

EUROCOMMERCIAL

Annual Report

30 June 2018



EUROCOMMERCIAL



Highly-experienced investor

Listed on Euronext since 1991.

p04

Read more in
Chief Executive's review



Clear business model

Buy, manage and develop well-located and resilient retail properties in prosperous markets.

p16

Read more on
Our business model



Balanced portfolio of high-quality assets

Shopping centres, city galleries and retail parks in major European economies.

p10

Read more on
Property performance



Well-established management team

Senior management team has worked together for over 20 years.

p07

Read more about
Our management team



Strong track record

Stable to rising dividends every year since inception.

p12

Read more in
Financial review



Tax efficient

Tax status in the Netherlands (FBI), France (SIIC) and Belgium (FIIS).

p99

Read more on
Financial performance

2017/2018 Highlights

A strategically important year for Eurocommercial underpinned by strong operational and financial performance.

Direct investment result

+7.1%

Increased by **5.8%** per depositary receipt to **€2.36**

Net property income

+5.4%

Higher income received from a larger portfolio, plus rental growth

Dividend

+2.4%

The Board is recommending a dividend for the year of **€2.15** per depositary receipt, an increase of **2.4%**

Rental growth (like-for-like)

+1.4%

France +0.2%, Italy +1.5%, Sweden +3.8%

Retail sales growth

+1.1%

France +0.1%, Italy +1.5%, Sweden +1.4%

Net asset value

€45.08

Increased from **€44.87** at 31 December

Business review

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Eurocommercial At a glance

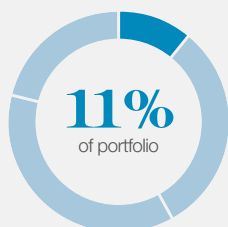
We own and manage retail property in Belgium, France, Italy and Sweden valued at €4.1 billion, which attracted over 130 million visitors last year.

Belgium



€453m

Property value



1

Property

23,000m²

ECP gross lettable area

6m

Visitors

€123m

Shop sales turnover
(12 months)

€1,087

Average rent per m²,
MGR for boutiques
300m² and under

€9,397

Average turnover per m²
for boutiques 300m²
and under

p30

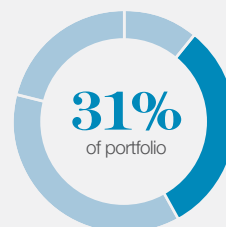
Read more on
Country report: Belgium

France



€1,256m

Property value



12

Properties

230,000m²

ECP gross lettable area

45m

Visitors

€627m

Shop sales turnover
(12 months)

€714

Average rent per m²,
MGR for boutiques
300m² and under

€6,949

Average turnover per m²
for boutiques 300m²
and under

p34

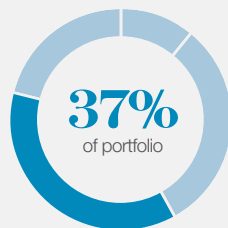
Read more on
Country report: France

Italy



€1,502m

Property value



8

Properties

285,000m²

ECP gross lettable area

61m

Visitors

€957m

Shop sales turnover
(12 months)

€707

Average rent per m²,
MGR for boutiques
300m² and under

€8,360

Average turnover per m²
for boutiques 300m²
and under

p44

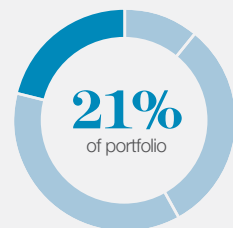
Read more on
Country report: Italy

Sweden



€868m

Property value



8

Properties

258,000m²

ECP gross lettable area

21m

Visitors

€561m

Shop sales turnover
(12 months)

€374

Average rent per m²,
MGR for boutiques
300m² and under

€6,287

Average turnover per m²
for boutiques 300m²
and under

p52

Read more on
Country report: Sweden

Chief Executive's Review



“

A year of strategic importance with a major acquisition in a new country, balanced by successful property sales across the portfolio.

Jeremy Lewis
Chief Executive

Strategy

This has been a year of considerable strategic importance for Eurocommercial.

A new country, Belgium, has been added to France, Italy and Sweden with the acquisition of Woluwe – the best-known shopping centre in Brussels. We have also added Valbo, another dominant regional shopping centre, to our Swedish assets.

Seven smaller properties have been sold so far, raising €367 million at an overall price within 3% of valuations and further disposals are planned during the coming year so that our debt ratios, which were increased temporarily for the acquisition of Woluwe, are able to revert to historic conservative levels.

We anticipate that the end result will be an even stronger portfolio of centres which are prime retail destinations for retailers and visitors alike.

The retail market

Economies

Economies in the Eurozone are growing at an average of around 2.5% with a generally good level of consumer confidence.

Sweden is continuing to enjoy particularly strong GDP growth and the French economy is stronger than a year ago with GDP growth of about 1.5% reflecting a more positive mood in the country after the accession of Mr Macron. In Belgium, GDP growth is satisfactory at plus 1.5% with unemployment down to 6.3%.

The election in Italy of the Five Star/Lega Government initially caused an increase in Italian bond yields, reflecting concerns at rather inflammatory electioneering anti-European statements. Now that the parties are in power the Finance Minister has made it clear that Italy has no intention of leaving the euro, still less the European Union, and Government bonds have recovered. GDP growth is around 1.5%.

The policies of the new Government are likely to encourage consumer spending but the concern remains that looser economic measures could adversely affect Italy's current low annual budget deficit of under 3%.

Overall, there is nothing in the economies of our countries to suggest a weakening of consumer demand and in fact there are good indications of potential growth in spending.

Retailers

Generally, in our markets the retail space supply and demand dynamics are in balance but retail chains are being more selective in the location of their physical stores, given their alternative internet-based sales channels.

These sales channels are mutually supportive and fundamental to the profitability of retailers but they are being constantly re-examined, with secondary or surplus physical stores being closed and often larger stores being opened in more favoured locations.

We are in constant communication with our retailer tenants to ensure that our centres provide them with the sales they need at rents that allow their stores to be profitable. This in turn means that we are highly responsive to the wishes of our customers collected through face-to-face surveys and online research.

Our centres must be easy to get to and create a positive customer experience so that shopping is a pleasure, not a chore.

The changes to our portfolio have, and will continue to have, a paramount aim – to ensure that if a retailer has targeted a particular town or region, our centre is indispensable as the best and most profitable of its type in the area.

Rental and turnover growth

Our centres continue to show solid rental growth with Italy and Sweden leading the way.

Overall average rental uplifts on relettings and renewals over the year were 11.3%, giving total like-for-like rental growth of 1.4%.

Turnover growth, overall 1.1%, was mixed with the best results again being from Italy and Sweden, with France suffering from the SNCF strikes as well as poor weather in the spring, notwithstanding a relatively strong economy.

Vacancies continued to be low at 0.5% of rent despite temporary voids in Les Atlantes and the Passage du Havre. In the latter, terms have already been agreed with replacement tenants, and negotiations are ongoing at Les Atlantes.

Continued overleaf



Woluwe Shopping, Brussels

Chief Executive's review continued



Valbo, Gävle

Property markets

Demand from institutions for European property investments was extremely strong for the majority of 2017 with yields lower than for many years. It seems that the European Central Bank, while slowing its bond purchasing programme, is not yet ready to start raising interest rates per se but some investors are anticipating higher rates over the next year or so. Yields in the retail property sector have stopped falling and, in the case of more mundane properties, even started to rise slightly, thus reducing some prices. How much of this is directly related to official interest rates and how much to a reflection of concerns for US and UK retail markets which are suffering from structural problems, oversupply, internet competition and Brexit fears, is impossible to say. However, the trend is evident in France, although not in Belgium, Italy or Sweden.

Acquisitions

We made two major acquisitions during the year – the most significant being Woluwe Shopping in Brussels. This centre is in one of the wealthiest quarters of Brussels and is magnificently served by road, its own Metro station and two new tram stops opening in September as well as an adjoining bus station. The total cost, including registration duty, was €470.5 million and the initial yield was just under 4%. An application is being lodged for a 11,500m² gross extension, together with 150 apartments, totalling

around another 12,000m², which will be ideally suited for EU employees whose offices at Schuman can be reached directly from the Woluwe Metro station in 15 minutes. The planning regulations also permit an application for a further 20% of the whole after 2021, so the centre has immense growth potential, significantly enhancing its potential value.

The other acquisition, Valbo shopping centre, just outside Gävle in central Sweden, has a lettable area of 37,200m² and direct access to the important E16 motorway. It is opposite a modern retail park which, together with an IKEA store abutting the centre, makes this the most important retail zone in the region.

Property sales

In addition to the sales of 74 rue de Rivoli in Paris, Mellby and 421 in Sweden for €180 million in 2017, we have now sold centres in Bologna, Imola, Mantova and Sarzana in Italy for a price of €187 million. Further selective disposals across all our markets are planned in the coming year.

Earnings and dividends

Earnings (direct investment result) this period amounted to €2.36 per depositary receipt compared to €2.23 per depositary receipt last year. This excellent result was enhanced by four months' income from the purchase of Woluwe and six months' income from Valbo. Both were funded at interest rates in the period of well under 2%. The Italian sales were not completed until April so we benefitted from their income for the majority of the period.

These and other sales will reduce rental income in subsequent years, although C4 in Kristianstad will come on stream in Sweden in September, and we expect to see rising income from Woluwe and Valbo in future years.

We accordingly expect that the dividend can continue its historic path of steady long-term growth from the current level of €2.15 proposed for this year, which represents a pay-out ratio of only 91%.

Brussels listing

At the end of June we listed Eurocommercial's depositary receipts on Euronext Brussels, while retaining our listing on Euronext Amsterdam. Brussels is a core market for Eurocommercial's investment strategy in the coming years and we welcome the opportunity to signal our long-term commitment to the Belgian real estate market. Euronext Brussels offers a large range of real estate investment trusts to meet the strong demand for real estate by both private and institutional investors.



Watch the opening ceremony at
www.ecpnv.com/video

Management team

Jeremy Lewis Chief Executive

The founding Chief Executive of the Company, Jeremy is a Chartered Surveyor and has almost 50 years' international experience in commercial property and the running of quoted property investment vehicles.



Peter Mills Director

Peter joined Eurocommercial in 1993 and is responsible for the Company's operations in Sweden. He is a Chartered Surveyor and has previously worked for major international property consultants covering the UK and European retail markets.



Evert Jan van Garderen Finance Director

Evert Jan 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.



Tom Newton Director

Tom joined Eurocommercial in 1992 and has responsibility for all Belgian and French operations. Tom is a Chartered Surveyor and joined Eurocommercial having acquired experience in the property markets of the UK, Australia and Europe.



Roberto Fraticelli Director

Roberto joined the Company in 1998 and is responsible for the Italian activities of the Company. He is a Chartered Surveyor, a committee member for the CNCC and EPRA, and President of the Committee for EU Relations for Assoimmobiliare.



The retail Landscape

Retail is constantly evolving and we are continuously improving our high-quality real estate portfolio to ensure it is well-positioned to meet future demand.

Overview

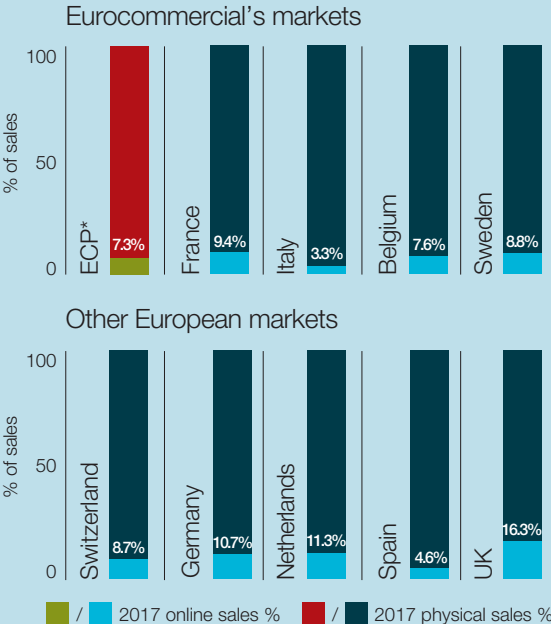
Retail has always been competitive and there is little doubt that the introduction of e-commerce from the mid-1990s has intensified competition by providing access to a wider range of options for consumers by making it easier to research, compare and purchase products.

The net effect is that the vast majority of retailers have been operating an integrated retail model for some time, recognising that e-commerce and physical retail are mutually supportive. In fact, McKinsey calculates that the halo effect of e-commerce (i.e. that stores are a recognised driver of local online purchases) accounts for between 20% and 40% of a store's total economic value to the retailer.

While a competitive environment can be tough, in our experience the result is frequently a demand from the strongest fashion retailers for more space in the best shopping centres. This in itself can present challenges, and there is no doubt that some retailers have already made changes and will continue to rationalise the number of stores they operate. Eurocommercial's centres are leaders in their catchments, we see strong demand for high-quality physical retail space and our vacancies continue to be low. While our centres perform well, we are not complacent and our priority is to ensure that tenants and visitors alike have the best possible experience in our centres.

2017 online and physical sales

Independent research by Forrester, the market research company, shows that retail sales are predominantly made in physical shops with online sales accounting for just 7% of sales on average in Eurocommercial's markets during 2017. Forecasts by Forrester show that by 2023 this rises to just over 12%, and that physical stores are expected to remain by far the single largest sales channel.



Source: Forrester European Online Retail Sales 2017. Total retail and online retail does not include travel, cars and prescription drugs.

* Eurocommercial average is unweighted based on a simple average across the four markets where it operates.

The digital customer journey

Today's consumers are constantly connected via mobile devices for information and communication. Our marketing teams and shopping centres have adapted to this new digital environment by offering a much higher degree of connectivity. We integrate technology and social media to engage and inspire visitors the moment they encounter our centres – from personalised marketing, digital couponing and interactive storefinders to Click & Collect facilities and special events featuring social media influencers.

p20 For more information on **how we use customer insights to improve the experience of our visitors**





Seamless retail

Our delivery zone at Hallarna combines the convenience of online shopping with the experience of physical shopping. It is proving popular with both retailers and shoppers, who can have their item delivered to the centre, try it on in the dedicated changing rooms and make an instant decision to either keep or return it via the delivery zone.

A wide range of omnichannel services are being introduced across our portfolio: lockers to collect products purchased online, shopping centre gift cards available for purchase both in-mall and online, iPad internet bars, wayfinder directories with digital couponing, communication and events in augmented reality.

p18

For more information about **our recent refurbishment and extension at Hallarna**

A resilient portfolio

Our investment strategy is clear and will help ensure that our portfolio is well-positioned to provide stable income in a competitive retail real estate market.

- Firstly, we operate only in **selected cities and markets** which have the structure and features which allow our business to thrive: a strong and stable economy; no over-supply of shops; favourable leasing terms; and full disclosure of turnovers by tenants.

Retail in these markets is fundamentally different to retail in the US and UK where supermarkets are usually standalone and completely separate from shopping malls. Our suburban centres are generally anchored by food retailers and this feature offers a degree of protection against internet sales by providing regular footfall, as our super and hypermarkets do not deliver.

- Secondly, our properties are **the best centres of their type in their catchments** – whether they are prime city centre real estate, a dominant shopping centre or a retail park. Prime location, ease of access and a strong catchment all underpin the success of each centre.
- Finally, we work hard to create an **excellent shopping experience** for our tenants and our visitors. We use insights gathered from our surveys and focus groups to ensure that each centre provides what people want. We ensure that our centres have a wide range of brands which appeal directly to customers in the centre's catchment. In addition to tenant rotation, which allows us to introduce the latest concepts, our centres provide a varied food offer, services (such as doctors, dentists, beauticians), children's play areas, crèches and plentiful parking to ensure people visit time and again. These are further enhanced by modern design and careful landscaping to create **attractive retail destinations**.

Property Performance

Eurocommercial's portfolio of high-quality retail assets has delivered another year of solid operational performance.

Rental growth

Our experienced leasing teams negotiated over 200 relettings and renewals in the year to 30 June 2018, resulting in an average uplift in minimum guaranteed rent of 11.3%.

The like-for-like (same floor area) rents of all Eurocommercial's galleries increased by 1.4% overall at 30 June 2018, when compared with 30 June 2017. This was largely driven by indexation and increases in income through relettings and renewals.

Like-for-like rental growth is calculated based on 12 month data and excludes the impact of acquisitions, disposals and development projects to provide an accurate figure for comparison. It includes the impact of indexation, turnover rent, vacancies and leasing activity – with the latter meaning that the overall figure can vary significantly between reporting periods depending on the number and size of leases signed in any given quarter.

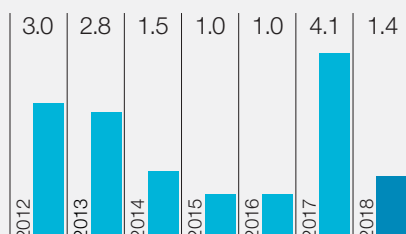
11.3%

Average uplift on relettings and renewals

	Average rental uplift on relettings and renewals	% of total leases relet and renewed	Number of relettings and renewals	Like-for-like rental growth
Overall	11.3%	14%	202	1.4%
France	4.7%	10%	50	0.2%
Italy	11.4%	15%	109	1.5%
Sweden	20.3%	18%	43	3.8%

Eurocommercial like-for-like rental growth %

(financial year ending 30 June)



Retail sales

Retailer sales in Eurocommercial's shopping centres increased 1.1% year-on-year, largely led by Italy and Sweden. Retail sales in France were impacted by transport strikes and wet weather but displayed strong growth in the first half of the financial year.

Shoes, Health & Beauty, Gifts & Jewellery, Sport and Food & Beverage performed particularly well for the 12 months.

1.1%

Like-for-like retail sales

Retail sales growth by country %

	12 months to 30 June 2018	6 months to 30 June 2018
Overall	1.1%*	-0.5%*
France	0.1%	-2.8%
Italy	1.5%	0.9%
Sweden	1.4%	0.0%

* Excluding hypermarkets.

Retail sales growth by sector* %

	12 months to 30 June 2018	6 months to 30 June 2018
Fashion	-1.7%	-5.6%
Shoes	+3.2%	-1.0%
Gifts and jewellery	+5.7%	+6.2%
Health and beauty	+3.1%	+2.7%
Sport	+4.8%	+2.5%
Restaurants	+9.6%	+7.4%
Home goods	+0.9%	-0.6%
Telecoms and electricals	-1.4%	+0.2%
Books and toys	+2.3%	+1.1%
Services	+0.9%	+2.2%
Hyper/supermarkets	-1.8%	-0.2%

* Excluding extensions/redevelopments and Woluwe shopping centre.

Property values

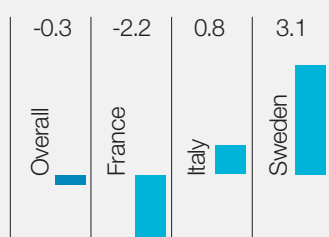
All our properties are valued every six months by independent appraisers, and firms are rotated every three years.

Valuations grew in Italy and Sweden, while valuations in France decreased year-on-year for suburban and provincial centres as there has been little activity in the property markets for these types of assets during 2018. However, French retail parks and town centre assets increased in value underpinned by transactional evidence.

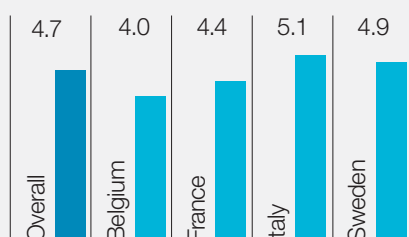
-0.3%

Valuation change over 12 months

Valuation change % 2017/18



Net initial yield % 30 June 2018



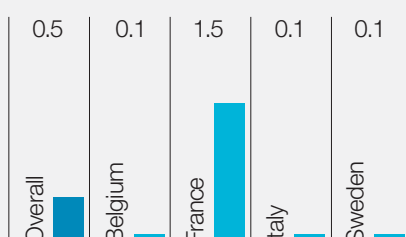
Low vacancies

Vacancies in Eurocommercial's retail portfolio represented only 0.5% of rental income at 30 June 2018 despite our French portfolio seeing a slight increase in vacancies during the course of the year. The majority of which has been relet.

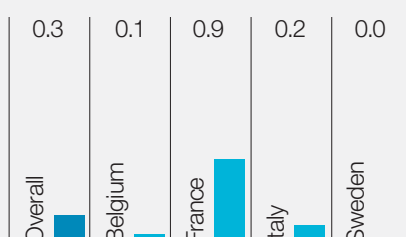
0.5%

Vacancy rate, based on expected rental income

Vacancy by ERV % 30 June 2018



Vacancy by floor area % 30 June 2018



Sustainable OCRs

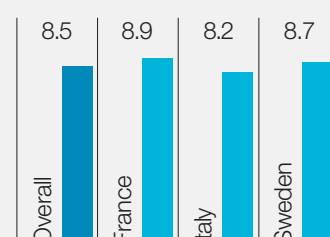
Eurocommercial's strategy is to lease its shops to the best retailers which increases the overall attraction of the shopping centre. At the same time, keeping rents in proportion with turnovers ensures retailers are profitable and better positioned to survive temporary downturns.

Rents are matched carefully to retail sales to ensure that the OCR (occupancy cost ratio) gross rent to gross sales turnover, excluding hypermarkets and Systembolaget is sustainable.

8.5%

Occupancy cost ratio

Occupancy cost ratios (excl. hypermarkets)* %



* Excludes Belgium as based on 12 months' turnover data.

Financial Review



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Over the past year we refinanced 90% of our loan book to extend the length and benefit from favourable terms.

Evert Jan van Garderen
Finance Director

Results summary

<i>Includes joint ventures</i>	2017/18	2016/17
Rental income (€m)*	208.8	197.7
Net rental income (€m)*	171.8	163.0
Direct investment result (€m)	115.7	108.0
Direct investment result per depositary receipt (€)	2.36	2.23
Dividend per depositary receipt (€)	2.15	2.10
IFRS profit after taxation (€m)	72.1	260.8
Adjusted net asset value per depositary receipt (€)	45.08	46.42
IFRS net asset value per depositary receipt (€)	39.30	40.58
Net debt to adjusted net equity*	81%	67%
Net debt to property value*	44%	39%
Average interest cost, including margins	2.2%	2.5%

* Based on proportional consolidation.

Overview

Income and earnings grew steadily year-on-year once again, yielding yet another strong performance for Eurocommercial. The outcome is a proposed dividend of €2.15 per depositary receipt, continuing our track record established over 27 years.

Looking beyond these figures, 2017/18 saw a great deal of change in Eurocommercial's portfolio which could only be achieved with a steady balance sheet and strong relationships with our banks. We have worked hard to ensure that our loan book, cash flow, risk management and hedging programme strike the right balance between flexible and resilient. As a result, Eurocommercial has the optimal financial structure to continue investing in our existing assets, while retaining the ability to be opportunistic when desirable and complementary assets become available.

Property valuations and net asset values (NAV)

Eurocommercial's properties were independently valued at 30 June 2018 by major international firms in accordance with the standards set out in the 'Red Book' of The Royal Institution of Chartered Surveyors. The changes in values of the properties since June and December 2017 are set out on the next page, together with their net yields.

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

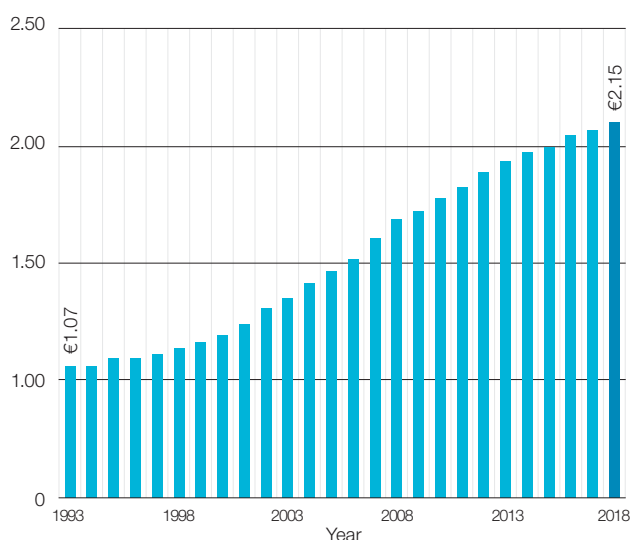
The valuation for Woluwe Shopping is lower than the purchase price due to registration taxes paid during acquisition, which has a negative effect on the valuation in the first year. French valuations decreased following a change in valuer and also as a result of fewer transactions for French suburban shopping centres during 2018.

	Valuation growth		Net initial yield including purchase costs	
	12 months to 30 June 2018	6 months to 30 June 2018	At 30 June 2018	At 30 June 2017
Overall*	-0.3%	-0.6%	4.7%	4.9%
Belgium	–	–	4.0%	–
France	-2.2%	-1.8%	4.4%	4.3%
Italy	0.8%	0.3%	5.1%	5.3%
Sweden	3.1%	1.7%	4.9%	4.8%

* Valuation growth excludes Belgium, as Woluwe Shopping was acquired in March 2018, and excludes Valbo acquired in January 2018. Net initial yield includes Woluwe and Valbo, and excludes C4 which is under development.

Dividend progression since inception

€



Adjusted net asset value at 30 June 2018 increased from €44.87 at 31 December 2017 to €45.08 per depositary receipt and decreased by 2.9% compared with 30 June 2017.

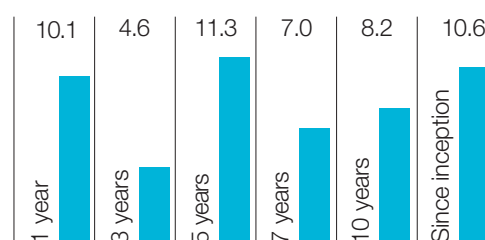
The IFRS net asset value, which (unlike the adjusted net asset value) includes the negative fair value of financial derivatives (interest rate swaps) and contingent capital gains tax liabilities, was €39.30 per depositary receipt at 30 June 2018, compared with €40.58 at 30 June 2017 and €39.20 at 31 December 2017.

International Financial Reporting Standards (IFRS)

The IFRS profit after taxation for the 12 months to 30 June 2018 decreased to €72.1 million from €260.8 million for the same period in 2016/17. This was largely due to the negative investment revaluation and disposal of investment properties figure, which amounted to minus €22.4 million, compared with a positive contribution of €173.0 million for the previous corresponding period. It also reflects a lower gain on the fair value movement for derivative financial instruments of €7.8 million, compared with €52.5 million for the previous corresponding period.

The weakening of the Swedish krona during the year had an unrealised negative impact of €37.0 million on the euro value of Eurocommercial's Swedish assets and liabilities at 30 June 2018, as recorded in the consolidated statement of comprehensive income.

Total shareholder return* % per annum (as at 30 June 2018)



Source: Global Property Research.

* The calculation includes nominal total returns based on share price with reinvestment of dividends.

Financial review continued

Funding

Through working closely with our network of European banks, we completed nine finance transactions worth €1.6 billion: almost 90% of the current net debt.

The primary aim was to extend the loan book once again, and the average term now sits at more than six years, a substantial improvement compared with the third quarter.

The largest finance transaction was for the acquisition of the Woluwe shopping centre. In January, we entered into a bridge facility of €472 million, with ABN AMRO and ING – the largest single finance transaction in the 27 years of the Company. In June, half of this bridge facility was converted into a seven-year bullet loan granted two thirds by ABN AMRO and one third by ING. The loan was secured by a mortgage over the Woluwe shopping centre.

The other half of the bridge facility was partially repaid in the last quarter and, to date, only €35 million is outstanding, which we expect to pay back in the coming months. Aside from some amortisation in the loan book there are no non-current borrowings maturing for 2018 or 2019.

On 30 June 2018, the net debt of the Group on the basis of proportional consolidation was €1.8 billion compared to an adjusted net equity for the Group

Details of new and refinanced loans

Date	Value	Term	Partner	Secured against
July 2017	SEK 880m	Six years	Nordea	Ingelsta, Elins Esplanad
January 2018	SEK 442m	Seven years	Aareal Bank	Valbo
January 2018*	€472m	Facility to 2018/19	ABN Amro & ING	Woluwe Shopping
March 2018	€20m	Seven years	UBI	I Gigli retail park & cinema
May 2018	€234m	Eight years	Unicredit & Bayerische Landesbank	I Gigli gallery and hypermarket
June 2018	SEK 700m	Six years	SEB	Hallarna
June 2018*	€236m	Seven years	ABN Amro & ING	Woluwe Shopping
June 2018	€170m	Five years	BNP Paribas & ING	Fiordaliso
July 2018	€248m	Eight years	Intesa San Paolo, BNP Paribas & UBI	Carosello

* 50% of the bridge facility was converted in a seven year fixed loan; the other half was partially repaid and only €80 million was outstanding at 30 June 2018.

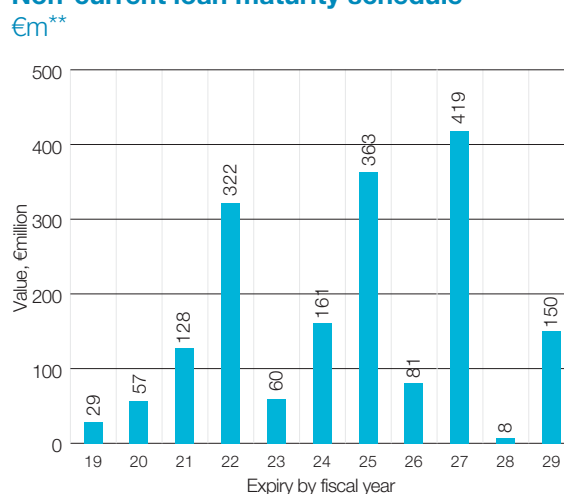
of just over €2.2 billion, translating into a net debt to equity ratio of 81% and a loan to value ratio of 44% (compared to 81% and 45% respectively at 31 March 2018).

As a result of agreeing new loans under favourable terms, the Company was able to keep its interest expense for the financial year stable at €40.9 million. At the end of the financial year, 78% of interest costs were fixed for an average of six and a half years. The average overall interest rate (including margin) for the total loan portfolio was 2.2%, compared to 2.5% at 30 June 2017.

Dutch tax regime

The proposed changes to the Dutch fiscal investment regime continue to provoke intense debate and discussion in the Netherlands, with further clarity expected during the coming weeks and months. In their current form, these rules will not affect Eurocommercial as they are restricted to REITs which own Dutch real estate of which Eurocommercial has none. Eurocommercial will continue to make use of the Dutch regime, and from 2020 the proposed abolition of Dutch withholding tax may actually benefit some of our investors. However, we believe that overall these changes are not in the interests of the Dutch real estate sector and its investors and we have been working with our peers to lobby against the changes.

