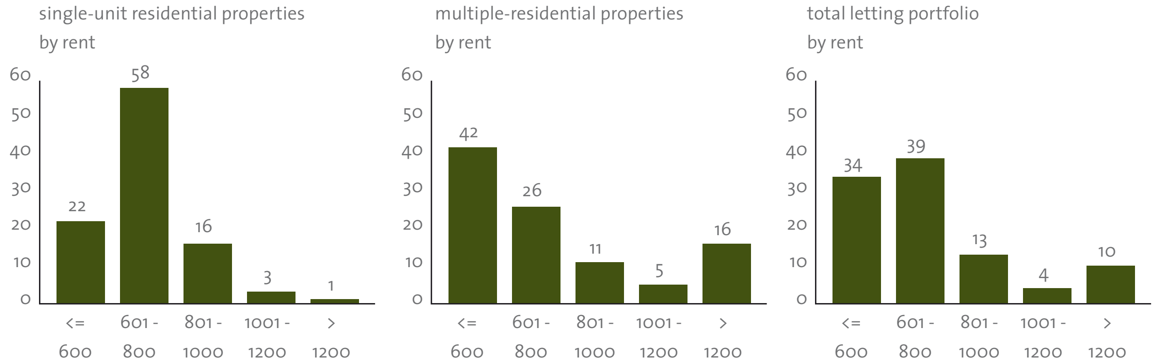
(millions of euros)	single-unit residential properties	multiple-residential properties	total
result on disposals	15	19	34

Portfolio composition by rent and age

If the letting portfolio is analysed by monthly rent, the further specialisation on the higher-rent sector during 2007 becomes clear. At the beginning of 2007, Vesteda was obtaining 61% of its theoretical gross rent from letting in the segment above €600 per month. As shown in the graph below, this share was 66% at year end 2007. The letting portfolio is relatively modern. By value, two-thirds of the portfolio is 25 years old or younger.

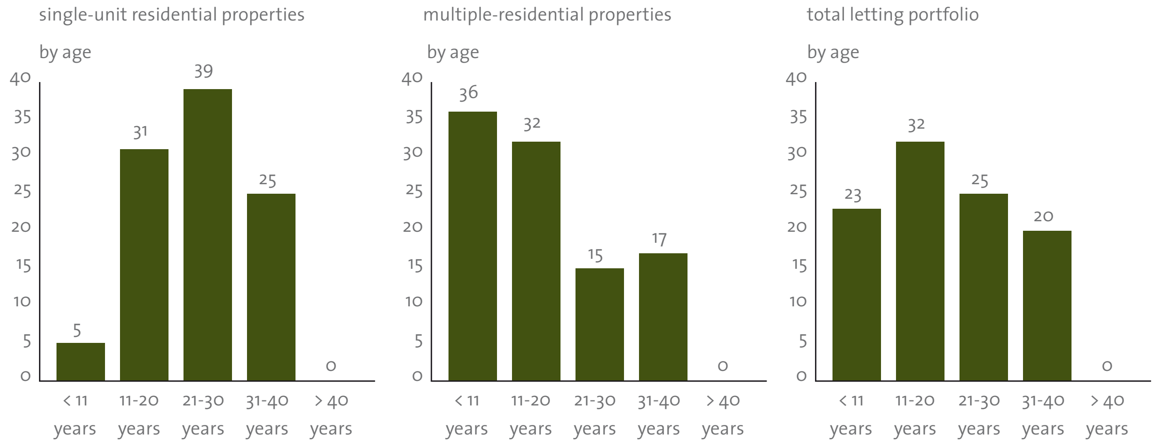
Letting portfolio, by rent

Letting portfolio year end 2007, by theoretical gross rent for 2007, by rent



Letting portfolio, by age

Letting portfolio year end 2007, percentage of value year end 2007, by age



DISPOSALS

In 2007, a total of 1,263 homes were sold. Regular sales of residential properties are aimed at consolidating capital gains and adjusting the composition and quality of the portfolio. As far as possible, the volume of sales is kept in line with new additions, so that the portfolio does not fall below the set figure of 27,000 units.

Preference for individual sales

To get the best results for sales, residential properties are generally only sold individually to tenants or, if vacant, to third-party purchasers. In 2007, 849 homes were sold individually.

Procedure for sales by tender

Sales of complexes are made if individual sales do not offer a financial benefit, for example, because of very low tenancy turnover combined with the residents' profile. The speed of sale may also be a reason for sale by tender. As usual, strictly regulated and transparent tender procedures are used. As well as screening the financial soundness of potential candidates and source of funds as far as possible, the purchaser's good reputation is a major consideration. The sales terms incorporate the IVBN Sales Code and anti-speculation provisions required by Vesteda.

In connection with a major investment in a portfolio to be acquired and already let, it was decided to sell three projects by tender in November to release additional funds. These involved 414 homes included in the sales plans for 2008 and 2009.

Substantial results on sale per home

A book profit of €34 million was made on the sales in 2007. The book profit rose from about €26,000 per property in 2006 to about €27,000 during 2007. The book profit on individual sales was on average about 80% higher per property than for sale by tender.

Letting portfolio, result on disposals

(millions of euros)	**2007**	2006	2005	2004	2003
Result on disposals	**34**	45	76	71	65

Letting portfolio, result on disposals per residential property

(millions of euros)	**2007**	2006	2005	2004	2003
Result on disposals per residential property	**27**	26	30	26	22

Letting and management expenses

Letting expenses for 2007 were 27.1% and so were slightly lower than in 2006. The management expenses were stable and have been 37 basis points of the portfolio value for three successive years. Both targets were met in 2007.

Letting expenses include maintenance costs, reletting, property management, brokers' fees and fixed costs (including taxes). They amounted to 27.1% of gross letting revenue in 2007. The target was an expense level of no more than about 28%.

Vesteda Woningen's management expenses amounted to 37 basis points of the portfolio value during 2007, as in 2005 and 2006. This, too, met the target of an expense level of less than 40 basis points.

Letting expenses of Vesteda Woningen

as a percentage of gross letting revenue	**2007**	2006	2005	2004	2003
Letting	**27.1**	27.9	26.0	24.9	25.4

Management expenses Vesteda Woningen

In basis points of the portfolio value at the beginning of the year	**2007**	2006	2005	2004	2003
	bp	bp	bp	bp	bp
Management*	**37**	37	37	38	36

* See page 143 for definitions

Yield and distribution

The total yield on shareholders' equity was 10.4% in 2007, made up of the realised result (net rental income and book profits realised on disposals) of 4.2%, the unrealised result (revaluations) of 5.6% and revaluations of financial instruments of 0.6%. Its tenth year of existence was, therefore, the tenth occasion when Vesteda achieved a yield of over 10% on shareholders' equity. During 2007, there was a change of accounting policy on derivatives, and the 2006 figures have been restated. The leverage effect was 2.3% in 2007. The benchmark yield is not yet known; the ROZ/IPD Residential benchmark was always beaten in the period 2003 to 2006. The distribution to investors for 2007 was €8.40 per share/unit, including the final payment of €3.20 to be made in April 2008. The distribution is, therefore, 6.6% of opening shareholders' equity.

Yield in 2007

The realised result for 2007 was €133 million, or 4.2% of opening shareholders' equity. The unrealised result was €178 million, or 5.6% of shareholders' equity. The revaluation of derivatives was €18 million. The total yield for 2007 was €329 million, or 10.4% on opening shareholders' equity. Its tenth year of existence was, therefore, the tenth occasion when Vesteda achieved a yield of over 10% on shareholders' equity (see also the key figures on page 8).

Yield

In millions of euros	**2007**	2006	2005	2004	2003
Realised result	**133**	149	188	197	196
Unrealised result	**178**	285	206	138	137
Revaluation of derivatives	**18**	11			
Total yield	**329**	445	394	335	333

Yield on shareholders' equity

Percentage of opening shareholders' equity	**2007**	2006	2005	2004	2003
Realised result	**4.2**	5.0	6.5	6.9	6.9
Unrealised result	**5.6**	9.7	7.1	4.8	4.8
Revaluation of derivatives	**0.6**	0.3			
Total yield on shareholders' equity	**10.4**	15.0	13.6	11.7	11.7

Change in accounting policy for derivatives and restatement of the 2006 figures

There was a change in accounting policy in 2007 under which financial instruments are recognised in the balance sheet from 1 January 2007. Valuation is at fair value. In consequence, the yield on shareholders' equity is now defined as the total realised result, unrealised result and revaluation of derivatives.

By law and regulations, the effect of a change of accounting policy has to be shown in the comparative figures. This results in an increase of €11 million in shareholders' equity at year end 2006, making the restated yield on shareholders' equity for 2006 15.0% compared with the figure of 14.7% presented earlier. The effect of the change in accounting policy in 2007 was €18 million, and so the yield on shareholders' equity in 2007 was 10.4%. The accumulated effect of the change in accounting policy is €29 million. If this is attributed to 2007, the yield on shareholders' equity for the year was 10.7%.

Restated figures for 2006

	2007 key figures	2006 key figures	2007 accumulated effect of the change in accounting policy	2006 Presented in 2006 annual report
Balance sheet				
year end, amounts in millions	€	€	€	€
total portfolio	**4,934**	4,482	4,934	4,482
shareholders' equity	**3,288**	3,169	3,288	3,158
total assets	**5,077**	4,630	5,077	4,619
Yield on shareholders' equity				
amounts in millions	€	€	€	€
realised result	**133**	149	133	149
unrealised result	**178**	285	178	285
revaluation of derivatives	**18**	11	29	–
total yield	**329**	445	340	434
Yield on shareholders' equity				
as percentage of opening shareholders' equity	%	%	%	%
realised result	**4.2**	5.0	4.2	5.0
unrealised result	**5.6**	9.7	5.6	9.7
revaluation of derivatives	**0.6**	0.3	0.9	
total yield	**10.4**	15.0	10.7	14.7
Net asset value				
per share per share/unit	€	€	€	€
beginning of year	**126.74**	118.23	126.31	118.23
result	**12.45**	17.36	12.45	17.36
revaluation of derivatives	**0.73**	0.43	1.16	
year end, before distribution	**139.92**	136.02	139.92	135.59
distribution to investors	**–8.40**	–9.28	–8.40	–9.28
year end, after distribution	**131.52**	126.74	131.52	126.31

From fund strategy to result

The diagram below shows the effect of leverage on yield and how the fund strategy works. In 2007, financing contributed 2.3 percentage points to the net result.

The first columns in the chart show net rental income, which generated a yield of 3.8% on shareholders' equity in 2007. This would have been 3.7% without leverage.

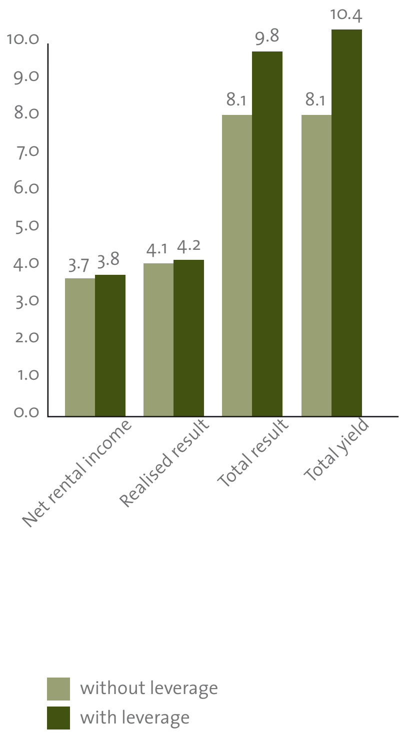
The second columns in the chart show net rental income plus the disposal results, the book profits on sales. These make up the realised result, which generated a yield of 4.2% on shareholders' equity in 2007. This result would have been 4.1% without leverage.

The third columns in the chart show the realised result plus the unrealised result, the revaluation of investments. These make up the total result, which generated a yield of 9.8% on shareholders' equity in 2007. This result would have been 8.1% without leverage.

The total result plus the revaluation of the financial instruments forms the total yield, as set out in the fourth columns in the chart below. The total yield was 10.4% on shareholders' equity and would have been 8.1% without leverage.

Composition of yield on shareholders' equity

Calculation of the yield on shareholders' equity



1 Net rental income (€168 million).
Without leverage: €168 million/value of portfolio at beginning of year (€4,482 m) = 3.7%
With leverage: (€168 million – proportionate net interest (€168 million/(€168 million + other income (€4 million) – management expenses (€21 million) + profit on disposals (€34 million)) x net interest (€52 million)))/shareholders' equity (€3,169 million) = 3.8%

2 Realised result = net letting revenue (€168 million) + other income (€4 million) – management expenses (€21 million) + profit on disposals (€34 million) – net interest (€52 million) = €133 million
Without leverage: (€133 million + net interest (€52 million))/value of portfolio at beginning of year (€4,482 million) = 4.1%
With leverage: €133 million/shareholders' equity (€3,169 million) = 4.2%

3 Total result = realised result (€133 million) + capital gain (€178 million) = €311 million
Without leverage: (€311 million + net interest (€52 million))/value of portfolio at beginning of year (€4,482 million) = 8.1%
With leverage: €311 million/shareholders' equity (€3,169 million) = 9.8%

4 Total yield = total result (€311 million) + revaluation of financial instruments (€18 million) = €329 million.
Without leverage: (total result (€311 million) + net interest (€52 million))/value of portfolio at beginning of year (€4,482 million) = 8.1%
With leverage: €329 million/shareholders' equity (€3,169 million) = 10.4%

ROZ/IPD industry performance

Vesteda uses the ROZ/IPD Residential Properties Benchmark ('All comparable properties' category) to compare the performance of properties against that of other residential property investors. This benchmark presents the market average actual results for residential investments of all participants (including Vesteda Woningen) and, in addition to standing investments, allows for partial sales and purchases and developments and redevelopments.

In recent years, Vesteda has always beaten the benchmark. In its ten years of existence, Vesteda has beaten the benchmark on average by 0.9% each year. The benchmark for 2007 is not yet known. Vesteda expects to earn a yield of 9.2% for 2007 calculated using the ROZ/IPD method.

Vesteda Woningen compared with ROZ/IPD Residential Properties Benchmark

Percentages, 'All comparable properties'

Benchmark including Vesteda Woningen	**2007**	2006	2005	2004	2003
Annual yield					
ROZ/IPD benchmark	*	10.8	10.6	8.6	8.2
Vesteda Woningen	*	12.2	11.6	10.7	10.4
Three-year yield					
ROZ/IPD benchmark	*	10.0	9.1		
Vesteda Woningen	*	11.5	10.9		
Five-year yield					
ROZ/IPD benchmark	*	9.4	9.9		
Vesteda Woningen	*	11.0	11.6		
Ten-year yield					
ROZ/IPD benchmark	*	12.5			
Vesteda Woningen	*	13.4			

* not available at the date of publication

Distribution to investors

Under the participation agreement, Articles of Association and fund rules, there has to be an annual distribution to investors. This meets the distribution requirements for a fiscal investment institution (Fbi). During the year, a total of €210 million was allocated and a total of €130 million was paid out. The remaining €80 million will be paid out in April 2008. The allocated distribution is €8.40, or 6.6% of the net asset value per share/unit at the beginning of the year.

Distribution and net asset value

in millions of euros	**2007**	2006	2005	2004	2003
Distribution to investors	**210***	232	340	310	315

Amounts per share/unit, in €	**2007**	2006	2005	2004	2003
Distribution to investors	**8.40***	9.28	13.60	12.40	12.60
Net asset value at beginning of year	**126.74**	118.23	116.08	115.08	114.43
Distribution to investors	**6.6%**	7.8%	11.7%	10.8%	11.0%

* allocated, including €80 million, or €3.20 per share/unit, payable in April 2008

Staff and organisation

For staff and the organisation, a feature of 2007 was strengthening the organisation's culture, leadership and innovative strength. Staff numbers fell slightly in 2007. Absenteeism through sickness rose. A project was started in the property management department to redistribute responsibilities, focusing on commercial matters and letting. A new Works Council was elected in 2007.

performance cycle

Vesteda is convinced that all employees, irrespective of their job, make a significant contribution to the company's reputation and result. To remain successful as a business, all employees are encouraged and put in a position to get the best out of themselves. To this end, a performance management programme was set up in 2006 and developed further during 2007.

three core competences

The skills and specific qualities an employee needs to do the work was defined for every job. A number of competences were determined for every job. Every Vesteda employee must have three core competences: personal responsibility, customer focus and good co-operation.

employment conditions

Vesteda wants to deliver quality and so it demands above average quality and effort of its staff. In return it offers a competitive package of employment conditions. The policy is that employees get above average remuneration if they perform well. During 2007, a leading firm of consultants performed an employment conditions scan matching the complete package of employment conditions against the market. The recommendations in the report were discussed by the Managing Board and Works Council. Vesteda has chosen to give greater weight to the variable, performance-related part of remuneration in its employment conditions policy. The variable remuneration has a collective element that depends on the investment results compared with the industry (ROZ/IPD), customer evaluation and the letting results. In the dynamism in the current labour market, Vesteda will regularly check whether the remuneration package is competitive.

