

**Vesteda  
Group**

**Annual Report  
2008**







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## VESTEDA GROUP ANNUAL REPORT 2008

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**VESTEDA PROJECT BV REPORT 2008**

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The Vesteda Group Annual Report 2008 includes the Vesteda Project bv Report 2008, which provides information on that company's targets, strategy and activities during the financial year.

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](http://www.vesteda.com)

*Disclaimer.* References in this Annual Report to 'Vesteda', 'we', 'the company' or similar terms mean the Vesteda Group as defined in the Legal structure section on page 90. This Annual Report contains forward-looking statements. Those statements may – without qualification – contain expectations on future realised and unrealised results, yields, distributions, government measures, the effect of other regulatory measures on Vesteda's activities, the shares and/or partnership contributions of Vesteda Group, subsidiaries and joint ventures, macro-economic trends and Vesteda's performance in them. Such comments are preceded or followed by or contain terms such as 'believe', 'expect', 'forecast', 'of the opinion', 'anticipate' or similar terms. These forward-looking statements are based on current assumptions about future activities and are subject to known and unknown factors and other uncertainties, many of which are beyond Vesteda's control, and so actual results in future may differ materially from these expectations.

# Summary





Vesteda is a property investment fund focusing on the Dutch residential property sector. It develops, lets, manages and sells homes, thus raising the quality of its property portfolio. Vesteda offers households rental homes that meet their residential needs and offers investors a property portfolio providing investment opportunities in the Dutch housing market.

### 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 property management offices, known as woongalleries, which let and manage properties.

### Our customers

smaller households with above-average incomes

Vesteda's range of products and services reflect the needs of current and future customers and are based on more than five years' ongoing research among thousands of tenants each year and meetings with tenants and tenants' associations. 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 investors

for institutional investors

Vesteda is not listed on the stock exchange. Vesteda's investors are institutions including banks, insurance companies and pension funds. At the 2008 year end, Vesteda had seventeen investors.

### Our environment

responsible and sustainable integration

With some 28,000 homes for rent, Vesteda provides housing for around 70,000 people, which is equivalent to the population of a medium-sized Dutch town, and devotes attention to open spaces, infrastructure, location in relation to town centre and facilities, sustainable management and responsible use of energy in all the properties it develops.

### Our people

result-driven organisation

Vesteda Group employs over 375 people in a young and dynamic organisation. The investment, development, sales and purchasing policies are based on surveys and market research. The organisation is result-driven and focuses on achieving customer satisfaction and yields.

### Our mission

comfortable accommodation for people

Everything we do 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.

## OPERATIONS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Balance sheet</b> ▶ page 97										
year end, amounts in millions	€	€	€	€	€	€	€	€	€	€
total assets	<b>5,107</b>	5,077	4,630	4,356	4,323	4,288	4,250	4,204	4,110	3,966
shareholders' equity	<b>3,264</b>	3,288	3,169	2,956	2,902	2,877	2,861	2,845	4,006	3,849
loan capital (long-term)	<b>1,725</b>	1,650	1,300	1,300	1,300	1,237	1,238	966	8	-

## Portfolio

 ▶ pages 59-61

year end, amounts in millions	€	€	€	€	€	€	€	€	€	€
development portfolio	<b>279</b>	135	176	196	256	218	168	143	109	44
letting portfolio	<b>4,699</b>	4,799	4,306	4,034	3,850	3,838	3,899	3,913	3,888	3,788
total portfolio	<b>4,978</b>	4,934	4,482	4,230	4,106	4,084	4,067	4,056	3,997	3,832

## Units

 ▶ pages 61-62

year end, letting portfolio										
number of residential properties	<b>27,624</b>	28,334	27,990	29,276	31,122	33,474	35,904	38,070	40,684	45,849
commercial m <sup>2</sup>	<b>43,179</b>	39,789	41,725	36,098	40,791	36,960	37,266	34,594	35,630	35,587
number of parking/garage spaces	<b>9,457</b>	8,984	8,185	7,203	7,146	6,928	7,420	7,318	7,801	7,950

## Occupancy rate

 ▶ page 63

year end, calculated on the number of residential properties	%	%	%	%	%	%	%	%	%	%
letting portfolio	<b>97.1</b>	97.2	96.8	96.4	97.4	98.4	98.7	98.7	99.0	98.6

## Net rental income

 ▶ pages 20, 98

amounts in millions	€	€	€	€	€	€	€	€	€	€
letting portfolio, at start of year	<b>4,799</b>	4,306	4,034	3,850	3,838	3,899	3,913	4,000	3,788	3,612
net rental income	<b>176</b>	168	159	162	173	178	187	191	206	205
net rental income	<b>3.6%</b>	3.8%	3.9%	4.2%	4.5%	4.6%	4.8%	4.8%	5.4%	5.7%

## Customer satisfaction

 ▶ pages 56-58

rating (out of 10)						
letting portfolio	<b>7.0</b>	7.1	7.1	7.0	7.1	7.2

## Result

 ▶ page 20,98

amounts in millions	€	€	€	€	€	€	€	€	€	€
realised result	<b>107</b>	133	149	188	197	196	201	199	297	274
unrealised result	<b>-119</b>	178	285	206	138	137	136	149	441	321
total result	<b>-12</b>	311	434	394	335	333	337	348	738	595

## Result

 ▶ page 20,98

as % of opening shareholders' equity	%	%	%	%	%	%	%	%	%	%
realised result	<b>3.2</b>	4.2	5.0	6.5	6.9	6.9	7.1	7.1	7.7	6.8
unrealised result	<b>-3.6</b>	5.6	9.7	7.1	4.8	4.8	4.8	5.3	11.5	8.0
total result	<b>-0.4</b>	9.8	14.7	13.6	11.7	11.7	11.9	12.4	19.2	14.8

## Employees

 ▶ page 68

year end										
FTEs	<b>337</b>	318	322	298	286	267	189	116	107	101

**YIELD AND DISTRIBUTION**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Yield</b> ▶ pages 20-21, 32, 98										
amounts in millions	€	€	€	€	€	€	€	€	€	€
total result	-12	311	434	394	335	333	337	348	738	595
revaluation of derivatives	-92	18	11							
total yield	-104	329	445	394	335	333	337	348	738	595

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Yield</b> ▶ page 20-21, 32, 98										
as % of opening shareholders' equity	%	%	%	%	%	%	%	%	%	%
total result	-0.4	9.8	14.7	13.6	11.7	11.7	11.9	12.4	19.2	14.8
revaluation of derivatives	-2.7	0.6	0.3							
total yield	-3.1	10.4	15.0	13.6	11.7	11.7	11.9	12.4	19.2	14.8

	2008	2007	2006	2005	2004	2003	2002	2001
<b>Distribution to investors</b> ▶ page 139								
amounts in millions	€	€	€	€	€	€	€	€
opening shareholders' equity	3,368	3,169	2,956	2,902	2,877 <sup>1</sup>	2,861	2,845	2,802
distribution to investors	121 <sup>2</sup>	210 <sup>3</sup>	232	340	310	315	320	306
distribution to investors	3.6% <sup>2</sup>	6.6% <sup>3</sup>	7.8%	11.7%	10.8%	11.0%	11.3%	10.9%

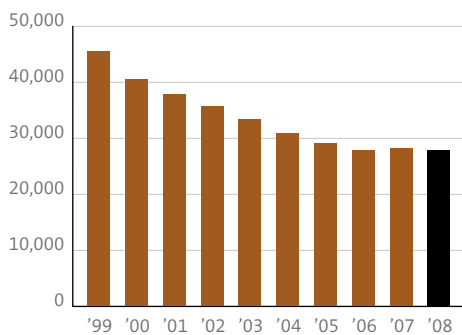
	2008	2007	2006	2005	2004	2003	2002	2001
<b>Distribution to investors</b> ▶ page 139								
per share/partnership contribution	€	€	€	€	€	€	€	€
opening shareholders' equity <sup>3</sup>	131.52	126.74	118.23	116.08	115.08	114.43	113.77	112.09
distribution to investors	4.72 <sup>2</sup>	8.40 <sup>3</sup>	9.28	13.60	12.40	12.60	12.80	12.24
distribution to investors	3.6% <sup>2</sup>	6.6% <sup>3</sup>	7.8%	11.7%	10.8%	11.0%	11.3%	10.9%

1 differs from shareholders' equity at year end 2003 because of final dividend of €15 million

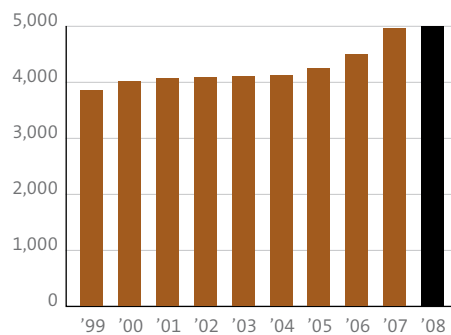
2 proposed, payable in 2009

3 including allocated stock dividend of €80 million or €3.20 per share/partnership contribution, or 2.5% of opening shareholders' equity

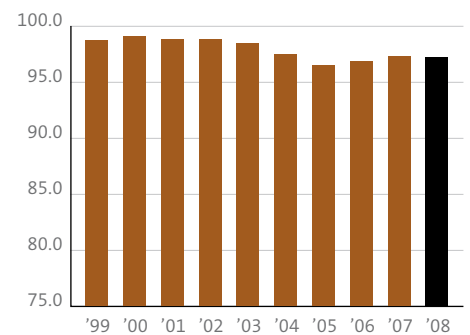
**Number of residential properties**  
letting portfolio, year end



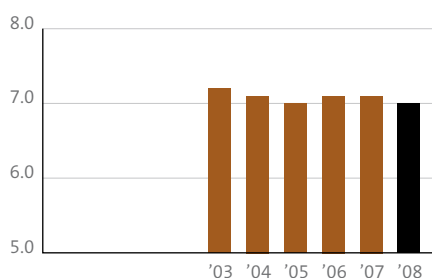
**Total portfolio**  
in millions of euros at year end



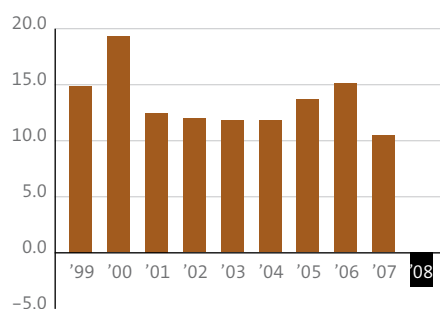
**Occupancy rate**  
% of letting portfolio, year end, in numbers



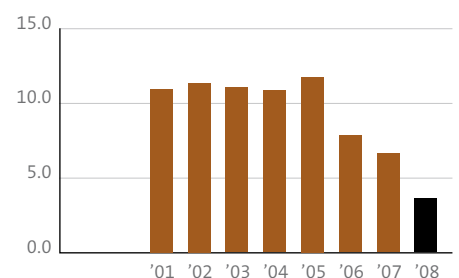
**Customer satisfaction**  
rating (out of 10)



**Yield**  
as % of opening shareholders' equity



**Distribution to investors**  
as % of opening shareholders' equity



## RESULT AND YIELD

The downward revaluation of the letting portfolio, the first time this has happened in Vesteda's history, by 2.4% or €116 million, was the net effect of an increase of €151 million in the first three quarters and a fall of €267 million in the fourth quarter. On balance, and against the market trend, prices of individual properties in the Vesteda portfolio held up. The fall in 2008 was caused almost entirely by the reduction in individual sales value used for most properties. ► page 60

The negative contribution of the loan capital, totalling 1.5%, also for the first time in Vesteda's history after years of positive contributions, was a direct consequence of the revaluation of the letting portfolio. Income was lower than the average interest expense of 4.2% and so the contribution of the loan capital was negative and the total result on shareholders' equity was -0.4%. ► page 20

The fall in value of the derivatives of €92 million, or 2.7% of shareholders' equity. Derivatives are recognised in the balance sheet at fair value, and so the revaluation forms part of the yield, bringing the total yield on shareholders' equity for 2008 to -3.1%. ► pages 20 and 32

The annual result in relative terms: negative when set against the forecasts for 2008 and Vesteda's track record, but at the same time relatively positive when compared with other investments such as equities, raw materials, private equity, hedge funds, infrastructure and high-risk bonds, and with other sections of the property investment category such as offices and retail and residential investments elsewhere in Europe. ► pages 24-25

New Amsterdam, Zuidas,  
Amsterdam. From left to right:  
at the heart of the Zuidas/  
entrance/swimming pool/  
interior of serviced apartments



### OTHER KEY EVENTS IN 2008

Normal implementation of roll-over investment strategy: the outflow of some 1,050 residential properties, mainly sold individually, and the inflow and letting of about 350 residential properties, as six complexes were handed over by Vesteda Project bv. ▶ pages 16, 59-60 and Vesteda Project bv Report 2008 pages 11-13

Completion of New Amsterdam, Vesteda's largest project to date, on the Zuidas in the new business centre of the Netherlands, part of the Mahler 4 district. The apartment block opened in September. ▶ page 52 and Vesteda Project bv Report 2008 ▶ page 21

Shift to online marketing, resulting in visits to [vesteda.com](http://vesteda.com) more than doubling to about 80,000 per month, and in an increase of about 60% in applications. ▶ pages 18, 52

Completion of the reorientation of the property management organisation, creating greater specialisation within functions; there will be greater attention to customers and property during the management phase and the reletting process has been simplified. The number of regional offices has been reduced from six to three. ▶ pages 51, 70

Movements in loan capital: the redemption of the A1 bonds of €200 million, partially refinanced by new A6 bonds of €150 million and Vesteda Project bv agreeing a credit facility of €140 million. ▶ pages 31-32

Two new shareholders, Stichting Pensioenfonds Xerox and Stichting Pensioenfonds Schuitema, bringing the total number of investors to seventeen at year end, and greater focus on investor relations to support funding in future years. ▶ pages 26-29



## SUPERVISORY BOARD

### **W.F.T. (Frans) Corpeleijn (60), 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 Holding bv, supervisory board chairman of De Stiho Groep bv, supervisory director of Swedish Match Cigars bv, chairman of the board of Stichting United World College Maastricht, chairman of the advisory committee of the Frans Hals Museum.

### **P.S. (Pieter) van den Berg (62)**

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, chairman of the investment advisory committee of European Real Estate Fund, a member of Maatschap VCHolland, which visits pension funds for internal supervision purposes.

### **D.J. (Dick) de Beus (62)**

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 board chairman of Stichting Nederlands Philharmonisch Orkest en Nederlands Kamerorkest (Dutch philharmonic and chamber orchestras), board chairman of the SNS REAAL pension fund, member of the investment advisory 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 investment advisory committee of the Start Foundation and board member of Stichting ILC/Zorg voor Later.

### **C.A.M. (Kees) de Boo (64)**

Dutch nationality. Former Chairman of the Managing Board 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, member of the advisory board of ns Poort, member of the advisory board of HD Projectrealisatie Rotterdam, treasurer of the Friends of the Netherlands Architecture Institute.

### **J.D. (Jan) Doets (64)**

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

Ancillary positions: supervisory director of Q-Park nv, supervisory director of M.N. De Nijs Holding, supervisory director Corio nv, President of the Supervisory Board of Schiphol Area Development Company, supervisory director of Zuidas Amsterdam onderneming, President of the Supervisory Board of Aedex.

## MANAGING BOARD

### H.C.F. (Huub) Smeets (61), 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 (including insurance), corporate communications, investor relations.

Ancillary positions: member of the Council for Housing, Spatial Planning and the Environment (till 1 January 2009), vice-chairman of Neprom and chairman of the Neprom housing market committee (till 1 July 2008), member of the Government Cultural Council (from 1 February 2008), and chairman of Stichting Werner Mantz (photography).

### O. (Onno) Breur (58), 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.

Ancillary positions: supervisory director of Westplan

### F.H. (Frits) van der Togt (56), Director

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, 18 February 2009. Left to right: Onno Breur, Kees de Boo, Frans Corpeleijn, Huub Smeets, Dick de Beus, Pieter van den Berg and Frits van der Togt. Insert: Jan Doets.





2008, looking back on an eventful year. With a negative yield, brought about by the fall in value of the portfolio in the fourth quarter. But as long-term investors, we know that property is cyclical. Looking at the elements of our performance that could be controlled, Vesteda had a stable year. A year in which Vesteda's added value was again proved: relative stability in value and distribution.

confidence falls

#### Financial crisis and confidence

In 2008, not only the result of the game changed, so did the rules. The financial crisis in other parts of the world came closer. And we are doubting certainties: our pension, our house as a source of savings for later, job and income security and even the bank where we keep our savings. And confidence in the future fell.

investment value falls, prices of individual residential properties remain steady

#### Vesteda's result

The same decline in confidence broke the trend in Vesteda's results. The differences compared with earlier years – ten years of annual yields higher than 10% – were caused by the 2.4% downward revaluation of the letting portfolio. In recent weeks, I have faced many questions on this, "Why has the portfolio fallen in value while, according to the Land Registry, average transaction prices rose marginally in the fourth quarter? After all doesn't Vesteda invest in structurally stronger regions and products?" Well, it has to do with the accounting policies and in particular the individual sales value used for most properties. This has fallen. Specialists in selling individual units are less willing to purchase clusters of residential properties in the property investment market because of the reluctance of banks to provide liquidity, the stagnant rate of turnover in the housing market and uncertainty about how house prices will perform. So, it was not the prices of individual homes in the Vesteda portfolio that fell but, as a result of investor sentiment, the value in sale by tender. This was also shown by disposals: although the rate of turnover has fallen, Vesteda still recorded good results on individual sales of residential properties.

yield lower because of leverage and derivatives

#### Result and yield

The total result before the effect of debt financing was 1.1% but the negative leverage and a fall in value of the derivatives cut the yield for investors to -3.1%.

positive long-term outlook thanks to fundamentals

#### Vesteda is looking forward

As a medium-term investor, Vesteda knows that property is cyclical. Increases in value, such as we have seen in recent years, could not last for ever. Especially when values are falling, we have to look to the long term and the fundamentals of the Dutch housing market. They are positive: sharp and continuing growth in the number of households in core areas, ongoing scarcity in the housing market, rising demand for rental homes in the higher-rent sector and difficult access to the market, partly because of very limited opportunities for new house building.



**Controllable matters stable**

most targets achieved Looking at the components of our performance that we could control, Vesteda had a good year. Rental income rose, the occupancy rate was steady, letting expenses were stable and customer satisfaction fell slightly to 7.0. Many processes were improved, especially in property management, allowing more efficient operation in the future. There is more information in the 'Implementation of strategy during the year' section on page 50.

**Vesteda, a defensive investment**

relative stability in value and in distributions Vesteda's profile in these times of crisis can be described as 'relative stability in value and in distributions'. Vesteda adds significant value through risk reduction and the protection against inflation it offers as a residential property investment in an institutional investment portfolio. In this area, Vesteda proved its added value in 2008. Vesteda performed better than other marketable securities such as equities, raw materials, private equity, hedge funds, infrastructure and high-risk bonds. Vesteda performed better than other sectors in the property investment category such as offices and retail. And Vesteda performed better than residential property investments elsewhere in Europe. Prices fell more than 10% in countries such as the UK, Ireland and Spain, where there is a much smaller social sector and much greater effect of market forces. This means that Vesteda, as a residential property fund in the specific Dutch market, curbed its investors' fall in results and has, therefore, offered significant added value, not only in times of high yields.

**Financing**

relatively secure At about one third of the total assets, Vesteda has a solid base of loan capital. The average remaining term is around four years. The interest rate has been fixed at an average of 4.2% on all loans for 2009. We expect to draw down additional financing of about €150 million in the summer of 2009. Vesteda will have to refinance in the second quarter of 2010. Consequently, unlike many other property funds and developers, we are only slightly exposed in 2009 to the reluctance of banks and associated high interest-rate premiums.

**The housing market**

Vesteda responds to shortages in high quality homes, particularly in the Randstad conurbation Trading up in the housing market is stagnating. There is a shortage of high-quality residential properties and new house building is already insufficient and will stagnate further in the next few years as a result of the credit crisis. There are waiting lists in the rental sector, illegal sub-letting is not an exception and there is increasing 'skewing' as a large proportion of housing associations' cheaper homes is no longer occupied by the target group of low income households. There is a shortage of good new housing, particularly in the Randstad conurbation. Vesteda is responding to this with some large acquisitions. At the end of 2008, Vesteda was granted part of the district town centre of Leidsche Rijn after submitting a European tender for this plan with a partner. After the provisional award in May 2008, Vesteda cooperated with the municipality on concluding the contracts by the end of 2008. A bid is also being prepared for the Almere Kust plan.

**Project developments**

opportunities for anti-cyclical purchases in 2009 Vesteda Project bv continued to have problems with contracting and high land quotas in 2008. The fall in raw material prices and expected falls in the price of building land will bring overall building costs more into line with price and quality in 2009. There will be good opportunities for anti-cyclical purchases in 2009. Adequate financing is a requirement for this.

**A concern: level playing field**

absence of a level playing field with housing associations Vesteda is concerned about the absence of a level playing field with housing associations. This was prompted most recently by the letter from the Minister of Housing, Spatial Planning and Environment to the Lower House of Parliament of 30 January 2009 stating that the government did not regard it as its duty to hedge market risks for investors but to keep the housing market moving. One measure for this is a temporary increase in the Social Housing Guarantee Fund limit from €200,000 per home, probably to €300,000. This gives housing associations the opportunity to use guaranteed loans to acquire projects in

need from commercial developers and to let them temporarily or permanently. These loans allow housing associations to borrow more cheaply than other market parties. Instead of levelling the playing field, the government has again given preferential treatment to the housing associations by such a measure. In early February 2009, Vesteda notified the Minister, Eberhard van der Laan, that raising the guarantee limit was a distortion of the market. Private residential property investors want equal access to government guarantees and again call for a level playing field to be established in the Netherlands. Vesteda has taken the initiative, in addition to earlier action by the IVBN, to raise the matter with the European Commission in Brussels.

### Governance

more intensive contact with the Supervisory Board, more energy in investor relations

In the past year, the Managing Board had more intensive contact with the Supervisory Board, especially on possible participation in long-term area developments and speculative developments. In 2008, the investor relations discipline was anchored further in the organisation, with structurally more intensive communications with investors.

### Our organisation

slight increase in size, 38-hour week, attention to sick leave

The workforce increased slightly in size. Vesteda undertook a lot of training, in technical skills but also in leadership and culture. For the first time, Vesteda is employing more women than men. The working week has been lengthened from 36 to 38 hours. A major point of attention has been reducing sick leave and an action plan has been drawn up for this.

our common goal: emerging stronger from the recession

Lastly, I would like to thank our employees for all their efforts over the past year. Our people create the quality and determine the integrity of our organisation. This year, we have all noticed that a poorer yield was inevitable despite just as much work and effort but it was no less disappointing. We have to keep looking to the medium term. And to innovate and cooperate all the more. And, with care, the risks also offer opportunities. In this, we can achieve our aim in the next few years: emerging stronger from the recession.

Maastricht, 18 February 2009



Huub Smeets  
CEO Vesteda Group

Although Vesteda achieved most of its performance indicators in 2008, the results and yields for the year were very disappointing.

## PERFORMANCE INDICATORS 2008

### 'Investment' targets

almost all achieved

Of the 'investment' targets, the number of homes sold during the year at 1,052 was not achieved, as 1,300 had been budgeted. The reason was the sharp fall in the rate of turnover in the housing market after the summer of 2008, as a result of the credit crisis. All other 'investment' targets were met<sup>1</sup>: as shown in the table below, the rent rise and increases in gross and net revenue per property were achieved and letting and management expenses were steady.

### 'Development' targets

not achieved

In contrast, the development targets were not achieved. The actual investment level was €229 million (incl. VAT), with a target of €260 million. 344 residential properties were handed over and let, against a target of 400. Planning delays and tendering issues were the reasons for delays in investment and in completions.

### 'Management/letting' targets

fully achieved

All management and letting targets were achieved. Customer satisfaction and the occupancy rate were at or above the forecast level.

### 'Value creation' and 'distribution level' targets

not achieved

The value creation targets were not achieved. There are further details in the 'Yield' section on page 20. It is proposed to distribute €121 million to investors in 2009.

#### Performance indicators: target against actual 2008

Category	performance indicator:	actual 2007	target 2008	actual 2008
Investment	rent rise	1.8%	between 2.0 and 2.5%	2.5%
	gross revenue per property	increase of 4.4%	limited increase	increase of 5.6%
	letting expenses	27.1%	approx. 28%	27.0%
	management expenses	37 basis points	under 40 basis points	37 basis points
	net revenue per property	increase of 5.5%	limited increase	increase of 5.6%
	sales	1,263 homes	approx 1,300 homes	1,052 homes
	ROZ/IPD 'All Residential' benchmark	beaten	above benchmark	not yet known
Development	investment level incl. VAT	€169 million	€260 million	€229 million
	hand-overs to Vesteda Group	561 homes	approx 400 homes	344 homes
Management/letting	customer satisfaction	7.1	7.0	7.0
	occupancy rate:			
	letting portfolio	97.2%	approx 96.5%	97.1%
	of which let for less than 1 year	97.7%	approx 97.5%	97.8%
Value creation (on shareholders' equity)	realised result	4.2%	approx 4%	3.2%
	unrealised result	5.6%	between 4 and 5%	-3.6%
	total result	9.8%	8 to 9%	-0.4%
	revaluation of derivatives	0.6%	-	-2.7%
	total yield	10.4%	-	-3.1%
Distribution to investors		6.6%	approx 4%	3.6%*

\*proposed, payable in 2009

1 The results of the ROZ/IPD benchmark were not known at time of publication

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

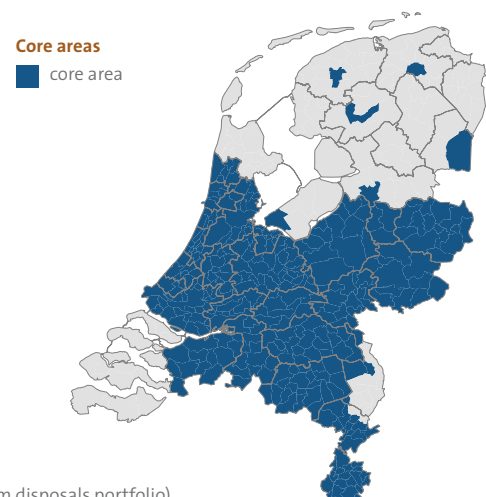
**INVESTMENT** Vesteda’s investment strategy focuses on beating the market average. Using research, Vesteda has compiled a model portfolio that sets a framework for the investment policy until 2015. Expansion will be regional and primarily in the €600 to €1,200 monthly rent band.

**Target: beat benchmark**  
 ROZ/IPD, 'All Residentials'  
 Vesteda compares its yields against those of the ROZ/IPD 'All Residentials' benchmark, which shows the average yield on all participating Dutch residential property investments for various periods. Vesteda’s target is to beat the three-year benchmark each year, i.e. to perform structurally better than the three-year average yield of the participants. Vesteda has beaten the three-year average benchmark yield in each of the past five years.

**Roll-over principle makes investment portfolio dynamic**  
 annual rejuvenation of portfolio through inflows and outflows  
 A key element of Vesteda’s investment strategy is the annual rejuvenation of its portfolio: the roll-over principle. A modest proportion of 2% to 5% of the portfolio is sold each year, with the value of the inflow of properties balancing the outflow over the years. When the economy is doing well, the outflow may be higher. In addition to new properties, there may be an inflow of existing portfolios. This ongoing rejuvenation helps to keep the portfolio modern and up-to-date and consolidates capital gains. The strategy has been effective in the past five years. On average 1,700 homes are sold each year, 1,000 of which as a result of roll over<sup>1</sup>. There was an inflow of about 700 residential properties, which are twice as expensive on average. The rejuvenation means that modern homes up to 10 years old have grown considerably in value as a proportion of the letting portfolio: from 14% to 20%. The outflow also consolidated capital gains: the average book profit on residential properties sold in the past five years was €26,000 per home.

**Active asset management in line with the model portfolio**  
 focus on €600 to €1,200 band  
 The model portfolio outlines the long-term composition of the portfolio that Vesteda is seeking to achieve. All purchases and disposals are considered against the framework of the model portfolio. The model portfolio is reviewed and, if necessary, adjusted annually. In due course, most of the invested capital will be in housing in the core areas in the €600 to €1,200 monthly rent band as there is constant demand for properties at these rents. The proportion of the letting portfolio in the €600 to €1,200 monthly rent band has doubled in the past five years to about 60%. 98.2% of the total theoretical rental income was generated in the core areas by the end of 2008.

**Risk spreading**  
 size creates diversification  
 Vesteda is one of the largest Dutch residential property investment funds with invested capital of some €5 billion. This size allows a good spread of the invested capital across geographical markets and price segments. Size ensures good diversification, meaning a significant mitigation of risk within the portfolio.



<sup>1</sup> See page 66 for sales from roll-over strategy (excluding sales from disposals portfolio)

**DEVELOPMENT** Vesteda’s development strategy is designed to ensure a permanent inflow of new, high-quality residential projects through Vesteda Project bv: Vesteda’s project developer which acts as the commissioning authority in acquiring and developing residential construction projects to be built by third parties.

early involvement in urban planning

**Acquisition and area development**

There are very few if any projects that are attractive to Vesteda in the high priority urban and town-centre sites and so they need to be developed. Building locations are scarce and can be created through urban renovation. Vesteda devotes attention to public spaces, infrastructure and location with respect to the town centre and facilities. An average of about 500 residential properties have been handed over and let by Vesteda Group in each of the past five years. The target is the completion of 600 to 1,000 rental homes per year.

partnership from planning to letting

**Co-operation with municipalities**

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 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 for the new development. In 2002, the municipality of Amsterdam and Vesteda entered into a framework agreement for the construction of 2,500 rental homes in the mid-market segment over a period of ten years and about 500 have now been built. A letter of intent was signed with the municipality of The Hague in 2007 for the construction of at least 1,500 homes in various segments over a period of ten years. Vesteda has intensive alliances for area developments in several places.

10,000 homes needed as work in progress

**Pipeline**

Lengthy spatial planning procedures and longer preparation processes for projects mean Vesteda needs a pipeline of around 10,000 residential properties to meet the annual inflow of Vesteda Group. At year end 2008, Vesteda Project bv had some 1,200 residential properties under construction, due for hand over in the period to 2011. The pipeline includes about 10,000 residential properties in total.

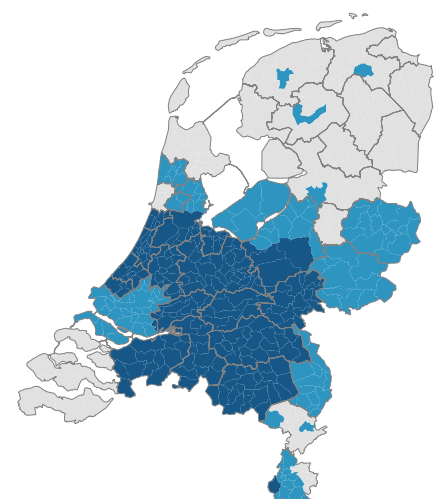
focus on the Randstad conurbation, Utrecht and Noord-Brabant

**Regional approach**

Targets are identified for Vesteda Project bv based on differences between the current and model portfolios and opportunities for acquisitions. The focus in the coming years will be very strongly 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 three-quarters of its total acquisitions. All properties handed over in 2008 were in region 1.

**Acquisition target**

- region 1, target: ¾ by volume
- region 2, target: ¼ by volume
- region 3, target: no acquisitions



**LETTING/MANAGEMENT** Vesteda uses the internet as its primary communication channel for reaching potential tenants. Vesteda has its own local property management offices for administrative, technical and commercial management of its residential properties. Vesteda’s own call-centre monitors the quality of the maintenance.

increasing role of the internet improves efficiency of letting process

**Internet as primary communication channel**

The www.vesteda.com website is key to communicating with potential tenants. People wishing to register an interest can do so on the website, which displays an up-to-date list of housing currently available. The call-centre handles the sales support: initial follow up, pre-selecting and completing registrations. The letting teams in the woongaleries handle letting. Visits to vesteda.com rose from 30,000 per month to about 80,000 during 2008. In 2008, about 21,500 people looking for a home made over 47,000 applications. Over 87% of them used the internet to register. In December, 40% of all registered people looking for a home found Vesteda as a result of internet marketing. 14% of all registered people looking for a home became tenants in 2008.

control of costs and result, more pleasant quality of life, good brand support and source of market and project knowledge

**Direct customer contact by Vesteda’s own, local property management**

It is usual in the property sector to work with local external property management organisations for management and letting. Given its chosen market sector and the associated growing demand for service, Vesteda decided in 2002 to perform its own property management, ensuring a focus on customers and high levels of service. As an investor, Vesteda is able to perform its own property management in almost all the core areas as a result of a combination of its size and the geographical concentration of its portfolio in and around towns. In-house property management offers great added value. Improved manageability means better control of costs and results, while high levels of service mean improved customer satisfaction and a more pleasant 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 for strategic use in asset management and project development. At year end 2008, the local woongaleries had a staff of 150 FTEs who jointly managed some 26,200 residential properties: 95% of the letting portfolio. The other 5% is managed by external property managers. The woongaleries achieved 3,400 new lets in 2008. An organisational reorientation completed in 2008 enhanced commercial effectiveness.

customer contact for services also in-house

**In-house call-centre monitors maintenance services**

Maintenance services are coordinated 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. At year end 2008, the call-centre employed 14 FTEs. In 2008, over 55,000 problems were reported. Customer satisfaction with handling them was rated at over 7.