Non-current loan maturity schedule

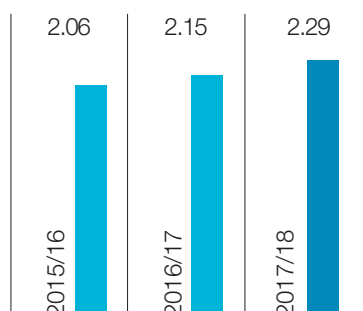


** Including the July 2018 €248 million loan.

EPRA performance measures

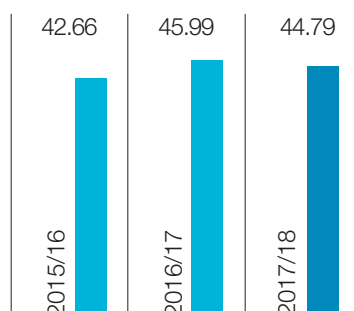
Eurocommercial is an active member of the European Public Real Estate Association (EPRA), a body which aims to promote, develop and represent the listed real estate sector. The Company has adopted the EPRA performance measures to assist in improving the transparency, comparability and relevance of the published results of listed real estate companies.

EPRA earnings € per depositary receipt



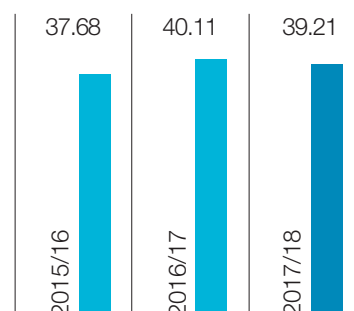
Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. Equivalent to the direct investment result less investment expenses.

EPRA NAV € per depositary receipt



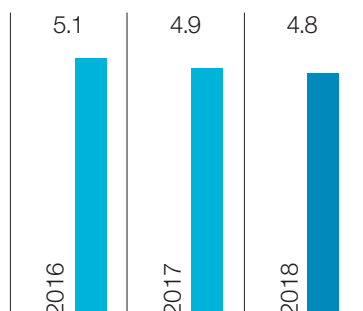
Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA NNAV € per depositary receipt



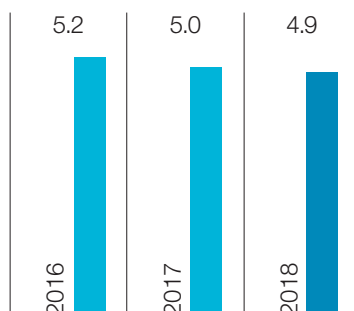
EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.

EPRA net initial yield (NIY) € per depositary receipt



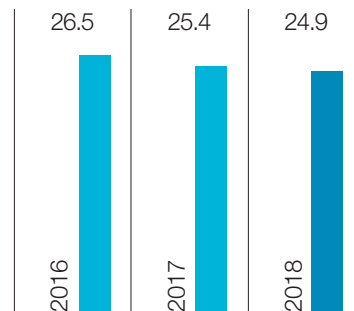
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA 'topped-up' (NIY) € per depositary receipt



Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA cost ratio % including costs of direct vacancy



Administrative and operating costs divided by gross rental income.

The **EPRA cost ratio** does not, we believe, give a meaningful comparison of the efficiency of property companies with widely differing property types and countries of operation where lease law, leasing practice and tax regimes can impact costs significantly. On page 80 the reconciliation of the EPRA cost ratio is provided and we explain there in more detail the limitations and disadvantages of this metric.

We think it is more appropriate to compare the clear standard metric of personnel numbers and costs (30 June 2018).

- Personnel costs, including bonuses, €20.9 million
- Personnel costs, per €1 million of property assets, €5,112
- Property assets per employee, €45.3 million
- Gross rent per employee, €2.3 million

Our business model

Property location

Shopping centres depend on a number of factors for their success, the most important being one that cannot be changed: location. Eurocommercial's in-house research and economics team investigates every acquisition with great care. The accessibility and visibility of the site is assessed, followed by a thorough investigation of the wealth and buying preferences of the catchment population.

Case study

Woluwe Shopping

Woluwe – Saint Lambert (Brussels)

Prime location

The site of Woluwe Shopping is prominent, extensive and easily accessible, with very little competition.

The centre is well-established and has been trading for 50 years. It is served by a variety of transportation links, located close to Brussels' major ring road with its own Metro station which has a direct link to Schuman and the European Parliament and the city centre. Woluwe benefits from two tram stops plus a major bus interchange within 50 metres.

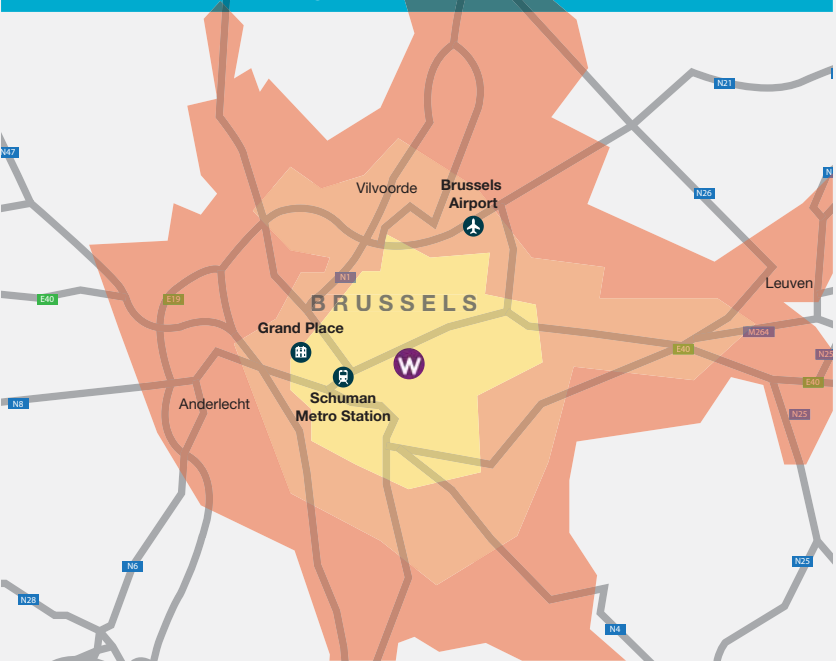
The catchment surrounding the shopping centre covers Brussels' most affluent suburbs, with significantly higher disposable income and purchasing power than the national average.

Research and due diligence

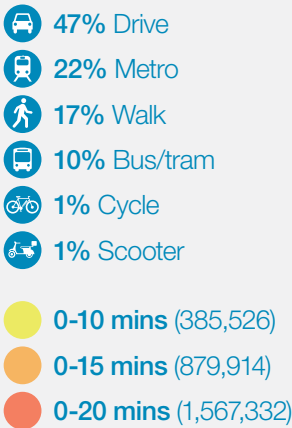
Woluwe has a well-earned reputation as the best shopping centre in Brussels by virtue of its position. With an increasingly competitive retail environment there is no room for complacency and our due diligence was focused on assessing future competition and the sustainability of current income levels.

Following extensive economic studies, competition research, commercial analysis and review of environmental and sustainability issues we were confident that the economic and retail conditions supported the acquisition. We secured ownership of the centre on 1 March 2018.

Prime Brussels shopping centre



How visitors arrive at Woluwe Shopping, 2018 customer survey*

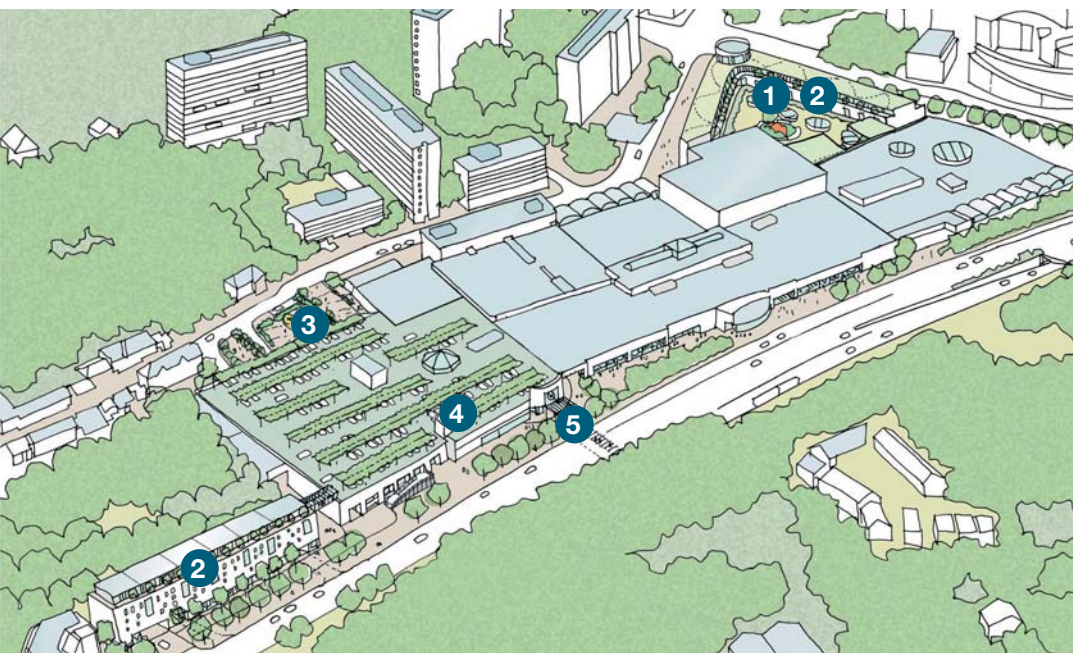


* Data gathered during major road and tramworks outside the centre, which are due to be completed in September 2018.



Woluwe is the best shopping centre in Brussels, we simply had to be there.

Andrea Vecchiato, Development and Franchising, Calzedonia



Proposed plans

- 1 10,500m² GLA retail and multi-level underground parking
- 2 150 residential apartments with roof garden or courtyard
- 3 Rue Saint-Lambert renovated entrance square
- 4 Enhancement and extension of roof parking
- 5 Enhanced entrance from new tram stop

Attractive fundamentals

- Wealthy catchment of one million people
- 6.2 million visitors in 2017
- Average overall turnover of €8,000 per m²
- Centre fully let for the past 20 years
- Low retail density in Brussels area
- Limited future competition
- Land included in purchase, creating an opportunity for future development

Customer insights

In May and June 2018, Eurocommercial undertook a detailed customer survey at Woluwe Shopping. Collecting insights through 800 half hour interviews with visitors to the centre, the findings are now informing decisions regarding how to improve not just the building but also the tenant mix, opening hours and parking to increase visitor numbers and dwell time.

Future potential

In addition to its prime location and attractive fundamentals, the potential to extend and improve the centre was one of the most attractive features for Eurocommercial and offered an opportunity to improve the overall yield.

Plans are already underway for a major, mixed-use retail and residential extension which is sympathetic to its urban surroundings. The extension will be over and above the open-air car park in the north and is currently envisaged to provide 10,500m² of additional retail floor area and car parking, plus more than 150 residential apartments (to include an element of sheltered housing) across the site.

Eurocommercial is actively consulting the municipality of Woluwe, the region of Brussels, shopping centre visitors and neighbours to establish how we can improve the centre in a way that meets the needs of all its stakeholders. A planning application will be submitted in early 2019.

In the meantime, Eurocommercial is currently planning a refreshed brand for the centre alongside an internal and external cosmetic refurbishment, which is expected to be completed in early 2019.

Business model

Asset management

We work hard to ensure that our centres are fresh and modern through regular refurbishments and extensions that are designed to increase footfall and add further value to the property. This commitment to maintaining high-quality and well-managed shopping centres means that our properties consistently attract the best retailers for the catchment, resulting in high occupancy levels and good turnover growth.

Case study

Hallarna

Halmstad (Sweden)

Eurocommercial acquired Eurostop in Halmstad in August 2012 through two simultaneous and complex transactions with separate vendors. The centre was in a strong motorway location but only provided limited retail and services, while the layout, tenant mix and design of the centre reflected its age, having been built in 1991 without any refurbishment since.

Following the acquisition, Eurocommercial carefully analysed customer data and, by liaising closely with existing and potential retailers, quickly verified strong tenant demand for a large regional shopping centre that could serve a catchment estimated to be around 300,000 people. Due to its low site cover, the property could easily accommodate a significant extension and provide sufficient parking.

Planning

A new masterplan was designed for the centre that incorporated the existing mall but added a 16,000m² extension and an external 4,000m² unit, purpose-built for Norwegian sports brand XXL. The project also provided for a complete refurbishment of the existing gallery and hotel.

Eurocommercial worked closely with local stakeholders and communities in order to identify potential areas of concern. Improvements included the relocation of an existing 24-hour lorry park, and a 270 metre noise barrier was erected to protect nearby housing. The project was met with enthusiasm and formal planning approvals were secured with the strong support of the municipality.

Project management

Work on leasing and construction started immediately and Eurocommercial selected a major local building firm as its partner, creating an additional 150 jobs for the duration of the project. The works were meticulously planned and staged in several phases, with an emphasis on keeping the centre fully open and trading throughout the three years of construction, ensuring continuity of trade and rental income. The centre was opened fully let on 26 October 2017.

Timeline of events

2012

Properties acquired, application for new zoning plan and additional 21,000m² submitted.

2013

New zoning plan approved.

2014

Planning legally binding. Petrol station demolition and relocation starts.

2015

New Statoil petrol station opened, and old site cleaned. Main construction works start.

2016

First phase opens including nine new shops.

2017

Second phase opens followed by the launch of the main gallery and extension. Centre is officially renamed Hallarna.

2018

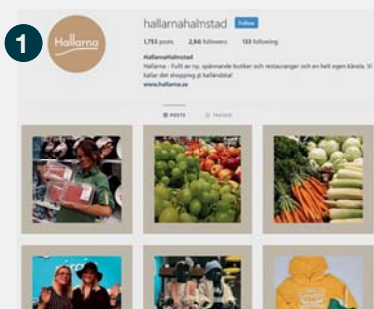
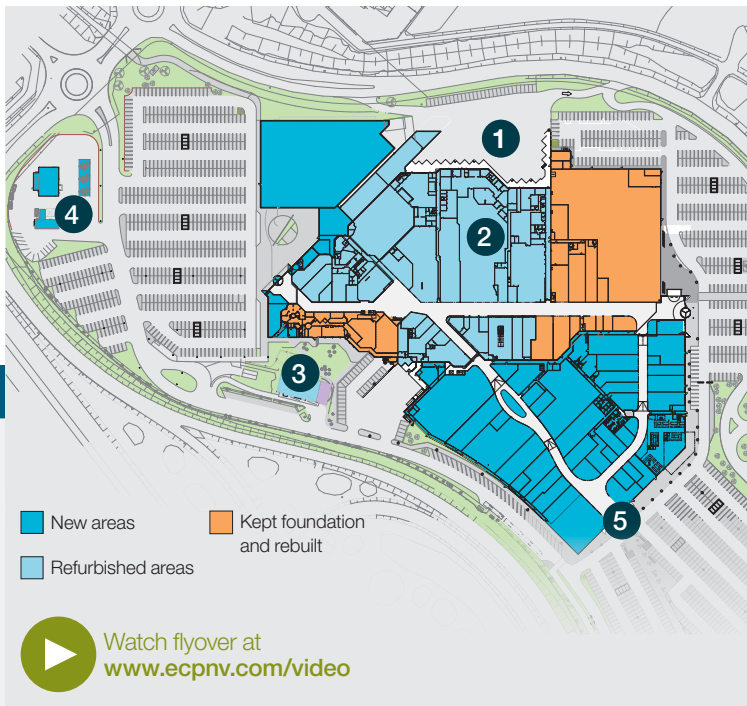
XXL opens in new 4,000m² unit.

2018

The new entrance in the north will open together with five shops.

2019

The last phase including a new hotel and seven retail units is expected to open.



Project highlights

1. New name and brand

The centre was renamed Hallarna and marketed using a dynamic new brand which was incorporated into the design of the centre. Following a multi-media marketing campaign, the opening event was attended by around 20,000 people – equivalent to a quarter of the population of Halmstad. It is expected that annual visitor numbers will increase from three million to a projected five million once the project is completed.

2. New retailers

To create a regional shopping destination, the leasing team focused on increasing the quantity and quality of fashion retail. Eurocommercial succeeded in attracting Scandinavia's strongest retailers alongside carefully selected international and local brands. This was complemented by a vastly improved food and beverage offer, resulting in a vibrant social hub at the heart of the centre.

3. Omni-channel retail

The new Delivery Zone, complete with changing rooms, enables visitors to order goods online, collect them in-centre and try them on immediately before returning any unwanted items either via the onsite returns service or in-store.

4. Design

Eurocommercial incorporated several unique design features into the project, including a 120m² green wall, a fire art installation, attractive high-tech lighting displays in the main halls, a themed children's playground and the largest cylindrical aquarium in Northern Europe. Working closely with the tenants, the shop fronts were all individually designed to showcase their very latest retail concepts.

5. Technology

Eurocommercial has incorporated new technology throughout the centre, including signage and customer information points. In the car park entrances, Eurocommercial installed the latest available systems to read and analyse Swedish car registration plates in real time, providing information on each visitor's location, in full compliance with all data laws.

6. Budgeting and profitability

The €75 million development project (excluding purchase price) has been executed on time and with construction costs and target rents meeting the budget. Upon completion Eurocommercial expects a return of approaching 7%.



Business model

Understanding customers

We take great efforts to understand our customers and ensure that our centres are visited time and again. Our insights are based on independent demographic, economic and behavioural studies, plus our own thorough research.

Our approach

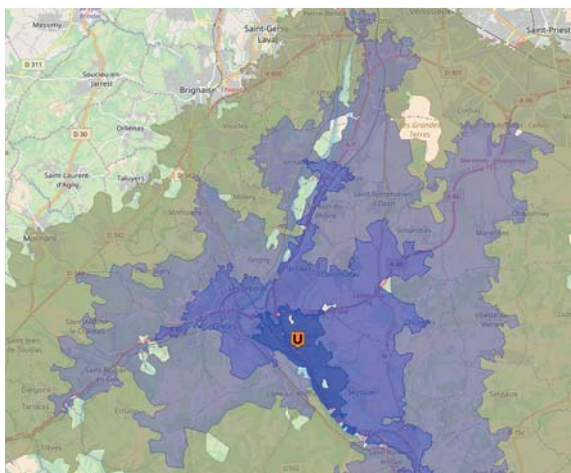
We understand and have acquired a deep knowledge of the habits, preferences and needs across each of the catchments that we operate in. Our insights are founded not just on demographic studies but include detailed surveys, focus groups and behaviour analysis. We combine proprietary research with data from independent and governmental, local and national research groups, alongside analysis of social media channels.

We use CRM to build information about our customers, in full compliance with the GDPR and appropriate local data laws. We use the information from our customer databases alongside anonymised behavioural information – provided by the Wi-Fi networks in our shopping centres – to understand the services used, shops that are visited, frequency and the associated dwell time and spending patterns.

We are trialling new technologies to monitor the car licence plates of visitors to our car parks to establish their precise home location and frequency of our visits, supplementing the existing information on our catchments.

No single information source is reviewed in isolation and having gathered detailed information from multiple sources we aggregate, cross-check and corroborate this information to validate key conclusions, such as changes within our catchments. Our local property teams use this information to identify opportunities for asset improvement and growth, which are then discussed further by Eurocommercial's management team.

Finally, we use small focus groups to test new ideas or propositions, posing carefully constructed questions to gather valuable feedback.



Our research teams perform detailed catchment analysis



Catchment data is integrated with information from our customer surveys

Case study

Social media focus group in Paris

Eurocommercial is continuously considering innovative new ways in which to gain honest and insightful information about its customers – whether in-person, in our shopping centres or online.

Our prime Parisian city centre property – Passage du Havre – benefits from its central location. Visitors are typically commuters or busy Parisians with hectic schedules who are less likely to engage with face-to-face interviews in the mall or join a focus group. Our challenge was to find a way of gaining detailed, quality feedback from this important audience in a way which was convenient for them.

Working with a French consumer research firm, we created an online community of participants, taking time to select carefully the right mixture of people to ensure a representative sample based on specific quotas including age, address and occupation. This online focus group, conducted over a period of one month, also allowed us to gain insights on consumer shopping habits from a highly-connected online audience.



Passage du Havre is popular with both commuters and Parisians

The community was open and each participant was able to see contributions from other members. The debate was structured in phases by the moderator with new topics introduced every few days to maintain momentum. We were able to revisit specific comments that we found interesting and sometimes members of the community were requested to post pictures to support their comments. Eurocommercial was able to ask the questions and test assumptions with the focus group in order to work with them to find the right idea.

The level of engagement and quality of the results were very good and the findings were integrated with local catchment data and broader customer surveys. Together, these insights have already informed some changes at the centre, such as trialling new pop-up stores, and introducing Søstrene Grene which opened in July 2018. Other insights have informed our asset management plan which include a rebranding of Passage du Havre during the coming months.





Business model

Retailer relationships

Our leasing and management teams are in constant dialogue with the major international and local retail groups, monitoring emerging trends and often providing advice to new market entrants. By working together we are able to create successful shopping centres and better experiences for our customers.



“

In the midst of a highly competitive, fast-paced environment, our tenants have two constant and simple needs for shopping centres.

Valeria Di Nisio
Group Leasing Director

Overview

Emerging trends, new tastes and innovative concepts mean that retailers are constantly developing new products, brands and marketing to anticipate the needs of consumers. In the midst of this highly competitive, fast-paced environment, our tenants have two constant and simple needs for shopping centres.

Firstly, their stores must make money. Keeping rents in proportion with turnover ensures retailers are profitable and able to survive temporary downturns. Sustainable rental levels, together with first class asset management, has consistently kept our vacancies in the portfolio low. Lease negotiations are always dynamic but in the last few years we have not seen a significant change in terms – whether length, structure or incentive. This is not to say that there are no commercial pressures and we do see more scrutiny of service charges. We manage this carefully to ensure there is little impact on our own profitability. For example, investment in efficient and sustainable energy management systems installed in our shopping centres has helped drive down recurring costs from energy and water consumption.

Secondly, the centres must attract visitors. Eurocommercial's strategy is to lease its shops to the best retailers which increases the overall attraction of the shopping centre. We also think carefully about the customer experience, and use the information from our customer surveys to ensure that our centres feature the right brands and tenant mix and are attractive and pleasant places to spend time in. We monitor footfall, average spend and develop award-winning marketing campaigns to bring in new visitors.

Retailer surveys

We regularly and thoroughly survey our tenants using an independent third-party research firm. Store managers are asked to provide feedback on a range of topics such as centre management, services, marketing, tenant mix, etc. We use the results of these tenant surveys to refocus investment as required. During 2017, we completed tenant surveys at 21 of our centres with 73% of retailers participating. Following our acquisition of the Woluwe Shopping centre in March 2018, we launched a tenant survey.

Tenant mix

The largest fashion retailers continue to request bigger stores at the best shopping centres to showcase the full range to their customers and to accommodate this we continue to negotiate for space from the non-food section of hypermarkets, as we did recently for H&M at Bergvik and Cremona Po. We are also seeing growing demand from boutique retailers to increase their non-sales space to accommodate greater stock reserves and to facilitate Click & Collect sales.

While fashion remains our largest single sector of stores across our portfolio, our merchandising mix is adapting to changing consumer behaviours.

As shopping centres become less transactional and more experience-based, Food & Beverage is playing a more important role. We have made changes in recent years to increase not just the quantity of Food & Beverage tenants at our centres, but also the quality. Where previously cheap and fast food was sufficient, visitors now want an engaging gastronomic experience and we have many specialist food retailers offering this. Perhaps the best example is ai Banchi del Mercato Centrale at I Gigli in Italy, which recreates an authentic artisanal Italian food market experience and has proved incredibly popular over the past year since launch. Other examples include pop-up food stalls in our centres where we test local food operators to establish demand and quality, while also offering a new experience to our visitors. Food & Beverage now comprises 8.1% of our GLA, compared with 7.1% five years ago.



See our best-in-class food offer at
ai Banchi del Mercato Centrale
www.ecpnv.com/video

Top ten retail tenants

% of total Eurocommercial income (minimum guaranteed rent)








Retailer relationships continued

As customers are increasingly able to make purchases online, services play an important role in attracting our customers into shopping centres, providing amenities which cannot be accessed via the internet. For example, we have dentists' and doctor's surgeries in many of our Italian and Swedish centres, while beauticians are more popular in the French shopping centres.

Through customer and tenant surveys we have seen an increased demand for Home Goods stores and, as a result, we have selectively introduced brands such as Søstrene Grene, La Maison du Monde and Flying Tiger. Interestingly, these brands currently have no, or very limited, online retail presence.

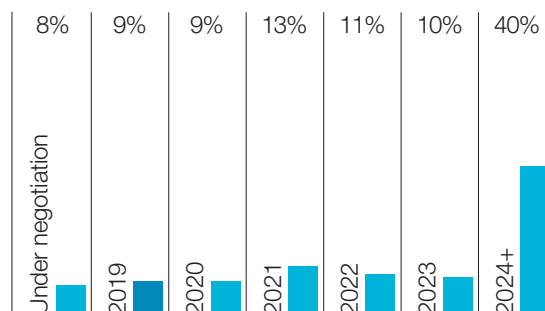
The electrical sector continues to suffer in places and, where necessary, we have been working with tenants to find solutions to reduce store size or relet the space. For example, following the departure of SIBA from a 1,600m² unit at Elins Esplanad, we have now divided this unit into six smaller shops which were all pre-let before work started. In Fiordaliso, we have agreed terms with Media Markt to reduce the size of their shop which we then leased to OVS, the Italian fashion retailer.

Broad range of retailers

		Minimum guaranteed rent %	Floor area %
	Fashion	41.6	36.3
	Shoes	5.8	5.2
	Health & Beauty	10.1	5.4
	Gifts & Jewellery	5.9	2.5
	Books & Toys	2.0	2.7
	Food – Restaurants	9.1	8.1
	Services	2.9	2.1
	Sport	4.8	8.1
	Home Goods	7.5	15.9
	Telecom & Electrical	9.0	10.6
	Cinema	1.2	2.9
	Other	0.1	0.2

Lease expiry profile

As % of rental income



Søstrene Grene, the Danish home goods retailer, opened recently in Passage du Havre

Case studies

Testing new concepts

One way of encouraging visitors to come to our shopping centres, and to test new concepts, is through temporary, pop-up kiosks and shops. Following the successful trial of a Nespresso kiosk at Fiordaliso, this pop-up store has been replaced by the full-concept store in the centre and Nespresso is also rolling out the initiative in other Eurocommercial centres.



The first Nespresso retail concept

Reinvigorating the merchandising mix at Cremona Po

Over the past year, Eurocommercial has worked with tenants and retailers at Cremona Po to significantly improve the range of fashion retailers and the leisure facilities on offer.

Having agreed a 2,300m² reduction of the hypermarket, we leased this space on a conventional lease to H&M which opened its new stores in early September. We have leased the old H&M store to another major fashion brand. At the same time, we worked closely with the cinema operator to complete a full modernisation and refurbishment of their cinema, increasing the number of screens from seven to ten and improving the quality of the customer experience. Finally, we also opened a large external kids area, to complement the existing family entertainment facilities. Since the completion of these works, visitor numbers have increased 6% to over five million visitors per year.

While improving the merchandising mix of the shopping centre we simultaneously refurbished the retail park, introducing new brands Scarpe & Scarpe and Maison du Monde to broaden the retail offer. Based on our conversations with retailers we

also see further opportunity to expand and enhance the retail offer at Cremona Po and in the coming years plan to develop a new, complementary 10,000m² retail park with new food and leisure units. Cremona Po thus offers the most varied and attractive shopping experience in the area.



The improved retail park

Sustainability

Overview

The retail sector is rapidly evolving with a convergence of major trends – technology, demographics, urbanisation and the low-carbon and circular economy. Together these dynamics are transforming the way consumers make purchases and the expectations they have of retailers and retail destinations.

As a long-term investor, building a sustainable and resilient business is critical for Eurocommercial's success. Our approach extends beyond the basics of better community engagement and decreased energy consumption. As major economic, social and political trends shape the world around us, our ability to continue to grow our business depends on successfully anticipating and responding to these dynamics in a responsible way. Fundamentally, we take a long-term view of every business decision, supported by rigorous research incorporating environmental and socio-economic risks and opportunities.

Eurocommercial's sustainability strategy has three pillars:



Reduce the environmental impact of our assets



Act with transparency and good governance



Be a responsible employer

2017/18 Highlights

4%

Reduction in fuel consumption year-on-year

57%

of Eurocommercial's waste from its shopping centres is now recycled

5%

Reduction in water consumption year-on-year

2

Average days training per employee in 2017/18

6

Eurocommercial shopping centres BREEAM certified

63

GRESB score 2018



Fiordaliso, Rozzano (Milan)

Reduce the environmental impact of our assets



We are continuously striving to ensure our centres are attractive, sustainable generators of income. With every project we consult with communities, use local suppliers where possible, prioritise materials from sustainable sources and install energy and waste efficient systems to reduce our carbon use. Through 'green leases' we encourage our tenants to act responsibly and gather robust consumption data to consider how we can improve the consumption performance of each centre.

2017/18 highlights:

- Significant reduction in fuel consumption and water usage. Improvement in the rate of recycled waste.
- BREEAM In-Use certificates now awarded to six Eurocommercial centres, with further investment during the year into pursuing this for further certification.

Grand A, Amiens (France)

During the refurbishment and extension works, Eurocommercial took the opportunity to improve the overall sustainability of the shopping centre and reduce its environmental impact. These measures included: a 1,863m² green roof; green leases for all new tenants; all lighting replaced with energy-efficient LEDs; reduced reliance on electric lighting through installation of glass roofs; new water loop throughout the gallery; the introduction of a flock of sheep in the surrounding area to manage the landscape; new outside green spaces and installation of electric car charging points to be completed shortly.



Grand A project video
www.ecpnv.com/video



GigliPass allows visitors to charge their electric cars at no cost

I Gigli, Florence (Italy)

As part of our ongoing investment programme into one of Italy's largest shopping centres, we have installed EV (electric vehicle) charging columns in the car parks. To further incentivise the use of more sustainable transport, visitors may recharge their car or quadricycle battery for free by swiping the centre's loyalty card – GigliPass – or by using Stocard (an app for storing electronic cards). I Gigli is the first centre in Italy to offer charging at no cost.

C4 Kristianstad (Sweden)

In C4 Shopping, Eurocommercial has entered into a joint venture with the municipal energy provider to operate a ground water system which will efficiently heat and cool 50,000m² of buildings, plus the neighbouring 20,000m² retail park. Ground water is pumped up through the building from one of many underground wells, and then pumped back into another set of wells which then allows the water to circulate deep underground. The system is similar to one we have been using successfully in our centre at Bergvik. It has proven to be an energy efficient way to heat and cool the buildings throughout the year by using the difference in temperature between ground water and the outside air temperature – cooling buildings in the hot summer, and heating them during the winter.

Sustainability continued

Transparency and good governance



Eurocommercial deals fairly and responsibly with all our stakeholders. We adhere to high standards of corporate governance and provide transparent disclosure of our activities through formal reports and communication.