2008-2009 collective bargaining agreement

The collective bargaining agreement for 2008 and 2009 was concluded in December 2007. Salaries will increase by 3% per year and each employee covered by the collective bargaining agreement will receive an additional payment of €250 each year.

Developments in 2007

specialisation and process improvements at property management

At the end of 2007 a start was made on activities focusing on reinforcing the company's commercial organisation, with the aim of increasing the occupancy rate of our properties and generating additional income from letting activities. As well as various organisational changes such as merging the management of a number of *Woongaleries* and cutting overheads, the responsibilities of and between the various employees were defined more precisely. This gives employees who work close to customers more responsibility. The quality improvements will put a sharper focus on sales activities, including the faster follow up of leads. The fact that management consultants will focus exclusively on residents and the surroundings is expected to lead to an increase in residents' satisfaction.

culture and leadership

The ongoing activities in the culture programme were boosted by the change process in the property management department. In addition, several departments, with support of outside specialists, used specific programmes to improve working processes and update our practical cultural values. Our leadership focuses on our core values. To this end, an intensive programme was started, with every manager presenting a development plan in a joint session and individual coaching interviews. This set out very transparently the expectations that the various managers have for the contribution that Vesteda can make to their further development, and the opportunities and threats in the cultural process were discussed with the Managing Board. Forty managers took part in this programme.

innovation

Vesteda needs structural innovation to continue adding value for tenants, shareholders, employees and other stakeholders. As a result, Vesteda has decided to make innovation a priority in the organisational culture it wants. A multi-disciplinary core group was set up in mid-2007 with the task of encouraging, deepening, collecting and evaluating proposals for innovation. It is also responsible for process management. The group reports directly to the Managing Board. There were several innovation projects in place at year end on tax, financing, customers, products, processes and service.

Staff changes

tight labour market

Vesteda strengthened its position in the tighter labour market. Thanks to more intensive efforts to interest good employees in jobs in our organisation, the number of vacancies that remained unfilled for a long time was limited. In total, 47 vacancies were filled, being 38 replacements and 9 people in new jobs. At the end of 2007, three vacancies had been open for more than three months. At the beginning of the year there had been five. Despite the increasingly tight labour market, Vesteda succeeded in filling vacancies relatively quickly.

workforce

At the end of 2006, Vesteda Groep employed 353 people; by the end of 2007 this had fallen to 349. The workforce fell by 4 FTES during 2007.

Vesteda Group staff numbers

FTES	year end 2006	net movement in the year	**year end 2007**
Total Vesteda Group	322	–4	**318**

Personnel of Vesteda Group

year end 2007	FTES	number of staff
Head office	103	110
Property management	184	207
Vesteda Groep bv	287	317
Vesteda Project bv	31	32
Total Vesteda Group	318	349

Increase in sick leave rate

Sick leave* in 2007 was 5.2% and so was higher than in 2006, when it was 4.6%. The increase is explained mainly by a number of people on long-term sick leave unrelated to work. The number of illnesses reported during 2007 was about the same as in 2006. The actions started this year to manage sick leave better, are being continued and intensified. If a long absence appears to be likely, external specialists are brought in more quickly than before to prepare specific programmes to avoid long-term absence and assist a rapid return. The employees concerned appreciate these actions. The preventive health checks introduced during 2006 continued in 2007 for all employees aged 45 to 50. Forty-four employees took part in the checks.

Works Council

As in previous years, there were constructive discussions with the Works Council. The Managing Board values the positive criticisms from the Council and held extensive discussions with the members during the year. The results of the meetings between the Managing Board and Works Council included a tighter timetable for the property management improvement project, a clearer communication plan and further examination of the change process. Elections for a new Works Council were held on 12 November.

* adjusted for long-term illness of more than 1 year

Works Council's report

The Works Council is a consultative body which represents the staff in discussions with the Managing Board. The Council focuses on subjects that affect Vesteda as a whole or on policy matters. In the third and final year of its current term of office, the Council's activities concentrated on several significant themes: the reorientation of property management, the election, the age-oriented personnel policy and the change in culture. The reorientation of property management took up so much time and attention in the second half of the year that the discussion of subjects such as the age-oriented personnel policy and the remuneration structure were postponed to 2008.

Property management

From mid-August, the agenda of the Council was set almost entirely by the Managing Board's plans to reorient property management. This was discussed frequently and extensively during the period. The Council also recognises the great importance of improving the letting process and reducing vacancies. To arrive at a good and careful balance of interests in its recommendations, in mid-October the Council members visited all the *Woongaleries*, the call centre and the back office. In addition, the two-day working visit by the Council and the Managing Board to London was used for an informal exchange of views and air differences of opinion. In early December, the Council issued a favourable opinion on two parts of the reorientation: the administrative merger of the *Woongaleries* and functional specialisation of account managers and residential consultants on letting, management and technology. The Council asked for additional supporting evidence on the third part of the reorientation, the change process. The Managing Board has promised to reanalyse the change process in the first quarter of 2008 and to ask for a separate opinion from the Council. The consequences of the reorientation on functional employment in property management will then also be clear. During a well attended staff meeting on 10 December, the Managing Board explained its decision and the opinion of the Council.

Election

The extensive discussion of the reorientation almost overshadowed the fact that the Council's period of office ended on 12 November. All Council members had to retire and two decided not to stand for re-election. Three new candidates stood, making a total of eleven candidates. The Council and the Managing Board set the number of seats in the new Council at nine. The election was held on 12 November. About 73% of the staff voted electronically. The new Council consists of two new members and seven existing members.

Age-oriented policy

The Council put the theme of age-oriented policy, a very contemporary theme, on the agenda for 2007. At Vesteda there is every reason to look at this: 21% of the staff are aged fifty or over. As the government's policy is to have more of this age group participate in the workforce for longer, the Council sees every reason to make this theme concrete. The Council collected information, attended study days and held an internal study afternoon led by external specialists on this subject. The main conclusion is that age-oriented policy not only covers older staff but in principle also applies to every employee, young and old. To guide the meeting with the Managing Board and HR on age-oriented policy, the Council used its right of initiative and provided a policy paper as input for discussion. As a result of the developments surrounding the reorientation of property management, the Council decided to postpone the age-oriented policy theme to 2008.

Culture change

During 2007, the Managing Board started a process to change the corporate culture, putting responsibilities lower down the organisation. Terms such as 'take responsibility', 'focus on the customer' and 'get the best out of yourself' also appeal to the Council. Such a change demands good communication with and between employees and requires 'taking responsibility' to be linked with 'giving responsibility'.

Consultation and opinions

As in earlier years, the Council was able to talk completely openly with the Managing Board during 2007. Regardless of the difference in viewpoints, there was always mutual respect. Both sides talked with a positive attitude and sought constructively for solutions. Various matters were discussed with the Council: the bicycle plan, IRS-Woongemak, a change to the lease car scheme, the 2007-2009 business plan, attracting loan capital, the life-cycle scheme, the closure of the call centre on Saturdays, the Vesteda 2006 annual report and the 2007 budget.

The annual meeting with the chairman of the Supervisory Board, Frans Corpeleijn, was held in Eindhoven in the spring. During a frank discussion, the Council had plenty of opportunity to present its views on many subjects. Mr Corpeleijn explained the views of the Board on the company's strategy to give the Council an idea of the world of the supervisory directors and shareholders.

Employees

It is vital that the Works Council maintains good links with all employees of Vesteda. Staff are given regular information on the discussions with the Managing Board and on other Council affairs in 'Works Council Reports, part of the Vesteda intranet site. The Council has received many questions and responses from employees, not only during its visits to the various departments and business units, but throughout the year. In some cases, the Council referred employees onwards as their questions were of an individual nature.

The following matters are on the agenda for 2008: the remuneration structure at Vesteda compared with other companies in the industry, commuting, the change process, the 2008-2011 business plan and the sick leave and age-oriented policy.

ECONOMY

There are wide-ranging forecasts for 2008. The credit crisis in the United States, which arose from write-offs of high-risk mortgages, is also claiming its first victims in Europe. At the time of writing, it looks as if developments in the sub-prime market will bring about a recession in the US. The question, therefore, is how long the temporary solution of interest rate cuts and announced reduction in the tax burden will stand.

Expectations are moderately positive in the EU and the Netherlands. The economy seems to be past its peak. Consumer confidence is falling and developments in the US are being watched keenly. The accounts of Netherlands Limited are in order and unemployment reached a low point at the end of 2007. On the other hand, years of reducing affordability of energy, housing and care are an undesirable trend which gives us concern as we look towards the future. In general, low interest rates in recent years have boosted economic growth. Those same interest rates now make our growth expectations more vulnerable. All in all, Vesteda expects to see a dip in economic growth in the coming period of 1% to 1.5%, unemployment steady at 4¼%, purchasing power slightly increasing by 1% per year and inflation rising towards 2¼%.

Property investment market

As a result of sharp increases in value in recent years, there has been a gradual shift from direct to indirect returns on residential property investment. The initial yields of new developments are lower and will be more sensitive to interest rates.

These developments offer both advantages and disadvantages for Vesteda. As share prices fall, less risky investments, such as residential property, are becoming more attractive. If interest rates fall, Vesteda can get more attractive funding and the value of the property will rise as a result of higher pricing on the housing market. This will not happen if interest rates and financing costs increase, but owner-occupation of residential properties will be less attractive for individuals and renting will become a more attractive option.

HOUSING MARKET

The Dutch housing market continues to be tight. New construction is still well below demand. It currently looks as if new construction will be inadequate to relieve this shortage. A further increase in values is expected next year. Along with the anticipated slight fall in interest rates, this is expected to lead to a steady or slightly rising affordability of owner-occupied homes.

It is generally assumed that house prices will rise again in real terms in 2008. Forecasts by various banks, research institutions and industry associations range between 3.0% and 3.5%. The structural scarcity on the housing market is and will remain a solid foundation underlying price trends in the foreseeable future. Only an unexpected and sharp increase in long-term interest rates could disrupt this. The chance of this, with interest rate falls in February and October in prospect, is, however, small.

Demand for rental homes

Demand for rental homes is structurally high. Fundamental factors such as household and income trends and an ageing population are creating a demand for quality.

Investment in residential properties

There will continue to be strong demand for residential properties as an investment in 2008. A very large amount of private money is available, partly for tax reasons, and with low interest rates this will continue to lead to many investment initiatives in the market. Institutional investors are expected to show a further movement towards indirect property. Vesteda, as an established party in the difficult to access Dutch housing market, offers them opportunities.

DEVELOPMENTS AT VESTEDA GROUP

Project development
Vesteda Project bv's project development activities will continue to expand. The investment level for 2008 is expected to be €260 million including VAT. Vesteda Project bv's organisation will have a clearer profile as a separate organisation. More developments will be started for the owner-occupied market.

Sustainability is a priority and a calculation model for assessing it is being implemented with far-reaching ambitions as the starting point. In addition, there will be development of an energy vision focusing on improving energy performance and CO_2 reduction.

Asset management
Management of the investment portfolio will centre on expanding the €600 to €1,200 segment. New residential concepts will also be invested in, especially in residential care.

Property management
The efficiency and cost of property management must remain competitive. There will be greater efforts on using the internet as the primary means of communication with potential tenants and the call centre will be involved for round-the-clock follow-up of registrations by interested parties. In 2007, property management underwent a significant change that was translated at the new year into a new organisational structure. In the *woongaleries*, the housing consultants will work as management consultants or as letting agents from February 2008. With a clear, dedicated focus on letting by the letting agents, we will be able to act more commercially, while the management consultants will focus more on the sitting tenants.

FORECASTS FOR VESTEDA GROUP

All in all, Vesteda expects the following results in 2008:

Project development
Vesteda Project bv's investment level will rise further in 2008. It is expected that the acquisition volume will be €260 million (incl. VAT). About 400 residential properties are expected to be handed over and let by Vesteda Group.

Annual rent rise
Rental income is expected to rise between 2% and 2.5% from 1 July 2008, allowing for a maximum increase in the regulated segment equal to inflation for 2007.

Occupancy rate
As a result of the increase in the number of serviced apartments and furnished properties for short-term letting, the occupancy rate of the letting portfolio is expected to fall very slightly to 96.5%. The occupancy rate for the homes let for more than a year, is expected to be 97.5%.

Letting and management expenses
Despite the expected above-inflation rise in costs, letting expenses will remain stable at about 27% of gross rental income. Management expenses are expected to remain below 40 basis points.

Disposals
Vesteda expects to sell about 1,300 residential properties in 2008. Given the expected inflow of about 400 residential properties, this will lead to a marginal net fall in the size of the letting portfolio in 2008, but the minimum figure of 27,000 residential properties will not be breached.

External financing

During the third quarter of 2008, Vesteda will repay €200 million of external financing. Ahead of this it expects to draw €300 million of new financing. A credit facility of €150 million will also be sought for Vesteda Project bv.

Realised result

Based on the above forecasts, the realised result on shareholders' equity for 2008 is expected to be about 4%.

Unrealised result

Vesteda is forecasting an average revaluation of the portfolio of 2.5% to 3.5%, based on unchanged or slightly higher mortgage interest rates. The unrealised result on shareholders' equity (including leverage effect) is consequently expected to be between 4% and 5%.

Total result

In summary, it is expected that the total result (excluding revaluation of derivatives) on shareholders' equity (excluding the value of derivatives) will be 8% to 9%.

Distribution level

The distribution to investors is expected to be about 4%.

Performance indicator	Target 2008
Investments	
annual rent increase	2.0% – 2.5%
gross revenue per property	limited increase
letting expenses	approx. 28%
management expenses	under 40 basis points
net revenue per property	limited increase
sales	approx 1,300 homes
ROZ/IPD 'all residentials' benchmark	above benchmark
Development	
investment level (incl. VAT)	€260 million
hand-overs to Vesteda Group	approx 400 homes
Management/Letting	
customer satisfaction	7.0
occupancy rate:	
letting portfolio	approx 96.5%
of which let for less than 1 year	approx 97.5%
Value creation	
realised result on shareholders' equity	approx 4%
unrealised result on shareholders' equity	4% – 5%
total result on shareholders' equity	8% – 9%
Distribution level	approx 4%

LOOKING AHEAD

The inflow of residential properties will increase from 2009, from Vesteda's own project development and possibly through portfolio purchases.

In the next few years, Vesteda will be working on further improvements in the organisational culture, led by the core values of 'personal responsibility', 'customer focus' and 'good co-operation'.

Structural innovation and dynamism of Vesteda will be significant themes in the 2008-2010 business plan, drawn up in the first half of 2008.

A further shift to indirect property can be expected given the current market sentiment of institutional investors with respect to direct property. As a market leader in the higher-rental segment and an established party with a good track record on results, integrity and customer satisfaction, Vesteda cannot be ignored. Activities in investor relations will be intensified. Non-organic growth offers Vesteda and its shareholders good opportunities.

As in the past ten years, the management of Vesteda sees as its task – also in this third phase – to bring together the expectations of investors on capital and risk and the opportunities in the Dutch housing market.

We conclude by thanking our employees for their efforts and involvement.

Maastricht, 19 February 2008
Managing Board

H.C.F. Smeets, *CEO*
O. Breur
F.H. van der Togt

Governance and risk management

Overall responsibility

The Supervisory Board and the Managing Board of Vesteda Groep bv have overall responsibility, generally with a view to ensuring the continuity of the enterprise, for weighing up the interests of stakeholders – the groups and individuals who directly or indirectly influence (or are influenced by) the achievement of the aims of the company: employees, shareholders, unit-holders and other providers of capital, suppliers and customers, but also the government and society at large. The Supervisory Board and the Managing Board take account of the interests of the various stakeholders, endeavouring to create long-term shareholder value.

Shareholders and unit-holders

The Supervisory Board and the Managing Board regard the current legal structure as a way of continuing the good relationship with all Vesteda's shareholders and unit-holders. Vesteda Groep bv has a central position in the organisation. The Managing Board of Vesteda Groep bv holds regular formal and informal meetings with the Supervisory Board on the policy of the Vesteda organisation as a whole. Vesteda Groep bv is a director of Vesteda Project bv and manager of Vesteda Woningen. The Managing Board and Supervisory Board are accountable to Vesteda Group's shareholders and unit-holders and other stakeholders. Decisions are taken on the basis of the Participation Agreement signed by all shareholders and unit-holders. The Participation Agreement can be compared with the articles of association of a legal entity.