**Property Management**

- Randstad-North region
- Randstad-South region
- South-east region
- external



**SALES** Sales of residential properties are intended to consolidate capital gains and improve the composition, age and quality of the portfolio and to reduce risk. Individual sales of residential properties maximise selling prices and complete complexes are sold for speed and liquidity.

sales by external agents managed and checked by various specialists

#### Transparent disposal process

The asset management department makes hold/sell analyses and advises the Managing Board on disposals on the basis of market developments and competitive analysis, inflow of new projects into the Vesteda portfolio, long-term forecasts for portfolio management and liquidity forecasts. After the Managing Board's decision, properties are allocated to the letting/sale phase of the letting portfolio. The asset management department sets the disposal strategy by selecting the phasing and pricing of each individual home. It also monitors liquidity flows. The property management department carries out the disposal process. Local sales coordinators in the woongalleries engage external agents. A central department monitors the process and handles contract management. In 2008, a total of 1,052 residential properties were sold for €181 million, generating a book profit of €20 million, an average of over €19,000 per property.

strong reduction in region 3

#### Regional focus

In the coming period, Vesteda will be making sharp reductions in region 3 in particular ► map page 17

individual sales maximise prices and book profit

#### Preference for individual sales

Vesteda prefers to dispose of properties through individual sales: direct sales of residential properties to the sitting tenant or with vacant possession to third parties. The best selling price is obtained by selling direct to the new owner/user. In 2008, 696 of the 1,052 residential properties were sold individually. The average book profit was steady at over €29,000 per property. Sales took longer, however.

sales of complexes assist speed of sale and create liquidity

#### Managing sales of complexes

A complex is sold by tender if individual sales do not offer a financial benefit, for example, because of very low tenancy turnover. Speed of sale and liquidity may also be reasons for sale by tender. Strictly regulated and transparent procedures are used for sales of properties. As well as screening the financial soundness of potential candidates and source of funds for as much as possible, the purchaser's good reputation is a major consideration. The sales terms incorporate the IVBN<sup>1</sup> Sales Code and anti-speculation provisions required by Vesteda. The target sales volume of 1,300 residential properties was not achieved because of the lower rate of turnover in the owner-occupied housing market in the third and fourth quarters of 2008. This was partly offset by a tender sale covering 356 residential properties in seven complexes or parts of complexes.

<sup>1</sup> The Association of Institutional Property Investors in the Netherlands: the body representing institutional investors in property in the Netherlands. See also [www.ivbn.nl](http://www.ivbn.nl).

The yield for 2008 was €-104 million or -3.1% of opening shareholders' equity. Two significant factors lay behind the reduction from 2007 to 2008: the fall in property values and debt financing, as a result of the negative leverage effect and the fall in value of derivatives.

### Yield in 2008

net rental income €176 million	The table below shows the components of the yield. Gross rental income rose to €241 million in 2008, up 4.8% compared with 2007. Letting expenses were 27.0% of the gross-rental income and thus rose to €65 million in 2008. Net rental income also rose by 4.8%, to €176 million.
management expenses €21 million	Management expenses were at the same level as in 2007 at €21 million or 37 basis points of the opening letting portfolio value.
interest expense €68 million	As a result of average higher interest expense and the limited increase in loan capital in 2008, the interest expense for 2008 rose so that net interest was up about 30% compared with 2007, from €52 million to €68 million.
letting result €90 million	On balance, the letting result fell 10%, from €100 million in 2007 to €90 million in 2008. The fall was a net effect of an €8 million increase in net rental income, a rise of €16 million in net interest expense and a fall of €2 million in other income.
result on disposals €20 million	The result on disposals fell significantly from €34 million to €20 million. About 60% of this was as a result of a fall in the profit per residential property, especially as a result of the tender sale. The decline in the number of residential properties sold created the remaining 40% of the fall.
realised result €107 million	Consequently, the realised result was €107 million, or 3.2% of opening shareholders' equity. The realised result was 20% down on 2007. 45% of this fall was caused by higher interest expense and 40% by the absence of results on disposals.

### Yield

(€ millions)	2008	2007	2006	2005	2004
Gross rental income	241	230	221	219	230
– Letting expenses	65	62	62	57	57
Net rental income	176	168	159	162	173
+ Other income	3	5	12	4	13
– Management expenses	21	21	19	18	20
– Net interest	68	52	46	37	40
Letting result	90	100	106	111	126
+ Result on disposals	20	34	45	76	71
+ Result from participating interests	-2	-2	-1	-	-
– Tax	1	1	1	-1	-
Realised result	107	133	149	188	197
Unrealised result	-119	178	285	206	138
Total result	-12	311	434	394	335
+ Revaluation of derivatives	-92	18	11		
Total yield	-104	329	445	394	335

### Yield on shareholders' equity

As a percentage of opening shareholders' equity	2008	2007	2006	2005	2004
Realised result	3.2	4.2	5.0	6.5	6.9
Unrealised result	-3.6	5.6	9.7	7.1	4.8
Total result	-0.4	9.8	14.7	13.6	11.7
Revaluation of derivatives	-2.7	0.6	0.3		
Total yield	-3.1	10.4	15.0	13.6	11.7



- unrealised result €-119 million    The unrealised result was €-119 million, or -3.6% of shareholders' equity.
  
- revaluation of derivatives  
€-92 million    The revaluation of derivatives was €-92 million, or -2.7% of shareholders' equity.
  
- total yield €-104 million    The total yield for 2008 was €-104 million, -3.1% of opening shareholders' equity.

**Attribution of fall in yield from 2007 to 2008**

2008 compared with 2007... Two significant factors explain the sharp fall in the yield in 2008: the fall in value of the property and debt financing. Furthermore, these two factors reinforced each other. The effect of the financing consisted of the negative leverage on the total result and the revaluation of derivatives. Total yield fell 13.5% from 10.4% to 3.1%. The share of each element contributing to the fall in the yield is set out below.

...effect of realised result    Before leverage, the realised result in 2008 was 3.6%, compared with 4.1% a year earlier. The fall in the realised result had a -0.5% effect on the yield and represented 4% of the 13.5% fall in the total yield.

...effect of fall in value    The revaluation of the portfolio is the unrealised result. In 2008, the value fell and the unrealised result before leverage was -2.5%. A year earlier this had contributed 4.0% to the result. The revaluation of the portfolio, therefore, created 6.5% less yield on shareholders' equity. The contribution to the fall in the yield was thus 48%.

...effect of leverage    As the total result before leverage in 2008 was below the cost of loan capital, the leverage had a negative effect. The result was a 1.5% lower yield; whereas in 2007 it had created a 1.7% higher yield. The pure effect of the leverage explains 24% the fall in the yield.

...effect of derivatives    In addition, the value of the derivatives fell sharply, by a total of 2.7% of shareholders' equity. In 2007, there was an increase in value representing 0.6%. The fall in value of the derivatives was, therefore, responsible for 24% of the fall in the yield.

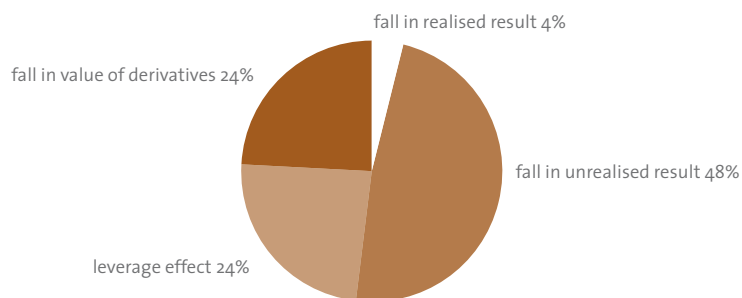
**Composition of result and yield**

2008 compared with 2007

Percentage	2008	2007	change	%
Realised result without leverage	3.6	4.1	-0.5	4%
Unrealised result without leverage	-2.5	4.0	-6.5	48%
Total result, without leverage	1.1	8.1	-7.0	52%
Effect of leverage on total result (a)	-1.5	1.7	-3.2	24%
Total result on shareholders' equity	-0.4	9.8	-10.2	76%
Revaluation of derivatives on shareholders' equity (b)	-2.7	0.6	-3.3	24%
Total yield on shareholders' equity	-3.1	10.4	-13.5	100%
Effect of loan capital on yield (a+b)	-4.2	2.3	-6.5	48%

**Contributors to fall in yield**

2008 compared with 2007



Vesteda compares its yield against the average yield on investments in Dutch residential properties over a three-year period. In recent years, Vesteda has always outperformed it.

## VESTEDA'S PERFORMANCE COMPARED WITH THE SECTOR

ROZ/IPD: index of residential property investments

Vesteda compares its yield with the ROZ/IPD 'All Residentials' index which expresses the average yield of Dutch residential property investments over various periods. The index gives the market average of actual results of all participants (including Vesteda Woningen cv) allowing for sales and purchases and redevelopments in addition to the standing investments.

benchmark always beaten

### Vesteda's benchmark is the three-year index

Vesteda's benchmark is the three-year index. Each year Vesteda measures whether it has outperformed the market in the past three-year period. In recent years, Vesteda has always succeeded in this. The most recent figures are up to the financial year 2007, when Vesteda achieved a three-year average of 10.9% (using the ROZ/IPD methodology), while the market average was 10.5%. Vesteda's figure was, therefore, 0.4 percentage points better than the market.

ROZ/IPD also beaten over longer periods

### Results over five and ten-year periods

Vesteda has also beaten the ROZ/IPD for five-year and ten-year periods. In both cases, Vesteda's most recent figures were 1.0 percentage point higher than the market.

Vesteda's direct yield structurally higher

### Results over a one-year period

Vesteda did not beat the ROZ/IPD for 2007. The most recent figure for the one-year period was 0.7 percentage points below the market as a result of the indirect yield which was 1.0 percentage point below the market. The direct yield was above the market average each year and by 0.3 percentage points in 2007.

### Vesteda Woningen cv compared with ROZ/IPD Residential properties benchmark

Percentages, 'All comparable properties' category, computed using ROZ/IPD definitions

Benchmark including Vesteda Woningen cv	2008	2007	2006	2005	2004
<b>Annual yield, total yield</b>					
Vesteda Woningen cv	1.4*	9.2	12.1	11.6	10.7
ROZ/IPD benchmark	**	9.9	10.9	10.6	8.6
Outperformance		-0.7	+0.8	+1.0	+2.1
<b>Three-year yield, total yield = benchmark</b>					
Vesteda Woningen cv	**	10.9	11.5	10.9	
ROZ/IPD benchmark	**	10.5	10.0	9.1	
Outperformance		+0.4	+1.5	+1.8	
<b>Five-year yield, total yield</b>					
Vesteda Woningen cv	**	10.8	11.0	11.6	
ROZ/IPD benchmark	**	9.6	9.4	9.9	
Outperformance		+1.0	+0.9	+1.7	
<b>Ten-year yield, total yield</b>					
Vesteda Woningen cv	**	13.1	13.4		
ROZ/IPD benchmark	**	12.1	12.5		
Outperformance		+1.0	+0.9		

\* Vesteda forecast using ROZ/IPD method, not from ROZ/IPD

\*\* Not known at time of publication

**VESTEDA'S PERFORMANCE COMPARED WITH HOUSING ASSOCIATIONS**

aeDex/IPD housing association  
property index

By far the majority of rental homes in the Netherlands are owned by housing associations. Housing associations are not commercial enterprises with profit and yield targets: their main aim is a social result. They do, however, run the risks in property letting as the government is no longer responsible for them. Benchmarks also exist for housing associations' results. The aeDex/IPD housing association property index is comparable with the ROZ/IPD index.

€83.6 billion

The 2007 aeDex/IPD housing association property index includes information on some 13,300 complexes, throughout the Netherlands, with a combined value with sitting tenants of €83.6 billion (at start of 2008). The index covers some 777,000 homes, 33% of the total number of residential properties let by housing associations. The rental income is €3.8 billion.

total yield 5.7%

In the financial year 2007, the total yield was 5.1%. The direct yield was 2.4% and the indirect yield (the increase in value) 2.6%.

Vesteda had a yield of -3.1%, negative when set against the forecasts for 2008 and Vesteda's track record. At the same time it was a relatively good performance in a rapidly changing investment world, both in comparison with other property investments such as equities, raw materials, private equity, hedge funds, infrastructure and high-risk bonds, other property investments such as offices and retail, and residential property investments elsewhere in Europe.

## INSTITUTIONAL INVESTORS

about €1,000 billion

Institutional investors are institutions whose activities give them access to funds for investment. Institutional investors include: pension funds, insurance companies and investment institutions. They jointly manage a large portfolio with a value in excess of €1,000 billion in the Netherlands<sup>1</sup>. In the period 2003 to 2007, the amount of capital rose significantly, with pension funds making the largest contribution to this growth.

### Parties

pension funds at 60%  
the largest party

The largest parties among institutional investors are the pension funds which have about 60% of the total assets under management. Some way behind are insurance companies at 30%, and investment institutions have a share of about 8% to 10%.

### Portfolio composition

equities and fixed-income  
securities dominate

Investments in equities and fixed-income securities dominate the composition of the investment portfolio representing 45% and 41%, respectively. Equities in particular formed a growing proportion of the portfolios of institutional investors in the period 2003 to 2007. There are major differences between institutional investors in the composition of their portfolios. Pension funds, like investment institutions, invest a relatively large amount in equities. Insurance companies opt more for fixed-income securities.

### Developments in property

shift from direct to indirect  
property

Direct property has a share of 4.5% and this is declining. Investment institutions in particular have relatively large direct property ownership but this has fallen, a trend that can be seen at all institutional investors. There is a notable shift from direct to indirect property.

### Indirect property

relative interest almost doubled

The relative importance of indirect property in institutional investors' total property portfolios was still about 33% in 2003. This interest had risen to about 60% at year end 2006. The increase was proportionately at the expense of all other direct property investments.

### Funds' selection criteria

size and professionalism vital

Institutional investors use two main criteria for allocation to property portfolios. As small portfolios are more difficult to make profitable, size plays a significant role. They also look at the combination of market knowledge in specialised investment classes, sectors and markets: professionalism.

### Optimum portfolio

risk reduction through  
diversification

When compiling an investment portfolio, the key is an optimum balance between risk and yield. In an efficient portfolio, the yield target is achieved at the lowest possible risk. When compiling a portfolio, the relationship between these features of the assets over time is important in addition to the yield and risk of individual assets. The lower the correlation between investments, the easier it is to limit the risk in a mixed portfolio.

low correlation, good yield,  
inflation hedge and stable  
distribution

### Added value of property for an investment portfolio

A significant contribution of property to an investment portfolio is the low correlation of this investment category with equities and fixed-income securities. Other considerations are<sup>2</sup>: generating an absolute yield that is competitive; hedging against inflation and generating direct cash flows in the form of dividend yields. These characteristics apply to a smaller extent for listed property shares.

limited effect of diversification

### INSTITUTIONAL INVESTORS IN 2008

Apart from the poor year that institutional investors suffered in 2008 as a result of falls in value, there was also disappointment about the limited effectiveness of diversification. All investments with any degree of risk fell sharply: equities, property, raw materials, private equity and hedge funds.

Dutch residential property  
investments contribute to  
curbing fall in value

Property shares fell about 39% in value worldwide in 2008<sup>3</sup>. Compared with other equities, this a relatively limited loss. The AEX fell no less than 52%, from 515 points to 246. Vesteda performed better than other property investments such as offices and retail. And Vesteda performed better than residential property investments elsewhere in Europe. Prices fell more than 10% in countries such as the UK, Ireland and Spain, where there is a much smaller social sector and much greater effect of market forces. Although the figures from IPD and the ROZ/IPD index for 2008 are not yet known, the final quarter's figures did not indicate a strongly negative result for 2008. As a result, Vesteda is contributing as a Dutch residential property investment to curbing the negative result for its investors.

contribution to recovery

### Added value of indirect residential property investments

For institutional investors, the coming period will be marked mainly by recovery. The features of property, and in particular residential property, can make a positive contribution to this. Residential property investments are an inherent part of any institutional portfolio because of their low volatility in value, attractive and relatively predictable cash yield and the low correlation with other investment categories, while the annual indexation of leases also acts as a shelter against inflation.

value held up relatively well

### Relative performance of Vesteda

If we look at the performance of residential properties in the light of these developments, it has stood up relatively very well against this economic storm. In particular, the direct yield is a stable factor in times of crisis. Of course, the value of residential property investments fell in the fourth quarter, but there was a relatively limited negative revaluation for Vesteda over the full year 2008.

<sup>1</sup> Statistics Netherlands StatLine databank, Investments of institutional investors year end 2007, 22 September 2008

<sup>2</sup> Statistics Netherlands StatLine databank, Investments of institutional investors year end 2007, 22 September 2008

<sup>3</sup> GPR General Property Index

Vesteda is not listed on the stock exchange. Vesteda's investors are institutions and include banks, insurance companies and pension funds. At the 2008 year end, Vesteda had seventeen investors.

## VESTEDA'S INVESTMENT PROFILE

### Sector

property, residential properties Vesteda is a property fund specialising in the residential property sector. It only invests in residential properties and other property in or related to residential complexes.

### Operating area

the Netherlands All Vesteda' investment properties are in the Netherlands.

### Target group

institutional investors Vesteda's strategy is focused primarily on institutional investors and the value a residential property adds to an institutional investment portfolio.

### Structure of Vesteda Group

new investors 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. Part of Vesteda Group is the Holding DRF bv fiscal group which has been regarded as a fiscal investment institution (FII) pursuant to Section 28 of the Corporation Tax Act 1969 since 1 January 2002. Such institutions are subject to a zero rate of corporation tax. The let property and associated rights and obligations are held by Vesteda Woningen cv. This former common fund was converted into a limited partnership in 2008. Investors are offered two different ways of participating in Vesteda Woningen cv: as 'limited partner' or as 'shareholder'. Limited partners acquire a direct interest in the fund, while shareholders acquire a shareholding through Holding DRF bv, which then acts indirectly as a limited partner in Vesteda Woningen cv. Investors own shares in Vesteda Groep bv and Vesteda Project bv in proportion to their participation in Vesteda Woningen cv. ► Legal structure on page 90

### Management

'dedicated' Vesteda has a 'dedicated' management organisation which is not fee-based. The Managing Board and employees earn variable pay which is linked to the result on shareholders' equity (shareholder performance) and outperformance measured against the ROZ/IPD benchmark (industry performance). A general bonus is also offered on the basis of innovation, customer satisfaction and the occupancy rate for new housing.

### Distribution policy

Vesteda has to make an annual distribution to investors as set by law and guided by Vesteda's objective.

minimum statutory distribution  
for FII

As a minimum, the statutory requirements for distributions by the Holding DRF bv FII have to be met. The distribution for the financial year 2008 must be €92 million, payable in cash within eight months of the financial year end.

Vesteda's target is at least the  
realised result including profit  
on sale

Vesteda's target is to distribute at least the realised result, including profits on disposals. Vesteda's distribution is determined on the one hand by its need for cash and opportunities for growing 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 since meeting those ratios has a direct impact on funding costs and, therefore, on profitability. Vesteda seeks to make distributions that are to some extent predictable. A distribution of €121 million for the financial year 2008 will be proposed to the General Meeting of Investors

► page 139

**Inrev classification**

**'core fund'** Vesteda is a residential property investment fund with its own asset management, project development and property management activities. According to the Inrev<sup>1</sup> classification, Vesteda can be regarded as a 'core fund' from a risk perspective, with triple-A rated debt accounting for no more than 45% of its total assets.

**Unlisted Style Sheet**

Inrev is currently compiling an unlisted style sheet: a list of the key features of unlisted property funds relating to yield and risk. The table below shows the unlisted style sheet and Vesteda's fund characteristics.

**Inrev fund style sheet**

**A) Fund risk factors**

Fund activity	residential real estate investment and development exclusively in the Netherlands in-house property management and development
Income/non-income producing:	(letting portfolio ≥ 80% of assets) income producing: ≥ 90% letting portfolio non-income producing, reletting and refurbishing: < 10% letting portfolio non-income producing development: development portfolio < 20% of assets
Fees:	management costs: < 40 bp of assets dedicated management (non-fee based)
Vehicle characteristics	leverage permitted: 45% LTV leverage targeted: 35% LTV
Diversification:	core area (active/non active) housing market areas/municipalities (in core area) location type (town centre, edge of town, out of town) rent product type (single-unit/multiple-residential properties) service level (standard/serviced apartment)
Key risks	letting risk development risk interest rate risk financing risk revaluation risk

**B) Managers' declared fund style**

Core, value added or opportunistic: Core

**C) Resultant fund return**

Return:	Targeted percentage of fund returns based on income: 3,5% Targeted percentage of fund returns based on non-income: 1.0% plus inflation
Benchmark:	Benchmark used: ROZ/IPD index, 'All Residential', 3-year average

<sup>1</sup> European Association for Investors in Non-Listed Real Estate Vehicles. This organisation plays a role promoting transparency in the growing market for unlisted property investment vehicles in Europe ▶ [www.inrev.org](http://www.inrev.org)

## SHARES AND PARTNERSHIP CONTRIBUTIONS

### Investors

seventeen investors

Two new shareholders, Stichting Pensioenfonds Xerox and Stichting Pensioenfonds Schuitema, joined during 2008 bringing the total number of investors at year end to seventeen as listed below.

#### Investors in Vesteda

At year end 2008 (alphabetical order)

Bouwfonds Nationale Nederlanden nv<sup>\*/\*\*</sup>  
 Delta Lloyd Levensverzekering nv  
 Delta Lloyd Real Estate Management Company sarl  
 Delta Lloyd Vastgoed Participaties bv  
 ING Vastgoed Belegging bv<sup>\*\*\*</sup>  
 Loyalis Leven nv  
 Loyalis Schade nv  
 Stichting Achmea Dutch Residential Fund  
 Stichting Bedrijfstakpensioenfonds voor de Media PNO  
 Stichting Pensioenfonds ABP<sup>\*</sup>  
 Stichting Pensioenfonds Openbaar Vervoer  
 Stichting Pensioenfonds Schuitema  
 Stichting Pensioenfonds voor de Grafische Bedrijven  
 Stichting Pensioenfonds voor Fysiotherapeuten  
 Stichting Pensioenfonds Xerox  
 Stichting Pensioenfonds Zorg en Welzijn<sup>\*</sup>  
 Stichting Spoorwegpensioenfonds  
 Stichting ТКР Pensioen Real Estate Fonds

\* holding greater than 5%

\*\* listed last year as part of ING Vastgoed Belegging bv

\*\*\* holder of Vesteda Groep bv and Vesteda Project bv shares for Bouwfonds Nationale Nederlanden nv

#### Dates of General Meetings of Investors in 2009

Wednesday, 18 March

Wednesday, 18 November

### Number of issued partnership contributions

change in 2008 as a result of  
stock dividend

As a result of the stock dividend in 2008, there are now 25,637,603 partnership contributions in Vesteda Woningen cv rather than 25,000,000. As there has been no increase in share capital at Vesteda Project bv and Vesteda Groep bv, there were still 25,000,000 shares at year end 2008.

## INVESTOR RELATIONS

### Aim

timely, complete and clear

Vesteda Group attaches great importance to providing investors with transparent and equal information. Vesteda's investor relations policy aims to give investors timely, complete and clear information on the Group's strategy, targets, performance and outlook. Vesteda aims for an open and lively dialogue with current and potential investors, analysts and the financial media with the aim of getting to know investors' vision and raising the profile and attractiveness of the unlisted Vesteda Group shares and the Vesteda Residential Funding II bonds in the financial world.

### Policy

increase number of  
shareholders

When the first external investors joined in January 2002, an initial period of ten years was set for the fund. This means that the future of the business will be discussed with the investors in the foreseeable future. Vesteda wishes to increase the number of investors further in order to enhance exit opportunities for current investors in the next few years. Investor relations activities will be intensified.



exchange of property for shares is promising

A further shift to indirect property can be expected given current market sentiment among institutional investors towards direct property. Several portfolios will be put on the market in the next few years. Acquisition of portfolios in exchange for shares and/or partnership contributions in Vesteda could offer attractive opportunities for both the acquirer and Vesteda.

opportunities for anti-cyclical purchases

2009 is expected to produce good opportunities for anti-cyclical purchases. Adequate funding with equity and/or loan capital is a requirement for this. A plan will be developed and presented to the General Meeting of Investors in the course of 2009.

## REPORTING AND INFORMATION PROVISION

### IVBN transparency

Vesteda follows recommendations

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 150

### Vesteda's website

log in via Investorweb

Investors have access to a restricted part of the Vesteda website where they are kept up to date through publication of quarterly and other reports. ► [www.vesteda.com/investorweb](http://www.vesteda.com/investorweb)

At about €1.7 billion, the loan capital represents about a third of Vesteda's total capital. The loan capital was raised by issuing triple-A rated bonds. Purchased derivatives limit the interest rate risk. All credit ratios are met. The bonds were reduced slightly in 2008, by a net €50 million. A credit facility of €140 million was concluded for Vesteda Project bv.

## BONDS

### Secured floating rate notes

**triple-A rating** Vesteda Residential Funding II has issued bonds (secured floating rate notes) with a nominal value of €500,000 each. These notes are listed on the NYSE Euronext Amsterdam stock exchange. All bonds are based on 3-month Euribor, the eurozone interbank interest rate, plus an interest premium, or spread. The bonds have all been given a triple-A rating by Moody's, Standard & Poor's and Fitch Ratings.

### Derivatives and interest rate risk policy

**caps and swaps** Vesteda's interest rate risk on the floating 3-month Euribor is limited by derivatives: financial instruments in the form of cap and forward-swap contracts.

**2002 to 2005: low Euribor with caps gives interest gains** In the years to 2005 it was decided to allow the interest expense to fluctuate with Euribor. The risk of a strong interest rate rise above 4.5% was hedged by caps. If Euribor rose above the interest rate ceiling of 4.5%, the caps acted like an insurance policy. By not fixing interest rates but letting them float, Vesteda benefited from low interest rates in the period 2002 to 2005.

**2006 to 2008: swaps reduced interest rate risk** In view of expected interest rate rises, it was decided to abandon the volatility of Euribor in 2005. At that time, as well as hedging an interest rate rise by cap contracts, a hedge using forward-swap contracts was introduced, so that the interest expense was no longer dependent on the floating Euribor but fixed for the full term. The forward-swap contracts take effect as the current cap-contracts expire<sup>1</sup>. At year end 2008, all bond financing had swap contracts so that there is no interest rate risk within the term of the financing.

### List of bonds

**€850 million outstanding against swaps** The A2, A3a and A5 bond series, totalling €850 million, were outstanding during 2008 on the basis of forward-swap contracts.

**redemption of €200 million and new drawing of €150 million** The A1 bonds of €200 million were redeemed in July 2008, funded in part by €150 million of new A6 bonds. This new loan was obtained at an interest rate of 4.84%, excluding a spread of 100 basis points. Vesteda obtained a low rate in comparison with similar funding concluded in the same period.

**€600 million from caps to swaps** The A3b and A4 bond series, of €300 million each, were outstanding during 2008 on the basis of 3-month Euribor with cap securitisation. As Euribor exceeded the 4.5% interest rate ceiling set for the cap at the start of 2008, the caps took effect and the financing expense was 4.5%. Between 21 April and 21 July, 3-month Euribor was 4.45%, and so the caps ceased operation, and maximised the interest rate at 4.5% for the rest of the year. In December 2008, a forward-swap contract was concluded at 2.83% for the remaining term of the caps with effect from the next due date 20 January 2009. As a result the interest rate risk for the remaining term of the A3b and A4 bonds is hedged and costs minimised to 20 April 2009. The table on the next page shows the bond series at year end 2008.

<sup>1</sup> Excluding additional swap for the A3b and A4 bonds concluded in December 2008 (see list of bonds on page 31)

**Bonds**

at year end 2008

Bond				Caps				Swaps		
series	original value (€ millions)	start date	maturity date	spread	cap-rate	start date	maturity date	swap-rate	start date	maturity date
A2	400	20.07.05	20.07.10	0.15%				3.130%	20.04.07	20.07.10
A3a	100	20.07.05	20.07.12	0.20%				3.370%	20.04.07	20.07.12
A3b	300	20.07.05	20.07.12	0.20%	4.500%	20.07.05	20.04.09	2.830%	20.01.09	20.04.09
								3.645%	20.04.09	20.07.12
A4	300	20.07.05	20.07.15	0.28%	4.500%	20.07.05	20.04.09	2.830%	20.01.09	20.04.09
								3.895%	20.04.09	20.07.15
A5	350	20.04.07	20.07.12	0.13%				4.236%	20.07.07	20.07.12
A6	150	20.07.08	20.07.13	1.00%				4.840%	20.10.08	20.07.13
	1,600									

**Financing ratios**

compliance with ratios since introduction

The financing has to meet set quarterly ratios. The table below shows the year-end ratios compared with the requirement. The bonds have complied with the ratios since introduction.

**Financing ratios**

year end

ratio	standard	reference date	period	2008	2007	2006	2005	2004
Loan to value ratio (LTV)	≤ 0.45*	quarter end	-	<b>0.34</b>	0.34	0.30	0.32	0.32
Debt Service Cover ratio (DSCR)	≥ 1.80	quarter end	quarter	<b>2.28</b>	2.77	3.72	3.61	3.69
Debt Service Cover ratio (DSCR)	≥ 1.80	quarter end	year	<b>2.28</b>	2.67	2.98	3.30	3.46
Cash flow ratio (CFR)	≥ 1.50	quarter end	quarter	<b>1.92</b>	2.23	3.04	2.94	2.99
Cash flow ratio (CFR)	≥ 1.50	quarter end	year	<b>1.95</b>	2.13	1.87	2.09	1.99

\* to 2004: ≤ 0.40

**Average interest expense and bond maturity**

interest expense increased, but still relatively low

The net interest expense on the bonds including the interest spread rose to 4.2% at year end 2008 compared with 3.4% a year earlier. Despite this increase, the interest expense is still moderate compared with current mortgage rates.

average remaining term of 3.7 years

The average remaining term of the bonds has fallen from about 4.1 years at the start of 2008 to about 3.7 years by the end of the year.

## FINANCING OF VESTEDA PROJECT BV

€140 million revolving  
credit facility

In 2008, Vesteda Project bv concluded financing under a revolving credit facility. In addition to shareholders' equity of €140 million, Vesteda Project bv now has access to credit of up to €140 million. Vesteda Project bv can draw these funds freely, depending on its liquidity requirements and provided it is within the agreed financing ratios. At year end 2008, €125 million had been drawn.

### Financing of Vesteda Project bv

year end 2008

Vesteda Project bv revolving credit				Swaps			
original value				original value			
(€ millions)	start date	maturity date	spread	swap rate	start date	maturity date	
140	16.04.08	30.04.10	0.80%	4.240%	03.11.08	30.04.10	

### Financing standards for Vesteda Project bv revolving credit

at year end

ratio	standard	reference date	2008
Pre-sale ratio*	≥ 0.60	quarter end	0.79
Loan to cost ratio**	≤ 0.50	quarter end	0.48
Solvency ratio***	≥ 0.35	quarter end	0.46

\* Pre-sale ratio: the level of work in progress on all projects already sold but in the under construction phase compared with the total work in progress on the balance sheet

\*\* Loan to cost ratio: total loans drawn compared with the work in progress on the balance sheet

\*\*\* Solvency ratio: shareholders' equity compared with total assets

## VALUE OF FINANCIAL INSTRUMENTS

increase or decrease in value  
of derivatives affects yield;  
negative revaluation in 2008

Cap and forward-swap contracts are recognised as financial instruments at fair value in the balance sheet. The increase or decrease in value of the derivatives during the year is part of the yield. At the start of the financial year, Euribor was 4.7% and so the value of the financial instruments was €41 million. On 31 December 2008, Euribor had fallen to 2.9% and the fair value of the cap and forward-swap contracts was €-52 million. Consequently the value of the derivatives had fallen by €93 million or 2.7 percentage points of shareholders' equity, with €92 million being recognised through shareholders' equity and €1 million through the result. €80 million of the fall in value occurred in the fourth quarter. Yields at Vesteda have become more volatile as a result of the change in accounting policy in 2007, under which financial instruments are recognised at fair value in the balance sheet.

### Value of financial instruments

€ millions

To hedge interest rate risk on	at year end 2008	revaluation in 2008	at year end 2007
Bonds	-48	-89	41
Vesteda Project bv credit facility	-4	-4	-
Total	-52	-93	41

### Interest spread

not included in revaluation of  
derivatives

At year end 2008, interest spreads of over 5% were being applied to similar bonds. At 4.2% in total financing costs for interest and spread, the conditions applicable to the Vesteda bonds are considerably better than rates customary in the market. The benefit of a relatively favourable spread, which outweighs the disadvantage of the relatively higher interest expense, is not included in the valuation of derivatives.

**EFFECT OF LOAN CAPITAL ON RESULT AND YIELD**

The table below shows the average composition of the yield over the past five years.

loan capital contributes an average of 1.5%

The total result without leverage was 8.0% on average. The leverage effect contributed 1.9% to the yield, and so the total result on shareholders' equity in the past five years was an average of 9.9%. Given the effect of the derivatives, the total effect of the loan capital on the yield was an average of 1.5%.

**Effect of loan capital on yield**

Percentage	2008	2007	2006	2005	2004	5-yr ave
Total result, without leverage	1.1	8.1	11.3	10.5	9.2	8.0
Effect of leverage on total result (a)	-1.5	1.7	3.4	3.1	2.5	1.9
Total result on shareholders' equity	-0.4	9.8	14.7	13.6	11.7	9.9
Revaluation of derivatives/shareholders' equity (b)	-2.7	0.6	0.3	-	-	-0.4
Total yield on shareholders' equity	-3.1	10.4	15.0	13.6	11.7	9.5
Effect of loan capital on yield (a+b)	-4.2	2.3	3.7	3.1	2.5	1.5

average contribution of loan capital was €41 million per year in the past five years

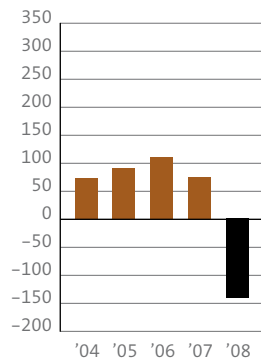
The table below shows the present value of the effect of the loan capital by multiplying the effect of the loan capital on the yield by the opening shareholders' equity. This shows that an average of €41 million has been earned on the loan capital in the past five years. The charts show the annual and cumulative effect for the past five years.