- For the fifth consecutive year, Eurocommercial has completed the Global Real Estate Sustainability Benchmark (GRESB) and received a score of 63.
- Eurocommercial was recognised by the European Public Real Estate Association (EPRA) with a gold standard for its sustainability disclosure and a gold standard for its business performance disclosure.
- Information regarding all our key policies relating to transparency, code of conduct, etc. can be found at: www.eurocommercialproperties.com/about/governance



Responsible employer



Our commitment to our employees means we benefit from long-standing tenure. We are proud of our open and collegiate culture and are dedicated to ensuring our employees are able to develop professionally. We also ensure we support our employees lead healthy lives through private healthcare cover and subsidised sports activities.

2017/18 highlights:

- Eurocommercial supported an average of two training days per employee during the 2017/18 financial year. Courses varied from professional qualifications to sustainability-specific training.
- All Eurocommercial employees offered physical health checks and/or workplace health checks.
- Launch of the Eurocommercial Properties Retail Academy in Sweden to provide those employed by our tenants with access to training in excellent customer service.
- Eurocommercial teams participated in several initiatives to support worthy causes during the year, as selected by our employees.



DAM TOT DAMLOOP 2017
16 & 17 SEPTEMBER 2017
The Eurocommercial team participates regularly in local sporting events

EPRA sustainability performance measures*

Impact area		Absolute measure (Abs)		Like-for-like measure (LfL)					
		Total		France		Italy		Sweden	
		2016	2017	2016	2017	2016	2017	2016	2017
Energy (MWh)	For landlord-shared services	71,517	75,339	7,870	7,494	26,683	27,196	24,703	26,052
	Sub-metered exclusively to tenants	5,006	4,583			5,006	4,583		
	Total landlord-obtained electricity	76,523	79,922	7,870	7,494	31,688	31,779	24,703	26,052
	Total district heating and cooling	11,443	11,336	1,583	1,666	1,355	1,550	4,997	4,654
	Total fuels	12,808	12,298	4,214	4,009	8,455	8,174		
Greenhouse gas emissions (tonnes CO ₂ e)	Total direct GHG emissions (Scope 1)	2,357	2,265	776	739	1,556	1,505		
	Total indirect GHG emissions (Scope 2)	12,125	12,659	645	678	9,106	9,661	1,292	1,203
	Total indirect GHG emissions (Scope 3)	5,673	4,967	56	46	5,455	4,785	86	68
	Energy and associated GHG disclosure coverage (if applicable)	35 of 35	34 of 34	11 of 11		11 of 11		5 of 5	
	Proportion of energy and associated GHG estimated	2%	1%	5%	1%	0%	0%	4%	1%
Water (cubic metres) (m ³)	Total water withdrawal	1,835,500	1,769,334	21,026	25,596	1,685,642	1,607,250	36,166	29,516
	Water disclosure coverage (if applicable)	33 of 33	32 of 32	9 of 9		11 of 11		5 of 5	
	Proportion of water disclosure estimated	3%	0%	0%	7%	3%	0%	3%	0%
Waste (landlord-handled) (metric tonnes) (proportion by weight %)	Total weight of waste	8,706	6,265	2,089	2,588	2,972	2,418	838	756
	Composting/anaerobic digestion	1%	0%	0%	0%	1%	0%	0%	0%
	Recycled	49%	57%	27%	33%	35%	61%	100%	99%
	Off-site Materials Recovery Facility	16%	17%	34%	28%	19%	12%	0%	1%
	Incineration with energy recovery	8%	13%	31%	32%	0%	0%	0%	0%
	Reused	2%	0%	0%	0%	7%	0%	0%	0%
	Hazardous waste treatment facility	0%	0%	0%	0%	0%	0%	0%	0%
	Landfill	23%	13%	8%	6%	39%	27%	0%	0%
	Waste disclosure coverage	25	21	8 of 8		5 of 5		5 of 5	
	Proportion of waste disclosure estimated	0%	0%	0%	0%	0%	0%	0%	0%

* All data relates to calendar year, the comparative figures for 2016 have been restated as explained below.

EPRA sustainability intensity measures

Impact area		2016	2017
Energy (kWh/m ² /year)	Building energy intensity ¹ GRI G4-CRE1	577	538
Greenhouse gas emissions (kg CO ₂ e/m ² /year)	Greenhouse gas intensity from building energy ¹ GRI G4-CRE3	129	118
Water (m ³ /m ² /year)	Building water intensity ² GRI G4-CRE2	11.8	10.5

Energy and greenhouse gases notes

Emissions have been calculated from location based emission factors provided by Defra.

Emissions are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices guidelines.

Jones Lang LaSalle assisted Eurocommercial in preparing this data in line with the EPRA reporting guidelines and undertook an independent verification of the energy and water data.

Natural gas and fuel emissions are calculated using Defra emissions factors based on UK natural gas and fuel, as the greenhouse gas content of natural gas and diesel varies only marginally between regions.

All assets included in this report sit within Eurocommercial's operational control. Eurocommercial's corporate offices are not included within this scope.

All consumption in this report is for landlord shared services and/or common parts with the exception of electricity, where tenant sub-metered electricity has also been reported.

Scope 3 emissions are for landlord-obtained consumption that is sub-metered to tenants, tenant-obtained energy and transmission and distribution emissions. It does not include business travel or supply chain emissions.

Fuel includes natural gas, diesel and district heating and cooling as sources.

Emissions are reported as tonnes of CO₂ equivalent (t CO₂e).

'Shared services' is landlord-obtained consumption for common parts and any services provided to tenant areas that has not been sub-metered. Where tenant consumption is sub-metered, this is excluded from 'shared services'.

Eurocommercial acknowledges, as recommended in page 19 of the EPRA sustainability best practices recommendations, that the intensity indicator may be affected due to a mismatch between numerator and denominator.

I Gigli and Hallarna have been excluded from all like-for-like analysis as these assets were under development during the reporting period.

Les Allées de Corneilles and Retail Park Chasse Sud have been excluded from all intensity calculations as Eurocommercial only procures energy for car park lighting at these assets.

Les Trois Dauphins has been excluded from all intensity calculations as common parts area (CPA) data is not available for these assets.

74 rue de Rivoli was sold on 31 October 2017, so has been excluded from all energy like-for-like and intensity calculations.

Energy notes

¹ Energy and emissions intensities are reported using 'shared services' as the numerator and common parts area as the denominator – tonnes CO₂e/m²/year.

Eurocommercial collects data on tenant sub-metering for electricity only at one Italian asset I Gigli.

Water notes

² Water intensity is reported using shared service as the numerator common parts area as the denominator – m³/m²/year.

All water consumed is obtained via municipal supplies.

Waste notes

All waste is reported by mass (tonnes) in line with EPRA best practice recommendations. No waste usage has been estimated.

Il Castello, I Portali, La Favorita and Cremona Po have been excluded from waste like-for-like analysis, as 2017 data is not available.

Carosello and I Gigli have been excluded from all waste calculations, as it was not possible to assign waste streams or disposal routes from the evidence provided.

Country report

Belgium



Eurocommercial re-entered the Belgian real estate market in March 2018 with the acquisition of the Woluwe shopping centre, one of the best shopping centres in Brussels and with significant potential for growth.

€453m

Property value

€6.3m

Rental income

1

Number of properties

128

Number of shops

6.2m

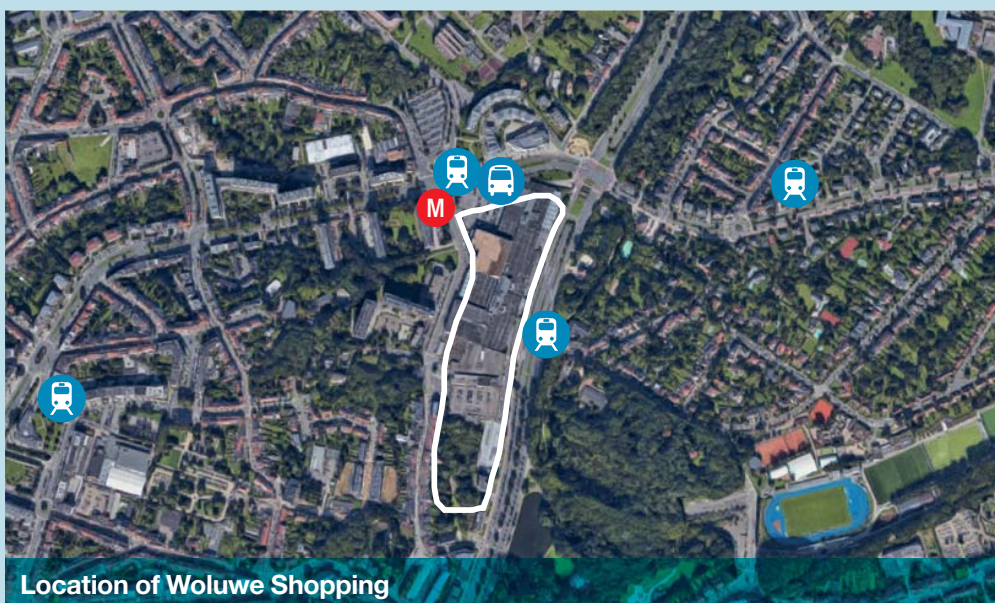
Number of visitors

23,000m²

Gross lettable area

12.8%

Occupancy cost ratio



Location of Woluwe Shopping

Source: Google Earth.

Economy

The local elections in October 2018 will be a guide to the outcome of the federal and regional elections in May 2019, and the parties are already focusing on policy areas where they believe that they can gain an edge. Meanwhile, Belgium's centre-right Government is pursuing a reformist programme to increase competitiveness, reduce the tax burden on labour and improve the public finances. Most measures have now been passed, but opposition from the public, labour unions and within the coalition will continue.

For 2018 as whole, Belgium's GDP growth is forecast to remain stable, driven by sustained private demand amid an improving labour market and investment conditions. In 2019, growth is forecast to ease as investment growth is expected to weaken gradually. Private consumption will be an important driver of growth, supported by past and further announced tax reductions.

Retail market structure

Eurocommercial has been monitoring the shopping centre market in Belgium for many years both from Amsterdam and Paris.

The market offers many similarities to our existing geographic entities but also some important differences. Primary among these distinctions being a relatively low level of retail floor space per capita and a comparatively low incidence of hypermarket-based galleries.

Belgian food shopping is more closely aligned with the supermarket culture of the Netherlands than the all-embracing Gallic hypermarket. French hypermarket operators who have successfully penetrated Southern Europe are, with the exception of Carrefour, notably absent from the Belgian landscape. Carrefour's recent experiences in Belgium have not been particularly positive and they occupy third position in the food sector behind Colruyt Group and Ahold Delhaize but are ahead of the discounters from Germany. These retailers have shown little interest to date in shopping centre development and, as a consequence, the country is relatively undersupplied especially compared to France.

The town planning system has also played its part in maintaining the status quo via a complex system of environmental, socio-economic and building permits which require consensus at local and regional levels.

The shopping centre industry itself has not, however, ignored Belgium entirely and local entrepreneurs and institutions have over the years created a network of well-established centres which have recently attracted investment from beyond the usual Benelux operators.

Woluwe Shopping celebrates its 50th anniversary in September 2018 and is in many ways emblematic of the local retail industry. The centre opened its doors with two department stores as anchor tenants and it was not until 1989 that a supermarket opened in the southern extension.



Country report continued

Belgium

Investment market

The retail real estate investment market in Belgium is robust for high quality assets, with yields relatively low.

This strong demand can also be seen in the public markets with the Belgian-listed REITs not experiencing the share price discounts which can currently be seen in other European markets.

Property valuation

The June 2018 net valuation of Woluwe at €452.8 million is predicated on an initial yield of 4.0% and includes a value of €12.8 million for the northern extension land. The reduction to the gross purchase price reflects the applicable registration tax regime.

Retail sales

Our acquisition of Woluwe Shopping has coincided with the culmination of a complete reorganisation of road access around and into the shopping centre and this has unquestionably impacted sales.

These road works will be completed in September 2018 when a major marketing campaign will be launched to celebrate the opening of the new Woluwe Shopping tram stop and the 50th anniversary of the centre.

Independent valuations by property

(€ million)	Net value June 2018	Net value June 2017	Net yield including purchase costs	Cost to date
Woluwe, Brussels ¹	452.8	—	4.0%	470.5
Total	452.8	—	4.0%	470.5

Valuations by: ¹Cushman & Wakefield

Woluwe Shopping: Merchandising mix



Belgium portfolio

Woluwe Shopping Woluwe-Saint-Lambert (Brussels)



The prime Brussels shopping centre with excellent transport links, has 130 shops which are fully let to national and international retailers and a catchment of over one million people. Plans for a mixed-use retail and residential extension are under development. Eurocommercial owns 23,000m² of the gross lettable area, but has strategic control of the centre and owns 100% of the land.

€452.8m

Value

€17.7m

Passing rent

12.8%

Occupancy cost ratio

€9,397

Boutiques
<300m² turnover/m²

Visitors 2017/18	6.2m
Total lettable area	46,000m ²
ECP ownership	23,000m ²

Country report

France



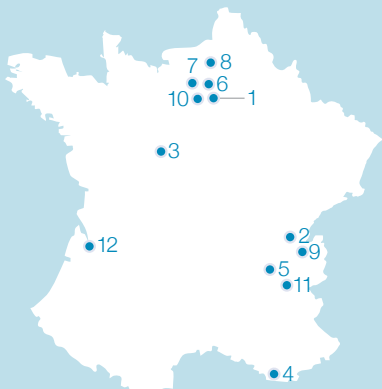
High levels of institutional investment in smaller French shopping centres appear to have waned. While there can be little doubt that vacancy has risen in weaker shopping centres, the best located centres, including those of Eurocommercial, continue to trade at close to full occupancy.

Pascal Le Goueff

Property Director
Eurocommercial France

Property locations

- | | |
|--|--|
| 1 Passage du Havre
Paris | 7 Les Portes de Taverny
Taverny (Val d'Oise) |
| 2 Val Thoiry
Greater Geneva (Ain) | 8 Grand A
Amiens (Somme) |
| 3 Les Atlantes
Tours (Indre-et-Loire) | 9 Shopping Etrembières
Greater Geneva
(Haute-Savoie) |
| 4 Centr'Azur
Hyères (Var) | 10 Les Allées de Corneilles
Corneilles (Val d'Oise) |
| 5 Chasse Sud
Chasse-sur-Rhône (Isère) | 11 Les Trois Dauphins
Grenoble (Isère) |
| 6 MoDo
Moisselles (Val d'Oise) | 12 Les Grands Hommes
Bordeaux (Gironde) |



€1,256m

Property value

-2.2%

Valuation change (12 months)

€63.8m

Rental income

+4.7%

Average uplift from relettings and renewals

+0.2%

Like-for-like rental growth

+0.1%

Like-for-like retail sales growth

12

Number of properties

519

Number of shops

45m

Number of visitors

230,000m²

Gross lettable area

8.9%

Occupancy cost ratio

Economy

Emmanuel Macron has successfully implemented important reforms including new Labour laws, and lighter corporate and household taxation. The full effect has not been felt yet, although signs of recovery are multiplying.

According to INSEE, the national statistics bureau of France, GDP growth is expected to reach +1.7% in 2018 and could accelerate with lower social security and housing taxes due to be delivered at the end of the year. Unemployment is down to 8.8% and the public deficit is now in line with EU rules.

The next challenging and important reform will be to harmonise public and private sector pensions.

Rental growth

Our leasing team has secured an average uplift of 4.7% and negotiated 50 leases this year, 90% of which have produced higher rents.

Unfortunately, growth from indexation has been counterbalanced by an increase in vacancy to 1.7% following the departure of H&M from Les Atlantes and the Passage du Havre, where the space has subsequently been relet. The net result is that our rental growth overall is marginal at 0.2%.

The best performing centre has been Chasse Sud, at +6%, and our two Geneva centres Val Thoiry and Shopping Etrembières at +2.8%.

Retail sales

The positive bounce at the start of the year following the election of President Macron has ebbed away in the face of a wet spring and the effect of transport sector strikes, which have had a particularly negative effect on Paris, and increased petrol prices.

Fashion in our centres is down 4.6% (but just 1.2% if H&M is excluded), while Sport and Food & Beverage have shown good results over 12 months with respectively +11.1% and +7.1%. The increase in Food & Beverage turnover is particularly gratifying given our efforts to improve quality and quantity.

Chasse Sud has been our best performer at +5.5%, propelled by the performance of electrical powerhouse Boulanger (+7.8%). Les Atlantes has surprised on the upside by recovering customers tempted away by a new competing retail park, while our boutiques benefitted from a transfer of spending when H&M closed in December 2017.

Retail sales at Shopping Etrembières were hit by major road works which, on completion, will improve significantly the access to our centre.

Property market

High levels of institutional investment in smaller French shopping centres, which have in recent years caused considerable yield compression, appear to have waned amid the perception of diminishing growth prospects. While there can be little doubt that vacancy has risen in weaker and ill-conceived shopping centres, the best located centres, including those of Eurocommercial, continue to trade at close to full occupancy.

Recent institutional buying activity has been focused on prime city centre stock particularly in Paris, but also retail parks which are securing an increasing share of investment with ease of management cited as one of the drivers. The success of our Chasse Sud development supports this trend and it seems likely that this sub-sector will continue to flourish in a low-cost retail environment.

With liquidity of retail parks now established, the construction of new floor space continues unabated but has finally started to have repercussions with alarm bells ringing from struggling small provincial towns now being heard in Paris. This has given rise to a new commission, Action Coeur de Ville, at the behest of President Macron which may result in closer monitoring of floor space creation, to the benefit of existing centres.

Country report continued

France

Valuations

June 2018 valuations showed a decrease of 2.2% compared to June 2017. Capitalisation rates eased for our suburban and provincial centres leading to a 4.2% valuation deficit whereas town centre assets and retail parks values increased, being better underpinned by transactional evidence. Consequently, Chasse Sud has increased in value by 4.6% and our city centre assets in Paris, Bordeaux and Grenoble are up 1.3%.

Acquisitions and disposals

The sale of 74 rue de Rivoli was completed in September 2017 for a net price of €79.6 million reflecting a net yield of 3%.

Further sales can be expected depending on the market conditions and Eurocommercial has been engaged in discussions with potential investors.

Extensions and refurbishments

The extension of Grand A was completed in September 2017 and initial results are positive.

The CNAC cancelled our CDAC zoning consent for our project of extension in Val Thoiry, arguing that the project was too large. A new application has been filed for an extension of 20,000m² (compared with 28,000m² for the previous application).

A new application is being prepared for Les Atlantes for an extension of 8,000m² and we are also considering extending Shopping Etrembières to improve our restaurant offer.

In Bordeaux, the municipality has granted us authorisation to proceed with a much-needed renovation of Les Grands Hommes, with work expected to start in early 2019.

Independent valuations by property

(€ million)	Net value June 2018	Net value June 2017	Net yield including purchase costs	Cost to date
Passage du Havre, Paris ³	412.0	410.3	3.6%	190.8
Val Thoiry, Greater Geneva ²	150.8	147.8	4.6%	137.0
Les Atlantes, Tours ¹	130.8	152.8	5.0%	65.5
Centr'Azur, Hyères ³	94.4	93.1	4.7%	62.2
Chasse Sud, Chasse-sur-Rhône ²	93.2	89.1	4.7%	73.2
MoDo, Moisselles ³	74.8	79.4	5.4%	67.7
Les Portes de Taverny, Taverny ¹	68.9	71.8	4.8%	26.4
Grand A, Amiens ¹	66.9	69.0	5.2%	37.8
Shopping Etrembières, Greater Geneva ¹	52.6	53.0	4.6%	52.2
Les Allées de Corneilles, Corneilles ¹	48.8	48.3	5.0%	44.8
Les Trois Dauphins, Grenoble ¹	42.0	38.6	4.8%	27.2
Les Grands Hommes, Bordeaux ²	20.6	19.8	4.1%	18.5
74 rue de Rivoli, Paris [*]	–	79.1	–	–
Total	1,255.8	1,352.1	4.4%	803.3

Valuations by: ¹Cushman & Wakefield, ²JLL, ³Knight Frank

* Property sold during the financial year.

France portfolio

Case study

Les Grands Hommes

Bordeaux (Gironde)

Bordeaux, one of France's most dynamic cities, is currently booming with growth set to intensify now that Paris is just two hours away by TGV.

Les Grands Hommes, one of the historical municipal markets of Bordeaux, is situated at the heart of a network of prestigious streets named after France's most illustrious philosophers. Together with the Cours d'Intendance these streets form the luxury shopping quarter of the City.

Following a lengthy consultation with the City authorities we have now received planning permission for a radical enhancement of the external appearance of the circular Grands Hommes building in order to open the building up to the surrounding eighteenth-century architecture.

The external works will commence in January 2019 and will be followed by a refurbishment of the interior with the aim of attracting new restaurants inside.



Les Grands Hommes, Bordeaux

France portfolio continued

Passage du Havre

Paris



The Passage du Havre is located in central Paris opposite the Gare Saint Lazare and leads to the two grands magasins Galerie Lafayette and Printemps situated on boulevard Haussmann. It sits at the heart of the Haussmann-Saint Lazare shopping district, features excellent transport links and incorporates offices and a small amount of residential flats. Retail tenants include Fnac, Sephora, Nature & Découvertes, Gap, Prêt-à-Manger and Starbucks. The gallery will renew its façades and entrances in 2019 with a new brand identity.

€412.0m

Value

€15.99m

Passing rent

-4.0%

Rental growth

€14,478

Boutiques
<300m² turnover/m²

-3.6%

Turnover growth

8.1%

Occupancy cost ratio

98%

Occupancy

Visitors 2017/18	11m
Total lettable area	23,588m²
ECP ownership	23,588m²

Val Thoiry

Greater Geneva (Ain)



The leading shopping centre in Pays de Gex with over 70 shops and a catchment of 304,000. Val Thoiry has a very strong track record and is easily accessible from Geneva, in a prosperous Franco-Swiss area, anchored by Leroy Merlin, Décathlon and Migros. An application for a 20,000m² extension is underway.

€150.8m

Value

€7.08m

Passing rent

+2.9%

Rental growth

€6,849

Boutiques
<300m² turnover/m²

+2.8%

Turnover growth

7.3%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	3.7m
Total lettable area	33,671m²
ECP ownership	28,226m²

Les Atlantes

Tours (Indre-et-Loire)



Situated alongside the A10 autoroute outside the city of Tours, around 50 minutes from central Paris on the TGV and with a catchment of 376,000. Les Atlantes is the leading shopping centre in the area with 65 stores and restaurants anchored by Carrefour. A new permit application will be made at the end of 2018 for a significant extension.

€130.8m

Value

€6.92m

Passing rent

-2.2%

Rental growth

€7,781

Boutiques
<300m² turnover/m²

+3.4%

Turnover growth

9.6%

Occupancy cost ratio

95%

Occupancy

Visitors 2017/18	5.3m
Total lettable area	39,576m ²
ECP ownership	22,976m ²

Centr'Azur

Hyères (Var)



Located on the Côte d'Azur coast road to the west of the town of Hyères in the south of France, this popular local shopping centre first opened in 1993 and was refurbished in 2013. Featuring over 50 stores and with a catchment population of 388,000, Centr'Azur is undergoing a project to enhance its food offer.

€94.4m

Value

€4.85m

Passing rent

+1.2%

Rental growth

€7,261

Boutiques
<300m² turnover/m²

0.0%

Turnover growth

9.5%

Occupancy cost ratio

99%

Occupancy

Visitors 2017/18	3.2m
Total lettable area	24,640m ²
ECP ownership	24,640m ²

France portfolio continued

Chasse Sud

Chasse-sur-Rhône (Isère)



Located on the banks of the Rhône, between Lyon and Vienne, and alongside the autoroute du Soleil, with 48 stores and a catchment of 380,000. Chasse Sud is a new generation retail park built alongside a shopping gallery, and has strong turnover increase since its grand opening. It features a strong fashion mix, Décathlon, Boulanger and a diversified food offer.

€93.2m

Value

€4.76m

Passing rent

+6.0%

Rental growth

€3,242

Boutiques
<300m² turnover/m²

+5.5%

Turnover growth

5.8%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	4.0m
Total lettable area	52,072m ²
ECP ownership	52,072m ²

MoDo

Moisselles (Val d'Oise)



Located to the north of Paris, close to the Francilienne ring road. Recently refurbished and re-branded as MoDo, the centre was formerly called Plaine de France. With over 60 stores, it is anchored by the leading Leclerc of Val d'Oise and is situated in a strong catchment of upper-middle class inhabitants.

€74.8m

Value

€4.64m

Passing rent

-1.4%

Rental growth

€5,718

Boutiques
<300m² turnover/m²

-0.7%

Turnover growth

13.5%

Occupancy cost ratio

97%

Occupancy

Visitors 2017/18	4.2m
Total lettable area	26,252m ²
ECP ownership	11,252m ²

Les Portes de Taverny

Taverny (Val d'Oise)



Situated alongside the A115 autoroute in Taverny – an attractive and growing municipality in suburban Paris. The shopping centre has a wealthy catchment of 350,000 people. Discussions are at an early stage with the municipality regarding a possible extension to the existing 55 stores.

€68.9m

Value

€3.53m

Passing rent

+2.3%

Rental growth

€9,061

Boutiques
<300m² turnover/m²

+1.4%

Turnover growth

10.8%

Occupancy cost ratio

99%

Occupancy

Visitors 2017/18	3.2m
Total lettable area	30,543m ²
ECP ownership	5,671m ²

Grand A

Amiens (Somme)



Located alongside the Amiens ring road to the east of the city and with a catchment of 300,000 people. The property has 60 stores and recently benefitted from a 5,000m² extension which opened at the end of 2017. The fully let extension features strong national and international brands, such as H&M, Sørensen Grene, NewYorker and Pandora.

€66.9m

Value

€3.89m

Passing rent

+3.6%

Rental growth

€6,747

Boutiques
<300m² turnover/m²

-1.7%

Turnover growth

10.2%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	3.4m
Total lettable area	23,006m ²
ECP ownership	11,164m ²

France portfolio continued

Shopping Etrembières

Greater Geneva (Haute-Savoie)



This centre occupies a strategic prominent position at the junction of the A40 (Lyon – Chamonix) and A411 (Geneva highway) autoroutes, 2km from the Swiss border to the south of Geneva. It has 48 shops and a catchment population of 391,000. It is owned in a joint venture with AXA Real Estate.

Les Allées de Corneilles

Corneilles (Val d'Oise)



Situated in a growing residential area close to La Défense, anchored by Castorama, Les Allées de Corneilles is a retail park with 12 tenants and a catchment of 307,000 people.

€52.6m*

Value

€2.51m*

Passing rent

+2.7%

Rental growth

€7,652

Boutiques
<300m² turnover/m²

-5.0%

Turnover growth

13.2%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	2.1m
Total lettable area	18,651m²
ECP ownership	8,906m²
BREEAM-In-Use certified	

* Represents ECP 50% interest in the owning entity.

€48.8m

Value

€2.65m

Passing rent

+1.8%

Rental growth

€2,479

Boutiques
<300m² turnover/m²

-0.5%

Turnover growth

7.9%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	2.3m
Total lettable area	21,751m²
ECP ownership	21,751m²

Les Trois Dauphins

Grenoble (Isère)



Historic city centre building situated in the heart of Grenoble next to the Galeries Lafayette, with a catchment of 460,000 people.

€42.0m

Value

€2.50m

Passing rent

+2.1%

Rental growth

100%

Occupancy

Total lettable area	16,826m ²
ECP ownership	16,826m ²

Les Grands Hommes

Bordeaux (Gironde)



Located in a prime position in a prestigious retail district in central Bordeaux, with a catchment population of 566,000. The gallery will shortly benefit from an internal and external refurbishment to enhance the customer experience and the centre's merchandising mix.

€20.6m

Value

€0.95m

Passing rent

+6.3%

Rental growth

€5,296

Boutiques 300m² and under turnover/m²

-0.6%

Turnover growth

16.5%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	2.6m
Total lettable area	4,660m ²
ECP ownership	2,665m ²

Country report

Italy



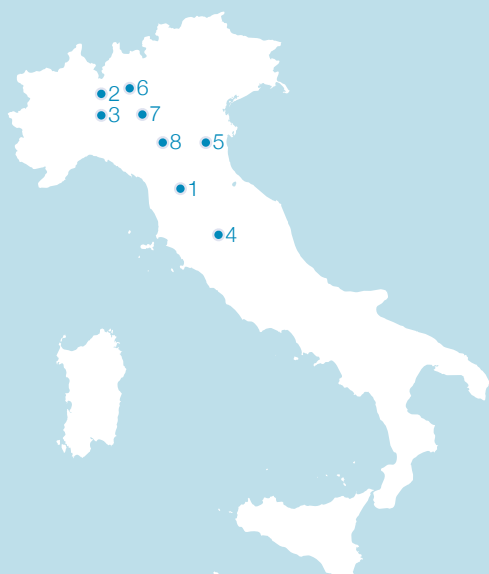
Through a careful and continuous refurbishment and extension programme we are constantly improving the attractiveness of our centres both to our tenants and their customers.

Carlo Romagnoli

Property Director
Eurocommercial Italy

Property locations

- | | |
|--|---|
| 1 I Gigli
Florence (Tuscany) | 5 Il Castello
Ferrara (Emilia Romagna) |
| 2 Carosello, Carugate,
Milan (Lombardy) | 6 Curno
Bergamo (Lombardy) |
| 3 Fiordaliso, Rozzano,
Milan (Lombardy) | 7 Cremona Po
Cremona (Lombardy) |
| 4 Collestrada
Perugia (Umbria) | 8 I Portali
Modena (Emilia Romagna) |



€1,502m

Property value

+0.8%

Valuation change (12 months)

€98.9m

Rental income

+11.4%

Average uplift from relettings and renewals

+1.5%

Like-for-like rental growth

+1.5%

Like-for-like retail sales growth

8

Number of properties

709

Number of shops

57m

Number of visitors

285,000m²

Gross lettable area

8.2%

Occupancy cost ratio

Economy

Economic recovery is gaining momentum with a strong improvement in growth: in 2017, real GDP increased by 1.5%, the fastest pace since the financial crisis. Uncertainty over economic policy is not expected to significantly affect 2018 GDP growth, which is predicted to be 1.3%.

In the first months of 2018, consumer spending accelerated due to growth in household expenditure and stable government spending. This translated into a significant drop in the unemployment rate and considerable job creation. The main indicators of the labour market improved, as did productivity, with the unemployment rate standing at less than 11%.

Rental growth

Like-for-like rental growth for the 12 months to June 2018 was 1.5%. Headline inflation averaged 1.2% in 2017 and is expected to remain stable for 2018. The main driver of rental growth was the 110 renewals and relettings which generated an average rental uplift of around 11.5%. The best overall rental growth results came from Il Castello, Collestrada and Cremona Po.

