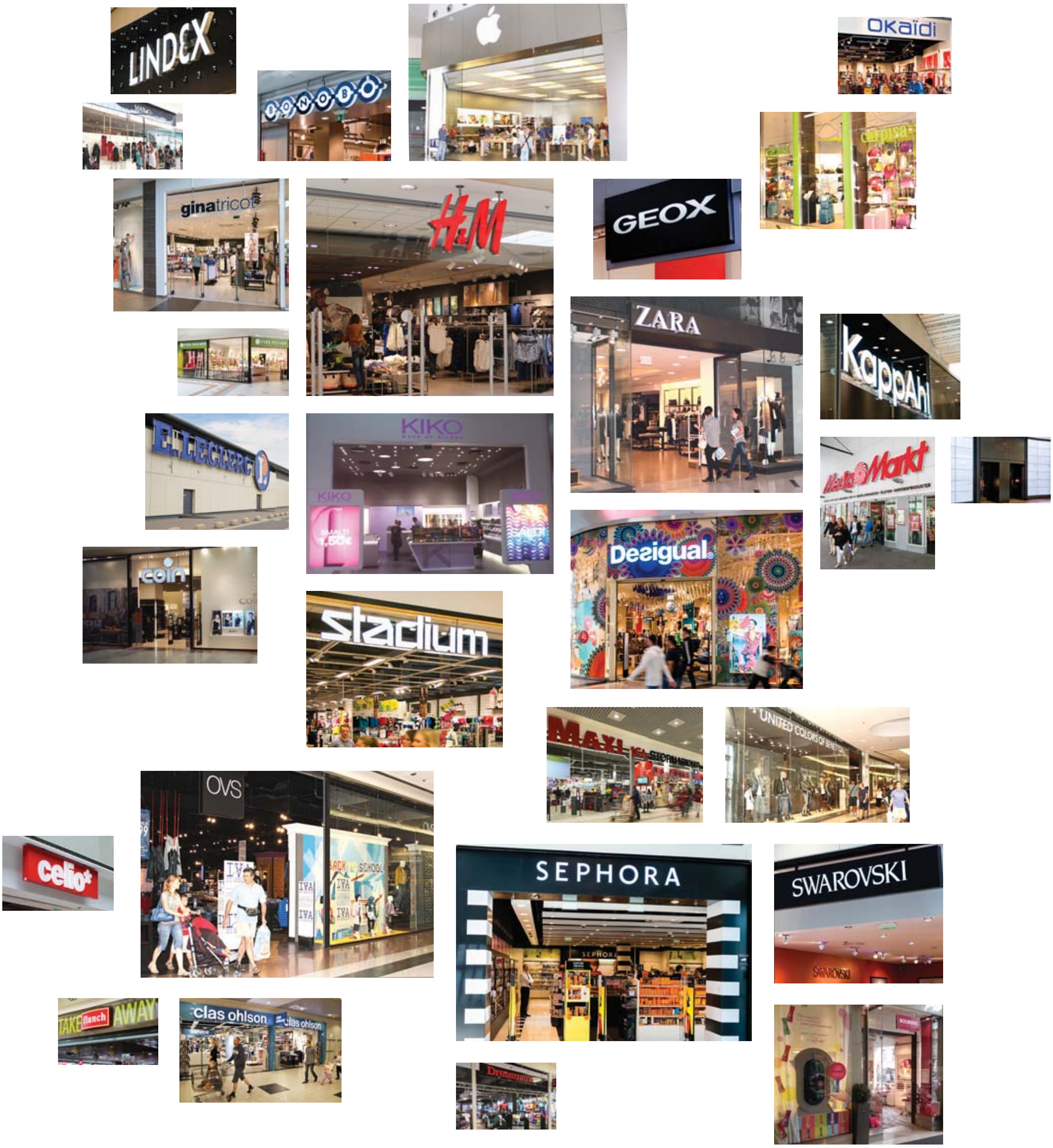
# EUROCOMMERCIAL
## SHOPPING CENTRES



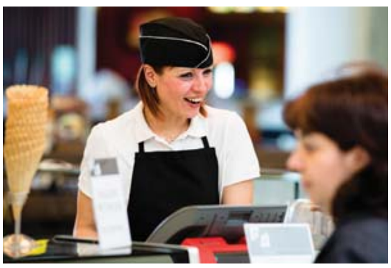

Annual Report 30 June 2013

# Company profile



Eurocommercial Properties N.V. (Eurocommercial) is one of Europe's most experienced owners and managers of retail property. The Company focuses on France, Northern Italy and Sweden where it has a €2.8 billion portfolio of 33 shopping centres.

Listed on NYSE Euronext Amsterdam since 1991, Eurocommercial has zero tax status. In the year to 30 June 2013, the direct investment result rose 2.5% to €81.5 million and the dividend per depositary receipt was maintained at €1.92.



# Introduction

**Jeremy Lewis**
Chief Executive

Eurocommercial, throughout its long history has always adapted its investment strategies to changing markets.

Today, as retail specialists we face two new challenges – subdued consumer spending as a result of current European economic weakness and online sales which, although now relatively low, are increasing.

We are responding to these challenges by tailoring our tenant mix to the evolving requirements of customers, providing enhanced physical amenities through continual upgrading of our centres and being absolutely up to date with electronic aids to visitor growth, whether they be Wi-Fi in all our centres, mobile apps, kids' areas, spending analysis through loyalty programmes or marketing through websites and social media.

All of these things are useful but it is of far more importance that the centres are well sited and appropriately sized for their catchments. Food anchors are a fundamental part of our strategy ensuring regular customer visits given the minimal penetration of online food shopping in our countries.

We believe that our medium sized, dominant centres in wealthy suburban areas meet the desires of the majority of families looking for safe, pleasant, accessible shops near to their homes. The proof of the success of our strategy can be found in our vacancy levels, consistently around 1% over the last 20 years, and continuing rental growth today.

Jeremy Lewis
Chief Executive

Strategy

# Focused investment strategy

## Prime retail property

Eurocommercial has a €2.8 billion diversified portfolio of prime property both in the centres of major cities and in strong suburban locations.

## Three wealthy markets

Our investments are in France, Northern Italy and Sweden which are among Europe's richest regions measured by disposable income or wealth per capita.

France
41%
€1,161m

Northern Italy
37%
€1,026m

Sweden
22%
€619m

## Retail sales transparency

Retail tenants in our centres declare their turnover monthly so that we can monitor the performance, and thus viability, through calculating their occupancy cost ratios (rent plus marketing contributions, service charges and tenant property taxes as a proportion of sales turnover including VAT).

Occupancy cost ratios*
% 30 June 2013

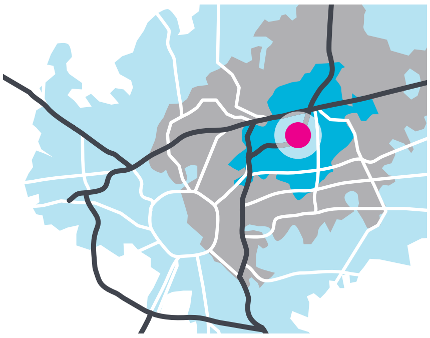
8.1%

| | |
|---|---|
| France | 8.3% |
| Italy | 8.1% |
| Sweden | 7.6% |
| Overall | 8.1% |

*Excluding hypermarkets

## Research led investments

We conduct in-depth research focusing on economic, demographic and retail supply statistics to support our investment decisions. We have our own comprehensive databases for our countries of operation.



Primary catchment
Secondary catchment
Tertiary catchment

## Professional management

The highly experienced management team of Eurocommercial has grown the business together for almost 20 years.

The five Directors, who joined from major international property consultants and fund managers, meet once a week to discuss all major corporate and property matters.

They are joined at these meetings by local members of the property and finance teams, the Investor Relations Director and the Group Economist who are all encouraged to express their ideas and opinions openly. This disciplined, collegiate and transparent approach ensures that information is shared freely across the Group and decisions can be made promptly and rationally.

1 2 3 4 5

1. Peter Mills
Director
2. Tom Newton
Director
3. Jeremy Lewis
Chief Executive
4. Evert Jan van Garderen
Finance Director
5. Tim Santini
Director

# Management report

## 2013 Results summary

| | 2012/2013 | 2011/2012 |
|---|---|---|
| Rental income (€m) | 172.6 | 163.0 |
| Net rental income (€m) | 144.4 | 139.4 |
| Direct investment result (€m) | 81.5 | 79.5 |
| Direct investment result per depositary receipt (€) | 1.97 | 1.94 |
| Dividend per depositary receipt (€) | 1.92 | 1.92 |
| IFRS result after taxation (€m) | 122.9 | (12.1) |
| Adjusted net asset value per depositary receipt (€) | 36.47 | 36.92 |
| IFRS net asset value per depositary receipt (€) | 32.73 | 31.75 |
| Net debt to adjusted net equity* | 81% | 75% |
| Net debt to property value* | 44% | 42% |
| Average interest cost, including margins | 3.9% | 4.5% |
| Interest cover | 2.6x | 2.6x |

* Expected to return to previous levels once the proceeds from Passy Plaza, Paris have been used to repay the short-term debt in October 2013

### Dividend

The annual dividend has been maintained at €1.92 per depositary receipt (10 ordinary shares) notwithstanding the direct investment result of €1.97 per depositary receipt. The Board believes that under current circumstances, this cautious approach allows it to be confident that it can continue its unbroken record of at least maintaining dividends despite periods of limited rental growth as a result of lower indexation.

### Adjusted Net Asset Value and IFRS Net Asset Value

The adjusted net asset value figure for 30 June 2013 was €36.47 per depositary receipt, down 1.2% compared with €36.92 at 30 June 2012 but up 3.4% compared with €35.28 at 31 December 2012. Adjusted net asset values do not take into account contingent capital gains tax liabilities nor do they take into account the fair value of financial derivatives (interest rate swaps) which are used to stabilise interest costs.

The IFRS net asset value at 30 June 2013 was €32.73 per depositary receipt, compared with €31.75 at 30 June 2012 and €30.71 at 31 December 2012 and includes both contingent capital gains tax liabilities if all the properties were to be sold simultaneously and the fair value of financial derivatives (interest rate swaps).

The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €36 million when calculating net asset value. Under current circumstances in the only two markets where CGT would be payable by the Company, Italy and Sweden, the majority of larger property transactions are made through the sale of the owning corporate entity and purchasers accept a major part of the potential CGT liability.

As at 30 June 2013 the CGT is only related to the Swedish property portfolio.

Both Adjusted and IFRS net asset values per depositary receipt at 30 June 2013 reflect the increased number of depositary receipts in issue following the 30% take-up of the 2012 stock dividend.

### International Financial Reporting Standards (IFRS)

In accordance with the European and national rules and regulations the Company has drawn up its financial statements for the financial year ending 30 June 2013 based on IFRS.

The IFRS result after taxation (total investment result) for the financial year ended 30 June 2013 increased to €122.9 million compared with a loss of €12.1 million for the financial year ended 30 June 2012. This significant difference is mainly due to the significant unrealised positive fair value movement in derivative financial instruments during the year. As medium and long term interest rates increased the negative value of the interest rate hedging contracts (swaps) decreased during the year by €20 million, whereas in the previous financial year the interest rates declined causing a negative movement for the swaps of €93 million.

The IFRS result after taxation includes contributions from unrealised movements in property values as well as contingent nominal capital gains taxes and as stated above, also includes fair value movements in derivatives. However, the Company has also chosen to continue presenting next to the IFRS result, the direct investment result and the indirect investment result, which it believes is an important distinction as the direct investment result represents, in the view of the Board, the continuing underlying earnings better than the IFRS result figure, which includes unrealised “capital” movements and therefore may cause big swings in results. These direct and indirect investment results are included in a statement which does not form part of the IFRS statements.

**Eurocommercial's properties have performed well over the last year, despite difficult economic conditions.**

**Like for like rents are up 2.8%, vacancies are under 1% with negligible arrears and property values are stable. Funding and other costs have been contained so that earnings (direct investment result) have risen by 2.5%.**

**Eurocommercial has actively recycled capital by selling mature centres at or above book values in Sweden and France and reinvested the proceeds in properties that can be redeveloped and expanded, producing higher returns.**

## Economic background

Major European economies are just starting to emerge from recession and we think that GDP growth could approach 1% in the next year.

Unemployment has been increasing, reaching above 10% in France but in Italy Eurocommercial's northern catchments have an average unemployment level of under 8%. The Swedish economy is holding up relatively well and good export performance, low interest rates and muted inflation means Swedish households have experienced an improvement in their disposable income with a positive impact on spending.

Recent data is pointing to an improvement in economic activity and the European economy is therefore on course to stabilise in the second half of 2013 and start growing again at the beginning of 2014.

## Market commentary and outlook

**Despite the generally weak economies in Europe over the last year, the major feature of property markets in France, Italy and Sweden is paradoxically insufficient good quality shopping centre investments to meet continuing strong institutional investor demand. The result is that prices have remained firm or, even, in the case of France, risen slightly.**

Rents in our countries are linked to inflation which remains subdued – between 0% and 1.5% – but base rent reviews and relettings at the end of leases are still expected to show rises compared with historic rents, set five or more years previously, in addition to indexation.

The overall outlook, therefore, for total returns (rental and value growth combined) from good retail properties is in the order of 6–8% per annum, sound when considering subdued inflation and expected investment returns from other asset classes.

Eurocommercial's strategy continues to be to acquire centres in its countries that, regardless of size, have rental growth and expansion potential.

# Management report
continued

## Rental growth

**Like for like rental growth for Eurocommercial's entire portfolio for the year to 30 June 2013 was 2.8% with the best performance coming from France at 4.1% followed by Italy and Sweden with 2.6% and 1.2% respectively.**

Like for like rental growth is calculated by comparing the tenancy schedules for each shopping centre one year apart, including only the same floor areas over the period, thereby excluding the impact of any extensions or acquisitions. Changes in the rents are caused by indexation, relettings and renewals together with any turnover rent achieved.

Eurocommercial's leases are structured to include a base rent, indexed annually, with a further top-up provision related to the stores' sales turnover. If the pre-agreed percentage of annual turnover exceeds that of the indexed base rent, the tenant pays the difference to the landlord. Indexation is applied every January and is based on the Consumer Price Index (CPI) in Italy and Sweden and a mixture of CPI, the retail sales turnover index and the cost of construction index in France. Rent indexation in 2013 was 3.4% in France, 1.9% in Italy and 0.4% in Sweden. For 2014 we estimate that indexation will be approximately 0.5% in France, 1% in Italy and 0.3% in Sweden.

### Like for like rental growth 2012/13
%

| | |
|---|---|
| Overall | 2.8 |
| France | 4.1 |
| Italy | 2.6 |
| Sweden | 1.2 |

### Renewals and relettings

| | No. of renewals and relettings | % of total rent renewed/relet | Average rental uplift achieved |
|---|---|---|---|
| | | | 2012/13 |
| France | 32 | 5% | 22% |
| Italy | 115 | 12% | 9% |
| Sweden | 28 | 16% | 8% |
| Overall | 175 | 11% | 11% |

## Turnover growth

Overall like for like (same floor area) retail sales turnover in Eurocommercial's shopping centres for 12 months to 30 June 2013 increased by 0.7% compared with the same period in 2012. The strongest performance came from Sweden (1.8%) followed by Italy (0.4%) and France (0.1%). Although retail spending was subdued in the autumn/winter of 2012/13, with miserable weather impacting clothing and footwear sales in particular, a recovery in sales in late spring 2013 ensured that overall performance was positive for the year.

The positive performance in Italy should be considered against the Italian shopping centre benchmark, which reported a decline of 4.2%* to March 2013 versus +0.2% in Eurocommercial's Italian centres for the same period, while in Sweden the solid turnover growth of 1.2% through to March 2013 outperformed the Swedish shopping centre benchmark which reported 0.7%**.

Excluding Fnac in Passage du Havre, Paris, which accounts for 21% of French turnover, but less than 5% of rent, the retail sales of –0.2%*** through to May 2013 in Eurocommercial's French centres were in line with the national shopping centre benchmark, which showed –0.1%***.

In the various sectors, the strongest performance was once again in Health and Beauty (3.8%) while the weakest came from Electricals (–2.2%).

* CNCC Italy, 12 months to end of March 2013
** Köpcentrumbarometern, 12 months to end of March 2013
*** CNCC France, 12 months to the end of May 2013

### Like for like turnover growth by sector*

| | 3 months to 30 June 2013 | 12 months to 30 June 2013 |
|---|---|---|
| Fashion | 2.7% | 1.2% |
| Shoes | 4.7% | –1.6% |
| Gifts and jewellery | 4.2% | 2.0% |
| Health and beauty | 4.5% | 3.8% |
| Sport | 4.3% | 1.2% |
| Restaurants | –1.9% | 0.2% |
| Home goods | 1.0% | 0.3% |
| Electricals | –2.3% | –2.2% |
| Hyper/supermarkets | 1.8% | 3.5% |

* Excluding extensions

### Like for like turnover growth by country %

12 months to 30 June 2013 compared to 30 June 2012

| | |
|---|---|
| Overall | 0.7 |
| France | 0.1 |
| Italy | 0.4 |
| Sweden | 1.8 |

### Like for like turnover growth by country %

Three months to 30 June 2013 compared to 30 June 2012

| | |
|---|---|
| Overall | 1.5 |
| France | 0.9 |
| Italy | 0.7 |
| Sweden | 3.3 |





# Management report
continued

## Occupancy cost ratios

**Occupancy cost ratios (OCR) – rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT – are a vital measure of both a tenant's performance and the affordability of their rent.**

The OCR can vary quite considerably, depending on the size and type of shop and its location. Eurocommercial's philosophy, however, has always been to maintain OCRs at a reasonable level to ensure that rents are sustainable for its tenants.

Total occupancy cost ratios for Eurocommercial's galleries excluding hypermarkets at the end of the period were 8.1% overall; 8.3% in France, 8.1% in Italy and 7.6% in Sweden. The low overall occupancy cost ratio is one of the reasons for Eurocommercial's very low retail property vacancies and arrears which have both been continuously around 1% of income for the last 20 years.

### Occupancy cost ratios*
%

| | |
|---|---|
| Overall | 8.1 |
| France | 8.3 |
| Italy | 8.1 |
| Sweden | 7.6 |

## Vacancies

Now that the remaining large ex-Expert electrical stores have been successfully relet in Sweden after the bankruptcy of the former chain, Eurocommercial's vacancies have resumed their accustomed level of less than 1% of rental income.

We currently see few signs that vacancies are likely to increase significantly in any of our markets but, as always, we remain cautious and make sure that our occupancy cost ratios are reasonable and allow tenants to have profitable stores.

## Arrears

Arrears of rent are creeping up overall but the position is better in France and Sweden, where arrears of over 90 days remain well under 1%, than in Italy where retailers are testing the tolerance of landlords for the benefit of the tenants' cash flow. This is despite the fact that Italian turnover and rental growth are positive and vacancies minimal so there is little evidence of real hardship. Overall arrears totalled 0.8% of income at 30 June 2013.

Out of a total of 1,400 tenants, there are three tenants in administration in France, and none in Italy or Sweden.

## Merchandising mix

The various retail sectors are shown below as a percentage of total rent. Fashion stores form the largest group with Gifts and jewellery the smallest.

### Merchandising mix*

| | Floor area % | Minimum guaranteed rent % |
|---|---|---|
| Fashion | 34.5 | 41.4 |
| Electricals | 13.5 | 10.6 |
| Home goods | 13.9 | 7.0 |
| Sport | 7.4 | 4.7 |
| Food/restaurants | 7.1 | 7.4 |
| Shoes | 5.2 | 5.5 |
| Health and beauty | 5.3 | 9.5 |
| Books and toys | 2.9 | 2.3 |
| Services | 2.7 | 3.5 |
| Gifts and jewellery | 2.5 | 5.7 |
| Other | 1.1 | 0.5 |


* Excluding hypermarkets

## Income diversification

No Eurocommercial tenant represents more than 5% of income, ensuring that our rental stream is diversified and secure.

| Top ten retail tenants % of total ECP income | |
|---|---|
| ICA Maxi | 4.2% |
| H&M | 3.9% |
| Inditex | 3.9% |
| Carrefour | 3.6% |
| Groupe Casino | 2.6% |
| Media Markt | 2.6% |
| Fnac | 2.6% |
| Gruppo Coin | 2.3% |
| KappAhl | 1.1% |
| Stadium | 1.1% |
| **TOTAL** | **27.9%** |

## Property valuations

**The independent valuation results for June demonstrate the resilience of good shopping centre values in difficult economic conditions. Valuers have paid particular regard to security of income, which for Eurocommercial is high, given our low OCRs.**

All of the Company's properties were independently valued, as usual, at 30 June 2013 by major international firms according to the standards set out in the "Red Book" of The Royal Institution of Chartered Surveyors.

This requires the valuers to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. The valuation fees are fixed and are not in any way dependent on the outcome of the valuation. Total valuation fees for 2012/13 were €451,000. Valuers of properties are typically rotated every three years.

The following firms conducted the valuations at 30 June 2013:

France: CB Richard Ellis, Cushman & Wakefield, Knight Frank

Italy: CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle

Sweden: Cushman & Wakefield, DTZ

The net yield figures are the result of dividing expected net income for the coming year by the valuation figure, to which has been added the relevant standardised market allowance for deemed purchasers' costs (usually notional transfer taxes) in the particular country. The objective is to replicate the calculations of a professional institutional investor.

Property values at 30 June 2013 decreased slightly by 0.1% over June 2012 but were up by 0.4% since December 2012. Over the year to 30 June 2013 the value of Eurocommercial's investment properties increased by 2.7% in France but fell by 2.6% in Italy and by 1.0% in Sweden. The changes since December 2012 were 1.5% in France, –0.6% in Italy and 0.0% in Sweden.

The average net initial yield for all properties at 30 June 2013 was 5.7% overall (2012: 5.7%), 5.2% for France (2012: 5.2%), 6.3% for Italy (2012: 6.1%) and 5.8% for Sweden (2012: 5.6%).

For further details, please see pages 17, 35, 49, and 90.

## Acquisitions and disposals

In June 2013, Eurocommercial sold Passy Plaza, Paris 16, at a price of €141 million (4.7% above its December 2012 valuation), the proceeds of which have already been reinvested in Centre Commercial Val Thoiry in the Greater Geneva area which was purchased for a gross cost of €111.5 million.

In November 2012, Eurocommercial completed the sale of Burlöv centre, in Malmö, Sweden at valuation for SEK 1,158 million (€134 million) of which some of the proceeds (SEK 560 million) were reinvested in the acquisition of Eurostop, Halmstad in southern Sweden. In July 2012, Centre Commercial Les Grands Hommes was purchased in the most prestigious central shopping district of Bordeaux at a price of €18 million. €24 million was also invested in the new 17,800m² retail park opposite the Chasse Sud shopping centre south of Lyon.

Refer to pages 17 and 49 for further details.

| Value change 2012/13 % | |
|---|---|
| Overall | –0.1 |
| France | 2.7 |
| Italy | –2.6 |
| Sweden | –1.0 |

| Value change six months to June 2013 % | |
|---|---|
| Overall | 0.4 |
| France | 1.5 |
| Italy | –0.6 |
| Sweden | 0.0 |

| Net yields June 2013 % | |
|---|---|
| Overall | 5.7 |
| France | 5.2 |
| Italy | 6.3 |
| Sweden | 5.8 |

Overview
Geographic focus
Governance
Financials

# Management report
continued

## Funding

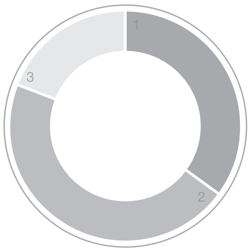
**Despite the fact that, generally, European banks are still being cautious in their lending policies as they rebuild their balance sheets after the crisis of 2008, Eurocommercial has continued to enter new funding agreements intentionally obtaining relatively small facilities of €50 million or less which are within the capabilities of individual banks without the attendant complications and expense of syndications.**

Lending sources have, in fact, grown with a number of major insurance companies entering the market with the capability, indeed sometimes preference, for loans in excess of ten years.

Short-term rates of under 1% and 10 year swaps of less than 2% have given Eurocommercial the ability to keep its overall interest expense under 4% per annum, including margins.

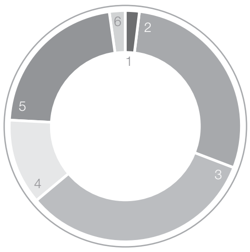
The net debt to adjusted net equity ratio at 30 June 2013 was 81%, higher than the ratio reported for 31 March 2013 (76%), however this is entirely due to the short-term funding of the Val Thoiry acquisition. This ratio will return to previous levels in October once the proceeds from the sale of Passy Plaza have been used to repay the short-term debt. For the same reason, the net loan to property value was 44% and is expected to return to 41%. As a precaution against further market uncertainties, the Company intends to gradually increase its average overall loan term of just under five years towards its historic average of around seven years.

### Destination of loans by country
%



| | |
|---|---|
| 1. France | 35% |
| 2. Italy | 46% |
| 3. Sweden | 19% |

### Origination of loans by country
%



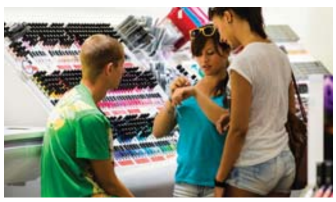
| | |
|---|---|
| 1. France | 2% |
| 2. Italy | 29% |
| 3. Sweden | 33% |
| 4. Germany | 12% |
| 5. Netherlands | 22% |
| 6. UK | 2% |

### Lending institutions

| | |
|---|---|
| France | BNP Paribas |
| Germany | Deutsche Hypo |
| Italy | Intesa Sanpaolo |
| | MPS |
| | UBI-Centrobanca |
| | Unicredit |
| Sweden | Handelsbanken |
| | Nordea |
| | SEB |
| The Netherlands | ABN AMRO |
| | ING |
| UK | RBS |

### Non-current borrowings maturity schedule
€m

| | |
|---|---|
| 2015 | 29 |
| 2016 | 204 |
| 2017 | 198 |
| 2018 | 130 |
| 2019 | 57 |
| 2020 | 53 |
| 2021 | 92 |
| 2022 | 126 |
| 2023 | 23 |
| 2024 | 86 |



# Trends in European retail

**Valeria Di Nisio**
Group Leasing Director

## The rise of international retail

Despite the current economic conditions, the retail sector is still showing signs of vitality in Europe. Since 2008 the face of retail has become increasingly international as the challenging environment has pushed retailers to look for new customers outside of their domestic markets.

The flow of foreign retailers looking to diversify internationally has helped to sustain demand for retail space in prime shopping centres, where rents are holding up, however the situation is much tougher for secondary centres which cannot attract international brands. The gap between these two categories of shopping centre has widened in terms of footfall, rent per square metre and the ability to attract retailers.

Retailers are using different entry strategies to reduce risk, and test non-domestic markets, before rolling out new stores. One method is the opening of concessions in department stores, which is widespread among fashion retailers, as it allows greater brand exposure. Another approach commonly used is through enfranchisement, which helps retailers minimise local risks. For example Calzedonia, the Italian hosiery retailer, prefers this approach when exploring new markets abroad.

We have seen some of this trend in our three countries of operation and noticed a sustained interest from international retailers who are looking to expand. This is particularly true in Italy and France. In Sweden, retail is dominated by major Scandinavian retailers with currently few brands from outside this region although going forwards we expect this to change in this competitive market.

In France we have noticed that larger players such as the Spanish fashion retailer Mango and Swedish retailer H&M are becoming very active and the Italian retailer Terranova of Gruppo Teddy has just opened its first store in Bordeaux. Other international retailers like Uniqlo, Forever 21 and Primark are also looking to expand in France. Among the most active of all are the Italian brands Kiko Make Up Milan and Calzedonia, who are looking beyond their home country. Kiko Make Up Milan, for example, has opened five stores in Eurocommercial's French centres. Conversely French retailers are actively looking to expand abroad.

In Italy, following the arrival in previous years of international retailers such as Apple or Hollister, we have seen new interest from American retailers such as Claire's and Footlocker, with their new format The Locker Room, which opened its first store in Italy in Carosello, Milan. The new H&M concept "& Other Stories" has opened its first store in downtown Milan along with Desigual, Superdry, Pandora, Zadig & Voltaire to name just a few very active retailers at the moment. Retailers already present in Italy, like Zara, are actively expanding their new megastore format in the best centres, including our own.

Sweden is part of a mature and integrated Scandinavian retail market. In the last decade German retailers, such as Deichmann and New Yorker, have entered the Swedish market, the latter having opened a store in Eurocommercial's Grand Samarkand centre, Växjö. Other retailers such as Sephora, Zara, Hunkemöller, G-Star, Desigual, Motivi and Decathlon have also entered Sweden although none of these currently have more than ten shops and it is still too early to say who will be successful in the long term.

## Online retail

There has been much debate recently about the future of shopping centres in the face of the internet. Some commentators argue for very large centres offering significant leisure activities, others promote small neighbourhood centres or even smaller "high street" shops. In our own experience, apart from the electrical sector, books and DVDs, there is little evidence so far in rent or turnover of a significant loss of sales to the internet. No major chains in our countries deliver food, with online purchases collected by the buyers from either the hypermarkets themselves or from adjacent collection points or "drives" ensuring regular visitors to our centres.

In France, the number of click and collect grocery "Drives" has expanded at a considerable rate, although they only account for 2.5%* of total grocery sales. Auchan opened a Drive at Eurocommercial's shopping centre in Taverny, north-west of Paris in 2012 and, in the first 12 months of operation, centre sales have increased. Indeed at other centres, such as Plaine de France, Moisselles where Leclerc hypermarket has opened a Drive Click & Collect facility, turnover has also increased as customers are drawn from further afield to the mall.

It is therefore Eurocommercial's clear view that hypermarket- or supermarket-anchored shopping centres, because of their constant and frequent visitors, offer the best protection against competition from internet retail sales.

* Eurocommercial estimate

# Marketing and services

## A targeted approach

Eurocommercial is working harder than ever to ensure that its shopping centres remain attractive places to visit. Our marketing teams work closely with tenants to ensure that the campaigns are effective with continuous improvement and differentiation through the marketing mix, customer services, advertising campaigns, loyalty programmes and events.

In addition to traditional communication channels such as newspapers, television, radio and billboards, digital communications offer even greater opportunities to engage with consumers. With a few clicks on their computer or smartphone, shoppers can obtain shopping centre directions, opening hours, store directories and details of offers, events and promotions. The majority of Eurocommercial's shopping centres currently provide Wi-Fi, 80% use social media and 20% have mobile apps and we expect these figures to increase going forwards.


Children's events and facilities in particular attract families, help to form a stronger relationship with customers and increase footfall. The response to this has been the creation and upgrading of indoor and outdoor play areas and by organising children's entertainment. In 2012, for example, more than 120,000 children enjoyed over 180 different kinds of animations and activities across our centres in Italy. In Cremona Po a new children's area of 350m² was opened, including a playground, free baby area, parents and kids facilities and new children's areas are planned in three other centres. Similar initiatives have been rolled out in France, with many centres working closely with local schools, and in Les Atlantes, Tours alone, there were 127 days dedicated to children's activities in 2012. In Sweden, the recently opened crèche in Ingelsta Shopping, Norrköping was an initiative with the ICA hypermarket who manages the operation in space provided by the landlord and already has 250 visits per week.

During the financial year Eurocommercial continued to work with the Tenants' Associations on marketing initiatives across the portfolio. Overleaf we have highlighted just a few.

In the end, though, no amount of good marketing can save a badly sited and designed centre. The law of location, location, location is just as valid for shopping centres as for any other property type.

1.

## France

In France Eurocommercial embarked upon our "Passionnément Shopping" campaign with the aim of driving customers from an online click into tenants' stores. At six of our shopping centres, new mobile-compatible websites and mobile apps were launched, free Wi-Fi was connected, gift and loyalty cards were rolled out and welcome desks were installed. Facebook pages and newsletters were created or refreshed. Data is filtered into a centralised customer relationship management (CRM) system which efficiently collects and manages the information. The results are then analysed and cross-referenced among different shopping centres ensuring tenants can benefit fully from any trends and identify opportunities for further promotions and events.

Shopping centre gift cards, which can be redeemed in multiple stores, were launched at the end of 2012. Although still at a relatively early stage, initial take up has been positive. Loyalty cards, which give retailers another opportunity to connect with customers and drive sales, have also proven popular. Several retailers have already reported that a notable percentage of their turnover comes as a result of promoting in this way.

2.