**Contribution of loan capital to yield**

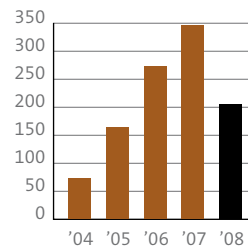
(€ millions)	2008	2007	2006	2005	2004	5-yr ave
Effect of loan capital on yield	-4.2%	2.3%	3.7%	3.1%	2.5%	1.5%
Opening shareholders' equity	3,368	3,169	2,956	2,902	2,877	3,057
Effect of loan capital on yield	-141	73	109	90	72	41
Effect of loan capital on yield, cumulative	203	344	271	162	72	n/a

**Contribution of loan capital to yield**

(€ millions)



last 5 years cumulative (€ millions)



**REPORTING AND INFORMATION PROVISION**

**Vesteda website**

Investorweb

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. > [www.vesteda.com/investorweb](http://www.vesteda.com/investorweb)

Vesteda expects a revaluation of the letting portfolio in 2009 in the range -8% to -2% and is looking for a total yield in the range -9 to 1%. The distribution to investors is expected to be about 3½%.

## TASK

- letting The task in 2009 is to keep the occupancy rate at a high level of some 97.0% and proper marketing of some 750 new rental homes.
- funding In addition, internal financing of new house building and the development portfolio will be a much greater challenge than in past years. The funding of the further expansion of the portfolio will take place in difficult market conditions. The willingness of investors to provide additional shareholders' equity is expected to be limited in 2009. Vesteda's financing requirement in 2009 is some €150 million.

## TARGETS

- revenue per property Gross and net revenue per property will increase slightly.
- letting and management expenses Despite expectations of above-inflation increases in expenses, Vesteda has set itself a target of keeping letting expenses stable at below 28% of gross rental income. Management expenses will remain under 40 basis points.
- ROZ/IPD benchmark Vesteda wants to outperform the average three-year yield on Dutch property investments in residential properties as expressed in the ROZ/IPD 'All Residentials' index.
- acquisition of projects Vesteda Project bv's investment level will rise in 2009 as a result of the work already in progress. Target for the acquisition volume is €275 million (incl. VAT). Target for completions (the number of units handed over and let by Vesteda Group) is some 750 residential properties, coming from projects in the pipeline.
- occupancy rate As a result of the increase in the number of new complexes and serviced apartments, the occupancy rate of the letting portfolio is expected to fall very slightly. Vesteda has a target of reaching at least 96.0% measured over the entire letting portfolio, and at least 97.0% measured on the portion let for more than a year.
- annual rent rise for sitting tenants The annual rent rise for sitting tenants on 1 July is limited in the regulated (Rent Act) segment of the portfolio by restrictions on rent rises set by rent policy and in the deregulated segment by maximum rises agreed with tenants in their leases. For 2009, this means a maximum increase of 2.5% (the inflation rate in 2008) in the regulated segment. For deregulated residential properties, the rent may be raised by 2% above the annual inflation rate at the end of March 2009. This is expected to be 2.0% to 2.5%, and so the maximum rent rise in the deregulated segment will be between 4.0% and 4.5%. Overall Vesteda has a target of achieving a rent rise of between 2.5% and 3.0% for the total letting portfolio in 2009.
- customer satisfaction Average customer satisfaction in the letting portfolio must be at least 7.0.
- disposals Vesteda has a sales target of some 1,000 properties in 2009 for the roll-over strategy. In view of the rate of turnover in the housing market, this is a very stiff task, which will, however, have to be achieved because of liquidity forecasts. With an expected inflow of some 750 residential properties, there will be a marginal net decrease in the number of residential properties in the letting portfolio.

**OUTLOOK**

Based on achieving these targets, Vesteda offers the following outlook in 2009:

- realised result** The realised result for 2009, measured before the leverage effect of the loan capital, is expected to be approximately 3,75%. As a result of the leverage, the realised result will fall slightly and is expected to be about 3.2% to 3.5%.
- unrealised result** Vesteda expects an average revaluation of the portfolio in the range -8% to -2%, partly because of the accounting policies. As a result of the leverage, the outlook for the unrealised result on shareholders' equity is, therefore, in the range -11.5% to -2.5%.
- total result, total yield** In summary, the outlook is that the total result on shareholders' equity will be between -8% and 1%. With an outlook of a revaluation of the derivatives of -1% to 0%, the total yield will be in the range -9% to 1%.
- distribution level** Investors can expect a distribution of some 3.5%.

**Targets 2009**

performance indicator	actual 2008	target 2009
<b>Investment</b>		
gross revenue per property	increase of 5.6%	limited increase
letting expenses	27.0%	under 28%
management expenses	37 bp	under 40 bp
net revenue per property	increase of 5.6%	limited increase
ROZ/IPD index 'All Residentials'	not yet known	above benchmark
<b>Development</b>		
investment level incl. VAT	€229 million	€275 million
handed over and in letting Management/letting	344 properties	approx 750 properties
<b>occupancy rate:</b>		
letting portfolio	97.1%	approx 96.0%
of which let for less than 1 year	97.8%	approx 97.0%
rent rise (nominal)	2.5%	between 2.5% and 3.0%
customer satisfaction	7.0	7.0
<b>Disposals</b>		
disposal volume	1,052 properties	approx 1,000 properties

**Outlook 2009**

On opening shareholders' equity (2008: €3,368 million; 2009: €3,264 million)

	actual 2008	outlook 2009
realised result	3.2%	approx 3.2% to 3.5%*
unrealised result	-3.6%	between -11.5% and -2.5%**
total result	-0.4%	between -8% and 1%
revaluation of derivatives	-2.7%	between -1% and 0%***
total yield	-3.1%	between -9% and 1%
distribution level	3.6%****	approx 3.5%

\* based on a realised result of approximately 3,75% before leverage effect of the loan capital

\*\* based on revaluation of -8% to -2% of the letting portfolio

\*\*\* based on falling or unchanged Euribor

\*\*\*\* based on a dividend of €121 million

# Report of the Supervisory Board



## To the General Meeting of Investors of Vesteda Groep bv

We hereby present the 2008 financial statements, incorporating the proposed dividend distribution, as drawn up by the Managing Board and discussed by the Supervisory 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 auditors' reports

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 126. Ernst & Young Accountants also issued unqualified auditors' reports on the financial statements of Vesteda Group and Vesteda Woning cv, which can be found on pages 106 and 140.

### no changes in Supervisory Board membership

There were no changes in the membership of the Supervisory Board during 2008. The second four-year periods of office of Mr Corpeleijn and Mr Doets come to an end in January 2010 and that of Mr van den Berg in April 2010. This will be discussed during the General Meeting of Investors in November 2009.

### seven 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 2008 are set out below.

### risk management and 'in control' statement on financial reporting risks

#### Governance and management

During its meetings, the Supervisory Board was kept informed of progress on issuing an 'in control' statement within the meaning of the Tabaksblat Code, as wanted by the Managing Board and Supervisory Board directors. 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. That director conveyed the views of the Supervisory Board on this issue and reported back. An 'in control' statement on the financial reporting risks was first issued in 2007 and is being repeated for 2008. Vesteda reprioritised risk areas in 2008. The aim is to issue a full 'in control' statement for 2010 in 2011.

### more intensive investor relations discussed

#### Investor relations

Two new parties, Stichting Pensioenfonds Xerox and Stichting Pensioenfonds Schuitema, joined Vesteda in 2008 and we expect others to follow in the next few years. Discussions with investors have already become more intensive, but Vesteda also sees the need to give greater substance to contacts with possible new investors. Expansion through exchanges or new interests, additions to shareholders' equity or contribution of assets is also possible, including for foreign parties. As Vesteda expects that investor relations will, in consequence, grow in importance, a member of the management team has been made available to assist the Managing Board in this. The improved quantity and quality will develop in the course of 2009.

### 2008 to 2011 business plan adopted

#### Strategy

After two sessions with the Supervisory Board, Vesteda adopted its new business plan in August 2008. Several strategic assumptions were discussed including dynamising and preparing Vesteda for its fourth phase. Trends in house prices and a possible recovery after 2010 were also discussed. The adverse effects on the cover ratios of pension funds and the way Vesteda can offer investors protection against inflation were discussed in relation to the Inrev classification, with features such as low risk and the innovative and entrepreneurial nature so that a structurally higher yield can be achieved.

Vesteda's prospects after 2012 – with a clear long-term vision and a robust short-term target of maximising rental income, cost management and profits on disposals – were discussed, as were expanding the serviced apartments and residential care segments, reinforcing the focus of acquisitions on the medium-rent segment and opportunistic purchases, investigating strategic alliances and making the innovation approach operational.

### Financial

annual setting of required yield	The required yield for the year was set during the meeting in February 2008. As in 2007, there are regional differences in response to the specific regional market conditions under which projects are acquired.
2007 financial statements and annual report discussed	The 2007 financial statements and the annual report were discussed with the external auditors and accordingly adopted. The meeting also discussed opportunities to examine paying the final dividend of €80 million in shares. The Managing Board pursued this, resulting in such a distribution on 30 June 2008.
refinancing of €150 million discussed	While discussing the payment of a stock dividend, the supervisory directors and the Managing Board addressed refinancing part of the external financing up to €150 million. Both proposals were approved by the General Meeting of Shareholders and Limited Partners on 20 May 2008.
appraisals considered	The faster and sharper than expected slow down in the housing market and the fall in value of the portfolio in the final quarter were discussed. The effects, especially on the budget and the forecasts for 2009, were discussed with the supervisory directors and then in the General Meeting of Investors.
2009 budget adopted	The 2009 budget was, as usual, discussed and adopted during the autumn meeting. The discussion included the forecast, 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. Given global economic developments in the third and fourth quarters, three scenarios for the budget were considered.

### Portfolio developments

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.
increasing significance of the 'residential care' segment discussed	The 'residential care' segment will become a more important part of Vesteda's strategy and portfolio in the next few years. This choice is based on growing demand and the expectation that additional yields can be achieved in this sector. The Managing Board has evaluated the current holdings in this segment. Efforts are still focused on growth, but fully understanding the risks of alternative uses of care complexes in relation to their ultimate value, the declining role of the government and opportunities for stable letting through recognised market parties for customer focus and efficient operation. In recent years, Vesteda has built up considerable know-how and sees opportunities for further expansion of the 'residential care' portfolio to approximately 800 residential properties with invested capital of €300 million in 2011.
bid for Philips portfolio discussed	At the end of 2007, Philips Pensioenfonds decided to sell its remaining property portfolio. Vesteda bid for 17 clusters totalling 1,046 residential properties. The bid was accepted and the transfer was made by year end. The strategy and bid price were discussed with the supervisory directors before the bid was made. The Managing Board saw opportunities for fulfilling the roll-over strategy by early sales of existing properties and rental potential through applying Vesteda's rental policy to the new assets. This strategy was subsequently discussed at the General Meeting of Shareholders and Limited Partners. It was also agreed with the supervisory directors that feedback would be given on implementing the strategy.

consultations on development in Kernwinkelgebied Leidsche Rijn and Almere Kust area

After extensive consultation with the supervisory directors, Vesteda Project bv and a third party fulfilled the allocation agreement for Leidsche Rijn. Leidsche Rijn Centrumplan bv, incorporated by the parties, will start development, construction and disposal of parts of this project after further planning and obtaining the building permits, currently after 2010. The provisional bid and orientation for a final bid for Almere Kust were discussed.

progress on other major projects discussed

Progress on large projects in the development and investment phases, including New Orleans on the Wilhelminapier in Rotterdam and New Amsterdam on the Zuidas in Amsterdam, was discussed.

management and organisation discussed

### Organisation

Reports on management and progress on the reorientation of property management already under way were discussed. The supervisory directors expressed the wish to get to know more members of the management in the coming year. The Managing Board will arrange this.

site meetings

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

remuneration targets of Managing Board set/discussed

### Remuneration

The targets for 2008 were set at the beginning of the year. The principles and targets for the Managing Board's remuneration for 2009 were also set.

remuneration of the Supervisory Board

The Supervisory Board's remuneration, based on the results of an external survey, was submitted to the investors during the spring meeting and a majority of them agreed with the new proposals.

decision to convert the common fund into a cv

### Fund structure

In consultation with the supervisory directors the Vesteda Woningen common fund was converted into a limited partnership, Vesteda Woningen cv, on 30 June 2008. The conversion was needed as changes in regulations could remove exemption from property transfer tax at this level. Provided other conditions are met, it will still be possible to transfer Vesteda Woningen cv partnership contributions free of tax. In conclusion, the Supervisory Board would like to express its appreciation for the efforts and commitment of the Managing Board and employees during the year.

Maastricht, 18 February 2009

Supervisory Board 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

## DEMOGRAPHIC TRENDS

### Households

proportion of single persons increase, families decrease

At the end of 2008, the population of the Netherlands was some 16.4 million, living in 7.2 million households. The average household size was, therefore, 2.26 persons and, at the start of 2008, 64% of households comprised two or more persons. The proportion of single-person households has been increasing for some time and it rose by 3.4 percentage points in the period 1998 to 2008, now representing 36.5% of the total population. The share of two-person households remained about the same and the proportion of families fell by 2.2 percentage points.

### Dutch households by size

year end, thousands

source: ABF Research/Socrates, Statistics Netherlands, 2008/2009

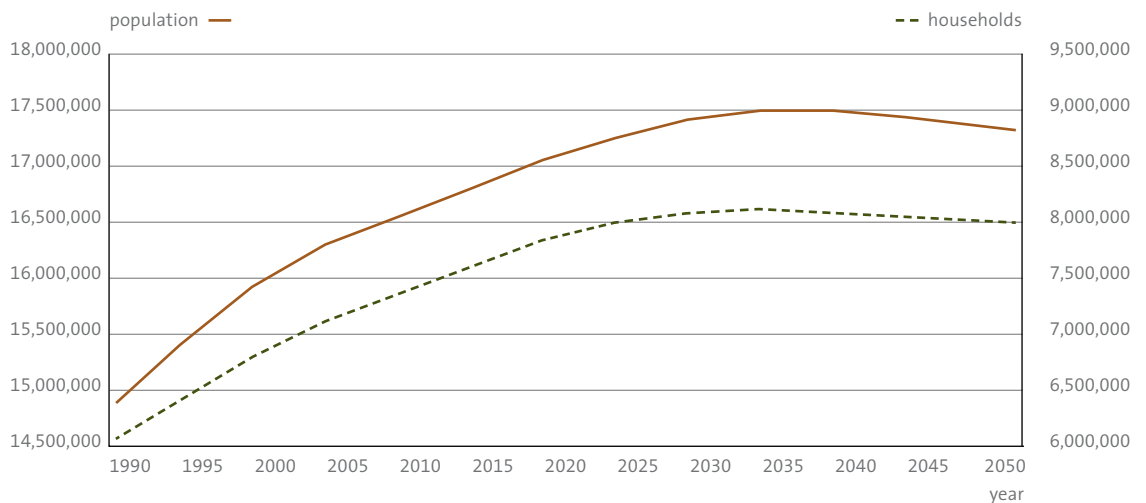
	2008	%	2007	%	1998	%
1-person	2,650	36	2,600	36	2,201	33
2-person	2,085	29	2,075	29	1,995	30
Families with children	2,515	35	2,515	35	2,459	37
Total	7,250	100	7,190	100	6,655	100

number of households to rise by over 10% in the next 15 to 20 years

In 2025, the Netherlands is expected to have a population of 17.2 million<sup>1</sup>. This is 750,000 more than in 2008. The number of households will rise faster than the population in the next few decades and average household size will fall further. In 2025 there will be 8 million households; in 2008 there were 7.2 million. The increase is due almost entirely to one-person households: single people. Their number will increase by 26% from 2.6 to 3.3 million. A key reason for the increased number of one-person households is the ageing population, and this also means that the average size of households will fall further. Statistics Netherlands expects that the average household size will fall from 2.26 in 2008 to 2.09 in 2025. The forecast also shows that the 'peak' in population and households will be between 2035 and 2040, at 17.5 million and 8.1 million, respectively.

### Dutch population and household trends

source: Statistics Netherlands, 2009



<sup>1</sup> National population forecast 2008-2050, Statistics Netherlands

**Ageing population**

Regional differences

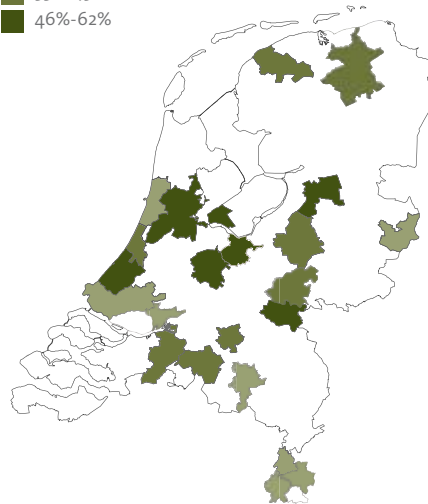
The ageing population will receive attention as a demographic process, including consideration for the affordability of the welfare state with an increasing proportion of non-workers. The ageing of the population will not only continue but accelerate, thus affecting the qualitative composition of the housing stock. The market and the government will be challenged to match supply and demand; of type of residential property and facilities and of residential needs in line with the lifestyle of an older population. Nevertheless, the population will not be ageing at the same rate everywhere in the next fifteen years; there are clear regional differences in trends. There will be considerable growth in the proportion of households in the over-65 group in and around the Randstad conurbation. The increase in the proportion of over-75s will occur specifically in these regions. In addition, areas already facing population decline, Zuid-Limburg and Groningen/Friesland, are seeing a sharp increase in the ageing population.

**Growth in households 2008 to 2025**

source: ABF Socrates

Households 65-74 years

- 14%-32%
- 33%-45%
- 46%-62%



Households older than 75 years

- 35%-38%
- 39%-48%
- 49%-71%



**STOCK TRENDS**

**Housing stock**

rental segment 43%

The Dutch housing stock was 7.1 million units at the end of 2008, of which 43% were rented. Encouragement of owner occupation in past years has done its work: the proportion of owner-occupied residential properties rose further in the period 1998 to 2008 from 50% to 57%.

**Dutch housing stock**

year end, thousands

source: ABF Research/Socrates, Statistics Netherlands, 2008/2009

	2008	%	2007	%	1998	%
Owner-occupied	4,064	57.2	3,995	56.8	3,191	49.5
Rental	3,041	42.8	3,043	43.2	3,249	50.5
Total	7,105	100.0	7,038	100.0	6,441	100.0

**New house building – consequences of the credit crisis**

construction expected to fall to historic low

It is expected that almost 88,000 new residential properties will be completed in 2008. The credit crisis that started in the middle of the year had little effect on this figure as the building work was already under way, but the EIB expects that house building will fall by almost 20% in 2009 and 2010 to 70,000 and 65,000 units, respectively. This can be attributed to a combination of factors, on both the developers' and buyers' sides. Firstly, the increase in building costs (materials, interest, labour) and high land prices are depressing margins for builders and developers. It is increasingly difficult to pass higher costs on to house buyers. Borrowing has become more expensive and risk assessments have led to new projects being delayed or abandoned. On the buyers' side, declining consumer confidence, mortgage rates and

uncertainty about the course of the credit crisis are adversely affecting individuals' willingness to buy. This is leading to a fall in the number of applications for building permits. Recovery is not expected until after 2010.

**Residential building permits and notices of completion**

delayed effect

Logically, notices of completion are lagging behind, a slight decline is still expected in 2011, after which the number of completed residential properties should pick up again from 2012 as a result of the increase in permits issued in the preceding years. Of course, this all depends on economic developments.

**Building permits and notices of completion**

source: Statistics Netherlands, 2009



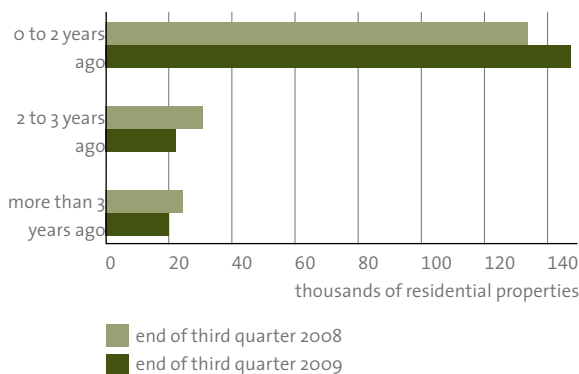
**Stock for delivery**

fewer additions to the pipeline; stock will fall next year

At the end of September 2008, the stock of homes ready for delivery was almost 189,000, which is 1.2% lower than a year earlier. The building permits for over 29% of these uncompleted homes had been issued more than two years earlier. As less was built and assuming no changes in demand, the pressure on the market will consequently increase.

**Stock of homes for delivery by date of granting building permit**

source: Statistics Netherlands, 2009



### Ministerial agreement

growth in urban areas

The Minister of Housing, Spatial Planning and Environment and twenty urban regions agreed the construction of over 350,000 homes in the period 2005 to 2009. 60% had been completed by the end of the third quarter of 2008. There are large regional differences in completions. The leader is Twente region, which has now built 113% of the agreed number. The Groningen-Assen region brings up the rear at 38%. During 2009, the Friesland, Twente, Zwolle, Amsterdam, Eindhoven and Limburg regions will probably complete the number of new residential properties agreed for the period 2005 to 2009. The remaining fourteen urban regions have consistently built too few residential properties since 2005.

### SUPPLY AND DEMAND IN THE HIGHER-RENT SECTOR

demand exceeds supply, especially in multiple-residential properties

Demand for residential properties in the higher-rent sector with monthly rents over €600 (2006 prices) was about half as high again as the supply in 2008. For single-unit residential properties, demand was over 12,000, while 11,000 became available and so the excess demand factor was 1.09. Demand for multiple-residential properties was over 35,000 compared with almost 18,000 becoming available and so the excess demand factor was 1.99. The difference in excess demand between houses and apartments is a reflection of current demographic trends. Demand for properties suited to and accessible for older people (one floor) will only increase in the next few years. The excess demand in this price sector will increase from a factor of 1.64 in 2008 to a forecast of 1.89 in 2015<sup>1</sup>.

#### Supply and demand by housing type and price

Units (columns 1 to 4), year end, source: ABF Research/Socrates\*, 2009

	supply	demand	shortfall	stock	shortfall	excess demand in 2008	excess demand in 2015
Single-unit residential properties	11,387	12,372	985	101,533	1%	1.09	1.25
Multiple-residential properties	17,643	35,174	17,531	91,013	19%	1.99	2.26
Total	29,030	47,546	18,516	192,546	10%	1.64	1.89

\* based on data from WoON2006 (Ministry of Housing, Spatial Planning and Environment). Consequently, these forecasts do not make allowance for the effects of the state of the economy and credit crisis in 2008.

uncertainty, difficult to forecast

Its should be noted that the forecasts from the housing market simulation model are based on data from WoON2006 (Ministry of Housing, Spatial Planning and Environment) and so do not make allowance for the effects of the state of the economy and credit crisis in 2008. The uncertainty and difficulty in predicting the effects of the crisis make it hazardous to forecast the possible direction of the trend in demand in particular. As already noted, supply will dip in the next few years and then recover.

### PRICE TRENDS IN THE DUTCH HOUSING MARKET

below inflation in 2008 after five years above inflation

In 2008, the annual increase in house prices was lower than inflation for the first time since 2003. It was around 4% between 2004 and 2007 after which prices rose less and were 2.65% on average for the full year 2008<sup>2</sup>. An existing home cost €248,325 on average in 2007, a year later the same home would have cost €254,918.

1 ABF Research, Socrates, 2009

2 Price index for existing owner-occupied housing, CBS/Land Registry

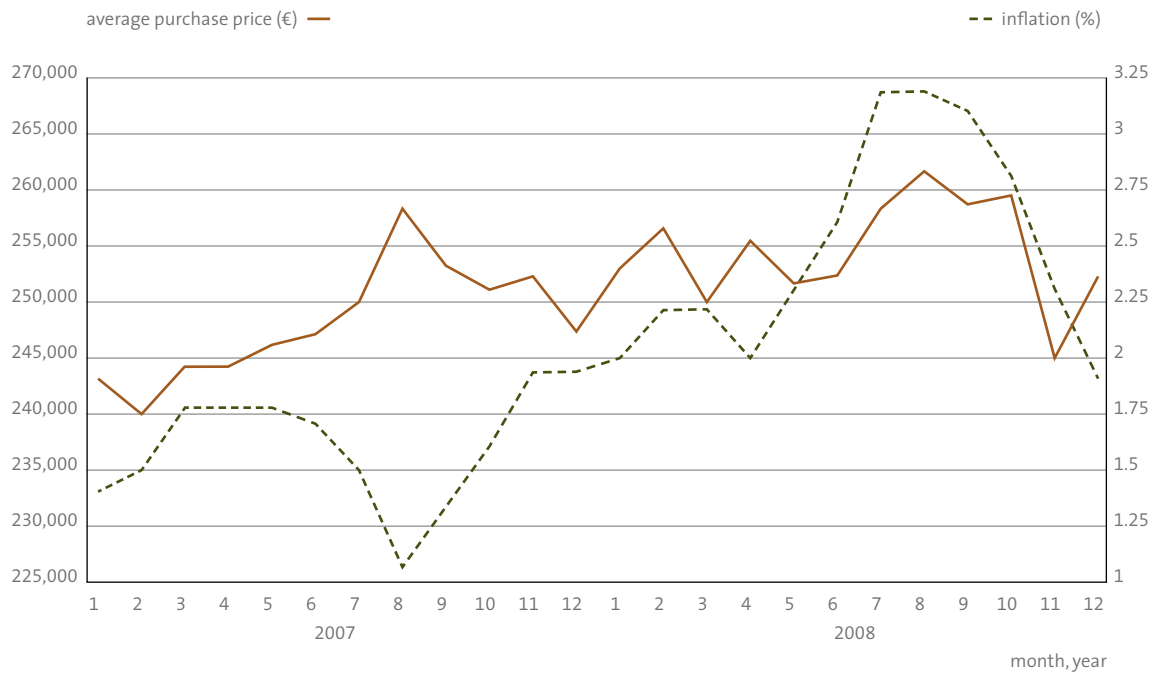
3 Land Registry, 2009

4 Update by CPB of an earlier empirical analysis of house prices for the period 1980-2007. CPB Memorandum 199: 'Is de huizenprijs in Nederland overgewaardeerd?', 18 April 2008.



**Average price of owner-occupied residential properties and inflation**

Source: price index for existing owner-occupied housing, CBS/Land Registry, StattLine Statistics Netherlands; 2009



real value of residential properties rose little if at all in 2008

Average price inflation was 2.5% in 2008 meaning that the real value of residential properties rose little if at all. The 'lock down' of the housing market and the credit crisis were the main reasons. Notably, prices rose in December 2008 compared with November 2008. House prices rose ever more slowly throughout 2008, but picked up at the end of the year.

expectation 2009: falling prices

In contrast to reports by the Land Registry/Statistics Netherlands that house prices rose in 2008, the NVM (Dutch Association of Real Estate Brokers and Real Estate Experts) reported that house prices fell 1.8% in 2008 to an average of €233,000. The effects of the credit crisis became particularly noticeable in the final quarter of 2008. The NVM expects prices to fall some 5% on average in 2009.

Land Registry/Statistics Netherlands and NVM figures differ because of different reference dates

The difference in price trends in 2008 reported by the Land Registry/Statistics Netherlands and NVM is because the Land Registry records transactions when it registers the deeds while the NVM records transactions when the sales contract is prepared. On average, there is two to three months between these two dates.

apartments rose most in value in 2008

The average price of all types of home rose between 2.65% and 5.05% in 2008. Average prices rose least for detached houses and most for apartments. House prices rose fastest in Utrecht, Noord-Holland and Friesland. House prices fell in Drenthe, while growth was low in Groningen and Limburg<sup>3</sup>.

**LONG-TERM EQUILIBRIUM IN THE DUTCH HOUSING MARKET**

fundamental supply and demand factors support long-term equilibrium in house prices

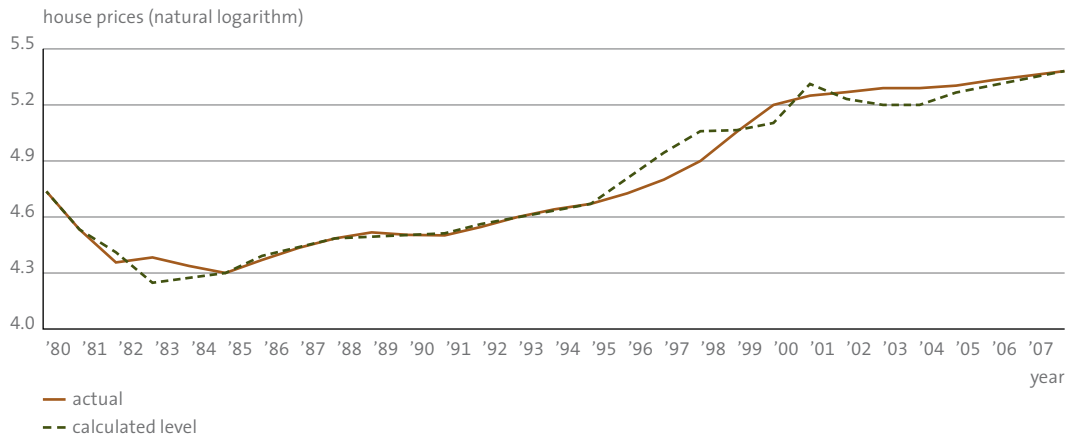
As a result of the specific situation in the Netherlands, the housing stock increases or decreases less strongly as the supply of new residential properties is heavily regulated and so the situation in the country cannot be compared with that in the US or other countries in Europe. The underlying fundamental supply and demand factors are real disposable income, real interest rates, other real financial family assets and the housing stock. These factors explain why the average house price in the Netherlands was at its estimated long-term equilibrium at the start of 2008<sup>4</sup>.

**Reasons for rising house prices in past decades**

1991 to 2000: households more prosperous

In the period 1991 to 2000, house prices rose strongly, by a face value average 9.7% per year and by an average of 7.1% per year in real terms. The reason for most of the real increase is that households were more prosperous. Low real interest rates were also a significant factor. Against this, housing stock rose in this period by over 0.7 million units, and this had a moderating influence on average house prices.

**Actual and calculated comparative house price levels**



2001 to 2007: increase in the family financial assets

House prices rose more moderately in the period between 2001 and 2007, at a face value average of 5.3% per year and average of 3.0% per year in real terms. In this period, the increase in family financial assets made the greatest contribution to house price rises. Higher disposable income also caused an increase in average house prices. The real interest rate had no noticeable upward effect. The housing stock rose rather less fast in this period than in earlier decades and so its downward effect on house prices was more modest.

**No overvaluation at the start of 2008**

house prices at long-term equilibrium at the start of 2008

A Netherlands Bureau for Economic Policy Analysis (CPB) survey from 2005<sup>1</sup> noted that actual (real) house prices had been some 10% above their equilibrium in 2003. This finding relating to the situation in 2003 was confirmed by empirical research published in 2008 which also showed that the over-valuation had slipped to about 0% by early 2008. This was not a consequence of a fall in house prices, but because the actual increase in house prices fell behind the long-term rise in the period 2003 to 2007. The relatively favourable trend in fundamental demand factors, income and financial assets, plus the relatively modest increase in the housing stock in the period 2003 to 2007 underlie this.

no guarantee against price falls

This is not to say, however, that house prices cannot fall in real terms, especially in specific markets. House prices could fall if real interest rates were to rise sharply and real disposable family income and assets develop less favourably. Furthermore, with the fall in confidence, house prices could depart from the long-term equilibrium in the short term.

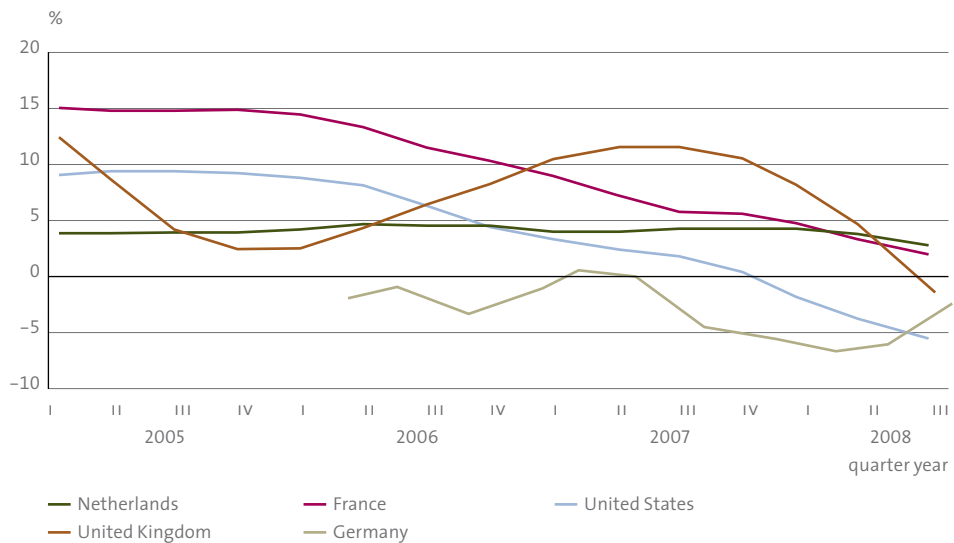
**PRICE TRENDS IN AN INTERNATIONAL PERSPECTIVE**

relatively moderate increase in the Netherlands

Price rises in the Netherlands were about 4% in the past five years. In other countries there were significantly higher price rises in the same period, of 8% or more, and so in comparison, the trend in the Netherlands was fairly moderate. At the end of 2008, homes in the Netherlands were about 60% more expensive than in 2000. In France, the United Kingdom and Sweden, they had more than doubled in price. Although house prices in the United States have been falling for some time, on average they are more than 50% above the prices in early 2000. In Ireland, where the prices have been falling for longer and by larger amounts, the average price is 80% higher.