Retail sales

Retail sales in our Italian centres for the year to June 2018 were positive at 1.5%, excluding hypermarkets, with boutiques contributing to this positive performance. Medium units recorded a slightly negative performance, mainly due to the poor performance of Telecoms & Electrical. Hypermarket retail sales on average declined due to increased competition. The best performing centres were I Gigli with the opening of Primark and ai Banchi del Mercato Centrale, Collestrada and Cremona Po.

The occupancy cost ratio was kept at a healthy and sustainable 8.2%.

Property market

The retail sector represented around 35% of the total amount invested in Italian real estate during the first half of 2018. Of this investment, out-of-town shopping centres represented around 60% of total volume and high street properties around 30% (source C&W).

There have been very few core assets transacted on the market and, as a result, the demand for retail investments is focusing on core plus opportunities and off-market deals, especially for high street properties. Therefore, the market is two-tiered with a wide gap between prime and secondary yields.

During the year, international and national investors confirmed their selective interest for Italian real estate products with slight prime net yield compression on specific asset classes. High street net yields for primary cities range between 2.8% and 3.0%, shopping centres between 4.8% and 5.1% and retail parks between 5.8% and 6.0%. Secondary assets are currently suffering from some liquidity concerns and the expected yields are above 7%.

Valuations

Valuations showed an increase of 0.8% at the end of June 2018, compared with June 2017, and an increase of 0.3% compared with December 2017, taking the total value of the Italian investment portfolio above €1.5 billion. This increase in values is mirrored by a decrease in the average net initial yields which is now 5.1% (down from 5.3% last year).

Disposals

In April 2018, we completed the sale of four of our Italian properties: Centro Lame (Bologna), La Favorita (Mantova), Centroluna (Sarzana) and Centro Leonardo (Imola) in a single transaction for €187 million. The price was in line with the latest independent property valuations in June and December 2017.

Country report continued

Italy

Extensions and refurbishments

The ongoing refurbishment works at Collestrada, including a refreshed food court, and improvements to the gallery and car parking have led to an increase in footfall and turnover. In August 2018, we received preliminary approval from local authorities for our 19,500m² extension (see case study opposite).

At I Gigli, following the successful refurbishment of the space reallocated from the hypermarket and the opening of Mercato Centrale, we are currently seeking approval from the local authorities for the construction of a walkway to connect the first two floors. We are also looking at the possibility of building a leisure and entertainment complex next to the existing cinema.

At Fiordaliso, we have obtained the necessary business licences to start a significant refurbishment of the centre to introduce major new retailers to the centre, with leasing terms already agreed.

At Carosello, we have spent the past year working with local stakeholders and are revising the proposed extension project in order to improve accessibility and to limit its environmental impact.

We have started preparing for work at Curno, which includes a new food court (3,000m² of lettable area) plus an extension of the existing car park and improving access to the centre. Work is due to commence in September 2018.

At Cremona Po, we negotiated a reduction of the hypermarket to facilitate a new H&M store which opened at the beginning of September. Meanwhile, we are also finalising the design of a new retail park of around 10,000m².

Outlook

Italian politics continues to attract attention and moves by the populist parties in the Government are constantly scrutinised. Their policies which are aimed at improving the spending power of Italians and could have a positive effect on retail consumption and, therefore, on tenants' turnover, albeit at the possible expense of higher bond yields. The forecasted increase of 1.3% in GDP, the increase in purchasing power of Italian families and in personal consumption also lead us to be moderately positive about the immediate future of the Italian economy.

Independent valuations by property

(€ million)	Net value June 2018	Net value June 2017	Net yield including purchase costs	Cost to date
I Gigli, Florence ²	446.0	439.0	4.8%	328.5
Carosello, Carugate, Milan ³	368.2	353.8	4.9%	209.1
Fiordaliso, Rozzano, Milan ⁴	152.1	153.2	4.9%	144.8
Collestrada, Perugia ³	138.2	130.1	5.3%	128.7
Il Castello, Ferrara ²	133.3	128.0	5.4%	86.8
Curno, Bergamo ¹	112.5	112.8	5.7%	36.9
Cremona Po, Cremona ¹	100.3	89.7	6.2%	107.1
I Portali, Modena ¹	51.2	50.2	5.7%	47.7
Centro Leonardo, Imola*	–	72.5	–	–
La Favorita, Mantova*	–	48.6	–	–
Centro Lame, Bologna*	–	40.8	–	–
Centroluna, Sarzana*	–	26.1	–	–
Total	1,501.8	1,644.8	5.1%	1,089.6

Valuations by: ¹CBRE, ²Cushman & Wakefield, ³JLL, ⁴Savills

* Properties sold during the financial year.

Case study

Collestrada extension

Perugia (Umbria)

Collestrada is situated in the south-east of Perugia, a wealthy town with 166,000 inhabitants, located halfway between Florence and Rome.

The centre, which has now been in operation for 20 years, is the leading shopping area in the Umbria region and considered the first choice for brands among retailers and consumers alike. It was recently selected by IKEA as the location for its new 25,000m² store.

Eurocommercial has developed plans for a 19,500m² extension of the centre which includes

recovering a former industrial area and redeveloping the existing Collestrada shopping centre complex. The project also includes important improvements to the public and private road network, with the aim of increasing accessibility and improving traffic at the centre, creating 3,500 new parking spaces bringing the total to over 5,000.

The project recently received a preliminary approval by the local authorities and is expected to be finalised in 2022.



Collestrada, Perugia

Italy portfolio

I Gigli

Florence (Tuscany)



I Gigli is the leading shopping centre in Tuscany attracting over 19 million visitors each year. It has 130 stores including top brands such as Primark, Apple, Coin, Hollister, Media World, Zara and many others. Ai Banchi del Mercato Centrale offers a unique food experience.

€446.0m

Value

€24.73m

Passing rent

+0.8%

Rental growth

€10,677

Boutiques
<300m² turnover/m²

+3.4%

Turnover growth

7.4%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	19.1m
Total lettable area	85,406m²
ECP ownership	85,406m²

Carosello

Carugate, Milan (Lombardy)



The benchmark for Milanese shopping and for the most important retailers, located on Milan's ring road. It has a catchment population of over one million. With 116 stores, major retailers at the centre include Apple, Zara, H&M, Coin, OVS, Scarpe & Scarpe and Under Armour. Discussions are ongoing with the local municipality for a possible further extension.

€368.2m

Value

€18.92m

Passing rent

+1.9%

Rental growth

€9,032

Boutiques
<300m² turnover/m²

+0.2%

Turnover growth

7.5%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	8.7m
Total lettable area	52,778m²
ECP ownership	52,778m²
BREEAM-In-Use certified	

Fiordaliso

Rozzano, Milan (Lombardy)



Fiordaliso is located to the south of Milan and is one of the dominant shopping centres in the city, with a catchment population of over one million. Eurocommercial co-owns the centre with leading food retailing group Finiper. Work to refurbish part of the gallery and to improve the road network is underway. Initial work is being undertaken to pursue an extension to accommodate the considerable demand from retailers that wish to take a unit in this centre, which already has 135 stores.

€152.1m*

Value

€8.51m*

Passing rent

+0.3%

Rental growth

€7,539

Boutiques
<300m² turnover/m²

-0.8%

Turnover growth

10.8%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	7.8m
Total lettable area	64,609m ²
ECP ownership*	44,619m ²

* Represents ECP 50% interest in the owning entity.

Collestrada

Perugia (Umbria)



Collestrada is the prime shopping centre in the Umbria region, located just south-east of Perugia, with a wealthy catchment of 498,000. The centre attracts almost five million visitors every year and the gallery hosts top brands such as Zara, Bershka and Media World. The centre has already undergone a refurbishment and efforts are ongoing to obtain planning permission for an extension of the gallery including an IKEA store.

€138.2m

Value

€7.69m

Passing rent

+2.4%

Rental growth

€10,575

Boutiques
<300m² turnover/m²

+4.0%

Turnover growth

5.9%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	4.8m
Total lettable area	31,120m ²
ECP ownership	31,120m ²

Italy portfolio continued

Il Castello

Ferrara (Emilia Romagna)



Il Castello is the leading shopping centre in the province of Ferrara, having originally opened in 1990. The centre, which has nearly 90 stores, was refurbished in 2011 and benefits from the only Zara and Bershka stores in the Ferrara area. A refurbishment of the food court is planned to improve the overall customer experience and food offer. The centre has a catchment of 430,000.

€133.3m

Value

€7.92m

Passing rent

+3.3%

Rental growth

€7,375

Boutiques
<300m² turnover/m²

+0.8%

Turnover growth

10.2%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	4.9m
Total lettable area	38,503m ²
ECP ownership	17,907m ²

Curno

Bergamo (Lombardy)



Located in a wealthy catchment area on the western edge of the city of Bergamo, Curno has a catchment population of 498,000. The centre continues to be one of the most important centres in Lombardy and offers a shopping experience that is continually improving, recently enhanced by the arrival of Maison du Monde.

€112.5m

Value

€7.34m

Passing rent

-0.1%

Rental growth

€8,116

Boutiques
<300m² turnover/m²

-4.4%

Turnover growth

8.9%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	6.5m
Total lettable area	36,291m ²
ECP ownership	15,596m ²

Cremona Po

Cremona (Lombardy)



Located on the edge of Cremona city centre, at the junction of the ring road and the major road leading to Milan, Cremona Po has 75 stores and continues to deliver strong turnover growth. We have purchased 2,500m² from the hypermarket and let this to H&M and also purchased an adjoining site on which we can build a 10,000m² extension of the retail park.

€100.3m

Value

€6.67m

Passing rent

+3.7%

Rental growth

€6,093

Boutiques
<300m² turnover/m²

+6.8%

Turnover growth

10.2%

Occupancy cost ratio

98%

Occupancy

Visitors 2017/18	5.1m
Total lettable area	43,183m ²
ECP ownership	28,683m ²

I Portali

Modena (Emilia Romagna)



Located very close to the city centre of one of the wealthiest cities in Italy with a catchment of 398,000 people. The shopping centre was fully refurbished in 2014 and discussions are still on course with the municipality of Modena regarding an extension, for which Eurocommercial has agreed a purchase option on 50,000m² of land close to the centre.

€51.2m

Value

€3.13m

Passing rent

+1.5%

Rental growth

€7,474

Boutiques
<300m² turnover/m²

+0.9%

Turnover growth

9.4%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	3.9m
Total lettable area	24,929m ²
ECP ownership	7,937m ²

Country report

Sweden



During the year we sold two Swedish properties and completed the purchase of Valbo on the outskirts of Gävle. As a result of this asset rotation the Swedish portfolio is now overwhelmingly dominant regional shopping centres with affluent catchments.

Martin Bjöörn
Property Director
Eurocommercial Sweden

Property locations

- | | |
|--------------------------------------|--|
| 1 Bergvik
Karlstad (Värmland) | 5 Ingelsta Shopping
Norrköping (Östergötland) |
| 2 Hallarna
Halmstad (Halland) | 6 Elins Esplanad
Skövde (Västergötland) |
| 3 Grand Samarkand
Växjö (Småland) | 7 Moraberg, Södertälje
(Södermanland) |
| 4 Valbo
Gävle (Gästrikland) | 8 C4
Kristianstad (Skåne) |



€868m

Property value

+3.8%

Valuation change (12 months)

€39.9m

Rental income

+20.3%

Average uplift from relettings and renewals

+3.8%

Like-for-like rental growth

+1.4%

Like-for-like retail sales growth

8

Number of properties

472

Number of shops

21m

Number of visitors

258,000m²

Gross lettable area

8.7%

Occupancy cost ratio

Economy

The Swedish economy continues to perform well with stable GDP growth, good exports and low unemployment. Retail consumption has remained steady, although households have increased savings and generally adopted a more cautious approach following uncertainties in the housing market where, after a period of unprecedented growth, residential prices have recently fallen back, coinciding with tighter amortisation and credit arrangements. A weaker krona has pushed up import prices including food and energy, although with inflation at under 2%, any increases in interest rates are likely to be small and gradual.

Rental growth

Like-for-like rental growth was 3.8%, up from 3.2% last year. While inflation provided some indexation, by far the largest contribution to this growth came from the 43 relettings and renewals negotiated during the period, producing an average uplift of 20% on those transactions (up from 12% last year). This rental performance together with full occupancy reflects well on the quality of the portfolio, the skills of our leasing team and their close relationship with retailers at a time when they are facing some structural headwinds and reviewing their store network, even closing unprofitable units.

Retail sales

With retail sentiment generally remaining optimistic among both consumers and retailers, like-for-like annual sales growth in the galleries was positive, up 1.4% with most shopping centres and sectors showing positive figures.

The owned hypermarkets saw growth of 2%, with the only negative store being the Coop hypermarket at Bergvik which should emerge stronger now that we have taken back their non-food area of 3,000m² and relet it to H&M.

Property market

Buyers are being more selective but there remains steady demand for prime retail investments, particularly from international buyers. The most relevant comparable transactions were the sales of Port 73 in Haninge to CBRE GI and Lidingö Centrum to Grosvenor at reported net yields of around 5% and 4.25% respectively. There is no indication of yields rising at the prime end of the market despite some general uncertainty about future taxation in the property sector, a situation which will not become any clearer until well after the elections in September 2018.

Valuations

Valuations increased by 3.1% over the year and by 1.7% over the last six months. The average net initial yield of the portfolio remains at around 4.9%. The yield range is narrow reflecting the homogeneous character of the portfolio, being regional centres that are dominant in their catchment.

Acquisitions and disposals

We have been busy on the transactional side and in January completed the purchase of Valbo shopping centre located on the E16 motorway outside Gävle. An established regional centre, Valbo serves a catchment of 250,000 people. The centre is let to 70 tenants and adjoins and is partly let to IKEA. Based on the property acquisition price of €116 million, the property yields around 5.2% and provides opportunities for growth through further refurbishment, tenant rotation and active asset management, which may in the future include an extension. We also completed the sale of two properties, Mellby and 421 (Göteborg) which were identified as offering more limited potential for further development and growth. At a combined sale price of just over €100 million, the give up yield was almost identical to the ingoing yield at Valbo.

Country report continued

Sweden

Developments and extensions

On the project front, the rebranded, refurbished and extended Hallarna, formerly known as Eurostop, opened fully let in October last year. Since then, the main focus has been to complete the shorter northern mall, together with an external 4,000m² unit for the Norwegian sport retailer XXL which opened in June 2018. The 120-room hotel is also in the course of being fully refurbished and when all this work is completed in spring 2019, Hallarna will provide 44,000m² of new or fully refurbished space for around 90 tenants.

Meanwhile, progress continues at the 31,600m² C4 shopping centre located outside Kristianstad, on the E22 motorway, which will open on time and on budget at the end of September 2018.

The centre is over 96% pre-let and tenants include all the major Scandinavian retailers such as H&M, Kappahl, Lindex, New Yorker, Stadium and the Varner Group and Bestseller brands. Recent lettings have included stores for Clas Ohlson and Afound, the latest H&M concept. Food retail in C4 will be provided by Lidl (2,200m²) to complement the neighbouring City Gross hypermarket which opened last September. The purchase had been structured as forward financing and the final price will be calculated on the actual net operating income achieved capitalised at 6%, a significant discount to current yields for established regional shopping centres.

Independent valuations by property

(SEK million)**	Net value June 2018	Net value June 2017	Net yield including purchase costs	Cost to date
Bergvik, Karlstad ¹	1,534.7	1,505.0	4.7%	1,026.5
Hallarna, Halmstad ²	1,460.0	1,086.0	4.8%	1,216.5
Ingelsta Shopping, Norrköping ¹	1,219.8	1,204.0	4.9%	894.9
Grand Samarkand, Växjö ¹	1,198.0	1,168.0	4.5%	740.9
C4 Project, Kristianstad ^{2***}	1,170.0	769.0	–	1,078.2
Valbo, Gävle ¹	1,148.5	–	5.2%	1,056.4
Elins Esplanad, Skövde ²	878.0	837.0	4.9%	593.4
Moraberg, Södertälje ²	463.0	463.0	5.6%	367.6
421, Göteborg*	–	865.0	–	–
Mellby Center, Laholm*	–	184.0	–	–
Total	9,072.0	8,081.0	4.9%	6,974.4

Valuations by: ¹Cushman & Wakefield, ²JLL

* Properties sold during the financial year.

** 1 € = 10.453 SEK

*** Yield figures are not provided as this property is under development.

Case study

Elins Esplanad

Skövde (Västergötland)

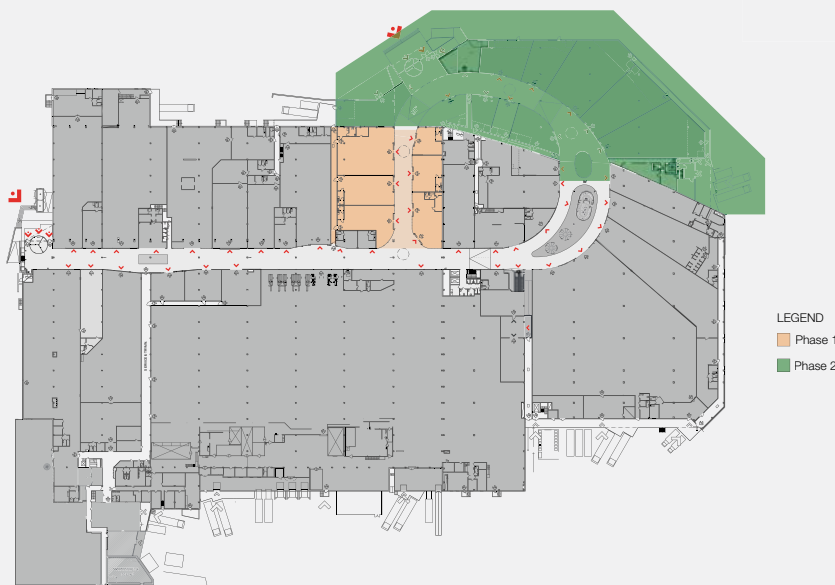
Eurocommercial acquired Elins Esplanad in 2003 as part of a portfolio of three shopping centres owned by ICA, Sweden's leading hypermarket group. Skövde is a growing municipality and is the retail capital for 240,000 people. In 2008, we refurbished the centre, extended the ICA hypermarket and added 7,400m² of gallery shops. Retail sales and rental levels increased substantially over the following five years but have since stabilised around their current levels. While the centre has Sweden's main anchors (H&M, Lindex, Kappahl, Stadium and Clas Ohlson), the range and number of shops is relatively limited despite strong demand from retailers wanting to be present. Two asset management initiatives will provide the opportunity to significantly broaden the tenant mix, particularly in the fashion, service and food and beverage sectors.

1. Siba conversion

Siba, a national electrical chain, had a unit of 1,600m² in the centre of the gallery. At their lease expiry, we took back their unit and have subdivided it into six new shops which will open in September 2018. All the shops have been let at the highest rents in the centre (around SEK 3,300m²) to tenants including Jack & Jones, Vero Moda, and Espresso House.

2. Extension

In March 2018, we secured a planning approval for an extension and have designed a new masterplan creating an efficient loop to include the existing mall, initially adding a further 2,700m² of shops. We are currently in discussions with prospective tenants and subject to satisfactory pre-leasing commitments, we could start the extension early in 2019. The total cost of both projects is approximately €20 million and once completed, Elins Esplanad will have grown from 30 to around 55 shops and reinforced its market position in the catchment.



Sweden portfolio

Bergvik

Karlstad (Värmland)



Bergvik was refurbished and extended in 2015 and comprises around 80 shops, two hypermarkets and adjoins an IKEA. Bergvik fronts the E18 motorway just to the west of Karlstad and is the dominant regional shopping centre in Värmland, serving a catchment of around 270,000 people.

€146.8m

Value

€7.02m

Passing rent

+1.9%

Rental growth

€6,359

Boutiques
<300m² turnover/m²

+4.4%

Turnover growth

9.6%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	4.3m
Total lettable area	47,102m²
ECP ownership	32,422m²
BREEAM-In-Use certified	

Hallarna

Halmstad (Halland)



Hallarna is located in Halmstad alongside the E6 motorway. A major 16,000m² extension was recently completed and opened fully let in October 2017. Since then, the project has focused on completing a 4,000m² external unit for XXL, redeveloping the northern mall and refurbishing the hotel. The entire project will be completed during spring 2019 by which time Hallarna will have around 90 shops and will be firmly established as the dominant regional shopping centre serving a catchment of around 350,000 people.

€139.7m

Value

€7.73m

Passing rent

+17.8%

Rental growth

€5,658

Boutiques
<300m² turnover/m²

100%

Occupancy

Visitors 2017/18	3.1m
Total lettable area	42,873m²
ECP ownership	42,873m²

Grand Samarkand

Växjö (Småland)



Grand Samarkand is located in the main external retail zone of Växjö and serves a catchment of around 225,000 people. The shopping centre was completely redeveloped in 2011 and currently provides around 66 shops with an adjoining ICA hypermarket. A further extension is currently being investigated.

€114.6m

Value

€5.54m

Passing rent

+4.8%

Rental growth

€6,601

Boutiques
<300m² turnover/m²

-1.3%

Turnover growth

8.7%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	3.4m
Total lettable area	34,887m ²
ECP ownership	24,255m ²
BREEAM-In-Use certified	

Valbo

Gävle (Gästrikland)



Valbo is located on the outskirts of Gävle and is an established regional shopping centre originally built in the 1970s serving a catchment of around 250,000 people. Valbo fronts the E16 motorway and comprises 37,000m² let to around 70 tenants including a Coop hypermarket and part of the adjoining IKEA.

€109.9m

Value

€6.52m

Passing rent

+2.0%

Turnover growth

€4,765

Boutiques
<300m² turnover/m²

100%

Occupancy

9.1%

Occupancy cost ratio

Visitors 2017/18	2.9m
Total lettable area	45,200m ²
ECP ownership	37,200m ²

Sweden portfolio continued

Ingelsta Shopping

Norrköping (Östergötland)



Ingelsta is located in the main external retail area of Norrköping at the city's northern entrance from the E4 motorway which runs down from Stockholm. Ingelsta was refurbished and extended in 2009 and currently comprises an ICA hypermarket and around 50 shops. A further extension is currently being investigated.

€98.5m

Value

€5.20m

Passing rent

+4.0%

Rental growth

€5,444

Boutiques
<300m² turnover/m²

+1.9%

Turnover growth

9.0%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	3.5m
Total lettable area	36,483m ²
ECP ownership	36,483m ²
BREEAM-In-Use certified	

Elins Esplanad

Skövde (Västergötland)



Elins Esplanad was originally extended and refurbished in 2008 and currently has 30 shops and an ICA Maxi hypermarket. Six new shops are being added and will open in September 2018. A recent planning approval could result in a further 2,700m², taking the total retail offer up to around 55 shops, further strengthening its market position as the dominant regional centre serving a catchment of around 240,000 people.

€84.0m

Value

€4.14m

Passing rent

+1.6%

Rental growth

€8,896

Boutiques
<300m² turnover/m²

-1.2%

Turnover growth

8.7%

Occupancy cost ratio

100%

Occupancy

Visitors 2017/18	3.5m
Total lettable area	26,383m ²
ECP ownership	26,383m ²
BREEAM-In-Use certified	

Moraberg

Södertälje (Södermanland)



Moraberg is a modern retail park located on the E20/E4 motorway outside Södertälje, a city of 90,000 people located just to the south of Stockholm. Tenants include Sweden's most important box retailers in the electrical, sport, DIY and household sectors.

€44.3m

Value

€2.57m

Passing rent

+1.7%

Rental growth

6.1%

Occupancy cost ratio

+1.7%

Turnover growth

100%

Occupancy

Visitors 2017/18	1.7m
Total lettable area	18,791m ²
ECP ownership	18,791m ²

C4

Kristianstad (Skåne)



C4 comprises a new shopping centre and hypermarket of 40,600m² located alongside the E22 motorway to the south of Kristianstad and will serve a catchment of around 300,000 when it opens in September 2018 fully let. The hypermarket unit is mainly let to City Gross which opened successfully during 2017. Once the entire development is completed, C4 will have around 90 tenants together with a 20,000m² retail park.

€111.9m

Value

96%

Occupancy

Due to open September 2018	
Total lettable area	40,600m ²
ECP ownership	40,600m ²

Corporate Governance

In accordance with the Netherlands 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.

On 8 December 2016, the Monitoring Committee Corporate Governance Code published an amended Netherlands Corporate Governance Code, which is applicable for the Company as from 1 July 2017. This Code was enacted on 7 September 2017 and replaced the Code from 2008.

The Company is obliged to report about this amended Code in the Annual Report for the year ending 30 June 2018. This section of the Annual Report is therefore also focusing on compliance with the amended Code. The full text of the amended Code can be found at: www.mccg.nl.

The most important changes from the 2008 Code are the central role given to long-term value creation and the attention paid for the culture within a company. Long-term value creation requires management board members and supervisory board members to act in a sustainable way by making informed choices about the long-term viability of the strategy being pursued. The achievement of value creation is inextricably bound up with the culture within a company and the enterprise affiliated with it.

In the next paragraphs the aforementioned broad outline is presented. Please note that the Board of Management and the Supervisory Board propose to amend the Company's corporate governance structure by the dismantlement of the Company's priority shares structure. This will require an amendment of the Company's articles of association to devolve the powers attached to the priority shares held by Stichting Prioriteitsaandelen Eurocommercial Properties to the Supervisory Board, or to the Board of Management, subject to the approval by the Supervisory Board.

In the next paragraphs, it is assumed that the resolution to amend the articles of association is adopted in the Annual General Meeting of Shareholders of 6 November 2018.

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.

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. The Supervisory Board is entitled to make a binding nomination to the General Meeting of Shareholders. The General Meeting of Shareholders determines the remuneration of members of the Supervisory Board. With the exception of one member, all 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 is 12 years. The amended Code provides for the basic principle that Supervisory Directors are appointed for two periods of four years. Reappointment is possible for a maximum term of a further two two-year periods.

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 eight times a year, and in the year under review the Supervisory Board met eight times. 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.

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. The Supervisory Board is entitled to make a binding nomination to the Meeting of General Shareholders. 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 key indicator for remuneration is based on aligning the Board of Management with the interests of shareholders. The remuneration of the Board of Management will be submitted to the General Meeting of Shareholders for approval. The Supervisory Board prepares a Remuneration Report 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

Corporate governance continued

compensation that a member of the Board of Management may receive on termination of his or her employment may not exceed one year's base salary.

Under powers granted to it by the General Meeting of Shareholders for the period to 30 June 2019, the meeting of holders of priority shares is empowered to authorise the issue of new shares up to a maximum of 20% 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.

If the resolution to amend the articles of association is adopted it is also proposed that the General Meeting of Shareholders delegates the aforesaid powers to the Board of Management subject to the approval of the Supervisory Board.

Jeremy Lewis, Chief Executive

The founding Chief Executive of the Company, Jeremy Lewis (73), a Chartered Surveyor, read Estate Management at Reading University. He has over 50 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 (56), 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 (59) 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 (60) joined Eurocommercial in 1992. Since then, he has been involved in the acquisition programme in France and Italy and has responsibility for all Belgian and French operations. Tom has a degree in modern languages from Durham University and is a Chartered Surveyor.

Roberto Fraticelli, Director

Roberto Fraticelli (47) joined Eurocommercial in 1998 and is responsible for the Italian activities of the Company. He has degrees in Economics (LUISS University, Rome) and Political Sciences (Amsterdam University) as well as an Executive MBA (Rotterdam School of Management). He is also a Chartered Surveyor.

Administrative Foundation

The Company's shares are listed on Euronext Amsterdam and Euronext Brussels in the form of bearer depositary receipts issued by Stichting Administratiekantoor Eurocommercial Properties (the Administrative Foundation), each depositary receipt representing ten registered ordinary shares in the capital of the Company, which shares are held by the Administrative Foundation. In order that investors in the Company have equal rights, holders of depositary receipts are able to exercise voting powers as if they were shareholders. The conditions of administration govern the relationship between the Administrative Foundation and the holders of depositary receipts. Furthermore, these holders of depositary receipts are entitled pro rata to the same distribution of dividends on the number of ordinary shares corresponding with the depositary receipts held. Also, holders of depositary receipts can obtain an irrevocable proxy to exercise at shareholders meetings the voting powers attached to such number of ordinary shares as correspond with the depositary receipts held.

In accordance with its conditions of administration the voting rights attached to the ordinary shares with respect to which the holders of depositary receipts for those ordinary shares do not make use of the power of attorney, are exercised by the Administrative Foundation in such a way that the Administrative Foundation will primarily be guided by the interests of the holders of depositary receipts, taking into account the interests of the shareholders and the Company and its subsidiaries and affiliated companies. The Administrative Foundation will normally exercise its aforementioned voting rights in favour of all resolutions proposed by the Board of Management and the Supervisory Board unless such resolutions are manifestly contrary to the interests of the shareholders and the holders of depositary receipts.

The Board of Trustees of the Administrative Foundation currently comprises two independent members but a third independent member will be proposed at the AGM in November. The articles of association and the conditions of administration of the Administrative Foundation are posted on the Company's website and the Company and the Administrative Foundation comply with Principle 4.4 of the Code and the related best practices for issuing depositary receipts.

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 Supervisory Board also meets the external auditor without the presence of the Board of Management. 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.

KPMG Accountants N.V. were reappointed as the Company's auditors by the General Meeting of Shareholders in November 2017.

Corporate governance best practice

The amended Code was published on 8 December 2016 and was tabled and discussed in the meeting of the Supervisory Board and the Board of Management held in February 2017. As a result of the amended Code 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 1.3 of the Code

There is no separate department for the internal audit function, but each year the Supervisory Board will assess whether adequate alternative measures have been taken and will consider whether it is necessary to establish an internal audit department. The conclusions of the Supervisory Board are included in their report.

Principle 3.2 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.

Corporate governance continued

Provision 4.2.2 of the Code

The Company has not implemented an outline policy on one-to-one contact with its shareholders. 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.

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. The Company discloses its energy and water consumption, waste production and greenhouse gas emissions on an annual basis. This information can be found on page 29.

Consumption information relating to properties acquired during the reporting period is included in the absolute data from the date the acquisition is completed but does not appear in the like-for-like comparisons until the properties have been owned for a full two years. Information relating to properties disposed of during the reporting period is included in the absolute data up until the date the sale is completed but is excluded from the like-for-like comparisons.

The reported energy and greenhouse gas performance measures relate to all Company-obtained energy and water consumed in the Company's properties. Consumption data at each property is collected from utility invoices and entered into a centralised database. Data was not estimated. Jones Lang LaSalle assisted the Company in preparing the data in line with the EPRA reporting guidelines. Jones Lang LaSalle also consolidated and verified the data.

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, and will continue to be, installed on properties as part of ongoing maintenance and upgrade work. Several centres now have facilities to collect rainwater to use for irrigation and waste facilities.