## Italy

The "Gigli Pass" loyalty card was launched at the I Gigli shopping centre in Firenze in May 2012. The cards have proved extremely popular with customers, with over 24,000 cards issued in the first year, helping the scheme to win the CNCC's prestigious "Best of the Best" marketing award 2012. It also won Silver in the "Alternative Revenues" category at the 2013 ICSC European SOLAL Marketing Awards. The loyalty scheme offers discounts and special offers at over 92 and leisure facilities both inside the shopping centre and in the surrounding catchment area. Following its success, a similar scheme has recently been rolled out at Cremona Po in Cremona.

In 2013 Google launched "Google Indoor Maps", whereby the layout plans of Eurocommercial's centres were inserted into Google Maps to help customers familiarise themselves with the properties before visiting. This system, already live in select locations in a handful of other European countries and the US, was rolled out in Italy in July of this year. CBS Outdoor is also to provide digital signage in three of Eurocommercial's shopping centres. The screens will show a mixture of gallery-related marketing and general advertising.

3.

## Sweden

In Sweden, marketing initiatives are organised by the centre manager together with a marketing co-ordinator, who is often a former retailer and are executed in co-operation with the tenants, through the Tenants' Association, who prepare the annual market plan and budget. All shopping centre websites have recently been upgraded and the number of hits has subsequently increased. Grand Samarkand outside Växjö, for example, has had 200,000 visitors to its website, a 23% increase on the previous year, while its Facebook page has 20% more fans. Facebook is increasingly used by the centre managers to communicate information such as new store openings, special offers and events. Traditional channels such as television, radio and newspapers however, remain the main marketing medium in Sweden. In smaller catchments, local newspapers are most effective while television is more successful for regional centres and will normally represent around 50% of the marketing budget.

Several of the larger centres now offer gift cards and more attention is also being given to providing children's crèches, personal shoppers and showcasing local artists. Celebrating calendar events and anniversaries is always popular and has proven successful in increasing visitor numbers.

Eurocommercial actively monitors all marketing efforts and customer surveys illustrate that visitors to the centres are becoming increasingly aware of marketing initiatives while CFI, who survey major retail tenants throughout Sweden, confirm that marketing quality in Eurocommercial's shopping centres ranks above the national benchmark.

1. Cécile Limousin
Head of Marketing France
2. Stefano De Robertis
Head of Marketing Italy
3. Fredrik Forsling
Head of Leasing and Marketing Sweden

# France

## Major yield enhancing investments in Geneva and Lyon are to replace Passy Plaza, Paris. Three refurbishments have been completed as well as a small extension. Against this backdrop, and despite an insipid economy, sales are up in all centres outside central Paris where competition has intensified. Vacancies remain at 1%.

### Top ten retail tenants in France
% of total ECP income

| | | | |
|---|---|---|---|
| Groupe Casino | 2.6% | Celio | 0.8% |
| Fnac | 2.6% | Groupe Etam | 0.8% |
| Inditex | 2.3% | Sephora | 0.8% |
| H&M | 2.2% | Thom Europe | 0.7% |
| Gap | 1.0% | **TOTAL** | **14.6%** |
| Castorama | 0.8% | | |












Etam


Darjeeling


boulanger
MULTIMEDIA & ELECTROMENAGER


LEROY MERLIN


minelli


SEPHORA


DECATHLON
DECATHLON


IKKS


YVES ROCHER


MICROMANIA
JEUX VIDEO


GÉNÉRALE D'OPTIQUE

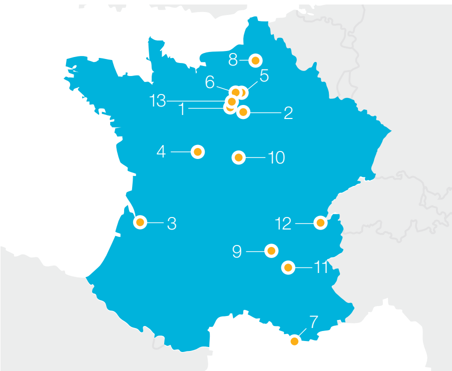

LOUIS PION


Krys


PETIT BATEAU

# Year in review: Eurocommercial France

**Pascal Le Goueff**
Property Director France




1. Passage du Havre Paris
2. Rue de Rivoli Paris
3. Les Grands Hommes Bordeaux (Gironde)
4. Les Atlantes Tours (Indre-et-Loire)
5. Plaine de France Moisselles (Val d'Oise)
6. Les Portes de Taverny Taverny (Val d'Oise)
7. Centr'Azur Hyères (Var)
8. Amiens Glisy Amiens (Somme)
9. Chasse Sud Chasse-sur-Rhône (Isère)
10. Saint Doulchard Bourges (Cher)
11. Les Trois Dauphins Grenoble (Isère)
12. Val Thoiry Thoiry (Ain)
13. Les Allées de Cormeilles Cormeilles (Val d'Oise)

Gift card
Loyalty card
Free Wi-Fi
Website
Facebook page
Mobile App

## Economy

In electing François Hollande, France chose "le changement" but now finds itself in a period of introspection trying to find consensus on what to change. The French economy exited recession in the second quarter of 2013 but the consumer fundamentals remain challenging. The unemployment rate has been increasing since the beginning of 2011 and is now above 10%. As a result national retail sales are now flat with non-food retail sales in negative territory. The French government needs to reduce public expenditure in order to achieve a deficit of below 3%, but instead is increasing both personal and corporate taxes. This is eroding disposable income for households and competitiveness for corporates. Despite this, the latest economic statistics are showing some growth in GDP which is expected to continue throughout the year.

## Rental growth

Rental growth for the year was 4.1% to which indexation contributed 3.4% while 1.8% came from relettings and renewals. This was offset by a marginal increase in vacancies to 0.9% and slightly less turnover rent (–0.2%).

The strongest rental growth came from Centr'Azur in Hyères and Plaine de France in Moisselles which rose by 7.8% and 8.0% respectively.

There have been 32 new lettings/rent reviews throughout the year with an average increase in rent of 22% which was split between relettings at 23% (26 deals) and renewals at 20% (six deals). These deals have been evenly spread across the portfolio and the different sectors. In addition, nine new leases have been signed on the retail park at Chasse-sur-Rhône and six for the Saint Doulchard extension.

This gives a total of over 41 new lettings and it is striking that the great majority of these have been with "domestic" retailers who have maintained their expansion drive for well-established centres.

Rental arrears of just 0.3% are testament to our undemanding OCR of 8.3% and rents continue to be cashed without difficulty so the outlook for future rental growth remains fair.

## Retail sales

Retail sales for 12 months to 30 June 2013 in Eurocommercial's French centres were just positive at 0.1%. Boutique sales grew by 0.9% whereas medium surfaces fell by 1.1% impacted by a negative performance from the electrical sector. It is interesting that all suburban and provincial centres showed a positive performance, and the two centres in Paris were negative, yet property values there have been positive.

## Property markets

Property markets have continued to benefit from low interest rates with yields for good property remaining stable or even reducing slightly, particularly for prime Paris centres.

There have been three significant acquisitions this year by major European insurance companies who are seeking to increase exposure to the shopping centre market. They have acquired property in both Paris and the provinces, either by buying centres outright, as in the case of Passy Plaza, or by acquiring significant stakes in centres and entrusting the management to vendor partners who specialise in the sector. The majority of the transactions have concerned well-established centres with good income visibility but some development projects as well.

## Valuations

Valuers have had plenty of evidence at their disposal on which to base their opinions.

The value of Eurocommercial's French portfolio increased by 2.7% over the last 12 months and by 1.5% since the last reported external valuation in December 2012.

Paris properties increased in value by 5.5% largely on account of investor demand and weight of money. In the meantime values for suburban and provincial centres values were flat. Net initial yields for Eurocommercial's Central Paris properties are 4.9% while suburban and provincial properties are valued at 5.4%.

Significant capital expenditure on refurbishments at Passage du Havre in Paris, Centr'Azur in Hyères, Les Atlantes in Tours have mostly been absorbed by increases in value but the costs of refurbishment account for the lag in performance compared to rental growth.

## Acquisitions and disposals

In June, contracts were signed for the sale of Passy Plaza, Paris, at a price of €141 million (4.7% above book value). The property was purchased in 1999 for €70 million and has provided Eurocommercial with an internal rate of return of 15% per annum over the period of ownership. Occupancy costs ratios are now at the higher end and, with future competition looming at nearby Beaugrenelle, the decision was taken to sell the property into a strong market seeking exposure to Paris.

The proceeds of Passy Plaza have been reinvested into Val Thoiry shopping centre which is situated in the immediate hinterland of Geneva. The centre opened in 1994 and is anchored by a Migros hypermarket and has an impressive array of retailers including Leroy Merlin, H&M, Go Sport and Sephora. There are 1,750 car parking spaces including 410 underneath the centre for use in the snowbound winter months. The shopping centre has extensive frontage out to the main Route Nationale skirting the north west of Geneva. Renovation and extension works will commence as soon as possible. The gross purchase price of €111.5 million will produce an initial yield of 5.6%, a return that should be enhanced by the specialist management skills of the team in France. A plan for a major extension of the centre is being prepared in consultation with the local authority and we are already seeing significant tenant interest.

In addition to Val Thoiry, Eurocommercial has also completed the acquisition of a new retail park adjoining our centre at Chasse Sud, south of Lyon. This new entity of 18,000m² opened for trading in the summer of 2013 and retailers include Décathlon, Bricomarché, Boulanger and C&A. The total price of €24 million will produce a net yield of 7%. Average rents are €95 per square metre.

## Renovation programme

Three centres have been renovated this year and it is pleasing to report that sales growth has subsequently picked up at Les Atlantes in Tours and Centr'Azur, Hyères.

Saint Doulchard, Bourges has had a light refurbishment to coincide with the small extension and an increase in visitor numbers can now be expected.

Renovation of Val Thoiry will commence within the next few months and it is likely that a refurbishment will accompany the possible extension of Amiens Glisy, Amiens.

## Outlook

Eurocommercial's French portfolio is largely insulated from increased competition, as a result of the more relaxed planning regime, by sound locations in strong catchment areas with good quality tenants and we see no reason why our portfolio, with its affordable OCRs, should not continue to produce long term consistent rental growth.

## Independent valuations by property

| France (€ million) | Net value June 2013 | Net value June 2012 | Change June 2013 / June 2012 | Net yield including purchase costs | Cost to date | Year of acquisition |
|---|---|---|---|---|---|---|
| Passage du Havre, Paris[1] | 306.60 | 288.00 | 6.5% | 4.7% | 187.37 | 2000 |
| 74 rue de Rivoli, Paris[3] | 53.60 | 51.90 | 3.3% | 4.5% | 20.72 | 1998 |
| Les Grands Hommes, Bordeaux[1] | 17.80 | NA | NA | 4.9% | 18.15 | 2012 |
| Les Atlantes, Tours[3] | 127.80 | 122.20 | 4.6% | 5.0% | 56.03 | 1992 |
| Plaine de France, Moisselles[2] | 75.20 | 72.80 | 3.3% | 5.6% | 62.92 | 2009 |
| Les Portes de Taverny, Taverny[3] | 59.30 | 56.50 | 5.0% | 5.4% | 24.33 | 1995 |
| Centr'Azur, Hyères[2] | 50.40 | 47.40 | 6.3% | 5.5% | 21.74 | 1993 |
| Amiens Glisy, Amiens[3] | 46.80 | 46.30 | 1.1% | 5.5% | 16.01 | 1995 |
| Chasse Sud, Chasse-sur-Rhône[2] | 55.00* | 30.00 | 83.3% | 6.2% | 59.09 | 2007 |
| Saint Doulchard, Bourges[1] | 39.00 | 36.00 | 8.3% | 5.9% | 48.87 | 2007 |
| Les Trois Dauphins, Grenoble[3] | 35.80 | 35.70 | 0.3% | 5.8% | 25.47 | 2003 |
| Val Thoiry, Thoiry[2] | 111.40 | NA | NA | 5.6% | 110.99 | 2013 |
| Les Allées de Cormeilles, Cormeilles[3] | 41.00 | 40.60 | 1.0% | 5.9% | 44.78 | 2007 |
| Passy Plaza, Paris** | 141.00 | 131.30 | 7.4% | 5.2% | 75.41 | 1999 |
| TOTAL FRANCE | 1,160.70 | 958.70 | | 5.2% | 771.88 | |

* Includes acquisition of 17,800m² retail park for €24 million during the period

** Sale expected to complete in October 2013

Valuations by: [1] CB Richard Ellis, [2] Cushman & Wakefield, [3] Knight Frank

Overview
Geographic focus
Governance
Financials

# Portfolio France

PASSAGE DU HAVRE
PARIS

The property is in a prime retail pitch between Gare Saint Lazare and Boulevard Haussmann.

The refurbishment has been completed and well received. Three new leases have been signed during the year to result in an average uplift of 28% and the occupancy cost ratio remains low at 6.30%, even if sales in duplicated stores have been impacted by the new shopping centre in Gare Saint Lazare.

Vacant possession of 400m² has been achieved on the upper levels of 101, rue St Lazare contiguous to Passage du Havre and this space is now being upgraded and relet pending a major reorganisation of the lower levels in the future.

## Paris

# Passage du Havre

Total lettable area
22,987m²

Retail/Gallery
14,771m²

Residential
2,293m²

Office
5,923m²

ECP Ownership
22,987m²

Value (€ million)
306.60

Occupancy
100%

Passing rent (€ million)
16.40

Rental growth
3.69%

Boutiques <300m² turnover/m² (€)
17,212

Turnover growth
-4.30%

Occupancy cost ratio
6.30%

Visitors 2012/13
14.8m

Major tenants
Fnac, Nature et Découvertes, Zara, Sephora, H&M

# Portfolio
## France

Paris

# Rue de Rivoli

Situated midway between Notre Dame Cathedral and Centre Georges Pompidou, the property offers excellent exposure to tourism in Paris. In retail terms, it is very well positioned between La Samaritaine and BHV.

Stradivarius and Oysho continue to trade well and sales have increased by 11% for the year.

| | |
|---|---|
| Total lettable area<br>3,035m² | Occupancy<br>100% |
| Retail<br>1,065m² | Passing rent (€ million)<br>2.62 |
| Residential<br>1,970m² | Rental growth<br>3.07% |
| ECP Ownership<br>3,035m² | Turnover growth<br>11.20% |
| Value (€ million)<br>53.60 | Major tenants<br>Stradivarius, Oysho |

# Portfolio
France

# Bordeaux (Gironde)
# Les Grands Hommes

Management of the centre, which is anchored by a Carrefour supermarket and is located in the heart of the city's most prestigious retail district, is being taken progressively in-house and improvements in the merchandising can be anticipated.

| | |
|---|---|
| Total lettable area | 4,660m² |
| ECP Ownership | 2,662m² |
| Value (€ million) | 17.80 |
| Occupancy | 100% |
| Passing rent (€ million) | 0.96 |
| Boutiques <300m² turnover/m² (€) | 8,448 |
| Turnover growth | 1.50% |
| Occupancy cost ratio | 9.10% |
| Visitors 2012/13 | c.3m |
| Major tenants | La Grande Récré |

# Portfolio
France

## Tours (Indre-et-Loire)

# Les Atlantes

Les Atlantes connects directly to the A10 (Paris–Bordeaux) autoroute and is a five minute drive from Tours centre.

Sales growth has returned to Les Atlantes as a result of a combination of dynamic centre management, a successful refurbishment and new initiatives in merchandising.

Total lettable area
39,290m²

Retail/Gallery
22,690m²

Hyper (Carrefour)
16,600m²

ECP Ownership
22,690m²

Value (€ million)
127.80

Occupancy
100%

Passing rent (€ million)
6.92

Rental growth
4.0%

Boutiques <300m² turnover/m² (€)
7,642

Turnover growth
1.20%

Occupancy cost ratio
9.60%

Visitors 2012/13
5.9m

Major tenants
Go Sport,
Flunch,
Boulanger,
H&M,
Toys R Us,
Sephora

# Portfolio France

## Moisselles (Val d'Oise)

# Plaine de France

Located in a good quality residential area near to La Francilenne ring road of Paris. Strong sales growth has been driven by the strength of the Leclerc hypermarket and the arrival of H&M in December with a store of 1,300m². Five shops were relocated to permit the arrival of H&M and these are now trading successfully in their new positions within the Mall.

The Leclerc hypermarket has opened a Drive Click & Collect facility of 11 pistes and initial indications are that this is drawing customers to the centre from further afield than was previously the case.

| | |
|---|---|
| Total lettable area | 25,980m² |
| Retail/Gallery | 10,980m² |
| Hyper (Leclerc) | 15,000m² |
| ECP Ownership | 10,980m² |
| Value (€ million) | 75.20 |
| Occupancy | 99% |
| Passing rent (€ million) | 4.70 |

| | |
|---|---|
| Rental growth | 8.02% |
| Boutiques <300m² turnover/m² (€) | 6,447 |
| Turnover growth | 5.20% |
| Occupancy cost ratio | 11.40% |
| Visitors 2012/13 | 4.5m |
| Major tenants | H&M, Mango, Zara Kids, Bonobo |

# Portfolio
## France

The centre is in a wealthy suburban neighbourhood north west of Paris.

Sales have been marginally positive and merchandising has been stable. The Auchan hypermarket, which anchors the centre, opened a Drive facility in the car park and this has now been trading for 12 months. Five transactions in the centre have produced an average rental uplift of 15%.

## Taverny (Val d'Oise)

# Les Portes de Taverny

Total lettable area
30,532m²

Retail/Gallery
5,660m²

Hyper (Auchan)
16,200m²

Other
8,672m²

ECP Ownership
5,660m²

Value (€ million)
59.30

Occupancy
100%

Passing rent (€ million)
3.38

Rental growth
4.75%

Boutiques <300m² turnover/m² (€)
9,359

Turnover growth
2.00%

Occupancy cost ratio
9.50%

Visitors 2012/13
3.1m

Major tenants
H&M, Kiko, Promod

# Portfolio
# France

## Hyères (Var)
# Centr'Azur

Directly connected to the A570 autoroute, the centre has shown uninterrupted sales growth since opening 20 years ago and a major refurbishment was carried out during the year. The total cost was €3.6 million and all visible finishes have been refreshed with a nautical theme. Greater emphasis has been given to the public spaces and the seating areas have been greatly improved.

| | |
|---|---|
| Total lettable area | 17,035m² |
| Retail/Gallery | 6,235m² |
| Hyper (Géant) | 10,800m² |
| ECP Ownership | 6,235m² |
| Value (€ million) | 50.40 |
| Occupancy | 100% |
| Passing rent (€ million) | 2.96 |
| Rental growth | 7.85% |
| Boutiques <300m² turnover/m² (€) | 8,122 |
| Turnover growth | 1.80% |
| Occupancy cost ratio | 8.60% |
| Visitors 2012/13 | 2.9m |
| Major tenants | Sephora, IKKS, Jack & Jones |

# Portfolio
## France

# Amiens (Somme)

# Amiens Glisy

The centre is situated alongside the Amiens ring road in a strong retail pole. CDAC consent has been obtained for a substantial extension of the shopping centre. Discussions have commenced with potential tenants with the objective of strengthening the merchandising mix with the introduction of further anchor stores.

Total lettable area
22,769m²

Retail/Gallery
6,279m²

Hyper (Géant)
16,000m²

Other
490m²

ECP Ownership
6,279m²

Value (€ million)
46.80

Occupancy
99%

Passing rent (€ million)
2.76

Rental growth
6.32%

Boutiques <300m² turnover/m² (€)
6,357

Turnover growth
1.70%

Occupancy cost ratio
10.30%

Visitors 2012/13
3.2m

Major tenants
Flunch, Camaïeu, Nocibé

# Portfolio
France

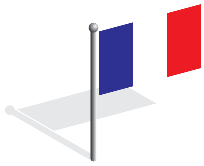
## Chasse-sur-Rhône (Isère)

# Chasse Sud

The new 18,000m² retail park commenced trading in August 2013, when the Décathlon store opened, followed in September by Boulanger, Bricomarché, C&A and Gémo. The park has been built as an extension of the existing Géant Casino with its small service gallery, also owned by Eurocommercial, so it will benefit from the presence of the anchor food store.

The shopping centre and retail park have an extensive frontage onto the A7 Autoroute du Soleil. 100,000 vehicles pass by the site each day.

| | |
|---|---|
| Total lettable area 46,159m² | Value (€ million) 55.00 |
| Retail/Gallery 1,529m² | Occupancy 100% |
| Hyper (Géant) 14,079m² | Passing rent (€ million) 3.40 |
| Retail park/Boxes 30,551m² | Rental growth 2.30% |
| ECP Ownership 46,159m² | Major tenants Géant, Conforama, Bricomarché, Décathlon, Boulanger, C&A, Gémo |




DECATHLON

# Portfolio
## France

# Bourges (Cher)
# Saint Doulchard

A small extension of six shops has greatly improved the merchandising mix and the overall feel of this centre which was in need of modernisation and refurbishment. The shops have been leased to Bonobo, Tape à L'oeil, Camaïeu, Yves Rocher and Patrice Bréal whilst Nocibé has transferred to a much larger unit, thereby creating an influx of national retailers to complement the existing Flunch and Géant Casino anchors.

The total cost of the works including refurbishment and new entrances was €5.25 million and the additional income has created a return on cost of around 7%.

| | |
|---|---|
| Total lettable area | 22,229m² |
| Retail/Gallery | 3,789m² |
| Hyper (Géant) | 16,482m² |
| Retail boxes | 1,958m² |
| ECP Ownership | 22,229m² |
| Value (€ million) | 39.00 |
| Occupancy | 99% |
| Passing rent (€ million) | 2.50 |
| Major tenants | Géant, Flunch |

# Portfolio
## France

## Grenoble (Isère)

# Les Trois Dauphins

The property is situated in the heart of Grenoble next to the Galeries Lafayette department store.

Merchandising has remained stable and rental growth continues to track indexation.

| | |
|---|---|
| Total lettable area | 16,845m² |
| Retail/Gallery | 8,600m² |
| Residential | 4,700m² |
| Hotel/Office | 3,545m² |
| ECP Ownership | 16,845m² |
| Value (€ million) | 35.80 |
| Occupancy | 100% |

| | |
|---|---|
| Passing rent (€ million) | 2.56 |
| Rental growth | 4.66% |
| Major tenants | Fnac, C&A, Groupe Accor |


Overview
Geographic focus
Governance
Financials

# Portfolio France

## Thoiry (Ain)

# Val Thoiry

An intensive management effort is being brought to bear on this newly acquired centre just outside Geneva and the early response is very encouraging. Plans for a complete refurbishment are advancing and an extension is planned in consultation with the municipality.

| | |
|---|---|
| Total lettable area | 33,416m² |
| Retail/Gallery | 14,826m² |
| Hyper (Migros) | 10,000m² |
| Retail boxes | 8,590m² |
| ECP Ownership | 23,416m² |
| Value (€ million) | 111.40 |
| Occupancy | 99% |
| Passing rent (€ million) | 6.453 |
| Boutiques <300m² turnover/m² (€) | 5,974 |
| Occupancy cost ratio | 7.5% |
| Visitors 2012/13 | c.3m |
| Major tenants | H&M, Go Sport, Sephora, Leroy Merlin |

# Portfolio
## France

LES ALLÉES DE CORMEILLES

The retail park in the wealthy western suburbs of Paris remains the beneficiary of strong population growth in the immediate vicinity and it continues to trade well. Income is split 50/50 between Castorama and the multi-let building opposite but sales growth has been stronger in the latter and Celio has replaced Bata shoes on a unit of 550m².

## Cormeilles (Val d'Oise)

# Les Allées de Cormeilles

| | |
|---|---|
| Total lettable area<br>20,294m² | Rental growth<br>2.11% |
| ECP Ownership<br>20,294m² | Turnover growth<br>6.80% |
| Value (€ million)<br>41.00 | Occupancy cost ratio<br>3.60% |
| Occupancy<br>100% | Major tenants<br>Castorama, Lidl, Kiabi, Celio |
| Passing rent (€ million)<br>2.62 | |


Foot Locker


goldenpoint


GEOX


GIORNI BRILLANTI


intimissimi


KIKO
DARK HEROINE
KIKO


MARELLA


SCARPE & SCARPE


GELATERIA


claire's


La Corte del Gusto


PULL&BEAR


PANDORA


ipercoop
OVS
CREMONAPO


MediaWorld


MAX&Co.




# Italy

Despite macroeconomic headwinds the Italian portfolio has performed well, outperforming the national shopping centre benchmark. This year, the priority has been to upgrade the centres, and their retail offer, where all new lettings were signed with new retailers and overall rental growth of 2.6% was achieved. Vacancies represent just 0.6% of income.

## Top ten retail tenants in Italy

% of total ECP income

| | | | |
|---|---|---|---|
| Carrefour | 3.6% | Leroy Merlin | 0.8% |
| Gruppo Coin | 2.3% | H&M | 0.7% |
| Media Markt | 2.0% | Scarpe & Scarpe | 0.6% |
| Inditex | 1.6% | Foot Locker | 0.6% |
| Miroglio Fashion | 1.0% | Apple | 0.5% |
| | | **TOTAL** | **13.7%** |




# Year in review: Eurocommercial Italy

**Carlo Romagnoli**
Head of Asset Management
Italy


1. Carosello Carugate, Milano (Lombardia)
2. Curno Bergamo (Lombardia)
3. Il Castello Ferrara (Emilia Romagna)
4. I Gigli Firenze (Toscana)
5. Centro Leonardo Imola (Emilia Romagna)
6. I Portali Modena (Emilia Romagna)
7. Cremona Po Cremona (Lombardia)
8. Centro Lame Bologna (Emilia Romagna)
9. La Favorita Mantova (Lombardia)
10. Centroluna Sarzana (Liguria)

Gift card
Loyalty card
Free Wi-Fi
Website
Facebook page
Mobile App

## Economy

The Italian economy remains in recession but GDP contracted less than expected in the second quarter. Prime Minister Letta is trying to implement measures to stimulate the economy but political instability is creating uncertainty. Consumer confidence is weak and under pressure but the unemployment rate is only around 8% in the north of the country versus a national rate of around 12%. National retail sales remain in negative territory, both food and non-food, but recent data showed some early signs of stabilisation. Recent confidence indicators in the consumer and industrial sectors point to a tentative recovery in the economy in the second half of 2013 although it is difficult to see GDP growth above 0.5% in 2014. The Italian government is in an excellent position to stimulate the economy as they do not need to implement significant austerity measures because the fiscal deficit is already below 3%.

## Rental growth

Like for like rental growth for the year was 2.6% with the majority coming from indexation, which was 1.9%, and the remainder from uplifts at lease renewals and increased turnover rent. Turnover rent in 2013 was €2 million, representing 2.8% of total income.

There were 115 new leases signed in the year which produced an overall uplift of 9% over the previous passing rent. Of these, 39 were signed with new tenants thereby refreshing the tenant mix in the process. Interestingly the rental uplift achieved from a new tenant was almost three times greater than on a renewal to an existing tenant.

This level of growth is a sign of the quality of the portfolio as rental growth is becoming harder to achieve in some areas of the market. Indeed it is reasonable to assume that little more than matching indexation will be likely over the coming year.

Arrears have remained at a similar level to 2012 (1.5%) however these relate to a few specific cases rather than signify a widespread trend in late payment.

## Retail sales

Eurocommercial's Italian portfolio recorded turnover growth across its ten centres of 0.4% for the year. This positive performance should be considered against the Italian shopping centre benchmark which reported –4.2%* to March 2013 versus 0.2% in Eurocommercial's Italian centres for the same period. In Eurocommercial's centres, I Gigli contributed very strongly with an annual sales uplift of nearly 6% (with footfall +14%) due in part to the ever strengthening tenant mix and also to the continuing benefit of adding over 500 new car parking spaces last year.

There was no significant performance difference between anchor stores or smaller units and the top performing sector was health and beauty which recorded positive annual growth in every centre and 3.7% overall. Despite the leakage of some sales to the online channel, the telecoms/electrical sector has not collapsed. Of the seven large electrical stores in the portfolio, overall sales were down just 1.7%. Interestingly we have leased space to several mobile phone operators this year who regard stores as showrooms that do not merely exist for the turnover generated on site. This is a growing trend and reinforces the need to be in the prime locations of the shopping centre market.

With the exception of I Portali in Modena, the boost to sales from additional Sunday openings has almost disappeared due to a similar number of Sundays last year.

* CNCC Italy, 12 months to the end of March 2013

## Property market

The investment market is showing signs of activity after a long, quiet period although investors are still concerned about political and economic factors and that only prime properties, whether large or small, are attracting and keeping the best retailers.

Whilst the volume of transactions is low there is a distinct polarisation between categories. The top end of the "non-prime" category is attracting bids from opportunity funds which see yields of 8% and above. The core prime sector is rarely traded and this partly explains the strong interest in large (40,000m²+) development opportunities in cities such as Milan, Rome, and Verona. The appetite for Southern Italy that emerged in the peak activity years of 2004/2005 has disappeared as the risk/reward profile is understandably seen as too unfavourable. International investors/developers are known to be in active negotiations to create large, modern centres which there is a shortage of in Italy. High Street transactions have increased significantly as these are regarded as a defensive play in a volatile market. In all cases the lack of finance for many investors and the uncertainty over the tax regime surrounding transactions is also keeping deal volumes low.

## Valuations

As in June 2012, our three valuers had very few market transactions to analyse when deciding on appropriate levels for June 2013. The –2.6% decline in values over the year (–0.6% for six months) reflects the weaker market sentiment. Net initial yields rose to 6.3% (6.1% in June 2012) and the valuers placed particular emphasis on the key performance indicators of the shopping centres in a market so thin on evidence.

## Acquisition and refurbishments

No properties were purchased in Italy during the year however a 35,000m² parcel of land was acquired adjacent to Carosello in Milan in July 2012. This land will either be used for car parking or, more likely, as a part of an extension to the centre in the form of a retail park or as part of a larger development that will see Carosello once more extend its shopping gallery. Whilst no firm decision to extend has been taken, Eurocommercial is already in discussions with the local authority and region.

The expenditure on the I Portali, Modena refurbishment is €4 million and these works are scheduled to begin in 2014. At I Gigli, Firenze, the refurbishment specification is now almost finalised. A link between the new retail park and the shopping centre is under construction and will open in November 2013 together with a children's play area and improved pedestrian routing. The upgrade will focus on a new food court and improved piazzas, lighting and entrances.

In Il Castello, Ferrara we have also added an external children's play area which links to a new indoor crèche. This complex will open in September 2013 and will be dedicated to Giovanna De Giorgio, a young member of the Eurocommercial Italian team, who sadly passed away in 2011.

## Outlook

The market is waiting to see whether the summer wave of investment interest will continue and just how active the opportunity funds will really be in Italy. We expect there will be deals including one or two large development projects. We see a continuing and widening pricing gap between prime and secondary property as the market for the latter is impacted by fears of an accelerated fall in rental levels, however we still expect overall rental growth to be around 2.6% achieved in 2013.

An increase in online sales is inevitable but many retailers are still unclear as to the pace of growth, suitability to their offer or, more importantly, its ability to generate significant profits. We are confident that brands will need physical space to showcase their products as well as to interact with and service their customers who may subsequently choose to purchase on or offline. Logically this trend would generate increased demand for space in prime centres and we believe that regular visits to hypermarkets will continue to the benefit of our galleries.

## Independent valuations by property

| Italy (€ million) | Net value June 2013 | Net value June 2012 | Change June 2013 / June 2012 | Net yield including purchase costs | Cost to date | Year of acquisition |
|---|---|---|---|---|---|---|
| Carosello, Carugate, Milano[1] | 292.00 | 281.40 | 3.8% | 5.7% | 187.84 | 1997 |
| Curno, Bergamo[2] | 96.20 | 96.20 | 0.0% | 6.4% | 34.50 | 1994 |
| Il Castello, Ferrara[3] | 99.30 | 101.20 | –1.9% | 6.6% | 84.74 | 2001 |
| I Gigli, Firenze[3] | 244.30 | 256.10 | –4.6% | 6.4% | 209.26 | 1999 |
| Centro Leonardo, Imola[2] | 66.20 | 72.30 | –8.4% | 6.6% | 65.07 | 1998 |
| I Portali, Modena[3] | 41.20 | 43.20 | –4.6% | 6.5% | 41.98 | 2009 |
| Cremona Po, Cremona[2] | 80.40 | 80.60 | –0.2% | 6.9% | 82.61 | 2011 |
| Centro Lame, Bologna[3] | 36.20 | 38.10 | –5.0% | 6.9% | 29.70 | 2003 |
| La Favorita, Mantova[1] | 45.00 | 47.40 | –5.1% | 6.7% | 33.89 | 1997 |
| Centroluna, Sarzana[1] | 25.20 | 25.40 | –0.8% | 6.8% | 14.82 | 1998 |
| TOTAL ITALY | 1,026.00 | 1,041.90 | | 6.3% | 784.41 | |

Valuations by: [1]CB Richard Ellis, [2]Cushman & Wakefield, [3]Jones Lang LaSalle

# Portfolio
## Italy

## Carugate, Milano (Lombardia)

# Carosello

The leading shopping centre in Milan, Carosello is often the first choice for major international retailers, such as The Locker Room, Claire's, Apple, Hollister and Desigual, who wish to launch their brands in Italy. The shopping centre fronts Milan's ring road and is located opposite IKEA and Leroy Merlin.