Code of best practice

The Corporate Governance Committee, chaired by M. Tabaksblat, published a revised 'code of best practice' on corporate governance on 9 December 2003. The code has been mandatory for listed companies since 2004. The Corporate Governance Code Monitoring Committee published a report on compliance in December 2007.

Although the code does not apply to Vesteda Group, which has a closed nature in the sense that only institutions can become shareholders or unit-holders, the Supervisory Board and Managing Board of Vesteda Groep bv subscribe to the value of the best-practice provisions for the company. As the code has been written for companies listed on the stock exchange, certain of its provisions do not directly apply to Vesteda Groep bv. Previous annual reports set out the parts of the Code which can be complied with and those for which there will be a statement of departure. Overall application is evaluated regularly and there was no reason to make changes during the year under review, other than reporting other offices held by supervisory directors.

Supervisory Board

Under the Articles of Association of Vesteda Groep bv, the supervisory directors' period of office is four years, with one reappointment of four years, and so the code is being followed. The retirement schedule is in line with this. The way in which the Supervisory Board returned to full membership during 2007 is set out above. Regulations have been drawn up on other principles in the code on the composition of the board, decision-making and appointment of supervisory directors. These specify that the Supervisory Board discusses its own functioning at least once a year. Strategy, risks and internal risk management are also discussed at least once a year. The Supervisory Board has no separate committees as it has decided that the full Board should make recommendations and take decisions. However, the Supervisory Board chose one of its members with specific knowledge to hold discussions with the Managing Board during 2007. This was done in respect of recommendations on risk management and the ability to issue an 'in control' statement. In this context, there were also more intensive consultations ahead of the financing transaction during 2007. The total remuneration of the supervisory directors is reported on page 115. Shareholders and unit-holders are not aware of any conflicts of interest between the company and the members of the Supervisory Board. If there could be a conflict of interest at any time during a request for the approval of a transaction, there are consultations with the chairman of the Supervisory Board to properly ensure the supervisory director did not take part in the discussions.

Code of conduct

The company has a code of conduct and, during the year, the Supervisory Board monitored that staff were complying with its principles. As required by the code, reports are made to the management and, if necessary, to the chairman of the Supervisory Board.

Managing Board

Appointments to the Managing Board do not follow the time limits required by the code. It has been decided not to implement such a restriction as this is not logical given the company's nature as a long-term investor. The company attaches importance to the long-term involvement of the management. The members of the Managing Board meet the other requirements in the code on other supervisory directorships, shareholdings, personal loans and guarantees. Remuneration has a fixed component and a variable element. In a departure from the code, the amount of severance pay depends in part on the variable element of the salary. The total remuneration is set out on page 115 of the report. The Supervisory Board is not aware of any conflicts of interest between the company and the members of the Managing Board.

Comprehensive approach to risk management

A comprehensive list of risks was drawn up before the year under review, based on interviews and company-wide analyses. The various risks were documented in a standardised way and prioritised. A structured risk management system was set up in 2007 and has led to the issue of an 'in control' statement on financial reporting risks (see page 69).

Website

Shareholders, unit-holders and bond holders have access to a restricted part of the Vesteda website where they are kept up to date through publication of quarterly and other reports.

IVBN transparency

The Association of Institutional Property Investors in the Netherlands, the IVBN, has drawn up a large number of practical recommendations to enhance the transparency of annual reports.* IVBN, members, including Vesteda, incorporate the recommendations in their annual reports. Annex 3 on page 142 explains how Vesteda applies the recommendations.

* Recommendations for Annual Reporting' report, IVBN transparency working group, January 2005

The Managing Board is responsible for managing the risks inherent in Vesteda's business activities. It is also responsible for ensuring that the company complies with relevant legislation and regulations. The purpose of the risk management and internal control systems is to identify significant risks in good time and to assess and manage those risks in order to support the achievement of organisational targets.

Based on the comprehensive risk review performed in 2007 and internal prioritisation, a list of Vesteda's key risk categories for achieving the strategic, operational, reporting and compliance targets is set out below:

Letting risk
The growing number of new residential properties for let, especially in the higher-rent segments, requires additional letting effort. Optimum customer focus and commercial efficiency are very important to this. Comprehensive and ongoing reviews (including surveys) of customer wishes and customer satisfaction offer valuable information for construction, marketing and promotion. The results of this review and day-to-day practical experience of letting and management are shared among the relevant departments.

Development risk
The number of properties handed over is still below the intended level of 1,000 homes per year as a result of delays in the development process often caused by external factors such as building permit related procedures, increasing contractual amounts, lack of suitable sites, etc.

Interest rate risk
Vesteda uses external financing for up to 45% of its portfolio value, to increase the yield. The associated interest rate risks are hedged using swaps and caps, limiting interest rates on the €1,650 million of bonds outstanding at year end 2007 to about 4.0% (including costs). The average remaining term of the financing is about four years.

Financing risk
Refinancing risk is inherent to external financing. The different terms of the current financing reduce the amount of refinancing at any time. Here, too, there is an interest rate risk. If interest rates are higher than the direct return, the leverage effect on the yield on shareholders' equity will be cancelled out. In addition, the refinancing conditions (e.g. the spreads used by the banks) also have a major role in the ability to refinance.

It is not impossible that risks which have not currently been identified or which are not currently regarded as significant, may later have a major adverse effect on Vesteda's ability to achieve its corporate targets. The internal reporting systems are designed in part to identify these risks in good time.

Risk management is an integral part of Vesteda's business operations and process management. The internal control systems have been developed on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the objective of which is to create a reasonable level of assurance on the achievement of organisational targets. The internal risk management and control systems are, however, unable to offer absolute assurance because of unforeseen circumstances, human errors of judgement and mistakes, collusion by employees, breaches of regulations, cost-benefit considerations or coincidence of inherently minor incidents with great consequences on the internal control systems.

The Managing Board has final responsibility for implementing proper control measures and assessing their effectiveness. Senior management and the designated process owners have day-to-day responsibility for ongoing monitoring of the design and operation of these measures.

During 2007, there was an ongoing process to identify, analyse, validate, monitor and evaluate significant risk areas and the control measures. The internal control systems were documented further during 2007.

Vesteda's risk management approach is embedded in the planning and control cycle. The internal control systems include measures to achieve adequate segregation of duties, prompt recording of significant transactions and information security. Internal reports and management reports, management reviews and other internal investigations of the design and operation of the internal control measures are an integral part of the chosen approach.

The Managing Board performs regular assessments of the risk management and internal control systems. It has reported on the principal business risks and the design and operation of the risk management and internal control systems and taken responsibility for this vis-à-vis the Supervisory Board.

‘In control’ statement

The Managing Board is responsible for proper risk management and internal control systems and for assessing their effectiveness.

Based on the assessment of the risk management and internal control systems, the Managing Board believes with respect to the financial reporting risks that:

- these systems provide a reasonable level of assurance that the financial reports contain no material errors;
- these systems have functioned properly during 2007;
- there is no indication that these systems will not work properly in 2008.

No significant shortcomings which could have material effects have been identified in these systems in 2007 and to the date of signing this annual report in 2008. Furthermore, no significant shortcomings regarding operational and compliance risks have been identified in the internal control systems.

Vesteda Groep bv

Vesteda Groep bv, which is responsible for managing Vesteda, holds a central position in Vesteda Group. Investors participate directly in Vesteda Groep bv, where control is consolidated. Vesteda Groep bv has a three-member Managing Board and a Supervisory Board.

Vesteda Project bv

Vesteda Project bv carries out Vesteda Group's project development activities. Fiscal investment institutions are not permitted to perform these activities under Section 28 of the Corporate Income Tax Act 1969. Vesteda Groep bv is a director of Vesteda Project bv.

Investment institution

Part of Vesteda Group is a fiscal investment institution. Holding DRF bv (Dutch Residential Fund) and its four subsidiaries, DRF I bv, DRF II bv, DRF III bv and DRF IV bv form a tax group for corporation income tax purposes and have been regarded as a fiscal investment institution pursuant to Section 28 of the Corporation Income Tax Act 1969 since 1 January 2002. Such institutions are subject to a zero rate of corporation income tax. The Managing Boards of Holding DRF bv and Vesteda Groep bv comprise the same individuals, responsible for the same tasks.

Vesteda Woningen

The let property and associated rights and obligations are held by Vesteda Woningen, a common fund that is not independently liable for corporate income tax. A common fund is not a legal entity but a vehicle in which property is brought together for collective investment in order for the unit-holders to share in the proceeds. A common fund has one or more custodians and a manager. Vesteda Groep bv is manager of Vesteda Woningen. DRF I bv, DRF II bv and DRF III bv are the custodians and entitled to manage the assets of Vesteda Woningen for the unit-holders. Consequently, in their capacity as custodians, they are legally entitled to all assets belonging to Vesteda Woningen on behalf of the unit-holders. Holding DRF bv and DRF IV bv are, along with the unit-holders themselves, owners of Vesteda Woningen and have beneficial entitlement to those assets. The common fund, Vesteda Woningen, will be converted into a limited partnership in early 2008.

Shareholders and unit-holders

Investors* are offered two different ways of participating in Vesteda Woningen: as 'unit-holders' or as 'shareholder'. In the first case, investors acquire a direct interest in the fund, in the second case they have a shareholding in Holding DRF bv which then acts as a unit-holder in the fund. In both variants, investors own a proportionate number of shares in Vesteda Groep bv and Vesteda Project bv.

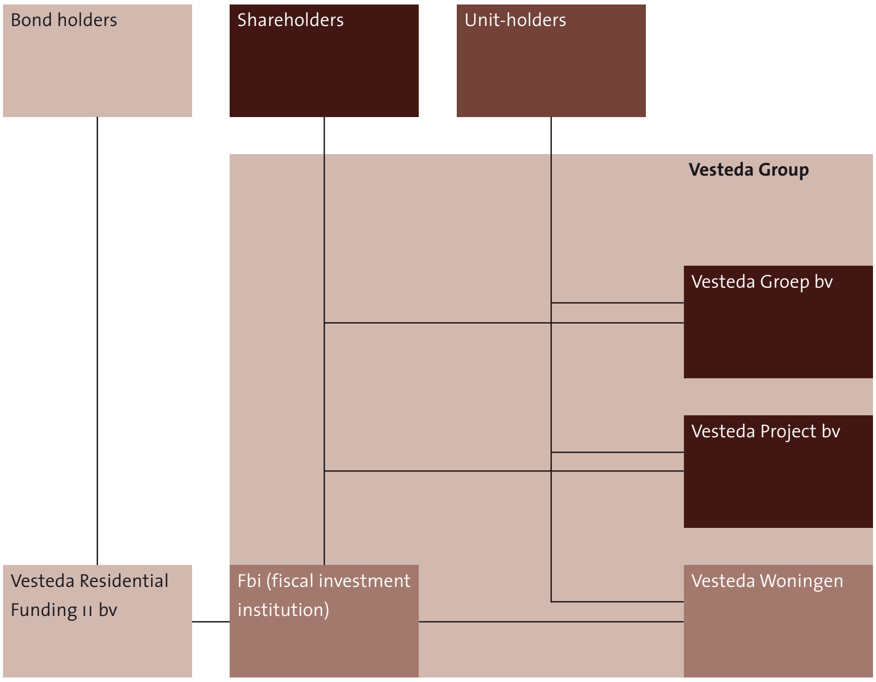
Loan capital

Vesteda Group has raised finance by issuing bonds on the capital market.** A private limited liability company, Vesteda Residential Funding I bv, was incorporated in 2002 to issue the bonds. There was a complete refinancing during 2005, and Vesteda Residential Funding II bv was incorporated for this. Subsequently, Vesteda Residential Funding I bv was wound up in 2006.

* See page 21 for a list of shareholders and unit-holders

** See page 21 for further information on the bonds

Diagram of the legal structure of Vesteda Group



Michele De Lucchi

Michele De Lucchi

To mark its tenth anniversary in 2007, Vesteda sought co-operation with painter, sculptor, architect and designer Michele De Lucchi:

'My little houses are not real houses and they are not even projects for houses to actually be built, even though I am an architect and I really like designing houses to be lived in. They aren't even symbolic models for some theory or other, neither are they attempts to devise a new rustic style, even though major modern-day architecture would do well to pay greater attention to "small scale" projects. They are actually excuses to write stories, tiny little stories as small as the houses themselves. They are tales, thoughts, anecdotes, notes and recollections of my professional life, about those issues I was most interested in and which got me most intellectually and emotionally involved.'* De Lucchi (Ferrara, 1951), architect and designer, is among the new group of Italian designers with an international reputation. He was a driving force behind 'Gruppo Cavart' in the years of the Radical Design and a founder of 'Memphis', the group of designers whose ideas and designs influenced the design-scene worldwide in the 1980s. In 1988, he founded the De Lucchi Studio, which included Nicholas Bewick, Daniel Danzi, Ferruccio Laviani and Angelo Micheli. De Lucchi lives in Angera on Lake Maggiore. He works in Milan and teaches in Venice.

* Quote from Racconti con casette (Tales with little houses), Michele De Lucchi, Edizioni Corraini, Maurizio Corraini srl, Verona Italy 2007

Vesteda Group

Financial statements

2007

The Vesteda Group is divided into three organisationally-associated units: one responsible for ownership, one for property management and one for property development. The legal owners of the property are Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv. Dutch Residential Fund IV bv has embodied the beneficial ownership of the property portfolio in units in Vesteda Woningen, a common fund. Vesteda Woningen is a closed-end common fund, pursuant to the Corporate Income Tax Act 1969.

A common fund is not a legal entity but a vehicle in which property is brought together for collective investment in order for the unit-holders to share in the proceeds. A common fund has one or more custodians and a manager. The custodians have title to manage the property of Vesteda Woningen on behalf of the unit-holders.

In their capacity as custodians, Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv are legally entitled to all the property belonging to Vesteda Woningen on behalf of the unit-holders. The unit-holders have the beneficial entitlement to these assets.

Participation in Vesteda Woningen may be either direct (units) or through Holding Dutch Residential Fund bv, but participation also involves an obligation to invest to an equal percentage in Vesteda Groep bv (management) and Vesteda Project bv. Vesteda Groep bv has the mandate to enter into rights and obligations with respect to the properties.

The rights and obligations of the holders of units in Vesteda Woningen are set out in the Participation Agreement. Vesteda Groep bv has been appointed as manager of the fund.

Please see the 2007 Annual Report of Vesteda Group for a diagram of the structure as at 31 December 2007.

PARTICIPATION AGREEMENT

A Participation Agreement has been drawn up to record the arrangements and it is also binding on new unit-holders. The agreement governs a wide range of matters relating to the operation of the Vesteda Group, including:

- the powers of the Managing Board and Supervisory Board;
- strategy;
- information provision;
- policy on distributing profits.

The agreement has been entered into for an indefinite period. It may be amended with the agreement of the unit-holders subject to there being a certain quorum depending on the nature of the change.

VALUATION OF FINANCIAL INSTRUMENTS

In order to comply with international guidelines, financial instruments are recognised at fair value from the 2007 financial statements.
Current derivatives consist of interest-rate caps and swaps intended to hedge interest rate risks on the bond loans. Until the financial year 2006, interest-rate caps were recognised at historical cost less straight-line amortisation calculated over the term of the related loan. The notes to the balance sheet stated the current value of the interest-rate caps and swaps.

Pursuant to Guideline 140, the effect of a change in accounting policy is taken to shareholders' equity at the end of the previous financial year. Accordingly, the comparative figures have been restated on the basis of the new accounting policy. This means that the book value of derivatives and shareholders' equity as at 31 December 2006 were increased by €11.0 million. The change in accounting policy had no effect on the result for 2006.

VALUATION OF BUILDINGS IN USE BY THE COMPANY

Under new regulations, buildings in use by the company have to be classified as tangible fixed assets. Until the financial year 2006, they were classified as property investments. As these buildings were carried as tangible fixed assets at current value, this has no effect on equity or the result. A revaluation reserve has, however, been formed in shareholders' equity and charged to the share premium.

STOCK VALUATION

In order to be more in line with generally accepted valuation methods, work in progress is valued using the percentage of completion method from this financial year; this means results are recognised in proportion to the amount of the work in progress that has been completed. This change had no effect on equity or result for 2007.

REPORTING

The structure of Vesteda Group means that it does not have the legal status of an investment fund and is therefore not subject to the Investment Institutions (Supervision) Act. However, since its activities (management of and investment in residential property) are similar in nature to those of an investment institution, an effort has been made to present the financial statements in accordance with the reporting standards applicable to investment institutions.

Vesteda Group is not a legal entity but a combination of Vesteda Groep bv, Holding Dutch Residential Fund bv and Vesteda Project bv. As Vesteda Group has similarities to a company, the financial statements below use terminology customarily used in financial statements.