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 90 full-time equivalent persons during the financial year, of whom 15 are based in The Netherlands, 9 in the UK, 24 in France, 32 in Italy and 10 in Sweden. 57 per cent of employees are female and 43 per cent are male. Of the workforce, 15 are under the age of 30, 56 are between the ages of 30 and 50, and 19 are over the age of 50. These facts show how diversity is implemented throughout the organisation by differences in nationality, age and gender.

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, culture and long-term value creation

Eurocommercial has offices in Amsterdam, London, Paris, Milan and Stockholm. The French, Italian and Swedish teams have been expanding during recent years as various property functions such as leasing and rent collection and administration have been brought in-house. The French team is also responsible for the new acquisition in Brussels.

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 Belgium and France, Roberto Fraticelli 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.

Investment in property is a local and long-term business. The country teams therefore comprise nationals and residents of the country in which investments are made. It is important to understand local values and practices to avoid errors and mistakes, which implies that teams consist of skilled professionals with relevant experience. A significant number of employees has been employed for more than ten years. Also the remuneration of the local teams is linked to the performance of the local property portfolio based on rental growth and asset value growth in the respective countries.

At the same time an international organisation requires high standards of transparency, reporting and accountability. The Company is promoting clear and open communication and taking responsibility. Complying with high standards of good business practices is fundamental for long-term value creation. A good long-term relationship with tenants and local communities and governments requires diligent staff who adhere to proper business ethics and are fully aware that reputation risk for the Company and its employees is a very important risk factor which is key to manage carefully. Training of management and staff in these areas and cross country meetings and visits by management and staff members are therefore taking place regularly, so that there is good internal knowledge sharing and a good understanding how Eurocommercial management and staff should act and perform. The Code of Conduct of the Company provides the core rules for management and staff to adhere to and provides for guidance to behave and preserve the Eurocommercial values. During the reporting period no violation of the Code of Conduct has been reported or established.

Every employee under a permanent labour contract is entitled to the long-term incentive under the group's Performance Share Plan, which is clearly aimed at linking remuneration to a long-term commitment of the individual employee and the performance of the Company. It is believed this Plan contributes to alignment of management and staff with the interests of the Company and its stakeholders and underlines the culture in the group that each individual is considered to contribute to the success of the Company and is therefore also entitled to a long term incentive.

Corporate governance continued

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 directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. 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 Board of Supervisory Directors on page 75.

Internal risk management and control systems

The Company has clearly identified its risks, comprising strategic risks, operational risks, financial risks, reporting risks and compliance and reputation 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, and 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. Payment procedures are very detailed and strict. Payments always require the involvement of the Amsterdam head office, where all payments for the group are finally authorized by at least two senior signatories, as country offices cannot make any payments under the procedures in place. 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. IT systems and data base are located at a professional specialised external data centre with high protection against disruptions and power failure.

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 risks to the accepted risk appetite.

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 Belgian, French, Italian and Swedish businesses, their deputies, the research department 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 issues – 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 (Belgium, France, 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 3.9% of total portfolio rent).

Corporate governance continued

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 internal research teams maintain 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 retail sales 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 Belgium, France and Italy but not in Sweden where this is not market practice. Property performance is reviewed by analysing monthly retail sales 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 Belgium, France and The Netherlands and subject to corporate income tax in Italy and Sweden. 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.

Financial risk

Credit risk

The Company minimises the risks related to the possible defaults of its counterparties by dealing with 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 to ten years but preferably for ten years or more). The Company uses fixed interest loans, 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 2.6% and only 22% 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 €4.7 million, or 4.4%, 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 20 (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 financial institutions and currency swaps (if applicable), a hedging of the foreign currency is achieved up to 35%. The remaining exposure is relatively limited compared with 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 1.2% and in a decrease of only 1.4% of reported direct investment result.

Corporate governance continued

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 and reputation risk

At the corporate level the Company complies with rules and regulations of Netherlands law, including the Netherlands Corporate Governance Code and the Netherlands Act on Financial Supervision (Wet op het financieel toezicht) as it is listed on Euronext Amsterdam, which is its home market and recently it has a secondary listing on Euronext Brussels. All employees are made aware of the regulations, and procedures are in place to ensure that employees comply with the rules and are aware of the high standards of ethics applicable. It is very important that any, even small, deviation of what is required under these standards could trigger that the reputation of the Company and its management and staff becomes at risk. The Company has an internal code of conduct and a whistleblower'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

The Company has a description of the organisation of its business operations (Administrative Organisation and Internal Control). During the financial year 2017/18, 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 Code. Also, there have been no indications during the financial year 2017/18 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Board of Management 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 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 2017/18, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2017/18.

As required by provision 1.4.3 of the Code and on the basis of the foregoing the Board of Management states that: (a) this report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems; (b) the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies; (c) based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and (d) this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this report.

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. The insurance programme is benchmarked against its peer groups on an annual basis.

Taxation

As a tax-exempt quoted Netherlands-based Fiscal 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) and in Belgium the Company is subject to the special tax regime under which property revenues are tax exempt (FIIS/GVBF). In Sweden the Company is currently not in a corporate income tax payable position, but it is in Italy.

Amsterdam, 21 September 2018

Board of Management

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

Responsibility statement

With reference to the EU Transparency Directive and Article 5:25c, section 2 c sub 2 of 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 2018 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, 21 September 2018

Board of Management

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

Report of the Board of Supervisory Directors 2017/18

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 2018, as drawn up by the Board of Management. The auditors, KPMG Accountants N.V., have audited the financial statements and have issued 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 €2.15 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2018. 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.

Provision of information

During the year under review there were eight meetings of the Supervisory Board which were also attended by the members of the Management Team (composed of the Board of Management and the three Country Directors). The board meetings convened in the month of May in Milan had to be cancelled due to air traffic strikes and were replaced by a video conference. In addition to the extensive information provided in connection with these meetings, the Supervisory Board is kept informed on a monthly basis of activities and financial performance through monthly wide-ranging management accounts which contain detailed analyses of rental income, costs of maintenance and extensions, interest, financing, company expenses, investment developments, relevant markets and various other operational and financial items during the month under review, set off against budget and previous relevant periods. Each month there have been various meetings, either in person or through telephone conferences, between the individual members of the Supervisory Board and the Management Team.

Monitoring role

The Supervisory Board fulfils its monitoring role through several channels. The monthly management accounts are reviewed by all members of the Supervisory Board and provide a starting point for assessing and monitoring performance. These accounts are also regularly discussed between members of the Supervisory Board and the Finance Director. Points raised as a result of analysing the management accounts were discussed in the seven Board meetings throughout the year.

Among the recurring topics discussed in the Board meetings were

- strategy and risk
- property and financial markets
- management and financial accounts
- funding
- foreign currencies and dividend policy
- the system of internal controls, remuneration levels, IT systems and corporate governance.

Additionally, the changes in property markets, valuations and rents, the impact of the internet, e-commerce, social media and digitalisation in general were discussed. Also marketing in the various countries, and the Company's bank loans and bank covenants were addressed and monitored during the year. The Supervisory Board was informed of the investment and funding policy of the Board of Management. The Board was also informed about the continuation of the current strategy of the Company. Furthermore, the contents of press releases, the Annual Report, the Interim Report and the quarterly reports were discussed. During the financial year the acquisition of the Woluwe shopping centre in Brussels was discussed several times, as well as the secondary listing at Euronext Brussels.

An extensive Supervisory Board evaluation with the help of a reputable independent external advisory firm was held in 2018. The results of the study were discussed in detail and resulted in some improvements to be made regarding organisation and communication.

In the two August 2017 meetings held in Sweden, among the items discussed were the draft audit report, the dividend proposal, the draft Annual Report, and the year's budget. The auditors also attended the meeting in which the annual results were discussed, to present their audit findings. In the meetings, attention was also given to reviewing the proposed property acquisitions including the Woluwe shopping centre and disposals, as well as reviewing the Company's property portfolio and its markets. Corporate governance was among the items discussed. The Supervisory Board also visited the rebranded, refurbished and extended shopping centre Hallarna located on the E6 motorway outside Halmstad which opened after the summer and the Board met with local property management.

In the Board meetings in Amsterdam in November 2017 the portfolio was reviewed, and the Company's strategy, financial ratios, and staff training were discussed.

The two Board meetings in February 2018, held in Brussels, were focused on the Company's financing, corporate governance and strategy. During the discussion on strategy, the Supervisory Board and the Management Board discussed several points, including e-commerce, expansion in new countries and sectors, the sale and rotation of assets and succession planning. The Company's interim results were also discussed and the auditors attended that meeting to present their review report and the audit process was also discussed with the Company's auditors. The Supervisory Board also visited the Woluwe shopping centre in Brussels, which was about to be purchased.

Due to strikes and cancellation of flights, the Board meetings to be held in Milan in May 2018, were unfortunately held via video conference call and addressed the third quarter's results, the preliminary budget for 2018/19, as well as an update of proposed property sales and a review of the portfolio and the markets. In addition to these usual items, the Remuneration Report was discussed, as well as the composition of the Supervisory Board.

Supervisory Directors also attended some of the weekly team meetings, property team meetings at the local offices and closing meetings with the

local auditors. Furthermore, a Supervisory Director attended one closing meeting to prepare for the annual accounts for the financial year ending 30 June 2018 between management and KPMG (and local auditors) held in the month of July in Stockholm.

All Supervisory Directors attended each meeting held during the year. There have been no conflicts of interest.

Advisory role

There has been frequent contact between Supervisory Directors and the Management Team, through formal and informal meetings, telephone calls, and written communication. The national expertise of Supervisory Directors proved relevant in advising the Management Team on country-specific matters. The Supervisory Board considered the changes in the amended Netherlands Corporate Governance Code, which took effect as of this Company's 2017/18 financial year. These changes were assessed and action points were specified. Furthermore, the Supervisory Board advised on matters relating to international financial and economic trends such as interest rates and inflation.

Employer's role

During the year, the Supervisory Board also concentrated on monitoring the updating of the Company's succession planning and reviewed the Company's plans for succession and career development for senior management. As a result of these activities a number of appointments and re-appointments are proposed and included in the Agenda of the Annual General Meeting to be held in November 2018.

Stakeholder and relationship management

The Supervisory Board established that the Company has remained in intensive contact with retailers to keep the Company's shopping centres in line with tenants' needs. The Company actively addresses the changes in customer behaviour and the resulting strategic consequences for further developing and expanding the shopping centres. This policy has resulted in a well-managed tenant

Report of the Board of
Supervisory Directors 2017/18 continued

mix, high occupancy ratios and low arrears, and also in satisfactory numbers of visitors to the centres. Through roadshows, investor conferences and one-on-one meetings, the relationship with the Company's shareholders has been maintained and strengthened.

Professional training

During the year Supervisory Directors participated in seminars and courses provided by the big four audit firms and major law firms. The Chairman attended an advanced course of the International Directors Programme of the business school INSEAD at Fontainebleau in France.

Supervisory Board education and functioning

The Supervisory Board has engaged in a number of activities relating to education and representation. These activities included following formal education programmes, contacts with professional service industry and sector associations, country visits and visits to shopping centres and various other individual activities.

Diversity

As from 13 April 2017, the Netherlands Civil Code has been amended and provides rules on diversity, implying not less than 30% of the members of the Supervisory Board and of the Board of Management should be female, or male and, if not, that the Company should explain in its Annual Report why it does not comply. The current profile of the Supervisory Board 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. Presently, the Company complies with these statutory requirements. The amended Netherlands Corporate Governance Code requires the Supervisory Board to draw up a diversity policy. For the Supervisory Board this policy was included in the profile of the Supervisory Board.

Corporate governance

In accordance with the recommendations of the Netherlands Monitoring Committee of the Corporate Governance Code, 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 Supervisory Board reviews various corporate governance items in compliance with the Committee's recommendation.

The Supervisory Board also functions as 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, 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 and the policy to assign reviews to external experts to check specific parts of the administrative organisation and internal controls. During the financial year EY prepared a report on the reliability of the newly introduced lease administration software Estatio used in France.

The Supervisory Board also functions as the Remuneration Committee. Remuneration of the Management team was discussed in two meetings on the basis of an updated external benchmark report and the draft updated Remuneration Report. The final 2017/18 Remuneration Report will be posted on the website of the Company when this Annual Report is published. The Supervisory Board also functions as the Selection and Appointment Committee. At the forthcoming Annual General Meeting to be held on 6 November 2018, there will be proposals for the reappointment of two members of the Supervisory Board and for the appointment of a new member of the Supervisory Board. These proposals have the unanimous support of all members of the Board.

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 and other members of the Management Team reflects the differences in responsibilities of the members, as well as their individual performance.

The benchmark for remuneration of the Management Team 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 directors.

The Company's remuneration package for employees and members of the Board of Management comprises of 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 share plan; and pension and other benefits.

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses

for directors and members of the Management Team are directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. 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. Performance shares granted under the Performance Share Plan are also linked to the aforesaid metrics, are capped as well to a maximum of six months base salary and there is no minimum guaranteed number of performance shares. 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 to €47,000 for each member and to €61,000 for the Chairman and to increase the base salary for Mr J.P. Lewis to €723,000 and to increase the base salary for Mr E.J. van Garderen to €475,000. The Annual General Meeting of Shareholders to be held on 6 November 2018 is invited to approve the proposed remuneration of Supervisory Directors and the members of the Board of Management.

Composition of the Supervisory Board

Following the acquisition of the Woluwe shopping centre in Brussels in March 2018 and with reference to the profile of the Board of Supervisory Directors, which amendment was approved with the adoption of a diversity profile, an intensive search was conducted with the assistance of a reputedly international executive search firm to select a new member for the Supervisory Board with Belgian nationality and Belgian residency. This was a successful exercise and resulted in proposing

Report of the Board of
Supervisory Directors 2017/18 continued

Ms Emmanuèle Attout to be appointed by the General Meeting of Shareholders in November 2018 as independent member of the Supervisory Board.

All members of the Supervisory Board are independent. Only Mr C. Croff is considered to be not independent as his firm also acts as the Italian legal counsel to the Company. The profile, role and responsibilities of the Supervisory Board are laid down in specific rules and regulations which are posted on the Company's website. At 30 June 2018, the Supervisory Board was composed as follows:

1. Bas Steins Bisschop (69), Chairman, of Dutch nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. He is a professor of Corporate Law and Corporate Governance (now honorary) at Maastricht University and Nyenrode Business University. He is also an attorney at law in The Hague and recently retired to become an advisor to the law firm. He began practising law in 1975.

2. Brigitte Carrière (72), of French nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. She was formerly an asset manager and real estate financial analyst at Amundi, a major European asset manager based in Paris until her retirement.

3. Carlo Croff (63), of Italian nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years and re-appointed in 2017 for another period of four years. He is a senior partner of the leading law firm Chiomenti Studio Legale in Milan, Italy which he joined in 1984. Following his additional degrees at Cambridge and Harvard Universities, Mr Croff has had extensive experience advising Italian and international clients on legal matters related to banking and real estate.

4. Richard Foulkes (72), of British nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. Formerly he was Vice Chairman of Schroder Investment Management Limited in London. He graduated from Queens' College, Cambridge, UK, and was made a Fellow-Commoner there in 2006. He worked at Schroders in senior investment management positions until he retired in 2005 and is a member of the investment committees of Queens' College and the Royal Opera House pension fund.

5. Jan-Åke Persson (68), of Swedish nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years and re-appointed in 2017 for another period of four years. He was a former senior partner of Ernst & Young AB in Malmö, Sweden, until he retired in 2008. Mr Persson has had an extensive professional career advising major international and Swedish groups.

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:

2018: Ms B. Carrière, Mr R.R. Foulkes and Mr B.T.M. Steins Bisschop

2021: Mr C. Croff and Mr J.-Å. Persson

At the forthcoming Annual General Meeting of Shareholders to be held on 6 November 2018 Ms B. Carrière and Mr B.T.M. Steins Bisschop are proposed to be re-appointed as members of the Supervisory Board.

Mr Foulkes is unfortunately not available for re-election. The Supervisory Board would like to thank Mr Foulkes for his very valuable contribution to the Company over the past four years and we will miss his vast experience in investment markets worldwide.

It is also proposed to appoint Ms E. Attout, of Belgian nationality, a former audit partner of PwC Brussels, as member of the Supervisory Board. Furthermore, as a result of the Company's succession plan, it is proposed to appoint at that meeting Mr R. Fraticelli and Mr J.P.C. Mills, currently members of the Management Team, as members of the Board of Management of the Company.

Change in Corporate Governance

The Company has published the agenda for its Annual General Meeting of Shareholders on 6 November 2018, which includes two resolutions on corporate governance.

It is proposed to repurchase and cancel the priority shares and to amend the Articles of Association of the Company to reflect this. The Articles will also be updated to ensure the Company is aligned with the revised Netherlands Corporate Governance Code. Shareholders and holders of depositary receipts will be invited to vote on both these resolutions in November's meeting.

The Board proposes that the powers attached to the priority shares, currently held by the Stichting Prioriteitsaandelen Eurocommercial Properties will, as with other similar companies, devolve to the Supervisory Board, or to the Board of Management, subject to the approval by the Supervisory Board. These powers are to sanction the issue of new shares, the payment of the annual dividend and the nomination of members of the Supervisory Board and the Board of Management of the Company.

Conclusion

We look back on a successful year and would like to take this opportunity to express our gratitude to the Management Team and all staff for their efforts during the year.

Amsterdam, 21 September 2018

Board of Supervisory Directors

B.T.M. Steins Bisschop (Chairman)
B. Carrière
C. Croff
R.R. Foulkes
J.-Å. Persson



From left to right:

Bas Steins Bisschop, Carlo Croff, Richard Foulkes,
Brigitte Carrière, Jan-Åke Persson.

Ten year financial summary*

Key financial information consolidated

For the financial year ended	30-06-09 €'000	30-06-10 €'000	30-06-11 €'000	30-06-12 €'000	30-06-13 €'000	30-06-14 €'000	30-06-15 €'000	30-06-16 €'000	30-06-17 €'000	30-06-18 €'000
Profit or loss account										
Net property income**	114,380	120,472	131,116	139,353	144,368	146,978	145,528	155,370	163,036	171,828
Net interest expenses**	(40,822)	(41,862)	(44,501)	(48,900)	(51,769)	(52,674)	(45,780)	(38,727)	(41,260)	(42,326)
Company expenses	(8,510)	(8,611)	(9,789)	(10,707)	(10,576)	(11,206)	(12,297)	(14,645)	(12,434)	(13,743)
Total direct investment result	65,048	69,999	76,826	79,515	81,518	82,870	87,400	102,785	108,044	115,729
Total indirect investment result	(245,753)	23,741	124,451	(91,633)	41,790	16,920	80,374	104,614	152,709	(43,665)
Result after taxation	(180,705)	93,740	201,277	(12,118)	123,308	99,790	167,774	207,399	260,753	72,064
Balance sheet										
Total assets**	2,172,037	2,505,718	2,671,251	2,842,953	2,889,027	2,807,083	3,112,410	3,656,361	3,963,635	4,170,783
Property investments**	2,136,750	2,359,574	2,522,054	2,690,467	2,806,023	2,688,603	2,907,726	3,489,358	3,835,195	4,078,285
Cash and deposits**	7,827	116,218	112,976	120,954	51,422	85,372	170,249	131,541	90,424	44,278
Borrowings**	913,186	1,017,841	1,107,964	1,252,744	1,286,923	1,173,236	1,160,222	1,496,210	1,595,263	1,835,349
Shareholders' equity	1,033,080	1,214,323	1,370,150	1,300,147	1,366,064	1,386,632	1,658,245	1,791,670	1,973,694	1,939,784
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	35,840,442	40,304,266	40,813,650	40,953,515	41,740,054	42,319,567	47,388,471	47,978,844	48,631,957	49,358,734
Average number of depositary receipts representing shares in issue	35,797,301	38,543,725	40,602,632	40,895,429	41,410,071	42,311,667	42,916,246	47,729,745	48,364,199	49,046,502
Per depositary receipt (€)										
Net asset value (IFRS)	28.82	30.13	33.57	31.75	32.73	32.77	34.99	37.34	40.58	39.30
Adjusted net asset value	33.02	33.90	36.35	36.92	36.47	36.74	39.24	43.00	46.42	45.08
Direct investment result	1.82	1.82	1.89	1.94	1.97	1.96	2.04	2.15	2.23	2.36
Indirect investment result	(6.87)	0.61	3.07	(2.24)	1.01	0.40	1.87	2.19	3.16	(0.89)
Dividend	1.78	1.82	1.88	1.92	1.92	1.94	1.98	2.05	2.10	2.15
Property information – Geographical spread (%)										
Belgium	0	0	0	0	0	0	0	0	0	11
France	37	36	37	36	41	39	41	36	35	31
Italy	41	40	38	39	37	39	38	43	43	37
Sweden	22	24	25	25	22	22	21	21	22	21
	100	100	100	100	100	100	100	100	100	100
Stock market – Euronext										
Closing price at the end of June (€: depositary receipts)	21.95	26.25	34.30	27.25	28.20	36.02	37.41	38.45	34.99	36.36
Market cap	786,698	1,057,987	1,399,908	1,115,983	1,176,928	1,540,754	1,783,118	1,855,530	1,710,563	1,802,240

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

** The items net property income, net interest expenses, total assets, property investments, cash and deposits, and borrowings are presented including the Group's share of the joint ventures (proportional consolidation).

Note

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam and, as from 27 June 2018, on Euronext Brussels. 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	2017/2018 €'000	2016/2017 €'000
Rental income	4	197,051	186,020
Service charge income	4	28,263	26,477
Service charge expenses	4	(30,739)	(29,693)
Property expenses	5	(33,766)	(30,520)
Interest income	7	86	45
Interest expenses	7	(40,855)	(39,859)
Company expenses**	8	(13,743)	(12,434)
Other income	11	1,874	1,117
Current tax	12	(95)	(597)
Direct investment result properties 100% owned		108,076	100,556
Direct investment result joint ventures		7,653	7,488
Total direct investment result		115,729	108,044
Investment revaluation and disposal of investment properties	6	(22,355)	173,033
Fair value movement derivative financial instruments	7	7,810	52,495
Investment expenses**	8/10	(3,481)	(4,282)
Deferred tax	12	(24,033)	(77,006)
Indirect investment result properties 100% owned		(42,059)	144,240
Indirect investment result joint ventures		(1,606)	8,469
Total indirect investment result		(43,665)	152,709
Total investment result		72,064	260,753
Per depositary receipt (€)***			
Total direct investment result		2.36	2.23
Total indirect investment result		(0.89)	3.16
Total investment result		1.47	5.39

Statement of adjusted net equity*

	30-06-18 €'000	30-06-17 €'000
IFRS net equity per consolidated statement of financial position	1,939,784	1,973,694
Derivative financial instruments	99,934	111,815
Deferred tax liabilities	177,171	165,086
Derivative financial instruments and deferred tax liabilities joint ventures	8,048	7,131
Adjusted net equity	2,224,937	2,257,726
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	49,358,734	48,631,957
Net asset value – € per depositary receipt (IFRS)	39.30	40.58
Adjusted net asset value – € per depositary receipt	45.08	46.42
Stock market prices – € per depositary receipt	36.36	34.99

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

** The Company expenses and investment expenses in this statement differ slightly from the amounts in the consolidated profit or loss account due to a different accounting policy for pension costs.

*** The average number of depositary receipts on issue over the year was 49,046,502 compared with 48,364,199 for the previous financial year.

Alongside the consolidated profit or loss account, the Company presents its direct and indirect investment results, enabling a better understanding of performance. The direct investment result consists of net property income, net financing expenses, Company expenses, other income and current tax. The indirect investment result consists of the investment revaluation and disposal of investment properties, the fair value movement of derivative financial instruments, investment expenses and deferred tax.

EPRA performance measures*

The European Public Real Estate Association (EPRA) 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 €	
	30-06-18	30-06-17	30-06-18	30-06-17
EPRA earnings**	112,235	103,743	2.29	2.15
EPRA NAV	2,224,937	2,257,726	44.79	45.99
EPRA NNNAV	1,947,437	1,969,053	39.21	40.11

	Belgium		France		Italy		Sweden		Total	
	2017/2018 %	2016/2017 %	2017/2018 %	2016/2017 %	2017/2018 %	2016/2017 %	2017/2018 %	2016/2017 %	2017/2018 %	2016/2017 %
EPRA net initial yield	4.2	0.0	4.4	4.3	5.2	5.4	5.0	4.9	4.8	4.9
EPRA topped-up yield	4.3	0.0	4.4	4.3	5.2	5.4	5.0	5.0	4.9	5.0
EPRA vacancy rate	2.2	0.0	1.5	0.3	0.1	0.2	0.8	1.6	0.8	0.5

Reconciliation EPRA earnings:

	Total €'000	
	30-06-18	30-06-17
IFRS profit after taxation	72,064	260,753
Adjustments to IFRS profit after taxation:		
Investment revaluation and disposal of investment properties	22,355	(173,033)
Fair value movement derivative financial instruments	(7,810)	(52,495)
Deferred tax	24,033	77,006
Share of result of joint ventures	1,593	(8,488)
EPRA earnings	112,235	103,743

Reconciliation NAV, EPRA NAV and EPRA NNNAV:

	Total €'000		Per depositary receipt €	
	30-06-18	30-06-17	30-06-18	30-06-17
Equity as per consolidated statement of financial position	1,939,784	1,973,694	39.30	40.58
Derivative financial instruments	99,934	111,815		
Deferred tax liabilities	177,171	165,086		
Derivative financial instruments and deferred tax liabilities joint ventures	8,048	7,131		
EPRA NAV***	2,224,937	2,257,726	44.79	45.99
Derivative financial instruments	(99,934)	(111,815)		
Deferred tax liabilities****	(149,135)	(157,717)		
Derivative financial instruments and deferred tax liabilities joint ventures	(8,048)	(7,131)		
Fair value borrowings	(20,383)	(12,010)		
EPRA NNNAV***	1,947,437	1,969,053	39.21	40.11

* 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 49,046,502 compared with 48,364,199 for the previous financial year.

*** EPRA NAV and EPRA NNNAV per depositary receipt are based on the diluted number of depositary receipts. The diluted number of depositary receipts on issue at 30 June 2018 was 49,669,696 compared with 49,090,171 at 30 June 2017.

**** The calculation of the deferred tax liabilities takes into account the likelihood that the Company can recover the deferred tax in the case of a possible sale.

Comparative figure has been restated.

EPRA performance measures* continued

Reconciliation EPRA net initial yield and EPRA topped-up yield:

	Belgium		France		Italy		Sweden		Total	
	2017/2018 €'000	2016/2017 €'000	2017/2018 €'000	2016/2017 €'000	2017/2018 €'000	2016/2017 €'000	2017/2018 €'000	2016/2017 €'000	2017/2018 €'000	2016/2017 €'000
Property investments	452,800	0	1,205,200	1,225,600	1,349,700	1,491,600	867,885	819,207	3,875,585	3,536,407
Land and property held for development	0	0	(7,500)	(16,000)	(15,800)	(9,800)	(111,930)	(192,431)	(135,230)	(218,231)
Investments in joint ventures	0	0	50,600	47,400	152,100	153,200	0	0	202,700	200,600
Property investments held for sale	0	0	0	79,100	0	0	0	19,088	0	98,188
Property investments completed	452,800	0	1,248,300	1,336,100	1,486,000	1,635,000	755,955	645,864	3,943,055	3,616,964
Purchasers' costs	11,360	0	85,715	91,515	59,314	65,540	7,559	6,459	163,948	163,514
Gross value property investments	464,160	0	1,334,015	1,427,615	1,545,314	1,700,540	763,514	652,323	4,107,003	3,780,478
Annualised net rents (EPRA NIY)	19,393	0	58,610	60,830	80,367	91,840	37,839	32,179	196,209	184,849
Lease incentives (incl. rent free periods)	520	0	422	497	388	541	586	168	1,916	1,206
Annualised rents (EPRA topped-up yield)	19,913	0	59,032	61,327	80,755	92,381	38,425	32,347	198,125	186,055

Reconciliation EPRA cost ratio:

	2017/2018 €'000	2016/2017 €'000
Net service charge	2,476	3,216
Property expenses	33,766	30,520
Company expenses	13,766	12,427
Investment expenses	2,983	4,289
Net expenses joint ventures	(1,095)	(174)
EPRA costs (including direct vacancy costs)	51,896	50,278
Vacancy costs	(761)	(559)
EPRA costs (excluding direct vacancy costs)	51,135	49,719
Rental income	197,051	186,020
Share of joint venture rental income	11,785	11,677
Gross rental income	208,836	197,697
EPRA cost ratio (including direct vacancy costs)	24.9%	25.4%
EPRA cost ratio (excluding direct vacancy costs)	24.5%	25.1%

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

Eurocommercial does not have a policy of capitalising any property, company or investment expenses.

The EPRA cost ratio is not directly comparable between companies due to costs associated with different countries of operation, business models and accounting treatments. The EPRA cost ratio is very sensitive to which property sector the company is investing in. The retail sector is an example where property expenses are in general much higher than in other sectors. So the EPRA cost ratio only works for comparison purposes, if pure play property companies are compared.

Another important factor is whether the property company is investing in higher yielding properties or in lower yielding properties (usually higher quality properties). Investment in higher yielding properties will in most cases lead to a lower EPRA cost ratio, which suggests wrongly that a company is more cost efficient.

Within the retail sector the EPRA cost ratio is very sensitive to which country the company is investing in. In the case of a country which has relatively high local taxes or does not provide for a legal framework or market practice to recover certain property expenses or service charges from tenants, the ratio is worse than in the case of a country where local taxes are lower or certain property and service charges can be recovered. Examples of the former case are Italy and Sweden, whereas examples of the latter case are Belgium and France.

Although the EPRA cost ratio recommends an additional disclosure about the capitalised overhead and operating expenses, these amounts do not form part of the ratio. Eurocommercial does not capitalise any of its overhead or local offices costs to extensions or developments (see statement above), which is resulting in a higher cost ratio compared to a situation in which these costs are capitalised.

There are some more remarks to be made but above the main observations and sensitivities are explained.