Total lettable area
52,842m²

Retail/Gallery
23,810m²

Hyper (Carrefour)
27,743m²

Other
1,289m²

ECP Ownership
52,842m²

Value (€ million)
292.00

Occupancy
100%

Passing rent (€ million)
18.04

Rental growth
1.97%

Boutiques <300m² turnover/m² (€)
8,846

Turnover growth
-2.70%

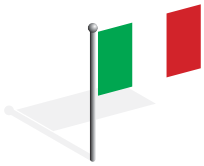
Occupancy cost ratio
6.90%

Visitors 2012/13
8.5m

Major tenants
Carrefour, Saturn, Oviesse, H&M, Zara, Apple, Hollister

# Portfolio
## Italy

## Bergamo (Lombardia)
# Curno



Eurocommercial's first acquisition in Italy – and the country's largest shopping centre when it opened in October 1991 – Curno is still one of the leading centres in Italy, despite growing competition. Plans to strengthen the tenant mix are ongoing.

Total lettable area
36,292m²

- Retail/Gallery: 15,597m²
- Hyper (Auchan): 18,195m²
- Other: 2,500m²

ECP Ownership
18,097m²

Value (€ million)
96.20

Occupancy
100%

Passing rent (€ million)
6.93

Rental growth
2.16%

Boutiques <300m² turnover/m² (€)
8,161

Turnover growth
-4.30%

Occupancy cost ratio
8.40%

Visitors 2012/13
7.2m

Major tenants
Media World, Passatempo, Cisalfa, Brek

# Portfolio
## Italy

# Ferrara (Emilia Romagna)
# Il Castello

IL CASTELLO

Following a refurbishment and rebranding programme, the centre has welcomed new retailers (including its first Inditex brand) which have improved the tenant mix. A unique food court, characterised principally by local operators and a wide range of services, makes Il Castello the leading centre in the province of Ferrara.

| | |
|---|---|
| Total lettable area | $38,457m^2$ |
| Retail/Gallery | $17,850m^2$ |
| Hyper (Ipercoop) | $17,837m^2$ |
| Other | $2,770m^2$ |
| ECP Ownership | $20,620m^2$ |
| Value (€ million) | 99.30 |
| Occupancy | 100% |

| | |
|---|---|
| Passing rent (€ million) | 7.20 |
| Rental growth | 2.40% |
| Boutiques <300m² turnover/m² (€) | 6,524 |
| Turnover growth | 0.80% |
| Occupancy cost ratio | 9.90% |
| Visitors 2012/13 | 5.3m |
| Major tenants | Euronics, Oviesse, Cisalfa, H&M, Pull & Bear, Bata |

# Portfolio
## Italy

## Firenze (Toscana)
# I Gigli

With over 18 million visitors a year, I Gigli is the second most visited centre in Italy and by far the leading shopping destination in Tuscany. A major refurbishment and rebranding will begin in 2014 which will confirm the centre as one of the first choices in Italy for retailers.

Total lettable area
82,787m²

Retail/Gallery
54,257m²

Hyper (Panorama)
12,727m²

Retail Park
4,663m²

Cinema
11,140m²

ECP Ownership
61,316m²

Value (€ million)
244.30

Occupancy
99%

Passing rent (€ million)
17.6

Rental growth
3.96%

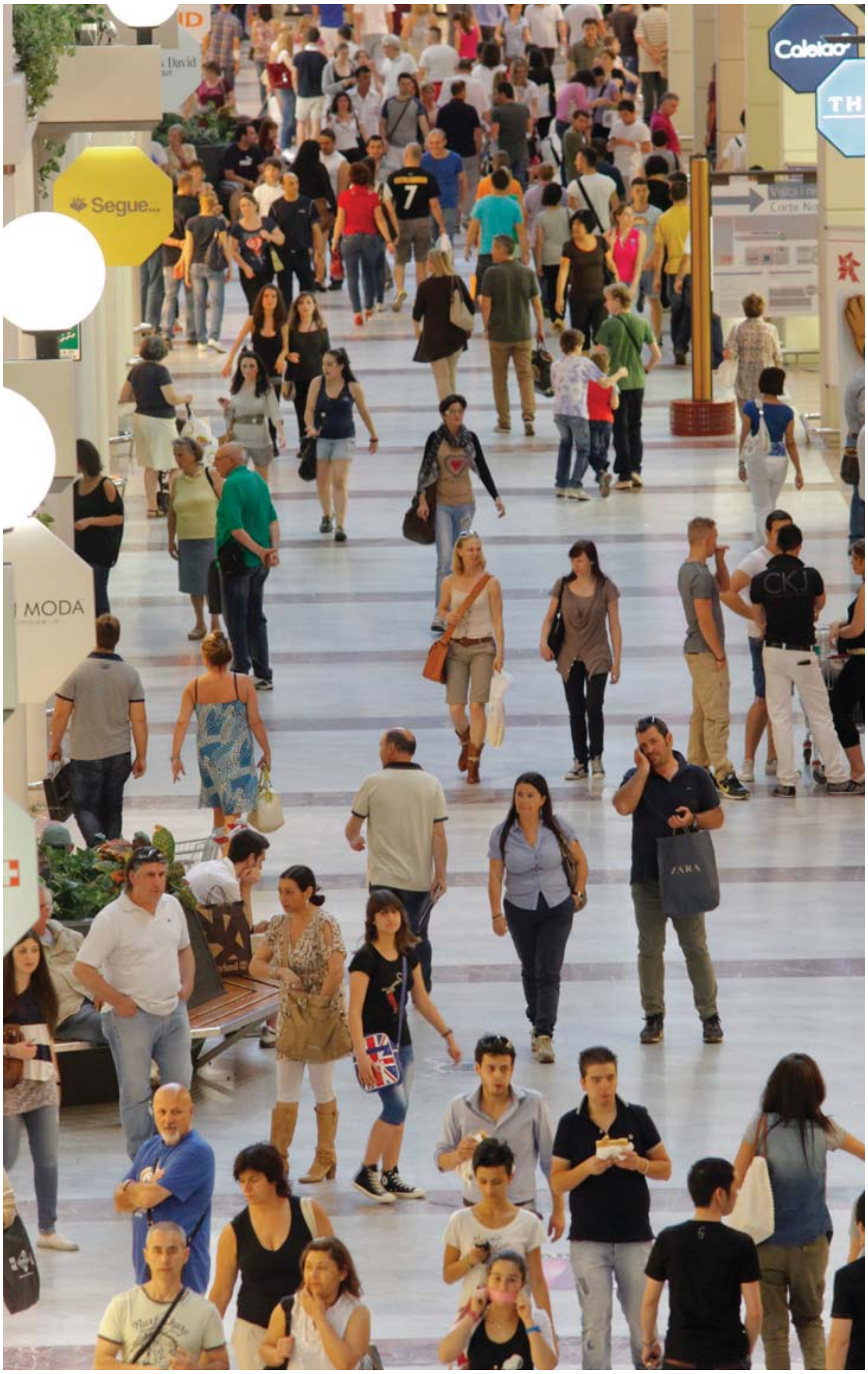
Boutiques <300m² turnover/m² (€)
8,538

Turnover growth
5.80%

Occupancy cost ratio
6.40%

Visitors 2012/13
18.4m

Major tenants
Leroy Merlin, Media World, Coin, Zara, Apple, Hollister




Overview
Geographic focus
Governance
Financials

# Portfolio
## Italy

Imola (Emilia Romagna)

# Centro Leonardo

As Imola's only shopping centre, Centro Leonardo continues to dominate the catchment. The introduction of new customer amenities, such as a dentist and a pharmacy, has further strengthened the retail offer, which already includes Zara, OVS and Media World.

Total lettable area
33,026m²

Retail/Gallery
15,252m²

Hyper (Ipercoop)
17,774m²

ECP Ownership
15,252m²

Value (€ million)
66.20

Occupancy
100%

Passing rent (€ million)
4.85

Rental growth
-0.26%

Boutiques <300m² turnover/m² (€)
6,016

Turnover growth
1.00%

Occupancy cost ratio
10.20%

Visitors 2012/13
4.7m

Major tenants
Media World, Oviesse, Pittarello, Zara

# Portfolio
Italy

Located very close to the town centre of Modena, on the eastern edge of the city off the ring road, I Portali is a solid centre with national and international retailers and a very strong hypermarket. Refurbishment of the centre is imminent.

## Modena (Emilia Romagna)
# I Portali

| | |
|---|---|
| Total lettable area | 24,810m² |
| Retail/Gallery | 7,937m² |
| Hyper (Ipercoop) | 16,989m² |
| ECP Ownership | 7,937m² |
| Value (€ million) | 41.20 |
| Occupancy | 100% |
| Passing rent (€ million) | 2.92 |
| Rental growth | 3.19% |
| Boutiques <300m² turnover/m² (€) | 7,170 |
| Turnover growth | 4.10% |
| Occupancy cost ratio | 8.9% |
| Visitors 2012/13 | 4m |
| Major tenants | Oviesse, Bata |

# Portfolio
Italy

## Cremona (Lombardia)

# Cremona Po

Cremona Po is the closest shopping centre to this wealthy city's urban centre and main population. Changes to the road access and the creation of a new car park linking the centre and adjacent retail park will enhance the synergy between the two.

Total lettable area
42,938m²

Retail/Gallery
20,626m²

Hyper (Ipercoop)
14,500m²

Retail Park
5,674m²

Other
2,138m²

ECP Ownership
28,438m²

Value (€ million)
80.40

Occupancy
100%

Passing rent (€ million)
6.12

Rental growth
0.90%

Boutiques <300m² turnover/m² (€)
5,291

Turnover growth
-1.00%

Occupancy cost ratio
11.6%

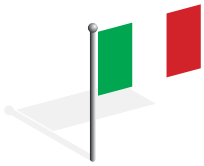
Visitors 2012/13
4.8m

Major tenants
H&M, Oviesse, Expert, Sport Specialist, Pull & Bear, Stradivarius

# Portfolio
## Italy

# Bologna (Emilia Romagna)

# Centro Lame



One of Eurocommercial's smaller centres, Centro Lame is situated close to Bologna city centre. A steady performer which offers all the main services required by the local catchment.

| | |
|---|---|
| Total lettable area | 16,610m² |
| Retail/Gallery | 5,574m² |
| Hyper (Ipercoop) | 11,036m² |
| ECP Ownership | 5,574m² |
| Value (€ million) | 36.20 |
| Occupancy | 100% |
| Passing rent (€ million) | 2.70 |
| Rental growth | 1.25% |
| Boutiques <300m² turnover/m² (€) | 5,247 |
| Turnover growth | -3.70% |
| Occupancy cost ratio | 13.30% |
| Visitors 2012/13 | 3.8m |
| Major tenants | Camaïeu, Camst, Benetton |

Overview
Geographic focus
Governance
Financials

# Portfolio
## Italy

## Mantova (Lombardia)
# La Favorita

The centre, on the northern edge of the city, represents the leading retail complex of the catchment with an Ipercoop hypermarket, external retail park, DIY store and multiplex cinema. The tenant mix has been improved by the arrival of new national and international retailers including Deichmann and Terranova.

Total lettable area
29,879m²

Retail/Gallery
7,400m²

Retail Park
6,279m²

Hyper (Ipercoop)
11,000m²

Brico
2,700m²

Cinema
2,500m²

ECP Ownership
13,679m²

Value (€ million)
45.00

Occupancy
99%

Passing rent (€ million)
3.45

Rental growth
0.68%

Boutiques <300m² turnover/m² (€)
5,248

Turnover growth
-0.06%

Occupancy cost ratio
11.40%

Visitors 2012/13
2.7m

Major tenants
Media World, Oviesse, Piazza Italia, Terranova, Scarpe & Scarpe, UPIM

# Portfolio
## Italy

# Sarzana (Liguria)
# Centroluna

Centroluna is a neighbourhood centre, with a solid track record, anchored by a successful Ipercoop hypermarket. Extension plans have been postponed as the enlarged centre would have competed with similar or larger centres in the catchment and the return on cost was unattractive. In this market we decided to maintain the clear offer of a “neighbourhood-plus” centre.

Total lettable area
15,128m²

Retail/Gallery
3,553m²

Hyper (Ipercoop)
11,580m²

ECP Ownership
3,553m²

Value (€ million)
25.20

Occupancy
100%

Passing rent (€ million)
1.89

Rental growth
3.36%

Boutiques <300m² turnover/m² (€)
5,184

Turnover growth
-10.80%

Occupancy cost ratio
12.5%

Visitors 2012/13
2.9m

Major tenants
Piazza Italia, Benetton





# Sweden

A solid year in Sweden with steadily increasing retail sales and positive rental growth despite low indexation. Vacancies remained low at 1.7% of income and arrears were negligible.


### Top ten retail tenants in Sweden
% of total ECP income

| | | | |
|---|---|---|---|
| ICA Maxi | 4.2% | Varnergruppen | 0.9% |
| KappAhl | 1.1% | Intersport | 0.9% |
| Stadium | 1.1% | Elgiganten | 0.9% |
| H&M | 1.0% | Coop | 0.7% |
| Lindex | 0.9% | Media Markt | 0.6% |
| | | **TOTAL** | **12.3%** |

















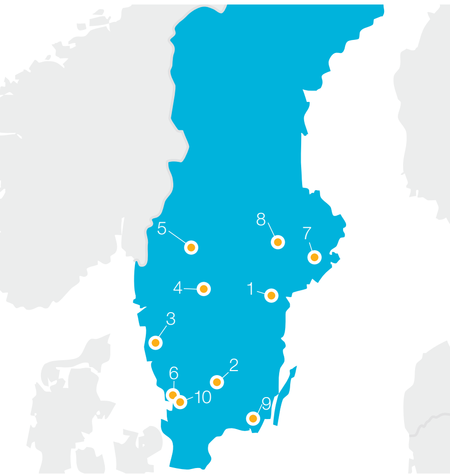





Overview
Geographic focus
Governance
Financials

# Year in review: Eurocommercial Sweden

**Martin Bjöörn**
Property Director Sweden




1. Ingelsta Shopping Norrköping (Östergötland)
2. Grand Samarkand Växjö (Småland)
3. 421 Göteborg (Västergötland)
4. Elins Esplanad Skövde (Västergötland)
5. Bergvik Karlstad (Värmland)
6. Eurostop Halmstad (Halland)
7. Moraberg Södertälje (Södermanland)
8. Hälla Shopping Västerås (Västmanland)
9. Kronan Karlskrona (Blekinge)
10. Mellby Center Laholm (Halland)

Gift card | Loyalty card | Free Wi-Fi
Website | Facebook page | Mobile App

## Economy

The Swedish economy has outperformed the euro area recently and this is expected to continue next year. The fundamentals in the consumer sector are sound with solid income growth, low unemployment, muted inflation and low interest rates supporting consumption looking forward. Recent data indicators point to a further improvement in economic conditions with business and consumer surveys now recovering. More importantly, the labour market remains healthy and the unemployment rate declined to below 7% during the summer while employment is on an upward trend since 2010. Consensus forecasts expects GDP growth around 2.5% in 2014, three times higher than the euro area average.

## Rental growth

Rental growth was modest this year at 1.2% mainly on account of lower indexation which fell from 2.5% last year to 0.4% in 2013. There was also a calendar effect as only 28 leases came up for renewal compared to 54 last year and 77 which are due next year. Nevertheless, the 28 lettings and renewals completed still produced an average uplift of 8%, with the strongest rental growth being at Bergvik, Karlstad whose dominant market position continues to produce the highest sales per square metre in the portfolio.

## Retail sales

Having been negative in 2012, turnover growth returned to positive at 1.8% for the 12 months to 30 June 2013. The galleries were up by 0.8% with the strongest gallery performance coming from Elins Esplanad, Skövde and 421, Göteborg both at 7.9% – the latter being helped by the opening of Intersport's first megastore concept – and the recently refurbished Kronan, Karlskrona at 4.6%. Turnover from the hypermarkets increased by 3.6% overall, mainly due to the strong exposure to ICA, Sweden's fastest growing and dominant food retailer with a 50% market share.

Solid turnover growth of 1.2% through to March 2013 outperformed the national shopping centre benchmark which reported 0.7%* over the same period.

## Property market

At the prime end of the investment market there was more activity from domestic buyers with city centre galleries in Göteborg and Malmö acquired by Hufvudstaden and Vasakronan at yields of 5% and 5.5% respectively. The most comparable transaction to Eurocommercial's largely provincial, suburban shopping centre portfolio was the Company's sale of Burlöv Center, Malmö which was completed in November 2012 at a price of SEK 1,158 million, representing a net initial yield of 5.5% to the buyer. The centre was acquired by Eurocommercial in 2001 and, after refurbishment costs, has provided an internal rate of return of 20% per annum over our period of ownership. While international investors still have an interest in acquiring further Swedish retail, they remain highly selective and increasingly focused on Stockholm and Göteborg.

* Köpcentrumbarometern, 12 months to the end of March 2013

## Valuations

The value of Eurocommercial's Swedish portfolio reduced by 1.0% over the year but was flat over the last six months. The six largest properties representing approximately 80% of the portfolio increased in value by around 2% over both periods, with Elins Esplanad, Skövde showing the biggest increase at 5.5% as strong retail sales are being converted into rental growth. The remaining 20% of the portfolio fell over both periods due to an upward yield shift reflecting the plentiful supply of smaller investments in the market, most of which have failed to attract buyers. The average net yield of the portfolio currently stands at 5.75%, an increase of around 15bps over the 12 months. The yield range is between 5.4% (Bergvik, Karlstad and Grand Samarkand, Växjö) and 7% (Hälla Shopping, Västerås). Hälla Shopping has suffered from reduced turnover, and therefore rents, following the relocation of Ikea and new external rental competition in its catchment.

## Acquisitions and extensions

In August 2012 Eurocommercial completed the acquisition of Eurostop, a shopping centre which opened in 1990, located on the E6/E20 motorway outside Halmstad on Sweden's west coast. As already noted, Burlöv Center in Malmö was sold to fund this acquisition. The property comprises a 10,800m² Coop hypermarket, and a 13,600m² adjoining gallery comprising 34 retail tenants including Willys, H&M, KappAhl, Lindex and Systembolaget together with a hotel. The purchase price of SEK 560 million represented a net initial yield of 6%. With a very low site coverage of only 20%, the property provides an excellent extension opportunity and a planning application was submitted in December 2012 to increase the existing retail floor area by up to 21,000m² gross buildable area with a decision expected during the first half of 2014. The timing and phasing of the development, which will include a refurbishment of the existing centre, will be determined by the selection and location of the hypermarkets and other new anchor stores which are likely to include missing retailers in the electrical, sport and DIY sectors. The fashion offer will also be significantly strengthened and there is already keen demand from existing tenants wanting to expand and introduce their other concepts as well as new tenants who want to gain a foothold into what will be the only regional shopping centre serving a catchment of 200,000.

## Outlook

Rental growth is likely to remain subdued with virtually no indexation at all budgeted for 2014 and Eurocommercial will therefore have to rely on the experience and expertise of its in-house leasing team to improve rental income through lease renewals and tenant rotation when opportunities arise. 28% of the leases in the portfolio are due to be renewed next year including the first renewals at Elins Esplanad, Skövde, since the project was completed in 2008, and where the first ten renegotiations have already secured a rental uplift of over 15% for next year. There will also be additional rental income from the reletting of the two retail boxes that became vacant at the start of the year following the administration of the Expert electrical chain. Both units have recently been relet on ten year leases to Clas Ohlson (Grand Samarkand, Växjö) and Intersport (Moraberg, Södertälje) who will both take occupation after the summer following completion of building works. With these vacancies removed, we would expect the overall vacancy level to remain around its current level of 1.7%, while arrears remain very low at 0.4%.

In terms of capital markets, while both international and domestic investors are certainly being more selective, there still seems to be sufficient demand to sustain yields at or around their current levels, particularly for prime retail.

## Independent valuations by property

| Sweden (SEK million) | Net value June 2013 | Net value June 2012 | Change June 2013 / June 2012 | Net yield including purchase costs | Cost to date | Year of acquisition |
|---|---|---|---|---|---|---|
| Ingelsta Shopping, Norrköping[2] | 969.00 | 984.00 | –1.5% | 5.8% | 880.25 | 2003 |
| Grand Samarkand, Växjö[2] | 879.00 | 847.00 | 3.8% | 5.4% | 726.76 | 2003 |
| 421, Göteborg[2] | 758.00 | 743.00 | 2.0% | 5.8% | 828.91 | 2007 |
| Elins Esplanad, Skövde[2] | 705.00 | 668.00 | 5.5% | 5.7% | 541.61 | 2003 |
| Bergvik, Karlstad[1] | 659.00 | 653.00 | 0.9% | 5.4% | 346.32 | 2005 |
| Eurostop, Halmstad[1] | 580.00 | NA | NA | 5.8% | 573.69 | 2012 |
| Moraberg, Södertälje[1] | 397.00 | 434.00 | –8.5% | 6.2% | 362.19 | 2006 |
| Hälla Shopping, Västerås[2] | 151.00 | 213.00 | –29.1% | 7.1% | 192.58 | 2002 |
| Kronan, Karlskrona[1] | 171.00 | 182.00 | –6.0% | 6.2% | 154.10 | 2007 |
| Mellby Center, Laholm[2] | 167.00 | 171.00 | – 2.3% | 6.0% | 141.19 | 2003 |
| TOTAL SWEDEN | 5,436.00 | 4,895.00 | | 5.8% | 4,747.60 | |

Valuations by: [1] Cushman & Wakefield, [2] DTZ

# Portfolio
## Sweden

## Norrköping (Östergötland)
# Ingelsta Shopping

ingelsta shopping

Forms part of Norrköping's main external retail zone. Discussions are progressing with the municipality for a new access from Stockholmsvägen and the possible removal of a small wood on the site which would provide land for an additional 150 car parking spaces. Following the successful development of the 4,500m² Elgiganten on the adjoining retail park owned by Eurocommercial, the intention is to utilise the remaining 2,000m² of building rights once a suitable tenant has been identified.

| | | |
|---|---|---|
| Total lettable area<br>36,727m² | Value (€ million)<br>110.40 | Turnover growth<br>3.10% |
| Retail/Gallery<br>15,626m² | Occupancy<br>100% | Occupancy cost ratio<br>8.20% |
| Retail Park<br>11,520m² | Passing rent (€ million)<br>6.97 | Visitors 2012/13<br>3m |
| Hyper (ICA Maxi)<br>9,581m² | Rental growth<br>6.79% | Major tenants<br>ICA Maxi, H&M, KappAhl, Stadium, Lindex, Intersport, Gina Tricot, Elgiganten, K-rauta |
| ECP ownership<br>36,727m² | Boutiques <300m² turnover/m² (€)<br>4,670 | |

# Portfolio
Sweden

## Växjö (Småland)

# Grand Samarkand

Grand Samarkand, located outside Växjö, is the region of Småland's only regional shopping centre and opened in 2011 following a major redevelopment. The tenant mix will be improved with the opening of Clas Ohlson, Indiska, Polarn O. Pyret and Volt after summer 2013.

- Total lettable area: 34,480m²
  - Retail/Gallery: 18,579m²
  - Retail Park: 3,614m²
  - Hyper (ICA Maxi): 10,632m²
  - Offices: 1,655m²
- ECP ownership: 23,848m²

- Value (€ million): 100.14
- Occupancy: 97%
- Passing rent (€ million): 5.52
- Rental growth: 1.02%
- Boutiques <300m² turnover/m² (€): 5,496

- Turnover growth: 1.70%
- Occupancy cost ratio: 7.40%
- Visitors 2012/13: 4.3m
- Major tenants: H&M, Stadium, New Yorker, Lindex, KappAhl, Gina Tricot, Clas Ohlson, Systembolaget


Overview
Geographic focus
Governance
Financials

# Portfolio
## Sweden

# Göteborg (Västergötland)

# 421

421 is a modern centre located in south Göteborg's main retail zone. While ICA and Media Markt are the most important tenants in terms of driving footfall, the sport sector showed the strongest turnover growth last year following the successful opening of Intersport's new megastore concept.

Total lettable area
33,422m²

Retail/Gallery
18,522m²

Hyper (ICA Maxi)
11,783m²

Offices
3,117m²

ECP ownership
33,422m²

Value (€ million)
86.36

Occupancy
94%

Passing rent (€ million)
5.10

Rental growth
-1.43%

Turnover growth
5.60%

Occupancy cost ratio
9.60%

Visitors 2012/13
3.2m

Major tenants
ICA Maxi, Media Markt, H&M, KappAhl, Lindex, Dressmann, Intersport, Hemtex

# Portfolio
## Sweden

## Skövde (Västergötland)

# Elins Esplanad

In the absence of any strong competition in its catchment in Skövde, Elins Esplanad continues to outperform. The challenge will be to find space for the many national chains requesting a presence in the centre.

Total lettable area
28,783m²

Retail/Gallery
17,994m²

Hyper (ICA Maxi)
10,039m²

Office
750m²

ECP ownership
28,783m²

Value (€ million)
80.32

Occupancy
100%

Passing rent (€ million)
4.92

Rental growth
2.16%

Boutiques <300m² turnover/m² (€)
7,100

Turnover growth
4.70%

Occupancy cost ratio
7.00%

Visitors 2012/13
3.9m

Major tenants
ICA Maxi, KappAhl, Lindex, Elgiganten, Stadium, Clas Ohlson, H&M

# Portfolio Sweden

## Karlstad (Värmland)

# Bergvik

Bergvik is Värmland's dominant suburban shopping centre and adjoins two hypermarkets, ICA Maxi and Coop Forum, and IKEA. The site co-ownership structure and complex local infrastructure continue to complicate any proposed extension for which there is strong tenant demand.

Total lettable area
48,382$m^2$

- Retail/Gallery
  13,754$m^2$
- Hypers (ICA, Coop)
  30,000$m^2$
- Retail Boxes
  4,400$m^2$
- Offices
  228$m^2$

ECP ownership
13,982$m^2$

Value (€ million)
75.08

Occupancy
100%

Passing rent (€ million)
4.40

Rental growth
2.29%

Boutiques <300$m^2$ turnover/$m^2$ (€)
6,419

Turnover growth
-4.30%

Occupancy cost ratio
8.60%

Visitors 2012/13
6.2m

Major tenants
H&M, Stadium, Intersport, Lindex, KappAhl, Indiska

# Portfolio
## Sweden

## Halmstad (Halland)
# Eurostop

EUROSTOP

Acquired in August 2012, Eurostop is located on the E6 motorway and is Halmstad's only suburban shopping centre. A decision on the current planning application for an extension of up to 21,000m² gross buildable area is expected during the first half of 2014. The property is trading well and is fully let.

Total lettable area
31,129m²

- Retail/Gallery
  13,643m²
- Hyper (Coop Forum)
  10,810m²
- Hotel/Office
  5,346m²
- Other
  1,330m²

ECP ownership
31,129m²

Value (€ million)
66.08

Occupancy
100%

Passing rent (€ million)
4.38

Boutiques <300m² turnover/m² (€)
4,504

Turnover growth
1.50%

Occupancy cost ratio
4.40%

Major tenants
Coop Forum, Willy's, H&M, Lindex, KappAhl, Systembolaget


Overview
Geographic focus
Governance
Financials

# Portfolio
Sweden

## Södertälje (Södermanland)
# Moraberg

### MORABERG

Moraberg is a very prominent and modern retail park with a strong tenant mix. Intersport has recently signed a ten year lease for the former Expert unit (2,078m²) and will vacate their smaller, adjoining store for which there is already serious tenant interest.

| | |
|---|---|
| Total lettable area 19,043m² | Rental growth 0.83% |
| ECP ownership 19,043m² | Visitors 2012/13 1.6m |
| Value (€ million) 45.23 | Major tenants Elgiganten, Rusta, Jysk, Plantagen, Jula, Stadium |
| Occupancy 100% | |
| Passing rent (€ million) 2.99 | |

# Portfolio
## Sweden

Västerås (Västmanland)

# Hälla Shopping

HÄLLA SHOPPING

Hälla Shopping forms part of an important retail area at the east entrance of Västerås and is connected to a strong ICA Maxi hypermarket. After a difficult period, following new retail competition and IKEA's relocation from Hälla, retail sales now appear to be stabilising, and the zone should strengthen now IKEA has started to redevelop and let their former store for complementary food and box retailers.

| | |
|---|---|
| Total lettable area | 20,152m² |
| Retail/Gallery | 8,152m² |
| Hyper (ICA Maxi) | 10,000m² |
| Other retail | 2,000m² |
| ECP ownership | 10,152m² |
| Value (€ million) | 17.20 |
| Occupancy | 90% |
| Passing Rent (€ million) | 1.23 |
| Rental growth | -20.80% |
| Boutiques <300m² turnover/m² (€) | 4,676 |
| Turnover growth | -17.90% |
| Occupancy cost ratio | 11.40% |
| Visitors 2012/13 | 4m |
| Major tenants | H&M, Stadium, KappAhl, Lindex |

# Portfolio
## Sweden

# Karlskrona (Blekinge)
# Kronan

KRONAN

Kronan is the main city centre gallery in Karlskrona and has benefited from a recent internal refurbishment with retail sales up 4.6% over the year.

Total lettable area
7,052m²

Retail/Gallery
5,878m²

Offices
1,174m²

ECP ownership
7,052m²

Value (€ million)
19.48

Occupancy
100%

Passing rent (€ million)
1.48

Rental growth
1.42%

Boutiques <300m² turnover/m² (€)
4,439

Turnover growth
4.60%

Occupancy cost ratio
9.30%

Visitors 2012/13
1.40

Major tenants
Stadium, KappAhl, Gina Tricot, MQ, Brothers, Nilsson

# Portfolio
## Sweden

Located next to the E6 motorway on Sweden's popular west coast, Mellby, our smallest centre, continues nonetheless to trade well, particularly in the summer months. The ICA Maxi hypermarket managed positive annual turnover growth despite new food competition from outside Båstad.

## Laholm (Halland)

# Mellby Center

| | | |
|---|---|---|
| Total lettable area 11,550m² | Occupancy 100% | Occupancy cost ratio 7.00% |
| Retail/Gallery 3,315m² | Passing rent (€ million) 1.48 | Visitors 2012/13 1.2m |
| Hyper (ICA Maxi) 8,235m² | Rental growth 3.07% | Major tenants ICA Maxi, KappAhl, Lindex, Dressmann |
| ECP ownership 11,550m² | Boutiques <300m² turnover/m² (€) 4,215 | |
| Value (€ million) 19.03 | Turnover growth 1.20% | |

# Corporate responsibility

## Eurocommercial is committed to minimising any negative impact of its business activities on the environment and the local communities in which it operates.

As part of its ongoing refurbishment and extension programmes, the Company takes every opportunity where possible to upgrade machinery and improve the biodiversity of the sites. Recycling is carried out in all of the retail properties and tenants are encouraged to use water and energy efficiently in their units. Several of our shopping centres also offer electric car charging facilities.

### Our people

Eurocommercial recognises that it is important to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company. In 2012/13, Eurocommercial employed 64 full-time employees of which 47% were male and 53% were female. There is a strong culture of teamwork and employees are acknowledged for the important role they play in the growth of the business. Employees are actively encouraged to participate in training as appropriate for their roles and during the financial year, 116 training days were completed.

Staff turnover is very low with the senior Directors having served the Company for an average of 20 years. There has been virtually no staff turnover on a country level during the past ten years.

### In the community

Eurocommercial's shopping centres play a key role in bringing local communities together not only to shop but also for entertainment, education and charitable support. The proximity and convenience of our shopping centres to the catchment areas they serve ensures that we remain an important part of daily life and frequently held events offer an even greater opportunity to connect and engage with local families.

Here we have highlighted a few examples of our corporate responsibility achievements over the past year.

### Environmental focus

### France

Environmental initiatives have continued across the French portfolio and a dedicated energy consumption analyst helps to drive these forwards. A particular focus on implementing sustainable energy resources, where possible, has resulted in a project to replace high consumption lighting across 75% of the portfolio. Rainwater is collected and recycled in three centres, therefore reducing water wastage, and it is our goal to protect biodiversity by planting trees in car parks and creating gardens in inner city centres. The new retail park at Chasse-sur-Rhône, for example, has a landscaped car park and the roof covering incorporates a grassed area to render it more attractive to the residents who overlook the site.