BASIS FOR COMBINING FINANCIAL INFORMATION

The combined balance sheet and profit and loss account of Vesteda Group include the financial information of the following companies (including Vesteda Woningen):

	Established in	Holding
Vesteda Groep bv	Maastricht	100%
Vesteda Maastricht bv	Maastricht	100%
Holding Dutch Residential Fund bv	Maastricht	100%
Dutch Residential Fund I bv	Maastricht	100%
Dutch Residential Fund II bv	Maastricht	100%
Dutch Residential Fund III bv	Maastricht	100%
Dutch Residential Fund IV bv	Maastricht	100%
Vesteda Project bv	Maastricht	100%
HOG Heerlen Onroerend Goed bv	Heerlen	100%
Gordiaan Vastgoed bv	Heerlen	100%

ACCOUNTING POLICIES FOR VALUING ASSETS AND LIABILITIES

Property

The Development Portfolio is stated at the lower of cost and market value. On completion of a project, the complex is included in the Letting Portfolio or disposed of.

The Letting Portfolio is stated at current value. Pursuant to Guideline 213 'Investment properties', the complexes in this portfolio are stated at fair value, being the higher of market value with sitting tenants and net realisable value on disposal of complete complexes to organisations specialising in the selling of individual units.

A condition when establishing the current value is that if the market value with sitting tenants is higher, the current value will be no more than 110% of the net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units.

New properties are valued at the lower of cost and market value for the first two years after completion. At the end of 2007, complexes which were fully available for letting before 2006 were stated at current value. The market value with sitting tenants and the appraised net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units are determined by the discounted cash flow method.

At least 50% of the portfolio is appraised during the year by external valuers and the valuation of the remaining portfolio is updated by a valuer. Conveyancing charges and other selling costs are taken into account in determining both the net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units and the market value with sitting tenants.

Tangible fixed assets

The office building is stated at current value. The revaluation after depreciation is taken direct to shareholders' equity. Depreciation is based on the estimated useful economic life of 30 years.
Other tangible fixed assets are stated at cost less depreciation based on the expected useful economic lives of the assets concerned.

Financial fixed assets

If controlling or significant influence is exercised on the commercial and financial policy of participating interests, those interests are accounted for using the equity method based on net asset value. Other participating interests are stated at the lower of historical cost and market value.
Loans receivable are stated at face value. Where necessary there is a write-down for doubtful debts.
The deferred tax asset relating to corporate income tax on the possible offset of losses for tax purposes is stated at current tax rates.
Financial instruments are stated at current value. Derivatives are used as cash flow cover to hedge the risk of uncertain future cash flows. In these financial statements, this relates to the variable-rate bond loans. Changes in the current value of derivatives are taken to the derivatives revaluation reserve in shareholders' equity.

Stocks

Work in progress is stated at the cost incurred less instalments billed. Losses are recognised as soon as they become foreseeable. Cost incurred consists of costs directly attributable to the work plus a mark-up for general expenses. No interest is allocated to work in progress. Profit is recognised in proportion to the amount of the project that has been completed. Acquisition projects are stated at the cost incurred.

Receivables

Receivables are shown at face value less individual provisions for doubtful debts where necessary.

Other

Unless otherwise mentioned, valuation is according to the historical cost convention. Amounts are shown at face value.

ACCOUNTING POLICIES FOR THE DETERMINATION OF RESULTS

General

Operating expenses are stated at historical cost. Income is recognised when realised, expenses are recognised as soon as they become known. Income and expenses are allocated to the year to which they relate.

Rental income

Rental income is the total rent invoiced to tenants in respect of the financial year. The amount shown, therefore, takes account of rent lost due to vacancies and discounts. Rental income does not include service charges paid in advance by tenants.

Letting expenses

Letting expenses comprise costs directly attributable to a specific complex. These costs are mainly maintenance costs, property tax and other levies, insurance premiums, management and letting fees and service costs not chargeable to tenants. There is no equalisation provision for major maintenance.

Grants and other income

This includes releases from the DKPH grant.

Property management expenses

Any operating expenses that cannot be allocated directly to the various properties are treated as property management expenses.

Interest income and expense

Interest income and expense are stated at face value.

Realised result

The realised result is the sum of the net letting income and other income less property management expenses and net interest charges, plus the results realised on property disposals. The result on disposals is the proceeds from sales (less any facilitation costs) less the most recent value of the properties sold, established each quarter.

Unrealised result

The unrealised indirect result is made up of the total of unrealised revaluations as a consequence of external and internal appraisals

Tax

Tax on the result is calculated by applying the standard rate of tax to the taxable amount.

Tax status

Holding Dutch Residential Fund bv, Dutch Residential Fund I bv, Dutch Residential Fund II bv, Dutch Residential Fund III bv and Dutch Residential Fund IV bv form a tax group for corporate income tax purposes. The Holding Dutch Residential Fund bv tax group has been regarded as a Fiscal Investment Institution since 2002. On this basis, providing a number of conditions are met, a tax rate of 0% applies. The most important condition to be met is that the profit, calculated in accordance with fiscal principles, is distributed in the form of dividend within a specified period. The 'Vesteda Woningen' common fund is transparent for corporate income tax purposes. Vesteda Groep bv, Vesteda Project bv and Vesteda Woningen form a tax group for VAT purposes and so no VAT is levied on supplies between these entities.

Combined balance sheet as at 31 December 2007 (after appropriation of result)

Amounts in millions of euros	**31-12-2007**	**31-12-2006**
ASSETS		
Fixed assets		
Property (1)	4,811	4,366
Tangible fixed assets (2)	12	4
Financial fixed assets (3)	72	59
	4,895	4,429
Current assets		
Stocks (4)	126	120
Receivables	21	25
Cash (5)	35	56
	182	201
Total Assets	**5,077**	**4,630**
EQUITY AND LIABILITIES		
Group equity (6)	3,288	3,169
Long-term liabilities		
Loans from credit institutions (7)	1,650	1,300
Current liabilities		
Tax and social security charges	1	2
Other current liabilities	11	12
Accruals and deferred income	127	147
	139	161
Total Equity and Liabilities	**5,077**	**4,630**

Combined profit and loss account for 2007

Amounts in millions of euros	**2007**	**2006**
Income		
Rental income	230	221
Less: Letting expenses	62	62
Net letting income	168	159
Grants and other income	5	12
Total operating income	**173**	**171**
Expenses		
Property management expenses	21	19
Interest income	10	4
Interest expense	62	50
Operating result	100	106
Result on disposals	34	45
Realised result before taxation	134	151
Tax	1	1–
Result on participating interests	2–	1–
Realised result after tax	133	149
Unrealised result	178	285
Net result	**311**	**434**

Combined cash flow statement for 2007

Amounts in millions of euros	**2007**	**2006**
Realised direct result after tax	133	149
Result on participating interests	2	1
Release of DKPH grant	4 –	5 –
Transfer of DKPH to current liabilities	–	4 –
Depreciation of tangible fixed assets	2	2
Amortisation of financial fixed assets	1	9
Movement in working capital	1	41 –
Cash flow from operating activities	135	111
Investments in property	440 –	166 –
Investments/Disposals of financial fixed assets	1 –	–
Transfer of investments/disposals of financial fixed assets to current assets	3	5
Movement in loans	–	6
Investments/Disposals of participating interests	1	1 –
Investments/Disposals of tangible fixed assets	2 –	2 –
Disposals of property (excluding result on sale)	165	198
Cash flow from investment activities	274 –	40
Movements in class A notes 2007	350	–
Distribution to shareholders/unit-holders	232 –	130 –
Cash flow from financing activities	118	130 –
Total cash flow	**21 –**	**21**
Cash at end of year	35	56
Cash at beginning of year	56	35
	21 –	**21**

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. The funds in the cash flow statement consist exclusively of cash and cash equivalents. Receipts and expenditure in connection with interest and tax on profit are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

PROPERTY INVESTMENTS (1)

Amounts in millions of euros	Development portfolio	Letting portfolio: Letting phase	Letting portfolio: Letting/sale phase	Total
Value as at 1 January 2007	88	3,345	933	4,366
Additions	150	280	10	440
Disposals	–	5–	160–	165–
Internal transfers	181–	89–	270	–
Reclassification of office building	–	8–	–	8–
Subtotal	57	3,523	1,053	4,633
Revaluations during financial year	–	133	45	178
Value as at 31 December 2007	**57**	**3,656**	**1,098**	**4,811**

TANGIBLE FIXED ASSETS (2)

Amounts in millions of euros	1-1-2007	Reclassification	Additions	Depreciation	31-12-2007
Office building	–	8	–	–	8
Fixtures and fittings	2	–	1	1	2
Other fixed assets	2	–	1	1	2
	4	**8**	**2**	**2**	**12**

Accumulated depreciation on tangible fixed assets at 31 December 2007 was €10.2 million.

FINANCIAL FIXED ASSETS (3)

Amounts in millions of euros	1-1-2007	Revaluation	Additions	Disposals	To current	31-12-2007
Participating interests	3	–	–	2	–	1
Loans receivable	30	–	4	4	3	27
Deferred tax	2	–	–	–	–	2
Derivatives	23	18	–	–	–	41
Financing charges	1	–	1	1	–	1
	59	**18**	**5**	**7**	**3**	**72**

Vesteda has entered into four interest-rate cap agreements with a finance institution with the intention of hedging interest-rate risks. These limit the risks of rising interest rates on the loan capital. Swap agreements were concluded in July 2005 which will take effect on the expiry of the interest-rate cap agreements. The terms of the agreements are in line with the remaining terms of the bond loans concluded in 2005. A swap was also concluded on the bond loan issued in April 2007 with the same term as the loan, which took effect in July 2007. These agreements fully hedge the risk of fluctuations in interest rates. As a result of interest rate rises, the remaining interest-rate caps were redeemed in the 4th quarter.

STOCKS (4)

Amounts in millions of euros	1-1-2007	Increase	Decrease	31-12-2007
Work in progress	116	10	3	123
Acquisition projects	4	1	2	3
	120	**11**	**5**	**126**

CASH (5)

The cash is at the free disposal of the company.

MOVEMENTS IN GROUP EQUITY (6)

Amounts in millions of euros	Issued share capital	Share premium	Property Investments revaluation reserve	Derivatives revaluation reserve	Office building revaluation reserve	Other reserve	Total
Balance as at 1 January 2007	50	2,019	864	11	1	224	3,169
2007 dividend*	–	44–	–	–	–	166–	210–
Result for 2007	–	–	178	–	–	133	311
Revaluation of derivatives	–	–	–	18	–	–	18
Realised from sales	–	–	31–		–	31	–
Balance as at 31 December 2007	**50**	**1,975**	**1,011**	**29**	**1**	**222**	**3,288**

* allocated, including €80 million payable in April 2008 and included in accruals and deferred income

MOVEMENTS IN LOANS FROM CREDIT INSTITUTIONS (7)

Amounts in millions of euros	1-1-2007	Additions	Repayments	31-12-2007
Vesteda Residential Funding II bv for				
A1 notes	200	–	–	200
A2 notes	400	–	–	400
A3 notes	400	–	–	400
A4 notes	300	–	–	300
A5 notes	–	350	–	350
	1,300	**350**	**–**	**1,650**

In 2005, Vesteda Residential Funding II bv issued a total of €1,300 million of new variable-rate bonds consisting of:
- €200 million class A1 secured floating-rate notes;
- €400 million class A2 secured floating-rate notes;
- €400 million class A3 secured floating-rate notes;
- €300 million class A4 secured floating-rate notes.

In addition, variable-rate bonds were issued in April 2007:
- €350 million class A5 secured floating-rate notes.

Vesteda Residential Funding II bv is a company specially incorporated to manage the financing for Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv under agreements between these parties, Vesteda Group and the Security Trustee. Vesteda Residential Funding II bv also has the duty of providing security in connection with the financing. All the shares in Vesteda Residential Funding II bv are owned by the Stichting Vesteda Residential Funding II. The manager of the Stichting is ATC Management bv.

The proceeds of the issue by Vesteda Residential Funding II bv have been lent to Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv. As a result of the above activities, the Vesteda Group had the following facilities as at the balance sheet date:
- Term A1 Facility of €200 million with an intended remaining term of 0.55 years;
- Term A2 Facility of €400 million with an intended remaining term of 2.55 years;
- Term A3 Facility of €400 million with an intended remaining term of 4.55 years;
- Term A4 Facility of €300 million with an intended remaining term of 7.55 years;
- Term A5 Facility of €350 million with an intended remaining term of 4.55 years.

The borrowers are Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv in their capacity as custodians of Vesteda Woningen. The borrowers have made the funds available to Vesteda Woningen. Interest is due quarterly and is based on the 3-month Euribor rate plus a mark-up which is different for each type. The mark-ups for the Term A1, Term A2, Term A3, Term A4 and Term A5 bonds are 0.12%, 0.15%, 0.20%, 0.28% and 0.13% respectively. The Term A notes are listed on the Euronext Amsterdam stock exchange. The legal term of the Term A1, Term A2, Term A3 and Term A4 bonds when issued was 12 years. The legal term of the Term A5 bonds when issued was 10 years. If, however, the intended term is exceeded there are sanctions relating in particular to distributions to those entitled to the results of the Vesteda Group. Early repayment is permitted, with limited penalty clauses applying to the A2, A3, A4 and A5 bond loans.

The loans carry considerable reporting and information obligations. The following consequences arise if interest is not paid on time or other obligations are not met:
- payment of dividends and similar distributions are no longer permitted;
- a pledge is established on the bank accounts which receive the rents;
- the voting rights on the shares of Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv are transferred to the Security Trustee;
- a mortgage right is established in favour of the Security Trustee on the property up to an amount of 150% of the outstanding amount of the loans;
- liabilities may only be met out of the residential portfolio. Creditors have no right of recovery against the other assets (other than Vesteda Woningen) of the unit-holders.

If certain financial conditions (ratios) are not met, further sanctions are applicable. In addition to the above measures, the management's power to dispose of property is considerably restricted.

NUMBER OF EMPLOYEES

On average, the group employed 351 people (2006: 340) during the year; this was an average of 320.3 FTES (2006: 311.4).

LIABILITIES NOT SHOWN IN THE BALANCE SHEET

The total liabilities for obligations entered into for building contracts, rental and lease instalments are some €505 million. Vesteda Group has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in millions of euros	**Building contracts**	**Property leases**	**Car leases**
Due:			
Within 1 year	229	–	1
Between 1 and 5 years	272	1	2
	501	**1**	**3**

Proposed distribution to investors

The various companies in the Vesteda Group distributed the following amounts to shareholders and unitholders for the financial year 2007:

Amounts in millions of euros	**Total**
Direct result	133
Distribution as a result of disposals of property	77
Total allocated for the financial year 2007, including €80 million payable in April 2008	**210**

In view of the distributions already allocated, it is not proposed to make a final distribution.

Maastricht, 19 February 2008

The Management Board of Vesteda Groep bv:
H.C.F. Smeets, *CEO*
F.H. van der Togt
O. Breur

TO THE SHAREHOLDERS OF AND PARTICIPANTS IN VESTEDA GROUP

AUDITOR'S REPORT

We have audited the 'Financial statements Vesteda Group' for the year 2007, as set out on pages 89 to 101 of the Annual accounts of Vesteda Groep bv, Maastricht, which comprise the combined balance sheet as at 31 December 2007, the combined profit and loss account for the year then ended, an overview of the most important accounting policies and the notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the 'Financial statements Vesteda Group' and for the preparation of the report of the managing board, both in accordance with the accounting policies set out in 'accounting policies for valuing assets and liabilities' and 'accounting policies for the determination of results' on pages 91 to 93. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 'Financial statements Vesteda Group' that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the 'Financial statements Vesteda Group' give a true and fair view of the financial position of Vesteda Group as at 31 December 2007, and of its result for the year then ended as required in the given circumstances in accordance with the accounting policies as set out in 'accounting policies for valuing assets and liabilities' and 'accounting policies for the determination of results' on pages 91 to 93.

Furthermore we have established to the extent of our competence that the report of the managing board is consistent with the 'Financial statements Vesteda Group'.

Maastricht, 19 February 2008
for Ernst & Young Accountants

was signed J.G.K. van der Zanden

Vesteda Groep bv

Financial statements 2007

Introduction

The Vesteda Group is divided into three organisationally-associated units: one responsible for ownership, one for property management and one for property development. Management and control are exercised by Vesteda Groep bv.