**Price trends: owner-occupied housing**

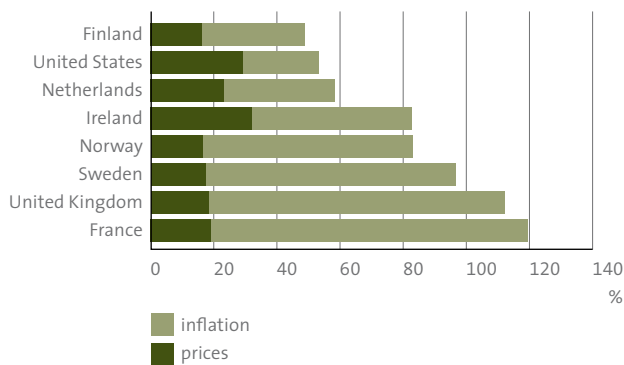
Source: Eurostat



House price trends and inflation differ between countries. In the Netherlands, house price rises are about two and a half times higher than inflation but by contrast, six times higher in France<sup>2</sup>.

**Price trends: owner-occupied housing and inflation**

From early 2000 to the third quarter of 2008, source: Statistics Netherlands



**MARKET EXPECTATIONS**

**Economy**

2009: contraction

The credit crisis is creating a decline in economic activity worldwide; after growing at 3,5% and 2% in 2007 and 2008, respectively, the Dutch economy is expected to contract in 2009. Exports are suffering particularly from the international economic depression. Diminishing sources of finance and the decline in manufacturing are also discouraging capital expenditure. It is expected that global trade and lending will recover somewhat in the course of 2009, with economic growth picking up in 2010. As a result of the fall in the economy, unemployment will rise substantially in the next two years. A bright spot is that lower raw materials and energy prices will depress inflation, to the benefit of incomes and purchasing power. The unfavourable economic situation is also reflected in government finances. Lower tax and social security income and gas revenues and higher spending on unemployment benefits will lead to a budget deficit.

1 CPB Document 81: 'Welke factoren bepalen de huizenprijs in Nederland?', 2005

2 CBS, 2009

recovery in or after 2010 The various forecasts (CPB, DNB, Rabo etc.) of trends in the Dutch economy do not differ much. The economic low point will be in 2009, followed by recovery. The uncertainties are when and how strongly world trade will start growing again and economic confidence: the extent to which banks provide credit and consumer confidence.

### EFFECT OF MARKET TRENDS ON VESTEDA

The CPB called its forecast 'heavy weather in the offing' thus indicating that the crisis is affecting every facet of economic and social life and (to some extent) producers and consumers. What will Vesteda face in the short and medium terms?

#### Funding

banks' risk tolerance down to a minimum The credit crisis means that banks and investors have very little risk tolerance, creating a scarcity of money on the credit and interbank money markets. As well as higher interest rates, parties face risk premiums on long-term loans. The European Central Bank has cut interest rates to get money circulating again. Borrowing money should, therefore, get cheaper.

#### Households

lower wealth Household wealth was hit by the fall in the AEX and other stock markets. Statistics Netherlands has calculated that household assets fell by €152 billion in the period January to September 2008; €43 billion of this was as a result of shares.

pension build up uncertain The cover ratios of pension funds (the proportion of future pension obligations to assets) have deteriorated badly. The average cover ratio was 144% at the end of 2007 but the larger funds are now at 90% to 95%. To meet the supervisory requirements, pension contributions will have to rise and/or the pensions will not be indexed for inflation. As many funds have moved from final salary to average pay schemes, this means that shortfalls in indexation will be more effective in raising the cover ratio.

#### Housing market

more bankruptcies, fall in house building Many companies are in financial difficulties as a result of the credit crisis. The number of bankruptcies among companies and institutions has, therefore, risen. Incassoburo Graydon, a debt collection agency, expects the number of bankruptcies to be 40% to 50% higher in 2009 than in 2008. A slowing down in the economy, fall in consumer demand and difficulty in borrowing are giving the building industry problems. TNO expects that the credit crisis will lead to the loss of 40,000 to 45,000 full-time jobs. The number of new homes will fall; in the most optimistic scenario, 75,000 residential properties will be completed, compared with 87,000 in 2008. The effect for 2009 will be offset somewhat by the favourable trend in previous years, but the discrepancy between production and market take-up is clear. The EIB also expects a fall in house building in the next two years.

housing market still locked down This would seem to be a favourable development for the housing market, as housing shortages will not be caught up because of less new house building. Excess demand, therefore, remains high. On the other hand, the crisis means that the conditions for buying a home have been tightened. Borrowing capacity has been severely restricted by higher interest rates and risk premiums; the interest cuts by the ECB have not been passed on in full by all mortgage providers, despite calls by consumer organisations. Recent figures from Statistics Netherlands and the Land Registry show that price rises for owner-occupied homes have slipped further. Vesteda can, therefore, note that the owner-occupied market is faced with fewer transactions and longer completion times. The housing market is still locked down.

**Government intervention**

wsw guarantee is seen as solution

The liquidity position of housing associations will deteriorate in the next few years according to the Social Housing Guarantee Fund. Housing associations expect higher building costs (these are often underestimated) and also face the introduction of corporation tax, the inflation-based rent policy and the 'Vogelaar levy'. The trend is for housing associations to borrow more and not be able to repay out of their normal cash flows. The result of all this will be less investment in housing or that more residential properties will have to be sold than previously. It is already clear that investment is on the back burner. The government has, however, decided to increase the Social Housing Guarantee Fund (wsw) limit temporarily. This gives housing associations the opportunity, under strict conditions, to acquire more expensive owner-occupied residential properties from commercial parties and to let them temporarily or permanently. Currently, the wsw guarantees housing association loans up to €200,000. The new limit, like the period of the temporary measure, will still have to be established.

government measures must get trading-up going

The government has agreed to increase mortgage guarantees, raising households' borrowing capacity, to unlock the owner-occupied housing market. Along with lower mortgage interest rates and income improvements in real terms, there is hope of greater willingness to buy homes. If trading-up does indeed pick up, Vesteda has the benefit that older people will be able to sell their houses more easily and so move into the rental sector. This measure will also have a positive effect on house prices and Vesteda's portfolio. Nevertheless, Vesteda expects that the measures will be slow to work through in the market mechanism.

**Acquisition**

acquisition opportunities for Vesteda

The restrictions on financing opportunities and the 'buyers' strike' mean that developers are reluctant to start new projects. Financing costs can also exert heavy pressure on current projects and acquisitions which are not yet generating income. The credit crisis is leading to higher interest rates on loans, making investment more expensive. Furthermore, banks have tightened credit terms for businesses, and so financing capital expenditure has become more difficult. As developers and builders need liquidity, it will be attractive for Vesteda to act anti-cyclically and to buy projects on the market with a favourable price/product ratio, with additional value creation in due course.

**Letting**

opportunities and threats for Vesteda in letting

The problems in the owner-occupied market are to the benefit of the rental market. Apart from the fact that groups of households are not eligible for an owner-occupied home because of their borrowing capacity, the economic situation has increased consumers' feeling of uncertainty and so raised their need for a flexible housing product. Market parties indicate that interest in renting has increased in recent months. On the other hand, supply has increased even faster; many owner-occupied homes are currently being offered for rent by the owners. This increase in supply is putting rents under some pressure.

less willingness to move house

In the credit crisis, confidence is everything; confidence in the economy, confidence in the financial markets, but also consumer confidence. While the indicators are red, consumers will be reluctant to spend. As a survey by Bouwkennis has shown, willingness to move house has fallen markedly as a result of the credit crisis. 16% of home owners had put off an intended move; among tenants it was one in ten. The certainty that the old home would be sold is the main reason for moving.

## INVESTMENT

### Model portfolio

Short- and long-term tensions

In 2008, the portfolio was brought further into line the model portfolio. Most disposals were of houses and apartments worth around €180,000; properties whose age and future prospects are less in line with the target of outperforming the ROZ/IPD benchmark. Specific acquisitions lay the basis for future results. The tension between short- and long-term influences changes in amending the portfolio.

### 'Standard residential properties' segment

focus even more strongly on  
€600 to €1,200 segment

As a result of the major developments in the financial markets at the end of 2008, the prospects for the properties in the pipeline were examined very critically. Risks have been re-evaluated and adjustment measures taken as necessary. From 2009, the focus for the 'standard residential properties' segment will be even more strongly than before on residential properties in the band from the deregulation limit of €643 to €1,200 rental per month. There are very strict location criteria for the segment over €1,000 and only the best locations will be considered.

### 'Residential care' segment

'small-scale and exclusive'  
formula

Experience in various residential care projects shows that a clear, competitive concept, including the associated technical specifications, and early selection of a partner for letting are conditions for success. Using market demand, but also guided by yield criteria, Vesteda will focus on projects that can be called 'small-scale and exclusive'. A pleasant, comfortable and safe environment contributes to the residents' welfare and is the overriding selling point. The complexes are relatively small scale, with 30 to 50 residential properties, and are often redevelopments or renovations of existing buildings. The basic rent per property (excluding the care component) is about €1,200 to, on occasions, over €2,000 per month.

'living independently at  
home' formula

A second type of residential care is living independently in a comfortable and safe environment with the ability to call on services, including care. These complexes are rather larger with up to 100 residential properties. Service and care are provided by an external provider. Acquisitions are focused on regions 1 and 2 and in the band from €600 to €1,000 and in some cases, depending on the quality of the location, to about €1,200 per month (excluding the care component).

approach with a specialist team

Given the specialist nature of this market, a separate 'residential care' group has been set up with a complete range of knowledge and experience. In 2008, this led to faster solutions to problems and a start to some promising acquisitions.

### 'Wooncertain'/rental guarantee

introduction of contracts  
expected in 2009

In 2008, preparations were made for the introduction of contracts with fixed rents or limited rent rises, but these types of lease have not yet been introduced. Tenants in selected projects will be offered these options in 2009.

### Working with housing associations

good opportunities for  
co-operation

Housing associations are by far the largest parties in the housing market. Vesteda sometimes faces unfair competition from housing associations if they are working in the higher-rent, non-social rental segments. However, they also offer good opportunities for co-operation if the know-how and expertise of the housing association and Vesteda are complementary. In the Amsterdam market, for example, there is already satisfactory cooperation on several projects where Vesteda is developing in the higher-rent segment in an area development supplementing social rental projects. Given the strong positions held by housing associations, there are active attempts to expand cooperation into other areas and initial contacts have been made on this.

### Short stay regulations in Amsterdam

new housing outside  
regulations

Vesteda campaigned fiercely in 2008 against a proposal by the municipality of Amsterdam to limit short stay-letting by a quota and taxes. The municipality has changed its position, in particular by exempting new house building from the regulations and dropping the tax on rental income.

**DEVELOPMENTS**

see Vesteda Project bv's report

The Vesteda Group Annual Report 2008 includes the Vesteda Project bv Report 2008, which provides information on that company's activities during the financial year.

**LETTING/MANAGEMENT**

**Organisational reorientation of the property management department**

reorientation of property management completed

In 2008, the property management department completed its organisational reorientation. The aim of the operation was to make the property management organisation more efficient and effective, with the gains coming mainly from an increase in revenue. The objective was to increase income, mainly by fewer vacancies, raising efficiency and customer focus and controlling costs. As well as efficiency, the organisation has been restructured so that it is ready for the challenges of the next few years.

more focus: letting, management and cost/quality

The plans were brought about by bringing experience together in the organisation. It was noted that staff skills and competences could be better used if there was more focus in the work, for example, by performing either letting activities or management activities. By burdening these employees with less 'ballast' in the form of non-commercial tasks, facilitating them better and having them work with customer responsibility and less product responsibility, there can be more attention to following up leads and letting. That led to three core disciplines in each office: letting, management and cost/quality.

organisational changes at all offices, number of regional offices from six to three

By giving more responsibility to housing consultants, the employees closest to the customers, a link is sought with one of the basic principles of Vesteda's HR policy: taking responsibility. The position of housing consultant has changed to that of letting agent or management consultant. The same goes for the account managers, who give more independent leadership as letting, management or cost/quality managers. The organisational changes were made in all offices. The first results became clear in 2008. For example, letting productivity in the Haaglanden region and in Amsterdam-Zuidoost improved sharply with a higher occupancy rate in the portfolios as a result. Co-operation between the Budget and Quality managers in the offices and the Control department has improved budget discipline and forecast quality leading to a saving in letting expenses and a more even distribution of expenditure over the year. Furthermore, the number of regional offices has been cut from six to three.

**Target group segmentation**

target group segmentation project group

The basis of a better target group segmentation was laid in 2008 with the aim of making that segmentation a focus of the comprehensive commercial customer approach. The segmentation defined in the past year will be deepened in the coming year by gathering more know-how on the specific behaviour of each group. This will make it possible to translate the segmentation into a more specific commercial approach.

**New house building/letting**

new methods developed and deployed

Much energy was put into letting new housing in 2008. Various new methods and resources were deployed to achieve almost full letting. As well as advanced techniques for approaching target groups and refined marketing actions, many other activities and contact events were organised. The number of open door days was significantly increased and more letting agents were used for specific projects.

**Online-marketing**

primary channel for communication and letting

The www.vesteda.com website is key to communicating 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 create a source of screened potential tenants, so that vacant residential properties can be quickly relet.

sharp increase as a result of internet campaign

The shift to online marketing resulted in an increase in visits to [www.vesteda.com](http://www.vesteda.com), which more than doubled to about 80,000 per month. There was a particularly sharp rise in the number of registrations after the summer. As a result of an internet campaign, the number of registrations increased by about 60%. Vesteda recorded over 47,000 applications in 2008 from about 21,500 people looking for a home. 14% of all registered people looking for a home became tenants in 2008. Over 87% of them used the internet to register with Vesteda.

call-centre link between customer and sales team

#### Sales support follow up

A separate sales support team has been set up to ensure faster follow up of leads. This team is part of the call-centre and has the task of completing the customer information from the registration as far as possible. Based in part on their assessments, they quickly put customers with a specific housing need directly in touch with the letting agents. This means that the letting agent has fewer but better quality contacts, leading to a higher 'contact to contract' conversion rate. A pilot scheme was started in the Amsterdam region at the end of 2008 and the process is being rolled out to all offices during the first half of 2009.

on plan

#### Letting result

Initial letting results were generally good in 2008 with little evidence of the impending recession. New housing on IJburg in Amsterdam and the Roomhaeve property in Leiden were quickly let. The letting of Side by Side in Almere was delayed since, despite complying with the Building Decree, Vesteda decided later to incorporate extra cooling. After a moderate start in 2007, the Vesteda Toren in Eindhoven has been fully let, partly as a result of changes in rent levels. The New Amsterdam building on the Zuidas in Amsterdam was opened in August. This project focuses mainly on the business market, with 101 of the 174 apartments offered as short stay and 28 as homes with office space, in this form a new product. This project has its own sales and guest relations team because of its size and the international market segment. Initial letting is planned to last about 12 months. At the end of 2008, letting was on plan.

pleasant and useful cooperation

#### Tenants' associations

Vesteda holds two formal meetings with tenants' associations a year. There are also frequent informal contacts with the associations or their committee members between the spring and autumn meetings 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 2008. The subjects discussed include 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.

positive, critical and constructive cooperation

#### Umbrella national organisation for Vesteda's tenants

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 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. Vesteda regards the cooperation with the Vesteda Platform as positive, critical and constructive. Several meetings were held in 2008.

more frequent consultation required by law

#### Tenant and Landlord Consultation Act

The new Tenant and Landlord Consultation Act that came into force at the end of 2008 was a source of concern to many investors. Mandatory consultations between landlord and tenant will become more intensive and comprehensive. On behalf of investors, the IVBN raised objections to various specific regulations. This new Act also affects Vesteda, mainly in respect of the frequency of consultations. For years, however, Vesteda has had well organised and intensive consultations with tenants' associations individually and the Vesteda Platform as an umbrella organisation. Building on this structure, changes will mainly be a shift in the subjects discussed with tenants' associations and with the Platform.



### Rent rise

average 2.5% rent rise on 1 July	Vesteda's rents rose by an average of 2.5% on 1 July 2008. The rental policy treats regulated and deregulated residential properties differently.
1.5% rent rise in social segment from 1 July	On 1 July, about 59% of the residential properties in the letting portfolio were in the social rental segment, where rent rises are restricted. The rent rise for these residential properties was on average 1.5%.
3.6% rent rise in deregulated segment on 1 July	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 rates 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, demonstrating its long-term involvement and social role to tenants and municipalities. Inflation in 2007, which determined the rent rises in the deregulated segment in 2008, was 2.2%. Overall, the average rent rise in the deregulated segment was 3.6%.

### Energy performance advice

all residential properties classified	From 1 January 2009 residential properties which change hands, in letting and sale, must have an EPA energy classification. Vesteda has a project to provide all its residential properties with an energy classification and is giving priority to properties in the letting/sale phases. It is expected that all residential properties will have been classified by the end of 2009.
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### Information

stabilising the infrastructure and migrating and integrating core systems	The accent in information provision in 2008 was on further stabilisation of the infrastructure and migrating and integrating various core systems. The financial administration and property management systems have been upgraded to the most recent versions, improving their quality and availability. A start was also made on an upgrade for the customer relations management (CRM) system that is expected to be available in mid-2009. A new project monitoring system was commissioned use in 2008. In addition, selection of the replacement for the budgeting model and the long-term forecast software was completed. A feature of Vesteda's information systems is their high availability. An additional measure in 2008 was completing change management, the controlled handling of changes in information systems.
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### Credit management

rent arrears fall to 13.9% of monthly rent	The back office again took significant steps to further optimise its processes in 2008. In the past year, all service contracts were processed in the property management system so that the back office and the offices have more control over payments and the process is administratively simpler. The credit team again managed to reduce arrears in absolute terms and as a percentage of the rent due. Arrears fell from 14.7% of monthly rents at the end of 2007 to 13.9% at year end 2008. The reporting team made major progress in 2008 in working with the control register so that the completeness of rental income can be even better guaranteed.
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## SALES

### Fall in sales volume

credit crisis clearly noticeable The credit crisis clearly affected Vesteda's disposal activities in the second half of 2008. The volume of sales transactions fell considerably in the second half of the year. Although prices and book profits remained up to the mark, the volume of individual private sales of homes dropped sharply.

### Process optimisation

sales coordination decentralised Income and results on disposals are significant to the realised return and cash flow. Consequently, an optimum commercial approach to the market is very important and so it was decided to coordinate sales from the woongalleries with effect from 1 January 2009. By working closer to the market, commercial pricing can be optimised, and a better balance can be drawn between sale and reletting.

## INNOVATION

innovation: not a 'project' but a 'way of life' Vesteda started a company-wide innovation project in 2008. The objective was to develop, implement and embed structural innovation and the commitment of all departments and function groups in it. Key to the approach is encouraging a climate in which new ideas arise and are implemented and where innovation is not a project but a way of life.

aim: value creation The aim of innovation is the permanent creation and improvement of value for customers, investors and Vesteda in the short and long term. Value is more than just financial: as well as increased income or cost management, it can involve customer satisfaction, image, quality, efficiency and speed.

innovation team put together An innovation team was put together at the end of 2007 to secure a long-term role for innovation. In 2008, this group set up an innovation process that is now running at full speed. Activities have been deployed, focusing on awareness, generating new ideas, selecting and implementing quick wins and structural renewal.

400 changes identified Information sessions were held in various locations around the country, attended by about 100 employees and managers, who worked hard on creating a portfolio of new ideas. Currently 400 changes and improvements have been identified. A number of facilitation techniques are applied successfully in practice to arrive at these ideas. The ideas collected relate to attracting and retaining new customers, getting more from sitting tenants, new services and products, product improvements and sustainability and improving customer processes.

internal ambassadors Multi-disciplinary workshops were organised around several customer and product innovation themes. These sessions were attended by thirty employees from various disciplines. The output of these sessions was always better than expected and generated large numbers of ideas. Thanks to these sessions, there was also more support and involvement, and Vesteda gained a number of internal ambassadors campaigning for further innovation.



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. Tenants rate the home, surroundings and service from Vesteda as satisfactory to good and in most cases better than satisfactory to good. The overall customer satisfaction rating for 2008 was 7.0.

questionnaire	As a matter of course, all new and departing tenants receive a questionnaire that they can return by post or complete online.
...new tenants	New tenants are asked why they are renting, and about the orientation and decision-making process and their findings as a new customer.
...departing tenants	Departing tenants are asked why they are moving and for suggestions for improving products and services.
...sitting tenants	Each month, a sample of sitting tenants is sent a questionnaire asking about matters such as satisfaction with the home, surroundings and the service from the woongalleries. The number of sitting tenants approached each month has been increased by 200 from 500 to 700 making it possible to draw valid conclusions for sub-groups.
...abandoned applications	Abandoned applications are also surveyed. The 'leads' survey has been operating since 2007. Using this information, Vesteda gets to know the decisive reasons why, in the end, they did not rent from Vesteda.
...users of serviced apartments	The Serviced Apartments module has been a standard part of the Tenants' Monitor since 2008 with the aim of responding more effectively to the specific wishes and needs of this target group.
customer panel active in 2008	The Vesteda customer panel was set up in 2008 and it is representative of all Vesteda tenants. The advantage of having the panel is the speed with which the preferences and views of our tenants can be measured and the speed of research for urgent decision making. Subjects surveyed in 2008 were the willingness of sitting tenants to purchase (segmented by age, length of residence, rent band and age of the property) and the views of tenants on sustainability and environmental and money saving measures.
20,000 surveys already processed, report well embedded in operations	20,000 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. Recently, various modules were 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.

**Results of the customer survey**

tenants are satisfied with their homes

In general, Vesteda tenants are satisfied with their homes, giving them an average rating of 7.3 in 2008. The size and layout of Vesteda homes rated above 7.5. The commonest request of tenants in existing buildings is a new bathroom and/or kitchen, possibly with a contribution to the cost. Perceptions of the rent and price/quality relationship of the home are stable.

surroundings more than satisfactory

Tenants are also generally satisfied with the surroundings, giving them an average rating of 7.2 in 2008. Accessibility by car and public transport and the availability of shopping facilities rate 7.5. Tenants are increasingly asking for more attention to car parking near the home, maintenance of green spaces by Vesteda and gardens in the area by other tenants and the tidiness, atmosphere and tranquillity of the surroundings.

<p>location, layout and immediate availability are principal reasons for renting</p>	<p>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. For new tenants from a rental home, employment was a significant reason for renting from Vesteda. For new tenants from an owner-occupied home, selling the existing property is, of course, a significant motive for temporary or permanent renting, but family circumstances were of relatively greater importance for this group.</p>
<p>service levels more than satisfactory but there are some areas for attention</p>	<p>The rating for service to sitting tenants was 6.8, as in 2007. Ratings were less good for complaints handling and prompt compliance with arrangements. The customer-friendly approach and availability by phone were well over 7. The rating for services to new tenants was 7.3 and for departing tenants 7.4. The sitting tenants at 6.8 were less satisfied with services than the new and departing tenants. Particular areas for attention are answering enquiries, promptly complying with arrangements and dealing with complaints. The annual suggestions for improvement from tenants at complex level ranked by home, surroundings and service, are a handy and concrete tool for the organisation, with the involvement of the tenants' association, to make well-considered choices on renovations or additions. Sitting tenants draw Vesteda's attention to careful communication on maintenance work and in particular more supervision of the work.</p>
<p>departing tenants</p>	<p>Most leavers move to an owner-occupied home. Notably, this proportion fell by 6 percentage points in 2008 to 60% (66% in 2007) while departures to rent from another landlord rose 8 percentage points to 25% (17% in 2007).</p>
<p>overall customer satisfaction rating 7.0</p>	<p>The overall customer satisfaction rating (out of 10) for home, surroundings and service was 7.0 in 2008.</p>
<p>new: evaluation of complaints handling</p>	<p><b>Expansion of the survey</b></p> <p>Telephone evaluation of complaints handling started in early 2009, as part of the renewed process for dealing with complaints. Tenants who have had a complaint dealt with are called immediately afterwards with questions on how satisfied they were with the process. They are asked about customer focus, clarity of the process, involvement of Vesteda, complying with arrangements and the speed of handling. Tenants are also asked what they think could be improved.</p>
<p>new: service of sales agent</p>	<p>The service provided by estate agents in individual sales of residential properties is being measured in the first quarter of 2009. Both those who bought and those who eventually decided not to buy are asked why and about the role of the estate agent in the process. Tenants and non-tenants are being approached.</p>

During 2008, 1,052 residential properties were sold and 344 residential properties were added from in-house projects. Consequently, the letting portfolio declined on balance to about 27,600 homes. The occupancy rate fell marginally to 97.1%. The gross yield rose to 5.4%. Average rents rose 4.8%. The portfolio is still modern: two-thirds of the homes are 25 years old or less. Of the 1,052 homes sold, 696 were sold individually and 356 in one tender. The result on disposal of each home fell to €19,000, generating a book profit on sales of €20 million.

## CLASSIFICATION OF THE PORTFOLIO

All complexes 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. Once a project is both ready for letting and handed over, it is transferred to the letting portfolio. A project may be transferred in stages.

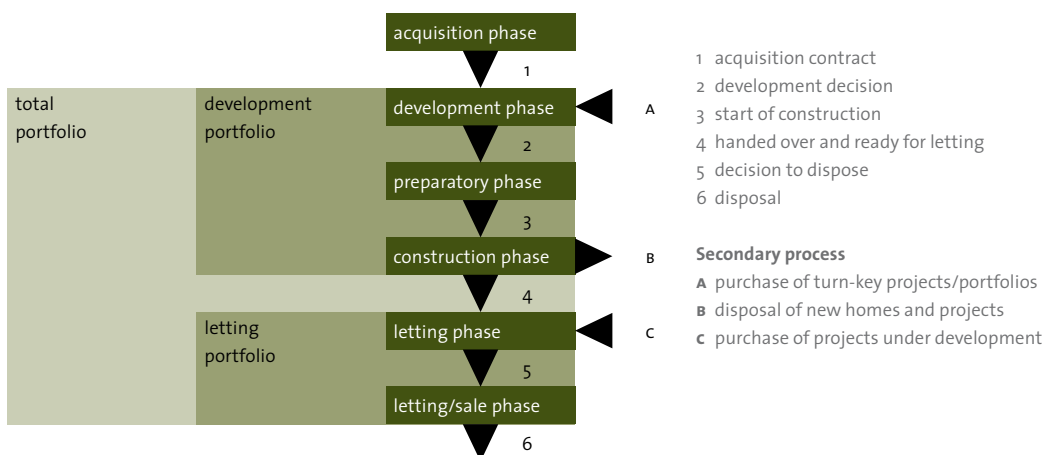
### Letting portfolio

The letting portfolio includes projects in the letting phase and projects in the letting/sale phase. When a decision is taken to dispose of a project, it becomes part of the letting/sale phase.

### Disposals

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

Diagram of the classification of the property portfolio



**Transfer from Vesteda Project bv to Vesteda Woningen cv**

Vesteda Groep bv determines its need for new projects from the long-term plan, based on analyses of the ideal and actual portfolios, and this 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 cv. They can be transferred to Vesteda Woningen cv 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**

marginally higher

The value of the total portfolio was €4,978 million at year end 2008, marginally higher, by 1%, than at the start of the year.

**Total portfolio, value**

Excluding acquisition investments, year end

(€ millions)	2008	2007	2006	2005	2004
	4,978	4,934	4,482	4,230	4,106

**DEVELOPMENT PORTFOLIO**

**Value**

more than doubled

The value of the development portfolio was €279 million at year end 2008, thus more than doubling in value during the year. The increase was a result of the value of new additions to the development portfolio being greater than the value of projects completed and let and Vesteda Project bv using longer-term financing on average since concluding a credit facility.

**Development portfolio, value**

Excluding acquisition investments, year end

(€ millions)	2008	2007	2006	2005	2004
	279	135	176	196	256

**Investment**

not achieved

The table below shows the annual investment in the development portfolio. Vesteda Project bv did not achieve its project development targets in 2008. Longer preparatory processes and spatial planning procedures for projects, along with tendering problems, meant that the start of construction work on several projects was moved from 2008 to 2009. A total of €229 million, including VAT, was invested against a target of €260 million.

**Development portfolio, investment**

Excluding acquisition investments, incl. VAT

(€ millions)	2008	2007	2006	2005	2004
Target	260	250	220-250	230	200
Actual	229	169	169	184	206

**Properties in the portfolio**

A list of properties in the development portfolio is set out on page 148.

**Vesteda Project bv's report**

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

## LETTING PORTFOLIO

### Value

modest decline The table below shows the value of the letting portfolio, which fell to €4,699 million at year end of 2008. The proportion of single-unit residential properties fell from 43% to 41% by value.

#### Letting portfolio, value

year end (€ millions)	2008	2007	2006	2005	2004
Single-unit residential properties*	1,925	2,055	1,794	1,734	1,804
Multiple-residential properties*	2,774	2,744	2,512	2,300	2,046
Total	4,699	4,799	4,306	4,034	3,850

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

### Revaluation in detail

roll-over strategy: inflow of 3.5%  
about the same as outflow  
of 3.1%

The letting portfolio changed by a net 2.1% in value. The inflow of new projects added €179 million to the portfolio value. The disposals resulted in a reduction of €156 million in the value of the letting portfolio. As a result of the roll-over strategy, therefore, the portfolio changed by €23 million in 2008 and so the value of the inflow was about the same as the outflow, in line with the strategy.

Revaluations: +3.2% to third  
quarter, -2.4% to fourth quarter

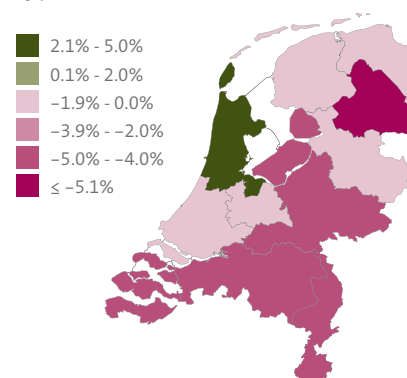
The revaluation of the properties in the property portfolio was downwards for the first time in Vesteda's history. This fall is the net effect of an increase in value of €151 million in the first three quarters and a fall in value of €267 million in the fourth quarter. Until the third quarter, the revaluations were, therefore, up by 3.2%, but by year end the revaluation for 2008 was €-116 million or -2.4%. The map below shows the revaluation to the end of the fourth quarter by province.

#### Letting portfolio, revaluation

(€ millions)	2008	% value
Value at start of year	4,799	100.0
movement as a result of inflow	179	3.7
movement as a result of outflow	-156	-3.2
movement as a result of roll-over strategy (a)	23	0.5
revaluation to third quarter	151	3.2
fourth quarter revaluation	-267	-5.6
movement as a result of revaluation (b)	-116	-2.4
revaluation in year under review (a+b)	-93	-1.9
net transfers	-7	-0.2
Value at year end	4,699	97.9

#### Letting portfolio, revaluation

By province, 2008



excluding fourth quarter  
revaluation, the total result on  
shareholders' equity would have  
been 7.8%

The table below expresses the revaluation as a percentage of opening shareholders' equity. It shows that, excluding the revaluation in the fourth quarter, Vesteda would have achieved an unrealised result of 4.6%. With the realised result of 3.2%, this would have led to a total result of 7.8%. The leverage effect of the loan capital would in that case have made a 1.8% positive contribution.

#### Letting portfolio, unrealised result

Revaluation in relation to opening shareholders' equity (€3,288 million)

(€ millions)	2008	percentage of opening shareholders' equity
revaluation to third quarter	151	4.6
fourth quarter revaluation	-267	-8.1
movement as a result of revaluation	-116	-3.5



**Causes of the revaluation**

- more than half of the portfolio appraised externally during 2008

Over 50% of the letting portfolio was appraised by external valuers in 2008. The valuation of the remaining properties was updated by external valuers at year end. Consequently, all properties were appraised by external valuers in 2008. The properties appraised in 2008 were then updated internally at year end.
- 83% appraised at individual sales value

Projects in the letting portfolio for longer than 24 months are stated at fair value, being the higher of the investment value, the market value with sitting tenants, and individual sales value, the net realisable value on disposal of complete complexes to organisations specialising in selling individual units. The majority, some 83%, of the portfolio at the end of 2008 is stated at individual sales value.
- vacant value ratio determines individual sales value

The individual sales value is appraised in two steps. Firstly, the value with vacant possession (the price of the residential properties with vacant possession in individual sales) is set. The vacant value ratio of a property (the price that property investors are prepared to pay for clusters of (let) residential properties compared with the sum of the individual market prices of those residential properties with vacant possession) is calculated<sup>1</sup>. The individual sales value is the value with vacant possession times the vacant value ratio.
- vacant value ratio falls

In the fourth quarter, the letting portfolio fell in value as the sales value declined because of a lower vacant value ratio. Whereas most properties previously had a vacant value ratio above 80%, by the end of the fourth quarter this figure could only be achieved in the strongest areas, such as parts of the province of Utrecht. Specialists in selling individual units are less willing to purchase clusters of residential properties because of banks' reluctance to provide loans, stagnant rate of turnover in the housing market and uncertainty about how house prices will perform. The individual sales market has almost come to a stop.

**Units**

- modest decline

The size of the portfolio fell 3% in 2008. At the end of 2008, the letting portfolio was 27,624 residential properties. As well as the residential properties, Vesteda owned about 43,000 m<sup>2</sup> of commercial space and some 9,500 parking/garage spaces at year end.