### Italy

Following the earthquake in Emilia Romagna in May 2012, the "Il Castello Olympic Tour" was organised by Il Castello centre to help raise money for the worst-hit communities. Six athletes from the north of Ferrara embarked on a fundraising trip which ended at the London 2012 Olympics. The event was promoted through local and social media to raise awareness and, even once the Olympics had finished, Il Castello shopping centre continued to collect donations. A total of €12,000 was raised and allocated to six municipalities in the province that had suffered the most. The proceeds were used, amongst other things, to help rebuild severely damaged schools.

### Sweden

At the end of 2012, we completed the modifications to the control and monitoring system for district heating in Elins Esplanad, Skövde so it now operates more efficiently and cost effectively. Already in the first five months of 2013, we have recorded a 25% reduction in energy consumption (kWh) and approximately 20 tonnes less $CO_2$ emissions compared with the same period last year.


## Energy consumption

In accordance with the European Public Real Estate Association (EPRA) guidelines, Eurocommercial is reporting the energy consumption of its shopping centres.

| | | | Absolute measures | Like for like comparison | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total | France | | Italy | | Sweden | | Total | |
| Impact area | EPRA sustainability performance measures | Units of measurement | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Energy | 3.1 Total energy consumption from electricity [GRI: EN4] | MWh | 69,504 | 5,321 | 5,448 | 25,849 | 24,483 | 35,779 | 35,254 | 66,948 | 65,185 |
| | 3.2 Total energy consumption from district heating and cooling [GRI: EN4] | | 10,046 | | | 1,051 | 1,031 | 7,060 | 7,650 | 8,110 | 8,681 |
| | 3.3 Total energy consumption from fuels [GRI: EN3] | | 17,796 | | | 5,926 | 6,489 | | | 5,926 | 6,489 |
| Greenhouse gas emissions | 3.5 Total direct GHG emissions [GRI: EN16 – GHG Protocol Scope 1] | tonnes $CO_2e$ | 3,297 | | | 1,097 | 1,202 | | | 1,097 | 1,202 |
| | 3.6 Total indirect GHG emissions [GRI: EN16 – GHG Protocol Scope 2] | | 13,410 | 416 | 426 | 10,738 | 10,174 | 1,805 | 1,585 | 12,959 | 12,185 |
| | 3.6 Total indirect GHG emissions [GRI: EN16 – GHG Protocol Scope 3] | | 4,060 | | | | | | | | |
| Water | 3.8 Total water withdrawal [GRI: EN8 partial] | cubic metres ($m^3$) | 337,733 | 35,679 | 14,753 | 242,112 | 245,166 | 45,653 | 41,950 | 323,444 | 301,869 |
| Waste | 3.10 Total weight of waste [GRI: EN22] | metric tonnes | 4,984 | 1,327 | 1,571 | NA | NA | 1,077 | 884 | 2,404 | 2,546 |
| | 3.11 Disposal route – Recycled | proportion by weight (%) | 27% | 22% | 24% | | | 45% | 46% | 32% | 32% |
| | Disposal route – Off-site Materials Recovery Facility | | 34% | | 64% | | | | 0.5% | | 41% |
| | Disposal route – Landfill Facility – Non-Hazardous | | 13% | | 12% | | | | 51% | | 26% |
| | Disposal route – Hazardous Waste Treatment Facility | | 0% | | | | | | 0.5% | | 0.3% |
| | Disposal route – Incineration with energy recovery | | 15% | | | | | 55% | | 25% | |
| | Disposal route – Incineration with no energy recovery | | 0% | 78% | | | | | 2% | 43% | 0.7% |
| | Disposal route – Composting/ Anaerobic Digestion Facility | | 11% | | | | | | | | |

### EPRA sustainability performance measures – intensity measures 2012

| Impact area | EPRA sustainability performance measures | Intensity indicator | 2011 | 2012 |
|---|---|---|---|---|
| Energy | 3.4 Building energy intensity [GRI-CRESS: CRE1] | kWh/$m^2$/year | 736 | 674 |
| Greenhouse gas emissions | 3.7 Greenhouse gas Scope 1 and 2 intensity from building energy [GRI-CRESS: CRE3] | kg $CO_2e$/$m^2$/year | 139 | 116 |
| Water | 3.9 Building water intensity [GRI-CRESS: CRE2] | $m^3$/$m^2$/year | 2.10 | 2.42 |

The information provided is for the calendar years 2012 and 2011. The emission factors are based upon the Department for Environment, Food and Rural Affairs (DEFRA) guidance and are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices. Jones Lang LaSalle assisted Eurocommercial in preparing this data in line with the reporting guidelines.

For 2012, the coverage of data disclosed for all energy, greenhouse gas and water performance measures, for which the landlord has control, is for 26 out of 33 properties for energy and greenhouse gas and 24 out of 33 properties for water. The data disclosed for waste refers to 19 out of 33 properties. Waste data is not available for Italy as this is handled by the public authorities. The reported data contains the total landlord obtained energy and water consumed in the Company's properties.

The absolute figures for 2012 include Les Grands Hommes, Bordeaux and Eurostop Halmstad, which were both acquired during the year, however do not include Burlöv Center, Malmö which was sold in November 2012.

Energy and emissions intensities are reported using "shared services" as the numerator and common parts area as the denominator. "Shared services" refers to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered. Where tenant consumption is sub-metered, this is excluded from "shared services". Eurocommercial acknowledges, as recommended in the EPRA sustainability best practice recommendations, that the intensity indicator may be affected due to a mismatch between numerator and denominator.

# Corporate governance

In accordance with the Dutch Corporate Governance Code, a broad outline of the corporate governance structure of the Company is presented in this section including any departures from the Code's best practices. A detailed list of these best practice provisions can be found on the Company's website (www.eurocommercialproperties.com).

## General Meeting of Shareholders

The General Meeting of Shareholders has core overriding powers on such matters as statutory changes, adoption of the annual accounts and profit appropriation. It has powers regarding the appointment, suspension, dismissal and remuneration of members of the Board of Management and the Supervisory Board.

The General Meeting of Shareholders is usually held in the first week of November each year. Holders of depositary receipts are entitled to attend and to vote at the meeting. Upon written request by shareholders and holders of depositary receipts, who solely or jointly represent 10% of the issued capital, the Board of Management and the Supervisory Board shall be required to convene a General Meeting of Shareholders. The notice calling that meeting shall specify the items to be considered. The Secretary appointed for the meeting will take minutes of the proceedings at the meeting. The minutes will be signed by the Chairman of the meeting and by the Secretary. In principle, the minutes will be published on the Company's website within three months after the meeting and copies of such minutes are available free of charge on request.

## Supervisory Board

The Supervisory Board's primary task is to supervise the activities of the Company and to provide advice and guidance to the Board of Management. In pursuing these responsibilities, the Supervisory Board takes the interests of all stakeholders into account. Supervision focuses on the achievement of corporate goals and strategy. In addition, the Supervisory Board supervises the proper management of internal risk and execution of control structures, the property and financial reporting process, and legal and regulatory compliance. Finally, the Supervisory Board is involved in drawing up the remuneration policy of the Company and ratifies the individual remuneration of the Board of Management members according to the policy and remuneration proposals approved by the General Meeting of Shareholders.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. The General Meeting of Shareholders determines the remuneration of members of the Supervisory Board. The members of the Supervisory Board are independent of one another, the Board of Management and any particular interest. Pursuant to the Articles of Association, the Supervisory Directors retire under a rotation scheme. In view of the current size of the Supervisory Board (five members), each appointment will be made for a maximum period of four years. Any proposal for appointment or reappointment to the General Meeting of Shareholders shall be properly explained. In the case of a reappointment, account will be taken of the candidate's performance and functioning as a Supervisory Director. The rules and regulations of the Supervisory Board stipulate that the maximum term of office, as from 2004, is 12 years. A resolution by the General Meeting of Shareholders to dismiss or suspend a Supervisory Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital.

Due to the size of the Company and the nature of its organisation and activities, the Supervisory Board has also decided to function as a whole as the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee.

The Supervisory Board meets according to a fixed schedule of meetings and at least four times a year. Furthermore, there is a special meeting dedicated to a discussion – without the Board of Management being present – of the Supervisory Board's own functioning, the relationship to the Board of Management and the composition, assessment and remuneration of the Board of Management. The Supervisory Board profile with which the members of the Supervisory Board are expected to comply will be evaluated annually and, where necessary, revised.

In the year under review no business transactions took place in which conflicts of interest could have played a role. Any business transactions between the Company and the members of the Boards are published in the Annual Report. The profile, rules and regulations of the Supervisory Board and the resignation rota for members of the Supervisory Board are published on the Company's website and are available free of charge on request.

With reference to article 2:391, section 7 of the Netherlands Civil Code regarding gender diversity, it is reported that the new rules effective 1 January 2013 providing that 30% of the members of the Supervisory Board and of the Board of Management should be male or female, are not met. The members of the Board of Management are both male and were appointed in November 2012 for a period of four years, so it is not expected that the Company will comply with the new rules in respect of its Board of Management. The current terms of appointment of the respective members of the Supervisory Board, who are all male, will be fully honoured and for new appointments the best candidates will be proposed, whether male or female. However, the amended profile of the Supervisory Board provides for a target over time that each gender is represented and it is expected that future appointments might include proposals to appoint female members, if they are the best candidates.

## Board of Management

The Board of Management (Jeremy Lewis and Evert Jan van Garderen) is responsible for managing the Company and its subsidiaries. It is accountable for the pursuit and achievement of corporate goals and objectives of the Company and its subsidiaries, its strategy and policies. In addition to determining strategy and its implementation, the Board of Management should optimise risk management and control, financing and ensuring the Company and its subsidiaries comply with legal and other applicable regulatory requirements.

The members of the Board of Management are appointed by the General Meeting of Shareholders from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. Managing Directors are appointed for a maximum renewable period of four years. The Board of Management's remuneration is determined in line with the policy set out in the Remuneration Report. The remuneration of the Board of Management will be submitted to the General Meeting of Shareholders for approval. In 2004 the Supervisory Board drew up a Remuneration Report which is updated annually. The report is posted on the Company's website. A resolution by the General Meeting of Shareholders to dismiss or suspend a Managing Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital. The amount of compensation that a member of the Board of Management may receive on termination of his employment may not exceed one year's salary.

Jeremy Lewis, Chief Executive

The founding Chief Executive of the Company, Jeremy Lewis (68), a Chartered Surveyor, has more than 45 years of international experience in commercial property and the running of quoted property investment vehicles.

Evert Jan van Garderen, Finance Director
Evert Jan van Garderen (51), a graduate of Erasmus University Rotterdam, joined the Company in 1994 after experience in a major law firm and an international investment group. He is both a Chartered Accountant and a qualified lawyer.

### Country heads

Peter Mills, Director
Peter Mills (54) joined Eurocommercial in 1993 and is responsible for the Company's operations in Sweden. Prior to joining the Company, he worked for major international property consultants covering the UK and European retail markets. Peter is a Chartered Surveyor and read Land Economy at Cambridge University.

Tom Newton, Director
Having acquired experience in the property markets of the UK, Australia and Europe, Tom Newton (55) joined Eurocommercial in 1992. Since then he has been involved in the acquisition programme in France and Italy and has responsibility for all French operations. Tom has a degree in modern languages from Durham University and is a Chartered Surveyor.

Tim Santini, Director
Tim Santini (47) joined Eurocommercial in 1994 and is responsible for the Italian activities of the Company. Prior to joining Eurocommercial he was with a major international property consultant in London working on projects in the UK and continental Europe. Tim read modern languages at UEA and is a Chartered Surveyor.

## Hostile takeover defence

The mechanism for protecting the Company against hostile takeovers comprises the 100 priority shares which have been issued and are held by the Stichting Prioriteitsaandelen Eurocommercial Properties. The Board of Trustees of this foundation (stichting) currently comprises the Chairman of the Board of Management and an independent member. The determination of the number of Managing Directors and Supervisory Directors of the Company, the drawing up of a binding nomination for their appointment and the approval of the appropriation of income of the Company are the principal rights attached to the priority shares. The priority shares are in all other respects identical to the registered ordinary shares.

Under powers granted to it by the General Meeting of Shareholders for the period to 30 June 2014, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares up to a maximum of 50% of the issued share capital and the terms of issue, including the power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares.

## External auditor

The external auditor is appointed by the General Meeting of Shareholders. The external auditor attends the meeting of the Supervisory Board and the Board of Management at which the annual and half year figures are discussed and adopted. The quarterly, half year and annual figures presented in press releases are discussed with the external auditor prior to publication. The annual accounts are audited by the external auditor and the half year accounts are subject to a limited review by the external auditor.

The General Meeting of Shareholders may question the external auditor about their report on the fairness of the annual accounts. The external auditor may address the meeting in respect of this matter.

## Corporate governance best practice

After the publication of the Dutch Corporate Governance Code in December 2003 the Supervisory Board and the Board of Management discussed in detail the effect of the Code on the corporate governance structure of the Company. Various codes, rules and regulations for the Company and its subsidiaries were prepared and adopted.

The Company complied with all but four best practices of the Code and has amended its Articles of Association and Conditions of Administration to bring the corporate governance structure further in compliance with the Code. These amendments were tabled and approved at the Annual General Meeting of Shareholders held on 2 November 2004. All introduced or amended codes, rules and regulations have been posted on the Company's website.

On 10 December 2008 the Monitoring Committee Corporate Governance Code published its report including amendments to the Dutch Corporate Governance Code. The Company has obtained external advice about the implications of this amended Code on the corporate governance structure of the Company. This advice has been discussed in a dedicated extraordinary meeting with the Supervisory Board and the Board of Management held in April 2009. Following the advice and the meeting, various changes and additions have been made to the Company's codes, rules and regulations in order to comply with the amended Code. These documents have been posted on the Company's website.The only principles and best practice provisions of the amended Code with which the Company does not fully comply or which require an explanation are:

*Principle II.2 of the Code*
The Netherlands Civil Code and the Articles of Association of the Company provide that the remuneration of the individual members of the Board of Management is determined and adopted by the General Meeting of Shareholders.

*Provision II.2.3 of the Code*
The remuneration of the Board of Management is not determined by reference to non-financial indicators due to the nature of the Company's business. The key indicator for remuneration is based on aligning the Board of Management with the interests of shareholders.

*Provision III.3.5 of the Code*
The Chairman of the Supervisory Board, appointed in 1997, was reappointed by the General Meeting of Shareholders in November 2010 for another four-year term expiring in November 2014. Although his term exceeds the maximum term of 12 years under the Code, the General Meeting of Shareholders was in favour of another four-year term and to appoint a suitable successor in 2014.

*Provision IV.1.1 of the Code*
The Netherlands Civil Code provides for the possibility to set aside binding nominations for the appointment of Directors by a shareholders' resolution passed by two-thirds of the votes cast representing more than half of the issued capital. The Company will maintain this system so that a substantial majority of shareholders and holders of depositary receipts decides these issues.

*Provision IV.3.1 of the Code*
The Company conducts analyst conference calls at the time of results announcements but does not consider it necessary to provide webcasts of its shareholders' meetings, which are already well attended.

*Provision IV.3.13 of the Code*
The Company has not implemented an outline policy on one-to-one contact with its shareholders, but will monitor how this best practice rule is applied by the sector in the near future. The Company is of the opinion that the current applicable law is clear and provides sufficient guidance about what is and what is not allowed in respect of price sensitive information.

*Provision V.3.1 of the Code*
Due to its size the Company will not appoint an internal auditor.

# Corporate governance
continued

## Corporate responsibility

Shopping centres play a major role within the local community as places for people not only to shop in, but also to relax and interact with each other. The Company therefore strives to integrate itself as much as possible into its surrounding environment. The Company holds events in its centres to educate and entertain its visitors to enhance their enjoyment of the shopping centre facilities. The events are often held in conjunction with a local government body, charity or corporate sponsor to align it with a particular cause. Many of the Company's shopping centres also support local sports teams through sponsorship agreements.

The Company is committed at both the corporate and operational level to minimising the impact of its business activities on the environment. Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all of the Swedish centres while in France and Italy photovoltaic panels have been, or are being considered for, installation on a number of properties as part of ongoing maintenance and upgrade works. Several centres now have facilities to collect rainwater to use for irrigation and waste facilities. The Carosello centre in Italy has a 16,000m² grass roof which not only insulates the gallery and regulates the mall temperature thus reducing the need for air-conditioning, but also adds to the biodiversity of the area.

Recycling is carried out in all of the Company's retail properties, and in many instances customers can also bring their residential refuse to the shopping centres to be recycled. As the properties continue to be upgraded and extended, the Company's aim is to introduce more environmentally friendly materials and mechanisms to increase energy efficiency and minimise waste.

At the corporate level, the Company uses a video conferencing system to lower internal travel costs. In addition, the offices have recycling programmes in place.

The Company employed an average of 64 full-time equivalent persons during the financial year, of which 14 are based in the Netherlands, 11 in the UK, 17 in France, 14 in Italy and 8 in Sweden. 47% of employees are male and 53% are female. Of the workforce, eight are under the age of 30, 49 are between the ages of 30 and 50 and seven are over the age of 50.

The Company understands that its employees are its most important asset. To this end it actively encourages and supports employees to further their professional training and development, where appropriate. The Company prides itself on being a good employer, which is epitomised in the lengthy average tenure of employment and very low personnel turnover.

## Organisation

Eurocommercial has had offices in Amsterdam and London since inception, but the Company's focus on France, Italy and Sweden has necessitated the opening of offices in Paris, Milan and Stockholm. The expansion of the Italian and Swedish teams required new office space which was taken possession of in September and November 2012 respectively.

The three senior Directors responsible for property have a regional management role as well as contributing their expertise to collective major investment decisions. Tom Newton is responsible for France, Tim Santini for Italy and Peter Mills for Sweden.

The Management Board and regional Directors keep the Supervisory Board of the Company fully informed of operations through formal management reports and informal discussions as necessary.

## Remuneration

The remuneration policy for Supervisory Directors and Managing Directors, which has been applicable in previous years, has been continued. Supervisory Directors receive a fixed fee. Managing Directors may be entitled to cash bonuses in addition to their base salaries. These bonuses, like those of the senior managers, are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2012 a performance share plan has been in place for Managing Directors, regional Directors and permanent staff of the Company. Under this scheme conditional performance depositary receipts may be granted from time to time, but these only vest after three years have lapsed since the date of granting, provided certain targets are met. After vesting these depositary receipts are blocked for another two years. The remuneration policy is set out in the Remuneration Report posted on the Company's website. A summary of the Remuneration Report is included in the report of the Supervisory Board on page 68.

## Internal risk management and control systems

The Company has clearly identified its risks comprising strategic risks, operational risks, financial risks, reporting risks and compliance risks.

The strategic risks mainly concern the property sector and country allocation as well as timing of investments and divestments and the leverage used. Operational risks include asset and tenant selection, performance by suppliers, third parties and the Company's organisation and systems but also the technical condition of the properties and risks related to taxation. Financial risks comprise interest rate and currency risk as well as refinancing risk. The Company operates a comprehensive insurance programme for those risks which can be effectively and efficiently insured.

The Company has appropriate internal risk management and control systems. Key elements of the internal control systems are a management structure designed to enable effective and collegiate decision making, monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancy, arrears and doubtful debtors and weekly meetings between the Board of Management and regional Directors to review each country's performance against budgets and long-term financial plans. Detailed procedures and responsibilities for the various country teams as well as for the segregation of duties and authorisation structures have been implemented and maintained. Strict procedures are also observed for the periodic drawing up of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to directly identify developments in the value of investments and in income and expenses. For this purpose use is made of electronic data processing within automated, integrated central information systems. There is a back up and recovery plan in place so that data can be restored.

Due to its size the Company has no internal audit department. The Supervisory Board discusses the external auditors' findings on the Company's internal control environment with the Board of Management and the external auditors. The Supervisory Board supervises the internal control framework and procedures and the assessment of risks facing the Company and its subsidiaries.

## Risk management policies

The Company has a long-term investment horizon and carefully monitors its exposure to risks deriving from its investment policies. Established controls are in place covering the implementation of its policies and the monitoring of the related results and implications. Policies, guidelines, reporting systems and segregation of duties have been issued and are currently in place to enable the above mentioned controls.

The Company's management structure and corporate strategy is designed to maximise shareholder value while minimising risk.

All major corporate, property and financial decisions are discussed and reviewed at regular meetings of the Board of Management together with senior management comprising the Chief Executive, the Finance Director and the finance team, the heads of the French, Italian and Swedish businesses, their deputies, the Group Economist and the Investor Relations Director. The team reviews the item – be it an acquisition, renovation project, property management, leasing, extension/refurbishment, divestment, fundraising or financing issue – against a number of key criteria including financial implications, strategic fit and the impact it will have on the rest of the Company. The Board of Management will normally act upon the recommendations of this meeting.

Additional controls have been put in place to identify and minimise risk through assigning responsibilities to certain individuals and regularly reviewing procedures.

During the year the revised risk management policies were reviewed, discussed and approved by the Board of Management and the Supervisory Board.

## Strategic risk

### Country and sector weighting of assets

The Company invests in a relatively predictable real estate sector (retail) and relatively wealthy and stable economies (France, Northern Italy and Sweden) to minimise economic and political risk. By limiting the number and types of sectors and countries in which the Company operates, management can maintain a high level of understanding and insight into how the assets perform, which in turn reduces risk. However, the diversification achieved by investing in these countries, both in provincial and major cities, reduces risk further, as well as the spread among a large number of tenants, with a relatively small exposure to any one single tenant (largest exposure to one single tenant is 4.2% of total portfolio rent).

### Timing of investments and divestments

Timing is of fundamental importance in all investments and management will take into account the broadest possible parameters, whether economic, political or fiscal.

The Group Economist maintains a detailed database on the regions in which the Company is invested or those areas in which it is considering making an investment. Every effort is made to research the demographics and economics of these areas to evaluate suitable timings for an acquisition, extension or divestment. The management structure is such that timely and efficient decisions can be made on the basis of information provided. The Company's property experts' detailed knowledge of relevant international property markets in which they have operated for many years also provides experience to help avoid serious errors. Data such as monthly turnovers of retailers, vacancies, arrears and doubtful debtors are also regularly reviewed to assist in decision making.

## Operational risk

### Asset selection

The Company seeks to minimise risks by investing in properties where rents can survive a downturn in consumer spending and at a yield that provides an adequate return in light of financing costs. Management conducts thorough due diligence on assets before an acquisition is made, assisted by external parties including property consultants, lawyers, surveyors, tax advisers and accountants.

### Tenant selection and credit risk

The creditworthiness of tenants is researched thoroughly and bank guarantees or deposits are always required in France and Italy but not in Sweden where this is not market practice. Property performance is reviewed by analysing monthly turnover and visitor numbers, vacancies and arrears. Such information allows the management team to make prompt judgements about how a tenant is performing and its impact on the performance of the rest of the centre. The credit risk associated with lease debtors is determined through a detailed analysis of the tenant's outstanding debt. The credit risk has also been reduced by investing in mature markets and by choosing major tenants on the basis of their financial strength.

### Technical condition of properties

A technical director in each country, in conjunction with local centre managers, is responsible for the regular review and maintenance of the technical conditions of individual properties. Maintenance is carried out on a regular basis and the Company is insured against property damage and consequent loss of income that may arise from such events. Checks are regularly made to review security, fire, health and safety and environmental issues within each property.

### Property extension/redevelopment risk

Extensions and redevelopments will only proceed if planning consent has been received, the financing is arranged, the majority of the project is pre-let and other commitments have been received from anchor tenants. The Company is always guided and advised by an external project team but also employs in-house specialists. The building works are outsourced to a contractor with a sound reputation. During the works the Company takes out additional property and liability insurance policies.

### Taxation

The Company is tax exempt in the Netherlands and France, and subject to corporate income tax in Italy and Sweden. Partly due to the credit crises, governments in Europe are short of monies and are seeking to increase tax revenues. It is difficult to assess whether the Company will have to pay more taxes in the future due to changes made to the tax systems in the countries where the Company operates, but it cannot be excluded. A clear example was the increase of property tax in Italy, which resulted in an extra tax burden for the Company.

# Corporate governance
continued

## Financial risk

### Credit risk

The Company minimises the risks related to the possible defaults of its counterparties by dealing with about 17 major financial institutions for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. The counterparty risk associated with these transactions is limited to the cost of replacing these agreements at the current market rate should an event of default occur. The Company, however, considers the risk of incurring losses as a result of default remote.

### Interest rate risk

As the Company's policy is to have long-term investments, the borrowings used for funding them are also long term (five years but preferably for ten years or more). The Company uses interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 3.8% excluding margins and only 20% of the existing loans are at a floating rate. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €2.54 million, or 3.1% of the reported direct investment result.

### Liquidity risk

In order to reduce liquidity risk the Company has adopted a strategy of spreading the debt maturity profile of its borrowings and the relative repayment dates. Moreover, in some cases the Company has at its disposal flexible long-term borrowings (which allow no penalty repayments and re-drawing of funds up to agreed amounts) and short-term committed and uncommitted lines.

An analysis of the liquidity risk related to future cash flows due to interest payments, repayment of borrowings, rental deposits and payments to other creditors is provided in note 18 (financial instruments) of the consolidated financial statements.

### Currency risk

The only significant foreign currency exposure for the Company is its exposure to the Swedish property markets. However, due to SEK loan facilities with major banks and currency swaps (if applicable), a hedging of the foreign currency is achieved up to 40%. The remaining exposure is relatively limited compared to the total size of the portfolio and will in principle not be hedged. Net SEK income may also be hedged from time to time by using defensive currency derivatives. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.4% of reported adjusted net asset value and in a decrease of only 1.4% of reported direct investment result.

## Reporting risk

The Company draws up an annual budget by country and individual asset, which is compared on a monthly basis with actual results. Furthermore, budgets for capital expenditure and liquidity forecasts are prepared. Quarterly figures are discussed with the external auditor prior to publication and then published to the market in the form of a press release. The annual accounts are audited by the external auditor and the half year accounts are subject to a limited review by the external auditor.

## Compliance risk

At the corporate level the Company complies with the Netherlands Corporate Governance Code and the Netherlands Act on Financial Supervision (Wet op het financieel toezicht). All employees are made aware of the regulations and procedures are in place to ensure that employees comply with the rules. The Company has an internal code of conduct and a whistle blower's code which all employees are required to read, understand and adhere to. The country directors are also responsible for complying with local laws and regulations.

## In control statement

Pursuant to the Netherlands Act on Financial Supervision and the Decree on the Supervision of the Conduct of Financial Undertakings (Besluit gedragstoezicht financiële ondernemingen), the Company states that it has a description of the organisation of its business operations (Administrative Organisation and Internal Control) which meets the specifications as laid down in the Act and the Decree. During the financial year 2012/2013 the Company has evaluated various aspects of the Company's Administrative Organisation and Internal Control and found nothing to indicate that the description of the structure of the Company's Administrative Organisation and Internal Control does not meet the requirements as included in the Decree and related legislation. Also, there have been no indications during the financial year 2012/2013 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Company therefore states with a reasonable level of assurance that the organisation of its business operations functioned effectively and in accordance with the description. It is not expected that during the current financial year a major change will be made to the design of the Company's Administrative Organisation and Internal Control.

Given the nature and size of the Company and its operations, inherent internal control limitations exist including limited possibilities to segregate duties, disproportionate control costs versus benefits, catastrophe and collusion risk, etc. Absolute assurance cannot be provided as a result of these inherent limitations.

The Board of Management believes that the design of the internal controls for financial reporting provide a reasonable level of assurance (i) to prevent material inaccuracies in the financial statements of the Company for the financial year 2012/2013, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2012/2013 and there are no indications that this will not continue to be so in the current financial year.

## Insurance

The Company is fully insured against property damage and liability and consequent loss of income for the period during which the property is rebuilt and relet. Terrorism, flooding and earthquake cover is limited by current market conditions, but the Company believes it has achieved a reasonable balance of risk cover and premium costs. On an annual basis its insurance programme has been benchmarked against its peer groups.

## Permit

The Company has been granted a permit under the Netherlands Act on Financial Supervision by the Netherlands Authority for the Financial Markets on 7 July 2006.

## Taxation

As a tax exempt quoted Netherlands-based investment institution, all investment income, whatever its source, is tax free at the corporate level if it is distributed to shareholders. The Company is also tax exempt in France as a SIIC (société d'investissements immobiliers cotée). In Italy and Sweden the Company takes appropriate steps to minimise the amount of tax paid.

Amsterdam, 20 September 2013

Board of Management
J.P. Lewis, Chairman
E.J. van Garderen

## Responsibility statement

With reference to the EU Transparency Directive and the Act on Financial Supervision we hereby state to the best of our knowledge that the financial statements for the financial year ended 30 June 2013 give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the management report of the Board of Management includes a fair review of the development and performance of the business during the financial year and the position of the Group at the balance sheet date, together with a description of the principal risks associated with the Group.

Amsterdam, 20 September 2013

Board of Management
J.P. Lewis, Chairman
E.J. van Garderen

# Report of the Board of Supervisory Directors

## To the General Meeting of Shareholders

### Financial statements

We are pleased to present the Annual Report of Eurocommercial Properties N.V. for the financial year ending 30 June 2013, as drawn up by the Board of Management. The Auditors, Ernst & Young Accountants LLP, have examined the financial statements and will issue an unqualified report thereon. We recommend that you adopt the financial statements.

### Dividend proposal

We support the proposal of the Board of Management to distribute a cash dividend of €1.92 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2013. We also support the offer, at the option of the holders of depositary receipts, of a scrip issue to be charged to the share premium reserve as an alternative to the cash dividend.

### Activities

During the year under review there were four meetings of the Supervisory Board which were also attended by the members of the Board of Management. Four Supervisory Directors attended each meeting. Due to travel one Supervisory Director could only attend three meetings. In addition to those meetings there was regular contact between the Supervisory Board members and the members of the Board of Management. Furthermore, the Supervisory Board is kept informed of activities and financial performance through monthly management accounts which contain detailed analysis of rental income, company expenses and investment developments. During the year the Chairman of the Supervisory Board attended several meetings of the senior management team to observe the in-depth detailed property management, investment and funding discussions.

Amongst the topics discussed in the Board meetings were strategy and risk, property and financial markets, management and financial accounts, funding, currency and dividend policy, the system of internal controls, remuneration levels, systems and corporate governance. In particular the changes in property markets, valuations and rents, the impact of internet and the marketing in the various countries, but also the Company's bank loans and bank covenants were discussed in great detail and monitored during the year. The Supervisory Board fully supported the investment and funding policy of the Board of Management. The Board also supported the continuation of the current strategy of the Company for the next years. Furthermore, the contents of press releases, the annual report, the interim report and the quarterly reports were discussed.

In the February Board meeting the profile of members of the Supervisory Board was amended after the profile had been tabled and discussed at the Annual General Meeting held on 6 November 2012. Following the amended profile a search for new members of the Supervisory Board took place and will result in proposals for appointment in the forthcoming Annual General Meeting to be held on 5 November 2013. As from 1 January 2013 the Dutch Civil Code has been amended and provides new rules on diversity implying that 30% of the members of the Supervisory Board and of the Board of Management should be male or female and if not, that the Company should explain in its annual report why it is not complying. The amended profile provides for a target over time that each gender is represented, but does not require a particular minimum percentage to ensure the best candidates can be selected. The new rules also require an explanation on gender diversity when an appointment proposal is made to the shareholders meeting, which does not result in a percentage close to or above 30%.

In May 2013 the Board meeting was held at the new Milan offices to allow the Board members besides the meeting of the Board, to also meet local Italian management and new Italian employees and to visit some of the Company's Italian shopping centres and competing areas. In this Board meeting each member of the Supervisory Board and of the Board of Management made the so called financial sector promise pursuant to the 2013 Regulation on the financial sector oath or promise under the Financial Supervision Act. The mandatory audit firm rotation as from 1 July 2015 in the case of the Company resulted after the meeting in a short list of prospective firms to possibly succeed Ernst & Young Accountants LLP in 2015. During their visit to Milan the Supervisory Board also took the opportunity to meet in the absence of the Board of Management to discuss its own functioning and that of the Board of Management.

There have been no conflicts of interest.

### Corporate governance

In accordance with the recommendations of the Dutch Corporate Governance Committee, a broad outline of the corporate governance structure of the Company is presented in the Report of the Board of Management. In this report the Company reviews various corporate governance items in compliance with the Committee's recommendations.

The Supervisory Board as a whole also functions as the Audit Committee and had two meetings with the Auditors of the Company as well as one meeting with the Auditors of the Company in the absence of the Board of Management. During those meetings the Audit Committee discussed the report of the Auditors, the management letter as well as the annual report and the interim report.