GENERAL

These accounting policies apply to both the company financial statements and the consolidated financial statements of Vesteda Groep bv.
The financial statements of Vesteda Groep bv have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

BASIS OF CONSOLIDATION

Vesteda Groep bv is at the head of a group of companies. The consolidated statements include the financial information of the following companies:

	Established in	Holding
Vesteda Groep bv	Maastricht	-
Vesteda Maastricht bv	Maastricht	100%

Consolidation has been performed by the integral method, under which assets and liabilities are included in full in the consolidated balance sheet. Income and expenditure are also accounted for in full.
As permitted by Section 402 of Book 2 of the Netherlands Civil Code, the company financial statements include a profit and loss account in abridged form.

ACCOUNTING POLICIES FOR VALUING ASSETS AND LIABILITIES

General

Unless otherwise mentioned, valuation is according to the historical cost convention. Amounts are shown at face value.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation based on the expected useful economic lives of the assets concerned.

Financial fixed assets

If controlling or significant influence is exercised on the commercial and financial policy of participating interests, those interests are accounted for using the equity method based on net asset value.

Receivables

Receivables are shown at face value less individual provisions for doubtful debts where necessary.

Provisions

Provisions are stated at face value.

ACCOUNTING POLICIES FOR THE DETERMINATION OF RESULTS

General

Operating expenses are stated at historical cost. Income is recognised when realised, expenses are recognised as soon as they become known. Income and expenses are allocated to the year to which they relate.

Management fee

The management fee relates to the amounts invoiced to companies in the Vesteda Group with respect to work performed. The cost-plus arrangements at Vesteda Groep bv are grossed up and, like the management expenses, included in full in the management fee.

Depreciation of tangible fixed assets

Depreciation is calculated using the straight-line method over the estimated useful economic lives of the assets concerned.

Share in results of participating interests

The share in the results is calculated in accordance with the accounting policies applied in these financial statements in proportion to the interest held.

Tax status

Vesteda Groep bv and Vesteda Maastricht bv are members of a tax group for corporate income tax purposes. As a result of changes to tax regulations in 2007, the depreciation period for tangible fixed assets for tax purposes is different from that for commercial purposes. A deferred tax provision is formed for the difference.

Consolidated balance sheet as at 31 December 2007 (after appropriation of result)

Amounts in thousands of euros	31-12-2007	31-12-2006
ASSETS		
Fixed Assets		
Tangible fixed assets (1)	4,186	4,115
Financial fixed assets (2)	55	52
	4,241	4,167
Current assets		
Receivables	737	1,154
Amounts receivable from group companies	1,841	1,934
Cash (3)	7,344	6,083
	9,922	9,171
Total Assets	**14,163**	**13,338**
EQUITY AND LIABILITIES		
Group equity (4)	7,367	5,201
Current Liabilities		
Creditors	198	247
Tax and social security charges	594	2,268
Accruals and deferred income	6,004	5,622
	6,796	8,137
Total Equity and Liabilities	**14,163**	**13,338**

Consolidated profit and loss account for 2007

Amounts in thousands of euros	**2007**	**2006**
Total operating income	17,748	17,572
Expenses		
Subcontracted work	4,280	4,143
Salaries	6,351	5,875
Social security charges	641	621
Pension charges	995	1,031
Depreciation of tangible fixed assets	1,763	1,887
Other operating expenses	2,557	1,572
Total operating expenses	16,587	15,129
Result before tax	1,161	2,443
Tax	1,005 –	718
Result after tax	**2,166**	**1,725**

Consolidated cash flow statement for 2007

Amounts in thousands of euros	**2007**	**2006**
Realised result	2,166	1,725
Depreciation	1,772	1,887
Movement in working capital	831–	4,053
Cash flow from operating activities	3,107	7,665
Investments in tangible fixed assets	1,843–	1,972–
Investments in financial fixed assets	3–	52–
Cash flow from investment activities	1,846–	2,024–
Total cash flow	**1,261**	**5,641**
Cash at end of year	7,344	6,083
Cash at beginning of year	6,083	442
	1,261	**5,641**

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. The funds in the cash flow statement consist exclusively of cash and cash equivalents.

TANGIBLE FIXED ASSETS (1)

Please see the notes to the company financial statements for further information on the tangible fixed assets.

FINANCIAL FIXED ASSETS (2)

Amounts in thousands of euros	1-1-2007	Grants	Repayments	31-12-2007
Loans receivable	52	3	–	55
	52	**3**	**–**	**55**

CASH (3)

The cash is at the free disposal of the company.

GROUP EQUITY (4)

Please see the notes to the company financial statements for further information on the group equity.

TRANSACTIONS WITH RELATED PARTIES

As the members of the Managing Boards of Vesteda Groep bv, Vesteda Project bv and Holding DRF bv are the same natural persons, these companies are regarded as related parties.

In 2007, there were transactions between Vesteda Groep bv and Vesteda Project bv for management fees recharged by Vesteda Groep bv to Vesteda Project bv amounting to €2.3 million.

There were transactions between Vesteda Groep bv and Holding DRF bv (in this case, Vesteda Woningen) for management fees (including corporate income tax and grossing up of corporate income tax) recharged by Vesteda Groep bv to Holding DRF bv amounting to €17.7 million.

The recharged amounts are at full absorption cost.

NUMBER OF EMPLOYEES

On average, the group employed 322 people (2006: 315) during the year; this was an average of 291.8 FTES (2006: 287.3).

PENSIONS

Vesteda's pension scheme is classified as a defined-benefit scheme. There is insufficient information available from the pension fund for the required calculations to be made. Vesteda has no obligation to make additional payments in the event of a shortfall at the industry-wide pension fund other than higher future contributions. Vesteda is, therefore, treating the defined-benefit scheme as if it were a defined-contribution scheme.

LIABILITIES NOT SHOWN IN THE BALANCE SHEET

The total liabilities for obligations entered into for rental and lease instalments are some €3.4 million. The company has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in thousands of euros	**Property leases**	**Car leases**
due:		
within 1 year	314	1,092
between 1 and 5 years	530	1,484
after 5 years	13	–
	857	**2,576**

Company balance sheet as at 31 December 2007 (after appropriation of result)

Amounts in thousands of euros	31-12-2007	31-12-2006
ASSETS		
Fixed Assets		
Tangible fixed assets (1)	4,186	4,115
Financial fixed assets (2)	66	64
	4,252	4,179
Current Assets		
Receivables	730	1,154
Amounts receivable from group companies	1,848	1,934
Cash	7,332	6,070
	9,910	9,158
Total Assets	**14,162**	**13,337**
EQUITY AND LIABILITIES		
Shareholders equity (3)	**7,367**	**5,201**
Current Liabilities		
Creditors	198	247
Tax and social security charges	594	2,268
Accrued liabilities	6,003	5,621
	6,795	8,136
Total Equity and Liabilities	**14,162**	**13,337**

Company profit and loss account for 2007

Amounts in thousands of euros	**2007**	**2006**
Company result after tax	2,167	1,727
Result of participating interests after tax	1–	2–
Result after tax	**2,166**	**1,725**

TANGIBLE FIXED ASSETS (1)

Amounts in thousands of euros	1-1-2007	Additions	Depreciation	31-12-2007
Fixtures and fittings	2,823	616	820	2,619
Other fixed assets	1,292	1,227	952	1,567
	4,115	**1,843**	**1,772**	**4,186**

Accumulated depreciation on tangible fixed assets as at 31 December 2007 was €9.9 million.

FINANCIAL FIXED ASSETS (2)

Amounts in thousands of euros	1-1-2007	Grants	Result of Participating interest	31-12-2007
Participating interests	12	–	1–	11
Loans receivable	52	3	–	55
	64	**3**	**1–**	**66**

SHAREHOLDERS EQUITY (3)

The company's authorised share capital is €1,250,000 divided into 125,000,000 shares of €0.01 nominal value each. The issued and paid up capital was €250,000.

Amounts in thousands of euros	Issued share capital	Share premium	Total
Group equity as at 1 January 2007	250	4,951	5,201
Result for 2007	–	2,166	2,166
Group equity as at 31 December 2007	**250**	**7,117**	**7,367**

NUMBER OF EMPLOYEES

On average, the company employed 322 people (2006: 315) during the year; this was an average of 291.8 FTES (2006: 287.3).

DIRECTORS REMUNERATION

The amount charged to the company for the remuneration of directors and former directors was €1,544,000 (2006: €1,382,000). This included social security charges and pension contributions of €197,000 (2006: €201,000).
The five (2006: four) supervisory directors' remuneration was €148,993 (2006: €130,488).

Maastricht, 19 February 2008

Managing Board:
H.C.F. Smeets, *CEO*
F.H. van der Togt
O. Breur

Supervisory Board:
W.F.T. Corpeleijn, *CEO*
P.S. van den Berg
D.J. de Beus
J.D. Doets
C.A.M. de Boo

Vesteda Groep bv

Other information

2007

ARTICLES OF ASSOCIATION PROVISIONS GOVERNING THE APPROPRIATION OF PROFIT

Article 37 of the Articles of Association of Vesteda Groep bv reads:

37.1 No distribution of profits pursuant to the provisions of this article shall be made until financial statements showing that such distribution is permissible have been adopted.

37.2 The profit shall be at the disposal of the general meeting of shareholders.

37.3 The company may only make distributions to shareholders and to others entitled to receive a share of the profits insofar as its shareholders' equity exceeds the amount of the issued capital plus the reserves required to be held by law.

37.4 Deficits may only be offset against the statutory reserves to the extent permitted by law.

PROPOSED APPROPRIATION OF RESULT

The Managing Board proposes that the profit for the year of €2,166,061 be added to the reserves. This proposal has been incorporated in the financial statements.

TO THE GENERAL MEETING OF SHAREHOLDERS OF VESTEDA GROEP B.V.

AUDITOR'S REPORT

Report on the financial statements
We have audited the financial statements 2007 of Vesteda Groep bv, Maastricht, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated and company profit and loss accounts for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY
Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the report of the managing board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

OPINION
In our opinion, the financial statements give a true and fair view of the financial position of Vesteda Groep bv as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

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

Maastricht, 19 February 2008
for Ernst & Young Accountants

was signed J.G.K. van der Zanden

Vesteda Woningen

Financial statements

2007

The Vesteda Group is divided into three organisationally-associated units: one responsible for ownership, one for property management and one for property development. The legal owners of the property are Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv. Dutch Residential Fund IV bv has embodied the beneficial ownership of the property portfolio in units in Vesteda Woningen, a common fund. Vesteda Woningen is a closed-end common fund, pursuant to the Corporate Income Tax Act 1969.

A common fund is not a legal entity but a vehicle in which property is brought together for collective investment in order for the unit-holders to share in the proceeds. A common fund has one or more custodians and a manager. The custodians have title to manage the property of Vesteda Woningen on behalf of the unit-holders.

In their capacity as custodians, Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv are legally entitled to all the property belonging to Vesteda Woningen on behalf of the unit-holders. The unit-holders have the beneficial entitlement to these assets.

Participation in Vesteda Woningen may be either direct (units) or through Holding Dutch Residential Fund bv, but participation also involves an obligation to invest to an equal percentage in Vesteda Groep bv (management) and Vesteda Project bv. Vesteda Groep bv has the mandate to enter into rights and obligations with respect to the properties.

The rights and obligations of the holders of units in Vesteda Woningen are set out in the Participation Agreement. Vesteda Groep bv has been appointed as manager of the fund.

Change in accounting policy

VALUATION OF FINANCIAL INSTRUMENTS

In order to comply with international guidelines, financial instruments are recognised at fair value from the 2007 financial statements.
Current derivatives consist of interest-rate caps and swaps intended to hedge interest rate risks on the bond loans. Until the financial year 2006, interest-rate caps were recognised at historical cost less straight-line amortisation calculated over the term of the related loan. The notes to the balance sheet stated the current value of the interest-rate caps and swaps.

Pursuant to Guideline 140, the effect of a change in accounting policy is taken to shareholders' equity at the end of the previous financial year. Accordingly, the comparative figures have been restated on the basis of the new accounting policy. This means that the book value of derivatives and shareholders' equity as at 31 December 2006 were increased by €11.0 million. The change in accounting policy had no effect on the result for 2006.

VALUATION OF BUILDINGS IN USE BY THE COMPANY

Under new regulations, buildings in use by the company have to be classified as tangible fixed assets. Until the financial year 2006, they were classified as property investments. As these buildings were carried as tangible fixed assets at current value, this has no effect on equity or the result. A revaluation reserve has, however, been formed in shareholders' equity and charged to the share premium.

Vesteda Woningen is not a legal entity. It is the summation of all the rights and obligations associated with the properties. The rights and obligations are shared among the unit-holders. A unit reflects the rights and obligations as applicable to a unit-holder and set out in the conditions for management and custody.

As Vesteda Woningen has similarities to a company, the financial statements below use terminology customarily used in financial statements.

ACCOUNTING POLICIES FOR VALUING ASSETS AND LIABILITIES

Property

The Development Portfolio is stated at the lower of cost and market value. On completion of a project, the complex is included in the Letting Portfolio or disposed of.

The Letting Portfolio is stated at current value. Pursuant to Guideline 213 'Investment properties', the complexes in this portfolio are stated at fair value, being the higher of market value with sitting tenants and net realisable value on disposal of complete complexes to organisations specialising in the selling of individual units. A condition when establishing the current value is that if the market value with sitting tenants is higher, the current value will be no more than 110% of the net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units. New properties are valued at the lower of cost and market value for the first two years after completion. At the end of 2007, all complexes which were fully available for letting before 2006 were stated at current value. The market value with sitting tenants and the appraised net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units are determined by the discounted cash flow method. At least 50% of the portfolio is appraised during the year by external valuers and the valuation of the remaining portfolio is updated by a valuer. Conveyancing charges and other selling costs are taken into account in determining both the net realisable value in the case of disposals of complete complexes to organisations specialising in the selling of individual units and the market value with sitting tenants.

Tangible fixed assets

The office building is stated at current value. The revaluation after depreciation is taken direct to shareholders' equity. Depreciation is based on the estimated useful economic life of 30 years.

Financial fixed assets

Financial instruments are stated at current value. Derivatives are used as cash flow cover to hedge the risk of uncertain future cash flows. In these financial statements, this relates to the variable-rate bond loans. Changes in the current value of derivatives are taken to the derivatives revaluation reserve in shareholders' equity. Loans receivable are stated at face value. Where necessary there is a write-down for doubtful debts.

Receivables

Receivables are shown at face value less individual provisions for doubtful debts where necessary.

Other

Unless otherwise mentioned, valuation is according to the historical cost convention. Amounts are shown at face value.

ACCOUNTING POLICIES FOR THE DETERMINATION OF RESULTS

General

Operating expenses are stated at historical cost. Income is recognised when realised, expenses are recognised as soon as they become known. Income and expenses are allocated to the year to which they relate.

Rental income

This item includes the total rents invoiced to tenants in respect of the financial year. The amount shown, therefore, takes account of rent lost due to vacancies and discounts. Rental income does not include service charges paid in advance by tenants.

Letting expenses

Letting expenses comprise costs directly attributable to a specific complex. These costs are mainly maintenance costs, property tax and other levies, insurance premiums, management and letting fees and service costs not chargeable to tenants. There is no equalisation provision for major maintenance.

Grants and other income

This includes releases from the DKPH grant.

Property management expenses

Any operating expenses that cannot be allocated directly to the various properties are regarded as property management expenses. Property management expenses relate mainly to expenses recharged by Vesteda Groep bv. In addition, the Participation Agreement specifies that Holding Dutch Residential Fund bv and subsidiaries attribute expenses and liabilities to Vesteda Woningen.
The cost-plus arrangements at Vesteda Groep bv are grossed up and, like the management expenses, recharged in full to Vesteda Woningen.

Interest income and expense

Interest income and expense are stated at face value.

Realised result

The realised result is the sum of the net letting income and other income less property management expenses and net interest charges, plus the results realised on property disposals. The result on disposals is the proceeds from sales (less any facilitation costs) less the most recent value of the properties sold, established each quarter.

Unrealised result

The unrealised indirect result is made up of the total of unrealised revaluations as a consequence of external and internal appraisals.

Tax status

Vesteda Woningen is a closed-end common fund, meaning that it is transparent for corporate income tax and capital tax purposes. For tax purposes, the assets and liabilities and income and expenses of Vesteda Woningen are attributed directly to the unit-holders in Vesteda Woningen.