**Letting portfolio (units)**

number at year end	2008	2007	2006	2005	2004
Single-unit residential properties	11,581	12,034	11,476	12,244	13,624
Multiple-residential properties	16,043	16,300	16,514	17,032	17,498
Total residential properties	27,624	28,334	27,990	29,276	31,122
Parking/garage spaces	9,457	8,984	8,185	7,203	7,146
commercial space m <sup>2</sup>	43,179	39,789	41,725	36,098	40,791
of which: offices	32,511	27,768	29,341	23,470	
of which: retail	10,668	12,021	12,384	12,628	

In 2008, the net decrease in the portfolio was 710 residential properties. In total 1,052 properties were sold and 344 were added. As a result of changes in layout, two residential properties were reclassified. All additions of residential properties were in-house developments. At the end of the year, about 27,300 of the over 27,600 units in the portfolio had been let for at least one year.

**Movements in letting portfolio (units)**

	2008	2007	2006	2005	2004
Number of residential properties					
At start of the year	28,334	27,990	29,276	31,122	33,474
- total sold during the year	1,052	1,263	1,758	2,515	2,756
+ reclassification as a result of change in layout	-2		-5		
+ added by acquisition of portfolios (a)		1,046			
At year end, let for at least one year	27,280	27,773	27,513	28,607	30,718
+ added from in-house developments (b)	344	561	477	669	404
At year end	27,624	28,334	27,990	29,276	31,122
of which added during the year (a+b)	344	1,607	477	669	404

### Properties in the portfolio

A list of the complexes in the letting portfolio is set out on page 143 giving the address, number of residential properties, usable area and theoretical year-end rental.

### Value with vacant possession

modest rise The value with vacant possession of the letting portfolio was €5,932 million at the end of 2008, meaning an increase of 2.5% during the year.

#### Letting portfolio, value with vacant possession

year end (€ millions)	2008	2007	2006	2005	2004
Value with vacant possession	5,932	5,785	5,355	5,181	5,117

### Average value per home

unchanged At €167,000, the average value per home was the same at the start and end of 2008 as a result of inflow, outflow and revaluation.

#### Letting portfolio, average value per residential property

year end (thousands of euros)	2008	2007	2006	2005	2004
Average value per home	167	167	151	136	127

## LETTING PORTFOLIO, RENTAL INCOME AND OCCUPANCY

### Market rental value and theoretical rental income

At the end of 2008, the annual market rental value of the letting portfolio was €261 million and the theoretical annual gross rent was €252 million.

#### Letting portfolio, market rental value and theoretical gross rent

year end (€ millions)	2008	2007	2006	2005
Market rental value	261	259	247	245
Theoretical gross rent	252	245	233	232

### Occupancy rate and tenancy turnover

marginal fall in occupancy rate,  
marked rise in tenancy turnover The occupancy rate in the letting portfolio fell marginally in 2008 to 97.1%. Vesteda regards the first year of letting as the initial letting phase. If properties added less than a year ago are ignored, the occupancy rate of the letting portfolio is 97.8%. The tenancy turnover rose to 13.1%.

#### Letting portfolio, occupancy rate

Calculated on the number of residential properties

percentages, year end	2008	2007	2006	2005	2004
Occupancy rate of letting portfolio	97.1	97.2	96.8	96.4	97.4
of which let for at least a year	97.8	97.7	97.5	97.8	

#### Letting portfolio, tenancy turnover

Calculated on the number of residential properties

percentages	2008	2007	2006	2005
tenancy turnover for the year	13.1	11.8	12.7	11.5
tenancy turnover, three-year average	12.5	12.0		

**Rental income**

slight rise During 2008, total gross rental income receivable rose by 5.3% compared with 2007 to €238 million. Of the total gross rental, 97.4% is attributable to residential properties. At 73%, net annual rent as a proportion of gross annual rent was unchanged compared with 2007.

**Letting portfolio, realised rental income**

(€ millions)	2008	2007	2006	2005	2004
Gross annual rent	238	226	221	219	230
Net annual rent	174	165	159	162	173
Net/gross annual rent	73%	73%	72%	74%	75%

**Gross yield**

rose to 5.4% 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 5.4%.

**Letting portfolio, gross yield**

in %	2008	2007	2006	2005
Gross yield	5.4	5.1	5.4	5.8

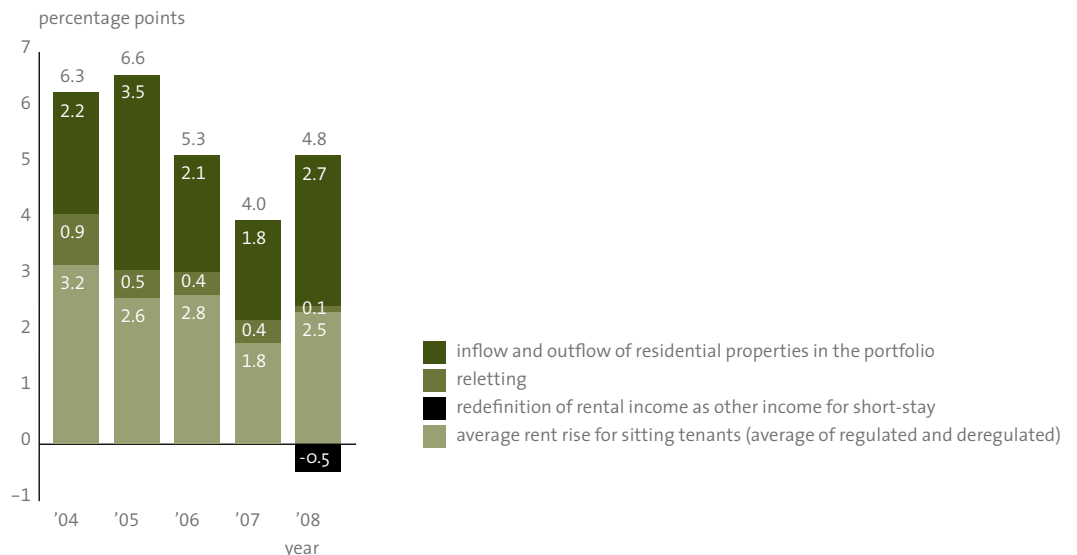
**Rent trends**

4.8% rise, four causes The average monthly rent per residential unit at the end of 2008 was €721, compared with €688 in 2007. This represents an increase of 4.8%, which had four causes. The first is the inflow and outflow of residential properties in the portfolio, which contributed 2.7%, because of the outflow of cheaper properties to make way for more expensive ones. The second source is reletting, which contributed 0.1%. Residential properties are relet at market rents after being vacated. The third cause is the structural, non-recurring change of no longer recognising additional services as part of the rent of serviced apartments (furnished residential properties) and it had an effect of -0.5%. The final source is the annual rent rise for sitting tenants on 1 July which accounted for a rise of 2.5% in the average rent.

**Letting portfolio, average monthly rent**

Year end, in €	2008	2007	2006	2005	2004
Average monthly rent	721	688	661	628	589

**Letting portfolio, average rent rise, by source**



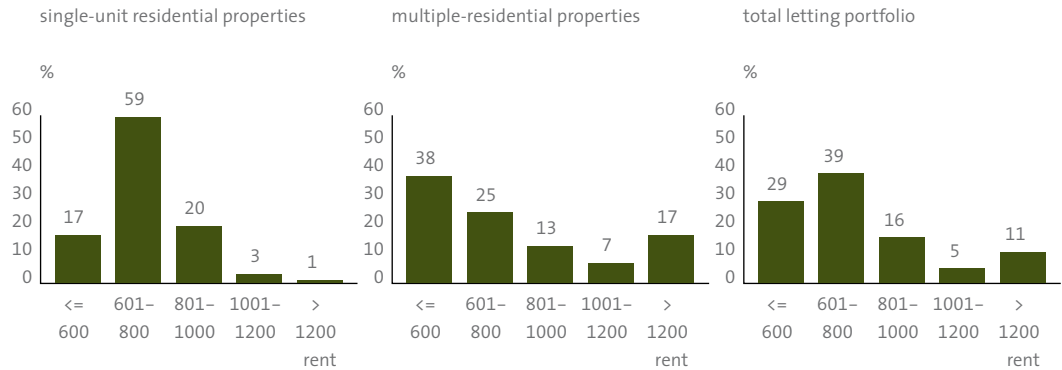
**Portfolio by rent**

30% < €600, approximately 60%  
 €600 to €1,200, approximately  
 10% > €1,200

If the letting portfolio is analysed by monthly rent, Vesteda obtains 70% of its theoretical gross rent from letting in the segment with rents above €600 per month. Most of this is in the basic segment of the higher-rent sector, at rents from €601 to €800 per month, representing a total of 39% of the theoretical rental income of the letting portfolio. Then there is the mid-segment, with rents from €801 to €1,200 per month, with a share of 21%. The smallest proportion is in the highest sector above €1,200, in total 11%.

**Letting portfolio, by rent**

Letting portfolio year end 2008, by theoretical gross rent for 2008, by rent



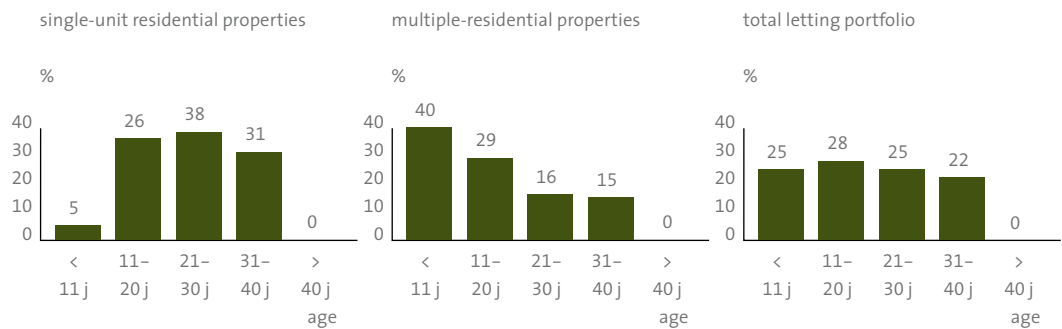
**Portfolio composition by age**

50% of the portfolio by value is  
 20 years old or less

The portfolio is still relatively modern: half of the homes are 20 years old or less. For multiple-residential properties the proportion is more than two-thirds. There are almost no residential properties over 40 years old in the portfolio. The roll-over strategy, with a limited annual inflow from new developments in the portfolio and almost equal outflow, keeps the portfolio up-to-date.

**Letting portfolio, by age**

Letting portfolio year end 2008, percentage of value year end 2008, by age



**SEGMENTATION OF THE LETTING PORTFOLIO BY SUB-PORTFOLIO**

This section sets 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.

<b>Letting portfolio, movement in value*</b>	single-unit residential properties	multiple- residential properties	total
2008 (€ millions)			
Value, at start of year	2,055	2,744	4,799
Additions	11	161	172
Disposals	-73	-83	-156
Revaluation	-68	-48	-116
Value, at year end	1,925	2,774	4,699

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

<b>Letting portfolio (units)</b>	single-unit residential properties	multiple- residential properties	total
year end 2008			
Number of properties	11,581	16,043	27,624

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

	single-unit residential properties	multiple- residential properties	total
2008, year end (€ millions)			
Value with vacant possession	2,463	3,469	5,932
Market rental value	102	159	261
Theoretical gross rent	98	154	252

**Letting portfolio, occupancy rate**

	single-unit residential properties	multiple- residential properties	total
year end 2008			
calculated on number of residential properties (percentages)			
Letting portfolio	98.4	96.1	97.1
of which let for at least one year	98.4	97.3	97.8

**Letting portfolio, realised rental income**

	single-unit residential properties	multiple- residential properties	total
2008 (€ millions)			
Gross annual rent	97	141	238
Net annual rent	75	99	174
Net/gross annual rent	77%	70%	73%

**Letting portfolio, gross yield**

	single-unit residential properties	multiple- residential properties	total
year end 2008 (percentages)			
Gross yield	5.1	5.6	5.4

**Letting portfolio, average monthly rent**

	single-unit residential properties	multiple- residential properties	total
2008 (in €)			
Start of year	684	691	688
Year end	706	732	721

**Letting portfolio, result on disposals**

	single-unit residential properties	multiple- residential properties	total
2008 (€ millions)			
Result on disposals	12	8	20

**DISPOSALS**

1,052 homes sold In 2008, a total of 1,052 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.

**Preference for individual sales**

sold individually where possible:  
696 homes To get the best results from sales, residential properties are as far as possible sold individually to tenants or, if vacant, to third-party purchasers. In 2008, 696 homes were sold individually. Sales proceeds of individual properties represented almost the same proportion of the total sales proceeds at about 75%.

**Remainder sold by tender**

A complex is sold complete if individual sales do not offer a financial benefit, for example, because of very low tenancy turnover combined with the residents' profile. Speed of sale may also be a reason for selling by tender. As usual, strictly regulated and transparent tender procedures were 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.

356 homes in seven properties  
sold by tender The target sales volume of 1,300 residential properties was not achieved because of the fall in the rate of turnover in the owner-occupied housing market in the third and fourth quarters. This volume was partly made up by a sale by tender. In total 356 homes in seven complexes were sold by tender. These were remainders of residential properties in various projects, which Vesteda had been offering for sale by for some time.

**result on disposals per home**

book profit on sales by  
tender falls but remains steady  
on individual sales A book profit of €20 million was made on disposals in 2008. The book profit per property fell from about €27,000 in 2007 to over €19,000 in 2008. The average book profit per residential property sold individually was over €29,000 and thus down on 2007, when it was over €32,000. This shows that, despite a disappointing rate of turnover in the owner-occupied housing market, individual sales of residential properties have preference.

**Letting portfolio, result on disposals**

(€ millions)	2008	2007	2006	2005	2004
Result on disposals	20	34	45	76	71

**Letting portfolio, result on disposals per residential property**

(thousands of euros)	2008	2007	2006	2005	2004
Result on disposals per residential property	19	27	26	30	26

Letting expenses for 2008 were 27.0% and so were slightly lower than in 2007. Management expenses were stable and have been 37 basis points of the portfolio value for four consecutive years. Consequently, both targets were met in 2008.

letting expenses as a percentage of gross interest fell marginally

Letting expenses include maintenance costs, reletting, property management, brokers' fees and fixed costs (including taxes). They amounted to 27.0% of gross letting revenue in 2008. The target was an expense level of no more than about 28%.

management expenses stable

Vesteda Woningen cv's management expenses amounted to 37 basis points of the portfolio value during 2008 as in 2005, 2006 and 2007. This, too, met the target of an expense level of less than 40 basis points.

#### Letting expenses of Vesteda Woningen cv

	2008	2007	2006	2005	2004
As a percentage of rental income	%	%	%	%	%
Letting expenses	27.0	27.1	27.9	26.0	24.9

#### Management expenses Vesteda Woningen cv

In basis points of the portfolio value at the beginning of the year	2008	2007	2006	2005	2004
	bp	bp	bp	bp	bp
Management expenses*	37	37	37	37	38

\* See page 151 for definitions

A feature of 2008 for the staff and organisation was strengthening the organisation's position in the labour market, culture and leadership. Three competences: personal responsibility, customer focus and good co-operation are decisive. The workforce rose slightly in 2008 to 337 FTEs. Sick leave went up to 5.6%.

## WORKFORCE

slight increase in workforce

In 2008, Vesteda saw a slight increase in the workforce, which rose from 318 FTEs at the start of 2008 to 337 FTEs. The number of employees rose from 349 to 378. The increase was mainly in the Amsterdam woongalerie, Vesteda Project bv and the call centre and concentrated in the second half of 2008, meaning that the average workforce was more or less the same in 2008 as in 2007 at 322 FTEs. The gross payroll in 2008 was €17.1 million.

### Workforce

year end	2008	Net movement	2007	2006
FTEs	337	+19	318	322
Employees	378	+29	349	353

### Workforce annual average

average of 12x month end balances	2008	Net movement	2007	2006
FTEs	322	+1	321	314
Employees	361	+9	352	344

### Personnel of Vesteda Group

year end	2008	Net movement	2007	2006
FTEs				
Head office	108	+5	103	105
Property management	193	+9	184	191
Vesteda Group	301	+14	287	296
Vesteda Project bv	36	+5	31	26
Total Vesteda Group	337	+19	318	322

### Employees

	2008	Net movement	2007	2006
Head office	118	+8	110	113
Property management	223	+16	207	214
Vesteda Group	341	+24	317	327
Vesteda Project bv	37	+5	32	26
Total Vesteda Group	378	+29	349	353

average age of about 40

The average age was about the same as in 2007; 40.9 years. Only a few younger people joined. The workforce is distributed evenly across the different age groups. A third are under 35 and a third between 35 and 45. In total 12% are 55 or older.

### Workforce, by age

Percentage of employees	2008	Net movement	2007	2006
	%	%	%	%
to 35 years	32	+2	30	32
35 to 45 years	32	-2	34	32
45 to 55 years	24	-1	25	28
over 55 years	12	+1	11	8
total	100	-	100	100



more women than men The male/female ratio changed and for the first time there were more (53%) women than men working at Vesteda.

**Workforce, by gender**

Percentage of employees	2008		Net	
	2008	movement	2007	2006
	%	%	%	%
male	47	-4	51	52
female	53	+4	49	48
total	100	-	100	100

outflow indicates stable working environment The dynamism in the market is clear from the inflow and outflow percentages. Vesteda welcomed 79 new employees, being an inflow of 22.6%. At 50 people, the number of leavers was about the same. These are satisfactory figures, indicating that Vesteda succeeded in renewal and keeping the organisation stable in 2008.

**LABOUR MARKET**

great dynamism The dynamism in the labour market was also clear in 2008 and Vesteda succeeded in maintaining and strengthening its competitive position for recruiting well-qualified staff. Vesteda also succeeded in filling vacancies quickly through targeted recruitment activities and good relationships with search and recruitment firms. This was more difficult for a few vacancies, such as market researcher, project developer and asset manager. Almost all positions were filled at the end of 2008. In total, 85 vacancies had been filled for six months or longer, of these 79 were started in 2008. In the third quarter of 2008, it became clear that the labour market was changing quickly. This offered opportunities to fill open vacancies more quickly. The number of open applications increased and there was a clearly greater response to vacancies.

**Vesteda brand in labour market**

Vesteda seen as an attractive employer A survey of internal and external respondents into the Vesteda brand as employer on the labour market was started in 2008. It showed that Vesteda is seen as an attractive employer operating in a stylish and professional no-nonsense way. The distinctive strength is clear from the way in which Vesteda invests in the professionalism of its employees. Potential employees who want to get the best out of themselves in a competitive environment best suit this employer profile. The findings of this report will be used in 2009 to communicate towards the target group in the labour market.

**STRENGTHENING THE ORGANISATION**

**Performance cycle**

performance cycle gets the best out of everyone Vesteda is convinced that all employees, irrespective of their jobs, make a significant contribution to the company's reputation and result. To remain successful as a business, all employees are encouraged and enabled to get the best out of themselves. To this end, a performance management programme was set up and developed further in 2008.

performance matrix leads to employee development plan At the end of 2008, a start was made on changing the performance cycle. Vesteda attaches great value to the direct relationship between managers and employees reflected in the arrangements made on performance and interpersonal skills. At the end of 2008, there were sessions in which the various salary proposals were compared against the employee's performance and target achievement. The result of these sessions was more solid support for the proposals. Employees were placed in a matrix according to potential and performance. The position in the matrix then points to activities needed for further development. These arrangements will be refocused in 2009.

### Property management department

reorientation completed

At the end of 2007, a start was made on reforming the Property management department. The aim of the 'strategic reorientation' was to create more focus which is intended to lead to more efficient working processes resulting in an increase in letting and raising customer satisfaction. The merger of the various woongalleries reduced the number of office managers, initially by two and in due course by three. In consequence, the account managers took on more management responsibilities, so that decisions could be taken faster than in the past and by employees close to the customer. Housing consultants were asked to choose between becoming letting agents, responsible for letting and all activities with respect to new tenants, or management consultants, responsible for management and all activities with respect to sitting tenants. A start was also made on simplifying the reletting process. The changes affected the duties and associated responsibilities of a large group of employees. Clear agreements were made with the Works Council on redeployment opportunities for employees whose job would change substantially in nature. In a few cases, employees have left Vesteda.

### Strengthening the Asset management department

expansion in the Randstad conurbation

The number of residential properties in our portfolio in the Randstad conurbation grew further in 2008. To be able to work efficiently in the market, it was decided to expand the Asset management department in this region and three new asset managers were recruited in 2008.

### Disposals

partial decentralisation prepared in early 2009

In mid-2008 it was decided to change the sales organisation, with some activities being decentralised. Planning, administration and monitoring preparations and progress continue to be handled centrally in Maastricht. The sales policy is implemented by the offices and this had been anticipated in the organisational changes in the Property management reorientation project. The plans were developed during 2008 and the first activities and responsibilities will be transferred in early 2009. The new organisation will be fully operational from the second quarter of 2009.

### Culture and leadership

programmes focused on co-operation and coaching

In the culture programme, activities were developed focusing particularly on reinforcing co-operation within the new Property management department. Certain managers participated in an intensive coaching programme.

## EMPLOYMENT CONDITIONS AND COLLECTIVE BARGAINING AGREEMENT

competitive package of employment conditions

Vesteda wants to deliver quality and so it demands above-average quality and effort from its staff. In return it offers a competitive package of employment conditions. The policy is for employees to receive above-average remuneration provided they perform well.

### Pay rise under collective bargaining agreement

pay rise of 3%

Separately from individual pay rises, salaries rose structurally by 3% in 2008 and there was a one-off payment of €250. These changes came about under the two-year collective bargaining agreement with the trade unions which will run until 1 January 2010.

### Salary outside the collective bargaining agreement

objectively set based on external surveys

The employment conditions of staff not covered by the collective bargaining agreement were examined by an external research company. If the employees perform well, the salary for this group can be set at a maximum of the third quartile of the market. Their salaries are indexed in line with the consumer price index, but only for good work.

### Changes to the working week

introduction of 38-hour working week

The standard working week at Vesteda was increased from 36 to 38 hours from 1 January 2008. This did not have a huge operational effect as the majority of staff were already working 38 hours per week.

**Performance-related pay**

greater accent on variable pay

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. Vesteda will regularly check that the remuneration package is competitive in the current dynamic labour market. The performance-related portion of pay was about 7% in 2008.

**Employee development and training**

3.6% of pay invested in training

Vesteda makes an above-average investment in employee development. In 2008 about €620,000, or 3.6% of the gross payroll, was invested in development of individual employees and the teams. By comparison, the average in the Netherlands is about 2%.

**SICK LEAVE**

sick leave rose to 5.6%

Despite management efforts to reduce sick leave, the intended 4% level was not achieved. The rate in 2008 was 5.6%, compared with 5.3% in 2007. Analysis shows that a few employees who were ill for more than one month have a relatively large effect on the figure. The percentage of long-term sick leave (longer than a year) fell. The overall sick leave picture is unsatisfactory.

**Sick leave Vesteda**

	2008	2007	2006	2005	2004
percentage	%	%	%	%	%
Total sick leave	5.6	5.3	4.8	4.0	4.2
Sick leave, excluding long-term sick leave (longer than one year)	5.0	5.2	4.6	3.2	3.4

action plan to combat sick leave being developed

An action plan is being prepared in consultation with the health and safety service, under which regular talks will be held locally between occupationally disabled staff, managers, the company doctor and the personnel department.

**WORKS COUNCIL**

positive critical attitude of the Works Council

As in previous years, there were constructive discussions with the Works Council. The Managing Board values the positive criticisms of 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 changes in employment conditions, such as the commuting plan drawn up on a proposal of the Works Council. The new bonus scheme was also adopted.

A new Works Council took office in 2008. There was a high level of interest among staff to make a contribution as members of the sounding board group. In 2008, the Works Council made recommendations on the reorientation of Property management, reletting policy, target pay, parking policy, commuting allowance, drawing loan capital and the company car plan. The business plan was also discussed. The Works Council notified the Managing Board that it agreed with the new course. It became clear in the fourth quarter that the credit crisis would not pass Vesteda by. The Works Council sees the challenge as facing up, with the Managing Board, to expected market developments.

rejuvenation of the Works Council	Scheduled elections were held in October 2007, with four members leaving the Works Council. Three new members were welcomed. In the course of 2008, three Works Council members left Vesteda and by-elections were held on 1 September. The Works Council has been revitalised since the elections; over half of its members are new. A significant advance was also made in the male/female ratio: the Works Council has been joined by two women, bringing their total to three although this is far from the desired number; the aim is equal numbers.
50 sounding board group members	Both elections showed that staff were keen to become candidates for the Works Council. This is good to note as many Works Councils complain that so few people have any interest. There are even some organisations where the Works Council has vacancies which cannot be filled. Fortunately, this is not the case at Vesteda. This was also shown in the autumn by a campaign by Works Council members to recruit staff to act as a sounding board. The call led to many positive reactions. At the end of the year, there were fifty members of the sounding board group.
more time for consulting employees	The wish for a sounding board group did not come out of the blue. The idea was born during a two-day 'conference' in September 2008. The meeting had been planned to introduce the new Works Council members and to agree the future approach and policy with them. Many new proposals were discussed during this intensive meeting. The report of the meeting and the agreements are now on the agenda of the consultative meeting. In addition to setting up a sounding board group, the agreements included a wish to report back to Vesteda employees more often than in the past and to make best use of electronic communications. From now on, the Managing Board will also be held more closely to the formal requirements of a request for opinion before taking action. This is needed if the Works Council is to have the time and opportunity to consult the employees.
opinions: reorientation of Property management, reletting policy, target pay, parking policy, commuting allowance, attracting loan capital and company car plan	The Works Council met ten times and held five consultative meetings with the Managing Board in 2008. The Works Council closely monitored the consequences of the reorientation of Property management and this was, therefore, regularly on the agenda. An opinion had already been given on the effects of the reletting policy. The Works Council also issued opinions on target pay, the parking policy, commuting allowance, attracting loan capital and the company car plan. The Works Council initiated a proposal for using the tax advantages in commuting allowance policy and almost all employees eligible for this have made use of this.
business plan discussed with the chairman of the Supervisory Board, Works Council positive	The annual meeting with the chairman of the Supervisory Board took place in June. The agenda included the draft 2009-2011 business plan, which was discussed in confidence. After the approval of the Supervisory Board, the plan was again submitted to the Works Council which notified the Managing Board that it agreed with the new course. The Works Council was impressed by the intention to put the emphasis in project developments on the mid-rent segment, to again look for co-operation with housing associations and also to operate in redevelopment districts.

'all hands on deck' At the end of 2008, the market and prospects looked different from those set out in the business plan as appraisals of the properties showed a net fall in value in the fourth quarter of 2008. It then became clear that the credit crisis would not pass Vesteda by. The outlook for 2009 will, therefore, have to be revised. For the Works Council this means 'all hands on deck': facing up, with the Managing Board, to expected market developments.

For 2009, Vesteda is assuming a trend of -2 to -5% in average market prices for owner-occupied homes in the Netherlands. Given the accounting policy and the effect of a declining vacant value ratio, Vesteda is forecasting a revaluation of the portfolio in the range of -2 to -8%. The realised result will rise slightly and is expected to be about 3.2% to 3.5%. In summary, the outlook is that the total result on shareholders' equity will be between -8% and 1%. With an outlook of a revaluation of the derivatives of -1% to 0%, the total yield will be in the range -9% to 1%. Long-term prospects for the housing market from the investor's perspective are favourable. The expectation is that the rental market will pick up quickly during and after the recession, especially in the €600 to €1,200 per month segment.

## ECONOMY

contracting economy, increasing unemployment, lower inflation

The credit crisis is creating a fall in economic activity worldwide; after growing at 3.5% and 2¼% in 2007 and 2008, respectively, the Dutch economy is expected to contract in 2009. Exports are suffering particularly from the international economic depression. Diminishing sources of finance and the decline in manufacturing are also discouraging capital expenditure. It is expected that global trade and lending will recover somewhat in the course of 2009, with economic growth picking up in 2010. As a result of the fall in the economy, unemployment will rise substantially in the next two years. A bright spot is that lower raw material and energy prices will depress inflation, to the benefit of incomes and purchasing power. The unfavourable economic situation is also reflected in government finances. Lower tax and social security income and gas revenues and higher spending on unemployment benefits will lead to a budget deficit.

## HOUSE PRICES

four effects

Although the fundamental factors show that house prices in the Netherlands are exactly at their long-term equilibrium, Vesteda expects a modest to slight fall in 2009 to below the long-term equilibrium, as in the period 1995 to 1999<sup>1</sup>. There are four influences on the housing market.

### General effect of recession in the housing market

fall in consumer confidence leads to purchases being postponed

Firstly, we will see the consequences of this recession in the medium-term. Lower consumer confidence in particular is making consumers postpone long-term investments, such as homes and cars, creating a downward spiral. This is the same for houses albeit to a lesser extent. The number of households is growing and so, therefore, is demand for homes. The price-depressing effect is much weaker than for cars. The rate of turnover in the housing market was, therefore, much lower in the third and fourth quarters of 2008, but prices in December were unchanged over the year. Vesteda expects a modest fall in the prices on an annual basis by the end of the first quarter of 2009.

banks are more critical in granting mortgages

Although less significant, another effect of the recession is that banks are granting lower mortgages in relation to income and looking more critically at mortgage applications.

basic interest rates low, fall in interest premium may be consolation

Another – this time positive – effect is interest rates, which are currently low and expected to fall further or at least remain at this low level. If the high interest premiums that banks are currently applying revert to their normal levels, borrowing will become cheaper. This will boost house prices. If and how far this will happen is not known, but the Minister of Finance, Wouter Bos, said several times in December and January that he is looking at ways to cut the interest premium charged by banks so that consumers can benefit from low interest rates to boost consumption.

**Effect of recession on tensions in housing markets**

markets relax, purchasers have more time

Secondly, we shall see a short-term effect: prices will fall in the tense housing markets, in the strong areas such as Amsterdam, as a result more 'rationalisation' by purchasers. It is no longer necessary to decide to bid within 12 hours of a property going on the market. As a result of relaxation in the housing market, purchasers have more time and so they can better compare properties and convert their wishes more closely into a bid.

**Effect of long-term economic and demographic trends**

shift to economically stronger regions

Thirdly, there is a more structural effect: the shift to economically stronger regions in the Netherlands. Although the number of households will grow on balance in the next few years and decades, there will be a decline in some parts of the country. This will be reflected in the housing market. The effect will intensify price differentials between strong and weak areas. Vesteda is responding to this by having core areas and choosing better locations within them.

**Effect of investor sentiment on the value of Vesteda portfolio**

further fall in the vacant value ratio

These factors determine prices in the housing market. For property investors such as Vesteda, there is a fourth effect: the fall in vacant value ratio which, given the accounting policy for valuing the portfolio, may cause a further downward revaluation in Vesteda's portfolio on top of the fall in individual house prices with vacant possession. It is difficult to estimate how the tender market will develop in 2009, but in view of the expected increase in the number of residential property portfolios put on the market by investors and developers, lower prices, the already lower rate of turnover and expected continuing difficult financing, Vesteda expects a further fall in the vacant value ratio: lower prices that property investors are prepared to pay for clusters of residential properties compared with their individual market prices.

**Forecast house prices**

difficult to forecast

As a result of the range of effects which work simultaneously, the trend in house prices and thus the value of the Vesteda portfolio are very difficult to forecast.

Vesteda's forecast: revaluation to -8%

For 2009, Vesteda is assuming an average market trend for owner-occupied house prices in the Netherlands of up to -5%. Vesteda expects a similar trend in its portfolio, leading to a revaluation of the value with vacant possession of the letting portfolio by -5%. Given the accounting policy and the effect of the falling vacant value ratio, Vesteda is forecasting a revaluation of the portfolio in the range to -8%. The effect on the yield will be explained from page 78.

**DEVELOPMENTS AT THE VESTEDA GROUP**

**Development**

growth to €275 million

Vesteda Project bv's project development activities will continue to grow. The investment level for 2009 is expected to be €275 million including VAT. The pipeline will be monitored continuously, in make, where possible, anti-cyclical purchases. Vesteda Project bv's organisation will have a clearer profile as a separate organisation within the Vesteda Group. More developments will be started for the owner-occupied market. Based on careful analysis, opportunities for anti-cyclical purchases will be examined, if the basis for proper financing opportunities is laid.

**Investment**

more in basic and mid-segments

Expansion of the basic and mid-segments of the higher-rent sector is central to the management of the investment portfolio, in the range of monthly rents of €600 to €1,200. The development portfolio will again be examined with respect to composition by rent category, to avoid too many residential properties in the segment above €1,200 coming on the market at the same time in the same housing market area.

1 See pages 45-46

limited funding of €150 million needed

Vesteda will need to finance €150 million in 2009. No refinancing is needed until the second quarter of 2010. Loan capital continues to be expensive and scarce, a direct effect of the credit crisis. Banks continue to be very reluctant to offer financing and only strong parties with conservative leverage can successfully approach the bond market. Vesteda, supported by its triple-A rating, has approached this market with great success in recent years and sees a relatively good chance of attracting financing in 2009.

funding by new bond issue and sales from the portfolio

Investors' willingness to make extra shareholders' equity available in 2009 is expected to be limited. After the dramatic investment year 2008, discussions between pension funds and supervisory authorities in early 2009 addressed the period over which the cover ratio of pension funds had to be restored. Until that period is clear and there is an idea of how the different investment markets will develop, there is not expected to be much interest in reorganising portfolios, and so for any extra investment in property. Vesteda's funding policy will, therefore, be based in the short term on attracting loan capital from the bond market by issuing new bonds, entirely within the normal financing standards. Sales from the portfolio, depending on opportunities in the market, will also generate additional liquidity.