The Audit Committee reviewed the need for an internal audit function and concluded again that this is not necessary due to the size of the Company. The Supervisory Board as a whole also functions as the Remuneration Committee. Remuneration was discussed in two meetings on the basis of an updated external benchmark report and the draft updated remuneration report. The final 2012/2013 Remuneration Report will be posted on the website of the Company when the Annual Report is published. The Supervisory Board as a whole also functions as the Selection and Appointment Committee, which discussed in two meetings the future composition of the Supervisory Board and amended the profile of the Board as discussed before. At the forthcoming Annual General Meeting to be held on 5 November 2013, there will be two appointment proposals on the agenda. With reference to the new rules on gender diversity already mentioned, we note that the new members proposed are male, but that we expect further future appointments might include proposals to appoint female members, if they are the best candidates.

### Summary remuneration report

The purpose of the remuneration policy is to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company. The remuneration policy aims to reward management and key staff for their contribution to the performance of the Company and its subsidiaries. The Supervisory Board proposes the remuneration policy, and any material adjustments to it, at the Annual General Meeting of Shareholders based on recommendations of the Board of Management. The Supervisory Board recommends decisions on all aspects of the remuneration of the members of the Board of Management, within the scope of the remuneration policy, to the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders is invited to approve both the remuneration policy and the remuneration of the members of the Board of Management.

At the end of each financial year, the Supervisory Board reviews and discusses the remuneration of the members of the Board of Management. The level of remuneration for the members of the Board of Management reflects the differences in responsibilities of the Board members as well as their individual performance. The benchmark for remuneration of the Board of Management is based on an independent survey of the remuneration for Directors of international real estate companies with comparable positions, determined by the size and complexity of the organisation and the responsibilities of the Board members.

The Company's remuneration package for employees and members of the Board of Management comprises the following elements:

- base salary – total annual gross fixed income including holiday allowance;
- short-term variable annual performance-related gross cash bonuses;
- long-term incentives through a performance shares plan;
- pension and other benefits.

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for executives and members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. There is no minimum guaranteed bonus and variable cash bonuses are capped at one year's base salary. There are also claw back possibilities for the Company. Only one member of the Board of Management has joined a pension scheme. This scheme is a defined contribution scheme with current annual premiums being capped using a maximum pensionable salary.

Supervisory Directors receive a fixed fee only.The remuneration policy for Supervisory Directors and Managing Directors has been continued during the year under review. Following a benchmarking exercise, it is proposed for the next financial year to increase the remuneration of the Supervisory Directors by €3,000 to €37,000 for each member and to €47,000 for the Chairman and to increase the base salaries of the members of the Board of Management to £515,000 for Mr J.P. Lewis and to €415,000 for Mr E.J. van Garderen. The Annual General Meeting of Shareholders is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

## Composition of the Supervisory Board

All members of the Supervisory Board are independent. The profile, role and responsibilities of the Supervisory Board are laid down in specific rules and regulations which are available for inspection at the Company's office and placed on the Company's website. At 30 June 2013 the Supervisory Board was composed as follows:

1. Mr W.G. van Hassel (67), Chairman, of Dutch nationality and member of the Supervisory Board since 1997, was reappointed in 2010 for a period of four years. He is a former partner and chairman of a major Dutch law firm and former Dean of The Dutch Bar Association. He is a member of the following supervisory boards:

Aan de Stegge Verenigde Bedrijven B.V. (Chairman)
Box Consultants B.V. (Chairman)
Stichting HW Wonen (Chairman)
Nationaal Register (Chairman)

2. Mr H.W. Bolland (67), of British nationality and member of the Supervisory Board since 1998, was reappointed in 2012 for a period of one year. He was formerly Vice Chairman of Schroder Investment Management Limited of London. He is a member of the following boards:

Fidelity Asian Values plc
JPMorgan Indian Investment Trust plc

3. Mr P.W. Haasbroek (65), of Dutch nationality and member of the Supervisory Board since 2008, was reappointed in 2012 for a period of four years. He is a former Director Real Estate Europe of PGGM, the manager of the Dutch pension fund for the healthcare sector. He worked for more than 25 years in the international property investment markets until he retired in 2007.

4. Mr J.C. Pollock (73), of British nationality and member of the Supervisory Board since 2005, was reappointed in 2009 for a period of four years. He is a former partner of Ernst & Young and worked for many years as a certified public accountant in the international practice. He was the auditor of the Company until 1999.

5. Mr A.E. Teeuw (67), of Dutch nationality and member of the Supervisory Board since 2006, was reappointed in 2010 for a period of four years. He is a former Chief Executive Officer of the listed financial institution Binck Bank N.V. of Amsterdam and a former Managing Director of Barclays Bank plc. Mr Teeuw worked for more than 30 years as an international banker until he retired at the end of 2005. He is a member of the following supervisory boards:

RDC Group B.V. (Chairman)
HiQ Invest B.V.


1


2


3


4


5

# Report of the Board of Supervisory Directors
continued

At the Annual General Meeting of Shareholders held on 6 November 2012, Mr H.W. Bolland was reappointed for one year and Mr P.W. Haasbroek was reappointed for a period of four years. At the forthcoming Annual General Meeting of Shareholders to be held on 5 November 2013, Mr H.W. Bolland and Mr J.C. Pollock will retire by rotation and will not be available for reappointment. Two new members of the Supervisory Board will then be proposed to succeed Mr Bolland and Mr Pollock.

## Rotation scheme
Under a rota devised by the Supervisory Board, each Director will retire by rotation every four years. This rotation scheme for the next few years is as follows:

2013: Mr H.W. Bolland and Mr J.C. Pollock

2014: Mr W.G. van Hassel and Mr A.E. Teeuw

Members of the Supervisory Board will resign in the Annual General Meeting of Shareholders held after the end of the financial year in which they reach the age of 75.

## Staff
We would like to take this opportunity to express our gratitude to the Board of Management and all staff for their efforts during the year.

Amsterdam, 20 September 2013

## Board of Supervisory Directors
W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

# Ten year financial summary*

## Key financial information (consolidated)

| For the financial year ended | 30-06-04 €'000 | 30-06-05 €'000 | 30-06-06 €'000 | 30-06-07 €'000 | 30-06-08 €'000 | 30-06-09 €'000 | 30-06-10 €'000 | 30-06-11 €'000 | 30-06-12 €'000 | 30-06-13 €'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Netherlands GAAP | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| Profit and loss account | | | | | | | | | | |
| Net property income | 76,527 | 80,784 | 87,215 | 95,830 | 110,033 | 114,380 | 120,472 | 131,116 | 139,353 | 144,368 |
| Net financing expenses | (23,154) | (24,631) | (23,477) | (28,944) | (38,117) | (40,822) | (41,862) | (44,501) | (48,900) | (51,769) |
| Company expenses | (6,986) | (6,738) | (7,671) | (8,243) | (9,114) | (8,510) | (8,611) | (9,789) | (10,707) | (10,576) |
| Direct investment result | 44,872 | 49,340 | 56,087 | 58,653 | 62,802 | 65,048 | 69,999 | 76,826 | 79,515 | 81,518 |
| Indirect investment result | 17,666 | 64,613 | 177,840 | 200,819 | 47,484 | (245,753) | 23,741 | 124,451 | (91,633) | 41,401 |
| Result after taxation | 62,538 | 113,953 | 233,927 | 259,472 | 110,286 | (180,705) | 93,740 | 201,277 | (12,118) | 122,919 |
| Balance sheet | | | | | | | | | | |
| Total assets | 1,416,811 | 1,597,042 | 1,891,430 | 2,267,934 | 2,528,936 | 2,172,037 | 2,505,718 | 2,671,251 | 2,842,953 | 2,889,027 |
| Property investments | 1,306,304 | 1,498,081 | 1,782,338 | 2,197,070 | 2,446,615 | 2,136,750 | 2,359,574 | 2,522,054 | 2,690,467 | 2,806,023 |
| Cash and deposits | 84,070 | 73,011 | 76,581 | 18,044 | 13,796 | 7,827 | 116,218 | 112,976 | 120,954 | 51,422 |
| Borrowings | 590,367 | 566,191 | 643,537 | 798,302 | 970,249 | 913,186 | 1,017,841 | 1,107,964 | 1,252,744 | 1,286,923 |
| Shareholders' equity | 707,424 | 828,144 | 1,037,679 | 1,242,118 | 1,300,981 | 1,033,080 | 1,214,323 | 1,370,150 | 1,300,147 | 1,366,064 |
| Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date | 30,540,500 | 34,462,476 | 35,277,619 | 35,277,619 | 35,727,332 | 35,840,442 | 40,304,266 | 40,813,650 | 40,953,515 | 41,740,054 |
| Average number of depositary receipts representing shares in issue | 29,937,616 | 31,589,214 | 34,938,162 | 35,277,619 | 35,554,261 | 35,797,301 | 38,543,725 | 40,602,632 | 40,895,429 | 41,410,071 |
| Per depositary receipt (€) | | | | | | | | | | |
| Net asset value | 23.16 | 24.03 | 29.41 | 35.21 | 36.41 | 28.82 | 30.13 | 33.57 | 31.75 | 32.73 |
| Direct investment result | 1.50 | 1.56 | 1.61 | 1.66 | 1.77 | 1.82 | 1.82 | 1.89 | 1.94 | 1.97 |
| Indirect investment result | 0.59 | 2.05 | 5.09 | 5.69 | 1.34 | (6.87) | 0.61 | 3.07 | (2.24) | 1.00 |
| Dividend | 1.50 | 1.55 | 1.60 | 1.67 | 1.75 | 1.78 | 1.82 | 1.88 | 1.92 | 1.92 |
| Property information | | | | | | | | | | |
| Sector spread (%) | | | | | | | | | | |
| Retail | 88 | 90 | 91 | 92 | 93 | 100 | 100 | 100 | 100 | 100 |
| Office | 9 | 7 | 7 | 6 | 5 | 0 | 0 | 0 | 0 | 0 |
| Warehouse | 3 | 3 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 |
| | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Stock market | | | | | | | | | | |
| Closing price at the end of June on NYSE Euronext Amsterdam (€: depositary receipts) | 24.95 | 30.10 | 29.96 | 38.32 | 30.27 | 21.95 | 26.25 | 34.30 | 27.25 | 28.20 |
| Market cap | 761,985 | 1,037,321 | 1,056,917 | 1,351,838 | 1,081,466 | 786,698 | 1,057,987 | 1,399,908 | 1,115,983 | 1,176,928 |

* This statement contains additional information which is not part of the IFRS financial statements.

Note

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange). One bearer depositary receipt represents ten ordinary registered shares.

The calculation of the direct and indirect investment results per depositary receipt is based on the weighted average of the number of depositary receipts representing the ordinary shares in issue over the year. This allows for the fact that, although payment for newly issued shares was made during the respective financial year, they ranked for dividend from the start of the respective financial year.

# Statement of consolidated direct, indirect and total investment result*

| | Note | 2012/2013 €'000 | 2011/2012 €'000 |
|---|---|---|---|
| Rental income | 4 | 172,596 | 163,030 |
| Service charges income | 4 | 28,418 | 27,428 |
| Service charges expenses | | (31,325) | (29,561) |
| Property expenses | 5 | (25,321) | (21,544) |
| Net property income | 2 | 144,368 | 139,353 |
| | | | |
| Interest income | 7 | 2,479 | 2,155 |
| Interest expenses | 7 | (54,248) | (51,055) |
| Net financing expenses | 7 | (51,769) | (48,900) |
| | | | |
| Company expenses | 8 | (10,576) | (10,707) |
| Direct investment result before taxation | | 82,023 | 79,746 |
| Current tax | 11 | (505) | (231) |
| Direct investment result | | 81,518 | 79,515 |
| | | | |
| Disposal of investment properties | | (1,696) | 0 |
| Investment revaluation | 6 | 6,563 | 5,138 |
| Fair value movement derivative financial instruments | 7 | 20,479 | (93,109) |
| Investment and company expenses | 8/10 | (2,523) | (2,115) |
| Indirect investment result before taxation | | 22,823 | (90,086) |
| Deferred tax | 11 | 18,578 | (1,547) |
| Indirect investment result | | 41,401 | (91,633) |
| Total investment result | | 122,919 | (12,118) |
| | | | |
| Per depositary receipt (€)** | | | |
| Direct investment result | | 1.97 | 1.94 |
| Indirect investment result | | 1.00 | (2.24) |
| Total investment result | | 2.97 | (0.30) |

* This statement contains additional information which is not part of the IFRS financial statements.

** The average number of depositary receipts on issue over the year was 41,410,071 compared with 40,895,429 for the previous financial year.

Alongside the consolidated profit and loss account, the Company presents results as direct and indirect investment results, enabling a better understanding of results. The direct investment result consists of net property income, net financing expenses, company expenses and current tax. The indirect investment result consists of the investment revaluation, the fair value movement of derivative financial instruments, investment expenses, the unrealised movement in the provision for pensions and deferred tax.

# Statement of adjusted net equity*

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| IFRS net equity per balance sheet | 1,366,064 | 1,300,147 |
| Derivative financial instruments | 120,350 | 148,616 |
| Deferred tax liabilities | 36,192 | 63,864 |
| Deferred tax assets | (284) | (751) |
| Adjusted net equity | 1,522,322 | 1,511,876 |
| | | |
| Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back | 41,740,054 | 40,953,515 |
| Net asset value – € per depositary receipt (IFRS) | 32.73 | 31.75 |
| Adjusted net asset value – € per depositary receipt | 36.47 | 36.92 |
| Stock market prices – € per depositary receipt | 28.20 | 27.25 |

# EPRA performance measures*

The European Public Real Estate Association (EPRA) is an organisation which promotes, develops and represents the European public real estate sector. EPRA sets out best practice reporting guidelines on a number of financial and operational performance indicators relevant to the real estate sector.

| | Total (€'000) | | Per depositary receipt (€) | |
|---|---|---|---|---|
| | 30-06-2013 | 30-06-2012 | 30-06-2013 | 30-06-2012 |
| EPRA earnings** | 81,518 | 79,515 | 1.97 | 1.94 |
| EPRA NAV*** | 1,522,322 | 1,511,876 | 35.19 | 35.60 |
| EPRA NNNAV*** | 1,386,127 | 1,338,430 | 32.04 | 31.52 |
| EPRA net initial yield | 5.7% | 5.7% | | |

| Reconciliation NAV, EPRA NAV and EPRA NNNAV*: | Total (€'000) | | Per depositary receipt (€) | |
|---|---|---|---|---|
| | 30-06-2013 | 30-06-2012 | 30-06-2013 | 30-06-2012 |
| Equity balance sheet | 1,366,064 | 1,300,147 | 32.73 | 31.75 |
| Derivative financial instruments | 120,350 | 148,616 | | |
| Deferred tax liabilities | 36,192 | 63,864 | | |
| Deferred tax assets | (284) | (751) | | |
| EPRA NAV*** | 1,522,322 | 1,511,876 | 35.19 | 35.60 |
| Derivative financial instruments | (120,350) | (148,616) | | |
| Deferred tax liabilities | (10,858) | (19,159) | | |
| Deferred tax assets | 284 | 751 | | |
| Fair value borrowings**** | (5,271) | (6,422) | | |
| EPRA NNNAV*** | 1,386,127 | 1,338,430 | 32.04 | 31.52 |

* These statements contain additional information which is not part of the IFRS financial statements.

** The average number of depositary receipts on issue over the year was 41,410,071, compared with 40,895,429 for the previous financial year.

*** The diluted number of depositary receipts on issue at 30 June 2013 was 43,250,338, compared with 42,469,310 at 30 June 2012.

**** The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on the Bloomberg swap curve.

# Consolidated profit and loss account

| | Note | 2012/2013 €'000 | 2011/2012 €'000 |
|---|---|---|---|
| Rental income | 4 | 172,596 | 163,030 |
| Service charges income | 4 | 28,418 | 27,428 |
| Service charges expenses | | (31,325) | (29,561) |
| Property expenses | 5 | (25,321) | (21,544) |
| Net property income | 2 | 144,368 | 139,353 |
| | | | |
| Disposal of investment properties | | (1,696) | 0 |
| Investment revaluation | 6 | 6,563 | 5,138 |
| | | | |
| Interest income | 7 | 2,479 | 2,155 |
| Interest expenses | 7 | (54,248) | (51,055) |
| Fair value movement derivative financial instruments | 7 | 20,479 | (93,109) |
| Net financing cost | 7 | (31,290) | (142,009) |
| | | | |
| Company expenses | 8 | (10,650) | (11,694) |
| Investment expenses | 10 | (2,449) | (1,128) |
| Result before taxation | | 104,846 | (10,340) |
| | | | |
| Current tax | 11 | (505) | (231) |
| Deferred tax | 11 | 18,578 | (1,547) |
| Total tax | 11 | 18,073 | (1,778) |
| | | | |
| Result after taxation | | 122,919 | (12,118) |
| | | | |
| Per depositary receipt (€)* | | | |
| Result after taxation | 24 | 2.97 | (0.30) |
| Diluted result after taxation | 24 | 2.86 | (0.30) |

* The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange). One bearer depositary receipt represents ten ordinary registered shares.

# Consolidated statement of comprehensive income

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Result after taxation | 122,919 | (12,118) |
| | | |
| Foreign currency translation differences (to be recycled through profit and loss account) | (3,573) | 13,017 |
| Total other comprehensive income | (3,573) | 13,017 |
| | | |
| Total comprehensive income | 119,346 | 899 |
| | | |
| Per depositary receipt (€)* | | |
| Total comprehensive income | 2.87 | 0.02 |
| Diluted total comprehensive income | 2.77 | 0 |

* The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange). One bearer depositary receipt represents ten ordinary registered shares.

# Consolidated balance sheet

| | Note | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|---|
| Property investments | 12 | 2,640,423 | 2,558,581 |
| Property investments under development | 12 | 24,600 | 0 |
| Tangible fixed assets | 13 | 2,034 | 836 |
| Receivables | 14 | 245 | 786 |
| Derivative financial instruments | 18 | 0 | 6 |
| Deferred tax assets | 19 | 284 | 751 |
| Total non-current assets | | 2,677,586 | 2,560,960 |
| | | | |
| Receivables | 14 | 29,019 | 29,153 |
| Cash and deposits | 15 | 51,422 | 120,954 |
| Total current assets | | 80,441 | 150,107 |
| | | | |
| Property investments held for sale | 12 | 141,000 | 131,886 |
| | | | |
| Total assets | | 2,889,027 | 2,842,953 |
| | | | |
| Creditors | 16 | 66,505 | 65,696 |
| Borrowings | 17 | 293,280 | 103,603 |
| Total current liabilities | | 359,785 | 169,299 |
| | | | |
| Creditors | 16 | 11,137 | 9,982 |
| Borrowings | 17 | 993,643 | 1,149,141 |
| Derivative financial instruments | 18 | 120,350 | 148,622 |
| Deferred tax liabilities | 19 | 36,192 | 63,864 |
| Provision for pensions | 20 | 1,856 | 1,898 |
| Total non-current liabilities | | 1,163,178 | 1,373,507 |
| Total liabilities | | 1,522,963 | 1,542,806 |
| Net assets | | 1,366,064 | 1,300,147 |
| | | | |
| Equity Eurocommercial Properties shareholders | | | |
| Issued share capital | 21 | 208,890 | 204,983 |
| Share premium reserve | 22 | 393,547 | 396,385 |
| Other reserves | 23 | 640,708 | 710,897 |
| Undistributed income | | 122,919 | (12,118) |
| Net assets | | 1,366,064 | 1,300,147 |

# Consolidated cash flow statement

| | Note | 2012/2013 €'000 | 2011/2012 €'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Result after taxation | | 122,919 | (12,118) |
| | | | |
| Adjustments: | | | |
| Decrease/increase in receivables | | (6,469) | 3,654 |
| Increase/decrease in creditors | | 211 | (15,862) |
| Interest income | | (2,479) | (2,155) |
| Interest expenses | | 54,248 | 51,055 |
| Movement stock options | 22 | 1,117 | 1,106 |
| Investment revaluation | 6 | 2,985 | (6,527) |
| Derivative financial instruments | | (20,479) | 93,109 |
| Deferred tax | 11 | (18,578) | 1,547 |
| Current tax | | 505 | 231 |
| Other movements | | (3,094) | 402 |
| | | 130,886 | 114,211 |
| **Cash flow from operations** | | | |
| Current tax paid | | (254) | 0 |
| Derivative financial instruments | | (8,038) | 0 |
| Borrowing costs | | (980) | (1,383) |
| Interest paid | | (54,194) | (50,526) |
| Interest received | | 2,866 | 1,661 |
| | | 70,286 | 63,963 |
| **Cash flow from investing activities** | | | |
| Property acquisitions | 12 | (196,404) | (58,944) |
| Capital expenditure | 12 | (50,598) | (29,360) |
| Property sale | 12 | 125,301 | 0 |
| Additions to tangible fixed assets | 13 | (2,008) | (282) |
| | | (123,709) | (88,586) |
| **Cash flow from financing activities** | | | |
| Borrowings added | 17 | 278,469 | 299,652 |
| Repayment of borrowings | 17 | (243,909) | (199,982) |
| Dividends paid | 22/23 | (54,670) | (72,008) |
| Stock options exercised | 23 | 124 | 0 |
| Increase in non-current creditors | | 4,270 | 519 |
| | | (15,716) | 28,181 |
| | | | |
| **Net cash flow** | | (69,139) | 3,558 |
| Currency differences on cash and deposits | | (393) | 4,420 |
| Decrease/increase in cash and deposits | | (69,532) | 7,978 |
| Cash and deposits at beginning of year | | 120,954 | 112,976 |
| Cash and deposits at end of year | | 51,422 | 120,954 |

# Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2013 were:

| | Issued share capital €'000 | Share premium reserve €'000 | Other reserves €'000 | Undistributed income €'000 | Total €'000 |
|---|---|---|---|---|---|
| 30-06-12 | 204,983 | 396,385 | 710,897 | (12,118) | 1,300,147 |
| Result after taxation | | | | 122,919 | 122,919 |
| Other comprehensive income | | | (3,573) | | (3,573) |
| Total comprehensive income | | | (3,573) | 122,919 | 119,346 |
| Issued shares | 3,907 | (3,907) | | | 0 |
| Result previous financial year | | | (12,118) | 12,118 | 0 |
| Dividends paid | | (48) | (54,622) | | (54,670) |
| Stock options exercised | | | 124 | | 124 |
| Stock options and performance shares granted | | 1,117 | | | 1,117 |
| 30-06-13 | 208,890 | 393,547 | 640,708 | 122,919 | 1,366,064 |

The movements in shareholders' equity in the previous financial year were:

| | Issued share capital €'000 | Share premium reserve €'000 | Other reserves €'000 | Undistributed income €'000 | Total €'000 |
|---|---|---|---|---|---|
| 30-06-11 | 204,283 | 395,990 | 568,600 | 201,277 | 1,370,150 |
| Result after taxation | | | | (12,118) | (12,118) |
| Other comprehensive income | | | 13,017 | | 13,017 |
| Total comprehensive income | | | 13,017 | (12,118) | 899 |
| Issued shares | 700 | (700) | | | 0 |
| Result previous financial year | | | 129,280 | (129,280) | 0 |
| Dividends paid | | (11) | | (71,997) | (72,008) |
| Stock options exercised | | | | | 0 |
| Stock options granted | | 1,106 | | | 1,106 |
| 30-06-12 | 204,983 | 396,385 | 710,897 | (12,118) | 1,300,147 |

# Notes to the consolidated financial statements

## 1. Principal accounting policies

### General

Eurocommercial Properties N.V. (the Company) domiciled in Amsterdam, the Netherlands, is a closed end property investment company. The consolidated financial statements of the Company for the financial year starting 1 July 2012 and ending 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 30 June 2013.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2013. The Group has decided not to immediately adopt such standards, amendments and interpretations. Standards that are mandatory for the Group's accounting periods beginning on or after 1 July 2012 are adopted as such by the Group. Additional disclosure on new standards, amendments and interpretations and the relating effect on the financial statements, if significant and applicable to the Company, have been disclosed in note 1.

#### (b) Basis of preparation

The financial statements are presented in euros, rounded to the nearest thousand euros unless stated otherwise. They are prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value: property investments, property investments under development, property investments held for sale and derivative financial instruments. Borrowings and non-current creditors are stated at amortised costs.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revisions affect only that period or in the year of the revisions and future periods if the revisions affect both current and future periods.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with Article 2:402 of the Netherlands Civil Code.

In the unlikely event that discrepancies appear between the English and Dutch versions of the financial statements in this report, the English version takes precedence.

#### (c) Change in accounting policies and reclassifications

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC Interpretations applicable as of 1 July 2012:

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets, effective 1 January 2012. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised. In addition, the amendment requires disclosures about continuing involvement in derecognised assets. The amendment has not affected the Group's disclosure requirement, financial position or performance as transferred assets are not applicable to the Group.
- IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income, effective 1 July 2012. The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affected presentation only and has no impact on the Group's financial position or performance.

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. The amendments require disclosure about rights to setoff and related arrangements (e.g., collateral agreements). These disclosures are required for all recognised financial instruments that are setoff in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are setoff in accordance with IAS 32. The amendment will not affect Eurocommercial Properties N.V. as the Group does not setoff financial instruments. The amendment becomes effective for financial years beginning on or after 1 January 2013.
- IFRS 9 Financial Instruments. IFRS 9 as issued reflects the first phase of the IASBs' work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The adoption of the first phase of IFRS 9 is not expected to have a significant effect on the classification and measurement of the Group's financial assets or financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard becomes effective for financial years beginning on or after 1 January 2015.

## 1. Principal accounting policies (continued)

- IFRS 10 Consolidated Financial Statements. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As Eurocommercial Properties N.V. holds 100 per cent interest in all of its subsidiaries and the Group is not considered to be an investment entity in accordance with the IFRS 10 definition, the standard will have no impact on the Group. The standard becomes effective for financial years beginning on or after 1 January 2014.
- IFRS 11 Joint Arrangements. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. As the Group has no joint arrangements, there will be no impact. The standard becomes effective for financial years beginning on or after 1 January 2014.
- IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to interests in subsidiaries, joint arrangements, associates and structured entities. The standard will not affect the Group's financial position or performance and additional disclosures will be included in the financial statements. The standard becomes effective for financial years beginning on or after 1 January 2014.
- IFRS 10-12 Transition Guidance. The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The transition guidance becomes effective for financial years beginning on or after 1 January 2014. The standard will have no impact on the Group.
- IFRS 10, IFRS 12 and IAS 27 Investment Entities. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. Refer to IFRS 10 above for an assessment of the impact. The amendments become effective for financial years beginning on or after 1 January 2014. The standard will have no impact on the Group.
- IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when fair value is required to be used, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Based on preliminary analyses, the standard is not expected to have a material impact on the Group's financial position or performance. The standard is expected to result in extended disclosures in the financial statements. The standard becomes effective for financial years beginning on or after 1 January 2013.
- IAS 12 Income Taxes – Recovery of Tax Assets. The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment will have no impact on the Group's financial position or performance. The amendment becomes effective for financial years beginning on or after 1 January 2013.
- IAS 19 Employee Benefits (amended). The amendments to IAS 19 are numerous. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group has studied the amendments and expects no significant impact on the Group's financial position or performance. The amended standard becomes effective for financial years beginning on or after 1 January 2013.
- IAS 27 Separate Financial Statements. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The revised standard will have no impact on the Group's financial position and performance. The revised standard becomes effective for financial years beginning on or after 1 January 2014.
- IAS 28 Investments in Associates and Joint Ventures. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As Eurocommercial Properties N.V. holds 100 per cent interest in all of its subsidiaries. This standard will have no impact on the Group. The revised standard becomes effective for financial years beginning on or after 1 January 2014.
- IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities. The amendments clarify the meaning of "currently has a legally enforceable right to setoff". The amendments also clarify the application of the offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment will not affect Eurocommercial Properties N.V. as the Group does not setoff financial instruments. The revised standard becomes effective for financial years beginning on or after 1 January 2014.
- IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets. The amendment clarifies that the disclosure of information about the recoverable amount of impaired assets that was amended as a result of the application of IFRS 13, is limited to the recoverable amount that is based on fair value less costs of disposal. The standard will affect disclosure only and will have no impact on the Group's financial position or performance. The amendment becomes effective for financial years beginning on or after 1 January 2014.

# Notes to the consolidated financial statements
continued

## 1. Principal accounting policies (continued)

– Annual Improvements to IFRS (Issued May 2012). IAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. IAS 16 Property, Plant and Equipment: Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. IAS 32 Financial instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12. IAS 34 Interim Financial Reporting: Aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. The Group has studied the improvements and the standard has no impact on the Group's financial position or performance. These improvements become effective for financial years beginning on or after 1 January 2013.

### (d) Critical accounting estimates and assumptions

Accounting estimates and assumptions discussed in this section are considered to be the most critical to an understanding of the financial statements because they inherently involve significant judgements and uncertainties. For all of these estimates, management cautions that future events may not develop exactly as forecast, and the best estimates routinely require adjustment.

### (e) Critical accounting judgements in applying the Group's accounting policies

The critical accounting judgements in applying the Group's accounting policies have been described in the investment property accounting policy notes. Most important is that all property investments and property investments under development are revalued every six months by qualified independent valuation experts. The Group uses a rotation scheme when instructing valuers. The fair value of the property portfolio is based upon the opinions of the external experts and not internal valuations made by the Company.

### (f) Basis of consolidation

*(i) Subsidiaries*

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include those of the holding company and its wholly-owned subsidiaries:

| | |
|---|---|
| Holgura B.V., Amsterdam | ECP Karlskrona AB, Stockholm |
| Sentinel Holdings B.V., Amsterdam | ECP Moraberg Holding AB, Stockholm |
| Eurocommercial Properties Ltd., London | ECP Moraberg KB, Stockholm |
| Eurocommercial Properties Caumartin S.N.C., Paris | Eurocommercial Properties Sweden AB, Stockholm |
| Eurocommercial Properties France S.A.S., Paris | Fastighets AB Stenalycken, Stockholm |
| Eurocommercial Properties Taverny S.N.C., Paris | Fastighetsbolaget ES Örebro AB, Stockholm |
| Betulla S.r.l., Milan | Hälla Shopping Fastighets AB, Stockholm |
| Eurocommercial Properties Italia S.r.l., Milan | KB Degeln 1, Stockholm |
| Aktiebolaget Laholm Mellby 2:219, Stockholm | Kronan Fastigheter i Karlskrona AB, Stockholm |
| Aktiebolaget Norrköping Silvret 1, Stockholm | Lagergatan i Växjö, AB, Stockholm |
| Aktiebolaget Skövde K-mannen 2, Stockholm | Premi Fastighets AB, Stockholm |
| Bergvik Köpet 3 KB, Stockholm | Samarkandfastigheter AB, Stockholm |
| ECP Hälla Köpmannen 4 AB, Stockholm | Sar Degeln AB, Stockholm |
| ECP Högsbo AB, Stockholm | Ugglum Fastigheter AB, Stockholm |

*(ii) Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 1. Principal accounting policies (continued)

### Foreign currency translations

The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. Assets and liabilities denominated in foreign currencies are translated into euros at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the average monthly exchange rate. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The functional currency of the Swedish and UK subsidiaries are SEK and GBP respectively. As at the reporting date, the assets and liabilities of these Swedish and UK subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the average monthly exchange rates for the period. The exchange differences arising on the retranslation are taken through other comprehensive income in equity (currency translation reserve). On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation shall be recognised in the profit and loss account.

### Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be valued semi-annually by qualified independent experts. These experts are instructed to appraise in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). Both documents contain mandatory rules, best practice guidance and related commentary for all RICS members and appraisers undertaking property valuations. These revaluations represent the price, net of normal purchaser's costs, at which the property could be sold in the open market on the date of revaluation. At the balance sheet date the fair value of each property investment is based on comprehensive valuation reports from the independent experts. Valuations are prepared based on current prices for comparable investment properties in an active market. If, however, such information is not available, property valuations are prepared based on standard valuation techniques such as the capitalisation method and discounted cash flow method. The capitalisation method assesses the value of the property based on its income flow capitalised by yield (capitalisation rate). The discounted cash flow method determines the fair value of the property by discounting estimated future cash flows. At 31 December the independent experts draw up an updated version of the previous June comprehensive valuation report. In arriving at their estimates of market valuations the independent experts have used their market knowledge and professional judgement as well as historical transactional comparables. At 30 September and 31 March the fair value is based on an internal review of the experts' valuations to take into account any material change to the property. If an existing property investment is renovated and/or extended for continued future use as a property investment, it is also measured at fair value.