Consolidated financial statements

Consolidated statement of profit or loss

	Note	2017/2018 €'000	2016/2017 €'000
Rental income	4	197,051	186,020
Service charge income	4	28,263	26,477
Total revenue		225,314	212,497
Service charge expenses	4	(30,739)	(29,693)
Property expenses	5	(33,766)	(30,520)
Net property income	2	160,809	152,284
Share of result of joint ventures	14	6,047	15,957
Investment revaluation and disposal of investment properties	6	(22,355)	173,033
Company expenses	8	(13,766)	(12,427)
Investment expenses	10	(3,458)	(4,289)
Other income	11	1,874	1,117
Operating result		129,151	325,675
Interest income	7	86	45
Interest expenses	7	(40,855)	(39,859)
Fair value movement derivative financial instruments	7	7,810	52,495
Net financing result	7	(32,959)	12,681
Profit before taxation		96,192	338,356
Current tax	12	(95)	(597)
Deferred tax	12	(24,033)	(77,006)
Total tax	12	(24,128)	(77,603)
Profit after taxation		72,064	260,753
Per depositary receipt (€)*			
Profit after taxation	26	1.47	5.39
Diluted profit after taxation	26	1.46	5.35

Consolidated statement of comprehensive income

	30-06-18 €'000	30-06-17 €'000
Profit after taxation	72,064	260,753
Foreign currency translation differences (to be recycled through profit or loss)	(33,468)	(8,217)
Actuarial result on pension scheme (not to be recycled through profit or loss)	(207)	(844)
Total other comprehensive income	(33,675)	(9,061)
Total comprehensive income	38,389	251,692
Per depositary receipt (€)*		
Total comprehensive income	0.78	5.20
Diluted total comprehensive income	0.78	5.16

* The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam and Euronext Brussels. One bearer depositary receipt represents ten ordinary registered shares.

Consolidated statement of financial position

	Note	30-06-18 €'000	30-06-17 €'000
Property investments	13	3,761,655	3,451,034
Property investments under development	13	113,930	85,373
Investments in joint ventures	14	108,853	107,306
Tangible fixed assets	15	1,717	1,818
Receivables	16	303	246
Derivative financial instruments	20	276	230
Total non-current assets		3,986,734	3,646,007
Receivables	16	39,780	34,960
Cash and deposits	17	34,038	78,078
Total current assets		73,818	113,038
Property investments held for sale	13	0	98,188
Total assets		4,060,552	3,857,233
Creditors	18	79,112	75,649
Borrowings	19	175,417	284,652
Total current liabilities		254,529	360,301
Creditors	18	15,473	24,471
Borrowings	19	1,572,337	1,220,810
Derivative financial instruments	20	100,210	112,045
Deferred tax liabilities	21	177,171	165,086
Provision for pensions	22	1,048	826
Total non-current liabilities		1,866,239	1,523,238
Total liabilities		2,120,768	1,883,539
Net assets		1,939,784	1,973,694
Equity Eurocommercial Properties shareholders			
Issued share capital	23	247,833	244,471
Share premium reserve	24	518,812	520,692
Other reserves	25	1,101,075	947,778
Undistributed income		72,064	260,753
Total equity		1,939,784	1,973,694

Consolidated financial statements continued

Consolidated statement of cash flows

	2017/2018 €'000	2016/2017 €'000
Profit after taxation	72,064	260,753
Adjustments:		
Movement performance shares granted	2,327	1,632
Investment revaluation and disposal of investment properties	22,167	(172,289)
Derivative financial instruments	(7,810)	(52,495)
Share of result of joint ventures	(6,047)	(15,957)
Interest income	(86)	(45)
Interest expenses	40,855	39,859
Deferred tax	24,033	77,006
Current tax	95	597
Depreciation tangible fixed assets	1,120	892
Other movements	658	(420)
Cash flow from operating activities after adjustments	149,376	139,533
Increase in receivables	(3,135)	(2,112)
Increase in creditors	6,630	1,962
	152,871	139,383
Dividends received from joint ventures	4,500	0
Current tax paid	(1,084)	(15)
Derivative financial instruments settled	(4,045)	(10,708)
Borrowing costs	(5,552)	(3,065)
Interest paid	(38,935)	(40,084)
Interest received	103	29
Cash flow from operating activities	107,858	85,540
Property acquisitions	(485,942)	(88,769)
Acquisition of investment	(64,124)	0
Capital expenditure	(102,224)	(96,586)
Sale of investment*	89,155	18,450
Sale of property	175,761	0
Investment in joint ventures	0	(800)
Additions to tangible fixed assets	(1,038)	(813)
Cash flow from investing activities	(388,412)	(168,518)
Borrowings added	1,178,526	523,372
Repayment of borrowings*	(866,953)	(415,466)
Stock options exercised	742	649
Cost of performance shares settled	(65)	(59)
Dividends paid	(75,303)	(71,890)
Increase in non-current creditors	385	645
Cash flow from financing activities	237,332	37,251
Net cash flow	(43,222)	(45,727)
Currency differences on cash and deposits	(818)	(647)
Decrease in cash and deposits	(44,040)	(46,374)
Cash and deposits at beginning of year	78,078	124,452
Cash and deposits at end of year	34,038	78,078

* These figures have been restated for the previous year with regard to the sale of investment and the repayment of borrowings.

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2018 were:

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2017	244,471	520,692	947,778	260,753	1,973,694
Profit after taxation				72,064	72,064
Other comprehensive income			(33,675)		(33,675)
Total comprehensive income	0	0	(33,675)	72,064	38,389
Profit previous financial year			185,454	(185,454)	0
Issued shares	3,362	(3,362)			0
Dividends paid		(4)		(75,299)	(75,303)
Performance shares granted		2,327			2,327
Performance shares settled			(65)		(65)
Performance shares vested		(841)	841		0
Stock options exercised			742		742
30-06-2018	247,833	518,812	1,101,075	72,064	1,939,784

The movements in shareholders' equity in the previous financial year ended 30 June 2017 were:

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2016	241,291	522,063	820,917	207,399	1,791,670
Profit after taxation				260,753	260,753
Other comprehensive income			(9,061)		(9,061)
Total comprehensive income	0	0	(9,061)	260,753	251,692
Profit previous financial year			135,527	(135,527)	0
Issued shares	3,080	(3,080)			0
Dividends paid		(18)		(71,872)	(71,890)
Performance shares granted		1,632			1,632
Performance shares settled – shares issued	100	586	(745)		(59)
Performance shares vested		(491)	491		0
Stock options exercised			649		649
30-06-2017	244,471	520,692	947,778	260,753	1,973,694

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 2017 and ending 30 June 2018 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 1 July 2017 and Part 9 of Book 2 of the Netherlands Civil Code.

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 2018. 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 1 July 2017 are adopted as such by the Group. Additional information on new standards, amendments, interpretations and the relating effect on the financial statements, if significant and applicable to the Company, has been disclosed in note 1(c).

(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 financial statements are prepared on a going concern basis and have been authorised for issue on 21 September 2018.

c) Change in accounting policies and reclassifications

The accounting policies adopted are consistent with those of the previous financial year. 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 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2, effective 1 January 2018. The IASB issued amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas: The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. This standard will not affect the Group's financial position.
- IFRS 9 Financial instruments is effective as from 1 January 2018 and will be implemented retrospectively by the Group as from 1 July 2018. Classification and measurement of the Group's financial assets and liabilities will not change as a result of implementing IFRS 9 as the Group only has financial assets and liabilities that are measured at amortised cost and derivatives which are measured at fair value through profit or loss (no hedge accounting applied). Impairment of trade receivables will be measured at the transition date using the simplified approach to determine the expected lifetime credit loss. Compared to the current method, the expected life time credit loss method has no impact on equity as per 30 June 2018. The Group will restate the carrying amount of any loans for which under IAS 39 modification accounting was applied and an unamortised amount of breakage costs is included in the carrying amount. The net impact on equity after the correction of deferred tax liability is about €8.0 million as per 30 June 2018.
- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018. IFRS 15 outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer by using a five-step model. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The implementation of the new standard has a limited impact on the reporting of the service charges, as the risks of the service charges was allocated to the principal where IFRS 15 allocates these service charges as an agent cost and therefore netted. The new standard has no impact on equity.

1. Principal accounting policies continued

- IFRS 16 Leases, effective 1 January 2019. The scope of IFRS 16 includes leases of all assets. There are certain exceptions, in particular, for the lessor of investment property accounted for under IAS 40. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to financing leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Impact of the standard on the financial statements: The Group is a lessee in some lease contracts for offices which the Group leases in Amsterdam, London, Milan and Stockholm. IFRS 16 Leases will have no material impact on the Group.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective as from 1 January 2018. The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The impact of this interpretation is limited, due to the fact that this interpretation is not applicable to prepayments on items recognised at fair value.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, effective 1 January 2019. In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation) which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The IFRIC interpretation will have a limited impact on the Group.
- Annual improvements to IFRSs 2014-2016 Cycle. IFRS 1 First-time Adoption of IFRS; amendment: Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018. IFRS 12 Disclosure of Interests in Other Entities; amendment: The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective retrospectively for annual periods beginning on or after 1 January 2017. IAS 28 Investments in Associates and Joint Ventures; amendment: A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28, effective date to be determined. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The impact of this amendment will not affect the Group's financial position.
- Transfers of Investment Property (Amendments to IAS 40), effective 1 January 2018. The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments have no impact on the Group.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued*(d) Critical accounting estimates and assumptions*

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.

(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 property investment and financial instruments (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. The fair value of the derivative financial instruments is determined using a valuation model.

*(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, the exposure, or rights, to variable returns from its involvement and the ability to use its power to affect the amount of the returns of the entities. In assessing control, potential voting rights that are presently exercisable are taken into account. Some entities are classified as joint ventures when there is joint control in these entities.

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	C4 Shopping Fastighet 2 AB, Stockholm
Sentinel Holdings B.V., Amsterdam	ECP Fastighet Köpet 1 KB, Stockholm
Eurocommercial Properties Belgium N.V., Brussels	ECP Högsbo AB, Stockholm
Eurocommercial Properties Ltd., London	ECP Karlskrona AB, Stockholm
Eurocommercial Properties Caumartin S.N.C., Paris	ECP Moraberg Holding AB, Stockholm
Eurocommercial Properties France S.A.S., Paris	ECP Moraberg KB, Stockholm
Eurocommercial Properties Taverny S.N.C., Paris	ECP Valbo Centrum AB, Stockholm
SCI Chasse Distribution, Paris	ECP Valbo Holding AB, Stockholm
Eurocommercial Gallerie Commerciali S.r.l., Milan	ECP Valboön-Fastigheten KB, Stockholm
Eurocommercial Management Italia S.r.l., Milan	Eurocommercial Properties Sweden AB, Stockholm
Eurocommercial Properties Italia S.r.l., Milan	Fastighetsbolaget ES Örebro AB, Stockholm
Immobiliare 2011 S.r.l., Milan	Lagergatan i Växjö, AB, Stockholm
Aktiebolaget Norrköping Silvret 1, Stockholm	Premi Fastighets AB, Stockholm
Aktiebolaget Skövde K-mannen 2, Stockholm	Samarkandfastigheter AB, Stockholm
Bergvik Köpet 3 KB, Stockholm	Sar Degeln AB, Stockholm
C4 Shopping Fastighet 1 AB, Stockholm	Ugglum Fastigheter AB, Stockholm

Furthermore, the consolidated financial statements include the joint ventures of SCI Val Commerces in Paris and SCI Winter in Paris, France and Galleria Verde S.r.l. in Milan, Italy.

(ii) Transactions eliminated on consolidation

Intragroup balances and any (un)realised 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 or 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 or loss accounts are translated at the average monthly exchange rates for the period. The exchange differences arising on the retranslation are taken through the other comprehensive income to 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 will be recognised in the profit or 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. Each property will be valued by a newly appointed independent valuation firm after a period of three years. 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's 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.

The qualified independent experts will rotate after three years, so that the expert will not value the same property investment more than three years in a row.

Movements in the fair value of property investments and property investments under development are recognised in the profit or 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.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

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.

Investments in joint ventures

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investments in joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date, measured in accordance with the Group's accounting policies. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the difference in the profit or loss account. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Tangible 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.

Receivables

Receivables are recognised initially at fair value and subsequently at amortised cost, less provision for doubtful debts.

Share capital

Depository 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 depository receipts are shown as a deduction, net of tax, in equity from the proceeds. When depository receipts recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased depository receipts are classified as treasury depository 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 or loss account over the period of the borrowings on an effective interest basis.

Creditors

Creditors are recognised initially at fair value and, for non-current creditors, subsequently at amortised cost basis using the effective interest method.

Derivative financial instruments

The Company and its subsidiaries use derivative financial instruments to hedge (part of) their exposure to foreign exchange (if any instruments at year end date) 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. Derivatives are on the balance sheet at their fair value and the value changes are recognised immediately in the profit or loss account. The Company does not apply hedge accounting as it implements its derivative hedging at a consolidated corporate level.

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, the current creditworthiness of the swap counterparties and the Group's own creditworthiness. Derivative financial instruments concern only derivative interest rate swap contracts and a put option issued to the other partner in a joint venture. The fair value of the derivatives is estimated using a valuation technique and discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument that are directly or indirectly observable market data. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

1. Principal accounting policies continued

Provisions

A provision is recognised in the consolidated statement of financial position 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.

Employee benefits

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 semi-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 other comprehensive income. 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 or 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 charge income and service charge expenses

Service charges for which the Company acts as a principal are presented in the profit or 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 charge expenses also include charges related to vacant units and/or other irrecoverable service charges due to contractual limits or insolvent tenants.

Property expenses (direct and indirect)

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 their 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.

Result in joint ventures

Result in joint ventures reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of the result of a joint venture is shown in the profit or loss account and represents the result after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as the Group.

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, debt extinguishment and fair value movements of derivative financial instruments that are recognised in the profit or loss account. Interest income is recognised in the profit or loss account as it accrues.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

Company expenses and investment expenses

Company expenses comprise general overheads 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 the part of staff bonuses linked to property value performance, are recognised as investment expenses.

Performance shares granted to employees

Since the financial year 2011/2012 a Performance Share Plan (PSP) has been in place for Managing Directors and certain staff of the Company. The cost of performance shares granted under these plans is 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% of French tax-exempt income and of at least 50% of tax-exempt capital gains to shareholders. In Belgium the Company incorporated a wholly owned FII/GVBF ("Fonds d'investissement immobilier spécialisé"/"gespecialiseerd vastgoedbeleggingsfonds"). The FII/GVBF will be subject to corporate income tax, but its taxable basis will be limited to disallowed expenses and abnormal or gratuitous advantages received. Rental income, capital gains on real estate assets, and dividend and interest income will remain untaxed as a matter of principle, provided that the fiscal result is distributed by a dividend.

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 or loss account.

Tax on profit or loss for a year comprises current tax and deferred tax.

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 or 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 enforceable right to offset, settlement dates are similar and tax is levied by the same tax authority on the same taxable entity.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised the extent that it has become probable that future taxable profits will be available against which they can be used. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 (Belgium, France, Italy, Sweden and The Netherlands). The segmented information in the financial statements is in line with the segments used for internal reporting; however, joint ventures are presented in the internal reporting using proportional consolidation. The Netherlands represents assets and liabilities of Eurocommercial Properties N.V. and its offices in Amsterdam and London.

2. Segment information

For the consolidated statement of financial position all items are allocated to the respective segments, whereas for the consolidated statement of profit or loss the items net financing result, Company expenses, investment expenses and taxation are not allocated to the respective segments.

2018

For the 12 months ended 30-06-18 €'000	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	6,306	63,782	98,868	39,880	0	208,836	(11,785)	197,051
Service charge income	0	9,558	10,473	11,407	0	31,438	(3,175)	28,263
Service charge expenses	0	(10,981)	(10,435)	(12,313)	0	(33,729)	2,990	(30,739)
Property expenses	(609)	(9,773)	(18,619)	(5,716)	0	(34,717)	951	(33,766)
Net property income	5,697	52,586	80,287	33,258	0	171,828	(11,019)	160,809
Share of result of joint ventures	0	0	0	0	0	0	6,047	6,047
Investment revaluation and disposal of investment properties	(17,580)	(28,307)	7,565	14,758	535	(23,029)	674	(22,355)
Segment result	(11,883)	24,279	87,852	48,016	535	148,799	(4,298)	144,501
Net financing result						(35,014)	2,055	(32,959)
Company expenses						(13,766)	0	(13,766)
Investment expenses						(3,471)	13	(3,458)
Other income						576	1,298	1,874
Profit before taxation						97,124	(932)	96,192
Current tax						(606)	511	(95)
Deferred tax						(24,454)	421	(24,033)
Profit after taxation						72,064	0	72,064

As per 30-06-18 €'000	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	452,800	1,253,800	1,501,800	755,955	0	3,964,355	(202,700)	3,761,655
Property investments under development	0	2,000	0	111,930	0	113,930	0	113,930
Investment in joint ventures	0	0	0	0	0	0	108,853	108,853
Tangible fixed assets	0	771	493	176	277	1,717	0	1,717
Receivables	2,750	23,785	8,561	4,957	771	40,824	(741)	40,083
Derivative financial instruments	0	0	59	275	0	334	(58)	276
Cash and deposits	5,314	3,996	20,274	12,140	2,554	44,278	(10,240)	34,038
Property investments held for sale	0	0	0	0	0	0	0	0
Total assets	460,864	1,284,352	1,531,187	885,433	3,602	4,165,438	(104,886)	4,060,552
Creditors	2,828	27,387	26,164	27,049	4,205	87,633	(8,521)	79,112
Non-current creditors	591	9,103	1,510	4,932	0	16,136	(663)	15,473
Borrowings	315,056	375,808	838,475	306,010	0	1,835,349	(87,595)	1,747,754
Derivative financial instruments	3,619	4,896	91,062	729	0	100,306	(96)	100,210
Deferred tax liabilities	0	0	115,092	70,090	0	185,182	(8,011)	177,171
Provision for pensions	0	0	0	0	1,048	1,048	0	1,048
Total liabilities	322,094	417,194	1,072,303	408,810	5,253	2,225,654	(104,886)	2,120,768

For the 12 months ended 30-06-18 €'000	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	470,451	(67,730)	(155,396)	65,504	0	312,829	(2,748)	310,081

* 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 continued

2017

For the 12 months ended 30-06-17 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	63,650	97,314	36,733	0	197,697	(11,677)	186,020
Service charge income	8,620	10,560	10,415	0	29,595	(3,118)	26,477
Service charge expenses	(9,925)	(10,538)	(12,239)	0	(32,702)	3,009	(29,693)
Property expenses	(8,675)	(17,297)	(5,582)	0	(31,554)	1,034	(30,520)
Net property income	53,670	80,039	29,327	0	163,036	(10,752)	152,284
Share of result of joint ventures	0	0	0	0	0	15,957	15,957
Investment revaluation and disposal of investment properties	36,584	102,880	43,834	65	183,363	(10,330)	173,033
Segment result	90,254	182,919	73,161	65	346,399	(5,125)	341,274
Net financing result					13,214	(533)	12,681
Company expenses					(12,427)	0	(12,427)
Investment expenses					(4,307)	18	(4,289)
Other income					30	1,087	1,117
Profit before taxation					342,909	(4,553)	338,356
Current tax					(1,329)	732	(597)
Deferred tax					(80,827)	3,821	(77,006)
Profit after taxation					260,753	0	260,753

As per 30-06-17 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	1,267,400	1,644,800	739,434	0	3,651,634	(200,600)	3,451,034
Property investments under development	5,600	0	79,773	0	85,373	0	85,373
Investment in joint ventures	0	0	0	0	0	107,306	107,306
Tangible fixed assets	949	526	58	285	1,818	0	1,818
Receivables	21,627	7,373	5,355	1,152	35,507	(301)	35,206
Derivative financial instruments	0	461	230	0	691	(461)	230
Cash and deposits	6,352	71,740	11,379	953	90,424	(12,346)	78,078
Property investments held for sale	79,100	0	19,088	0	98,188	0	98,188
Total assets	1,381,028	1,724,900	855,317	2,390	3,963,635	(106,402)	3,857,233
Creditors	30,378	29,662	19,525	4,364	83,929	(8,280)	75,649
Non-current creditors	9,501	2,455	13,244	0	25,200	(729)	24,471
Borrowings	400,414	905,730	274,119	15,000	1,595,263	(89,801)	1,505,462
Derivative financial instruments	8,237	103,075	733	0	112,045	0	112,045
Deferred tax liabilities	0	98,975	73,703	0	172,678	(7,592)	165,086
Provision for pensions	0	0	0	826	826	0	826
Total liabilities	448,530	1,139,897	381,324	20,190	1,989,941	(106,402)	1,883,539

For the 12 months ended 30-06-17 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	52,669	41,506	81,916	0	176,091	(1,381)	174,710

* The Netherlands represents assets and liabilities of Eurocommercial Properties N.V. and its offices in Amsterdam and London.

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 2018, €1 was SEK 10.4530 (30 June 2017: SEK 9.6398) and €1 was GBP 0.8861 (30 June 2017: GBP 0.8793).

4. Rental income and service charge income and expenses

Rental income

Rental income in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Gross lease payments collected/accrued	196,381	185,360
Entry fees received/accrued	670	660
	197,051	186,020

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 and service charge arrangements. In general, the rent is indexed annually over 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:

	2017/2018 €'000	2016/2017 €'000*
– less than one year	185,975	163,875
– between one and five years	403,435	446,154
– more than five years	227,598	256,524
	817,008	866,553

* The comparative figures 2016/2017 have been restated.

Approximately 1.96% of the rental income for the year ended 30 June 2018 is turnover rent (2016/2017: 2.2%).

Service charge income and expenses

Service charge income of €28.2 million (2016/2017: €26.5 million) represents income receivable from tenants for the services of utilities, caretakers etc. when the Group acts as principal.

Service charge expenses of €30.7 million (2016/2017: €29.7 million) represent costs related to the services of utilities, caretakers etc. which are rendered to tenants. The service charge expenses can be higher than the service charge income as costs are not always fully recoverable from tenants.

Notes to the consolidated financial statements continued

5. Property expenses

Property expenses in the current financial year were:

	2017/2018 €'000	2016/2017 €'000
Direct property expenses		
Bad debts	646	402
Centre marketing expenses	2,360	2,199
Insurance premiums	786	763
Managing agent fees	2,723	2,070
Property taxes	3,806	3,786
Repair and maintenance	918	1,160
Shortfall service charges	840	714
	12,079	11,094
Indirect property expenses		
Accounting fees	442	384
Audit fees	366	351
Depreciation fixed assets	934	679
Dispossession indemnities	219	109
Italian local tax (IRAP)	1,771	1,970
Legal and other advisory fees	1,344	1,511
Letting fees and relocation expenses	1,712	1,889
Local office and accommodation expenses	1,819	1,723
Pension contributions	172	160
Salaries, wages and bonuses	7,374	6,356
Social security charges	2,801	2,387
Performance shares granted (IFRS 2)	642	435
Travelling expenses	790	736
Other local taxes	1,192	548
Other expenses	109	188
	21,687	19,426
	33,766	30,520

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 and expire in February 2024 and September 2022 respectively. The depreciation amount is €431,000 (2016/2017: €445,000) for the Milan office, €468,000 (2016/2017: €184,000) for the Paris office and €35,000 (2016/2017: €50,000) for the Stockholm office.

6. Investment revaluation and disposal of investment properties

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

	2017/2018 €'000	2016/2017 €'000
Revaluation of property investments	(7,710)	162,427
Revaluation of property investments under development	2,860	2,915
Revaluation of property investments held for sale	0	8,028
Disinvestment movement property sold	(17,318)	(1,082)
Elimination of accrued entry fees	(344)	174
Elimination of capitalised letting fees	387	199
Movement long-term creditors	(354)	389
Foreign currency results	124	(17)
	(22,355)	173,033

The movement of foreign currency results includes a realised amount of €425,000 negative (2016/2017: €87,000 negative) and an unrealised amount of €301,000 positive (2016/2017: €104,000 positive) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

7. Net financing costs

Net financing costs in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Interest income	86	45
Gross interest expense	(42,701)	(41,284)
Capitalised interest	1,845	1,425
Unrealised fair value movement derivative financial instruments	11,856	63,204
Realised fair value movement derivative financial instruments	(4,045)	(10,709)
	(32,959)	12,681

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method and on derivative financial instruments. 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 1.9% (2016/2017: 1.9%).

8. Company expenses

Company expenses in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Audit fees*	300	304
Depreciation fixed assets	186	212
Directors' fees	2,076	1,738
IT expenses	834	932
Legal and other advisory fees	893	471
Marketing expenses	578	636
Office and accommodation expenses	2,029	1,961
Pension costs**	333	506
Salaries, wages and bonuses	4,046	3,406
Social security charges	475	448
Statutory costs	422	369
Performance shares granted (IFRS 2)	521	381
Travelling expenses	478	456
Other expenses	595	607
	13,766	12,427

* See also note 30 Audit fee.

** €310,000 of pension costs are allocated to the direct investment result and €23,000 to 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 2023 and September 2018 respectively. The depreciation amount is €185,000 (2016/2017: €211,000) for the Amsterdam office and €1,000 (2016/2017: €1,000) for the London office.

Notes to the consolidated financial statements continued

9. Personnel costs

Total personnel costs in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Salaries and wages	10,361	9,874
Social security charges and taxes	3,653	3,373
Pension costs	555	723
Bonuses	3,954	3,832
Performance shares granted (IFRS 2)	2,327	1,632
	20,850	19,434

Total personnel costs are partly presented under (indirect) property expenses (€10,989,000 (2016/2017: €9,338,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€7,451,000 (2016/2017: €6,479,000)) and partly under investment expenses (€2,654,000 (2016/2017: €3,901,000)). The pension costs consist of €532,000 of pension contributions (2016/2017: €730,000) and a positive amount of €23,000 of fair value movement defined benefit plan (2016/2017: negative amount of €7,000). The bonuses paid to senior executives are directly linked to the annual growth in the Company's net asset value, the dividend per depositary receipt and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. For this financial year, the relative outperformance was 8.33%, which percentage is equal to the cap included in the bonus formula (2016/2017: 0%). The Group employed an average of 90 full-time equivalent persons during the financial year (2016/2017: 83), of whom 15 are based in The Netherlands, 9 in the UK, 24 in France, 32 in Italy and 10 in Sweden. The Group staff (members of the Board of Management excluded) holds 81,405 depositary receipts, representing 0.16% of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Aborted acquisition costs	392	2
Bonuses linked to NAV growth and relative outperformance	1,286	2,653
Social security charges and taxes related to bonuses linked to NAV growth and relative outperformance	204	432
Performance shares granted (IFRS 2)	1,164	816
Property valuation fees	412	386
	3,458	4,289

11. Other income

Other income in the current financial year was related to advisory compensation and guarantee fees received from joint ventures.

12. Taxation

Total tax in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Current tax Italy	81	586
Current tax United Kingdom	14	11
Current tax	95	597
Deferred tax on unrealised value movements investment property Italy and Sweden	21,116	64,334
Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden	5,063	13,819
Movement tax losses recognised Italy and Sweden	(2,146)	(1,147)
Deferred tax	24,033	77,006
Total tax	24,128	77,603

	2017/2018 €'000	2016/2017 €'000
Tax-exempt income (including effect of FBI, FIIS and SIIC)	10,391	92,468
Profit before tax attributable to Swedish tax rate of 20.6% (2016/2017: 22%)	30,129	58,423
Profit before tax attributable to Italian tax rate of 24%/27.9%	55,689	187,529
Profit before tax attributable to UK tax rate of 19.75%	(17)	(62)
Profit before taxation	96,192	338,358
Tax on profit before tax attributable to Italian taxable subsidiaries at a tax rate of 24%/27.9%	14,692	48,289
Tax on profit before tax attributable to Swedish taxable subsidiaries at a tax rate of 20.6% (2016/2017: 22%)	6,303	12,853
Tax on profit before tax attributable to UK taxable subsidiary at a tax rate of 19.75%	(3)	(12)
Benefit due to tax rate change	(3,967)	0
Change in tax base	0	17,548
Usage of unrecognised tax losses Italy and Sweden	0	(1,147)
Non-taxable income/expense Italy, Sweden and UK	7,103	72
Total tax	24,128	77,603

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

In Italy and Sweden the properties are held by taxable entities. In Italy the nominal tax rate is 24% or 27.9% depending on the type of property and in Sweden the nominal tax rate is 20.6%. The nominal tax rate for the subsidiary in the United Kingdom is 19.75%.

The books for the financial years 2009/2010 to 2012/2013 of the Italian subsidiary Eurocommercial Properties Italia S.r.l. have been audited by the Italian tax authorities. This led the Italian tax authorities to issue notices on one item and for a non-material amount for the calendar years from 2009 to 2013. Both in the first instance and in the second degree, the Italian tax court rendered a decision in favour of the Company. The Company firmly believes it acted properly.

During the second quarter of 2017, the Italian tax authorities have performed an audit on property depreciation for the fiscal year 2014/2015. In December 2017 the tax authorities issued two notices of assessment on the fiscal year 2014/2015. In May 2018 the Company filed a recourse against this act and it is waiting for the first degree hearing. No provisions have been accounted for in the financial statements since the Company firmly believes it acted properly.

Notes to the consolidated financial statements continued

13. 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, among other activities, collect a variety of data, including general economic data, property-specific data and market supply and demand data. Property-specific data includes 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 2018.

In January 2018, Eurocommercial signed a binding purchase agreement to acquire the Woluwe shopping centre in Brussels at a total cost of €468 million including registration tax and completed the acquisition in March 2018. In December 2017, Eurocommercial finalised the acquisition of additional land and a part of the hypermarket at Cremona Po at a total cost of €14 million. In January 2018, Eurocommercial completed the acquisition of Valbo shopping centre outside Gävle at a price of SEK 1.14 billion (approximately €116 million).

In October 2017, Hallama opened with a refurbishment on the north part of the shopping centre and the hotel to be completed in 2019. The outstanding estimated work is approximately €14 million. The C4 shopping centre will open at the end of September 2018. The centre is 96% pre-let and the outstanding estimated costs are €22 million.

In September 2017, the Company completed the sale of Mellby for a price of approximately €20 million, in October 2017, the sale of rue de Rivoli for a price of €79.6 million and just before the year end 421 in Göteborg, at a property price of SEK 795 million (approximately €81 million). In April 2018, Eurocommercial completed the sale of four of its smaller Italian properties: Centro Lame (Bologna), La Favorita (Mantova), Centroluna (Sarzana) and Centro Leonardo (Imola) for a total price of €187 million.

Purchasers' costs

The total purchasers' costs including registration tax, which are excluded from the fair value of the property investments, property investments under development and property investments held for sale, for the financial year ended 30 June 2018 were as follows:

	30-06-18					30-06-17			
	Belgium	France	Italy	Sweden	Total	France	Italy	Sweden	Total
Purchasers' costs (%)	2.5	6.8	3.9	1.0	4.0	6.8	4.0	1.0	4.3
Purchasers' costs (€'000)	11,360	82,315	53,259	8,678	155,612	88,435	59,800	8,420	156,655

The valuation standards used by the external independent valuers require that valuers draw 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. There were no valuation reports for this financial year which contained an uncertainty paragraph setting out these circumstances.

Vacancies in the property portfolio represent 0.5% of rental income (30 June 2017: 0.5%).

Fair value hierarchy

All property investments, including property investments under development are at level 3.