### Letting/management

prospects for rental housing market favourable, but role of housing associations is a concern

The long-term prospects for the rental housing market are favourable from the investor's perspective. The owner-occupied market is expected to pick up more slowly after the recession than in the past, to the benefit of the rental market. There is structural scarcity in many areas, which will increase as a result of the collapse of new house building brought about by the recession, and will worsen in the next few years. The role of housing associations in keeping new building going is notable and regarding their competitive position also a concern for investors. Supported by their strong financial position, these parties that originated in the social sector are buying ongoing owner-occupied projects from builders and developers and converting them for letting. They are being supported by local and central government, without there being a good scheme for a level playing field. Consequently, they are often building up locally strong positions in the basic and mid-segments of the higher-rent sector.

recession noticeable, especially in upper segment and commercial market

Vesteda will feel the effects of the recession in management and letting. Demand for rental homes in the basic segment of the higher-rental sector, with monthly rents up to about €800, will remain strong. Demand for residential properties in the mid-segment, with prices from €800 to €1,200, will remain strong in the economically strongest regions. Hesitation by consumers will hit letting in weaker regions. The effect of the recession will be most noticeable in the upper segment. Tenants are giving preference to smaller apartments, often in the same building and with the same quality of location and finish. Furthermore, the majority of candidates are moving from larger owner-occupied homes, which are more difficult to sell. The serviced apartments segment focuses on commercial letting and so by definition is more susceptible to the state of the economy. Occupancy rates and price levels may be under pressure. The speed of letting will probably fall back for all new house building projects in the initial letting phase with rents above €1,000.

slight increase in letting expenses

Willingness to move house is expected to fall as will the tenancy turnover in the letting portfolio. That means a high occupancy rate. A slight positive effect on letting expenses can be expected as a result of a decline in movements and general pressure on contracting prices.

efficiency and cost level of property management remains competitive

The efficiency and cost level of property management will remain competitive. There will be more emphasis on the internet as the primary communication channel for potential tenants. A further shift in marketing towards online media will become clear. A completely new platform for the Vesteda websites offering an up-to-date supply of homes and registration will be launched in the second quarter of 2009, seamlessly integrating www.vesteda.com and the various project sites. In mid-2009, the last office will start using the call centre for 24-hour follow up of registrations by interested parties, and so all offices will then be supported in this way. With the clear focus on letting by letting agents, Vesteda will be able to work more commercially, while the management consultants will focus more on sitting tenants. By setting up management teams, attention for customers and property will be more focused. The result will be a faster response to enquiries and complaints from tenants and better monitoring of developments in and



around the properties. The Budget and Quality managers at the offices are the ‘financial conscience’ behind letting. This has already led to better quality forecasts and cost control. By realigning the duties of the technical function, checks on the price and quality of major maintenance and renovations will improve further.

### Sales

meeting the disposal task will be a tough challenge

Although prices have remained steady, the rate of turnover in the housing market slowed sharply in the third and fourth quarters of 2008. This was also clear at Vesteda from the speed of individual sales which, by the end of 2008, was about half that at the start of the year. The market for sales of residential complexes is even more depressed. As well as the expectation of a further fall in the speed of sale, poor financing has a major role. Meeting the disposal task in 2009 will, therefore, be a very tough challenge, in both liquidity and book profit. There will be real price falls in the category from about €350,000; the effect will be much more limited for cheaper residential properties.

operate closer to the market by centralising sales coordination

On 1 January 2009, sales coordination and engaging external estate agents were transferred to the woon-galleries. By having operational management closer to the market, Vesteda will be better able to do this work and optimise the result. It also offers greater flexibility to shift between selling and re-letting, depending on the specific situation.

### TASK

letting

The task in 2009 is to keep the occupancy rate at a high level of some 97.0% and proper marketing of some 750 new rental homes.

funding

In addition, internal financing of new house building and the development portfolio will be a much greater challenge than in past years. The funding of the further expansion of the portfolio will take place in difficult market conditions. The willingness of investors to provide additional shareholders' equity is expected to be limited in 2009. Vesteda's financing requirement in 2009 is some €150 million.

**TARGETS**

revenue per property	Gross and net revenue per property will increase slightly.
letting and management expenses	Despite expectations of above-inflation increases in expenses, Vesteda has set itself a target of keeping letting expenses stable at below 28% of gross rental income. Management expenses will remain under 40 basis points.
ROZ/IPD benchmark	Vesteda wants to outperform the average three-year yield on Dutch property investments in residential properties as expressed in the ROZ/IPD 'All Residentials' index.
acquisition of projects	Vesteda Project bv's investment level will rise in 2009 as a result of the work already in progress. The target for the acquisition volume is €275 million (incl. VAT). The target for completions (the number of units handed over and let by Vesteda Group) is some 750 residential properties, coming from projects in the pipeline.
occupancy rate	As a result of the increase in the number of new complexes and serviced apartments, the occupancy rate of the letting portfolio is expected to fall very slightly. Vesteda has a target of reaching at least 96.0% measured over the entire letting portfolio, and at least 97.0% measured on the portion let for more than a year.
annual rent rise for sitting tenants	The annual rent rise for sitting tenants on 1 July is limited in the regulated (Rent Act) segment of the portfolio by restrictions on rent rises set by rent policy and in the deregulated segment by maximum rises agreed with tenants in their leases. For 2009, this means a maximum increase of 2.5% (the inflation rate in 2008) in the regulated segment. For deregulated residential properties, the rent may be raised by 2% above the annual inflation rate at the end of March 2009. This is expected to be 2.0% to 2.5%, and so the maximum rent rise in the deregulated segment will be between 4.0% and 4.5%. Overall Vesteda has a target of achieving a rent rise of between 2.5% and 3.0% for the total letting portfolio in 2009.
customer satisfaction	Average customer satisfaction in the letting portfolio must be at least 7.0.
disposals	Vesteda has a sales target of some 1,000 properties in 2009 for the roll-over strategy. In view of the rate of turnover in the housing market, this is a very stiff task, which will, however, have to be achieved because of liquidity forecasts. With an expected inflow of some 750 residential properties, there will be a marginal net decrease in the number of residential properties in the letting portfolio.

**OUTLOOK**

Based on achieving these targets, Vesteda offers the following outlook in 2009:

realised result	The realised result for 2009, measured before the leverage effect of the loan capital, is expected to be approximately 3¾%. As a result of the leverage, the realised result will fall slightly and is expected to be about 3.2% to 3.5%.
unrealised result	Vesteda expects an average revaluation of the portfolio in the range -8% to -2%, partly because of the accounting policies. As a result of the leverage, the outlook for the unrealised result on shareholders' equity is, therefore, in the range -1½% to -2½%.
total result, total yield	In summary, the outlook is that the total result on shareholders' equity will be between -8% and 1%. With an outlook of a revaluation of the derivatives of -1% to 0%, the total yield will be in the range -9% to 1%.
distribution level	Investors can expect a distribution of some 3½%.

**Targets 2009**

performance indicator	actual 2008	target 2009
<b>Investment</b>		
gross revenue per property	increase of 5.6%	limited increase
letting expenses	27.0%	under 28%
management expenses	37 bp	under 40 bp
net revenue per property	increase of 5.6%	limited increase
ROZ/IPD index 'All Residentials'	not yet known	above benchmark
<b>Development</b>		
investment level incl. VAT	€229 million	€275 million
handed over and in letting	344 properties	approx 750 properties
<b>Management/letting</b>		
occupancy rate:		
letting portfolio	97.1%	approx 96.0%
of which let for less than 1 year	97.8%	approx 97.0%
rent rise (nominal)	2.5%	between 2.5% and 3.0%
customer satisfaction	7.0	7.0
<b>Disposals</b>		
disposal volume	1,052 properties	approx 1,000 properties

**Outlook 2009**

On opening shareholders' equity (2008: €3,368 million; 2009: €3,264 million)

	actual 2008	outlook 2009
realised result	3.2%	approx 3.2% to 3.5%*
unrealised result	-3.6%	between -1½% and -2½%**
total result	-0.4%	between -8% and 1%
revaluation of derivatives	-2.7%	between -1% and 0%***
total yield	-3.1%	between -9% and 1%
distribution level	3.6%****	approx 3½%

\* based on a realised result of approximately 3¾% before leverage effect of the loan capital

\*\* based on revaluation of -8% to -2% of the letting portfolio

\*\*\* based on falling or unchanged Euribor

\*\*\*\* based on a dividend of €121 million

## **FUTURE**

The long-term prospects for the Dutch housing market remain positive. The inflow of residential properties to the Vesteda portfolio will increase from 2009, through in-house project developments and possibly through acquisition of portfolios. The 2008-2011 business plan, prepared in the summer of 2008, will be updated for recent developments and information. Part of this is cutting costs where possible, while respecting all agreements with tenants. The assumption is that there will be no further growth in the workforce in 2009 and the organisation must be strengthened within the existing headcount.

When the first external investors joined in January 2002, an initial period of ten years was set for the fund. This means that the future of the company will be discussed with its investors in the foreseeable future. Regardless of the final decision, it is in their interests to keep the value of Vesteda as a fund as high as possible. This requires a clear strategy, a carefully filled pipeline of acquisitions of new and existing buildings, a good quality portfolio and an efficient organisation.

Vesteda wishes to increase the number of investors further in order to enhance exit opportunities for current investors in the next few years. Investor relations activities will be intensified. A further shift to indirect property can be expected given current market sentiment among institutional investors towards direct property. As market leader in the higher-rent sector and an established player with a good track-record on result, integrity and customer satisfaction, Vesteda will not be ignored. Growing non-organically by acquiring portfolios, in exchange for shares or otherwise, offers Vesteda and its investors good opportunities.

As in recent years, and even in these times of recession, Vesteda's management has the duty to bring together the expectations of investors with respect to capital and risk and opportunities in the Dutch housing market.

We conclude by thanking our employees for their efforts and involvement. Our people create the quality and determine the integrity of our company.

Maastricht, 18 February 2009  
Managing Board

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



# Governance and risk management

The Supervisory Board and the Managing Board take account of the interests of the various stakeholders, endeavouring to create long-term shareholder value.

## Overall responsibility

aim to create long-term shareholder value

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 Vesteda Group: employees, shareholders, limited partners 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.

## Investors

decisions based on an Investor Agreement

The Supervisory Board and the Managing Board regard the current legal structure as a way of continuing the good relationship with all Vesteda's investors. 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 the director of Vesteda Project bv and manager of Vesteda Woningen cv. The Managing Board and Supervisory Board are accountable to Vesteda Group's investors and other stakeholders. Decisions are taken by all shareholders and limited partners on the basis of the Investor Agreement. The Investor Agreement can be compared with the articles of association of a legal entity.

## Code Tabaksblat

'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 issued an evaluation and update of the Code in June 2008.

no changes in following code

Although the code does not apply to Vesteda Group, because of the closed nature in the sense that only institutions can become investors, the Supervisory Board and Managing Board of Vesteda Groep bv subscribe to the value of the best-practice provisions for the Vesteda Group. As the code has been written for companies listed on the stock exchange, certain of its provisions do not apply directly to Vesteda. Previous annual reports set out the parts of the Code which can be complied with and explanations for departures from the Code. Evaluation of the Code gives no direct reason for Vesteda to change its policy with respect to the Code, except that Vesteda also believes that investors want more intensive involvement in the strategy. Vesteda is happy with this, took the first steps in 2008 and will pursue it further at management level from 2009; a member of the management team has been made available for Investor relations.

## 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. 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. The profile drawn up in consultation with the supervisory directors takes into account areas of knowledge for appointments to support Vesteda. Depending on specific knowledge, the Supervisory Board may delegate a member to talk with the Managing Board. In 2008 this was done on three occasions, with respect to risk management, the benchmark and the remuneration of the supervisory directors and Managing Board. The total remuneration of the supervisory directors is reported on page 123. Investors are not aware of any conflicts of inter-

est between Vesteda Group 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 have been consultations with the chairman of the Supervisory Board to properly ensure the supervisory director did not take part in the discussions.

#### **Code of Ethics**

code of conduct for the company and employees

The Managing Board adopted the Code of Ethics, drawn up by the IVBN, in 2008. All employees will be asked to sign it in 2009. A statement of compliance with the Code will be repeated annually. On signing the Code of Ethics, the old Code of Conduct will lapse. Furthermore, as set out in the IVBN Code, a Compliance Committee has been appointed. With respect to the Code of Conduct, during the year the Supervisory Board monitored that staff were complying with its principles. As required by the code, reports are made to management and, if necessary, to the chairman of the Supervisory Board.

#### **Managing Board**

long-term involvement

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 would not be logical given the Vesteda Group's nature as a long-term investor. Vesteda Group 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 123 of the report. The Supervisory Board is not aware of any conflicts of interest between Vesteda Group and the members of the Managing Board.



The Managing Board has again issued an ‘in control’ statement for 2008 on financial reporting risks. Vesteda re-primarised risk areas in 2008. The aim is to issue a full ‘in control’ statement for 2010 in 2011.

### Managing Board responsibility

risk management focuses on promptly identifying, assessing and managing risks

The Managing Board is responsible for managing the risks inherent in Vesteda’s business activities. It is also responsible for ensuring the company to comply 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.

reassessment in year under review: 5 risk areas

In 2008, there was a reassessment of the risks in the comprehensive risk review performed in 2007. This has led to five risk areas being defined and allocation of several risks, as set out below in the risk universe.

### Risk universe

Based on the coso method (Strategic/Operations/Compliance/Financial). Identified risks are allocated to the five identified key risk areas by the letters A to E and to the ‘other risks’ category by the letter F.

STRATEGIC	OPERATIONS	COMPLIANCE	FINANCIAL
<b>Governance:</b> <ul style="list-style-type: none"> <li>• Board Performance</li> <li>• Tone at the Top</li> <li>• Control Environment</li> <li>• Corporate Social Responsibility</li> </ul>	<b>Sales &amp; Marketing:</b> <ul style="list-style-type: none"> <li>• Marketing/Advertising</li> <li>• Research &amp; Development</li> </ul>	<b>Code of Conduct:</b> <ul style="list-style-type: none"> <li>• Ethics (F)</li> <li>• Fraud (F)</li> </ul>	<b>Market:</b> <ul style="list-style-type: none"> <li>• Interest Rate (A, D)</li> <li>• Derivatives</li> </ul>
<b>Planning and Resource Allocation:</b> <ul style="list-style-type: none"> <li>• Fund management (A, B)</li> <li>• 3rd Party Relationships (F)</li> <li>• Strategy Planning (F)</li> <li>• HR Strategy &amp; Planning</li> <li>• Innovation (F)</li> <li>• Forecasting (F)</li> <li>• JVs/Alliances and Partnerships</li> <li>• Outsourcing Arrangements</li> <li>• Special Purpose Entities</li> <li>• Tax Planning</li> </ul>	<b>Asset management:</b> <ul style="list-style-type: none"> <li>• Master Planning &amp; Forecasting (F)</li> <li>• Procurement (F)</li> <li>• Development of assets (B)</li> <li>• Disposal of assets (F)</li> <li>• Valuation of assets (E)</li> <li>• (Indirect) Taxes</li> </ul>	<b>Legal:</b> <ul style="list-style-type: none"> <li>• Contract (F)</li> <li>• Liability (F)</li> <li>• Anti-Corruption (F)</li> </ul>	<b>Liquidity Risk Management:</b> <ul style="list-style-type: none"> <li>• Cash Management (A, F)</li> <li>• Funding/Hedging (A, B, D)</li> <li>• Credit &amp; Collections</li> <li>• Insurance</li> </ul>
<b>Mergers, Acquisition &amp; Divesture:</b> <ul style="list-style-type: none"> <li>• Valuation and Pricing</li> <li>• Due Diligence</li> <li>• Planning, Execution and Integration</li> </ul>	<b>Asset operations:</b> <ul style="list-style-type: none"> <li>• Customer oriented (C)</li> <li>• Sales and Pricing (C)</li> <li>• Vacancy management (C)</li> <li>• Bad debt(C)</li> </ul>	<b>Regulatory:</b> <ul style="list-style-type: none"> <li>• FII status(A, F)</li> <li>• Triple-A (A, D)</li> <li>• Labour</li> <li>• Securities</li> <li>• Environment</li> <li>• Data Protection &amp; Privacy</li> <li>• Product Quality/Safety</li> <li>• Health and Safety</li> <li>• Competitive Practices/Anti-trade</li> <li>• Tax Compliance and Audit Management</li> </ul>	<b>Accounting and Reporting:</b> <ul style="list-style-type: none"> <li>• Accounting, Reporting &amp; Disclosure</li> <li>• Internal Control Requirements</li> <li>• Forecasting (F)</li> </ul>
<b>Market Dynamics:</b> <ul style="list-style-type: none"> <li>• Competition</li> <li>• Macro-Economy Factors (A, E)</li> <li>• Lifestyle Trends (C)</li> <li>• Socio-Political</li> </ul>	<b>People/Human Resources:</b> <ul style="list-style-type: none"> <li>• Culture (F)</li> <li>• Recruiting &amp; Retention (F)</li> <li>• Development &amp; Performance (F)</li> <li>• Succession Planning (F)</li> <li>• Compensation and Benefits (F)</li> </ul>		<b>Capital Structure:</b> <ul style="list-style-type: none"> <li>• Debt (A, B, D)</li> <li>• Equity (B, E, F)</li> <li>• Pension Funds</li> </ul>
<b>Communication &amp; Investor Relations:</b> <ul style="list-style-type: none"> <li>• Stakeholders (A, F)</li> <li>• Crisis Communications</li> <li>• Misuse of Technology for Communication</li> <li>• Employee Communication</li> </ul>	<b>Information Technology:</b> <ul style="list-style-type: none"> <li>• IT Management (F)</li> <li>• IT Security/Access (F)</li> <li>• IT Availability/Continuity (F)</li> <li>• IT Infrastructure (F)</li> </ul>		
	<b>Hazards:</b> <ul style="list-style-type: none"> <li>• Natural Events. Terror &amp; Malicious Acts</li> <li>• Outages</li> </ul>		
	<b>Tax Operations:</b> <ul style="list-style-type: none"> <li>• Tax Technology and Knowledge Management</li> <li>• Tax Department Operations</li> </ul>		

The table shows that the four different coso components (Strategy/Operations/Compliance/Financial) are covered to a satisfactory extent by the identified risks. Vesteda's efforts in 2009 will focus on describing these risks by means of a standard approach and format and will ensure that all identified control measures are satisfactorily documented so that the Managing Board can establish that all measures have operated to a satisfactory extent, lowering the risks to a level acceptable to Vesteda. This will allow the Managing Board of Vesteda to issue a general 'in control' statement.

The five significant risk areas identified are described below.

## KEY IDENTIFIED RISK AREAS

### A) Financing and refinancing risk

different redemption dates  
reduce refinancing risk

A refinancing risk is associated with the decision to draw down loan capital. Vesteda has tried to reduce the amount of refinancing at any time by using different maturities in the current financing. However, in these times of crisis in the financial world, there is a high degree of uncertainty about the amount that can be borrowed on the market, and also great uncertainty concerning the borrowing terms and conditions, including the interest rate and risk premiums. There is also leverage risk. In recent years, the realised result was higher than the interest rate on the financing, giving a positive leverage effect on the yield on shareholders' equity. In 2008, for the first time since Vesteda was financed, the realised result was lower than the interest rate. In addition, the devaluation of the portfolio of Vesteda gave a negative unrealised result, reinforcing the negative leverage effect on the total yield on shareholders' equity. The value of the derivatives also fell sharply creating a negative contribution to the yield on shareholders' equity. As a result of this situation, there is a need for deleveraging. This can be achieved by increasing the cash yield, repaying loans to be refinance by generating funds (for example, by sales), replacement of loans by equity and refinancing at an interest rate lower than the cash yield. Needless to say, all these measures involve inevitable challenges for achieving the intended effect in the current (financial and property) markets.

### B) Development risk

different acquisition channels  
offer spread of inflow: area  
developments, projects and  
acquisition of existing projects

The number of hand-overs remains below the desired level of 1,000 residential properties per year because of delays in the development process often caused by external factors such as building permit procedures, high contract prices, shortage of suitable locations and limited opportunities for financing. To limit this risk, Vesteda enters into long-term umbrella agreements with municipalities, is paying greater attention to acquiring existing residential properties that come onto the market and, where possible, will seek joint ventures with third parties. In addition, there may be opportunities to acquire new housing projects at a discount because of the difficulties that some contractors and developers are in as a result of the credit crisis. The risk of not being able to complete residential properties in adequate numbers brings a risk with respect to the fulfilling the roll-over strategy. Assuming the maximum rejuvenation target of about 5% of the portfolio value and keeping the inflow at a level similar to the outflow in value over the years, the maximum outflow is linked to the maximum inflow of new and existing residential properties in the letting portfolio.

### c) Letting risk

especially in the upper segment,  
monthly rent > €1,200,  
so more accent on basic and  
mid-segments

The risk in letting is mainly in the upper segment (monthly rent > €1,200). In times of economic decline, the letting pressure will only grow. Initial letting can be expected to take more time, tenancy turnover will be higher and pressure on getting a market rent will increase, despite extra letting efforts and the associated cost. Extensive and ongoing research into customer wishes and satisfaction will become even more significant than in past years. Action will also be taken in the model portfolio to limit the upper segment in volume and focus the growth of the portfolio more on the basic (€600 to €800) and mid-segments (€800-€1,200) in the deregulated rental segment.

**D) Interest rate risk**

interest rate risk hedged as far as possible Vesteda uses external financing for up to a maximum of 45% of its portfolio value, with the initial aim of increasing the dividend yield. The associated interest rate risks are hedged using caps and swaps, so that the average interest expense at year end 2008 was a maximum of approximately 4.2% on the outstanding amount of bonds of €1,600 million. The average remaining term of the financing is about 3.7 years.

strategy requires funding In addition to the need to deleverage, there is a conflicting need for additional financing/funding arising from Vesteda's operational activities, primarily directed by the roll-over strategy. The strategy is intended to rejuvenate the portfolio and consolidate unrealised returns by selling residential properties. The sales proceeds will then be used to purchase new residential properties. This approach will lead to an ongoing extra need for finance as there is a mismatch in units and value between the inflow and outflow of residential properties.

less liquidity from sales In addition, the financing requirement is rising because fewer residential properties are being sold and so less liquidity is being generated as a result of the falling rate of turnover in the sale portfolio and longer completion times for sales.

solution in combination with measures Vesteda prefers to meet the financing requirement by a combination of measures: optimising sales, purchasing existing residential properties in exchange for shares (increasing borrowing capacity) and issuing new financing.

**E) Revaluation risk**

maximum diversity in portfolio The value of property is determined primarily by the market. After many years of rising values, there was a fall for the first time in years in the fourth quarter of 2008, caused primarily by the crisis on the financial markets. This trend is expected to continue in 2009. Vesteda attempts to mitigate this risk by maintaining a high degree of diversity in locations and rental segments in its portfolio.

**APPROACH TO RISK MANAGEMENT**

aim is prompt identification 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.

no absolute certainty 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.

responsibility allocated 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.

control systems further documented During 2008, there was an ongoing process to identify, analyse, validate, monitor and evaluate significant risk areas and the control measures. The internal control systems have been further documented during 2008.

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embedded in the planning and control cycle	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.
regular assessments	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.

The Managing Board has issued an 'in control' statement on the financial reporting risks at Vesteda Group

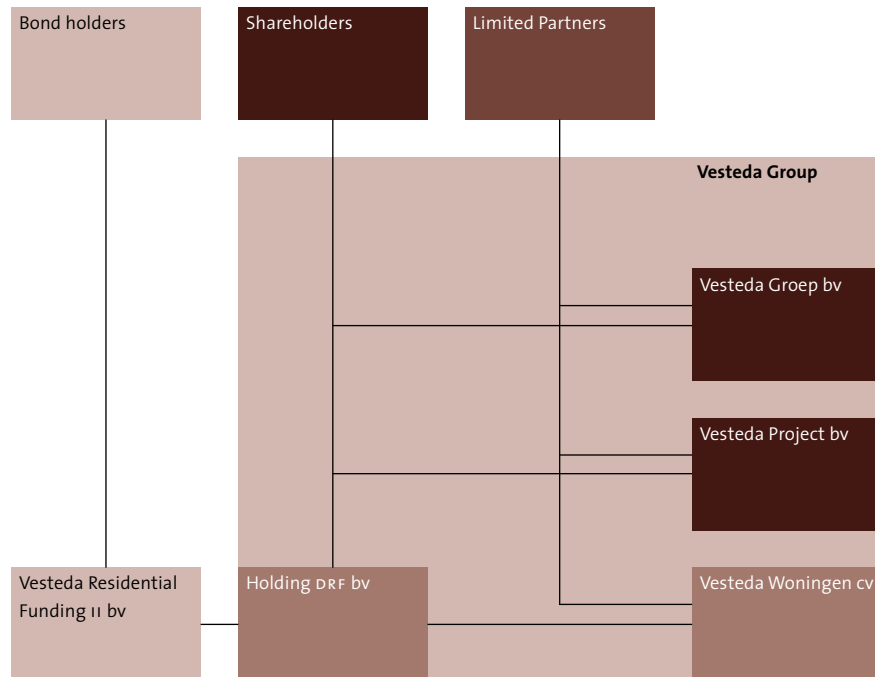
Managing Board responsibility	The Managing Board is responsible for proper risk management and internal control systems and for assessing their effectiveness.
statement on the financial reporting risks	Based on its assessment of the risk management and internal control systems, the Managing Board believes with respect to the financial reporting risks that: <ul style="list-style-type: none"><li>• these systems provide a reasonable level of assurance that the financial reports contain no material errors;</li><li>• these systems have functioned properly during 2008;</li><li>• there is no indication that these systems will not work properly in 2009.</li></ul>
no significant shortcomings or deficiencies	No significant shortcomings which could have material effects have been identified in these systems in 2008 and to the date of signing this annual report in 2009. Furthermore, no significant deficiencies regarding operational and compliance risks have been identified in the internal control systems.

responsible for the management of Vesteda	<p><b>Vesteda Groep bv</b></p> <p>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.</p>
project development activities	<p><b>Vesteda Project bv</b></p> <p>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 Corporation Tax Act 1969. Vesteda Groep bv is the director of Vesteda Project bv.</p>
fiscal group for corporation tax	<p><b>Fiscal investment institution</b></p> <p>Part of Vesteda Group is a fiscal group which includes Holding DRF bv (Dutch Residential Fund) and its four subsidiaries, DRF I bv, DRF II bv, DRF III bv and DRF IV bv, which has been regarded as a fiscal investment institution pursuant to Section 28 of the Corporation Tax Act 1969 since 1 January 2002. Such institutions are subject to a zero rate of corporation tax. The Managing Boards of Holding DRF bv and Vesteda Groep bv comprise the same individuals, responsible for the same tasks.</p>
not independent corporation tax payer	<p><b>Vesteda Woningen cv</b></p> <p>The let property and associated rights and obligations are held by Vesteda Woningen cv, formerly a common fund that was converted into a limited partnership during 2008. This partnership is not independently liable for corporation tax. Vesteda Groep bv is managing partner of Vesteda Woningen cv. DRF I bv, DRF II bv and DRF III bv are the custodians and entitled to manage the assets of Vesteda Woningen cv for the investors/limited partners. Consequently, in their capacity as custodians, they are legally entitled to all assets belonging to Vesteda Woningen cv for the investors. Holding DRF bv and DRF IV bv are, along with the limited partners themselves, limited partners in Vesteda Woningen cv. They have beneficial entitlement to those assets.</p>
two variants for participation	<p><b>Shareholders and limited partners</b></p> <p>Investors<sup>1</sup> are offered two different ways of participating in Vesteda Woningen: as 'limited partners' or as 'shareholders'. Limited partners acquire a direct interest, and shareholders acquire a shareholding through Holding DRF bv, which acts indirectly as limited partner in Vesteda Woningen cv. Investors own shares in Vesteda Groep bv and Vesteda Project bv in proportion to their participation in Vesteda Woningen cv.</p>
issue of bonds	<p><b>Vesteda Residential Funding II bv</b></p> <p>Vesteda Group has drawn down funds from the capital market by issuing bonds<sup>2</sup>. Vesteda Residential Funding II bv was established for this purpose. There was partial refinancing in 2008.</p>

<sup>1</sup> See page 28 for a list of investors.

<sup>2</sup> See page 30 et seq. for more information on the bonds.

Diagram of the legal structure Vesteda Group



# Vesteda Group Financial Statements 2008



## Introduction

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 investments in Vesteda Woningen cv, a limited partnership.

During the year under review, the Vesteda Woningen common fund was converted into a limited partnership, Vesteda Woningen cv. This took place on 30 June 2008. Because of the expected legal and regulatory amendments, without this conversion potential transfers could have become subject to fiscal restrictions.

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 cv on behalf of the investors. The limited partners have the beneficial entitlement to these assets.

Investments can be made in Vesteda Woningen cv either directly or through Holding Dutch Residential Fund bv, but investment 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 limited partners in Vesteda Woningen are set out in the Investor Agreement. Vesteda Groep bv has been appointed as manager of Vesteda Woningen cv.

Please see the 2008 Annual Report of Vesteda Group for a diagram of the legal structure as at 31 December 2008.

### INVESTOR AGREEMENT

An Investor Agreement has been drawn up to record the arrangements and it is also binding on any new investors. 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 contracted for an indefinite period. It may be amended with the agreement of the investors, subject to there being a certain quorum, depending on the nature of the change.

## Accounting policies

### 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 Woningen cv, 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. The financial statements were drawn up in compliance with guidelines issued by the Dutch Accounting Standards Board.

### BASIS FOR COMBINING FINANCIAL INFORMATION

The combined balance sheet and income statement of Vesteda Group include the financial information of the following companies:

	Established in	Holding
Vesteda Woningen cv	Maastricht	100%
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 24 months after completion. At the end of 2008, complexes which were fully available for letting before 2007 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 as a whole 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, reappraised annually by an external valuer. 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, which lie between 3 and 10 years.

**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 corporation 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 and to the credit facility. Changes in the current value of derivatives concerning the bond loans and the credit already taken up are taken to the derivatives revaluation reserve in shareholders' equity. Changes in the current value of derivatives concerning the credit facility still available are shown in interest expense.

**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. Interest is allocated to work in progress, equal to the costs of the external credit facility. 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 and income from work in progress, including interim and final results.

**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. Movements in the current value of derivatives from the credit facility still available are shown as interest expense.

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

**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 fiscal group for corporation tax purposes. The Holding Dutch Residential Fund bv fiscal entity has been regarded as a fiscal investment institution since 2002. On this basis, providing a number of conditions are met, a corporation 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 eight months of the end of the financial year. Vesteda Woningen cv is transparent for corporation tax purposes. Vesteda Groep bv, Vesteda Project bv and Vesteda Woningen form a fiscal group for VAT purposes and so no VAT is levied on supplies between these entities.

## Combined balance sheet as at 31 December 2008 (after appropriation of result)

Amounts in millions of euros	31-12-2008	31-12-2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Property (1)	4,718	4,811
Tangible fixed assets (2)	12	12
Financial fixed assets (3)	30	72
	<hr/> 4,760	<hr/> 4,895
<b>Current assets</b>		
Stocks (4)	263	126
Receivables	15	21
Tax and social security contributions	1	-
Cash (5)	68	35
	<hr/> 347	<hr/> 182
<b>Total assets</b>	<b>5,107</b>	<b>5,077</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Group equity (6)</b>	3,264	3,288
<b>Long-term liabilities</b>		
Loans from credit institutions (7)	1,725	1,650
Other long-term liabilities (8)	52	-
	<hr/> 1,777	<hr/> 1,650
<b>Current liabilities</b>		
Tax and social security contributions	-	1
Other current liabilities	23	11
Accruals and deferred income	43	127
	<hr/> 66	<hr/> 139
<b>Total equity and liabilities</b>	<b>5,107</b>	<b>5,077</b>

## Combined income statement for 2008

Amounts in millions of euros	2008	2007
<b>Income</b>		
Rental income	241	230
Less: Letting expenses	65	62
Net letting income	176	168
Grants and other income	3	5
<b>Total operating income</b>	<b>179</b>	<b>173</b>
<b>Expenses</b>		
Property management expenses	21	21
Interest income	4	10
Interest expense	72	62
Operating result	90	100
Result on disposals	20	34
Realised result before tax	110	134
Tax	1-	1
Result on participating interests	2-	2-
Realised result after tax	107	133
Unrealised result	119-	178
<b>Net result</b>	<b>12-</b>	<b>311</b>

## Combined cash flow statement for 2008

Amounts in millions of euros	2008	2007
Realised direct result after tax	107	133
Result on participating interests	2	2
Release of DKPH grant	-	4-
Movements in derivatives	1	-
Interest on loans receivable	1-	-
Depreciation of tangible fixed assets	1	2
Amortisation of financial fixed assets	1	1
Movement in stocks	137-	6-
Movement in receivables	5	2
Movement in current liabilities	4	5
Cash flow from operating activities	17-	135
Investments in property	179-	440-
Investments/disposals of financial fixed assets	1-	1-
Transfer of investments/disposals of financial fixed assets to current assets	-	3
Investments/disposals of participating interests	-	1
Investments/disposals of tangible fixed assets	1-	2-
Disposals of property (excluding result on sale)	156	165
Cash flow from investment activities	25-	274-
Loan drawings	275	350
Loan repayments	200-	-
Distribution to investors	-	232-
Cash flow from financing activities	75	118
<b>Total cash flows</b>	<b>33</b>	<b>21-</b>
Cash at end of year	68	35
Cash at beginning of year	35	56
	<b>33</b>	<b>21-</b>

### 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.

## Notes to the combined financial statements

### PROPERTY INVESTMENTS (1)

Amounts in millions of euros	Letting portfolio			Total
	Development portfolio	Letting phase	Letting/sale phase	
Value as at 1 January 2008	57	3,656	1,098	4,811
Investments	152	18	9	179
Disposals	-	-	156-	156-
Internal transfers	190-	654-	844	-
Subtotal	19	3,020	1,795	4,834
Revaluations during financial year	-	46-	70-	116-
<b>Value as at 31 December 2008</b>	<b>19</b>	<b>2,974</b>	<b>1,725</b>	<b>4,718</b>

### TANGIBLE FIXED ASSETS (2)

amounts in millions of euros	Office building	Fixtures and fittings	Other fixed assets	Total
Value as at 1 January 2008	8	2	2	12
Investments	-	-	1	1
Depreciation	-	-	1	1
<b>Value as at 31 December 2008</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>12</b>
Accumulated depreciation	2	5	6	13

### FINANCIAL FIXED ASSETS (3)

Amounts in millions of euros	Participating interests	Loans receivable	Deferred tax	Derivatives	Financing charges	Total
Value as at 1 January 2008	1	27	2	41	1	72
Investments	-	1	-	-	1	2
Interest	-	1	-	-	-	1
Repayments	-	1	-	-	-	1
Amortisation	-	-	-	-	1	1
Result	2-	-	-	-	-	2-
Revaluation	-	-	-	93-	-	93-
Reclassification	2	2-	-	52	-	52
<b>Value as at 31 December 2008</b>	<b>1</b>	<b>26</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>30</b>

At year-end 2008, the current value of derivatives amounted to €52 million negative and these are therefore recognised in other long-term liabilities.