Movements in the fair value of property investments and property investments under development are recognised in the profit and loss account in the period in which they occur. Any realised gains or losses from the sale of a property investment or a property investment under development are recognised in the period in which the sale takes place as the balance between the net sale proceeds and the latest published fair value. Depreciation is not provided on property investments and property investments under development since these are stated at fair value in accordance with IAS 40.

Property investments and property investments under development are initially brought to account at their full acquisition cost, including registration duties, legal and other consultants' fees until the first reporting date, when the fair value is presented. Any subsequent capital expenditure including the aforesaid duties and fees and any directly attributable costs to bring the asset to working order for its intended use, is added to the cost of the property investment or the cost of the property investment under development respectively. The cost of financing the renovation or extension of property investments or the building of property investments under development is capitalised as part of the cost of the investment, the cost amount of which will be published in the notes in addition to the fair value.

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

A sensitivity analysis is carried out by the valuer with particular focus on the most important drivers, which are changes in the rental value and net initial yield, and their effect on the property investment valuation.

### Property investments held for sale

Investment property is transferred to property investments held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. On re-classification, investment property that is measured at fair value continues to be so measured.

### Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. They are depreciated over the expected useful lives of the assets concerned varying from two to five years using the straight-line method taking into account the residual value of the respective assets. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

# Notes to the consolidated financial statements
continued

## 1. Principal accounting policies (continued)

### Share capital

Depositary receipts, each representing ten ordinary shares in the capital of the Company, are classified as equity. External costs directly attributable to the issue of new depositary receipts are shown as a deduction, net of tax, in equity from the proceeds. When depositary receipts recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased depositary receipts are classified as treasury depositary receipts and presented as a deduction from equity. Dividends are recognised as a liability in the period in which they are declared.

### Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

### Non-current creditors

Non-current creditors are stated at amortised cost.

### Derivative financial instruments

The Company and its subsidiaries use derivative financial instruments to hedge (part of) their exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments will not be held or issued for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Under IFRS, derivatives must be shown on the balance sheet at their fair value and the value changes are recognised immediately in the profit and loss account, unless cash flow hedge accounting applies, in which case the value changes are accounted for through other comprehensive income in equity. The Company does not apply hedge accounting as it implements its derivative hedging at a consolidated corporate level. The detailed requirements of a formal hedge accounting procedure are not applied.

Derivative financial instruments are recognised initially at trade date at fair value (cost price). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on measurement to fair value is recognised in profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. Derivative financial instruments concern mostly derivative interest rate swap contracts and some currency swaps. A valuation technique is used to determine the fair value of the derivatives with inputs that are directly or indirectly observable market data. The fair value of the derivatives are estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument. The fair value of the interest rate swaps and the currency swaps correspond without significant discrepancies to the official confirmations received from the counterparties. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

### Provisions

A provision is recognised in the balance sheet when a legal or constructive obligation would exist, as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company has various defined contribution pension plans and only one defined benefit pension plan for a limited number of employees. The net receivable or liability in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of the plan assets is deducted. The defined benefit obligation is calculated annually by an independent external actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised in the profit and loss account. The majority of the Company's employees are members of a defined contribution scheme for which the annual premiums are an expense of the period.

### Other assets and liabilities

Unless stated otherwise, assets and liabilities are shown at the amounts at which they were acquired or incurred. A provision for bad debts is deducted under receivables, if appropriate.

### Rental income

Rental income from property investments leased under operational leases is recognised in the profit and loss account on a straight-line basis over the term of the lease. Rent-free periods, rent discounts and other lease incentives are recognised over the term of the lease, or over the period until the first break option if shorter, on a straight-line basis as a reduction of rental income. This applies *mutatis mutandis* for entry fees as an increase of rental income.

### Service charges income and service charges expenses

Service charges for which the Company acts as a principal are presented in the profit and loss account. Therefore, for those property investments for which the Company is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis. In addition, service charges expenses also include charges related to vacant units and/or other irrecoverable service charges due to contractual limits or insolvent tenants.

## 1. Principal accounting policies (continued)

### Direct and indirect property expenses

These expenses include costs directly related to the leasing of investment property, such as maintenance, insurance, management, property tax, etc. and are expensed as incurred. These expenses at a property level are referred to as direct property expenses. Letting fees, relocation expenses, certain dispossession indemnities and other outgoings when a lease is concluded, are recognised over the term of the lease on a straight-line basis as indirect property expenses. Property expenses also include expenses associated with non-Netherlands property holding companies and its staff and offices and some local taxes, accounting, audit and advisory fees, which are charged to the relevant buildings rather than the general expense pool. These expenses at a Group level are referred to as indirect property expenses.

### Net financing income/cost

Net financing income/cost comprises, interest payable on borrowings calculated using the effective interest rate method net of interest capitalised, interest income and fair value movements of derivative financial instruments that are recognised in the profit and loss account. Interest income is recognised in the profit and loss account as it accrues.

### Company expenses and investment expenses

Company expenses comprise general overhead such as advisory fees, office expenses, personnel costs and Directors' fees. Expenses relating to the investigation of potential property investments and the valuation of property investments, including that part of staff bonuses linked to property value performance, are recognised as investment expenses.

### Stock options and performance shares granted to employees

Since 2000 a stock option plan has been in place for Managing Directors and certain staff of the Company. During this financial year the stock option plan (SOP) has been replaced by a performance share plan (PSP). The cost of stock options/performance shares granted under these plans are measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model. The cost is recognised, together with a corresponding increase in shareholders' equity, over the period in which the performance and service conditions are fulfilled ending on the vesting date.

### Current tax and deferred tax

As an Investment Institution under Netherlands tax law (fiscale beleggingsinstelling) the Company is subject to a nil rate of Netherlands corporate income tax, provided it meets certain conditions, notably the distribution of all taxable income (after permitted deductions) to shareholders within eight months of the end of each financial year. As of 1 July 2005 the Company has opted for the French tax regime applicable to "Sociétés d'investissements immobiliers cotées" (SIIC). As from that date the revenues and capital gains from the French portfolio of the Company are tax-exempt, provided it meets certain conditions, notably a listing at a stock exchange in an EU country and the distribution of at least 85 per cent of French tax-exempt income and of at least 50 per cent of tax-exempt capital gains to shareholders.

However, corporate income tax may be payable on the fiscal results of Netherlands and foreign subsidiaries which do not have the aforesaid tax-exempt status. This tax on taxable income for the year is recognised in the profit and loss account.

Tax on profit and loss for a year comprises current tax and deferred tax and is calculated on results before taxes, taking into account any tax-exempt components of profit and non-deductible costs.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates prevailing at the balance sheet date and any adjustment to taxation in respect of previous years. Tax receivable is only taken into account if it is reasonably expected that losses will be compensated.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the book value of assets and liabilities and their fiscal book value for tax purposes, taking into account the applicable taxation rate, any fiscal facilities available and recoverable tax losses which can probably be utilised. Deferred tax recognised in the profit and loss account is the movement in deferred tax liabilities and deferred tax assets, if any, during the period. Deferred tax assets and liabilities are netted if there is a legal enforcable right to offset, settlement dates are similar and tax is levied by the same tax authority on the same taxable entity.

### Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statement. Cash and deposits include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

### Segment information

Segment information is presented by country (France, Italy, Sweden and the Netherlands). The segmented information in the financial statements is in line with the segments used for internal reporting. The Netherlands represents assets and liabilities of Eurocommercial Properties N.V. and its offices in Amsterdam and London.

# Notes to the consolidated financial statements
continued

## 2. Segment information

| | France | | Italy | | Sweden | | The Netherlands | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12/13 €'000 | 11/12 €'000 | 12/13 €'000 | 11/12 €'000 | 12/13 €'000 | 11/12 €'000 | 12/13 €'000 | 11/12 €'000 | 12/13 €'000 | 11/12 €'000 |
| Rental income | 57,726 | 53,682 | 73,384 | 69,174 | 41,486 | 40,174 | 0 | 0 | 172,596 | 163,030 |
| Service charges income | 7,057 | 6,509 | 8,285 | 7,059 | 13,076 | 13,860 | 0 | 0 | 28,418 | 27,428 |
| Service charges expenses | (8,394) | (7,592) | (8,285) | (7,059) | (14,646) | (14,910) | 0 | 0 | (31,325) | (29,561) |
| Property expenses | (7,256) | (6,440) | (12,265) | (9,591) | (5,800) | (5,513) | 0 | 0 | (25,321) | (21,544) |
| Net property income | 49,133 | 46,159 | 61,119 | 59,583 | 34,116 | 33,611 | 0 | 0 | 144,368 | 139,353 |
| Disposal of investment properties | 0 | 0 | 0 | 0 | (1,696) | 0 | 0 | 0 | (1,696) | 0 |
| Investment revaluation | 34,112 | 13,105 | (25,000) | (25,026) | (4,960) | 17,133 | 2,411 | (74) | 6,563 | 5,138 |
| Segment result | 83,245 | 59,264 | 36,119 | 34,557 | 27,460 | 50,744 | 2,411 | (74) | 149,235 | 144,491 |
| Net financing cost | | | | | | | | | (31,290) | (142,009) |
| Company expenses | | | | | | | | | (10,650) | (11,694) |
| Investment expenses | | | | | | | | | (2,449) | (1,128) |
| Result before taxation | | | | | | | | | 104,846 | (10,340) |
| Current tax | | | | | | | | | (505) | (231) |
| Deferred tax | | | | | | | | | 18,578 | (1,547) |
| Result after taxation | | | | | | | | | 122,919 | (12,118) |
| | | | | | | | | | | |
| Property investments | 995,100 | 958,700 | 1,026,000 | 1,041,900 | 619,323 | 557,981 | 0 | 0 | 2,640,423 | 2,558,581 |
| Property investments under development | 24,600 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,600 | 0 |
| Tangible fixed assets | 317 | 345 | 1,352 | 89 | 198 | 28 | 167 | 374 | 2,034 | 836 |
| Receivables | 20,486 | 21,456 | 5,600 | 5,971 | 2,446 | 1,344 | 732 | 1,168 | 29,264 | 29,939 |
| Derivative financial instruments | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Deferred tax assets | 0 | 0 | 284 | 751 | 0 | 0 | 0 | 0 | 284 | 751 |
| Cash and deposits | 3,730 | 3,848 | 21,302 | 519 | 10,634 | 12,403 | 15,756 | 104,184 | 51,422 | 120,954 |
| Property investments held for sale | 141,000 | 0 | 0 | 0 | 0 | 131,886 | 0 | 0 | 141,000 | 131,886 |
| Total assets | 1,185,233 | 984,349 | 1,054,538 | 1,049,236 | 632,601 | 703,642 | 16,655 | 105,726 | 2,889,027 | 2,842,953 |
| | | | | | | | | | | |
| Creditors | 33,058 | 25,777 | 16,682 | 20,420 | 14,658 | 17,535 | 2,107 | 1,964 | 66,505 | 65,696 |
| Non-current creditors | 9,332 | 7,660 | 1,792 | 2,310 | 13 | 12 | 0 | 0 | 11,137 | 9,982 |
| Borrowings | 395,021 | 354,450 | 590,360 | 581,212 | 246,542 | 317,082 | 55,000 | 0 | 1,286,923 | 1,252,744 |
| Derivative financial instruments | 23,441 | 29,242 | 84,405 | 97,731 | 12,504 | 21,649 | 0 | 0 | 120,350 | 148,622 |
| Deferred tax liabilities | 0 | 0 | 0 | 0 | 36,192 | 63,864 | 0 | 0 | 36,192 | 63,864 |
| Provision for pensions | 0 | 0 | 0 | 0 | 0 | 0 | 1,856 | 1,898 | 1,856 | 1,898 |
| Total liabilities | 460,852 | 417,129 | 693,239 | 701,673 | 309,909 | 420,142 | 58,963 | 3,862 | 1,522,963 | 1,542,806 |
| Acquisitions, divestments and capital expenditure (including capitalised interest) | 169,443 | 25,582 | 11,034 | 98,272 | (60,616) | 10,521 | 0 | 0 | 119,861 | 134,375 |

## 3. Exchange rates

It is generally the Company's policy for non-euro investments to use debt denominated in the currency of investment to provide a (partial) hedge against currency movements. Exceptionally forward contracts may be entered into from time to time when debt instruments are inappropriate for cost or other reasons. The only non-euro investment assets and liabilities of the Company are in Sweden and to a very small extent in the United Kingdom as the Company has an office in London. As at 30 June 2013 SEK 10 was €1.1393 (30 June 2012: €1.1399) and GBP 1 was €1.16659 (30 June 2012: €1. 23946).

## 4. Rental income and service charges income

Rental income in the current financial year comprised:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Gross lease payments collected/accrued | 171,621 | 162,164 |
| Amortisation of capitalised entry fees | 975 | 866 |
| | 172,596 | 163,030 |

The Group leases out its property investments under operating leases of various expiry terms. The leases specify the space, the rent, the other rights and obligations of the landlord and the tenant, including notice periods, renewal options as well as service charge arrangements. In general the rent is indexed during the term of the lease. Furthermore, most retail leases have turnover rent clauses, which imply that if the agreed percentage of turnover from the shop exceeds the indexed base rent, the tenant will pay the difference to the landlord.

Entry fees are defined as non-recurring amounts received from a new or existing tenant in connection with a new or renewed lease. Such proceeds must be straight-lined over the term of the lease. This term is defined as the period to the first possible date the tenant can terminate the lease.

The future aggregate minimum rent (turnover rent not included) receivable under non-cancellable operating leases amounts approximately to:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| – less than one year | 151,210 | 132,148 |
| – one to five years | 380,147 | 322,470 |
| – five years or more | 144,008 | 130,057 |
| | 675,365 | 584,675 |

Approximately 1.4 per cent of the rental income for the year ended 30 June 2013 is turnover rent (2011/2012: 1.3 per cent).

Service charges income of €28.4 million (2011/2012: €27.4 million) represents income receivable from tenants for the services of utilities, caretakers, etc. when the Group acts as principal.

# Notes to the consolidated financial statements
continued

## 5. Property expenses
Property expenses in the current financial year were:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Direct property expenses | | |
| Bad debts | 599 | 433 |
| Centre marketing expenses | 2,446 | 2,374 |
| Insurance premiums | 585 | 501 |
| Managing agent fees | 1,952 | 1,808 |
| Property taxes | 2,750 | 1,657 |
| Repair and maintenance | 1,310 | 1,485 |
| Shortfall service charges | 303 | 378 |
| | 9,945 | 8,636 |
| Indirect property expenses | | |
| Accounting fees | 398 | 428 |
| Audit fees | 291 | 267 |
| Depreciation fixed assets | 380 | 85 |
| Dispossession indemnities | 993 | 583 |
| Italian local tax (IRAP) | 1,564 | 1,452 |
| Legal and other advisory fees | 1,728 | 1,339 |
| Letting fees and relocation expenses | 1,856 | 1,657 |
| Local office and accommodation expenses | 1,471 | 973 |
| Pension contributions | 97 | 87 |
| Salaries, wages and bonuses | 3,670 | 3,287 |
| Social security charges | 1,448 | 1,250 |
| Stock options and performance shares granted (IFRS 2) | 187 | 186 |
| Travelling expenses | 547 | 567 |
| Other local taxes | 562 | 578 |
| Other expenses | 184 | 169 |
| | 15,376 | 12,908 |
| | 25,321 | 21,544 |

The property taxes increased to €2,750,000 and is mainly due to increases related to the IMU property tax in Italy.

Indirect property expenses include the expenses of the Milan, Paris and Stockholm offices. Local office and accommodation expenses include rent paid under operating leases for the Company's group offices in Milan and Stockholm. These leases are standard lease contracts with no contingent rents and sublease payments. Both office leases in Milan and Stockholm were cancelled without cost and new leases were signed which expire in February 2018 and September 2017 respectively. The depreciation amount is €244,000 (2011/2012: €34,000) for the Milan office, €105,000 (2011/2012: €32,000) for the Paris office and €31,000 (2011/2012: €19,000) for the Stockholm office.

## 6. Investment revaluation

Realised and unrealised value movements on investments in the current financial year were:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Revaluation of property investments | (10,295) | 7,011 |
| Revaluation of property investments under development | (692) | (2,922) |
| Revaluation of property investments held for sale | 8,002 | 2,438 |
| Elimination of accrued entry fees | 3,362 | 0 |
| Elimination of capitalised letting fees | 2,764 | (1,952) |
| Fair value movement long term creditors | 207 | 201 |
| Foreign currency results on finance | 3,247 | 28 |
| Other movements | (32) | 334 |
| | 6,563 | 5,138 |

The movement of €8.0 million in the revaluation of property investment held for sale is fully attributable to the sale of Passy Plaza, Paris.

The elimination of the accrued entry fees of €3.4 million relates to the alignment of the entry fees with the fair value accounting policy for investment property.

The movement of foreign currency results on finance includes a realised amount of €3,434,000 positive (2011/2012: €2,849,000 positive) and an unrealised amount of €187,000 negative (2011/2012: €2,821,000 negative) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

Other movements relate to valuation adjustments of other assets and liabilities.

## 7. Net financing costs

Net financing costs in the current financial year comprised:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Interest income | 2,479 | 2,155 |
| Gross interest expense | (54,537) | (52,696) |
| Capitalised interest | 289 | 1,641 |
| Unrealised fair value movement derivative financial instruments | 28,517 | (93,109) |
| Realised fair value movement interest rate swaps | (8,038) | 0 |
| | (31,290) | (142,009) |

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method. The interest payable to finance the extension/acquisition of an asset is capitalised until completion/acquisition date and is reported as capitalised interest. The interest rate used for capitalised interest during this financial year was 4.8 per cent (2011/2012: 4.7 per cent).

# Notes to the consolidated financial statements
continued

## 8. Company expenses
Company expenses in the current financial year comprised:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Audit fees | 261 | 255 |
| Depreciation fixed assets | 366 | 538 |
| Directors' fees | 1,246 | 1,276 |
| Legal and other advisory fees | 876 | 1,096 |
| Marketing expenses | 443 | 498 |
| Office and accommodation expenses | 1,406 | 1,293 |
| Pension – unrealised movement in the provision for pensions* | 74 | 987 |
| Pension contributions | 798 | 727 |
| Salaries, wages and bonuses | 2,852 | 2,784 |
| Social security charges | 433 | 357 |
| Statutory costs | 595 | 564 |
| Stock options and performance shares granted (IFRS 2) | 372 | 367 |
| Travelling expenses | 470 | 524 |
| Other expenses | 458 | 428 |
| | 10,650 | 11,694 |

* This item is part of the indirect investment result.

Office and accommodation expenses include the expenses of the Amsterdam and London offices and include rent paid under operating leases for the Company's head office at Herengracht 469, Amsterdam and the Group office at 4 Carlton Gardens, London. These leases are standard lease contracts with no contingent rents and sublease payments and expire in September 2018 and March 2018 respectively. The depreciation amount is €326,000 (2011/2012: €504,000) for the Amsterdam office and €40,000 (2011/2012: €34,000) for the London office.

## 9. Personnel costs
Total personnel costs in the current financial year comprised:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Salaries and wages | 7,398 | 6,479 |
| Social security charges and taxes | 2,042 | 1,701 |
| Pension – unrealised movement in the provision for pensions | 74 | 987 |
| Pension contributions | 932 | 851 |
| Bonuses | 966 | 793 |
| | 11,412 | 10,811 |

Total personnel costs are partly presented under indirect property expenses (€5,215,000 (2011/2012: €4,624,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€5,403,000 (2011/2012: €6,131,000)) and partly under investment expenses (€794,000 (2011/2012: €56,000)). The bonuses paid to senior executives are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. The Group employed an average of 64 full-time equivalent persons during the financial year (2011/2012: 62) of which 14 are based in the Netherlands, 11 in the UK, 17 in France, 14 in Italy and eight in Sweden. The Group staff (members of the Board of Management excluded) holds 13,947 depositary receipts and 299,193 ordinary registered shares in total, representing 0.1 per cent of the issued share capital of the Company.

## 10. Investment expenses
Investment expenses in the current financial year comprised:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Aborted acquisition costs | 646 | 137 |
| Bonuses linked to NAV growth | 717 | 42 |
| Social security charges and taxes | 77 | 14 |
| Stock options and performance granted (IFRS 2) | 558 | 553 |
| Property valuation fees | 451 | 382 |
| | 2,449 | 1,128 |

## 11. Taxation

Total tax in the current financial year comprised:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Current tax Italy | 494 | 199 |
| Current tax United Kingdom | 11 | 32 |
| Current tax | 505 | 231 |
| | | |
| Deferred tax on realised value movements investment property Sweden* | (23,708) | 0 |
| Deferred tax on realised value movements disposal property Sweden* | 9,140 | 0 |
| Deferred tax on realised value movements derivative financial instruments Sweden | 1,785 | 0 |
| Deferred tax on unrealised value movements investment property Italy and Sweden | (3,510) | (1,659) |
| Deferred tax on related tax rate deduction in Sweden and UK | (6,762) | 0 |
| Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden | 1,235 | 5,041 |
| Movement tax losses recognised Italy and Sweden | 3,242 | (1,835) |
| Deferred tax | (18,578) | 1,547 |
| Total tax | (18,073) | 1,778 |

* Due to the disposal of Burlöv Center, which resulted in a variance of the fair value of the deferred tax liability compared to the recognised deferred tax liability.

Reconciliation of the relationship between total tax and result before taxation:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Tax-exempt income (including effect of FBI and SIIC) | 89,462 | 44,097 |
| Profit before tax attributable to Swedish tax rate of 22% (26.3%) | 782 | 7,968 |
| Result before tax attributable to Italian tax rate of 27.5%/31.4% | 14,567 | (62,516) |
| Profit before tax attributable to UK tax rate of 23% (25.5%) | 35 | 111 |
| Result before taxation | 104,846 | (10,340) |
| | | |
| Tax on result before tax attributable to Italian taxable subsidiaries at a tax rate of 27.5%/31.4% | 4,006 | (17,192) |
| Tax on result before tax attributable to Swedish taxable subsidiaries at a tax rate of 22% (26.3%) | 172 | 2,095 |
| Tax on result before tax attributable to UK taxable subsidiary at a tax rate of 23% (25.5%) | 8 | 28 |
| Tax assets utilised Italy and Sweden | (2,491) | (637) |
| Movement non recognised tax assets Italy | (5,056) | 15,383 |
| Benefit of related tax rate deduction in Sweden and UK | (6,762) | 0 |
| Benefit of property sale Sweden | (12,784) | 0 |
| Non-taxable income/expense Italy Sweden and UK | 4,834 | 2,101 |
| Total tax | (18,073) | 1,778 |

As an Investment Institution under Netherlands tax law (fiscale beleggingsinstelling) the Company is subject to a nil rate of Netherlands corporate income tax and as a "Société d'investissements immobiliers cotée" (SIIC) the revenues and capital gains from the French portfolio of the Company are tax-exempt.

In Italy and Sweden the properties are held by taxable entities. In Italy the nominal tax rate is 31.40 per cent or 27.50 per cent depending on the type of property and in Sweden the nominal tax rate was lowered from 26.3 per cent to 22 per cent as from 1 January 2013. The nominal tax rate for the subsidiary in the United Kingdom was lowered from 25.5 per cent to 23 per cent as from 5 April 2013.

# Notes to the consolidated financial statements
continued

## 12. Property investments, property investments under development and property investments held for sale

### Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data, including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2013.

### Property investments held for sale

The book value of property investments held for sale is stated at fair value.

The total purchasers' costs including registration tax, which costs are excluded from the fair value of the property investments and property investments under development, for the financial year ended 30 June 2013 were as follows:

| | | | | 30-06-13 | | | | 30-06-12 |
|---|---|---|---|---|---|---|---|---|
| | France | Italy | Sweden | Total | France | Italy | Sweden | Total |
| Purchasers' costs (%) | 6.1 | 4.0 | 1.0 | 4.2 | 6.1 | 4.0 | 1.0 | 4.0 |
| Purchasers' costs (€'000) | 70,700 | 41,160 | 6,302 | 118,162 | 58,150 | 41,600 | 5,580 | 105,330 |

The valuation standards used by the external independent valuers require that valuers draw the attention to uncertain circumstances, if these could have a material effect on the valuation, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation. Due to the lasting economic and financial crisis, which continues to generate stagnation in real estate transactions, the ongoing uncertainty and tight credit conditions in the Italian property market, there have been only a very limited number of property transactions. Therefore, the valuation reports as per 30 June 2013 regarding the Italian properties contain an uncertainty paragraph setting out these circumstances.

Vacancies in the property portfolio represent one per cent of rental income (30 June 2012: less than one per cent).

## 12. Property investments, property investments under development and property investments held for sale (continued)

The current property portfolio is:

| | 30-06-13 Book value €'000 | 30-06-12 Book value €'000 | 30-06-13 Costs to date €'000 | 30-06-12 Costs to date €'000 |
|---|---|---|---|---|
| France | | | | |
| Amiens Glisy, Amiens* | 46,800 | 46,300 | 16,006 | 16,067 |
| Les Grands Hommes, Bordeaux | 17,800 | 0 | 18,150 | 0 |
| Saint Doulchard, Bourges* | 39,000 | 36,000 | 48,869 | 43,820 |
| Chasse Sud, Chasse-sur-Rhône* | 55,000 | 30,000 | 59,087 | 32,816 |
| Les Allées de Cormeilles, Cormeilles* | 41,000 | 40,600 | 44,781 | 44,840 |
| Les Trois Dauphins, Grenoble* | 35,800 | 35,700 | 25,471 | 25,197 |
| Centr'Azur, Hyères* | 50,400 | 47,400 | 21,744 | 18,331 |
| Plaine de France, Moisselles* | 75,200 | 72,800 | 62,922 | 61,422 |
| Passage du Havre, Paris* | 306,600 | 288,000 | 187,369 | 186,159 |
| Passy Plaza, Paris* *** | 141,000 | 131,300 | 75,406 | 74,172 |
| 74 rue de Rivoli, Paris* | 53,600 | 51,900 | 20,723 | 20,989 |
| Les Portes de Taverny, Taverny* | 59,300 | 56,500 | 24,329 | 24,679 |
| Val Thoiry, Thoiry | 111,400 | 0 | 110,993 | 0 |
| Les Atlantes, Tours* | 127,800 | 122,200 | 56,033 | 53,948 |
| | 1,160,700 | 958,700 | 771,883 | 602,440 |
| Italy | | | | |
| Curno, Bergamo* | 96,200 | 96,200 | 34,503 | 34,351 |
| Centro Lame, Bologna* | 36,200 | 38,100 | 29,697 | 29,564 |
| Cremona Po, Cremona* | 80,400 | 80,600 | 82,610 | 82,479 |
| Il Castello, Ferrara* | 99,300 | 101,200 | 84,735 | 84,506 |
| I Gigli, Firenze* | 244,300 | 256,100 | 209,262 | 207,154 |
| Centro Leonardo, Imola* | 66,200 | 72,300 | 65,069 | 65,035 |
| La Favorita, Mantova* | 45,000 | 47,400 | 33,893 | 33,824 |
| Carosello, Carugate, Milano* | 292,000 | 281,400 | 187,838 | 180,464 |
| I Portali, Modena* | 41,200 | 43,200 | 41,985 | 41,742 |
| Centroluna, Sarzana* | 25,200 | 25,400 | 14,825 | 14,218 |
| | 1,026,000 | 1,041,900 | 784,417 | 773,337 |
| Sweden | | | | |
| 421, Göteborg* | 86,359 | 84,695 | 88,822 | 88,477 |
| Eurostop, Halmstad** | 66,080 | 0 | 69,240 | 0 |
| Kronan, Karlskrona* | 19,482 | 20,746 | 16,671 | 16,148 |
| Bergvik, Karlstad* | 75,080 | 74,435 | 37,763 | 37,699 |
| Mellby Center, Laholm* | 19,026 | 19,492 | 15,652 | 15,626 |
| Burlöv Center, Malmö | 0 | 131,886 | 0 | 76,127 |
| Ingelsta Shopping, Norrköping* | 110,398 | 112,166 | 92,302 | 92,148 |
| Elins Esplanad, Skövde* | 80,320 | 76,145 | 58,098 | 58,076 |
| Moraberg, Södertälje | 45,230 | 49,472 | 38,508 | 38,519 |
| Hälla Shopping, Västerås* | 17,203 | 24,280 | 21,050 | 21,057 |
| Grand Samarkand, Växjö* | 100,145 | 96,550 | 78,349 | 77,472 |
| | 619,323 | 689,867 | 516,455 | 521,349 |
| | 2,806,023 | 2,690,467 | 2,072,755 | 1,897,126 |
| Less: Property investments held for sale | (141,000) | (131,886) | (75,406) | (76,127) |
| Property investments | 2,665,023 | 2,558,581 | 1,997,349 | 1,820,999 |

* These properties carry mortgage debt up to €1,179 million at 30 June 2013 (30 June 2012: €1,198 million).

** This shopping centre was acquired via the acquisition of shares, however it is accounted for as an asset.

*** Property investments held for sale.

# Notes to the consolidated financial statements
continued

## 12. Property investments, property investments under development and property investments held for sale (continued)

Changes in property investments and property investments held for sale for the financial year ended 30 June 2013 were as follows:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 2,690,467 | 2,515,854 |
| Acquisitions | 198,382 | 94,713 |
| Capital expenditure – general | 9,554 | 7,121 |
| Capital expenditure – extensions and refurbishments | 20,994 | 19,817 |
| Capitalised interest | 289 | 150 |
| Capitalised letting fees | (2,764) | 1,952 |
| Elimination of capitalised letting fees | 2,764 | (1,952) |
| Reallocation from property investments under development | 0 | 13,900 |
| Revaluation of property investments | (10,295) | 7,011 |
| Revaluation of property investments held for sale | 8,002 | 2,438 |
| Book value divestment property | (131,886) | 0 |
| Exchange rate movement | (4,084) | 29,463 |
| Book value at end of year | 2,781,423 | 2,690,467 |

Changes in property investments under development for the financial year ended 30 June 2013 were as follows:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 0 | 6,200 |
| Capital expenditure | 25,292 | 9,131 |
| Capitalised interest | 0 | 1,491 |
| Revaluation property investments under development | (692) | (2,922) |
| Reallocation to property investments | 0 | (13,900) |
| Book value at end of year | 24,600 | 0 |

The following assumptions were applied by the valuers as per 30 June 2013:

| | 30-06-13 | | | 30-06-12 | | |
|---|---|---|---|---|---|---|
| | France | Italy | Sweden | France | Italy | Sweden |
| Passing rent per m² (€; average) | 274 | 300 | 186 | 335 | 316 | 196 |
| Estimated rent value per m² (€; average) | 290 | 303 | 196 | 348 | 298 | 206 |
| Net initial yield (%; average) | 5.7 | 6.3 | 5.7 | 5.2 | 6.1 | 5.5 |
| Reversionary yield (%; average) | 5.5 | 6.3 | 6.0 | 5.4 | 6.1 | 5.8 |
| Inflation rate (%; min/max)* | n.a. | 1.7/2.1 | 2.0/2.0 | 1.5/1.5 | 2.0/2.3 | 2.0/2.0 |
| Long term growth in rental value (%; min/max)* | n.a. | 1.6/2.1 | n.a. | 1.5/3.0 | 2.0/2.3 | 2.0/2.0 |

* When DCF method is used.

## 12. Property investments, property investments under development and property investments held for sale (continued)

A sensitivity analysis of the valuations is made by the valuers based on the assumptions of the two major items listed below.

| | 30-06-13 France €'000 | 30-06-13 Italy €'000 | 30-06-13 Sweden €'000 | 30-06-13 Total €'000 | 30-06-12 France €'000 | 30-06-12 Italy €'000 | 30-06-12 Sweden €'000 | 30-06-12 Total €'000 |
|---|---|---|---|---|---|---|---|---|
| Increase in the average net initial yield by 25 bps | (46,290) | (32,250) | (24,520) | (103,060) | (41,460) | (33,950) | (27,870) | (103,280) |
| Increase in the average net initial yield by 50 bps | (89,226) | (61,490) | (47,070) | (197,786) | (79,800) | (65,240) | (54,120) | (199,160) |
| Decrease in the average net initial yield by 25 bps | 52,467 | 34,580 | 26,710 | 113,757 | 46,040 | 36,430 | 30,820 | 113,290 |
| Decrease in the average net initial yield by 50 bps | 110,252 | 72,220 | 55,930 | 238,402 | 96,430 | 79,390 | 64,640 | 240,460 |
| Increase in the estimated rental value of 5 per cent | 37,369 | 23,100 | 25,490 | 85,959 | 34,280 | 21,750 | 30,750 | 86,780 |
| Increase in the estimated rental value of 10 per cent | 74,388 | 46,350 | 50,990 | 171,728 | 68,574 | 43,540 | 61,730 | 173,844 |
| Decrease in the estimated rental value of 5 per cent | (39,300) | (23,240) | (25,490) | (88,030) | (38,820) | (21,760) | (30,750) | (91,330) |
| Decrease in the estimated rental value of 10 per cent | (79,627) | (46,390) | (50,990) | (177,007) | (78,340) | (43,200) | (61,730) | (183,270) |

## 13. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam and the Group offices at 4 Carlton Gardens, London, Via della Moscova 3, Milan, 107, rue Saint Lazare, Paris and Kungsgatan 48, Stockholm. These costs are depreciated over the expected useful lives of the assets concerned varying from two to five years. The movements in the current and the previous financial year were:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 836 | 1,194 |
| Additions | 2,040 | 341 |
| Depreciation | (746) | (623) |
| Disposals | (96) | (76) |
| Book value at end of year | 2,034 | 836 |
| | | |
| Cost at end of year | 4,405 | 2,854 |
| Accumulated depreciation | (2,371) | (2,018) |
| Book value at end of year | 2,034 | 836 |

During the financial year ended 30 June 2013 tangible fixed assets with a total cost price of €430,000 were disposed of or out of use (30 June 2012: disposals €767,000).