13. Property investments and property investments under development continued

The current property portfolio is:

	30-06-18 Net value €'000	30-06-17 Net value €'000	30-06-18 Costs to date €'000	30-06-17 Costs to date €'000
Belgium				
Woluwe, Brussels *	452,800	0	470,451	0
France				
Passage du Havre, Paris *	412,000	410,300	190,786	190,368
Val Thoiry, Greater Geneva	150,800	147,800	136,989	136,231
Les Atlantes, Tours *	130,800	152,800	65,496	65,408
Centr'Azur, Hyères *	94,400	93,100	62,160	62,060
Chasse Sud, Chasse-sur-Rhône *	93,200	89,100	73,211	73,197
MODO, Moisselles *	74,800	79,400	67,701	64,603
Les Portes de Taverny, Taverny *	68,900	71,800	26,400	25,995
Grand A, Amiens *	66,900	69,000	37,750	31,886
Les Allées de Corneilles, Corneilles *	48,800	48,300	44,753	44,727
Les Trois Dauphins, Grenoble *	42,000	38,600	27,164	26,913
Les Grands Hommes, Bordeaux	20,600	19,800	18,509	18,269
Shopping Etrembières, Greater Geneva ** ***	2,000	5,600	8,013	8,013
74 rue de Rivoli, Paris	0	79,100	0	20,784
	1,205,200	1,304,700	758,932	768,454
Italy				
I Gigli, Florence *	446,000	439,000	328,478	322,387
Carosello, Carugate, Milan *	368,200	353,800	209,073	207,277
Collestrada, Perugia * ****	138,200	130,100	128,746	125,978
Il Castello, Ferrara *	133,300	128,000	86,841	85,075
Curno, Bergamo *	112,500	112,800	36,936	36,546
Cremona Po, Cremona * ****	100,300	89,700	107,075	90,372
I Portali, Modena *	51,200	50,200	47,733	47,283
Centro Leonardo, Imola	0	72,500	0	65,642
La Favorita, Mantova	0	48,600	0	34,374
Centro Lame, Bologna	0	40,800	0	29,966
Centroluna, Sarzana	0	26,100	0	14,930
	1,349,700	1,491,600	944,882	1,059,830
Sweden				
Bergvik, Karlstad *	146,819	156,123	110,638	109,562
Ingelsta Shopping, Norrköping *	116,694	124,899	93,881	93,713
Grand Samarkand, Växjö *	114,608	121,164	79,917	79,784
Hallarna, Halmstad *	139,672	112,658	135,363	108,330
C4 Shopping, Kristianstad **	111,930	79,773	108,381	76,665
Valbo, Gävle *	109,873	0	107,643	0
Elins Esplanad, Skövde *	83,995	86,828	63,241	59,299
Moraberg, Södertälje	44,294	48,030	39,104	38,968
421, Göteborg	0	89,732	0	89,813
Mellby Center, Laholm	0	19,088	0	15,919
	867,885	838,295	738,168	672,053
Total	3,875,585	3,634,595	2,912,433	2,500,337
Less: Property investments under development	(113,930)	(85,373)	(116,394)	(84,678)
Less: Property investments held for sale	0	(98,188)	0	(36,703)
Property investments	3,761,655	3,451,034	2,796,039	2,378,956

* These properties carry mortgage debt up to €1,645 million at 30 June 2018 (30 June 2017: €1,394 million).

** Classified as property investments under development.

*** This parcel of land is next to Shopping Etrembières (partly owned via a joint venture).

**** Including (land) acquisitions.

Notes to the consolidated financial statements continued

13. Property investments and property investments under development continued

Assumptions and sensitivity analysis

The assumptions and sensitivity analysis of the valuations are made by the valuers and represent the property investments, excluding land and property held for development. The following assumptions were applied as per 30 June 2018:

	30-06-18				30-06-17		
	Belgium	France	Italy	Sweden	France	Italy	Sweden
Passing rent per m ² (€; average)	818	274	304	224	278	295	214
Estimated rent value per m ² (€; average)	794	291	313	231	303	308	221
Net initial yield (%; average)	3.9	4.3	5.2	5.0	4.2	5.3	4.9
Reversionary yield (%; average)	3.9	4.8	5.4	5.1	4.8	5.5	5.2
Inflation rate (%; min/max)*	n.a.	1.5	1.5/1.9	2.0	n.a.	1.4/1.9	2.0
Long-term growth in rental value (%; min/max)*	n.a.	1.4/2.7	1.5/1.9	n.a.	n.a.	1.5/1.9	n.a.

* When DCF method is used.

A sensitivity analysis of the valuations is based on the assumptions of 1) the increase/decrease in net initial yield (NIY) and 2) the increase/decrease of the estimated rental value (ERV). The amounts reflect the increase or decrease of the net value of the respective property portfolio.

	30-06-18					30-06-17			
	Belgium €'000	France €'000	Italy €'000	Sweden €'000	Total €'000	France €'000	Italy €'000	Sweden €'000	Total €'000
Increase in the average NIY by 25 bps	(27,240)	(62,880)	(62,800)	(35,150)	(188,070)	(75,030)	(65,000)	(35,500)	(175,530)
Increase in the average NIY by 50 bps	(51,390)	(119,110)	(118,700)	(67,140)	(356,340)	(138,060)	(124,900)	(67,190)	(330,150)
Decrease in the average NIY by 25 bps	28,990	70,040	65,980	39,430	204,440	75,110	71,250	37,820	184,180
Decrease in the average NIY by 50 bps	65,660	149,330	140,850	82,910	438,750	164,040	150,480	81,470	395,990
Increase in the ERV of 5%	22,120	48,220	39,190	31,640	141,170	49,970	45,960	34,490	130,420
Increase in the ERV of 10%	44,220	98,880	80,740	64,800	288,640	106,250	92,600	69,070	267,920
Decrease in the ERV of 5%	(21,060)	(51,170)	(42,090)	(35,810)	(150,130)	(44,310)	(43,850)	(34,490)	(122,650)
Decrease in the ERV of 10%	(40,210)	(103,860)	(81,350)	(69,160)	(294,580)	(84,640)	(89,710)	(69,490)	(243,840)

Changes in property investments for the financial year ended 30 June 2018 were as follows:

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	3,549,222	3,295,558
Acquisitions	592,975	51,572
Capital expenditure – general	11,687	9,505
Capital expenditure – extensions and refurbishments	47,510	56,876
Capitalised interest	813	939
Capitalised letting fees	(387)	(199)
Elimination of capitalised letting fees	387	199
Revaluation of property investments	(7,710)	162,427
Revaluation of property investments held for sale	0	8,028
Book value divestment property	(371,484)	(19,867)
Exchange rate movement	(61,358)	(15,816)
Book value at end of year	3,761,662	3,549,222

Changes in property investments under development for the financial year ended 30 June 2018 were as follows:

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	85,373	5,000
Acquisitions	0	39,434
Capital expenditure	30,629	37,115
Capitalised interest	1,032	486
Revaluation property investments under development	2,860	2,915
Exchange rate movement	(5,965)	423
Book value at end of year	113,929	85,373

14. Investments in joint ventures

The French joint ventures reported in this statement have a calendar year end, unlike the Group which has a June year end. However, the figures reported for the joint ventures are for the same reporting period as the Group and are provided from the date of acquisition. There are no contingent liabilities or post balance sheet events in the joint ventures. There are no unrecognised losses and no restrictions on the joint ventures' cash dividends or on the repayment of loans and advances. During this financial year, dividends for a total amount of €4.5 million were paid by the joint ventures (2016/2017: €0.00).

The French joint ventures are funded both by the Group and its partner. The Company's Italian joint venture Galleria Verde S.r.l. is funded by ING Bank and BNP Paribas for €153 million and by UBI for €24 million. In May 2018, an amendment to the loan agreement was signed extending the maturity of the ING/BNP loan to January 2026. The maturity of the UBI loan, currently July 2021, can be extended for an additional five years. The loans are hedged with interest rate swaps for a notional amount of €160 million, with an average maturity of almost six years and an average rate of 0.36%.

Property	Etrembières	Etrembières	Fiordaliso	Total	Etrembières	Etrembières	Fiordaliso	Total
Country	France	France	Italy		France	France	Italy	
ECP ownership	50%	50%	50%		50%	50%	50%	
Company name	SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.		SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.	
Summarised profit or loss account	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000
Rental income	5,138	96	18,336	23,570	4,850	112	18,392	23,354
Property expenses	(226)	(20)	(1,656)	(1,902)	(328)	0	(1,740)	(2,068)
Service charge income	1,234	44	5,072	6,350	1,118	42	5,076	6,236
Service charge expenses	(964)	(32)	(4,984)	(5,980)	(1,146)	(42)	(4,830)	(6,018)
Investment revaluation	6,232	0	(7,580)	(1,348)	7,198	(1,256)	14,718	20,660
Net interest expenses	0	0	(3,114)	(3,114)	0	0	(2,892)	(2,892)
Net derivatives movements	0	0	(996)	(996)	0	0	3,958	3,958
Other expenses to Group companies	0	0	(2,596)	(2,596)	(118)	(6)	(2,050)	(2,174)
Financial and investment expenses	(4)	(2)	(20)	(26)	(4)	0	(32)	(36)
Deferred tax	0	0	(842)	(842)	0	0	(7,642)	(7,642)
Corporate income tax	0	0	(1,022)	(1,022)	0	0	(1,464)	(1,464)
Result after taxation	11,410	86	598	12,094	11,570	(1,150)	21,494	31,914
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	11,410	86	598	12,094	11,570	(1,150)	21,494	31,914
ECP share of total comprehensive	5,705	43	299	6,047	5,785	(575)	10,747	15,957
Summarised statement of financial position	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000
Property investments (non-current)	99,280	1,920	304,200	405,400	92,902	1,898	306,400	401,200
Cash and deposits (current)	1,660	262	18,558	20,480	6,898	196	17,598	24,692
Debtors (current)	1,108	2	372	1,482	112	6	484	602
Derivatives financial instruments (non-current)	0	0	116	116	0	0	922	922
Total assets	102,048	2,184	323,246	427,478	99,912	2,100	325,404	427,416
Creditors (current)	290	24	16,728	17,042	556	28	15,976	16,560
Borrowings (current)	0	0	4,440	4,440	0	0	4,122	4,122
Creditors (non-current)	936	6	384	1,326	942	6	510	1,458
Borrowings (non-current)	0	0	170,750	170,750	0	0	175,480	175,480
Derivatives financial instruments (non-current)	0	0	192	192	0	0	0	0
Deferred tax	0	0	16,022	16,022	0	0	15,184	15,184
Total liabilities	1,226	30	208,516	209,772	1,498	34	211,272	212,804
Net assets	100,822	2,154	114,730	217,706	98,414	2,066	114,132	214,612
ECP share of net assets in joint ventures	50,411	1,077	57,365	108,853	49,207	1,033	57,066	107,306

Notes to the consolidated financial statements continued

15. 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:

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	1,818	1,899
Additions	838	825
Depreciation	(920)	(904)
Exchange rate movement	(19)	(2)
Book value at end of year	1,717	1,818
Cost at end of year	7,704	6,866
Accumulated depreciation	(5,941)	(5,020)
Accumulated exchange movements	(46)	(28)
Book value at end of year	1,717	1,818

During the financial year ended 30 June 2018 tangible fixed assets with a total cost price of €190,000 were disposed of or out of use (30 June 2017: disposals €221,000).

16. Receivables

	30-06-18 €'000	30-06-17 €'000
Funds held by managing agents	3,539	2,041
Rents receivable	23,460	23,049
Provision for bad debts	(1,205)	(1,830)
VAT receivable	6,132	5,937
Prepaid tax	2,956	1,496
Other receivables and prepayments	5,201	4,513
	40,083	35,206

Receivables at 30 June 2018 include an amount of €303,000 (30 June 2017: €246,000) which is due after one year.

17. Cash and deposits

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

	30-06-18 €'000	30-06-17 €'000
Bank balances	34,011	77,994
Deposits	27	84
	34,038	78,078

18. Creditors

	30-06-18 €'000	30-06-17 €'000
(i) Current liabilities		
Interest payable	7,170	6,983
Local and property tax payable	2,675	2,384
Payable on purchased property/extensions	13,079	18,434
Rent received in advance	30,591	25,833
VAT payable	3,842	1,759
Other creditors and accruals	21,755	20,256
	79,112	75,649
(ii) Non-current liabilities		
Tenant rental deposits	10,591	11,267
Payable on purchased property/extensions	4,882	13,204
	15,473	24,471

19. Borrowings

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	1,505,462	1,404,689
Drawdown of funds	1,178,526	523,372
Repayments*	(866,953)	(415,466)
Funds – included in acquisition of subsidiary	44,974	0
Sale of subsidiaries	(88,542)	0
Exchange rate movement	(23,827)	(5,488)
Movement prepaid borrowing costs	(1,886)	(1,645)
Book value at end of year	1,747,754	1,505,462

* The comparative figure as per 30 June 2017 has been restated with regard to the sale of the property investment and the repayment of borrowings.

77% of the borrowings are at a floating interest rate (30 June 2017: 78%), rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 23% 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.

At 30 June 2018, the Group had at its disposal undrawn borrowing facilities for a total amount of €79 million. These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes. At 30 June 2018, the Group had also at its disposal undrawn borrowing facilities, which are not committed, for a total amount €108 million (30 June 2017: €53 million).

	Borrowings €'000	Borrowing cost €'000	30-06-18 €'000	Fair value €'000	30-06-18 %	30-06-17 €'000	Fair value €'000	30-06-17 %
Borrowings with floating interest rate	1,350,895	(6,636)	1,344,259	1,350,895	77	1,172,088	1,175,975	78
Borrowings with fixed interest rate	412,996	(9,501)	403,495	433,379	23	333,374	355,805	22
Total borrowings	1,763,891	(16,137)	1,747,754	1,784,274	100	1,505,462	1,531,780	100

The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on a model taking into account the appropriate swap curve of the underlying loan.

The borrowings are all directly from major banks, with the exception of one loan which is from an insurance company, with average committed unexpired terms of more than five and half years. Borrowings of €1,645 million are secured on property (30 June 2017: €1,394 million). The average interest rate during the financial year ended 30 June 2018 on non-current borrowings including hedges was 3.1% (2016/2017: 3.4%). 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 2018.

	Secured €'000	Unsecured €'000	Total borrowings €'000	30-06-18 Average interest rate during the year in %	30-06-17 Total borrowings €'000
Borrowings maturity profile					
Current borrowings	73,005	102,412	175,417	0.6	284,652
Non-current borrowings:					
One to two years	84,549	–	84,549		77,187
Two to five years	576,168	–	576,168		832,395
Five to ten years	777,304	–	777,304		167,981
More than ten years	150,453	–	150,453		157,555
Total non-current borrowings	1,588,474	–	1,588,474	3.1	1,235,118
Borrowing costs	(16,137)	–	(16,137)		(14,308)
Total borrowings	1,645,342	102,412	1,747,754	2.5	1,505,462

Notes to the consolidated financial statements continued

19. Borrowings continued

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Average interest rate at 30 June in %	Average interest maturity in years	Average maturity of borrowings in years
2017/2018						
Euro	1,068,108	388,536	1,456,644	2.4	7.0	5.8
Swedish krona	222,424	84,823	307,247	2.6	5.0	5.0
Borrowing costs	(9,501)	(6,636)	(16,137)			
	1,281,031	466,723	1,747,754	2.5	6.8	5.6
2016/2017						
Euro	969,348	275,839	1,245,187	2.9	6.7	5.5
Swedish krona	123,447	151,136	274,583	2.6	3.4	2.2
Borrowing costs	(10,421)	(3,887)	(14,308)			
	1,082,374	423,088	1,505,462	2.8	6.7	4.9

* Fixed rate borrowings consist of nine 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.

In July 2017, loans with a total value of SEK 880 million (€91 million) were renewed for a period of six years. Due to the sale of the two Swedish properties, two loans granted by Swedish banks were repaid for a total amount of €44.7 million. In early January, a new SEK 442 million (€45 million) loan with Aareal Bank AG for a term of seven years was entered into to finance the Valbo shopping centre. In March, the Company drew down an 18-month loan facility of €472 million granted by ABN AMRO and ING to acquire the Woluwe shopping centre, 50% of which was converted in a seven-year secured facility in June 2018. During the past half year, two new loans were entered into to refinance I Gigli shopping centre for a total amount of €81 million with a tenure of over seven years and a new loan with SEB on the Hallarna shopping centre in Sweden for an amount of SEK 700 million (€67 million). Further information about borrowings and bank covenants can be found in note 28.

20. 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 impact 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 Group 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 in their position as lenders have a credit rating of AA- (11%), A+ (38%), A (1%), A- (4%), B (3%), BBB+ (3%), BBB (23%), BBB- (3%), and (14%) have no rating from Fitch; and Aa3 (36%), Aa2 (4%), Aa1 (12%), A1 (16%), B3 (3%), Baa1 (26%), Baa2 (2%) and Baa3 (1%) 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 and was made up as follows:

Carrying amount of financial assets	Note	30-06-18 €'000	30-06-17 €'000
Receivables	16	40,083	35,206
Derivative financial instruments		276	230
Cash and deposits	17	34,038	78,078
		74,397	113,514

20. Financial instruments continued

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

	30-06-18				30-06-17			
	Rents receivable €'000	Provision for bad debts €'000	Other receivables €'000	Receivables €'000	Rents receivable €'000	Provision for bad debts €'000	Other receivables €'000	Receivables €'000
Due	19,055	0	0	19,055	18,938	0	0	18,938
Overdue by 0–90 days	3,231	(128)	17,828	20,931	2,254	(104)	13,987	16,137
Overdue by 90–120 days	153	(73)	0	80	(29)	(332)	0	(361)
Overdue by more than 120 days	1,021	(1,004)	0	17	1,886	(1,394)	0	492
	23,460	(1,205)	17,828	40,083	23,049	(1,830)	13,987	35,206

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €10.6 million (2017: €11.3 million) in addition to bank guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets at a reasonable price. In order to reduce liquidity risk, the repayment dates of borrowings are well spread over time and 90% of borrowings are long term, with 53% of borrowings with a remaining term of over 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 more than five and half years. Group borrowings on a proportional consolidated basis will not exceed the adjusted net equity of the Company, so that the net 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 2018 was 0.81 (30 June 2017: 0.67).

Apart from these obligations and commitments, the Netherlands fiscal Investment Institution status of the Company imposes financial limits and requires the Company to distribute its fiscal income as a cash dividend to the shareholders.

The following table shows the undiscounted contractual flows required to pay the Company's financial liabilities:

	30-06-18				30-06-17			
	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
Undiscounted cash flows								
Non-current borrowings	1,588,474	0	660,717	927,757	1,235,118	0	909,582	325,536
Current borrowings	175,417	175,417	0	0	284,652	284,652	0	0
Interest derivative financial instruments	91,770	15,014	45,314	31,442	134,372	17,181	67,988	49,203
Interest on borrowings	106,638	18,016	56,949	31,673	84,142	11,197	37,670	35,275
Non-current creditors	16,832	3,814	8,609	4,409	26,275	4,459	18,000	3,816
Current creditors	71,942	71,942	0	0	68,666	68,666	0	0
	2,051,073	284,203	771,589	995,281	1,833,225	386,155	1,033,240	413,830

Foreign currency risk

Foreign exchange risk is the risk that the profitability and shareholders' equity of the Group might be affected by currency fluctuations. Individual subsidiaries primarily execute their operating activities in their respective functional currencies which primarily comprise the euro and the Swedish krona. As a result, the Company has only a rather limited foreign currency exposure related to its day-to-day operations in the various countries. Since the financial reporting currency of the Company is the euro, the financial statements of those non-euro operating subsidiaries are translated so that the financial results can be presented in the Company's consolidated financial statements.

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, this exposure is partly hedged. SEK borrowings amount to €307 million (30 June 2017: €274 million). The total property investments in Sweden are €868 million (30 June 2017: €838 million). So 35% of this SEK exposure is hedged through these borrowings at 30 June 2018 (30 June 2017: 33%). The remaining exposure is relatively limited compared with the total size of the portfolio and will, in principle, not be hedged. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.2% and in a decrease of only 1.4% of direct investment result.

The Group also has a small foreign currency exposure of approximately €6.0 million to the British pound as a result of Company expenses relating to the London office and staff (30 June 2017: €6.0 million).

Notes to the consolidated financial statements continued

20. Financial instruments continued

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 2018 is a negative value of €88.8 million (30 June 2017: negative €99.6 million).

The interest rate hedge instruments as at 30 June 2018 have a weighted average maturity of almost seven years and the Company is hedged at an average interest rate of 1.8% (30 June 2017: 2.6%). Only 27% (30 June 2017: 28%) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €4.7 million (30 June 2017: €4.3 million) or 4.4% (30 June 2017: 4.0%) of reported direct investment result.

If at 30 June 2018, the euro interest curve and the Swedish krona interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholders' equity by €35.8 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the shareholders' equity by €38.4 million. Both calculations assume that all other variables were held constant and do not take into account the impact of deferred tax.

Maturity profile derivative financial instruments	30-06-18 Notional amount €'000	30-06-18 Fair value €'000	30-06-17 Notional amount €'000	30-06-17 Fair value €'000
Up to one year	0	0	0	0
From one year to two years	74,567	(3,199)	24,000	(1,588)
From two years to five years	334,059	(15,676)	427,000	(30,472)
From five years to ten years	375,445	(23,032)	183,000	(23,324)
Over ten years	170,000	(46,931)	115,000	(44,175)
	954,071	(88,838)	749,000	(99,559)

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure.

In addition to the notional amounts of the derivative financial instruments presented in the previous table, the financial instruments portfolio as per the balance sheet date includes forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €40 million (2017: €135 million) and forward starting interest rate swaps for a notional amount of €59 million (2017: €137 million). Although the notional amounts of the aforesaid financial instruments are not included in the previous table, the fair value of these financial instruments is reported.

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

Derivative financial instruments	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	(111,815)	(175,456)
Unrealised fair value movement interest rate swaps	6,650	53,199
Realised fair value movement interest rate swaps	4,045	10,709
Exchange rate movement	26	437
Fair value movement of Galleria Verde put option	1,160	(704)
Book value at end of year	(99,934)	(111,815)

The Galleria Verde put option relates to the Company's joint venture partner, which has the option to put its 50% interest in Galleria Verde to the Company at a 4% premium to the latest market value. The put option matures on 29 October 2025.

20. Financial instruments continued

Effective interest rate and ageing analysis

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2018) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date. This table also includes an ageing analysis according to interest rate revision dates of these assets and liabilities.

	30-06-18				30-06-17			
	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 (%)	0.78	1.99	1.83	(0.33)	0.36	2.03	2.62	(0.33)
Up to one year (€'000)	169,579	5,838	0	0	279,270	5,382	0	0
From one year to two years (€'000)	78,583	5,967	84,567	84,567	71,349	5,838	24,000	24,000
From two years to five years (€'000)	509,636	66,532	334,059	334,059	762,231	70,165	427,000	427,000
From five years to ten years (€'000)	593,097	184,205	365,445	365,445	63,125	104,856	183,000	183,000
Over ten years (€'000)	0	150,454	170,000	170,000	0	157,555	115,000	115,000
	1,350,895	412,996	954,071	954,071	1,175,975	343,796	749,000	749,000

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2018) 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 30-06-2018	Borrowings floating rate €'000	Borrowings fixed rate €'000	Swaps fixed rate €'000	Swaps floating rate €'000	Total €'000
Up to one year	9,098	8,324	18,354	(3,339)	32,437
From one year to two years	8,459	8,176	17,173	(3,123)	30,685
From two years to five years	16,877	23,613	38,230	(6,965)	71,755
From five years to ten years	7,913	18,967	25,189	(4,544)	47,525
Over ten years	0	5,076	13,166	(2,369)	15,873
	42,347	64,156	112,112	(20,340)	198,275

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	30-06-18 €'000		30-06-17 €'000	
			Carrying amount	Fair value	Carrying amount	Fair value
Receivables	16	B	40,083	40,083	35,206	35,206
Derivative financial instruments		A	276	276	230	230
Cash and deposits	17	B	34,038	34,038	78,078	78,078
			74,397	74,397	113,514	113,514
Creditors		D	94,585	94,585	100,120	100,120
Borrowings	19	D	1,747,754	1,784,274	1,505,462	1,531,780
Derivative financial instruments (liabilities)		A	100,210	100,210	112,045	112,045
			1,942,549	1,979,069	1,717,627	1,743,945

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 (carrying amount of €403,495,000), the fair value was based upon the relevant yield curves. The borrowings with a floating interest rate (carrying amount of €1,344,259,000), the carrying amount is deemed to approximate the fair value because the floating interest rate approximates the market interest rate and own credit risk is not deemed significant. Due to their short-term nature the carrying amount approximates fair value for the other balance sheet items.

Notes to the consolidated financial statements continued

20. Financial instruments continued**Fair value hierarchy**

All financial instruments are at level 2, except for the Galleria Verde put option. For the level 2 derivative financial instruments the Group uses a model to determine the fair value with inputs that are directly or indirectly observable market data. The Galleria Verde put option is based on the net market value obtained from an independent appraiser and therefore reported at level 3 for an amount of €11.1 million (30 June 2017: €12.3 million).

21. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	30-06-17 €'000	Recognised in profit or loss €'000	Release to profit or loss due to property sale €'000	Exchange rate movement €'000	30-06-18 €'000
Investment property	(191,376)	(19,225)	6,308	5,893	(198,400)
Derivative financial instruments	21,908	(5,063)	0	(6)	16,839
Tax value of loss carry-forwards recognised	4,382	255	0	(247)	4,390
Total deferred tax liabilities	(165,086)	(24,033)	6,308	5,640	(177,171)

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

	30-06-16 €'000	Recognised in profit or loss €'000	Release to profit or loss due to property sale €'000	Exchange rate movement €'000	30-06-17 €'000
Investment property	(129,600)	(64,335)	987	1,572	(191,376)
Derivative financial instruments	35,765	(13,818)	6	(45)	21,908
Tax value of loss carry-forwards recognised	3,266	1,146	0	(30)	4,382
Total deferred tax liabilities	(90,569)	(77,007)	993	1,497	(165,086)

As at 30 June 2018, the total amount of deferred tax liabilities of €177.2 million is related to Italy for an amount of €107.1 million (30 June 2017: €91.4 million) and to Sweden for an amount of €70.1 million (30 June 2017: €73.7 million).

22. Provision for pensions

The provision for pensions is related to one defined benefit plan in the United Kingdom. The plan has no active members (30 June 2017: no 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.

The major categories of plan assets are as follows:

	30-06-18 €'000	30-06-17 €'000
Cash and cash equivalents	6	39
Unquoted investment funds – mixed	8,342	8,603
	8,348	8,642

Changes in the defined benefit obligation and fair value of plan assets in the current and previous financial year:

	Fair value of plan assets €'000	Defined benefit obligation €'000	Benefit liability €'000	Fair value of plan assets €'000	Defined benefit obligation €'000	Benefit liability €'000
Book value at beginning of year 30-06-17/30-06-16	8,642	(9,468)	(826)	8,938	(8,938)	0
Service cost	0	(21)	(21)	0	(19)	(19)
Interest income/(expenses)	231	(254)	(23)	267	(260)	7
Pension cost charged to profit or loss account	231	(275)	(44)	267	(279)	(12)
Return on plan assets	(429)	0	(429)	262	0	262
Actuarial changes arising from changes in assumptions	0	218	218	0	(1,416)	(1,416)
Experience adjustments	0	4	4	0	(12)	(12)
Adjustment obligation year end	0	0	0	(84)	406	322
Actuarial result on pension scheme charged to OCI	(429)	222	(207)	178	(1,022)	(844)
Contributions by employer	21	0	21	19	0	19
Benefits paid	(52)	52	0	(290)	290	0
Exchange rate movement	(65)	73	8	(470)	481	11
Book value at end of year 30-06-18/30-06-17	8,348	(9,396)	(1,048)	8,642	(9,468)	(826)

The principal assumptions used in determining the pension obligations for the Group's plan are set out as follows for the period ended 30 June 2018. The discount rate is 2.6% (30 June 2017: 2.7%) and pension increase is 3.2% (30 June 2017: 3.4%). The life expectancy for pensioners at the age of 60 has remained unchanged for both men and women at 27.3 years and 29.8 years respectively (30 June 2017: men 27.3 years and women 29.8 years).

A quantitative sensitivity analysis for significant assumptions as at 30 June 2018 is as shown below:

Year	Sensitivity level	Discount rate: 0.5% decrease	Rate of inflation: 0.5% increase	Life expectancy: 1 year increase
30 June 2018	Impact on defined benefit obligation	Increase by 11%	Increase by 11%	Increase by 3%
30 June 2017	Impact on defined benefit obligation	Increase by 11%	Increase by 11%	Increase by 3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated based on the average age and the normal retirement age of members and the duration of the liabilities of the Scheme. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period. The duration of the liabilities of the Scheme is approximately 21 years as at 30 June 2018 (30 June 2017: 22 years).

As all four active members of the Scheme opted out as per 1 June 2016 and based on an amended investment and funding strategy for the Scheme, it is expected that no contributions are to be paid by the employer under the Company's defined benefit plan for the next financial year (30 June 2017: €0).

Notes to the consolidated financial statements continued

23. Issued share capital**Share capital comprises:**

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 495,665,578 shares are issued and fully paid as at 30 June 2018 and of which 2,078,340 were bought back as at 30 June 2018.
- 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 2018, 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 number of shares in issue in the current financial year is 490,465,019.

The number of shares in issue (after deduction of shares bought back) as per 30 June 2018 is 493,587,338.

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam and Euronext Brussels. 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.

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	244,471	241,291
Issued performance shares	0	100
Issued bonus shares	3,362	3,080
Book value at end of year	247,833	244,471

The number of shares on issue increased on 30 November 2017 as a result of the issue of 672,381 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 26.2% of the issued share capital (last year 27.0%) opted for the bonus depositary receipts at an issue price of €39.90 from the Company's share premium reserve, instead of a cash dividend of €2.10 per depositary receipt for the financial year ended 30 June 2017.

	2017/2018		2016/2017	
	No. of depositary receipts	No. of shares	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	48,894,177	488,941,773	48,258,252	482,582,523
Shares (DRs) issued under the Performance Share Plan	0	0	19,900	199,000
Shares (DRs) issued under the stock dividend plan	672,381	6,723,805	616,025	6,160,250
Number of shares (DRs) on issue at end of year	49,566,558	495,665,578	48,894,177	488,941,773
Priority shares	10	100	10	100
Shares (DRs) bought back	(207,834)	(2,078,340)	(262,230)	(2,622,300)
Number of shares (DRs) after deduction of shares (DRs) bought back	49,358,734	493,587,338	48,631,957	486,319,573

23. Issued share capital continued

Net asset value per depositary receipt

The net asset value per depositary receipt is €39.30 at 30 June 2018 (30 June 2017: €40.58).