Balance sheet as at 31 December 2007 (after appropriation of result)

Amounts in millions of euros	**31-12-2007**	**31-12-2006**
ASSETS		
Fixed Assets		
Property (1)	4,811	4,366
Tangible fixed assets (2)	8	–
Financial fixed assets (3)	60	42
	4,879	4,408
Current Assets		
Amounts receivable from group companies	–	1
Receivables	13	22
Cash (4)	23	33
	36	56
Total Assets	**4,915**	**4,464**
EQUITY AND LIABILITIES		
Fund capital (5)	3,137	3,016
Long-term Liabilities		
Amounts owed to group companies (6)	1,650	1,300
Current Liabilities		
Amounts owed to group companies	2	–
Tax and social security charges	3	3
Other current liabilities	6	6
Accruals and deferred income	117	139
	128	148
Total Equity and Liabilities	**4,915**	**4,464**

Profit and loss account for 2007

Amounts in millions of euros	**2007**	**2006**
Income		
Rental income	229	221
Less: Letting expenses	62	62
Net letting income	167	159
Grants and other income	5	6
Total operating income	172	165
Expenses		
Property management expenses	18	17
Interest income	9	3
Interest expense	62	50
Operating result	101	101
Result on disposals	34	45
Realised result	135	146
Unrealised result	178	285
Result	**313**	**431**

Cash flow statement for 2007

Amounts in millions of euros	**2007**	**2006**
Realised result	135	146
Release of DKPH grant	4 –	5 –
Amortisation of financial fixed assets	1	9
Movement in working capital	16	29 –
Cash flow from operating activities	148	121
Investments in property	440 –	166 –
Disposals/investments in financial fixed assets	1 –	4
Transfer of disposals/investments in financial fixed assets to current	–	5
Disposals of property	165	198
Cash flow from investment activities	276 –	41
Movements in class A notes 2007	350	–
Distributions to unit-holders	232 –	130 –
Cash flow from financing activities	118	130 –
Total cash flow	**10 –**	**32**
Cash at end of year	23	33
Cash at beginning of year	33	1
	10 –	**32**

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. The funds in the cash flow statement consist exclusively of cash and cash equivalents. Receipts and expenditure in connection with interest and tax on profit are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

PROPERTY INVESTMENTS (1)

Amounts in millions of euros	Development portfolio	Letting portfolio: Letting phase	Letting portfolio: Letting/sale phase	Total
Value as at 1 January 2007	88	3,345	933	4,366
Additions	150	280	10	440
Disposals	–	5–	160–	165–
Internal transfers	181–	89–	270	–
Reclassification of office building	–	8–	–	8–
Subtotal	57	3,523	1,053	4,633
Revaluations during financial year	–	133	45	178
Value as at 31 December 2007	**57**	**3,656**	**1,098**	**4,811**

TANGIBLE FIXED ASSETS (2)

Amounts in millions of euros	1-1-2007	Reclassification	Additions	Depreciation	31-12-2007
Office building	–	8	–	–	8
	–	**8**	**–**	**–**	**8**

FINANCIAL FIXED ASSETS (3)

Amounts in millions of euros	1-1-2007	Revaluation	Additions	Disposals	31-12-2007
Derivatives	23	18	–	–	41
Financing charges	1	–	1	1	1
Loans receivable Dutch Residential Fund I bv	6	–	–	–	6
Loans receivable Dutch Residential Fund II bv	6	–	–	–	6
Loans receivable Dutch Residential Fund III bv	6	–	–	–	6
	42	**18**	**1**	**1**	**60**

Vesteda has entered into four interest-rate cap agreements with a finance institution with the intention of hedging interest-rate risks. These limit the risks of rising interest rates on the loan capital. Swap agreements were concluded in July 2005 which will take effect on the expiry of the interest-rate cap agreements. The terms of the agreements are in line with the remaining terms of the bond loans concluded in 2005. A swap was also concluded on the bond loan issued in April 2007 with the same term as the loan, which took effect in July 2007. These agreements fully hedge the risk of fluctuations in interest rates. As a result of interest rate rises, the remaining interest-rate caps were redeemed in the 4th quarter.
Interest is charged on the loans to the custodians based on 3-month Euribor. No security has been provided.

CASH (4)

The cash is at the free disposal of the company.

FUND CAPITAL (5)

Amounts in millions of euros	Issued capital	Share premium	Property investments revaluation reserve	Derivatives revaluation reserve	Office building revaluation reserve	Other reserve	Total
Balance as at 1 January 2007	–	2,140	864	11	1	–	3,016
2007 dividend	–	44 –	–	–	–	166 –	210 –
Result for 2007	–	–	178	–	–	135	313
Revaluation of derivatives	–	–	–	18	–	–	18
Realised from sales	–	–	31 –	–	–	31	–
Balance as at 31 December 2007	**–**	**2,096**	**1,011**	**29**	**1**	**–**	**3,137**

AMOUNTS OWED TO GROUP COMPANIES (6)

Amounts in millions of euros	1–1–2007	Drawn	Repaid	31–12–2007
Vesteda Residential Funding II bv for				
A1 notes	200	–	–	200
A2 notes	400	–	–	400
A3 notes	400	–	–	400
A4 notes	300	–	–	300
A5 notes	–	350	–	350
	1,300	**350**	**–**	**1,650**

In 2005, Vesteda Residential Funding II bv issued a total of €1,300 million of new variable-rate bonds consisting of:

- €200 million class A1 secured floating-rate notes;
- €400 million class A2 secured floating-rate notes;
- €400 million class A3 secured floating-rate notes;
- €300 million class A4 secured floating-rate notes.

In addition, variable-rate bonds were issued in April 2007:

- €350 million class A5 secured floating-rate notes.

Vesteda Residential Funding II bv is a company specially incorporated to manage the financing for Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv under agreements between these parties, Vesteda Group and the Security Trustee. Vesteda Residential Funding II bv also has the duty of providing security in connection with the financing. All the shares in Vesteda Residential Funding II bv are owned by the Stichting Vesteda Residential Funding II. The manager of the Stichting is ATC Management bv.

The proceeds of the issue by Vesteda Residential Funding II bv have been lent to Dutch Residential I Fund bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv. As a result of the above activities, the Vesteda Group had the following facilities as at the balance sheet date:

- Term A1 Facility of €200 million with an intended remaining term of 0.55 years;
- Term A2 Facility of €200 million with an intended remaining term of 2.55 years;
- Term A3 Facility of €200 million with an intended remaining term of 4.55 years;
- Term A4 Facility of €200 million with an intended remaining term of 7.55 years;
- Term A5 Facility of €350 million with an intended remaining term of 4.55 years.

The borrowers are Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv in their capacity as custodians of Vesteda Woningen. The borrowers have made the funds available to Vesteda Woningen. Interest is due quarterly and is based on the 3-month Euribor rate plus a mark-up which is different for each type. The mark-ups for the Term A1, Term A2, Term A3, Term A4 and Term A5 bonds are 0.12%, 0.15%, 0.20%, 0.28% and 0.13%, respectively. The Term A notes are listed on the Euronext Amsterdam stock exchange. The legal term of the Term A1, Term A2, Term A3 and Term A4 bonds when issued was 12 years. The legal term of the Term A5 bonds when issued was 10 years. If, however, the intended term is exceeded there are sanctions relating in particular to distributions to those entitled to the results of the Vesteda Group. Early repayment is permitted, with limited penalty clauses applying to the A2, A3, A4 and A5 bond loans.
The loans carry considerable reporting and information obligations. The following consequences arise if interest is not paid on time or other obligations are not met:

- payment of dividends and similar distributions are no longer permitted;
- a pledge is established on the bank accounts which receive the rents;
- the voting rights on the shares of Dutch Residential Fund I bv, Dutch Residential Fund II bv and Dutch Residential Fund III bv are transferred to the Security Trustee;
- a mortgage right is established in favour of the Security Trustee on the property up to an amount of 150% of the outstanding amount of the loans;
- liabilities may only be met out of the residential portfolio. Creditors have no right of recovery against the other assets (other than Vesteda Woningen) of the unit-holders.

If certain financial conditions (ratios) are not met, further sanctions are applicable. In addition to the above measures, the management's power to dispose of property is considerably restricted.

UNIT-HOLDERS

At the end of 2007, the participants in Fonds Vesteda Woningen were:

ING Vastgoed Belegging bv
Delta Lloyd Vastgoed Participaties bv
Stichting Pensioenfonds voor de Grafische Bedrijven
Loyalis Leven nv
Loyalis Schade nv
Stichting Achmea Dutch Residential Fund
Stichting Spoorwegpensioenfonds
Stichting Pensioenfonds voor Fysiotherapeuten
Stichting Pensioenfonds Openbaar Vervoer
Dutch Residential Fund IV bv
Holding Dutch Residential Fund bv

Proposed distribution to unit-holders

Vesteda Woningen allocated a total of €210 million to unit-holders in 2007, including €80 million payable in April 2008.

Net asset value as at the beginning of 2007	**€120.62**	**100.0%**
Realised result	€5.38	4.5%
Unrealised result	€7.13	5.9%
Revaluation of tangible fixed assets	€0.01	0.0%
Revaluation of derivatives	€0.73	0.6%
Allocation to unit-holders for 2007	€8.40–	–7.0%
Net asset value at end of 2007	**€125.47**	**104.0%**

In view of the distributions already made, it is not proposed to make a final distribution.

Maastricht, 19 February 2008
The manager:
Vesteda Groep bv

The custodians:
Dutch Residential Fund I bv, Dutch Residential Fund II bv en Dutch Residential Fund III bv.

For the above:
H.C.F. Smeets, *CEO*
F.H. van der Togt
O. Breur

TO THE SHAREHOLDERS OF AND PARTICIPANTS IN VESTEDA WONINGEN

AUDITOR'S REPORT

We have audited the 'Financial statements Vesteda Woningen' for the year 2007, as set out on pages 121 to 131 of the Annual accounts of Vesteda Groep bv, Maastricht, which comprise the balance sheet as at 31 December 2007, the profit and loss account for the year then ended, an overview of the most important accounting policies and the notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the 'Financial statements Vesteda Woningen' and for the preparation of the report of the managing board, both in accordance with the accounting policies set out in 'accounting policies for valuing assets and liabilities' and 'accounting policies for the determination of results' on pages 123 to 124. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 'Financial statements Vesteda Woningen' that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the 'Financial statements Vesteda Woningen' give a true and fair view of the financial position of Vesteda Woningen as at 31 December 2007, and of its result for the year then ended required in the given circumstances in accordance with the accounting policies as set out in 'accounting policies for valuing assets and liabilities' and 'accounting policies for the determination of results'on pages 123 to 124.

Furthermore we have established to the extent of our competence that the report of the managing board is consistent with the 'Financial statements Vesteda Woningen'.

Maastricht, 19 February 2008
for Ernst & Young Accountants

was signed J.G.K. van der Zanden

Annexes

Annex 1: Properties

The list below sets out the properties in the letting and development portfolios. In line with the ROZ/IPD definition, all properties are allocated to the Residential properties sector, as the residential share of the gross market rental value (for the development portfolio: expected gross market rental) is greater than 50%. The units and values given for properties are (for the development portfolio: are expected shortly to be) fully owned.

KEY:

	Letting portfolio	Development portfolio
Project:	municipality, street name or name of first street (in alphabetical order), name of investment property	municipality, street name or name of first street (in alphabetical order if known), name (or provisional development name) of investment property
Year:	year of construction (the year before the first year of full letting)	Expected year of hand-over
Land:	percentage owned (versus leased)	As for letting portfolio
U:	number of residential properties (units)	As for letting portfolio
FH:	number of single-unit residential properties (units)	As for letting portfolio
MO:	number of multiple-residency properties (units)	As for letting portfolio
UA:	useable area of the residential properties (m^2 x 1000)	As for letting portfolio
Office:	office space (m^2)	As for letting portfolio
Retail:	retail space (m^2)	As for letting portfolio
Park:	parking and garage spaces (units)	As for letting portfolio
Rent:	theoretical gross annual rent (as at 31 December 2006, €thousands) As for letting portfolio	

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
LETTING PORTFOLIO										
Breda, Lachappellestraat, Lachappellestraat	1961	100%	72		72	47			18	461
Bergen, Rougemont-Nes, De Nessen	1968	100%	12	12		14			7	128
Vleuten-De Meern, Ridderhoflaan, Secr.Versteeglaan	1969	100%	194	194		232			12	1,740
Leiderdorp, Lokhorst, De Horsten	1970	100%	111		111	109			39	830
's-Hertogenbosch, Kruiskampsingel, Meanderflat	1968	100%	167		167	144			50	1,185
Zwolle, Schie, aa Landen	1969	100%	210	210		256			122	1,747
Haarlemmermeer, Boekestraat, Jacob, Warande	1969	100%	59	59		68			45	547
Rijswijk, Churchilllaan, Churchilllaan	1969	100%	215		215	241			19	1,912
Rijswijk, Clavecimbellaan, Clavecimbellaan	1974	100%	160		160	172			57	1,357
Heemskerk, Mozartstraat, Mozartstraat	1969	100%	152	152		171			150	1,245
Nijmegen, Lankforst, Lankforst	1969	100%	87	87		111			25	655
Amersfoort, Parelvisserspad, Schuilenburg	1969	100%	116	116		142			50	1,009
Schiedam, Chopinplein, Groenoord	1971	100%	476		476	424	105		44	3,075
Wassenaar, Van Polanenpark, Zijlwatering	1972	100%	87	87		121			61	1,002
Oosterhout, Verdistraat, Oosterheide 1	1969	100%	39	39		50			19	288
Roosendaal, Pastoor van Akenstraat, Molenbeekstraat	1970	100%	29	29		38			11	213
Groningen, Amethisstraat, Vinkhuizen	1969	100%	69	69		86				453
Amstelveen, Groenhof, Groenhof	1972	100%	220		220	184			31	1,522
The Hague, Domburglaan, Deltaplein	1972	100%	156		156	115			40	1,210
Oosterhout, Beethovenlaan, Oosterheide 2	1971	100%	33	33		47			17	263
Leiderdorp, Rood borststraat, Vogelwijk	1972	100%	246		246	210			71	1,721
Nijmegen, Weezenhof, Weezenhof	1972	100%	145	145		357			43	1,192
Zoetermeer, Dunantstraat, Molenwijk	1973	100%	208		208	180		805	205	1,371
Zoetermeer, Dunantstraat, Blankaard	1973	100%	160		160	104		344		903
Groningen, Goudlaan, Vinkhuizen II	1972	100%	32	32		40				216
Heerenveen, Valerielaan, Valeriaan	1973	100%	41	41		50			2	254
Rotterdam, Stekelbrem, Brembuurt	1973	100%	182	182		237			41	1,911
Grave, Estersveldlaan, Estersveld	1972	100%	50	50		60			33	351
Amstelveen, Westelijk Halfrond, Groenelaan	1974	100%	266		266	215			32	1,710
Rijswijk, BeatriHlaan, Prinses, Prinses Beatrixlaan	1975	100%	351		351	288		214	316	2,530
Rijswijk, Hilvoordestraat, Over De Boogaard	1979	100%	122		122	63				730
Doetinchem, Lorentzlaan, Boerhaavelaan	1973	100%	192	192		248				1,327
Voorburg, Distelweide, Distelweide	1974	100%	40	40		45			14	488
Brummen, Buizerdstraat, De Enk	1974	100%	62	62		75			6	459
Voorburg, Populierendreef, Populierendreef	1975	100%	272		272	205			130	2,036
Voorburg, Populierendreef, Populierenlaan	1975	100%	137		137	96			167	888
The Hague, De Brink, Kraayenstein I	1975	100%	148	10	138	116			122	1,016