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.



A further swap was contracted for the bond loan issued in July 2008, with the same term as the loan, which took effect in October 2008. 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 from the 2nd quarter onwards.

In December 2008, an additional swap was contracted for the remaining term of the caps (20.01.2009 to 20.04.2009). Vesteda Project bv also contracted a credit facility for up to €140 million with ING/Fortis. At year-end 2008, €125 million of this was drawn down. A swap was also contracted for the credit facility, with the same term as the credit facility that took effect in November.

STOCKS (4) Amounts in millions of euros	Acquisition		Total
	projects	Work in progress	
Value as at 1 January 2008	3	123	126
Investments	1	271	272
Invoicing	1-	136-	137-
Provision for losses/profit-taking	-	2	2
<b>Value as at 31 December 2008</b>	<b>3</b>	<b>260</b>	<b>263</b>

CASH (5) Amounts in millions of euros	2008	2007
Current accounts	10	35
Savings deposits	58	-
	<b>68</b>	<b>35</b>

Virtually all 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		Office building	Other reserve	Total
			Share revaluation reserve	Derivatives revaluation reserve	revaluation reserve		
<b>Value as at 1 January 2008</b>	50	1,975	1,011	29	1	222	3,288
Stock dividend	-	44	-	-	-	36	80
<b>Value after distribution of stock dividend</b>	<b>50</b>	<b>2,019</b>	<b>1,011</b>	<b>29</b>	<b>1</b>	<b>258</b>	<b>3,368</b>
Result for 2008	-	-	119-	-	-	107	12-
Revaluation of derivatives	-	-	-	92-	-	-	92-
Realised from sales	-	-	39-	-	-	39	-
<b>Value as at 31 December 2008</b>	<b>50</b>	<b>2,019</b>	<b>853</b>	<b>63-</b>	<b>1</b>	<b>404</b>	<b>3,264</b>

In May 2008, the General Meeting of Shareholders and Limited Partners resolved to distribute a sum of €80 million in the form of a stock dividend. This resolution was processed in June 2008, as a result of which the number of investments in Vesteda Woning en the number of shares in Holding Dutch Residential Fund bv and Dutch Residential Fund iv bv were increased.

**MOVEMENTS IN LOANS FROM CREDIT INSTITUTIONS (7)**

Amounts in millions of euros	Vesteda Residential Funding II bv						Vesteda Project bv	
	A1 notes	A2 notes	A3 notes	A4 notes	A5 notes	A6 notes	ING/ Fortis	Total
Value as at 1 January 2008	200	400	400	300	350	-	-	1,650
Additions	-	-	-	-	-	150	125	275
Repayments	200	-	-	-	-	-	-	200
<b>Value as at 31 December 2008</b>	<b>-</b>	<b>400</b>	<b>400</b>	<b>300</b>	<b>350</b>	<b>150</b>	<b>125</b>	<b>1,725</b>

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.

The following variable-rate bonds were then issued in April 2007:

- €350 million class A5 secured floating rate notes.

In July 2008, the €200 million class A1 secured floating rate notes were then redeemed on schedule. At the same time, the following variable-rate bonds were issued:

- €150 million class A6 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 A2 facility of €400 million with an intended remaining term of 1.55 years
- Term A3 facility of €400 million with an intended remaining term of 3.55 years
- Term A4 facility of €300 million with an intended remaining term of 6.55 years
- Term A5 facility of €350 million with an intended remaining term of 3.55 years
- Term A6 facility of €150 million with an intended remaining term of 5.55 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 cv. The borrowers have made the funds available to Vesteda Woningen cv. 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 A2, Term A3, Term A4, Term A5 and Term A6 bonds are 0.15%, 0.20%, 0.28%, 0.13% and 1.00%, 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 and the Term A6 bonds nine 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, A5 and A6 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 cv) of the limited partners.

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.

In April 2008, Vesteda Project bv contracted a credit facility with ING/Fortis for a maximum amount of €140 million, with a term of two years. At year-end 2008, €125 million of this had been drawn down. Interest is due monthly, based on the one-month Euribor rate plus a mark-up of 0.8%. Three financing ratios are associated with this credit facility.

#### OTHER LONG-TERM LIABILITIES (8)

Amounts in millions of euros	Derivatives	Total
Value as at 1 January 2008	-	-
Reclassification	52	52
<b>Value as at 31 December 2008</b>	<b>52</b>	<b>52</b>

This is the negative value of the derivatives at year-end 2008. For further details, please see the notes to the financial fixed assets.

**NUMBER OF EMPLOYEES**

On average, the group employed 364 people (2007: 351) during the year; this was an average of 327.7 FTEs (2007: 320.3).

**LIABILITIES NOT SHOWN IN THE BALANCE SHEET**

The total liabilities for obligations entered into for building contracts, rental and lease instalments are some €545 million. Vesteda Group has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in millions of euros	<b>Building contracts</b>	<b>Property leases</b>	<b>Car leases</b>
Due:			
Within 1 year	263	1	1
Between 1 and 5 years	277	1	2
	<b>540</b>	<b>2</b>	<b>3</b>

## Proposed distribution to investors

The management proposes that €121 million be distributed for 2008 to its investors in 2009. This proposal is not included in the financial statements. The final decision on the distribution will be taken at the General Meeting of Shareholders and Limited Partners in March 2009.

Maastricht, 18 February 2009

The Management Board of Vesteda Groep bv:

H.C.F. Smeets, CEO

F.H. van der Togt

O. Breur

# Auditors' Report

## TO THE SHAREHOLDERS AND LIMITED PARTNERS IN VESTEDA GROUP

### AUDITOR'S REPORT

We have audited the 'Vesteda Group Financial Statements' for the year 2008, as set out on pages 93 to 105 of the Annual accounts of Vesteda Groep bv, Maastricht, which comprise the combined balance sheet as at 31 December 2008, 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 'Vesteda Group Financial Statements' 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 94 to 96. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 'Vesteda Group 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 'Vesteda Group 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 'Vesteda Group Financial Statements' are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 'Vesteda Group Financial Statements'. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 'Vesteda Group 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 'Vesteda Group 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 internal control of Vesteda Group. 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 'Vesteda Group 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 'Vesteda Group Financial Statements' give a true and fair view of the financial position of Vesteda Group as at 31 December 2008, 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 93 to 105.

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

Maastricht, 18 February 2009  
for Ernst & Young Accountants

was signed J.G.K. van der Zanden

# Vesteda Groep bv Financial Statements 2008



## 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.

## Accounting policies

### GENERAL

On 30 June 2008, the Vesteda Woningen unit trust was converted into the limited partnership Vesteda Woningen cv. Vesteda Group is the managing partner.

As a result of this conversion, Vesteda Woningen cv is fully consolidated with Vesteda Groep bv in these financial statements from 30 June 2008. As Vesteda Groep bv has no holding in Vesteda Woningen cv, the entire interest is shown as a third party interest. The accounting policies described below 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%
Vesteda Woningen cv	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. Vesteda Woningen cv is consolidated from 30 June 2008, the date of the conversion from a unit trust to a limited partnership.

### 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 24 months after completion. At the end of 2008, complexes which were fully available for letting before 2007 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 as a whole 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, reappraised annually by an external valuer. 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, which lie between 3 and 10 years.

**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.

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 concerning the bond loans 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.

**Provisions**

Provisions are stated at face value.

**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.

**Other income**

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.

**Management fees**

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

**Depreciation of tangible fixed assets**

Depreciation of the office building is based on the estimated useful economic life of 30 years. Depreciation of other tangible fixed assets is calculated using the straight-line method over the estimated useful economic lives of the assets concerned, which lies between 3 and 10 years.

**Interest income and expense**

Interest income and expense are stated at face value.

**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.

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

**Tax status**

Vested Groep bv and Vesteda Maastricht bv form a fiscal group for corporation tax purposes. Vesteda Woningen cv is transparent for corporation tax purposes. As a result of new tax laws in 2007, the fiscal and commercial depreciation terms for tangible fixed assets differ. A deferred tax asset is recognised for the difference.

Vesteda Groep bv, Vesteda Project bv and Vesteda Woningen cv form a fiscal group for VAT purposes and so no VAT is levied on supplies between these entities.

## Consolidated balance sheet as at 31 December 2008

(after appropriation of result)

Amounts in millions of euros	31-12-2008	31-12-2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Property (1)	4,718	-
Tangible fixed assets (2)	12	4
Financial fixed assets (3)	18	-
	<hr/> 4,748	<hr/> 4
<b>Current assets</b>		
Receivables (4)	12	1
Receivables from group companies	-	2
Tax and social security contributions	1	-
Cash (5)	60	7
	<hr/> 73	<hr/> 10
<b>Total assets</b>	<b>4,821</b>	<b>14</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Group equity (6)</b>	8	7
<b>Third party interests (7)</b>	3,118	-
<b>Long-term liabilities</b>		
Payables to other associates (8)	1,600	-
Other long-term liabilities (9)	48	-
	<hr/> 1,648	<hr/> -
<b>Current liabilities</b>		
Tax and social security contributions	-	1
Other current liabilities	8	-
Accruals and deferred income	39	6
	<hr/> 47	<hr/> 7
<b>Total equity and liabilities</b>	<b>4,821</b>	<b>14</b>

## Consolidated income statement for 2008

Amounts in millions of euros	2008	2007
<b>Total operating income</b>		
Rental income	122	-
Less: Operating expenses	30	-
Net operating income	92	-
Other income	-	18
<b>Total operating income</b>	<b>92</b>	<b>18</b>
<b>Expenses</b>		
Management fees (10)	10	17
Interest income (11)	1	-
Interest expense (12)	36	-
Operating result	47	1
Proceeds of sales	10	-
Realised result	57	1
Unrealised result	227-	-
<b>Result before tax</b>	<b>170-</b>	<b>1</b>
Tax	-	1-
<b>Result after tax</b>	<b>170-</b>	<b>2</b>
Third party interests	171-	-
<b>Result</b>	<b>1</b>	<b>2</b>

## Consolidated cash flow statement for 2008

Amounts in millions of euros	2008	2007
Operating result	135-	2
Unrealised result	227	-
Depreciation of tangible fixed assets	1	2
Movements in receivables	5	-
Movements in current liabilities	-	1-
Cash flow from operating activities	98	3
Property investments	64-	-
Investments/disposals of tangible fixed assets	1-	2-
Property sales	103	-
Cash flow from investment activities	38	2-
Loan drawings	150	-
Loan repayments	200-	-
Interest received	1	-
Interest paid	35-	-
Cash flow from financing activities	84-	-
<b>Total cash flow</b>	<b>52</b>	<b>1</b>
Cash at end of year	60	7
Consolidation of Vesteda Woningen cv as from 30.06.08	1	-
Cash at beginning of year	7	6
	<b>52</b>	<b>1</b>

### 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.

## Notes to the consolidated statements

### PROPERTY INVESTMENTS (1)

Amounts in millions of euros	Letting portfolio			Total
	Development portfolio	Letting phase	Letting/sale phase	
Value as at 1 January 2008	-	-	-	-
Consolidation of Vesteda				
Woningenv cv at 30.06.08	99	3,418	1,464	4,981
Investments	50	9	5	64
Disposals	-	-	103-	103-
Internal transfers	130-	320-	450	-
Subtotal	19	3,107	1,816	4,942
Revaluations during financial year	-	133-	91-	224-
<b>Value as at 31 December 2008</b>	<b>19</b>	<b>2,974</b>	<b>1,725</b>	<b>4,718</b>

### TANGIBLE FIXED ASSETS (2)

Amounts in millions of euros	Office building	Fixtures and fittings		Other fixed assets	Total
Value as at 1 January 2008	-	2	2	4	
Consolidation of Vesteda					
Woningenv cv from 30.06.08	8	-	-	8	
Investments	-	-	1	1	
Depreciation	-	-	1	1	
<b>Value as at 31 December 2008</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>12</b>	
Accumulated depreciation	2	5	6	13	

### FINANCIAL FIXED ASSETS (3)

Amounts in millions of euros	Derivatives	Financing charges	Loans receivable from Dutch			Total
			Residential Fund I bv	Residential Fund II bv	Residential Fund III bv	
Value as at 1 January 2008	-	-	-	-	-	-
Consolidation of Vesteda						
Woningenv cv from 30.06.08	64	1	5	6	6	82
Revaluation	112-	-	-	-	-	112-
Reclassification	48	-	-	-	-	48
<b>Value as at 31 December 2008</b>	<b>-</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>18</b>

At year-end 2008, the current value of derivatives amounted to €48 million negative and these are therefore recognised in other long-term liabilities.

Vesteda has entered into 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. A further swap was contracted for the bond loan issued in July 2008, with the same term as the loan, which took effect in October 2008. 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 from the 2nd quarter onwards. An additional swap agreement was contracted in December 2008 for the remaining term of the caps (20.01.2009 to 20.04.2009).

Interest is charged on the loans to the custodians based on 3-month Euribor. No security has been provided.

**RECEIVABLES (4)**

Receivables from tenants amounted to €4.0 million at year-end. The provision for rental receivables amounted to €1.3 million.

**CASH (5)**

Amounts in millions of euros	2008	2007
Current accounts	2	7
Savings deposits	58	-
	<b>60</b>	<b>7</b>

Virtually all cash is at the free disposal of the company.

**GROUP EQUITY (6)**

Please see the notes to the company financial statements for a more detailed analysis of group equity.

**THIRD PARTY INTERESTS (7)**

This concerns third party interests in Vesteda Woningen cv.

**PAYABLES TO OTHER ASSOCIATES (8)**

Vesteda Residential Funding II bv concerning:

Amounts in millions of euros	A1 notes	A2 notes	A3 notes	A4 notes	A5 notes	A6 notes	Total
Value as at 1 January 2008	-	-	-	-	-	-	-
Consolidation of Vesteda							
Woningen cv from 30-06 08	200	400	400	300	350	-	1,650
Drawn down	-	-	-	-	-	150	150
Repayment	200	-	-	-	-	-	200
<b>Value as at 31 December 2008</b>	<b>-</b>	<b>400</b>	<b>400</b>	<b>300</b>	<b>350</b>	<b>150</b>	<b>1,600</b>

Vesteda Residential Funding II bv issued variable-rate bonds for a total of €1,300 million in 2005, comprising:

- € 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 April 2007, a further issue took place of the following variable-rate bonds:

- € 350 million class A5 secured floating rate notes.

In July 2008, the €200 million class A1 secured floating rate notes were redeemed on schedule. At the same time, the following variable-rate bonds were issued:

- €150 million class A6 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 A2 facility of €400 million with an intended remaining term of 1.55 years
- Term A3 facility of €400 million with an intended remaining term of 3.55 years
- Term A4 facility of €300 million with an intended remaining term of 6.55 years
- Term A5 facility of €350 million with an intended remaining term of 3.55 years
- Term A6 facility of €150 million with an intended remaining term of 5.55 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 cv. The borrowers have made the funds available to Vesteda Woningen cv. 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 A2, Term A3, Term A4, Term A5 and Term A6 bonds are 0.15%, 0.20%, 0.28%, 0.13% and 1.00%, 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 and the Term A6 bonds nine 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, A5 and A6 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 cv) of the limited partners.

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.

**OTHER LONG-TERM LIABILITIES** (9)

Amounts in millions of euros	Derivatives	Total
Value as at 1 January 2008	–	–
Reclassification	48	48
<b>Value as at 31 December 2008</b>	<b>48</b>	<b>48</b>

This concerns the negative value of the derivatives at year-end 2008. Please see the notes to the financial fixed assets for further details.

**MANAGEMENT FEES** (10)

The management fees include a sum of €1 million for impairments and €6 million for salaries. Please see the notes to the company financial statements for further details.

**INTEREST INCOME** (11)

€0.4 million of the interest income relates to loans to other associates.

**INTEREST EXPENSE** (12)

Interest expense relates primarily to loans to group companies.

**TRANSACTIONS WITH ASSOCIATES**

As the management of Vesteda Groep bv, Vesteda Project bv and Holding Dutch Residential Fund bv consists of the same natural persons, these companies are treated as 'associates'.

In 2008, transactions were conducted between Vesteda Groep bv and Vesteda Project bv in relation to management fees totalling €2.1 million, charged on by Vesteda Groep bv to Vesteda Project bv.

Transactions were conducted between Vesteda Groep bv and Holding Dutch Residential Fund bv (in this case, Vesteda Woningen cv) relating to management fees (including corporation tax and grossed up corporation tax) totalling €18.8 million, charged on by Vesteda Groep bv to Holding Dutch Residential Fund bv.

Transactions were conducted between Vesteda Project bv and Holding Dutch Residential Fund bv (in this case, Vesteda Woningen cv) relating to property investments totalling €45.4 million, charged on by Vesteda Project bv to Holding Dutch Residential Fund bv.

The costs charged on are recognised at the integral cost price and the transactions at the sales price of Vesteda Project bv.

**NUMBER OF EMPLOYEES**

On average, the company employed 329 people (2007: 322) during the year; this is an average of 294.1 FTEs (2007: 291.8 FTEs).

**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 €4.3 million. The company has not provided security for these liabilities. The liabilities are made up as follows:

Amounts in millions of euros	Property leases	Car leases
Due:		
Within 1 year	1	1
Between 1 and 5 years	1	1
	<b>2</b>	<b>2</b>

## Company balance sheet as at 31 December 2008

(after appropriation of profit)

Amounts in millions of euros	31-12-2008	31-12-2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible fixed assets (13)	4	4
<b>Current assets</b>		
Receivables	1	1
Receivables from group companies	-	2
Cash	11	7
	12	10
<b>Total assets</b>	<b>16</b>	<b>14</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b> (14)	8	7
<b>Current liabilities</b>		
Tax and social security charges	1	1
Accruals and deferred income	7	6
	8	7
<b>Total equity and liabilities</b>	<b>16</b>	<b>14</b>

## Company income statement for 2008

Amounts in millions of euros	2008	2007
Total operating income	19	18
<b>Costs</b>		
Work contracted out	5	4
Salaries	6	6
Social security charges	1	1
Pensions	1	1
Depreciation of tangible fixed assets	1	2
Other operating expenses	4	3
Total operating expenses	18	17
Result before tax	1	1
Tax	-	1-
<b>Result after tax</b>	<b>1</b>	<b>2</b>

## Notes to the company financial statements

<b>TANGIBLE FIXED ASSETS</b> (13)	<b>Fixtures and fittings</b>	<b>Other fixed assets</b>	<b>Total</b>
Amounts in millions of euros			
Value as at 1 January 2008	2	2	4
Investments	-	1	1
Depreciation	-	1	1
<b>Value as at 31 December 2008</b>	<b>2</b>	<b>2</b>	<b>4</b>
Accumulated depreciation	5	6	11

### **SHAREHOLDERS' EQUITY** (14)

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 millions of euros	<b>Capital in issue</b>	<b>Other reserve</b>	<b>Total</b>
<b>Value as at 1 January 2008</b>	0.25	7	7
Result over 2008	-	1	1
<b>Value as at 31 December 2008</b>	<b>0.25</b>	<b>8</b>	<b>8</b>

### **NUMBER OF EMPLOYEES**

On average, the company employed 329 people (2007: 322) during the year; this was an average of 294.1 FTEs (2007: 291.8 FTEs).

### **DIRECTORS' REMUNERATION**

The amount charged to the company for the remuneration of directors was €1,522,000 (2007: €1,544,000). This included social security charges and pension contributions of €210,000 (2007: €197,000).

The remuneration of the five (2007: five) supervisory directors during the year under review was €202,065 (2007: €148,993).

Maastricht, 18 February 2009

Managing Board:

H.C.F. Smeets, CEO

F.H. van der Togt

O. Breur

Supervisory Board:

W.F.T. Corpeleijn, Chairman

P.S. van den Berg

D.J. de Beus

J.D. Doets

C.A.M. de Boo

# Vesteda Groep bv

## Other information

### 2008



## Appropriation of profit

### 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 €903,822 be added to the reserves. This proposal has been incorporated in the financial statements.

# Auditors' report

## TO THE GENERAL MEETING OF SHAREHOLDERS OF VESTEDA GROEP BV

### AUDITOR'S REPORT

#### Report on the financial statements

We have audited the financial statements 2008 of Vesteda Groep bv, Maastricht, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

#### Report on other legal requirements

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

Maastricht, 18 February 2009  
for Ernst & Young Accountants

was signed J.G.K. van der Zanden



# Vesteda Woningen cv

## Financial statements

### 2008

## Introduction

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 investments in Vesteda Woningen, a limited partnership.

During the year under review, the Vesteda Woningen common fund was converted into a limited partnership, Vesteda Woningen cv. This took place on 30 June 2008. Because of the expected legal and regulatory amendments, without this conversion potential transfers could have become subject to fiscal restrictions.

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 cv on behalf of the investors. The limited partners have the beneficial entitlement to these assets.

Investments can be made in Vesteda Woningen cv either directly or through Holding Dutch Residential Fund bv, but investment 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 limited partners in Vesteda Woningen are set out in the Investor Agreement. Vesteda Groep bv has been appointed as manager of Vesteda Woningen cv.

## Accounting principles

Vesteda Woningen cv is not a legal entity but a combination of all rights and obligations associated with the properties. The rights and obligations are divided among limited partners. A limited partnership certificate shows the rights and obligations applying for a limited partner, as laid down in the management and custody terms.

As Vesteda Woningen cv 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 24 months after completion. At the end of 2008, all complexes which were fully available for letting before 2007 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 as a whole 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 cv.

The cost-plus arrangements at Vesteda Groep bv are grossed up and, like the management expenses, recharged in full to Vesteda Woningen cv.

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

### Tax status

Vesteda Woningen cv is transparent for corporation tax and capital tax purposes. For tax purposes, the assets and liabilities and income and expenses of Vesteda Woningen cv are attributed directly to the limited partners in Vesteda Woningen cv.

## Balance sheet as at 31 December 2008

(after appropriation of profit)

Amounts in millions of euros	31-12-2008	31-12-2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Property (1)	4,718	4,811
Tangible fixed assets (2)	8	8
Financial fixed assets (3)	19	60
	<hr/>	<hr/>
	4,745	4,879
<b>Current assets</b>		
Receivables	11	13
Tax and social security contributions	2	-
Cash (4)	49	23
	<hr/>	<hr/>
	62	36
<b>Total assets</b>	<b>4,807</b>	<b>4,915</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Fund capital (5)</b>	3,118	3,137
<b>Long-term liabilities</b>		
Amounts owed to group companies (6)	1,600	1,650
Other long-term liabilities (7)	48	-
	<hr/>	<hr/>
	1,648	1,650
<b>Current liabilities</b>		
Amounts owed to group companies	-	2
Tax and social security contributions	-	3
Other current liabilities	8	6
Accruals and deferred income	33	117
	<hr/>	<hr/>
	41	128
<b>Total equity and liabilities</b>	<b>4,807</b>	<b>4,915</b>



## Income statement for 2008

Amounts in millions of euros	2008	2007
<b>Income</b>		
Rental income	241	229
Less: Letting expenses	65	62
Net letting income	176	167
Grants and other income	-	5
<b>Total operating income</b>	<b>176</b>	<b>172</b>
<b>Expenses</b>		
Property management expenses	19	18
Interest income	3	9
Interest expense	71	62
Operating result	89	101
Result on disposals	20	34
Realised result	109	135
Unrealised result	119-	178
<b>Result</b>	<b>10-</b>	<b>313</b>

## Cash flow statement for 2008

Amounts in millions of euros	2008	2007
Realised result	109	135
Release of DKKH grant	-	4-
Amortisation of financial fixed assets	1	1
Movement in receivables	-	10
Movement in current liabilities	10-	6
Cash flow from operating activities	100	148
Investments in property	179-	440-
Investments/disposals in financial fixed assets	1-	1-
Disposals of property	156	165
Cash flow from investment activities	24-	276-
Drawings	150	350
Loan repayments	200-	-
Distributions to limited partners	-	232-
Cash flow from financing activities	50-	118
<b>Total cash flows</b>	<b>26</b>	<b>10-</b>
Cash at end of year	49	23
Cash at beginning of year	23	33
	<b>26</b>	<b>10-</b>

### 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.

## Notes

### INVESTMENTS IN PROPERTY (1)

Amounts in millions of euros	Letting portfolio			Total
	Development portfolio	Letting phase	Letting/sale phase	
Value as at 1 January 2008	57	3,656	1,098	4,811
Investments	152	18	9	179
Disposals	-	-	156-	156-
Internal transfers	190-	654-	844	-
Subtotal	19	3,020	1,795	4,834
Revaluations during financial year	-	46-	70-	116-
<b>Value as at 31 December 2008</b>	<b>19</b>	<b>2,974</b>	<b>1,725</b>	<b>4,718</b>

### TANGIBLE FIXED ASSETS (2)

Amounts in millions of euros	Office building	Total
Value as at 1 January 2008	8	8
Depreciation	-	-
Revaluation	-	-
<b>Value as at 31 December 2008</b>	<b>8</b>	<b>8</b>
Accumulated depreciation	2	2

During the year under review, movements did occur in revaluation and depreciation, but were rounded off and are thus not evident in the above table.

### FINANCIAL FIXED ASSETS (3)

Amounts in millions of euros	Derivatives	Loans receivable			Total	
		Financing charges	Residential Dutch Fund I bv	Residential Dutch Fund II bv		Residential Dutch Fund III bv
Value as at 1 January 2008	41	1	6	6	6	60
Investments	-	1	-	-	-	1
Amortisation	-	1	-	-	-	1
Revaluation	89-	-	-	-	-	89-
Reclassification	48	-	-	-	-	48
<b>Value as at 31 December 2008</b>	<b>-</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>19</b>

At year-end 2008, the current value of derivatives amounted to €48 million negative and these are therefore recognised in other long-term liabilities.

Vesteda has entered into 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. A further swap was contracted for the bond loan issued in July 2008, with

the same term as the loan, which took effect in October 2008. 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 from the 2nd quarter onwards.

An additional swap agreement was contracted in December 2008 for the remaining term of the caps (20.01.2009 to 20.04.2009).

Interest is charged on the loans to the custodians based on 3-month Euribor. No security has been provided.

#### CASH (4)

Amounts in millions of euros	2008	2007
Current accounts	9-	23
Savings deposits	58	-
	<b>49</b>	<b>23</b>

Virtually all cash is at the free disposal of the company.

#### FUND CAPITAL (5)

Amounts in millions of euros	Capital in issue	Property investments		Derivatives	Office building	Other	Total
		Share premium	revaluation reserve	revaluation reserve	revaluation reserve	reserve	
<b>Value as at 1 January 2008</b>	-	2,096	1,011	29	1	-	3,137
Stock dividend	-	44	-	-	-	36	80
<b>Balance after stock dividend</b>	-	<b>2,140</b>	<b>1,011</b>	<b>29</b>	<b>1</b>	<b>36</b>	<b>3,217</b>
Result for 2008	-	-	119-	-	-	109	10-
Revaluation of derivatives	-	-	-	89-	-	-	89-
Realised from sales	-	-	39-	-	-	39	-
<b>Value as at 31 December 2008</b>	-	<b>2,140</b>	<b>853</b>	<b>60-</b>	<b>1</b>	<b>184</b>	<b>3,118</b>

In May 2008, the meeting of investors resolved to distribute a sum of €80 million in the form of a stock dividend.

This resolution was processed in June 2008, as a result of which the number of investments in Vesteda Woningen and the number of shares in Holding Dutch Residential Fund bv and Dutch Residential Fund iv bv were increased.

#### AMOUNTS OWED TO GROUP COMPANIES (6)

Amounts in millions of euros	01-01-08	Drawn	Repaid	31-12-08
Vesteda Residential Funding II bv, concerning:				
A1 notes	200	-	200	-
A2 notes	400	-	-	400
A3 notes	400	-	-	400
A4 notes	300	-	-	300
A5 notes	350	-	-	350
A6 notes	-	150	-	150
	<b>1,650</b>	<b>150</b>	<b>200</b>	<b>1,600</b>

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.

In July 2008, the €200 million class A1 secured floating rate notes were redeemed on schedule. At the same time, the following variable-rate bonds were issued:

- €150 million class A6 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 A2 facility of €400 million with an intended remaining term of 1.55 years
- Term A3 facility of €400 million with an intended remaining term of 3.55 years
- Term A4 facility of €300 million with an intended remaining term of 6.55 years
- Term A5 facility of €350 million with an intended remaining term of 3.55 years
- Term A6 facility of €150 million with an intended remaining term of 5.55 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 cv. The borrowers have made the funds available to Vesteda Woningen cv. 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 cv) of the limited partners.

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.

#### **OTHER LONG-TERM LIABILITIES (7)**

Amounts in millions of euros	<b>Derivatives</b>	<b>Total</b>
Value as at 1 January 2008	-	-
Reclassification	48	48
<b>Value as at 31 December 2008</b>	<b>48</b>	<b>48</b>

This is the negative value of the derivatives at year-end 2008. For further details, please see the notes to the financial fixed assets.

#### **LIMITED PARTNERS**

At year-end 2008, the limited partners of Vesteda Woningen cv were:

- Bouwfonds Nationale-Nederlanden bv
- Delta Lloyd Vastgoed Participaties bv
- Dutch Residential Fund iv bv
- Holding Dutch Residential Fund bv
- Loyalis Leven nv
- Loyalis Schade nv
- Stichting Achmea Dutch Residential Fund
- Stichting Pensioenfonds voor de Grafische Bedrijven
- Stichting Pensioenfonds voor Fysiotherapeuten
- Stichting Pensioenfonds Openbaar Vervoer
- Stichting Pensioenfonds Schuitema
- Stichting Pensioenfonds Xerox
- Stichting Spoorwegpensioenfonds

## Proposed distribution to limited partners

Vesteda Woningen cv proposes to allocate a total of €121 million to its limited partners for 2008 during 2009. This proposal is not included in the financial statements. The distribution will be recommended for adoption at the General Meeting of Shareholders and Limited Partners in March 2009.

### Per share

<b>Net asset value at beginning of 2008</b>	<b>€125.47</b>	<b>100.0%</b>
Realised result	€4.25	3.4%
Unrealised result	€4.65–	–3.7%
Revaluation of tangible fixed assets	€0.01	0.0%
Revaluation of derivatives	€3.45–	–2.8%
<b>Net asset value at year-end 2008</b>	<b>€121.63</b>	<b>96.9%</b>

Maastricht, 18 February 2009

The manager:  
Vesteda Groep bv

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

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

# Auditors' Report

## TO THE SHAREHOLDERS AND LIMITED PARTNERS OF VESTEDA WONINGEN CV

### AUDITOR'S REPORT

We have audited the 'Vesteda Woningen cv Financial statements' for the year 2008, as set out on pages 129 to 139 of the Annual accounts of Vesteda Groep bv, Maastricht, which comprise the balance sheet as at 31 December 2008, 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 'Vesteda Woningen cv Financial statements' 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 130 to 131. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 'Vesteda Woningen cv 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 'Vesteda Woningen cv 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 'Vesteda Woningen cv Financial statements' are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 'Vesteda Woningen cv Financial statements'. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 'Vesteda Woningen cv 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 'Vesteda Woningen cv 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 internal control of Vesteda Woningen cv. 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 'Vesteda Woningen cv 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 'Vesteda Woningen cv Financial statements' give a true and fair view of the financial position of Vesteda Woningen cv as at 31 December 2008, 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 130 to 131.