## 14. Receivables

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Funds held by managing agents | 2,045 | 1,434 |
| Prepayments on purchased property/extensions | 0 | 6,066 |
| Provision for bad debts | (1,232) | (1,215) |
| Rents receivable | 19,553 | 16,320 |
| Trademark licence | 292 | 767 |
| VAT receivable | 2,380 | 1,717 |
| Other receivables and prepayments | 6,226 | 4,850 |
| | 29,264 | 29,939 |

Receivables at 30 June 2013 include an amount of €0.2 million (30 June 2012: €0.8 million) which is due after one year.

# Notes to the consolidated financial statements
continued

## 15. Cash and deposits

Cash and deposits consist primarily of time deposits, with amounts held as bank balances and other liquid assets. All bank balances and deposits are freely available.

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Bank balances | 15,002 | 57,912 |
| Deposits | 36,420 | 63,042 |
| | 51,422 | 120,954 |

## 16. Creditors

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| (i) Current liabilities | | |
| Interest payable | 9,720 | 9,881 |
| Local and property tax payable | 844 | 878 |
| Payable on purchased property/extensions | 18,761 | 18,160 |
| Rent received in advance | 20,711 | 20,845 |
| VAT payable | 424 | 1,310 |
| Other creditors and accruals | 16,045 | 14,622 |
| | 66,505 | 65,696 |
| (ii) Non-current liabilities | | |
| Tenant rental deposits | 11,137 | 8,546 |
| Entry fees* | 0 | 1,436 |
| | 11,137 | 9,982 |

* Further information about entry fees can be found in note 4 and note 6.

## 17. Borrowings

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 1,252,744 | 1,107,964 |
| Drawdown of funds | 278,469 | 332,765 |
| Repayments | (243,909) | (199,982) |
| Exchange rate movement | (343) | 12,738 |
| Movement prepaid borrowing costs | (38) | (741) |
| Book value at end of year | 1,286,923 | 1,252,744 |

90 per cent of the borrowings are at a floating interest rate, rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 10 per cent of the borrowings are at a fixed interest rate and the interest rate risk is managed by fixing the interest to maturity at the drawdown date.

| | Borrowings €'000 | Borrowing cost €'000 | 30-06-13 €'000 | 30-06-13 % | 30-06-12 €'000 | 30-06-12 % |
|---|---|---|---|---|---|---|
| Borrowings with floating interest rate | 1,158,487 | (2,457) | 1,156,030 | 90 | 1,142,522 | 91 |
| Borrowings with fixed interest rate | 132,690 | (1,797) | 130,893 | 10 | 110,222 | 9 |
| Total borrowings | 1,291,177 | (4,254) | 1,286,923 | 100 | 1,252,744 | 100 |

## 17. Borrowings (continued)

| Borrowings maturity profile | 30-06-13 Secured €'000 | 30-06-13 Unsecured €'000 | 30-06-13 Total borrowings €'000 | 30-06-13 Average interest rate during the year in % | 30-06-12 Total borrowings €'000 |
|---|---|---|---|---|---|
| Current borrowings | 139,781 | 153,499 | 293,280 | 1.6 | 103,603 |
| Non-current borrowings | | | | | |
| One to two years | 28,728 | 0 | 28,728 | | 119,465 |
| Two to five years | 532,491 | 0 | 532,491 | | 554,345 |
| Five to ten years | 351,053 | 0 | 351,053 | | 393,237 |
| More than ten years | 85,625 | 0 | 85,625 | | 86,000 |
| Total non-current borrowings | 997,897 | 0 | 997,897 | 4.8 | 1,153,047 |
| Borrowing costs | (4,254) | 0 | (4,254) | | (3,906) |
| Total borrowings | 1,133,424 | 153,499 | 1,286,923 | 4.1 | 1,252,744 |

| Currency and interest rate profile | Fixed rate borrowings €'000* | Floating rate borrowings €'000** | Total borrowings €'000 | Average interest rate in % at 30 June | Interest maturity in years | Average maturity of borrowings in years |
|---|---|---|---|---|---|---|
| 2012/2013 | | | | | | |
| Euro | 883,690 | 160,710 | 1,044,400 | 4.2 | 7.7 | 5.1 |
| Swedish krona | 153,578 | 93,199 | 246,777 | 3.6 | 4.9 | 2.7 |
| Borrowing costs | (4,254) | 0 | (4,254) | | | |
| | 1,033,014 | 253,909 | 1,286,923 | 4.1 | 7.2 | 4.6 |
| 2011/2012 | | | | | | |
| Euro | 847,025 | 92,247 | 939,272 | 4.5 | 8.3 | 6.7 |
| Swedish krona | 199,255 | 118,123 | 317,378 | 4.6 | 6.0 | 3.8 |
| Borrowing costs | (3,906) | 0 | (3,906) | | | |
| | 1,042,374 | 210,370 | 1,252,744 | 4.5 | 7.9 | 6.0 |

* Fixed rate borrowings consist of three fixed rate loans and external floating interest rate financing for which fixed interest rate swaps are in place with a remaining term of more than one year.

** Floating rate borrowings consist of all external financing with a remaining interest period of less than one year taking into account the effect of interest rate swaps.

The borrowings are all directly from major banks with average committed unexpired terms of almost five years. Borrowings of €1,132 million are secured on property (30 June 2012: €1,198 million). The average interest rate during the financial year ended 30 June 2013 on non-current borrowings including hedges was 4.8 per cent (2011/2012: 4.8 per cent). The average interest rate is calculated as the weighted average interest rate over the remaining principals until the respective interest maturity dates. There have been no defaults during the financial year in respect of any of the borrowings at 30 June 2013.

In September 2012 the Company entered into a new five year loan to finance one of its Italian shopping centres. The amount of €50 million was drawn down in October. The Company also repaid €70 million of long-term bank loans due to the sale of the Burlöv shopping centre in Sweden. In April 2013 the Group secured a new €24 million 10 year loan at a total interest cost of 3 per cent. In June 2013 the Company also entered into a new 10 year loan for an amount of €20 million as additional financing of some of its Italian assets.

At 30 June 2013 the Group has at its disposal undrawn borrowing facilities for a total amount of €43 million (30 June 2012: €26 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes.

Further information about borrowings and bank covenants can be found in note 26.

# Notes to the consolidated financial statements
continued

## 18. Financial instruments

### Financial risks

In the normal course of business the Group is exposed to credit risks, liquidity risks, interest rate risks and foreign currency risks. The overall risk management policy focuses on the unpredictable nature of the financial markets with emphasis on minimising any negative impacts on the financial performance of the business. The Group closely monitors its financial risk linked to its activities and the financial instruments it uses. However, as the Company is a long-term property investor, it believes that the funding of its investments should also be planned on a long-term basis reflecting the overall risk profile of the business.

### Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of the Group's counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks have a credit rating of AAA (four per cent), AA- (22 per cent), A+ (28 per cent), A (six per cent), BBB+ (33 per cent) and BBB (one per cent) and six per cent has no rating from Fitch; and Aaa (four per cent), Aa2 (six per cent), Aa3 (22 per cent), A2 (27 per cent), A3 (five per cent), Baa1 (two per cent), Baa2 (33 per cent) and B2 (one per cent), according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the basis of their financial strength.

The carrying amounts of the financial assets represent the maximum credit risk. The combined carrying amount (for the remaining amount of €9.8 million) (2012: €13.6 million no ageing analysis applicable) on the reporting date was made up as follows:

| Carrying amount of financial assets | Note | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|---|
| Receivables | 14 | 29,264 | 29,939 |
| Derivative financial instruments | | 0 | 6 |
| Cash and deposits | 15 | 51,422 | 120,954 |
| | | 80,686 | 150,899 |

The ageing analysis of the rents receivable on the balance sheet date was as follows:

| Rents receivable | 30-06-12 €'000 | 30-06-11 €'000 |
|---|---|---|
| Overdue by 0–90 days | 16,512 | 14,128 |
| Overdue by 90–120 days | 60 | 33 |
| Overdue by more than 120 days | 2,981 | 2,159 |
| | 19,553 | 16,320 |

Movements in the provision for bad debts in the current financial year were:

| Provision for bad debts | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 1,215 | 1,026 |
| Added | 598 | 472 |
| Released | (581) | (283) |
| Book value at end of year | 1,232 | 1,215 |

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €11.1 million (2012: €8.5 million) in addition to bank guarantees.

## 18. Financial instruments (continued)

### Liquidity risk

In order to reduce liquidity risk the repayment dates of borrowings are well spread over time and 77 per cent of borrowings are long term with 34 per cent of borrowings with a remaining term of more than five years. The Group aims to enter into long-term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was five years. Group borrowings will not exceed the adjusted net equity of the Company, so that the debt to equity ratio is less than one, which further mitigates risk. The ratios to which the Group has committed itself are monitored at regular intervals. The net debt to adjusted net equity ratio at 30 June 2013 was 81 per cent, higher than the ratio reported for 31 March 2013 (76 per cent), however this is entirely due to the short term funding of the Val Thoiry acquisition. This ratio is expected to return to previous levels once the proceeds from the sale of Passy Plaza have been used to repay the short term debt.

Apart from these obligations and commitments, the Netherlands fiscal investment institution status of the Company imposes financial limits.

The following table shows the undiscounted contractual flows required to pay its financial liabilities:

| Undiscounted cash flows | Total cash flows €'000 | Less than 1 year €'000 | 1–5 years €'000 | More than 5 years €'000 | Total cash flows €'000 | Less than 1 year €'000 | 1–5 years €'000 | More than 5 years €'000 |
|---|---|---|---|---|---|---|---|---|
| | | | | 30-06-13 | | | | 30-06-12 |
| Non-current borrowings | 997,897 | 0 | 561,219 | 436,678 | 1,153,047 | 0 | 673,810 | 479,237 |
| Current borrowings | 293,280 | 293,280 | 0 | 0 | 103,603 | 103,603 | 0 | 0 |
| Interest derivative financial instruments | 221,385 | 31,918 | 98,335 | 91,132 | 219,320 | 23,442 | 88,916 | 106,962 |
| Interest on borrowings | 98,542 | 19,477 | 50,971 | 28,094 | 170,514 | 29,597 | 93,561 | 47,356 |
| Tenant rental deposits | 12,765 | 2,826 | 6,390 | 3,549 | 9,982 | 1,857 | 4,804 | 3,321 |
| Other creditors | 56,785 | 56,785 | 0 | 0 | 57,251 | 55,815 | 1,430 | 6 |
| | 1,680,654 | 404,286 | 716,915 | 559,453 | 1,713,717 | 214,314 | 862,521 | 636,882 |

### Foreign currency risk

Due to Swedish property investments, the Group is exposed to the Swedish krona, the only significant foreign currency exposure for the Group. However, due to SEK loan facilities with major banks this exposure is partly hedged.

SEK borrowings amount to €246.8 million (30 June 2012: €317.4 million). The total property investments in Sweden are €619.3 million (30 June 2012: €689.9 million) so 40 per cent of this SEK exposure is hedged through these borrowings at 30 June 2013 (30 June 2012: 46 per cent). The remaining exposure is relatively limited compared to the total size of the portfolio and will, in principle, not be hedged. A weakening of this currency by 5 per cent would result, for example, in a decrease of shareholders' equity of only 1.4 per cent of reported net asset value and in a decrease of only 1.4 per cent of reported direct investment result.

The Group also has a small foreign currency exposure of approximately €4.6 million to the British pound as a result of company expenses relating to the London office and staff.

### Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivatives to protect the Company against increases in interest rates. The Company intends to hedge the majority of its loans outstanding for the medium to long-term (five to 15 years). The fair value (mark to market) of the current interest rate hedge instruments as at 30 June 2013 is a negative value of €120.3 million (30 June 2012: negative €148.6 million).

The interest rate hedge instruments as at 30 June 2013 have a weighted average maturity of seven years and the Company is hedged at an average interest rate of 3.8 per cent excluding margins (30 June 2012: 3.7 per cent). Only 20 per cent (30 June 2012: 17 per cent) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of one per cent would therefore only have a limited negative impact of an additional annual interest expense of €2.54 million (30 June 2012: €1.60 million) or 3.1 per cent (30 June 2012: 2.01 per cent) of reported direct investment result.

If at 30 June 2013 the euro interest curve and the Swedish interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholder's equity by €30.2 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the shareholder's equity by €32.3 million. Both calculations assume that all other variables were held constant and do not take into account the impact of deferred tax.

Overview
Geographic focus
Governance
Financials

# Notes to the consolidated financial statements
continued

## 18. Financial instruments (continued)

| Maturity profile<br>Derivative financial instruments | 30-06-13<br>Notional amount<br>€'000 | 30-06-13<br>Fair value<br>€'000 | 30-06-12<br>Notional amount<br>€'000 | 30-06-12<br>Fair value<br>€'000 |
|---|---|---|---|---|
| Up to one year | 24,399 | (2,623) | 10,000 | (2,289) |
| From one year to two years | 83,393 | (6,925) | 24,399 | (7,714) |
| From two years to five years | 342,711 | (48,080) | 236,042 | (34,854) |
| From five years to ten years | 364,075 | (41,573) | 584,814 | (80,030) |
| Over ten years | 90,000 | (21,149) | 80,000 | (23,682) |
| | 904,578 | (120,350) | 935,255 | (148,569) |
| FX forward contracts | 0 | 0 | 1,596 | (47) |
| | 904,578 | (120,350) | 936,851 | (148,616) |

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure and FX forward contracts to partly hedge the Company's exposure to the Swedish krona net rental cash flows.

In addition to the notional amounts of the derivative financial instruments presented in the table above, the financial instruments portfolio as per the balance sheet date included forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €280 million (2012: €290 million), forward starting interest rate swaps for a notional amount of €11 million (2012: €48 million), interest rate caps for a notional amount of €70 million (2012: €70 million) and basis interest rate swaps swapping 3 months Euribor for 1 month Euribor for a notional amount of €155 million (2012: €230 million). Although the notional amounts of the aforesaid financial instruments are not included in the table above, the fair value of these financial instruments is reported in the table above.

The Company accounts for the purchase/sale of an interest rate swap at its transaction date.

| Derivative financial instruments | 30-06-13<br>€'000 | 30-06-12<br>€'000 |
|---|---|---|
| Book value at beginning of year | (148,616) | (54,443) |
| Unrealised fair value movement interest rate swaps | 28,518 | (93,106) |
| Unrealised fair value movement FX forward contracts | 0 | (3) |
| Exchange rate movement | (252) | (1,064) |
| Book value at end of year | (120,350) | (148,616) |

### Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2013) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date, together with an ageing analysis according to interest rate revision dates.

| | 30-06-13 | | | | 30-06-12 | | | |
|---|---|---|---|---|---|---|---|---|
| | Borrowings floating rate | Borrowings fixed rate | Swaps fixed rate paid | Swaps floating rate received | Borrowings floating rate | Borrowings fixed rate | Swaps fixed rate paid | Swaps floating rate received |
| Effective interest rate (%) | 1.34 | 2.96 | 3.79 | 0.38 | 2.00 | 4.03 | 3.26 | 1.02 |
| Up to one year (€'000) | 290,503 | 2,777 | 24,399 | 24,399 | 101,267 | 2,337 | 10,000 | 10,000 |
| From one year to two years (€'000) | 25,862 | 2,867 | 83,396 | 83,396 | 117,129 | 2,337 | 24,399 | 24,399 |
| From two years to five years (€'000) | 523,192 | 9,298 | 342,712 | 342,712 | 547,336 | 7,010 | 236,042 | 236,042 |
| From five years to ten years (€'000) | 233,305 | 117,748 | 364,071 | 364,071 | 293,891 | 99,343 | 584,814 | 584,814 |
| Over ten years (€'000) | 85,625 | 0 | 90,000 | 90,000 | 86,000 | 0 | 80,000 | 80,000 |
| | 1,158,487 | 132,690 | 904,578 | 904,578 | 1,145,623 | 111,027 | 935,255 | 935,255 |

## 18. Financial instruments (continued)

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2013) on both borrowings and derivatives are expected to occur on the basis of the loan and interest rate swap agreements entered into by the Group, as per the balance sheet date:

| Interest cash flows | Borrowings floating rate €'000 | Borrowings fixed rate €'000 | Swaps fixed rate €'000 | Swaps floating rate €'000 | Total €'000 |
|---|---|---|---|---|---|
| Up to one year | 15,550 | 3,927 | 35,555 | (3,636) | 51,396 |
| From one year to two years | 11,393 | 3,845 | 33,917 | (3,502) | 45,653 |
| From two years to five years | 24,722 | 11,011 | 76,657 | (8,737) | 103,653 |
| From five years to ten years | 11,898 | 11,671 | 38,677 | (4,438) | 57,808 |
| Over ten years | 4,526 | 0 | 59,862 | (2,969) | 61,419 |
| | 68,089 | 30,454 | 244,668 | (23,282) | 319,929 |

### Fair value of financial instruments

The financial statements have been prepared on an historical cost basis, except for property investments, property investments under development, property investments held for sale and some of the financial instruments, which are carried at fair value. The categories of financial instruments in accordance with IAS 39 are: A. Assets and liabilities at fair value through profit or loss, B. Loans and receivables, C. Available-for-sale financial assets, D. Financial liabilities measured at amortised cost.

The carrying amounts of the financial instruments and their fair values were as follows:

| | Note | Categories in accordance with IAS 39 | 30-06-13 €'000 Carrying amount | 30-06-13 €'000 Fair value | 30-06-12 €'000 Carrying amount | 30-06-12 €'000 Fair value |
|---|---|---|---|---|---|---|
| Receivables | 14 | B | 29,264 | 29,264 | 29,939 | 29,939 |
| Derivative financial instruments (assets) | | A | 0 | 0 | 6 | 6 |
| Cash and deposits | 15 | B | 51,422 | 51,422 | 120,954 | 120,954 |
| | | | 80,686 | 80,686 | 150,899 | 150,899 |
| Creditors | 16 | D | 77,642 | 77,642 | 75,678 | 75,678 |
| Borrowings | 17 | D | 1,281,652 | 1,286,923 | 1,252,744 | 1,259,166 |
| Derivative financial instruments (liabilities) | | A | 120,350 | 120,350 | 148,622 | 148,622 |
| | | | 1,479,644 | 1,484,915 | 1,477,044 | 1,483,466 |

The fair values of the financial instruments were determined as explained in the principal accounting policies (note 1) to the extent that for those borrowings with a fixed interest rate, a model was used based on the Bloomberg swap curve. Due to their short term nature, the carrying amounts of all other balance sheet items is deemed to approximate their fair value.

### Fair value hierarchy

The following table shows an analysis of the fair value of derivative financial instruments recognised in the balance sheet by level of the fair value hierarchy:

| | Level 1 30-06-13 €'000 | Level 1 30-06-12 €'000 | Level 2 30-06-13 €'000 | Level 2 30-06-12 €'000 | Level 3 30-06-13 €'000 | Level 3 30-06-12 €'000 | Total fair value 30-06-13 €'000 | Total fair value 30-06-12 €'000 |
|---|---|---|---|---|---|---|---|---|
| Derivative financial instruments | 0 | 0 | (120,350) | (148,616) | 0 | 0 | (120,350) | (148,616) |

All derivative financial instruments are at level 2: the counterparty uses a model to determine the fair value with inputs that are directly or indirectly observable market data.

# Notes to the consolidated financial statements
continued

## 19. Deferred tax assets and liabilities

Deferred tax assets of €0.3 million relate to the Italian tax losses carried forward, which can be compensated by future taxable profits. As per 30 June 2013 a deferred tax asset for an amount of €9.7 million (2011/2012: €14.7 million) is not recognised in Italy. The reason is that the Company holds these financial instruments to hedge its Italian interest exposure, therefore the higher deferred tax asset will not be materialised in the future. The applicable tax rate for the calculation of the deferred tax asset is 27.50 per cent. The total unrecognised losses carried forward of the Italian subsidiaries are €39.7 million as at 30 June 2013 (30 June 2012: €57 million) and can be carried forward for an undefinitive period.

Deferred tax liabilities are attributable to the following items:

| | 30-06-12 €'000 | Recognised in profit and loss account €'000 | Release to profit and loss account due to property sale* €'000 | Disposal of investment property* €'000 | Exchange rate movement €'000 | 30-06-13 €'000 |
|---|---|---|---|---|---|---|
| Investment property | (79,494) | 10,272 | 14,568 | 9,140 | (622) | (46,136) |
| Derivative financial instruments | 5,693 | (1,235) | (1,785) | 0 | 79 | 2,752 |
| Tax value of loss carry-forwards recognised | 9,937 | (2,775) | 0 | 0 | 30 | 7,192 |
| Total deferred tax liabilities | (63,864) | 6,262 | 12,783 | 9,140 | (513) | (36,192) |
| Deferred tax assets | 751 | (467) | 0 | 0 | 0 | 284 |
| | (63,113) | 5,795 | 12,783 | 9,140 | (513) | (35,908) |

* Due to the disposal of Burlöv Center, which resulted in a variance of the fair value of the deferred tax liability compared to the recognised deferred tax liability.

Deferred tax liabilities are attributable to the following items in the previous year:

| | 30-06-11 €'000 | Recognised in profit and loss account €'000 | Release to profit and loss account due to property sale €'000 | Disposal of investment property €'000 | Exchange rate movement €'000 | 30-06-12 €'000 |
|---|---|---|---|---|---|---|
| Investment property | (77,586) | 908 | 0 | 0 | (2,816) | (79,494) |
| Derivative financial instruments | 10,449 | (5,041) | 0 | 0 | 285 | 5,693 |
| Tax value of loss carry-forwards recognised | 8,102 | 1,835 | 0 | 0 | 0 | 9,937 |
| Total deferred tax liabilities | (59,035) | (2,531) | 0 | 0 | (2,531) | (63,864) |
| Deferred tax assets | 0 | 751 | 0 | 0 | 0 | 751 |
| | (59,035) | (1,547) | 0 | 0 | (2,531) | (63,113) |

As at 30 June 2013 the total amount of deferred tax liabilities of €36.2 million is related to Sweden (30 June 2012: €63.9 million for Sweden).

## 20. Provision for pensions

The provision for pensions is related to one defined benefit plan in the United Kingdom. The plan has only four active members and no new members have entered the scheme since 2001. The scheme is based on a final salary plan with a pensionable salary cap and the Company expects no new members in the scheme in the near future.

Movements in the fair value of assets were as follows:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Fair value of assets at beginning of year | 4,089 | 3,487 |
| Expected return on assets | 304 | 307 |
| Actuarial gain/(loss) | 357 | (476) |
| Contributions paid by employer | 764 | 367 |
| Benefits paid | (26) | (10) |
| Exchange rate movement | (241) | 414 |
| Fair value of assets at end of year | 5,247 | 4,089 |

The fair value of assets as per 30 June 2011 was €3,487,000 and as per 30 June 2010 was €2,896,000.

## 20. Provision for pensions (continued)

Movements in the present value of the defined benefit obligation were as follows:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Defined benefit obligation at beginning of year | 5,987 | 4,301 |
| Current service costs | 378 | 326 |
| Interest costs | 250 | 274 |
| Actuarial loss | 866 | 585 |
| Benefits paid | (26) | (10) |
| Exchange rate movement | (352) | 511 |
| Defined benefit obligation at end of year | 7,103 | 5,987 |

The defined benefit obligation as per 30 June 2011 was €4,301,000 and as per 30 June 2010 was €4,123,000.

Defined benefit obligation – amounts recognised in the balance sheet:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Present value of the defined benefit obligation | (7,103) | (5,987) |
| Fair value of plan assets | 5,247 | 4,089 |
| Surplus/(deficit) | (1,856) | (1,898) |

Amounts recognised in the profit and loss account:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Current service cost | (378) | (326) |
| Interest costs | (250) | (274) |
| Expected return on assets | 304 | 307 |
| Actuarial (loss)/gain | (510) | (1,061) |
| | (834) | (1,354) |

Major assumptions used by the actuary:

| | 30-06-13 % | 30-06-12 % |
|---|---|---|
| Pensionable salary growth | n.a | n.a. |
| Earnings cap growth | 3.4 | 3.0 |
| Pension revaluation | 2.6 | 2.2 |
| Pension escalation | 3.4 | 3.0 |
| Discount rate | 4.3 | 4.3 |
| Inflation assumption | 3.4 | 3.0 |

# Notes to the consolidated financial statements
continued

## 20. Provision for pensions (continued)

Assets and expected rate of return:

| | Expected rate of return 2012/2013 % | Value at 30-06-13 €'000 | Expected rate of return 2011/2012 % | Value at 30-06-12 €'000 |
|---|---|---|---|---|
| Equities | 7.0 | 4,172 | 8.0 | 3,075 |
| Bonds | 3.5 | 623 | 4.5 | 678 |
| Property | 6.25 | 247 | 6.25 | 209 |
| Cash | 1.5 | 205 | 3.5 | 127 |
| Total market value of assets | | 5,247 | | 4,089 |

Pension benefit obligations and the related effects on operations are calculated using actuarial models. As the scheme's assets are valued at fair (i.e. market) value, the financial assumptions are based on market expectations at the end of the accounting period. Although there is always a margin of discretion in the interpretation of market expectations, this margin is rather limited and at the date of publication of these financial statements the Company is not aware of any reason why the true figures could differ significantly from the enclosed projections. The discount rate to calculate the future benefit payments is based on long term (over 15 years) AA corporate bond yields. The calculations have been performed by a qualified and independent actuary. The total expense for the defined contributions plan for the current financial year is €581,000. It is expected that the contributions to be paid by the employer under the Company's defined benefit plan for the next financial year will be slightly higher than the current financial year.

## 21. Issued share capital

Share capital comprises:

– 999,999,900 authorised ordinary shares of €0.50 par value, of which 417,780,444 shares are issued and fully paid as at 30 June 2013 and of which 380,000 were bought back as at 30 June 2013.

– 100 authorised priority shares of €0.50 par value, which are entirely issued and fully paid. All issued priority shares are held by Stichting Prioriteitsaandelen Eurocommercial Properties. The holders of the priority shares are entitled to determine the number of members of the Company's Supervisory and Management Boards, to nominate the persons to be submitted to the vote of all shareholders for election to the Board of Management and the Supervisory Board and to approve the appropriation of income of the Company. For the period to 30 June 2014, the Stichting is empowered by the shareholders to authorise the issue of new shares and the terms of issue, including a power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares. The priority shares are in all other respects identical to the registered ordinary shares.

The weighted average of the number of shares in issue in the current financial year is 414,100,708.

The number of shares in issue as per 30 June 2013 is 417,400,544.

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange). One bearer depositary receipt represents ten ordinary registered shares. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. The holders of depositary receipts are entitled to receive dividends as declared from time to time and are entitled to ten votes per depositary receipt at shareholders' meetings of the Company.

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 204,983 | 204,283 |
| Issued bonus shares | 3,907 | 700 |
| Book value at end of year | 208,890 | 204,983 |

The number of shares on issue increased on 30 November 2012 as a result of the issue of 781,539 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 30.5 per cent of the issued share capital (last year 6.17 per cent) opted for the bonus depositary receipts at an issue price of €30.72 from the Company's share premium reserve, instead of a cash dividend of €1.92 per depositary receipt for the financial year ended 30 June 2012.

## 21. Issued share capital (continued)

| | 2012/2013 | | 2011/2012 | |
|---|---|---|---|---|
| | No. of depositary receipts | No. of shares | No. of depositary receipts | No. of shares |
| Number of shares (DRs) on issue at beginning of year | 40,996,505 | 409,965,048 | 40,856,640 | 408,566,398 |
| Shares issued (DRs) under the stock dividend plan | 781,539 | 7,815,396 | 139,865 | 1,398,650 |
| Number of shares (DRs) on issue at end of year | 41,778,044 | 417,780,444 | 40,996,505 | 409,965,048 |
| Priority shares | 10 | 100 | 10 | 100 |
| Treasury shares (DRs) | (38,000) | (380,000) | (43,000) | (430,000) |
| Number of shares (DRs) after deduction of shares (DRs) bought back | 41,740,054 | 417,400,544 | 40,953,515 | 409,535,148 |

### Net asset value per depositary receipt

The net asset value per depositary receipt is €32.73 at 30 June 2013 (30 June 2012: 31.75).

### Stock options and performance shares

Since 2000 the Company has operated a long-term incentive scheme for (some) Group employees and members of the Board of Management through its Stock Option Plan (SOP). Each option under the SOP confers to the right to one depositary receipt representing ten ordinary shares of €0.50 par value. The vesting date of the options is three years after the grant date and options can only be exercised up to seven years after the vesting date. Vesting is subject to performance targets linked to a minimal growth of the dividend per share and the net asset value per share over the three year period between grant date and vesting date. Vesting is also subject to employment at the vesting date. The method of settlement of the options is in equity.

The Company has bought back the 38,000 depositary receipts to cover future possible exercises of the stock options granted under the SOP 2004. The Company has not bought back depositary receipts to cover future possible exercises of the options granted to staff under the SOP 2007 and SOP 2010.

During this financial year the SOP has been replaced with an annual grant of free long-term depositary receipts (Performance Shares) under a new Performance Share Plan (PSP), which are conditional upon the meeting of company performance targets and that the employee remains with the Company for more than three years from the grant date of the Performance shares and holds them from that vesting date a further two years. All permanent employees and directors of the Company are entitled to the scheme.

| Stock option plan (SOP) and performance share plan (PSP) | SOP 2004 | SOP 2007 | SOP 2010 | PSP 2012 | Total |
|---|---|---|---|---|---|
| Grant date | 08-11-04 | 12-11-07 | 08-11-10 | 12-11-12 | |
| Vesting date | 08-11-07 | 12-11-10 | 08-11-13 | 12-11-15 | |
| Expiry date | 08-11-14 | 12-11-17 | 08-11-20 | n.a. | |
| Exercise price | €24.82 | €37.28 | €32.45 | n.a. | |
| Fair value per option/performance share | €1.56 | €4.10 | €4.01 | €23.14 | |
| Options/performance shares granted | 676,000 | 716,000 | 825,000 | 14,841 | |
| Options/performance shares vested | 676,000 | 647,795 | 0 | 0 | |
| Options/performance shares exercised/ forfeited | (638,000) | (13,125) | (16,000) | (87) | |
| Exercisable options/performance shares at end of year | 38,000 | 634,670 | 0 | 0 | 672,670 |
| | | | | | |
| Outstanding options/performance shares at end of year | 38,000 | 634,670 | 809,000 | 14,754 | 1,496,424 |

| Movements in the number of options/ performance shares during the year | SOP 2004 | SOP 2007 | SOP 2010 | PSP 2012 | Total |
|---|---|---|---|---|---|
| Options/performance shares at beginning of the year | 43,000 | 647,795 | 825,000 | 0 | 1,515,795 |
| Options/performance shares granted | 0 | 0 | 0 | 14,841 | 14,841 |
| Options/performance shares exercised* | (5,000) | 0 | 0 | 0 | (5,000) |
| Options/performance shares forfeited | 0 | (13,125) | (16,000) | (87) | (29,212) |
| Options/performance shares at end of the year | 38,000 | 634,670 | 809,000 | 14,754 | 1,496,424 |

* Weighted average sale price €32.20 per depositary receipt.

The expenses for the stock options and performance shares granted (IFRS 2) are €1,117,000 (2011/2012: €1,106,000). The outstanding options and performance shares as per 30 June 2013 are 1,510,293 (30 June 2012: 1,515,795). As at 30 June 2013 the outstanding options and performance shares represent 3.6 per cent of the issued share capital (30 June 2012: 3.7 per cent).