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
The Hague, Noorderbrink, Kraayenstein II	1975	100%	224	224		270				2,399
Voorburg, Kersengaarde, Kersengaarde	1976	100%	256	256		309				2,911
Arnhem, Hooghalensingel, Vredenburg	1974	100%	199	199		251			12	1,547
Zoetermeer, Zilverberg, Meerzicht	1975	100%	97	97		116			144	884
Maastricht, Via Regia, Via Regia	1977	100%	80		80	51			85	406
Duiven, Thuvinestraat, Eltingerhof	1975	100%	109	109		123				689
Blaricum, Dam, De Byvanck	1975	100%	102	102		108				889
Bergen Op Zoom, Zandstraat, Leemberg	1975	100%	34	34		30				211
Huizen, Herik, Huizermaat-West	1976	100%	199	199		186			29	1,717
Groningen, Zuiderweg, Hoogkerk	1976	100%	153	153		157			42	966
Alkmaar, Lekerwaard, Huiswaard	1976	100%	18	18		17				123
Leeuwarden, Stizenflora, Aldlan Oost	1977	100%	160	160		165			11	1,078
Voorburg, Rodelaan, Rodelaan	1976	100%	160		160	115			82	1,086
Arnhem, Hoogvliethof, Elderveld 231	1976	100%	85	85		99			27	582
Ouder-Amstel, Clarissenhof, Clarissenhof	1977	100%	101	101		101			8	916
Leiderdorp, Waterleliekreek, Voorhof	1978	100%	240	120	120	245			9	1,870
Capelle a/d IJssel, Sint Helenabaai, Ijsselzicht	1978	100%	217		217	136				1,421
Geldrop, Herdersveld, Grote Bos	1978	100%	95	95		97				732
Leiden, Parkzicht, Merenwijk	1979	100%	250		250	187			3	1,637
Purmerend, Fonteinkruid, De Gors	1977	100%	32	32		37				244
Zoetermeer, Bunuelstrook, Buytenwegh De Leyens	1979	100%	386	347	39	447		125	11	3,080
Zoetermeer, Gaardedreef, Seghwaert	1978	100%	48	48		55				394
Zoetermeer, Heijermanshove, Buytenwegh De Leyens	1979	100%	157	61	96	144				1,114
Heerlen, Poelmanstraat, Douve Weien 1	1978	100%	161	161		174				1,220
Heerlen, Drieoortsput, Douve Weien 2	1979	100%	76		76	46			67	376
Heerlen, Vrusschemigerweg, Douve Weien 3	1978	100%	21		21	15				121
Gorinchem, Kalkhaven, Dalempoort	1978	100%	21		21	15		582	2	161
Nieuwerkerk Ijssel, Bladmos, Zuidplaspolder	1979	100%	66	66		71				507
Diemen, Biesbosch, Biesbosch	1978	100%	148	148		192				1,444
Amsterdam, Leusdenhof, Nellestein	1980	lease	323		323	293	507		95	2,135
Leusden, Hertenhoeve, Centrum	1979	100%	40	40		37			14	324
Roosendaal, Dolomietdijk, Kortendijk Oost I	1981	100%	29	29		34				197
Heerlen, Palestinastraat, Giesen-Bautsch	1980	100%	50	50		54				354
Lelystad, Tjalk, Gebied 243	1981	100%	177	177		179				1,055
Almere, Dijkmeent, De Meenten	1981	100%	145		145	121				915
Maastricht, Ellecuylgaard, Eyldergaard	1982	100%	32	32		38				255
Roermond, Ambachtsingel, Hoogvonderen	1981	100%	58	58		67				375
Valkenburg Ad Geul, Oranje Nassau, Nassauflat	1982	100%	88		88	59			85	546
Heerlen, Putgraaf, Putgraaf Residentie	1982	100%	93		93	71			175	750
Oss, Kerkstraat, Boschpoort	1982	100%	25		25	17		955	58	225
Enschede, Walkottelanden, Stroinkslanden	1982	100%	52	52		57				378
Roermond, Dion isi usstraat, Ursula	1986	100%	290		290	217	4,962		341	2,292
Heerlen, Dillegaard, Douve Weien	1983	100%	97		97	70			19	561
Heerlen, Marjoleingaard, Douve Weien	1982	100%	60	60		65				424
Doetinchem, Boekweitdreef, De Huet	1983	100%	115	115		128				758
Capelle a/d IJssel, Rigoletto, Louvre/Rigoletto	1983	100%	91		91	69				578
Deurne, Appeldijk, Den Heiakker	1983	100%	14	14		17				97
Aalsmeer, Edisonstraat, Proosdij	1983	100%	39	39		43				340
Venlo, Klingerbergsingel, Klingerberg	1984	100%	50	50		57				348
Eindhoven, Generaal van Merlenstraat, Rapenland	1984	100%	118	26	92	92			9	830
’s-Hertogenbosch, Statenkwartier, Kwartierstaete	1983	100%	33		33	24				205
Susteren, Raadhuispln, Middelveld	1983	100%	15	15		13				100
Rotterdam, Bottelroos, Heydnahof	1983	lease	161	161		175				1,454
Beek, Kastanjelaan, Beatrixlaan	1983	100%	24	24		26				171
Purmerend, Cocqgracht, De Purmer	1983	lease	109	109		97				737
Groningen, Steen houwers kade, Zuiderhavenring	1982	100%	53		53	47			92	499
Groningen, Steen houwers kade, Zuiderhavenring	1983	100%	70		70	56				514
Almere, Harderwijkoever, Boulevardflat	1984	100%	391		391	326			391	2,685
Almere, Slagbaai, Waterwijk	1983	100%	39	39		42				265
Tilburg, Friezenlaan, Friezenlaan	1982	100%	54		54	50			38	471
Maastricht, Heerderweg, Heerderweg	1985	100%	202		202	145			107	1,310
Maastricht, Kasteel Caestertstraat, Nazareth	1987	100%	29	10	19	23			25	180
Schiedam, Huis Te Merwestraat, Woudhoek	1984	lease	184	184		195				1,616
Zwolle, Van bosseware, Ittersumerlanden	1984	100%	192	192		228				1,363
Culemborg, Akelei, Voorkoop	1985	100%	56	56		68				456

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
Amsterdam, Snelleveldstraat, Reigersbos	1984	lease	153	153		144		51		1,274
Amsterdam, Mijndenhof, Mijndenhof	1984	lease	109	109		102				914
Rotterdam, Admiraal de Ruyterweg, Linker Rottekade	1985	lease	246		246	149		276	159	1,518
Deventer, Bitterzoet, Colmschate	1984	100%	100	100		115				686
Rotterdam, Hamelpad, Sneevlietstraat	1984	lease	52	52		50				379
Heumen, Dravik, Maldensveld	1985	100%	23	23		24				181
Eindhoven, Opwettensemolen, Opwettensemolen	1986	100%	178		178	133			110	1,340
Maastricht, Erasmusdomein, Randwijck	1986	100%	109		109	85			20	792
Leeuwarden, Frittemastate, Groene Hart	1986	100%	134	134		155			4	895
Leidschendam, Schadeken, 't Lien	1985	100%	127	127		135				1,273
Amsterdam, Wethouder Abrahamspad, Wethouderbuurt	1986	lease	178	178		191	59			1,448
Almere, Havenhoofd, Havenhoofd	1986	100%	66		66	64				505
Sittard, Blijdestein garage, Kollenbergerhof I	1986	100%	78		78	56			27	512
Diemen, Polderland, Diemen Zuid	1986	100%	169	169		183				1,427
Assen, Groenkampen, Peelo	1986	100%	73	73		89				467
Westervoort, Het gilde, Hoogeind	1986	100%	20	20		18				124
Wijchen, Abersland, Abersland	1987	100%	98	98		100				729
Rotterdam, Boompjes, De Boompjes I	1988	lease	336		336	230	6,192	1,015	283	3,634
Leeuwarden, Ubbemastins, Parkflat	1987	100%	62		62	54				420
Rotterdam, Cromme Meth, Cromme Meth	1987	lease	32	32		32				235
Sittard, Ruttenlaan, Kollenbergerhof II	1987	100%	52		52	38			78	342
Rotterdam, van Walsumweg, van Walsumweg	1989	lease	270		270	219		1,729	206	2,371
Amsterdam, Wethouder Driessenstraat, Wethouderbuurt	1987	lease	155	155		179				1,330
Heerenveen, Barten, Nye Haske	1987	100%	69	69		80				489
Almere, Marktmeesterstraat, Centrum	1988	100%	240		240	215			83	1,585
Zoetermeer, Bordeauxstraat, Frankrijklaan	1987	100%	67	67		69				564
Kerkrade, Mynwg, Straterweg	1987	100%	57	57		59				412
Tilburg, Anna Paulownahof, Anna Paulonahof	1989	100%	230		230	162	94		54	1,499
Geleen, Schrynwerkersd, Dassenkuil I	1987	100%	17	17		18				124
Zoetermeer, Reimsstraat, Reimsstraat	1987	100%	108		108	82			108	897
's-Hertogenbosch, Natewischstede, Maaspoort	1987	100%	55	55		52				417
Weert, Houtduif, Graswinkel 2	1988	100%	19	19		18				118
Middelburg, Stationsstraat, Blauwe Dijk	1987	100%	21		21	12		850		205
Zwolle, Tak van poortvlietware, Ittersumerlanden	1987	100%	39	39		40			5	284
Zwolle, Stadhouderlaan, Oldenelerlanden	1988	100%	134	134		155				1,019
Eindhoven, Bisschopsmolen, Woenselse Watermolen	1988	100%	220	202	18	251				1,867
Almere, Raaigrasstraat, Kruidenwijk	1988	100%	110	110		128				825
Amersfoort, Blekerssingel, Willem III	1988	100%	36		36	31				274
Enschede, Boulevard 1945, T Marquant	1989	100%	71		71	53			71	517
Geleen, Dassenkuillaan, Dassenkuil II	1988	100%	16	16		17				115
Sittard, Kollenberg, Kollenbergerhof III	1988	100%	63	63		70				468
Nieuwegein, Hermesburg, Batau Noordrand	1988	100%	56	56		57				458
Wijchen, Abersland, Abersland	1988	100%	36	36		40				262
Arnhem, Ginnekenstraat, Kroonse Wal	1988	100%	30		30	26				211
Eindhoven, Venbergsemolen, Venbergsemolen	1989	100%	134		134	112				1,029
Tilburg, Schoolstraat, Elegance	1989	100%	174		174	140			45	1,234
Heerlen, Putgraaf, Putgraaf Residentie	1989	100%	66		66	59	79		75	597
Rotterdam, Ton Wijkampstraat, Zevenkamp	1988	lease	49	49		79				425
Rotterdam, Den Uylsingel, Dosiotoren	1989	lease	92		92	72				624
Helmond, Diamantstraat, Ashorst	1989	100%	22	22		23				166
Amsterdam, Jan Puntstraat, Huizingalaan	1990	lease	167		167	149			128	1,580
Amsterdam, Bonhoeffersingel, Midden Akerveldsepolder	1989	lease	208	160	48	220				1,899
Enschede, Bontweverij, Carre	1990	100%	76		76	55				519
Bunnik, Esdoorn, Dalenoord vii	1989	100%	46	30	16	41				342
De Bilt, Hugo van der Goeslaan, De Leyen	1989	100%	48		48	33				352
's-Hertogenbosch, Pisastraat, Pisastaete	1989	100%	72		72	31			72	569
Abcoude, Fluitekruid, Fluitekruid	1989	100%	54	31	23	52				424
Maastricht, Akerstraat, Ceramique	1993	100%	182		182	168	207		147	1,533
Venlo, Harry Hollastraat, Groeneveld	1989	100%	53	53		64				414
Rotterdam, Watertorenweg, Watertorenweg	1990	lease	122		122	112				901
Amersfoort, Bombardonstraat, Zielhorst m	1990	100%	42	42		42				330
Wassenaar, Wassenaer Obdamlaan, Zijlwatering	1992	100%	32	32		43				480
Tilburg, Hillegomlaan, Reeshof	1990	100%	56	56		73				427
Emmen, Klepel, Ermerstede	1990	100%	40		40	36			45	345

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
Leeuwarden, Frittemastate, Camminghaburen	1989	100%	46	46		46				363
Almere, Lotusbloemweg, Bloemenbuurt	1990	100%	59	59		67				479
Amstelveen, Doctor Willem Dreesweg, Middenhove	1989	100%	18	18		20				170
Assen, Roegoorn, Marsdijk	1990	100%	51	51		51				399
Middelburg, Touwbaan, Maisbaai Phase I	1990	100%	61		61	62			59	530
Abcoude, Ereprijs, Fluitekruid	1989	100%	75	50	25	68				590
Amersfoort, Bombardonstraat, Zielhorst h	1990	100%	36		36	29				263
Almere, Messiaenplantsoen, Muziekwijk	1990	100%	132		132	109				889
Amsterdam, Willy la Croihstraat, Midden Akerveldsepolder	1990	lease	230	182	48	268				2,038
Culemborg, Zaanweg, Dijkzicht	1990	100%	24	24		29				199
Heemstede, Floradreef, Prinseneiland	1990	100%	38	38		43				319
Hoogezand-Sappemr, Gerbrandyhof, Drevenborg	1991	100%	44		44	37				317
Emmen, Eidereend, Eendenveld	1990	100%	33	33		32				250
Venlo, Gebroeders Daelstraat, Groeneveld II	1991	100%	93	19	74	89				625
Bergen Op Zoom, Duvenee, Bergse Plaat Fa I	1991	100%	92	92		111				732
Rotterdam, Govert Terlouwstraat, Ringvaartplasbuurt	1990	lease	64	64		69				586
Rotterdam, Nieuwehaven, Nieuwehaven	1991	lease	89		89	79		601	40	910
Nijmegen, Nw marktstraat, Kronenburger	1991	100%	148		148	141	323		7	1,423
Papendrecht, Pontonniersweg, Buitenwaard	1991	100%	67		67	75			26	703
Rotterdam, Buitenbassinweg, Buitenbassinweg	1991	lease	107		107	89				785
Leiden, Zuster Meijboomstraat, Stevenshof	1991	lease	99		99	81				789
Amsterdam, Schagerlaan, Julianapark	1991	lease	226	40	186	206			16	2,326
Amersfoort, Bruggensingel-Zuid, Kattenbroek	1991	100%	134	79	55	158				1,150
Rotterdam, Govert Terlouwstraat, Ringvaartplasbuurt	1991	lease	42	42		47				405
Rotterdam, Kouwenbergzoom, Loreleiflat	1992	lease	69		69	60				587
Sittard, Kleine Steeg, Wilhelminastraat	1993	100%	63		63	66	313		67	608
Almere, Rondostraat, Muziekwijk	1992	100%	48	48		63	146			435
Rotterdam, Admiraliteitskade, Oostmolenwerf	1994	lease	86		86	77		490	68	966
Rotterdam, Strevelsweg, Poort Van Zuid	1994	lease	120		120	109	231		101	986
Venlo, Harry Hollastraat, Groeneveld IV	1993	100%	52	52		63				450
Amersfoort, Groote Kreek, Kattenbroek Eiland	1993	100%	101	101		139				1,028
Renkum, Graaf van Rechterenweg, Rechterenborg	1993	100%	62		62	57			39	588
Bergen Op Zoom, Agger, Bergse Plaat Fa II	1993	100%	58	58		70				507
Bergen Op Zoom, Ansjovislaan, De Weer	1994	100%	130		130	143			54	1,246
Valkenburg a/d Geul, Spoorlaan, De Valk/Spoorlaan	1994	100%	34		34	34			27	274
Groningen, Van Goghstraat, Waterrand	1994	100%	72		72	59			73	601
Almere, Preludeweg, Muziekwijk	1994	100%	115	115		145				961
Dordrecht, Van Ravesteyn-lease, Groene Oever	1995	100%	84		84	77				761
Rotterdam, Gedempte Zalmhaven, De Hoge Heren	2000	lease	160		160	191	482		330	2,572
Almere, Gleditsiastraat, Parkwijk	1995	100%	62	62		85				494
Hengelo, Jan van Galenstraat, Gerarduspark	1995	100%	44		44	35				351
Vaals, Bloemendalstraat, Bloemendal	1998	100%	52		52	47			12	456
Heerenveen, Poststraat, Poststraat	1995	100%	52		52	49				430
Nijmegen, Rode kruislaan, Park Heyendaal	1996	100%	92		92	95				953
Bergen Op Zoom, Agger, Bergse Plaat Fa v	1995	100%	30	30		41				280
Vlissingen, Schutterijstraat, Lange Zelke	1994	100%	14		14	13				101
Venlo, Gruttostraat, Centrum-Zuid	1995	100%	32	32		43				277
Velsen, Maanbastion, Maanbastion	1990	100%	128		128	93			44	1,021
Groningen, Bloemersmaborg, Klein Martijn	1997	100%	28		28	29				284
Venlo, Gruttostraat, Centrum-Zuid	1997	100%	31		31	32			43	212
Almere, Jacques Tatilaan, Filmwijk	1998	100%	132	90	42	157				1,114
Capelle a/d IJssel, Slotplein, Slotplein	1997	100%	80		80	86				729
Assen, Zuidhaege, Zuidhaege	1997	100%	60		60	57			15	538
Amsterdam, Diopter, Jeugdland	1998	lease	53	53		66				522
Amsterdam, Zuidelijke Wandelweg, Mirandalaan	1998	100%	90		90	91	3,401		92	1,263
Venlo, Seinestraat, Maaswaardstaete	1998	100%	32		32	36			36	355
Breda, Blauwtjes, Waterjuffer	1999	100%	36		36	33			5	308
Almere-Stad, Quickstepstraat, Danswijk	1999	100%	54	54		60				395
Enschede, Mooienhof, Mooienhof	2003	100%	87		87	90		877		887
Venlo, Morion, Centrum-Zuid	2000	100%	31	31		36				234
Almere, Jarenweg, Seizoenenbuurt	1999	100%	40	40		45				290
Almere, Simon Vestdijkstraat, Literatuurwijk	1998	100%	38	38		47				295
Maastricht, Sphinxlunet, Cortile	1999	100%	39		39	42	205			459
The Hague, Laakweg, Piazza	1998	lease	73		73	69			58	548