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

Maastricht, 18 February 2009  
for Ernst & Young Accountants

was signed J.G.K. van der Zanden

# Annexes

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), name of investment property (or provisional development name)
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 <sup>2</sup> × 1000)	As for letting portfolio
Office:	Office space (m <sup>2</sup> )	As for letting portfolio
Retail:	Retail space (m <sup>2</sup> )	As for letting portfolio
Park:	Parking and garage spaces (units)	As for letting portfolio
Rent:	Theoretical gross annual rent (as at 31 December)	As for letting portfolio

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
Aalsmeer, Edisonstraat, Proosdij	1983	100%	33	33		36			0	301
Abcoude, Fluitekruid, Fluitekruid	1989	100%	54	31	23	52			0	439
Abcoude, Ereprijs, Fluitekruid	1989	100%	75	50	25	68			0	610
Alkmaar, Lekerwaard, Huiswaard	1976	100%	15	15		14			0	104
Alkmaar, Louise Henriëttestraat, Louise Henriëttestraat	2000	100%	31		31	25			0	157
Almere, Dijkmeent, De Meenten	1981	100%	145		145	121			0	938
Almere, Harderwijkoever, Boulevardflat	1984	100%	342		342	287			342	2.397
Almere, Slagbaai, Waterwijk	1983	100%	36	36		39			0	249
Almere, Havenhoofd, Havenhoofd	1986	100%	66		66	64			0	520
Almere, Marktmeesterstraat, Centrum	1988	100%	240		240	215			83	1.625
Almere, Raaigrasstraat, Kruidenwijk	1988	100%	102	102		118			0	785
Almere, Lotusbloemweg, Bloemenbuurt	1990	100%	59	59		67			0	498
Almere, Messiaenplantsoen, Muziekwijk	1990	100%	132		132	109			0	910
Almere, Rondostraat, Muziekwijk	1992	100%	48	48		63	146		0	452
Almere, Preludeweg, Muziekwijk	1994	100%	115	115		145			0	999
Almere, Gleditsiastraat, Parkwijk	1995	100%	62	62		85			0	509
Almere, Jacques Tatilaan, Filmwijk	1998	100%	132	90	42	157			0	1.157
Almere, Jarenweg, Seizoenenbuurt	1999	100%	40	40		45			0	297
Almere, Simon Vestdijkstraat, Literatuurwijk	1998	100%	38	38		47			0	303
Almere, Vrije Zeestraat, Oostvaardersbuurt	2001	100%	42	42		55			0	332
Almere, Nova Zemblastraat, Eilandenbuurt	2003	100%	43	43		49			0	389
Almere, Dek, Noorderplassen	2004	100%	31	31		47	180		0	341
Almere, Koetsierbaan, Side by Side	2007	100%	154		154	166	82		156	2.300
Almere, Terpmeent, De Meenten	1981	100%	48		48	42			0	320
Almere-Stad, Quickstepstraat, Danswijk	1999	100%	54	54		60			0	406
Amersfoort, Parelvisserpad, Schuilenburg	1969	100%	116	116		142			50	1.043
Amersfoort, Blikerssingel, Willem III	1988	100%	36		36	31			0	282
Amersfoort, Bombardonstraat, Zielhorst M	1990	100%	35	35		35			0	283
Amersfoort, Bombardonstraat, Zielhorst H	1990	100%	36		36	29			0	269
Amersfoort, Bruggensingel-Zuid, Kattenbroek	1991	100%	134	79	55	158			0	1.189
Amersfoort, Groote Kreek, Kattenbroek Eiland	1993	100%	101	101		139			0	1.062
Amersfoort, Grote Koppel, Zeven Provinciën	2004	100%	58		58	66			0	821
Amstelveen, Groenhof, Groenhof	1972	100%	220		220	184			31	1.575
Amstelveen, Westelijk Halfrond, Groenelaan	1974	100%	247		247	201			28	1.605
Amstelveen, Doctor Willem Dreesweg, Middenhove	1989	100%	15	15		17			0	147
Amsterdam, Leusdenhof, Nellestein	1980	lease	287		287	261	507		343	1.997
Amsterdam, Snelleveldstraat, Reigersbos	1984	lease	153	153		144		51	0	1.318
Amsterdam, Mijndenhof, Mijndenhof	1984	lease	109	109		102			0	943
Amsterdam, Wethouder Abrahamspad, Wethouderbuurt	1986	lease	178	178		191	59		0	1.504
Amsterdam, Wethouder Driessenstraat, Wethouderbuurt	1987	lease	155	155		179			0	1.377
Amsterdam, Jan Puntstraat, Huizingalaan	1990	lease	167		167	149			124	1.642
Amsterdam, Bonhoeffersingel, Midden Akerveldsepolder	1989	lease	208	160	48	220			0	1.965

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
Amsterdam, Willy la Croihstraat, Midden Akerveldsepolder	1990	lease	230	182	48	268			0	2.117
Amsterdam, Schagerlaan, Julianapark	1991	lease	226	40	186	206			16	2.439
Amsterdam, Diopter, Jeugdland	1998	lease	53	53		66			0	546
Amsterdam, Zuidelijke Wandelweg, Mirandalaan	1998	100%	90		90	91	3.401		92	1.325
Amsterdam, Veemkade, Detroit	2004	lease	81		81	107	2.339		0	2.680
Amsterdam, Pieter Calandlaan, Calandtoren	2004	lease	84		84	79	1.569		84	1.084
Amsterdam, Wolbrantskerkweg, Wolbrantskerkweg	2005	lease	108		108	76			82	669
Amsterdam, IJburglaan, Blok 4	2003	lease	26		26	34			26	423
Amsterdam, Gustav Mahlerlaan, Mahler 4	2008	lease	174		174	209	2.160	1.629	198	7.545
Amsterdam, Joris Ivensstraat, De Waterlinie	2004	100%	41		41	44	419		58	682
Amsterdam, IJburglaan, De Uitkijk (Blok 34)	2005	lease	42		42	49			42	683
Amsterdam, Purperhoedenvoer, Boston	2006	lease	90		90	95			0	1.903
Amsterdam, Pieter Postpad, De Drie Bouwmeesters fase A	2006	lease	83	37	46	95			48	952
Amsterdam, IJburglaan, De Ontdekking	2008	lease	43		43	47			43	606
Amsterdam, Jean Desmetstraat, IJburg blok 7	2008	lease	12	12		14			12	185
Amsterdam, Withoedenvoer, Parkeergarage Nieuw Amerika	2006	lease	0			0			284	332
Amsterdam, Bijlmerdreef, Gerenstein-Gallery	2007	lease	96		96	94			0	903
Amsterdam, Nieuw Herlaer, Nieuw Herlaer	1969	lease	55		55	66			30	754
Amsterdam, IJburglaan, Blok 4	2003	lease	13		13	28			13	301
Arnhem, Hooghalensingel, Vredenburg	1974	100%	189	189		238			12	1.514
Arnhem, Hoogvliethof, Eldershof 231	1976	100%	80	80		93			26	561
Arnhem, Ginnekenstraat, Kroonse Wal	1988	100%	30		30	26			0	215
Assen, Groenkampen, Peelo	1986	100%	67	67		82			0	435
Assen, Roegoorn, Marsdijk	1990	100%	45	45		45			0	366
Assen, Zuidhaege, Zuidhaege	1997	100%	60		60	57			56	556
Assen, Aardbeihof, Kloosterhoven	2004	100%	7	7		11			0	77
Beek, Kastanjelaan, Beatrixlaan	1983	100%	24	24		26			0	174
Bergen, Rougemont-Nes, De Nessen	1968	100%	10	10		11			6	108
Bergen, Hallstein-Nes, De Nessen	1968	100%	7	7		8			1	83
Bergen Op Zoom, Zandstraat, Leemberg	1975	100%	33	33		29			0	208
Bergen Op Zoom, Duvanee, Bergse Plaat Fa I	1991	100%	92	92		111			0	759
Bergen Op Zoom, Agger, Bergse Plaat Fa II	1993	100%	57	57		68			0	517
Bergen Op Zoom, Ansjovislaan, De Weer	1994	100%	130		130	143			54	1.266
Bergen Op Zoom, Agger, Bergse Plaat Fa v	1995	100%	30	30		41			0	290
Bergen op Zoom, Statietjalk, Landmark	2004	100%	36		36	42			36	476
Bergen op Zoom, Huijbergsestraat, Parade	2006	100%	65		65	72			62	701
Blaricum, Dam, De Byvanck	1975	100%	102	102		108			0	918
Breda, Lachappellestraat, Lachappellestraat	1961	100%	72		72	47			18	468
Breda, Blauwtjes, Waterjuffer	1999	100%	36		36	33			5	319
Breda, Argusvlinder, Argusvlinder	1999	100%	64		64	42			0	338
Breda, Lovensdijkstraat, Vredenberg	2001	100%	0						0	0
Breda, Nonnenveld, Paleis	2005	100%	86		86	112			86	1.343
Brummen, Buizerdstraat, De Enk	1974	100%	59	59		71			6	447
Bunnik, Esdoorn, Dalenoord VII	1989	100%	43	27	16	38			0	324
Capelle a/d IJssel, Sint Helenabaai, IJsselzicht	1978	100%	217		217	136			0	1.454
Capelle a/d IJssel, Rigoletto, Louvre/Rigoletto	1983	100%	82		82	62			0	532
Capelle a/d IJssel, Slotplein, Slotplein	1997	100%	80		80	86			0	761
Capelle a/d IJssel, Librije, Hermitage	1983	100%	49	49		48			0	370
Capelle a/d IJssel, Doelen, Doelen en Louvre	1983	100%	72	72		71			0	547
Culemborg, Akelei, Voorkoop	1985	100%	48	48		59			0	404
Culemborg, Zaanweg, Dijkzicht	1990	100%	21	21		25			0	180
De Bilt, Hugo van der Goeslaan, De Leyen	1989	100%	48		48	33			0	353
Deurne, Appeldijk, Den Heiakker	1983	100%	14	14		17			0	100
Deventer, Bitterzoet, Colmschate	1984	100%	100	100		115			0	699
Diemen, Biesbosch, Biesbosch	1978	100%	148	148		192			0	1.492
Diemen, Polderland, Diemen Zuid	1986	100%	169	169		183			0	1.482
Diemen, Hartschelp, Hartschelp	1983	100%	62	62		66			0	637
Doetinchem, Lorentzlaan, Boerhaavelaan	1973	100%	186	186		240			0	1.313
Doetinchem, Boekweitdreef, De Huet	1983	100%	110	110		123			0	743
Dordrecht, Van Ravestejn-erf, Groene Oever	1995	100%	84		84	77			0	791
Duiven, Thuvinestraat, Eltingerhof	1975	100%	101	101		114			0	650
Eindhoven, Generaal van Merlenstraat, Rapenland	1984	100%	116	26	90	90			9	828
Eindhoven, Opwettensmolen, Opwettensmolen	1986	100%	178		178	133			110	1.366
Eindhoven, Bisschopsmolen, Woenselse Watermolen	1988	100%	220	202	18	251			0	1.935
Eindhoven, Venbergsemolen, Venbergsemolen	1989	100%	134		134	112			0	1.057

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
Eindhoven, Tongelresestraat, Picushof	2001	100%	58	22	36	60			0	593
Eindhoven, Smalle Haven, Vestedatoren	2006	100%	42		42	55	710		79	932
Eindhoven, Tesselschadelaan, Granida	2004	100%	30		30	39			44	528
Emmen, Klepel, Ermerstede	1990	100%	40		40	36			45	356
Emmen, Eidereend, Eendenveld	1990	100%	33	33		32			0	256
Enschede, Walkottelanden, Stroinkslanden	1982	100%	50	50		54			0	369
Enschede, Boulevard 1945, T Marquant	1989	100%	71		71	53			71	526
Enschede, Bontweverij, Carre	1990	100%	76		76	55			0	527
Enschede, Mooienhof, Mooienhof	2003	100%	87		87	90		877	0	879
Geldrop, Herdersveld, Grote Bos	1978	100%	95	95		97			0	753
Geleen, Schrynwerkersd, Dassenkuil I	1987	100%	16	16		17			0	119
Geleen, Dassenkuillaan, Dassenkuil II	1988	100%	14	14		15			0	102
Gorinchem, Kalkhaven, Dalempoort	1978	100%	20		20	14		344	2	125
Grave, Estersveldlaan, Estersveld	1972	100%	47	47		56			31	337
Groningen, Amethisstraat, Vinkhuizen	1969	100%	69	69		86			0	462
Groningen, Goudlaan, Vinkhuizen II	1972	100%	29	29		36			0	199
Groningen, Zuiderweg, Hoogkerk	1976	100%	143	143		147			40	919
Groningen, Steenhouwerskade, Zuiderhavenring	1982	100%	53		53	47			92	512
Groningen, Steenhouwerskade, Zuiderhavenring	1983	100%	70		70	56			0	523
Groningen, Van Goghstraat, Waterrand	1994	100%	72		72	59			73	614
Groningen, Bloemersmaborg, Klein Martijn	1997	100%	28		28	29			0	290
Groningen, Brijlantstraat, Vinkhuizen I	1969	100%	51	51		64			29	344
Haarlemmermeer, Boekestraat, Jacob, Warande	1969	100%	53	53		61			36	499
Heemskerk, Mozartstraat, Mozartstraat	1969	100%	147	147		165			139	1.223
Heemstede, Floradreef, Prinseneiland	1990	100%	38	38		43			0	333
Heerenveen, Barten, Nye Haske	1987	100%	69	69		80			0	501
Heerenveen, Poststraat, Poststraat	1995	100%	52		52	49			0	438
Heerlen, Poelmanstraat, Douve Weien 1	1978	100%	161	161		174			0	1.249
Heerlen, Drieoortspuut parkeerplaats, Douve Weien 2	1979	100%	76		76	46			68	383
Heerlen, Palestinastraat, Giesen-Bautsch	1980	100%	48	48		52			0	347
Heerlen, Putgraaf, Putgraaf Residentie	1982	100%	93		93	71			175	770
Heerlen, Dillegaard, Douve Weien	1983	100%	87		87	62			16	510
Heerlen, Marjoleingaard, Douve Weien	1982	100%	60	60		65			0	432
Heerlen, Putgraaf, Putgraaf Residentie	1989	100%	66		66	59	79		75	612
Heerlen, Sint Pietershof, Klein Vaticaan	2004	100%	36		36	42			40	471
Helmond, Diamantstraat, Ashorst	1989	100%	20	20		21			0	153
Hengelo, Jan van Galenstraat, Gerarduspark	1995	100%	44		44	35			0	348
Hengelo, 't Swafert, 't Swafert	2000	100%	417		417	98			0	1.954
Hengelo, Algonquin, Thiemsland	2004	100%	34		34	40			0	422
Heumen, Dravik, Maldensveld	1985	100%	20	20		21			0	163
Hillegom, L. van Deysseleaan, L. van Deysseleaan	1983	100%	36	36		38			0	310
Hillegom, J.Prinsheem, Prinsheem	1983	100%	64	64		67			0	568
Hilversum, Loosdrechtse Bos, Resort Zonnestraat	2004	100%	42		42	62			0	1.154
Hoogeveen, Sappemr, Gerbrandyhof, Drevenborg	1991	100%	44		44	37			0	323
Huis ter Heide, Ruysdaellaan, De Horst	2003	100%	51		51	28			0	780
Huizen, Herik, Huizermaat-West	1976	100%	199	199		186			29	1.782
Kerkrade, Mynwg, Straterweg	1987	100%	45	45		46			0	332
Leeuwarden, Stizenflora, Aldlan Oost	1977	100%	160	160		165			11	1.106
Leeuwarden, Frittemastate, Groene Hart	1986	100%	134	134		155			4	916
Leeuwarden, Ubbemastins, Parkflat	1987	100%	62		62	54			0	427
Leeuwarden, Frittemastate, Camminghaburen	1989	100%	44	44		44			0	355
Leeuwarden, Krommezijl, Zuiderburen	2005	100%	36		36	44			0	416
Leeuwarden, De Malus, Zuiderplantage	2007	100%	31		31	29			0	264
Leiden, Parkzicht, Merenwijk	1979	100%	238		238	179			2	1.582
Leiden, Zuster Meijboomstraat, Stevenshof	1991	lease	99		99	81			0	815
Leiden, Julius Caesarlaan, Roomburg	2008	100%	26		26	31			29	424
Leiderdorp, Lokhorst, De Horsten	1970	100%	97		97	95			36	745
Leiderdorp, Roodborststraat, Vogelwijk	1972	100%	67		67	55			20	463
Leiderdorp, Waterleliekreek, Voorhof	1978	100%	227	107	120	230			9	1.801
Leiderdorp, Laan van Berendrecht, Parkpromenade Berendrecht	2004	100%	72		72	102		527	0	1.157
Leidschendam, Schadeken, 't Lien	1985	100%	127	127		135			0	1.286
Lelystad, Tjalk, Gebied 243	1981	100%	160	160		163			0	967
Lelystad, Kogge, De Kogge I	1977	100%	61	61		70			0	436
Lelystad, Kogge, De kogge II	1977	100%	60	60		67			0	422
Leusden, Hertenhoeve, Centrum	1979	100%	40	40		37			14	332

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
Maastricht, Via Regia, Via Regia	1977	100%	74		74	48			82	384
Maastricht, Ellecuyngaard, Eylderwaard	1982	100%	29	29		34			0	236
Maastricht, Heerderweg, Heerderweg	1985	100%	202		202	145			107	1.339
Maastricht, Kasteel Caesterstraet, Nazareth	1987	100%	29	10	19	23			24	183
Maastricht, Erasmusdomein, Randwijk	1986	100%	109		109	85			20	809
Maastricht, Akerstraat, Ceramique	1993	100%	182		182	168	207		147	1.569
Maastricht, Sphinxlunet, Cortile	1999	100%	37		37	39	466		0	477
Maastricht, Sphinxlunet, Cortile Parking	1999	100%	0			0			222	207
Maastricht, Avenue Ceramique, Toren van Siza	2001	100%	40		40	47	714		0	775
Maastricht, Plein 1992, Residence	2000	100%	33		33	36			8	407
Maastricht, Sphinxlunet, Cortile	2002	100%	120		120	126			0	1.365
Maastricht, Heugemerweg, Cortile	1999	100%	30		30	29		68		788
Maastricht, Bellefroidlunet, Stoa	2002	100%	66		66	104	95		89	1.608
Maastricht, Boschcour, blok 22 Ceramique	2007	100%	85		85	106	860		121	1.394
Maastricht, Savelsbosch, Vroendaal	2003	100%	15	15		26			0	225
Maastricht, Avenue Ceramique, Wiebengahal	2006	100%	0			0	3.190	173	0	369
Maastricht, Papenweg, St. Pieter	2008	100%	7		7	9		445	1	221
Maastricht, Boschcour, blok 22 Ceramique	2007	100%	7		7	11			0	114
Middelburg, Stationsstraat, Blauwe Dijk	1987	100%	18		18	11			0	93
Middelburg, Touwbaan, Maisbaai Fase 1	1990	100%	60		60	62			57	535
Nieuwegein, Hermesburg, Bataw Noordrand	1988	100%	56	56		57			0	471
Nieuwerkerk IJssel, Bladmos, Zuidplaspolder	1979	100%	61	61		65			0	481
Nieuw-Vennep, Haendelplein, Getsewoud	2002	100%	76		76	57			0	570
Nijmegen, Lankforst, Lankforst	1969	100%	83	83		105			25	637
Nijmegen, Weezenhof, Weezenhof	1972	100%	145	145		175			43	1.232
Nijmegen, Nw marktstraat, Kronenburger	1991	100%	148		148	141	323		7	1.487
Nijmegen, Rode kruislaan, Park Heyendaal	1996	100%	92		92	95			0	974
Noordwijk, Fuikhoren, Fuikhoren	1985	100%	67	67		75			0	544
Noordwijk, Schaalhoren, Schaalhoren	1983	100%	66	66		72			0	552
Oosterhout, Verdijkstraat, Oosterheide 1	1969	100%	35	35		45			17	263
Oosterhout, Beethovenlaan, Oosterheide 2	1971	100%	31	31		44			13	249
Oss, Kerkstraat, Boschpoort	1982	100%	21		21	15		955	55	206
Ouder-Amstel, Clarissenhof, Clarissenhof	1977	100%	101	101		101			8	949
Papendrecht, Pontonniersweg, Buitenwaard	1991	100%	66		66	74			24	717
Purmerend, Cocqgracht, De Purmer	1983	lease	103	103		92			0	708
Renkum, Graaf van Rechterenweg, Rechterenborg	1993	100%	62		62	57			39	612
Rhoon, Marskramer, Baljum	1982	100%	67	67		80			0	546
Rijswijk, Churchillaan, Churchillaan	1969	100%	215		215	241			19	1.968
Rijswijk, Clavecimbellaan, Clavecimbellaan	1974	100%	160		160	172			58	1.383
Rijswijk, BeatriHlaan, Prinses, Prinses Beatrixlaan	1975	100%	343		343	281		214	308	2.522
Rijswijk, Hilvoordestraat, Over De Boogaard	1979	100%	122		122	63			0	744
Roermond, Ambachtsingel, Hoogvonderen	1981	100%	57	57		66			0	373
Roermond, Dionisiusstraat, Ursula	1986	100%	290		290	217	4.962		341	2.341
Roosendaal, Pastoor van Akenstraat, Molenbeekstraat	1970	100%	29	29		38			8	214
Roosendaal, Dolomietdijk, Kortendijk Oost 1	1981	100%	27	27		31			0	187
Rosmalen, Leyborch, Dommelborch	1985	100%	60	60		65			0	436
Rotterdam, Stekelbrem, Brembuurt	1973	100%	168	168		218			37	1.810
Rotterdam, Bottelroos, Heydnahof	1983	lease	161	161		175			0	1.501
Rotterdam, Admiraal de Ruyterweg, Linker Rottekade	1985	lease	246		246	149		276	159	1.557
Rotterdam, Hamelpad, Sneevlietstraat	1984	lease	52	52		50			0	389
Rotterdam, Boompjes, De Boompjes 1	1988	lease	336		336	230	6.192	1.015	283	3.634
Rotterdam, Cromme Meth, Cromme Meth	1987	lease	30	30		30			0	225
Rotterdam, Burg. van Walsumweg, Burg. van Walsumweg	1989	lease	270		270	219		1.729	206	2.403
Rotterdam, Ton Wijkampstraat, Zevenkamp	1988	lease	49	49		53			0	439
Rotterdam, Den Uyisingel, Dosiatoren	1989	lease	92		92	72			0	636
Rotterdam, Watertorenweg, Watertorenweg	1990	lease	119		119	109			0	902
Rotterdam, Govert Terlouwstraat, Ringvaartplasbuurt	1990	lease	61	61		66			0	578
Rotterdam, Nieuwehaven, Nieuwehaven	1991	lease	89		89	79		601	40	936
Rotterdam, Buitenbassinweg, Buitenbassinweg	1991	lease	103		103	86			0	776
Rotterdam, Govert Terlouwstraat, Ringvaartplasbuurt	1991	lease	42	42		47			0	421
Rotterdam, Kouwenbergzoom, Clazina, Loreleiflat	1992	lease	68		68	59			0	600
Rotterdam, Admiraliteitskade, Oostmolenwerf	1994	lease	86		86	77		490	68	1.005
Rotterdam, Strevelsweg, Poort Van Zuid	1994	lease	114		114	104	231		98	955
Rotterdam, Gedempte Zalmhaven, De Hoge Heren	2000	lease	160		160	191	482		330	2.666
Rotterdam, Gedempte Zalmhaven, De Hoge Heren, serviced appartments	2001	100%	51		51	61			0	1.127

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
Rotterdam, De Boompjes, De Boompjes II	2001	lease	0			0	1.480		0	177
Rotterdam, Wierdsmaplein / Landverhuizersplein, Montevideo	2005	lease	68		68	84			68	1.436
Sassenheim, Landauer, Berline en Landauer	1985	100%	42	42		44			0	355
Sassenheim, Caleche, Brik	1986	100%	61	61		64			0	506
Schagen, Fazantenhof, Fazantenhof	1973	100%	78	78		101			0	687
Schagen, Patrijzenhof, Patrijzenhof	1973	100%	91	91		117			0	775
Schiedam, Chopinplein, Groenoord	1971	100%	451		451	401	70		40	2.948
Schiedam, Huis Te Merwestraat, Woudhoek	1984	lease	184	184		195			0	1.669
The Hague, Domburglaan, Deltaplein	1972	100%	156		156	115			44	1.236
The Hague, De Brink, Kraayenstein I	1975	100%	138	9	129	109			113	971
The Hague, Noorderbrink, Kraayenstein II	1975	100%	224	224		270			0	2.475
The Hague, Laakweg, Piazza	1998	lease	73		73	69			58	558
The Hague, Prins Willem Alexanderweg, La Fenêtre	2005	lease	115		115	141			118	2.226
's-Hertogenbosch, Kruiskampsingel, Meanderflat	1968	100%	160		160	138			50	1.155
's-Hertogenbosch, Natewischstede, Maaspoort	1987	100%	53	53		50			0	414
's-Hertogenbosch, Bordeslaan, Paleiskwartier	2004	100%	27		27	35			34	428
's-Hertogenbosch, Pisastraat, Pisastaete	1989	100%	72		72	31			72	584
Sittard, Blijdestein garage, Kollenbergerhof I	1986	100%	78		78	56			28	521
Sittard, Ruttenlaan, Kollenbergerhof II	1987	100%	52		52	38			78	349
Sittard, Kollenberg, Kollenbergerhof III	1988	100%	58	58		65			0	443
Sittard, Kleine Steeg, Wilhelminastraat	1993	100%	63		63	66	313		67	638
Stiens, St. Vitusplein, Sint Vitusplein	1999	100%	30		30	21			0	160
Susteren, Raadhuispln, Middelveld	1983	100%	14	14		12			0	95
Tegelen, Waterloostraat, Domein Moubis	2004	100%	16		16	23			22	227
Tilburg, Friezenlaan, Friezenlaan	1982	100%	54		54	50			38	504
Tilburg, Anna Paulownahof, Anna Paulonahof	1989	100%	230		230	162	94		54	1.527
Tilburg, Schoolstraat, Elegance	1989	100%	174		174	140			45	1.272
Tilburg, Hillegomlaan, Reeshof	1990	100%	56	56		73			0	436
Tilburg, Buxusplaats, Holland-terrein	2007	100%	99		99	112	700		120	1.323
Vaals, Bloemendalstraat, Bloemendal	1998	100%	52		52	47			12	473
Valkenburg, Cauberg, Caubergklooster	2007	100%	41		41	27			0	720
Valkenburg Ad Geul, Oranje Nassau, Nassauflat	1982	100%	88		88	59			87	557
Valkenburg Ad Geul, Spoorlaan, De Valk/Spoorlaan	1994	100%	34		34	34			27	285
Velsen, Maanbastion, Maanbastion	1990	100%	128		128	93			44	1.050
Velsen, Sterbastion, Sterbastion	2001	100%	71		71	66			0	581
Venlo, Klingerbergsingel, Klingerberg	1984	100%	46	46		53			0	326
Venlo, Harry Hollastraat, Groeneveld	1989	100%	53	53		64			0	423
Venlo, Gebroeders Daelstraat, Groeneveld II	1991	100%	90	18	72	86			0	612
Venlo, Harry Hollastraat, Groeneveld IV	1993	100%	52	52		63			0	464
Venlo, Gruttostraat, Centrum-Zuid	1995	100%	32	32		43			0	286
Venlo, Gruttostraat, Centrum-Zuid	1997	100%	31		31	32			43	215
Venlo, Seinesstraat, Maaswaardstaete	1998	100%	32		32	36			36	368
Venlo, Morion, Centrum-Zuid	2000	100%	31	31		36			0	240
Venlo, Ginkelstraat, De Lunet	2003	100%	11		11	13	330		11	171
Vleuten, Molenpolder, Meiborg	2003	100%	28		28	43			14	501
Vleuten, Molenpolder, Weideborg	2003	100%	32		32	33	152		0	396
Vleuten-De Meern, Ridderhoflaan, Secr.Versteeglaan	1969	100%	176	176		210			9	1.614
Vlissingen, Schutterijstraat, Lange Zelke	1994	100%	14		14	13			0	103
Voorburg, Distelweide, Distelweide	1974	100%	40	40		45			14	508
Voorburg, Populierendreef, Populierendreef	1975	100%	267		267	201			130	2.032
Voorburg, Populierendreef, Populierenlaan	1975	100%	132		132	93			167	878
Voorburg, Kersengarde, Kersengarde	1976	100%	256	256		309			0	3.014
Voorburg, Rodelaan, Rodelaan	1976	100%	160		160	115			82	1.108
Voorburg, Johan David Zocherstraat, Nieuw Park Leeuwensteijn	2006	100%	56		56	59			57	827
Voorburg, Johan David Zocherstraat, Nieuw Park Leeuwensteijn	2006	100%	55		55	57			56	849
Voorhout, Zwanebloemstraat, Bloemenschans	1985	100%	49	49		56			0	436
Wassenaar, Van Polanenpark, Zijlwatering	1972	100%	85	85		119			59	1.003
Wassenaar, van Wassenaar Obdamlaan, Zijlwatering	1992	100%	32	32		43			0	500
Wassenaar, Professor Molenaarlaan, Zijlwatering	1972	100%	97	97		129			0	1.054
Weert, Houtduif, Graswinkel 2	1988	100%	16	16		16			0	102
Westervoort, Het gilde, Hoogeind	1986	100%	20	20		19			0	126
Wijchen, Abersland, Abersland	1987	100%	88	88		90			0	677
Wijchen, Abersland, Abersland	1988	100%	36	36		40			0	270
Zoetermeer, Dunantstraat, Molenwijk	1973	100%	186		186	163		805	205	1.263
Zoetermeer, Dunantstraat, Blankaard	1973	100%	160		160	104		344	0	919

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
Zoetermeer, Zilverberg, Meerzicht	1975	100%	88	88		105			130	821
Zoetermeer, Bunuelstroom, Buytenwegh De Leyens	1979	100%	386	347	39	447		125	11	3.141
Zoetermeer, Gaardedreef, Seghwaert	1978	100%	36	36		41			0	302
Zoetermeer, Heijermanshove, Buytenwegh De Leyens	1979	100%	134	53	81	124			0	972
Zoetermeer, Bordeauxstraat, Frankrijklaan	1987	100%	53	53		54			0	462
Zoetermeer, Reimsstraat, Reimsstraat	1987	100%	108		108	82			108	924
Zutphen, Verdijkstraat, Gerard Doustraat	2007	100%	34		34	43			34	448
Zwolle, Schie, AA Landen	1969	100%	210	210		256			122	1.811
Zwolle, Van bosseware, Ittersumerlanden	1984	100%	166	166		197			0	1.201
Zwolle, Tak van poortvlietware, Ittersumerlanden	1987	100%	39	39		40			5	290
Zwolle, Stadhouderslaan, Oldenelerlanden	1988	100%	114	114		132			0	896
Total letting portfolio			<b>27.624</b>	<b>11.581</b>	<b>16.043</b>	<b>27.172</b>	<b>32.511</b>	<b>10.668</b>	<b>9.457</b>	<b>252.224</b>

project	year	land	u	fh	mo	ua	Office	Retail	Park	Rent
<b>DEVELOPMENT PORTFOLIO</b>										
PROJECTS UNDER CONSTRUCTION										
Amsterdam, IJburg blok 8	2009	Lease	120	-	120	140	1.083	-	124	2.120
Amsterdam, Noordbuurt A, Tjalk	2009	Lease	26	-	26	32	-	660	46	226
Amsterdam, Brigantijnkade, Noordbuurt c en f, Klipper en Schoener	2009	Lease	118	-	118	118	-	-	212	1.465
Apeldoorn, Disselhof 2 t/m 180, De Stadhouders	2009	100%	90	-	90	105	-	-	130	1.228
Arnhem, Amsterdamseweg 233, Rosorum Residentie	2009	100%	20	-	20	16	-	-	16	387
Bergen op Zoom, Ansjovislaan 247 t/m 293, Laguna	2009	100%	33	-	33	34	-	-	33	439
Breda, Lovensdijkstraat 7, Vredenberg	2009	100%	102	-	102	65	-	-	-	1.386
Den Haag, van Hogenhoucklaan, Hubertusstaete	2009	100%	24	-	24	30	-	-	29	735
Eindhoven, Cassandraplein	2009	100%	30	-	30	35	1.000	-	30	572
Eindhoven, Kloosterdreef	2009	100%	36	-	36	37	-	-	36	436
Groningen, Reitdiep Haven	2010	100%	47	-	47	45	-	-	47	517
Leidschendam, Neherpark	2009	100%	30	-	30	32	-	-	35	550
Maarsse, Op Buuren Blok 3	2010	100%	18	-	18	23	-	-	33	399
Maarsse, Op Buuren Blok 7	2009	100%	23	-	23	28	-	-	34	403
Maastricht, Avenue Céramique, Maison Céramique	2009	100%	33	-	33	41	1.056	-	-	692
Maastricht, Prins Bisschopssingel, Poort Waerachtig	2009	100%	25	4	21	37	-	-	38	560
Roermond, Achter de Cattentoren, Casimir	2009	100%	59	-	59	65	-	-	71	814
Rotterdam, New Orleans	2010	100%	162	-	162	211	1.156	-	225	3.650
Rotterdam, Parkkwartier Katendrecht	2010	100%	27	-	27	25	-	-	28	293
Rotterdam, Parktoeren	2009	100%	47	-	47	51	320	-	66	818
Wageningen, Haagsteeg	2010	100%	28	-	28	35	-	-	28	443
Weert, Ceres 2 t/m 80, Beekpoort Fase 1, Ceres	2009	100%	40	-	40	41	-	-	40	499
Woerden, Hoge Rijndijk, Heeren van Woerden	2010	100%	46	-	46	37	-	-	70	544
Total development portfolio – projects under construction			<b>1.184</b>	<b>4</b>	<b>1.180</b>	<b>1.285</b>	<b>4.615</b>	<b>660</b>	<b>1.371</b>	<b>19.176</b>



Vesteda was formed in **1998**. Vesteda was created as a result of the reorganisation of ABP's property portfolio. For several years, Stichting Pensioenfond 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.

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 was also legal and fiscal restructuring 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.

In **2007**, shares were reissued for a sum of about €320 million. Three new shareholders joined Vesteda. Borrowed capital was expanded by €350 million. A total of 1,600 residential properties were added, 1,050 through the acquisition of a portfolio. In 2007, the balance sheet total passed the €5 billion mark for the first time.

The Association of Institutional Property Investors in the Netherlands (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 only on the years since then.

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 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 148).

## 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 and multiple-residency properties
Pipeline portfolio	Portfolio	Development/under construction portfolio

Vesteda's definitions are explained in more detail on page 151.

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.

**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

**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 58

**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 58

**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 58

**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 58

**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.

**Participation Agreement** Decisions are taken on the basis of an agreement (the Participation Agreement) between shareholders and limited partners. 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 58

**Vacant value ratio** The price that property investors are willing to pay for clusters (of let) residential properties, in relation to the individual market prices of those properties when vacant.

**Vesteda Group** See the legal structure on page 90

**Vesteda Groep bv** See the legal structure on page 90

**Vesteda Project bv** See the legal structure on page 90

**Vesteda Woningen** See the legal structure on page 90

**Vesteda Groep bv**

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