# Notes to the consolidated financial statements
continued

## 22. Share premium reserve

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 396,385 | 395,990 |
| Stock options and performance shares granted (IFRS 2) | 1,117 | 1,106 |
| Release for issued bonus shares | (3,907) | (700) |
| Cost for dividends paid | (48) | (11) |
| Book value at end of year | 393,547 | 396,385 |

For Dutch tax purposes the share premium reserve is also regarded as paid-up capital.

## 23. Other reserves

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 710,897 | 568,600 |
| Result previous financial year | (12,118) | 129,280 |
| Dividends paid | (54,622) | 0 |
| Stock options exercised | 124 | 0 |
| Foreign currency translation differences | (3,573) | 13,017 |
| Book value at end of year | 640,708 | 710,897 |

Under the Netherlands Civil Code the Company has to maintain legal reserves, which comprise of the revaluation reserve and the currency translation reserve. The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than that of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary. The amounts recognised by these reserves amount to €721 million and are not freely distributable. For dividend distribution however, both the retained profit reserve, share premium reserve and the undistributed income are available.

## 24. Earnings per depositary receipt

### Basic earnings per depositary receipt

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange). One bearer depositary receipt represents ten ordinary registered shares.

The calculation of basic earnings per depositary receipt of €2.97 at 30 June 2013 was based on the result attributable to holders of depositary receipts of €122.9 million (30 June 2012: negative €12.1 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2013 of 41,410,071 (30 June 2012: 40,895,429), as calculated below.

Result attributable to holders of depositary receipts:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Result for the year | 122,919 | (12,118) |

| | 30-06-13 | 30-06-12 |
|---|---|---|
| Weighted average number of depositary receipts at beginning of year | 40,953,515 | 40,813,650 |
| Effect of depositary receipts issued (stock dividend) | 456,076 | 81,779 |
| Effect of depositary receipts issued (staff options exercised) | 480 | 0 |
| Weighted average number of depositary receipts | 41,410,071 | 40,895,429 |

## 24. Earnings per depositary receipt (continued)

### Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €2.86 at 30 June 2013 was based on the result attributable to holders of depositary receipts of €122.9 million (30 June 2012: negative €12.1 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2013 of 42,915,489 (30 June 2012: 42,411,224), as calculated below.

Result attributable to holders of depositary receipts (diluted):

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Result for the year | 122,919 | (12,118) |

| | 30-06-13 | 30-06-12 |
|---|---|---|
| Weighted average number of depositary receipts | 41,410,071 | 40,895,429 |
| Effect of issued options and performance shares on depositary receipts | 1,505,418 | 1,515,795 |
| Weighted average number of depositary receipts (diluted) | 42,915,489 | 42,411,224 |

## 25. Commitments not included in the balance sheet

As at 30 June 2013 bank guarantees have been issued for a total amount of €1.9 million. As at 30 June 2013 the Group has no off balance sheet investment commitments.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €0.7 million for the financial year 2013/2014, approximately €2.9 million for the four year period thereafter and €0.1 million for the period longer than five years.

## 26. Capital management

The primary objective of the Company's capital management is to ensure that capital is available for the long-term. No changes have been made to these objectives, policies or processes during the year ended 30 June 2013. The Company monitors capital primarily using a loan to value ratio and a debt to equity ratio. The loan to value ratio is calculated as the amount of outstanding (net) borrowings divided by the latest market value of the property investments, the property investments under development and property investments held for sale. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity. Equity means the adjusted net equity calculated as the sum of the net equity increased by the book values of the deferred tax liabilities and the derivative financial instruments. The interest coverage ratio is defined as the net property income less company expenses divided by interest expenses less interest income.

All bank covenants are monitored at regular intervals. The most frequent covenant ratios used in the loan agreements are:

– Loan to value: The maximum loan to property value can range between 50 per cent and 75 per cent.

– Net debt to adjusted equity ratio: The net debt will not exceed adjusted equity.

– Interest coverage ratio (ICR): The minimum ICR can range between 1.5x and 2.0x. The current ICR is 2.6x.

During the period the Company complied with its banking covenants.

| Loan to value | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Borrowings | 1,286,923 | 1,252,744 |
| Cash and deposits | (51,422) | (120,954) |
| Net borrowings | 1,235,501 | 1,131,790 |
| | | |
| Property investments | 2,806,023 | 2,690,467 |
| Loan to value | 44% | 42% |

The net debt to adjusted net equity ratio at 30 June 2013 was 81 per cent, higher than the ratio reported for 31 March 2013 (76 per cent), however this is entirely due to the short-term funding of the Val Thoiry acquisition. This ratio is expected to return to previous levels once the proceeds from the sale of Passy Plaza have been used to repay the short term debt.

# Notes to the consolidated financial statements
continued

## 26. Capital management (continued)

| Debt to equity ratio | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Net borrowings | 1,235,501 | 1,131,790 |
| | | |
| Shareholders' equity | 1,366,064 | 1,300,147 |
| Derivative financial instruments | 120,350 | 148,616 |
| Deferred tax assets and liabilities | 35,908 | 63,113 |
| Adjusted net equity | 1,522,322 | 1,511,876 |
| Debt to equity ratio | 0.81 | 0.75 |

## 27. Related parties

### Introduction

Subsidiaries of the Company and members of its Supervisory Board and Board of Management could be considered to be related parties. No transactions have been entered into with them other than those disclosed in this report.

### Remuneration

The Directors' fees recognised in the Company expenses include an amount of €180,000 (2012/2013: €170,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| W.G. van Hassel | 44 | 42 |
| H.W. Bolland | 34 | 32 |
| P.W. Haasbroek | 34 | 32 |
| J.C. Pollock | 34 | 32 |
| A.E. Teeuw | 34 | 32 |

The Directors' fees also include salaries, bonuses, pension premiums and social security charges for the members of the Board of Management. The total remuneration for the members of the Board of Management can be specified as follows:

| | J.P. Lewis | | E.J. van Garderen | |
|---|---|---|---|---|
| | 30-06-13 €'000 | 30-06-12 €'000 | 30-06-13 €'000 | 30-06-12 €'000 |
| Salary | 563 | 498 | 381 | 369 |
| Bonus | 111 | 73 | 77 | 49 |
| Pension premiums | 0 | 0 | 37 | 37 |
| Social security charges | 77 | 72 | 8 | 8 |
| Stock options and performance shares granted (IFRS 2) | 144 | 141 | 104 | 100 |

The bonuses paid to members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per depositary receipt. The so-called 'crisis-levy' charged by the Netherlands tax office on remuneration of members of the Board of Management in 2013 amounted to €13,274 and was entirely related to E.J. van Garderen.

The total remuneration for the members of the Supervisory Board and the Board of Management is €1,682,000 (2012/2013: €1,517,000).

### Stock options and performance shares

During the year no options have been exercised, forfeited or vested. The outstanding options for the Board of Management as per 30 June 2013 are 339,375 (30 June 2012: 339,375). At the end of the year J.P. Lewis has 198,750 options and E.J. van Garderen has 140,625 options. At 30 June 2013 the outstanding options held by the Board of Management represent 0.81 per cent of the issued share capital (30 June 2012: 0.83 per cent).

In November 2012 performance shares were granted to the Board of Management under the new Performance Share Plan. 1,305 performance shares were granted to J.P. Lewis and 863 performance shares were granted to E.J. van Garderen. At 30 June 2013 the outstanding performance shares held by the Board of Management represent 0.005 per cent of the issued share capital. In November 2013 performance shares will be granted to the Board of Management with a value of 9.27 per cent of base salaries, subject to the approval of the shareholders meeting.

For more information about the Stock Option Plan and Performance Share Plan, see note 21.

22 per cent (€248,000) of the amount charged to the profit and loss account (€1,117,000) as stock options and performance shares granted (IFRS 2) is related to the stock options and performance shares granted to the members of the Board of Management.

## 27. Related parties (continued)

### Shareholdings

Mr J.P. Lewis and entities associated with him hold 935,333 depositary receipts in total, representing 2.24 per cent of the issued share capital of the Company. Mr E.J. van Garderen holds 26,000 depositary receipts in total, representing 0.06 per cent of the issued share capital of the Company. Mr W.G. van Hassel indirectly holds 3,566 depositary receipts representing 0.009 per cent of the issued share capital of the Company. Mr A.E. Teeuw holds 7,000 depositary receipts representing 0.017 per cent of the issued share capital of the Company. None of the other members of the Board of Supervisory Directors has any holdings in the Company.

### Loans

There are no loans granted to members of the Supervisory Board or members of the Board of Management.

## 28. Post balance sheet events

There are no post balance sheet events.

# Company balance sheet
## (before income appropriation)

| | Note | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|---|
| Investments in subsidiaries | 3 | 1,019,503 | 921,306 |
| Due from subsidiaries | 4 | 389,501 | 277,686 |
| Tangible fixed assets | 5 | 506 | 580 |
| Total non-current assets | | 1,409,510 | 1,199,572 |
| | | | |
| Receivables | 6 | 690 | 1,051 |
| Cash and deposits | 7 | 15,620 | 103,930 |
| Total current assets | | 16,310 | 104,981 |
| Total assets | | 1,425,820 | 1,304,553 |
| | | | |
| Creditors | | 2,900 | 2,508 |
| Borrowings | 8 | 55,000 | 0 |
| Total current liabilities | | 57,900 | 2,508 |
| Total liabilities | | 57,900 | 2,508 |
| | | | |
| Provision for pensions | 9 | 1,856 | 1,898 |
| | | | |
| Net assets | | 1,366,064 | 1,300,147 |
| | | | |
| Shareholders' equity | 10 | | |
| Issued share capital | | 208,890 | 204,983 |
| Share premium reserve | | 393,547 | 396,385 |
| Legal revaluation reserve | | 707,967 | 655,000 |
| Currency translation reserve | | 13,531 | 16,739 |
| Retained profit reserve | | (80,790) | 39,158 |
| Undistributed income | | 122,919 | (12,118) |
| | | 1,366,064 | 1,300,147 |

# Company profit and loss account

| | 2012/2013 €'000 | 2011/2012 €'000 |
|---|---|---|
| Company profit after taxation | 24,538 | 22,803 |
| Result from subsidiaries after taxation | 98,381 | (34,921) |
| Result after taxation | 122,919 | (12,118) |

# Notes to the Company financial statements

## 1. General

The description of the Company's activities and structure, as included in the notes to the consolidated financial statements, also apply to the Company financial statements. The corporate accounts have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code. In order to harmonise the accounting principles of the corporate accounts with the consolidated accounts, the Board of Management has decided, from 1 July 2005 onward, to adopt the provisions of Article 2:362 paragraph 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated accounts also apply to the Company financial statements. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 30 June 2013.

When preparing its financial statements the Company also applied the rules for the contents of the financial statements of investment institutions pursuant to the Netherlands Act on Financial Supervision.

## 2. Principal accounting policies

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

### Investments in subsidiaries

In accordance with Article 2:362 paragraph 8 of the Netherlands Civil Code, all subsidiaries are accounted for on a net asset value basis. For determining the net asset value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

## 3. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2013 were as follows:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 921,306 | 951,804 |
| Investments | 0 | 1,070 |
| Exchange rate movement | (163) | 3,353 |
| Result from subsidiaries | 98,360 | (34,921) |
| Book value at end of year | 1,019,530 | 921,306 |
| | | |
| Cost at end of year | 266,305 | 266,305 |
| Exchange rate movement | (2,474) | (2,311) |
| Cumulative result from subsidiaries | 755,672 | 657,312 |
| Book value at end of year | 1,019,503 | 921,306 |

## 4. Due from subsidiaries

The balance at 30 June 2013 principally represents funds advanced to Eurocommercial Properties Caumartin S.N.C., Eurocommercial Properties France S.A.S., Eurocommercial Properties Taverny S.N.C. and Eurocommercial Properties Sweden AB.

These advances were made under long-term loan facilities and the average interest rate of these advances is 4.1 per cent (30 June 2012: 5.5 per cent).

| Maturity profile due from subsidiaries | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Up to one year | 2,959 | 8,151 |
| From one year to ten years | 210,900 | 135,697 |
| Indefinite maturity period | 175,642 | 132,167 |
| | 389,501 | 276,015 |

## 5. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office in Amsterdam, the Paris office and partly the London office. These costs are depreciated over the expected useful lives of the assets concerned varying from two to five years. The movements in the current financial year were:

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 580 | 898 |
| Additions | 302 | 276 |
| Depreciation | (363) | (537) |
| Disposals | (13) | (57) |
| Book value at end of year | 506 | 580 |
| | | |
| Cost at end of year | 2,232 | 1,875 |
| Accumulated depreciation | (1,726) | (1,295) |
| Book value at end of year | 506 | 580 |

During the financial year ended 30 June 2013 tangible fixed assets with a total cost price of €366,000 were disposed of or out of use (30 June 2012: disposals €658,000).

## 6. Receivables

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Interest receivable from banks | 247 | 634 |
| Prepayments | 410 | 380 |
| VAT receivable | 33 | 37 |
| | 690 | 1,051 |

## 7. Cash and deposits

Cash and deposits of €15.6 million consist of time deposits and amounts held as bank balances and other liquid assets. All bank balances and deposits are freely available.

## 8. Borrowings

| | 30-06-13 €'000 | 30-06-12 €'000 |
|---|---|---|
| Book value at beginning of year | 0 | 0 |
| Drawdown of funds | 100,797 | 63,000 |
| Repayments | (44,526) | (63,000) |
| Exchange rate movement | (1,271) | 0 |
| Book value at end of year | 55,000 | 0 |

## 9. Provisions for pensions

An analysis of the provisions for pensions is provided in note 20 of the consolidated financial statements.

# Notes to the Company financial statements
continued

## 10. Shareholders' equity

The movements in shareholders' equity in the current financial year were:

| | Issued share capital €'000 | Share premium reserve €'000 | Legal revaluation reserve €'000 | Currency translation reserve €'000 | Retained profit reserve €'000 | Undistributed income €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| 30-06-2012 | 204,983 | 396,385 | 655,000 | 16,739 | 39,158 | (12,118) | 1,300,147 |
| Issued shares | 3,907 | (3,907) | | | | | 0 |
| Result previous financial year | | | | | (12,118) | 12,118 | 0 |
| Result for the year | | | | | | 122,919 | 122,919 |
| Dividends paid | | (48) | | | (54,622) | | (54,670) |
| Stock options exercised | | 916 | | | 124 | | 1,040 |
| Stock options and performance shares granted | | 201 | | | | | 201 |
| Foreign currency translation differences | | | | (3,208) | (365) | | (3,573) |
| Addition to legal reserve | | | 52,967 | | (52,967) | | 0 |
| 30-06-2013 | 208,890 | 393,547 | 707,967 | 13,531 | (80,790) | 122,919 | 1,366,064 |

The movements in shareholders' equity in the previous financial year were:

| | Issued share capital €'000 | Share premium reserve €'000 | Legal revaluation reserve €'000 | Currency translation reserve €'000 | Retained profit reserve €'000 | Undistributed income €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| 30-06-2011 | 204,283 | 395,990 | 686,569 | 6,840 | (124,809) | 201,277 | 1,370,150 |
| Issued shares | 700 | (700) | | | | | 0 |
| Result previous financial year | | | | | 129,280 | (129,280) | 0 |
| Result for the year | | | | | | (12,118) | (12,118) |
| Dividends paid | | (11) | | | | (71,997) | (72,008) |
| Stock options granted | | 1,106 | | | | | 1,106 |
| Foreign currency translation differences | | | | 9,899 | 3,118 | | 13,017 |
| Release from legal reserve | | | (31,569) | | 31,569 | | 0 |
| 30-06-2012 | 204,983 | 396,385 | 655,000 | 16,739 | 39,158 | (12,118) | 1,300,147 |

Reference is also made to the consolidated financial statements and the notes thereto for movements in the components of shareholders' equity.

A more detailed analysis of the legal reserves is provided in note 23 of the consolidated financial statements.

Holders of depositary receipts representing 30.5 per cent of the issued share capital (last year 6.17 per cent) opted for 781,539 bonus depositary receipts at an issue price of €30.72 from the Company's share premium reserve, instead of a cash dividend of €1.92 per depositary receipt for the financial year ended 30 June 2012. Accordingly, an amount of €54.6 million of the undistributed income was taken to fund the cash dividend paid on 30 November 2012.

An analysis of the Director's fees is provided in note 27 of the consolidated financial statements.

## 11. Audit fee

The fee for professional audit services and other services rendered by Ernst & Young Accountants LLP of Amsterdam, the Netherlands for the financial year ended 30 June 2013 is €240,000 (2011/2012: €200,000). The services rendered by the external audit firm during 2012/2013 and 2011/2012 are only related to the audit of the financial statements.

## 12. Expense ratio

Pursuant to the Netherlands Act on Financial Supervision it is required to report the expense ratio of the Company. This ratio is calculated as the total costs, which include property expenses, net service charge expenses, company expenses, investment expenses and current tax, divided by the weighted average net asset value of the last five quarters. Over the financial year 2012/2013 this expense ratio amounted to 3.18 per cent (2011/2012: 2.80 per cent).

.

## 13. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of Intesa Sanpaolo S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €184 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.3 million.

The Company has entered into guarantees in favour of UniCredit Banca d'Impresa S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. and Betulla S.r.l. to an amount of €105 million.

The Company has entered into guarantees in favour of Banca Nazionale Del Lavoro (part of BNP Paribas) for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €1.5 million.

The Company has entered into a guarantee in favour of Monte Dei Paschi Di Siena S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €21 million.

The Company has entered into a guarantee in favour of ABN Amro Bank N.V. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €125 million.

The Company has entered into a guarantee in favour of UBI-CentroBanca S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €62 million.

The Company has entered into guarantees in favour of ING Bank N.V., Milan Branch, for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €95 million.

The Company has entered into a guarantee in favour of ING Bank N.V., Real Estate Finance for debts incurred by Eurocommercial Properties Caumartin S.N.C. and Eurocommercial Properties France S.A.S. to an amount of €150 million.

The Company has entered into guarantees in favour of Deutsche Hypothekenbank AG for debts incurred by Eurocommercial Properties Taverny S.N.C. and Eurocommercial Properties France S.A.S. to an amount of €133 million.

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB, French Branch, for debts incurred by Eurocommercial Properties France S.A.S. to an amount of €95 million.

The Company has entered into guarantees in favour of Nordea AB for debts incurred by Aktiebolaget Laholm Mellby 2:129, Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde K-mannen 2, Hälla Shopping Fastighets AB, Bergvik Köpet 3 KB, and ECP Högsbo AB to an amount of SEK 1,291 million.

The Company has entered into a guarantee in favour of Skandinaviska Enskilda Banken AB for debts incurred by KB Degeln 1 and Kronan Fastigheter i Karlskrona AB to an amount of SEK 450 million.

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB for debts incurred by Samarkandfastigheter AB to an amount of SEK 425 million.

The Company has entered into guarantees in favour of credit institutions for interest rate swap contracts hedging the exposure of subsidiaries to interest rate movements over a total notional amount of €905 million (see also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 20 September 2013

### Board of Management

J.P. Lewis, Chairman
E.J. van Garderen

### Board of Supervisory Directors

W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

# Other information

## Post balance sheet events
There are no post balance sheet events.

## Priority shares
All issued priority shares are held by Stichting Prioriteitsaandelen Eurocommercial Properties.

The holders of the priority shares are entitled to determine the number of members of the Company's Supervisory and Management Boards, to nominate the persons to be submitted to the vote of all shareholders for election to the Board of Management and the Supervisory Board and to approve the appropriation of income of the Company.

For the period to 30 June 2014, they are empowered to authorise the issue of new shares and the terms of issue, including a power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares. The priority shares are in all other respects identical to the registered ordinary shares.

The Board of Stichting Prioriteitsaandelen Eurocommercial Properties at 30 June 2013 comprised:

J.P. Lewis
N.R.L. Mijnssen

## Provisions in the Articles of Association concerning the appropriation of income
The appropriation of income is subject to the Provisions of Article 44 of the Articles of Association of the Company of which the major provisions are as follows:

(a) Out of the profit as evidenced by the adopted annual accounts and after deduction of all taxes due by the Company, such amount may be reserved as the Board of Management shall determine which reserve shall be at the exclusive disposal of the Board of Management.

(b) The remainder of the profit shall be at the disposal of the General Meeting of Shareholders for distribution of dividend, either in cash or in shares in the capital of the Company, or a combination of both, on the priority shares and ordinary shares, or for reserves or such other purposes covered by the objects of the Company, as the General Meeting of Shareholders shall decide after prior approval of the meeting of holders of priority shares.
If it is decided to distribute dividends in full or in part, the distributable part of the profit shall be distributed amongst holders of priority shares and holders of ordinary shares pro rata to the nominal value of their shares.

(c) The distribution of profit shall take place after the adoption of the annual accounts showing that such distribution is permitted. (Interim) dividends may be distributed in cash or in shares in the capital of the Company or a combination thereof.

## Dividend distribution
The Board of Management proposes to the Annual General Meeting of Shareholders to be held at the Amstel InterContinental Hotel, Prof. Tulpplein 1, Amsterdam on 5 November 2013 at 14.00 hours to distribute a cash dividend of €1.92 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2013 (30 June 2012: €1.92 per depositary receipt). Subject to its fiscal and other limitations, the Company will offer holders of depositary receipts the option of taking new depositary receipts from the Company's share premium reserve, instead of a cash dividend. The percentage of such scrip issue will be announced on 1 November 2013. The distribution will be payable as from 29 November 2013. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15 per cent for the Netherlands and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2013/2014. Holders of depositary receipts are given the opportunity to make their choice known up to and including 21 November 2013. If notification is not received by that date a cash dividend only will be payable. The part of the profit not distributed in cash will be added to shareholders' equity.

## Financial calendar

| | |
|---|---|
| 1 November 2013 | Announcement of scrip issue price |
| 5 November 2013 at 14:00 | Annual General Meeting of Shareholders |
| 7 November 2013 | Ex-dividend date |
| 8 November 2013 | Announcement of first quarter results 2013/2014 |
| 29 November 2013 | Dividend payment date |
| 7 February 2014 | Announcement of half year results 2013/2014 |
| 9 May 2014 | Announcement of third quarter results 2013/2014 |
| 29 August 2014 | Announcement of annual results 2013/2014 |
| 4 November 2014 | Annual General Meeting of Shareholders |

## Statements pursuant to the Netherlands Act on Financial Supervision

The Netherlands Authority for the Financial Markets granted a permit to the Company on 7 July 2006, a copy of which is available at the Company's office and is also available at the Company's website: www.eurocommercialproperties.com.

The members of the Board of Supervisory Directors and the members of the Board of Management of Eurocommercial Properties N.V. have no personal interest in investments made by Eurocommercial Properties N.V. now nor at any time in the past year. The Company has no knowledge of property transactions taking place in the year under review with persons or institutions which can be considered to stand in a direct relationship to the Company.

## Holders of depositary receipts/ordinary shares with a holding of 3 per cent or more

Under the Netherlands Act on Financial Supervision, the Netherlands Authority for the Financial Markets has received notification from five holders of depositary receipts/ordinary shares with interests greater than 3 per cent in the Company. According to the latest notifications these interests were as follows:

Stichting Administratiekantoor Eurocommercial Properties (99.84 per cent), the Government of Singapore (12.75 per cent), Norges Bank (7.38 per cent), CBRE Clarion Securities, LCC (5.03 per cent), Société Fédérale de Participations et d'Investissement (SFPI) (3.30 per cent) and BlackRock, Inc. (3.16 per cent).

The dates of the aforesaid notifications were 1 November 2006, 1 November 2006, 31 December 2011, 8 February 2013, 1 July 2013 and 11 September 2013.

## Stock market prices and turnover 2012/2013

The Company is listed on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange) and is admitted to the Euronext 150 index and the Amsterdam Midkap (AMX) index.

| | | High | Low | Average |
|---|---|---|---|---|
| Closing price 30 June 2013 (€; depositary receipts) | 28.20 | 32.59 | 26.42 | 29.46 |
| Average daily turnover (in depositary receipts) | 101,183 | | | |
| Average daily turnover (€'000,000) | 2.9 | | | |
| Total turnover over the past 12 months (€'000,000) | 763.1 | | | |
| Market capitalisation (€'000,000) | 1,177.0 | | | |
| Total turnover divided by market capitalisation | 65% | | | |

Source: NYSE Euronext, Global Property Research

Depositary receipts listed on NYSE Euronext Amsterdam are registered with Centrum voor Fondsenadministratie B.V. under code: 28887

ISIN – Code: NL 0000288876

Stock market prices are followed by:

Bloomberg: ECMPA NA
Datastream: 307406 or H:SIPF
Reuters: SIPFc.AS

## Valuers

The following independent firms have valued the Company's properties at 30 June 2013:

France: CB Richard Ellis, Cushman & Wakefield, Knight Frank
Italy: CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle
Sweden: Cushman & Wakefield, DTZ

# Other information
continued

## Independent Auditor's Report

To the shareholders and the holders of depositary receipts of Eurocommercial Properties N.V.

## Report on the financial statements

We have audited the accompanying financial statements of Eurocommercial Properties N.V., Amsterdam, for the year ended 30 June 2013 (as set out on pages 74 to 113). The financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated profit and loss account and the consolidated statement of comprehensive income for the year ended 30 June 2013, the consolidated balance sheet as at 30 June 2013, the consolidated cash flow statement, and the consolidated statement of changes in shareholders' equity for the year ended 30 June 2013, and notes, comprising a summary of the significant accounting policies and other explanatory information. The Company financial statements comprise the Company balance sheet as at 30 June 2013, the Company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

## Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## 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, including the Dutch Auditing Standard on Accounting. This 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2013, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision.

## Opinion with respect to the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision.

## Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Management, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 20 September 2013

Ernst & Young Accountants LLP

Signed by J.C.J. Preijde RA

# Glossary

| | |
|---|---|
| Adjusted net asset value: | IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). Adjusted NAV per depositary receipt is calculated using the number of DRs (basic) outstanding at the balance sheet date. |
| Boutique: | Retail unit less than 300m$^2$. |
| CPI: | Consumer price index. |
| Depositary receipt (DR): | Stock certificate, representing ten ordinary registered shares, traded on NYSE Euronext Amsterdam. |
| Direct investment result: | Net property income less net interest expenses and company expenses after taxation. Direct investment result per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. |
| Drive: | A drive-through collection point for hypermarket goods ordered online. |
| Entry premium: | One-off payment by a tenant, in addition to the MGR, to secure a lease on a particularly desirable retail unit. |
| EPRA: | European Public Real Estate Association. |
| EPRA earnings: | Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. |
| EPRA NAV: | IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). EPRA NAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date. |
| EPRA net initial yield: | Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. |
| EPRA NNNAV: | EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes. EPRA NNNAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date. |
| ERV: | The estimated rental value of the whole portfolio if all space was let at current market levels at the balance sheet date. |
| FBI: | Fiscale Beleggingsinstelling (Dutch fiscal investment institution). As a result of being an FBI all of Eurocommercial's income, whatever its source, is tax free at the corporate level if it is distributed to shareholders in the form of a dividend. |
| Gallery: | All retail units in a shopping centre excluding the hypermarket. |
| Gross/Total lettable area (GLA): | Total area of a property that can be leased to a tenant, including storage area. |
| ICC: | Indice du Coût de la Construction. Cost of construction index still used for some French retail leases although the majority have adopted the new ILC index. |
| ILC: | Indice des Loyers Commerciaux. Index used for French retail leases derived 50 per cent from the consumer price index, 25 per cent from the cost of construction index and 25 per cent from the retail sales index. |
| Interest cover ratio (ICR): | Net property income less company expenses divided by interest expenses less interest income. |
| Internal rate of return (IRR) | In the calculation of the IRR all income and cost items as booked in the consolidated accounts are included (i.e. the net rental income, the capitalised expenditures and the movements in value of the revaluation reserve) on a yearly basis. |
| Like for like: | Compares the gross rental income and/or the gross sales turnover of units which existed for the whole of the current and prior year period, i.e. excluding acquisitions, divestments and extensions. Entry premiums are not included in the like for like rental growth figures. |
| Minimum guaranteed rent (MGR): | Contracted annual rent paid by a tenant, excluding indexation, turnover rent and entry premiums. Also referred to as base rent. |
| Medium Surface/Moyenne Surface/Media Superficie (MS): | A major unit occupying a large space within a shopping centre or retail park which serves as a draw to other retailers and customers. The total lettable area is usually greater than 600m$^2$. |

# Glossary
continued

| | |
|---|---|
| Net debt to adjusted net equity: | Total borrowings net of cash expressed as a percentage of adjusted net equity. This is the definition used in debt covenants. |
| Net (initial) yield: | See EPRA net initial yield. |
| Net loan to value: | Total borrowings net of cash expressed as a percentage of the total value of property investments, property investments under development and property investments held for sale. |
| Net return on cost: | Net rental income generated by an extension/development as a proportion of the total cost of the development including financing costs. |
| Net rental income: | Gross rental income for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and real estate management costs and other vacant property costs. |
| Occupancy cost ratio (OCR): | Rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT. |
| Passing rent: | The annualised rental income at 30 June 2013 including 2012 turnover rent. |
| Pre-let: | A lease signed with a tenant prior to completion of a development. |
| Rental arrears: | Rent which is unpaid 90 days after the due date, expressed as a percentage of the total rent due. |
| Sales area: | Gross/total lettable area excluding storage area. |
| Sales turnover: | Sales income, including VAT, of retail tenants. |
| Scrip dividend: | Dividend received in the form of shares. |
| SIIC: | Société d'investissements immobiliers cotée. French tax-exempt regime available to listed property companies with assets in France. |
| Turnover rent: | Any element of rent received or to be received related to a tenant's sales turnover. |
| Vacancy: | The ERV of vacant space expressed as a percentage of the total rental income of the whole portfolio excluding: property investments under development. |

# Directory

## Supervisory Board
W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

## Management Board
J.P. Lewis, Chairman
E.J. van Garderen

## Country Heads
J.P.C. Mills, Director
T.R. Newton, Director
T.G.M. Santini, Director

## Property Directors
M. Bjöörn
V. Di Nisio
P.H. Le Goueff
C. Romagnoli

## Board of Stichting Prioriteitsaandelen Eurocommercial Properties
J.P. Lewis, Chairman
N.R.L. Mijnssen

## Board of Stichting Administratiekantoor Eurocommercial Properties
A. Plomp
B.T.M. Steins Bisschop

## Head Office
Eurocommercial Properties N.V.
Herengracht 469
1017 BS Amsterdam
The Netherlands
Tel: 31 (0)20 530 60 30
Fax: 31 (0)20 530 60 40

Email: info@eurocommercialproperties.com
Website: www.eurocommercialproperties.com

Eurocommercial Properties N.V. is registered with the Amsterdam Trade Register under number: 33230134

S. Aimoni
D.R.L. Albers
M.V. Alvares
S. Baldi
V. Bradley
J.M. Camacho-Cabiscol
N.P.J. Desoeuvre
M.H. Ekman
L. Fabbrini
R. Fraticelli
K. Goode
T. Klitsee
C.M.A. Mangel
Q. Saleh
J.M. Veldhuis
I. Vitaloni
J. Vlietstra-Passer
T. Zevenbergen

## United Kingdom
4 Carlton Gardens
London SW1Y 5AB
United Kingdom
Tel: 44 (0)20 7925 7860
Fax: 44 (0)20 7925 7888

## France
107 rue Saint Lazare
75009 Paris
France
Tel: 33 (0)1 48 78 06 66
Fax: 33 (0)1 48 78 79 22

C. Amchin
C. Bonaldi
N. Bourimoff
E. Compain
L. Ducrocq
B. Frois
S. Jorge
A. Leroy
C. Limousin
D. Malherbe
C. Marest
J. Martinelli
E. Neveu
N. Revel
E. Rizzotti
G. Sesboüé
A.F. Vredenbregt

## Italy
Via della Moscova, 3
20121 Milano
Italy
Tel: 39 02 760 759 1
Fax: 39 02 760 161 80

F. Aquilina
F. Da Rin
S. De Robertis
S. Fava
M. Garibaldi
E. Gasparini
S. Gelain
V. Manzoni
M. Marchesi
E. Nicoletti
S. Olgiati
M. Oppini
R. Parisi
M. Parrello
D. Pugliese
A. Tani
V. Vecchione

## Sweden
Kungsgatan 48
111 35 Stockholm
Sweden
Tel: 46 (0)8 678 53 60
Fax: 46 (0)8 678 53 70

T. Ågren
F. Forsling
J. Gustavsson
J. Hägglöf
C. Holmberg
P. Sörnell
K. Stork
S. White

www.eurocommercialproperties.com