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
Breda, Argusvlinder, Argusvlinder	1999	100%	64		64	42				330
Bergen, Hallstein-Nes, De Nessen	1968	100%	8	8		10			1	91
Maastricht, Sphinxlunet, Cortile Parking	1999	100%	0			0			222	199
Bergen op Zoom, Statietjalk, Landmark	2004	100%	36		36	42			36	478
Stiens, St. Vitusplein, Sint Vitusplein	1999	100%	30		30	22				160
Wassenaar, Professor Molenaarlaan, Zijlwatering	1972	100%	103	103		137				1,101
Heerlen, Peschstraat, Douve Weien 3	1978	100%	11		11	8				62
Alkmaar, Louise Henriettestraat, Louise Henriëttestraat	2000	100%	31		31	25				155
Maastricht, Avenue Ceramique, Toren van Siza	2001	100%	40		40	47	714			752
Maastricht, Plein 1992, Residence	2000	100%	33		33	36			8	391
Maastricht, Sphinxlunet, Cortile	2002	100%	120		120	126				1,310
Maastricht, Heugemerweg, Cortile	1999	100%	30		30	29		68		1,061
Leiderdorp, Laan van Berendrecht, Parkpromenade Berendrecht	2004	100%	72		72	102		527		1,111
Almere, Vrije Zeestraat, Oostvaardersbuurt	2001	100%	42	42		55				320
Velsen, Sterbastion, Sterbastion	2001	100%	71		71	66				560
Nieuw-Vennep, Haendelplein, Getsewoud	2002	100%	76		76	57			4	553
Hengelo, 't Swafert, 't Swafert	2000	100%	417		417	98				1,914
Huis ter Heide, Onbekend, De Horst	2003	100%	51		51	28				770
Eindhoven, Tongel resestraat, Picushof	2001	100%	58	22	36	60				574
Maastricht, Bellefroidlunet, Stoa	2002	100%	66		66	104	95		89	1,546
Eindhoven, Smalle Haven, Vestedatoren	2006	100%	46		46	64	680		85	1,021
Rotterdam, Gedempte Zalmhaven, De Hoge Heren, serviced appartments	2001	100%	51		51	61				1,555
Almere, Nova Zemblastraat, Eilandenbuurt	2003	100%	43	43		49				374
Maastricht, Boschcour, blok 22 Ceramique	2007	100%	92		92	117	827		121	1,466
Eindhoven, Tesselschadelaan, Granida	2004	100%	30		30	39			44	514
Rotterdam, De Boompjes, De Boompjes II	2001	lease	0			0	1,480			172
Maastricht, Savelsbosch, Vroendaal	2003	100%	15	15		26				216
Breda, Lovensdijkstraat, Vredenbergh	2001	100%	0			160				194
Amsterdam, Veemkade, Detroit	2004	lease	81		81	107		2,339	107	2,695
Amsterdam, Pieter Calandlaan, Calandtoren	2004	lease	84		84	79	1,614		84	1,056
Amsterdam, Wol bra ntskerkweg, Wol bra ntskerkweg	2005	lease	108		108	76			60	657
Vleuten, Molenpolder, Meiborg	2003	100%	28		28	43			14	500
Vleuten, Molenpolder, Weideborg	2003	100%	32		32	33	152			399
Venlo, Ginkelstraat, De Lunet	2003	100%	11		11	13	330		11	167
Heerlen, Sint Pietershof, Klein Vaticaan	2004	100%	36		36	42			40	460
Groningen, Briljantstraat, Vinkhuizen I	1969	100%	54	54		66			31	357
Amsterdam, IJburglaan, Blok 4	2003	lease	40		40	64			40	730
The Hague, Prins W. Alexanderweg, La Fenètre	2005	lease	115		115	141			118	2,610
Rotterdam, Landverhuizersplein, Montevideo	2005	lease	68		68	84			68	1,372
Hengelo, Algonquin, Thiemsland	2004	100%	34		34	40				414
Valkenburg, Cauberg, Caubergklooster	2007	100%	41		41	27				790
Amsterdam, Joris Ivensstraat, De Waterlinie	2004	100%	41		41	44	419		58	644
Almere, Dek, Noorderplassen	2004	100%	31	31		47	180			327
Leeuwarden, Krommezijl, Zuiderburen	2005	100%	36		36	44				405
Voorburg, Zocherstraat, Nieuw Park Leeuwensteijn	2006	100%	112		112	117			114	1,666
Amersfoort, Grote Koppel, Zeven Provinciën	2004	100%	58		58	66				839
Breda, Nonnenveld, Paleis	2005	100%	86		86	112			86	1,438
Den Bosch, Bordeslaan, Paleiskwartier	2004	100%	27		27	35			34	431
Assen, Aardbeihof, Kloosterhoven	2004	100%	21	21		31				222
Zutphen, Verdistraat, Gerard Doustraat	2007	100%	34		34	43			34	429
Amsterdam, IJburglaan, De Uitkijk (Blok 34)	2005	lease	42		42	49			42	663
Amsterdam, Purperhoedenveem, Boston	2006	lease	90		90	95			90	1,992
Hilversum, Loosdrechtse Bos, Resort Zonnestraal	2004	100%	42		42	62				1,047
Almere, Koetsierbaan, Side by Side	2007	100%	72		72	83	82		74	1,140
Maastricht, Avenue Ceramique, Wiebengahal	2006	100%	0			0	3,190	173		364
Tegelen, Waterloostraat, Domein Moubis	2004	100%	16		16	23			22	219
Tilburg, Buxusplaats, Holland-terrein	2007	100%	99		99	112	700		120	1,331
Amsterdam, Pieter Postpad, De Drie Bouwmeesters phase a	2006	lease	83	37	46	95			48	925
Bergen op Zoom, Huijbergsestraat, Parade	2006	100%	65		65	71			62	715
Leeuwarden, De Malus, Zuiderplantage	2007	100%	31		31	29				258
Amsterdam, Withoedenveem, Parkeergarage Nieuw Amerika	2006	lease	0			0			75	63

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
Amsterdam, Bijlmerdreef, Gerenstein-Gallery	2007	lease	96		96	94				863
Zoetermeer, Pruimengaard, Seghwaert	1978	100%	58		58	53				404
Al mere, Terpmeent, De Meenten	1981	100%	48		48	42				314
Lelystad, Kogge, De Kogge i1	1977	100%	61	61		70				422
Lelystad, Kogge, De kogge ii1	1977	100%	64	64		72				436
Schagen, Fazantenhof, Fazantenhof	1973	100%	78	78		101				661
Schagen, Patrijzenhof, Patrijzenhof	1973	100%	91	91		117				745
Diemen, Hartschelp, Hartschelp	1983	100%	62	62		66				611
Hillegom, L. van Deysselaan, L. van Deysselaan	1983	100%	36	36		38				298
Hillegom, J.Prinsheem, Prinsheem	1983	100%	64	64		67				546
Sassenheim, Landauer, Berline en Landauer	1985	100%	42	42		44				344
Sassenheim, Caleche, Brik	1986	100%	61	61		64				486
Noordwijk, Fuikhoren, Fuikhoren	1985	100%	67	67		75				531
Noordwijk, Schaalhoren, Schaalhoren	1983	100%	66	66		72				536
Voorhout, Zwanebloemstraat, Bloemenschans	1985	100%	49	49		56				419
Capelle a/d IJssel, Librije, Hermitage	1983	100%	49	49		48				361
Capelle a/d IJssel, Doelen, Doelen en Louvre	1983	100%	74	74		73				545
Rhoon, Marskramer, Baljum	1982	100%	67	67		80				525
Rosmalen, Leyborch, Dommelborch	1985	100%	60	60		65				432
Amsterdam, Nieuw Herlaer, Nieuw Herlaer	1969	lease	55		55	66			30	726
			28,334	**12,034**	**16,300**	**28,172**	**27,768**	**12,021**	**8,984**	**245,125**

Project	Year	Land	U	FH	MO	UA	Office	Retail	Park	Rent
DEVELOPMENT PORTFOLIO UNDER CONSTRUCTION										
Almere, Koetsierbaan, Side by Side	2008	100%	82		82			82		1,280
Amsterdam, –, IJburg blok 7	2008	Erf	12	12		1		12		193
Amsterdam-, IJburg blok 8	2009	Erf	120		120	15	1,083	110		2,104
Amsterdam, –, New Amsterdam	2008	Erf	174		174	23	2,800			6,500
Amsterdam, –, Steigereiland Noordbuurt, Blok a, c, f	2009	Erf	139		139	14		172		1,809
Amsterdam, Celebestraat, De Ontdekking	2008	Erf	43		43	5		43		632
Apeldoorn, Disselhof 2 t/m 180, De Stadhouder	2008	100%	90		90	10		130		1,072
Bergen op Zoom, Ansjovislaan 247 t/m 293, Laguna	2008	100%	50		50	5		48		658
Breda, Lovensdijkstraat 7, Vredenbergh	2009	100%	102		102	7				1,386
Eindhoven, Cassandraplein, Cassandraplein	2008	100%	30		30	4	1,000	32		446
Eindhoven, Schinkelstraat Kloosterdreef	2008	100%	36		36	4		36		421
Leiden, –, Roomhaeve/Roomburg	2008	100%	26		26	3		30		425
Maarssen, –, Op Buuren Blok 7	2009	100%	23		23	3		34		403
Maastricht, Glacisweg, Terminus	2008	100%	7		7	1	415	18		210
Maastricht, Prins Bisschopssingel, Poort Waerachtig	2008	100%	25	4	21	3		38		570
Roermond, Achter de Cattentoren, Casimir	2009	100%	59		59	7		71		851
Rotterdam, Wilhelminapier, New Orleans	2010	100%	162		162	21	1,156	280		3,485
Rotterdam, –, Parktoren	2009	100%	47		47	5	320	14		818
Weert, Ceres 2 t/m 80, Beekpoort Phase 1	2009	100%	40		40	4		40		489
			1,267	**16**	**1,251**	**135**	**6,774**	**1,190**		**23,752**

Annex 2: Vesteda history

Vesteda was formed in **1998**. Vesteda was created as a result of the reorganisation of ABP's property port folio. For several years, Stichting pensioenfonds ABP had been pursuing a strategy designed to spread its property investments more widely and increase the liquidity of its property portfolio. ABP consequently decided to convert its direct investments in property into minority interests in property funds investing in specific sectors. The hiving-off of ABP's residential property portfolio resulted in the establishment of Vesteda in 1998. The years before 2006 are summarised below.

In **1999**, Vesteda refocused its strategy. The decision to specialise in the higher-rent sector marked the start of the changes in product development and organisation.

In **2000**, customer information combined with social and demographic projections resulted in the portfolio being divided into a core portfolio and a disposals portfolio. The disposals portfolio contained about 30% of the properties. A steering group was also formed in 2000, in which the Vesteda Managing Board and the shareholder, ABP, shaped the strategy which led to the reduction of ABP's full interest to a participating interest. It was ultimately decided to place unlisted shares with institutional investors.

2001 was dominated by preparations for a series of transactions. A memorandum of information was issued to enable a group of large institutional investors to acquire an interest in Vesteda. There were also legal and fiscal restructurings to allow new investors to participate. Approximately 30% of shareholders' equity was converted into loan capital before ultimately being financed externally. An internal restructuring was implemented in line with the strategy. Vesteda Project bv was incorporated in December 2001.

During **2002**, ING Real Estate acquired an interest of 25% in Vesteda. Soon afterwards, agreements were signed with six other institutional investors who acquired a total interest of 13%. ABP's interest was then 62%. The loan capital was refinanced by three to seven year bonds. Vesteda raised €1.4 billion on the capital market. Vesteda was granted triple-A rating by the three main credit rating agencies.

In **2003** Vesteda took a major step in its long-term organisational growth, with property management – which was previously subcontracted – being brought into the company's own management. About 100 people joined the company, increasing the workforce significantly. At the end of 2003, over 90% of Vesteda's portfolio was served by in-house property management.

2004 was a year of further organisational consolidation, after years of growth. Vesteda Project bv started property hand-overs, meaning that substantially more homes were let for the first time. A partial refinancing of €400 million was carried out in April.

In **2005**, the organisational consolidation continued. The number of homes being let for the first time increased. The entire capital was refinanced in July.

In **2006**, the portfolio was reduced to 28,000 units. The strategy was refined and the model portfolio, which sets the framework for the investment policy to 2015, adjusted. The total return of 14.7% on shareholders' equity was the highest for the past five years.

Annex 3: IVBN transparency guidelines

The Association of Institutional Property Investors in the Netherlands, the IVBN, has drawn up a large number of practical recommendations for annual reporting, with the aim of considerably enhancing transparency in annual reports in the property industry. The recommendations were published in the 'Recommendations for Annual Reporting' report (Aanbevelingen voor de Jaarverslaglegging) in January 2005 and apply from the financial year 2005 and to IVBN members which are responsible for at least one specific, independent property fund with more than one shareholder and/or which publish an annual report on a property fund.

Vesteda adopted the recommendations from 2005 and so the report of the Managing Board now includes new tables which include figures on only three years.

In 2006, IVBN carried out an evaluation that resulted in the publication of an addendum in January 2007.
The table below shows how Vesteda is applying the guidelines. Vesteda has adopted the recommendations in the addendum from 2006.

With effect from 2007, Vesteda is also presenting the individual properties in the Development portfolio, see also annex 1 on page 135.

Application of IVBN guidelines
Recommendations for annual reporting, January 2005
Addendum to 'Recommendations for annual reporting', January 2007

IVBN portfolio definition	level	Vesteda definition
letting portfolio	portfolio sub-portfolio	letting portfolio single-unit andmultiple-residency properties
pipeline portfolio	portfolio	development/under construction portfolio

Vesteda's definitions are explained in more detail on page 143.

If it is decided to follow the IVBN recommendations and this has been stated, the annual report has to note any departures from them. Vesteda is following all the recommendations in the report and the addendum.

Annex 4: Definitions

Asset management Management of assets, with responsibility for the risk/return profile of the investments in the medium term as well as for annual performance

Caps Financial instruments which hedge the risk of an interest rate risk above a defined interest rate ceiling. See also Bond loans on page 21

Cash return Distribution allocated to investors divided by the opening shareholders' equity

Core areas Housing market areas that Vesteda focuses on.

Development portfolio All properties in which Vesteda has decided to invest, or is or will be preparing an investment decision, but which are not fully available for letting or handed over.

Development portfolio, construction phase Projects on which Vesteda has taken a development decision and where building work has started, but which have not yet been let or handed over. See also the Classification of the portfolio on page 43

Development portfolio, development phase Projects based on acquisition agreements or other contracts for area developments or other forms of alliances or acquisitions where Vesteda is or will be preparing a development decision. See also the Classification of the portfolio on page 43

Development portfolio, preparation phase Projects on which Vesteda has taken a development decision, which are being prepared for construction and on which building work has not yet started. See also the Classification of the portfolio on page 43

Forward swaps Financial instruments which fix the interest rate at a defined level. See also Bond loans on page 21

HBV Tenants' Association

Investment level The unit in which Vesteda Project bv's new construction targets and achievements are measured, consisting of investing on a cash basis and actual new construction where cash expenditure occurs at the end of the work.

Letting portfolio, letting phase All fully-completed and let property complexes owned by Vesteda entities and on which no decision to dispose has been taken. See also the Classification of the portfolio on page 43

Letting portfolio, selling/letting phase All fully-completed and let property complexes owned by Vesteda entities and on which a decision to dispose has been taken. See also the Classification of the portfolio on page 43

Management expenses of Vesteda Woningen Expenses which are incurred by the management organisation for the management of Vesteda Woningen.

Memorandum of information The memorandum of information dated 6 November 2001 providing information on Vesteda in the context of professional investors' possible participation in Vesteda.

More expensive/higher-rent sector Residential property market for rental properties with a net monthly rent of over €600, excluding service charges. Some sources use figures between €478 and €600.

Occupancy rate The number of residential properties actually generating rental income compared with the number that could generate rental income

Participation Agreement Decisions are taken on the basis of an agreement (the Participation Agreement) between shareholders and unit-holders. The Participation Agreement can be compared with the articles of association of a legal entity.

Property management Local commercial, administrative and technical management of properties.

Roll-over strategy Vesteda's fund strategy, which results in optimum asset management of its residential property investments. The strategy involves annual disposals of a limited number of properties in order to maintain the high quality of the portfolio and consolidate capital gains on a regular basis. It also involves the group's own area and project development activities, which are designed to ensure the required portfolio growth.

Total portfolio The development portfolio and the letting portfolio. See also the Classification of the portfolio on page 43

Vesteda Group See the legal structure on page 70

Vesteda Groep bv See the legal structure on page 70

Vesteda Project bv See the legal structure on page 70

Vesteda Woningen See the legal structure on page 70

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