Shares bought back

In June 2014, a programme was initiated under which depositary receipts were bought back to cover future anticipated exercises of the options granted under the SOP 2007 and SOP 2010. As the remaining outstanding options under the SOP 2007 expired in November 2017, 29,237 depositary receipts were used from the depositary receipts bought back for the vesting of performance shares. Furthermore, 25,159 options were exercised during the financial year. Therefore, the Company holds 207,834 depositary receipts as per 30 June 2018 (30 June 2017: 262,230 depositary receipts).

Stock options

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 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. In November 2017, the remaining outstanding options under the Stock Option Plan with grant date 2017 expired and 168,263 options forfeited. The Company has only options outstanding with expiry date November 2020 and an exercise price of €32.45. The vesting date of these options was November 2013 and the outstanding options at the end of the year are 68,808 (30 June 2017: 93,967). During the year 25,159 options were exercised with expiry date November 2020 at a weighted average sale price of €36.00.

Performance shares

The SOP has been replaced with an annual grant of free long-term depositary receipts (performance shares) under the Performance Share Plan (PSP) for all employees and members of the Board of Management and is 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 for a further two years. All permanent employees and Directors of the Company are entitled to the scheme. The calculation is based on a Black, Scholes and Merton option valuation model. The fair value of the performance shares is based on the share price at grant date and a number of assumptions to be made relating to the expected volatility, risk free interest rate, dividend yield and the remaining life of the instruments.

Performance Share Plan (PSP)	PSP 2014	PSP 2015	PSP 2016	PSP 2017	Total
Grant date	11-11-14	09-11-15	07-11-16	13-11-17	
Vesting date	11-11-17	09-11-18	07-11-19	13-11-20	
Share price at grant date	€33.80	€40.00	€35.22	€35.44	
Dividend yield	5.58%	4.83%	5.66%	5.76%	
Fair value per performance share	€28.59	€34.60	€29.72	€29.82	
Performance shares granted	30,079	58,267	119,283	78,367	285,996
Performance shares forfeited	(3,368)	(7,293)	(3,944)	0	(14,605)
Performance shares vested	(26,711)	(546)	(1,205)	(775)	(29,237)
Outstanding performance shares at end of year	0	50,428	114,134	77,592	242,154

Movements in the number of performance shares during the year

	PSP 2014	PSP 2015	PSP 2016	PSP 2017	Total
Performance shares at beginning of year	26,711	51,736	117,537	0	195,984
Performance shares granted	0	0	0	78,367	78,367
Performance shares forfeited	0	(762)	(2,198)	0	(2,960)
Performance shares vested	(26,711)	(546)	(1,205)	(775)	(29,237)
Outstanding performance shares at end of year	0	50,428	114,134	77,592	242,154

The expenses for the performance shares granted (IFRS 2) are €2,327,000 (2016/2017: €1,632,000). The outstanding options and performance shares as per 30 June 2018: 310,962 (30 June 2017: 458,214). As at 30 June 2018, the outstanding options and performance shares represent 0.6% of the issued share capital (30 June 2017: 0.9%).

Notes to the consolidated financial statements continued

24. Share premium reserve

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	520,692	522,063
Performance shares granted (IFRS 2)	2,327	1,632
Release for issued bonus shares	(3,362)	(3,080)
Cost for dividends paid	(4)	(18)
Performance shares settled – shares issued	0	586
Performance shares vested	(841)	(491)
Book value at end of year	518,812	520,692

25. Other reserves

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	947,778	820,917
Profit previous financial year	185,454	135,527
Stock options exercised	742	649
Performance shares settled – shares issued	(65)	(745)
Performance shares vested	841	491
Actuarial result on pension scheme	(207)	(844)
Foreign currency translation differences	(33,468)	(8,217)
Book value at end of year	1,101,075	947,778

For more information on the other reserves, reference is made to note 12 of the Company financial statements.

26. Earnings per depositary receipt**Basic earnings per depositary receipt**

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam and Euronext Brussels. One bearer depositary receipt represents ten ordinary registered shares.

The calculation of basic earnings per depositary receipt of €1.47 at 30 June 2018 was based on the profit attributable to holders of depositary receipts of €72.1 million (30 June 2017: €260.8 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2018 of 49,046,502 (30 June 2017: 48,364,199), as calculated below.

Profit attributable to holders of depositary receipts:

	30-06-18 €'000	30-06-17 €'000
Profit for the year	72,064	260,753
Issued depositary receipts (after deduction of depositary receipts bought back) at beginning of year	48,631,957	47,978,844
Effect of depositary receipts issued (stock dividend)	392,376	359,489
Effect of depositary receipts issued (staff options exercised)	5,118	14,253
Effect of depositary receipts issued (performance share plan)	17,051	11,613
Weighted average number of depositary receipts	49,046,502	48,364,199

26. Earnings per depositary receipt continued

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €1.46 at 30 June 2018 was based on the profit attributable to holders of depositary receipts of €72.1 million (30 June 2017: €260.8 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2018 of 49,423,231 (30 June 2017: 48,756,813), as calculated below.

Profit attributable to holders of depositary receipts (diluted):

	30-06-18 €'000	30-06-17 €'000
Profit for the year	72,064	260,753
Weighted average number of depositary receipts	49,046,502	48,364,199
Effect of issued performance shares on depositary receipts	376,729	392,614
Weighted average number of depositary receipts (diluted)	49,423,231	48,756,813

27. Commitments not included in the balance sheet

As at 30 June 2018, bank guarantees have been issued for a total amount of €0.4 million.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €1.0 million for the financial year 2018/2019 and approximately €3.8 million for the four-year period thereafter and €1.3 million for the period longer than five years.

The Company has signed building contracts for the Hallarna extension project in Halmstad, Sweden and for C4 in Kristianstad, Sweden. The outstanding commitment under these contracts is SEK 115 million (c. €11 million) as per 30 June 2018.

The Company is committed to contribute to Galleria Verde S.r.l. a residual amount of Euro 3.2 million for the refurbishment of Fiordaliso. The Company signed a contract to sell land adjacent to the shopping centre of Collestrada for further development if certain conditions are met at a price of €7.4 million. The Company signed a contract to buy more land adjacent to the shopping centre Collestrada for further development if certain conditions are met at a price of €4.9 million.

In April 2018, Galleria Verde S.r.l. signed a preliminary agreement with Iper Montebello S.p.A., the owner of the other 50% of the joint venture, for the purchase of a portion of the hypermarket of Fiordaliso and other spaces of the centre for a total price of €10.3 million. Closing is expected in December 2018, if certain conditions are met.

28. 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 2018. The Company monitors capital primarily using a debt to equity ratio. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity calculated on a proportional consolidated basis. 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 net debt will not exceed adjusted net equity.

The calculation of the debt to equity is as follows:

	30-06-18 €'000	30-06-17 €'000
Debt to equity ratio (on a proportional consolidated basis)		
Net borrowings (total borrowings less cash and deposits)	1,791,071	1,504,839
Shareholders' equity	1,939,784	1,973,694
Derivative financial instruments	99,934	111,815
Deferred tax liabilities	177,171	165,086
Derivative financial instruments and deferred tax liabilities joint ventures	8,048	7,131
Adjusted net equity	2,224,937	2,257,726
Debt to equity ratio	0.81	0.67

All bank covenants are monitored at regular intervals. During the period the Company complied with its banking covenants. The most frequent agreed covenants in the loan agreements are: net debt to adjusted equity, loan to value and interest cover ratio.

Notes to the consolidated financial statements continued

29. Related parties**Introduction**

Subsidiaries and joint ventures of the Company, members of its Supervisory Board, Board of Management and the UK pension scheme are related parties. No transactions have been entered into with them other than those disclosed in this report.

The Directors' fees recognised in the Company expenses include an amount of €244,000 (2016/2017: €284,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-18 €'000	30-06-17 €'000
B.T.M. Steins Bisschop	60	59
B. Carrière	46	45
C. Croff	46	45
R.R. Foulkes	46	45
P.W. Haasbroek	0	45
J.-Å. Persson	46	45

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	
	30-06-18 €'000	30-06-17 €'000	30-06-18 €'000	30-06-17 €'000
Salary	689	689	450	435
Bonus	465	430	305	281
Pension premiums (defined contribution plan)	0	0	50	57
Social security charges	148	138	48	9
Performance shares granted (IFRS 2)	189	142	124	92
	1,491	1,399	977	874

The bonuses paid to members of the Board of Management are directly linked to the annual growth in the Company's net asset value, the dividend per depositary receipt and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. For this financial year, the relative outperformance was 8.33%, which percentage is equal to the cap included in the bonus formula (30 June 2017: 0%). The total remuneration for the members of the Supervisory Board and the Board of Management is €2,712,000 (2016/2017: €2,557,000).

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.

Stock options and performance shares

During the year 79,375 options held by the Board of Management have lapsed. The outstanding options for the Board of Management as per 30 June 2018 is nil (30 June 2017: 79,375).

In November 2017, performance shares were granted to the Board of Management under the Performance Share Plan. 6,062 performance shares were granted to Mr J.P. Lewis and 3,959 performance shares were granted to Mr E.J. van Garderen. At 30 June 2018, the outstanding performance shares held by the Board of Management represent 0.084% of the issued share capital. In November 2018, performance shares will be granted to the Board of Management with a value of 32.1% 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 23.

13.5% (€313,000) of the amount charged to the consolidated statement of profit or loss (€2,327,000) as performance shares granted (IFRS 2) is related to the performance shares granted to the members of the Board of Management.

29. Related parties continued

Shareholdings

Mr J.P. Lewis and entities associated with him hold 1,015,760 depositary receipts in total, representing 2.05% of the issued share capital of the Company. Mr E.J. van Garderen holds 21,101 depositary receipts in total, representing 0.04% of the issued share capital of the Company. None of the 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.

30. Audit fee

The fee for professional audit services rendered by KPMG for the financial year ended 30 June 2018 is €578,000 (2016/2017: €545,000). The services rendered by the external audit firm are only related to the audit of the financial statements of the Group and its subsidiaries.

31. Post balance sheet events

In July 2018, a €248 million eight year loan to finance the shopping centre Carosello was closed with Intesa SanPaolo, BNP Paribas and UBI.

In September 2018, Eurocommercial Properties Italia S.r.l. bought some plots of land and building rights in Perugia for a total amount of €4.9 million, that would be used for the planned extension of Collestrada Shopping Centre.

32. Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders, to be held at Euronext Amsterdam, Beursplein 5 1012JW Amsterdam on 6 November 2018 at 9.30 hours, to distribute a cash dividend of €2.15 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2018 (30 June 2017: €2.10 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 2 November 2018. The distribution will be payable as from 30 November 2017. 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% for The Netherlands and certain overseas holders. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2017/2018. Holders of depositary receipts are given the opportunity to make their choice known up to and including 23 November 2018. 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.

Company financial statements
Company balance sheet

(before income appropriation)

	Note	30-06-18 €'000	30-06-17 €'000
Investments in subsidiaries	3	1,674,976	1,585,932
Due from subsidiaries	5	166,000	0
Tangible fixed assets	4	1,046	1,230
Total non-current assets		1,842,022	1,587,162
Due from subsidiaries	5	267,157	410,557
Receivables	6	808	586
Cash and deposits	7	2,711	827
Total current assets		270,676	411,970
Total assets		2,112,698	1,999,132
Creditors	8	6,989	6,500
Due to subsidiaries	9	164,877	0
Borrowings	10	0	18,112
Total current liabilities		171,866	24,612
Provision for pensions	11	1,048	826
Total non-current liabilities		1,048	826
Total liabilities		172,914	25,438
Net assets		1,939,784	1,973,694
Shareholders' equity	12		
Issued share capital		247,833	244,471
Share premium reserve		518,812	520,692
Legal reserve subsidiaries		841,005	864,303
Currency translation reserve		(34,323)	(12,490)
Retained profit reserve		294,393	95,965
Undistributed income		72,064	260,753
		1,939,784	1,973,694

Company statement of profit or loss

	Notes	2017/2018 €'000	2016/2017 €'000
Company expenses	13	(7,299)	(7,929)
Operating result		(7,299)	(7,929)
Interest income	14	10,099	11,046
Interest expenses	14	(169)	(196)
Other income and financing cost	14	19,402	15,963
Net financing income	14	29,332	26,813
Profit before taxation		22,033	18,884
Current tax		0	0
Profit from subsidiaries after taxation	3	50,031	241,869
Profit after taxation		72,064	260,753

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 applies to the Company financial statements. The Company financial statements 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 Company financial statements with the consolidated financial statements, 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 financial statements also apply to the Company financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 1 July 2017 and Part 9 of Book 2 of the Netherlands Civil Code. The Company financial statements are prepared on a going concern basis.

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.

Shareholders' equity

The Company recognises a legal reserve subsidiaries in its Company financial statements. This legal reserve subsidiaries is based on Article 389-6 of Book 2 of the Netherlands Civil Code.

3. Investments in subsidiaries

The subsidiaries of the Company are listed in note 1 Principal accounting policies in the consolidated financial statements.

Movements in investments in subsidiaries for the financial year ended 30 June 2018 were as follows:

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	1,585,932	1,363,101
Dividends from subsidiaries	0	(16,000)
Investments	50,000	0
Result from subsidiaries via reserves	(10,987)	(3,038)
Profit from subsidiaries	50,031	241,869
Book value at end of year	1,674,976	1,585,932
Cost at end of year (less dividends received)	230,260	180,260
Cumulative result from subsidiaries via reserves	(25,607)	(14,620)
Cumulative profit from subsidiaries	1,470,323	1,420,292
Book value at end of year	1,674,976	1,585,932

4. 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:

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	1,230	1,091
Additions	468	766
Depreciation	(502)	(446)
Disposals	(150)	(181)
Book value at end of year	1,046	1,230
Cost at end of year	3,914	3,597
Accumulated depreciation	(2,868)	(2,367)
Book value at end of year	1,046	1,230

During the financial year ended 30 June 2018, tangible fixed assets with a total cost price of €150,000 were disposed of or out of use (30 June 2017: disposals €181,000).

5. Due from subsidiaries

The balance of €433.2 million at 30 June 2018 represents mainly funds advanced to Eurocommercial Properties France S.A.S., Eurocommercial Properties Sweden AB and Eurocommercial Properties Belgium N.V. The average interest rate of these advances is 3.0% (30 June 2017: 3.3%).

6. Receivables

	30-06-18 €'000	30-06-17 €'000
Interest receivable from banks	0	17
Prepayments	744	569
VAT receivable	64	0
	808	586

7. Cash and deposits

Cash and deposits of €2.7 million consist of amounts held as bank balances. All bank balances are freely available.

8. Creditors

	30-06-18 €'000	30-06-17 €'000
Interest payable	0	3
Remuneration payable	3,471	3,387
VAT payable	650	688
Other creditors and accruals	2,868	2,422
	6,989	6,500

9. Due to subsidiaries

The balance of €164.9 million at 30 June 2018 represents mainly funds advanced from Eurocommercial Properties Italia S.r.l. The average interest rate of these advances is 2.1%.

10. Borrowings

	30-06-18 €'000	30-06-17 €'000
Book value at beginning of year	18,112	0
Drawdown of funds	67,263	58,076
Repayments	(85,391)	(40,000)
Exchange rate movement	16	36
Book value at end of year	0	18,112

11. Provisions for pensions

An analysis of the provisions for pensions is provided in note 22 of the consolidated financial statements.

Notes to the Company financial statements continued

12. Shareholders' equity

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

	Issued share capital €'000	Share premium reserve €'000	Legal reserve subsidiaries €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2017	244,471	520,692	864,303	95,965	260,753	1,973,694
Issued shares	3,362	(3,362)				0
Profit previous financial year				185,454	(185,454)	0
Profit for the year					72,064	72,064
Dividends paid		(4)			(75,299)	(75,303)
Stock options exercised				742		742
Performance shares granted		2,327				2,327
Performance shares settled				(65)		(65)
Performance shares vested		(841)		841		0
Actuarial gain on pension scheme				(207)		(207)
Foreign currency translation differences				(11,635)		(33,468)
Movement of legal reserve			(23,298)	23,298		0
30-06-2018	247,833	518,812	841,005	294,393	72,064	1,939,784

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

	Issued share capital €'000	Share premium reserve €'000	Legal reserve subsidiaries €'000	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2016	241,291	522,063	663,803	(7,720)	164,834	207,399	1,791,670
Issued shares	3,080	(3,080)					0
Profit previous financial year					135,527	(135,527)	0
Profit for the year						260,753	260,753
Dividends paid		(18)				(71,872)	(71,890)
Stock options exercised					649		649
Performance shares granted		1,632					1,632
Performance shares settled – shares issued	100	586			(745)		(59)
Performance shares vested		(491)			491		0
Actuarial gain on pension scheme					(844)		(844)
Foreign currency translation differences				(4,770)	(3,447)		(8,217)
Addition to legal reserve			200,500		(200,500)		0
30-06-2017	244,471	520,692	864,303	(12,490)	95,965	260,753	1,973,694

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

Under the Netherlands Civil Code the Company has to maintain legal reserves which comprise of the reserve subsidiaries 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 €841 million (30 June 2017: €864 million) and are not freely distributable. For dividend distribution, however, both the retained profit reserve, share premium reserve and the undistributed income are available.

Holders of depositary receipts representing 26.2% of the issued share capital (last year 27.0%) opted for 672,381 bonus depositary receipts at an issue price of €39.90 from the Company's share premium reserve, instead of a cash dividend of €2.10 per depositary receipt for the financial year ended 30 June 2017.

13. Company expenses

Company expenses in the current financial year comprised:

	2017/2018 €'000	2016/2017 €'000
Audit fees	290	292
Depreciation fixed assets	653	394
IT expenses	829	942
Legal and other advisory fees	861	382
Marketing expenses	695	707
Office and accommodation expenses	2,463	2,454
Pension costs	295	532
Salaries, wages, bonuses and performance shares granted*	10,099	8,801
Social security charges*	2,079	1,971
Statutory costs	422	369
Travelling expenses	739	731
Other expenses	601	623
	20,026	18,198
Recharge of company expenses to subsidiaries	(12,727)	(10,269)
	7,299	7,929

* Including Directors' fees.

The Company employed an average of 44 full-time equivalent persons during the financial year (2016/2017: 41), of which 15 are based in The Netherlands, five in the UK and 24 in France. An analysis of the Directors' fees is provided in note 29 of the consolidated financial statements.

14. Net financing income

The net financing income of €29.3 million (2016/2017: €26.8 million) comprises interest income due from subsidiaries €10.1 million (2016/2017: €11.0 million); interest expenses from borrowings €0.2 million (2016/2017: €0.2 million); and other income and financing cost of €19.4 million (2016/2017: €16.0 million). The other income and financing cost consists of €19.4 million positive (2016/2017: €16.1 million positive) for guarantees in favour of financial institutions for debts incurred by Group subsidiaries, and €0.5 million positive (2016/2017: €0.1 million negative) for foreign currency results and €0.5 million negative for financing cost (2016/2017: €0.0).

15. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of credit institutions for debts and interest rate swaps incurred by its subsidiaries to an amount of €1.8 billion and €954 million respectively.

The Company has entered into guarantees in favour of credit institutions for debts and interest rate swaps incurred by its joint ventures to an amount of €177 million and €160 million respectively.

Amsterdam, 21 September 2018

Board of Management

J.P. Lewis, Chairman

E.J. van Garderen

Board of Supervisory Directors

B.T.M. Steins Bisschop, Chairman

B. Carrière

C. Croff

R.R. Foulkes

J.-Å. Persson

Other information

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 2019, 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 2018 comprised:

J.P. Lewis
N.R.L. Mijnsen

Please note that the Board of Management and the Supervisory Board propose to amend the Company's corporate governance structure by the dismantlement of the Company's priority shares structure. This will require an amendment of the Company's articles of association to devolve the powers attached to the priority shares held by Stichting Prioriteitsaandelen Eurocommercial Properties to the Supervisory Board or to the Board of Management, subject to the approval by the Supervisory Board.

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 among 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.

Financial calendar

2 November 2018	Announcement of scrip issue price
6 November 2018 at 9.30 hours	Annual General Meeting of Shareholders
8 November 2018	Ex-dividend date
9 November 2018	Announcement of first quarter results 2018/2019
30 November 2018	Dividend payment date
8 February 2019	Announcement of half-year results 2018/2019
10 May 2019	Announcement of third quarter results 2018/2019
30 August 2019	Announcement of annual results 2018/2019
5 November 2019	Annual General Meeting of Shareholders

Holders of depositary receipts/ordinary shares with a holding of 3% or more

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

Stichting Administratiekantoor Eurocommercial Properties (99.84%), Mr A. van Herk (16.61%), Janus Henderson Group Plc (4.84%), BlackRock, Inc. (4.59%) and Bank of Montreal (3.27%).

The dates of the aforesaid notifications were 1 November 2006, 24 July 2018, 26 November 2015, 31 May 2018 and 30 August 2017.

Stock market prices and turnover 2017/2018

The Company is listed on Euronext Amsterdam and Euronext Brussels and is admitted to the Next 150 index and the Amsterdam Midkap (AMX) index.

		High	Low	Average
Closing price 30 June 2018 (€; depositary receipts)	36.36	37.98	32.76	35.31
Average daily turnover (in depositary receipts)	93,320			
Average daily turnover (€'000,000)	3.3			
Total turnover over the past 12 months (€'000,000)	856.6			
Market capitalisation (€'000,000)	1,802.2			
Total turnover divided by market capitalisation	48%			

Source: Euronext, Global Property Research

Depositary receipts listed on Euronext Amsterdam and Euronext Brussels have been accepted for delivery through the book entry facilities of the Netherlands Central Institute for Giro Securities Transactions (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.) trading as Euroclear Nederland.

ISIN – Code: NL 0000288876, symbol: ECMPA

Stock market prices are followed by Bloomberg: ticker: ECMPA NA

Valuers

The following independent firms have valued the Company's properties (including the properties held by joint ventures) at 30 June 2018:

Belgium:	Cushman & Wakefield
France:	Cushman & Wakefield, JLL, Knight Frank
Italy:	CBRE, Cushman & Wakefield, JLL, Savills
Sweden:	Cushman & Wakefield, JLL



Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Eurocommercial Properties N.V.

Report on the audit of the financial statements 2017/2018

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2018 and of its result and its cash flows for the year ended 30 June 2018, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2017/2018 of Eurocommercial Properties N.V. (the Company) based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 30 June 2018;
- 2 the following consolidated statements for the year ended 30 June 2018: the statement of profit or loss, the statements of other comprehensive income, changes in shareholders' equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company balance sheet as 30 June 2018;
- 2 the company profit and loss account for year ended 30 June 2018; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Eurocommercial Properties N.V. in accordance with the EU-regulation regarding specific requirements for audits of financial statements of public-interest entities, the Dutch law regarding supervision of audit firms (Wet toezicht accountants, Wta) and the Code of Ethics for Professional Accountants (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO), a regulation with respect to independence. Furthermore, we have complied with the Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants, VGBA).

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

Audit approach

Summary

MATERIALITY

- Materiality of EUR 20 million
- 1% of net assets

GROUP AUDIT

- 100% of investment property
- 100% of property income

KEY AUDIT MATTERS

- Valuation of investment property
- Acquisition and disposals of investment property

UNQUALIFIED OPINION



KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent companies affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 20 million (2016/2017: EUR 20 million). The materiality is determined with reference to the net assets (1%). We consider net assets as the most appropriate benchmark because investors consider this to be an important indicator of the Company's value. In addition, we applied a materiality of EUR 5 million for results from continuing operations before tax. Results from continuing operations before tax is an important measure of the performance of the Company's current portfolio, excluding the impact of changes in market value of investment property and derivatives and the result from the disposal of investment property. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 1 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Eurocommercial Properties N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Eurocommercial Properties N.V. The Group manages its investment property through its operating companies in France (including Belgium), Italy and Sweden. Each of these operations is significant in the context of the Group's financial statements and therefore we have used KPMG audit teams in each country to perform an audit of the financial information of the operating companies in these countries. The audits performed in these countries covered the entire investment property portfolio and the related net property income. The audit for consolidation purposes of Eurocommercial Properties Belgium has been performed by the group audit team. This audit covers the four month period since the acquisition of the Group's first shopping centre in Belgium (Woluwe Shopping) on 1 March 2018.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for operating companies and issued audit instructions to local auditors. As group auditor we were involved in the full-scope audits performed by local auditors.

Our involvement included participation in planning discussions with local auditors, site visits to each country to discuss the results of local audits, discussions on the local reporting with country management and discussions on the valuation of investment property with independent appraisers engaged by the Company. We also reviewed the local audit files and verified that the audit work had been carried out in accordance with our instructions.



As operating companies prepare their financial information for consolidation purposes based on local accounting standards, the EU-IFRS adjustments are processed at Group level.

These adjustments relate mainly to:

- the valuation of investment property at fair value;
- the valuation of derivatives at fair value;
- accounting for share-based payments;
- deferred income taxes;
- equity accounting for the Group's share in joint ventures.

At Group level we have performed audit procedures on:

- the financial statements of the parent company;
- Eurocommercial Properties Belgium;
- the EU-IFRS adjustments mentioned above;
- the consolidation process and the financial statements.

By performing the procedures mentioned above at Group components, together with additional procedures at Group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property

Description

Investment property amounts to €3.9 billion and represents 95% of the Group's total assets at 30 June 2018. Investment property is valued at fair value; therefore the Group has to make estimates and use assumptions to determine those fair values. The fair value is, as explained in notes 1 and 13 to the financial statements, based on appraisal reports by independent appraisers. For the valuations estimates are made with the support of independent appraisers in relation to the discounted expected future cash flows and related risks.

Because the valuation of investment property is complex and highly dependent on estimates and assumptions (such as market rent levels, expected vacancies, interest rates, expected capital expenditure and maintenance) we consider the valuation of investment property as a key audit matter in our audit.

Our response

We have evaluated the objectivity, independence and expertise of the external appraisal firms. In this regard we assess the Group's rotation scheme for appraisers, and evaluate the appraiser's experience and qualifications.

We have evaluated the appropriateness of the information and assumptions used in the valuations.



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Other information continued

This includes the estimates by the external appraisal firms (such as market rent levels, expected vacancy, interest rates and expected expenditure).

We analysed the results of the valuation process and discussed the above mentioned factors that determine the valuations with management and the appraisal firms. For that purpose we used the expertise of our own internal property valuation specialists. These specialists have supported us with our assessment of the assumptions, methods and developments in the valuations.

Finally, we verified whether the disclosures in the financial statements in respect of investment property are in conformity with EU-IFRS.

Our observation

Overall we assess that the assumptions and methodologies used, and related estimates resulted in a balanced valuation of investment property and concur with the related disclosures in the financial statements.

Acquisition and disposals of investment property

Description

Acquisitions and disposals of investment property are significant non-standard transactions. The Company may deal with a buyer or seller through one-to-one negotiation or participate in a bidding round in which multiple parties are competing to acquire a property. Transactions sometimes involve contingent considerations (earn-outs, rental guarantees, etc.) and are structured as asset deals or share deals. During the year 2017/2018 the volume of transactions increased compared to the previous financial year with the Company acquiring two properties, one in Sweden and one in Belgium (the latter being the first investment in that country) and selling a total of seven properties in Sweden, France and Italy.

Given the size and complex nature of these transactions we consider the accounting for acquisitions and disposals of investment property to be a key audit matter in our audit.

Our response

We performed audit procedures over acquisitions and disposal of investment property to ensure these transactions are properly accounted for. These procedures include inspecting the purchase or sales contracts, reconciling the accounting entries to record the initial purchase or result on disposition to the related cash movements and inspecting title deeds to verify the date of transfer of control.

At Group level we reviewed minutes of Board meetings in which these transactions are discussed as evidence of the involvement of the appropriate level of management in these transactions. For acquisitions we discussed with management whether the transaction meets the definition of a business combination. If necessary we also inspected contracts ourselves – as we did for the acquisition in Belgium – in order to understand the nature of the transaction and assess the impact on the accounting treatment.

Finally, we verified whether the disclosures (notes 1, 6 and 13) in the financial statements in respect of investment property transactions are in conformity with EU-IFRS.

Our observation

Overall we assess that the acquisitions and disposals of investment property have been properly accounted for and disclosed in the financial statements.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- the report of the Board of Management;
- the report of the Board of Supervisory Directors;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.



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Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Eurocommercial Properties N.V. on 3 November 2015, as of the audit for the year 2015/2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Services rendered

For the period to which our statutory audit relates, we have provided to the Company and its controlled Dutch entities the services disclosed in note 30 to the financial statements.

Description of responsibilities regarding the financial statements

Responsibilities of Board of Management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management



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Other information continued

should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 21 September 2018

KPMG Accountants N.V.

H.D. Grönloh RA

Appendix: Description of our responsibilities for the audit of the financial statements



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Appendix

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management;
- concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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Other information continued

From the matters communicated with the Supervisory Board we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.



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Glossary

Adjusted net asset value (NAV):	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 300m ² or less.
CPI:	Consumer price index.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on Euronext Amsterdam and Euronext Brussels.
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 cost ratios:	Administrative and operating costs (including and excluding costs of direct vacancy) including the share of joint venture overheads and operating expenses (net of any service fees) divided by rental income.
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. Equivalent to the direct investment result less investment expenses.
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. The following operating costs are not deducted in arriving at the EPRA NIY: letting and rent review fees, provision for doubtful debtors, marketing costs and eviction 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.
EPRA topped-up net initial yield:	The EPRA net initial yield adjusted in respect of the expiration of rent free periods (or other unexpired lease incentives such as discount rent periods and step rents).
EPRA vacancy:	The ERV of vacant retail space expressed as a percentage of the total retail ERV, excluding property investments under development.
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.
FIIS/GVBF:	Fonds d'investissement immobilier spécialisé. Belgian tax-exempt regime available to property companies with assets in Belgium.
Gallery:	All retail units in a shopping centre excluding the hypermarket.
GRESB:	Global Real Estate Sustainability Benchmark.
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 ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50% from the consumer price index, 25% from the cost of construction index and 25% from the retail sales index.

Glossary continued

Interest cover ratio (ICR):	Net property income less company expenses divided by interest expenses less interest income, calculated on a proportionally consolidated 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 600m².
Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity, calculated on a proportionally consolidated basis.
Net (initial) yield:	Expected rental income for the year ahead as provided by the external valuers, less non-recoverable property operating expenses, divided by the reported gross value of the property. Excludes land and property investments under development.
(Net) loan to value:	Total borrowings net of cash expressed as a percentage of the total value of property investments, property investments under development, property investments in joint ventures and property investments held for sale, calculated on a proportionally consolidated basis. The total values are net of any (estimated) purchasers' costs.
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, calculated on a proportionally consolidated basis.
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 2018 including 2017 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.
Reversionary yield:	Estimated rental value (ERV) as calculated by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
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.
Stock dividend:	See Scrip dividend
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:	See EPRA vacancy.

Directory

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J.-Å. Persson

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E.J. van Garderen

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J.P.C. Mills, Director
T.R. Newton, Director

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