EUROCOMMERCIAL

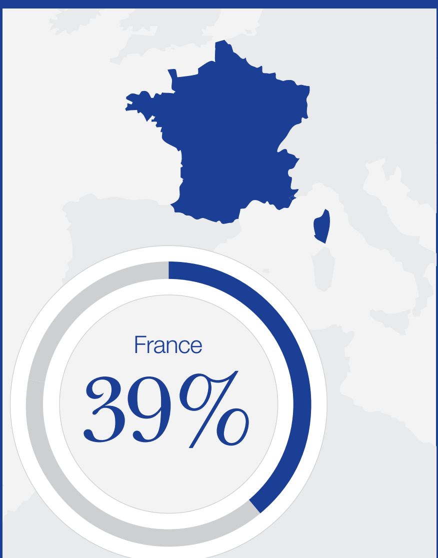
Annual Report 30 June 2014

Company profile

Eurocommercial Properties N.V. (Eurocommercial) is one of Europe's most experienced owners and managers of retail property. The Company focuses on France, Italy and Sweden, where it has a €2.7 billion portfolio of 33 properties.

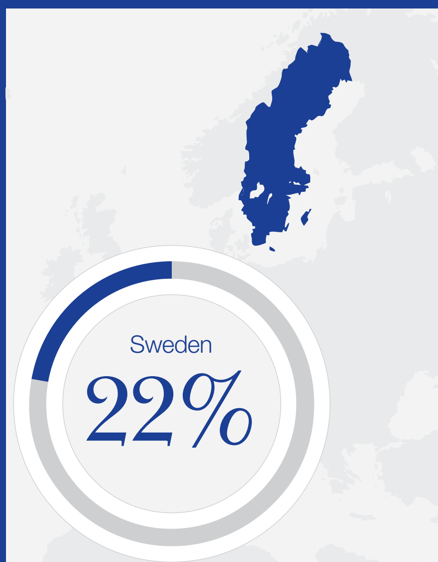
Listed on Euronext Amsterdam since 1991, Eurocommercial has zero tax status. In the year to 30 June 2014, the direct investment result rose 1.7% to €82.9 million and the dividend per depositary receipt increased to €1.94.

Where we are



More on Eurocommercial France
Page 24

More on Eurocommercial Italy
Page 36



More on Eurocommercial Sweden
Page 46

Results highlights

Financial

Direct investment result
€82.9m
+1.7%

Net rental income
€147.0m
+1.8%

Dividend per depositary receipt
€1.94
+1.0%

Like for like rental growth
+1.5%

Like for like turnover growth
+1.3%

Property valuations
€2.7bn
+1.3%

Operational

- Sale of Passy Plaza, Paris completed in October 2013 at a price of €141 million.
- Extension and refurbishment completed at Saint Doulchard, Bourges in July 2013, transforming the centre and significantly increasing the gallery's visitor attraction.
- Chasse Sud retail park opened in October 2013, anchored by Decathlon, Bricomarché and C&A.
- Shortly after the financial year end, parcels of land were acquired alongside Les Atlantes, Tours and Val Thoiry, Thoiry to facilitate future extensions of both shopping centres, subject to planning.
- Refurbishments underway at Les Portes de Taverny, Taverny; Val Thoiry and I Portali, Modena. Most of the works are scheduled to be completed before the end of financial year 2014/15.
- Plans for the 16,000m² (GLA) extension at Eurostop, Halmstad continue to progress. The shopping centre will open in stages with completion expected by end of 2017.

Chief Executive's overview

Plus ça change…

This is the twenty-third time since the Company's listing in Amsterdam in 1991 that I have written a commentary for Eurocommercial's Annual Report.

During these years we have seen the collapse of the Soviet Union, major recessions, the opening of the Channel Tunnel, the introduction of the Euro, the dot.com bubble bursting, the 9/11 and other terrorist attacks, the Iraq and Afghanistan Wars and the most recent global economic crisis. One of the few constants during this entire period has been, I am grateful to be able to say, the steady rise in Eurocommercial's earnings and, as a result, a dividend that has never had to be reduced.

My colleagues across the Company's offices have been able to achieve these results by focusing on the fundamentals of good property investment and management, with their considerable experience and professional skills and a profound knowledge of property markets, economics and demographics. The proof of their abilities has been our consistent shopping centre vacancy levels of around 1% or less.

Despite some continuing economic difficulties, European countries, including our markets of France, Italy and Sweden, are displaying signs of increased consumer confidence and spending, as reflected in the turnover growth in our centres of 1.3% over the last year. Inflation is practically non-existent in our markets, which, because all rents are indexed, means that overall rental growth will continue to be quite modest for the next year. Market reviews should still achieve average uplifts of around 5-10% though, as they have done this year.

Demand for good investment property is at an all-time high because property yields are attractive against alternatives, particularly government bonds, where many European ten-year yields are below 2% and ten-year interest rate swaps below 1.5%.

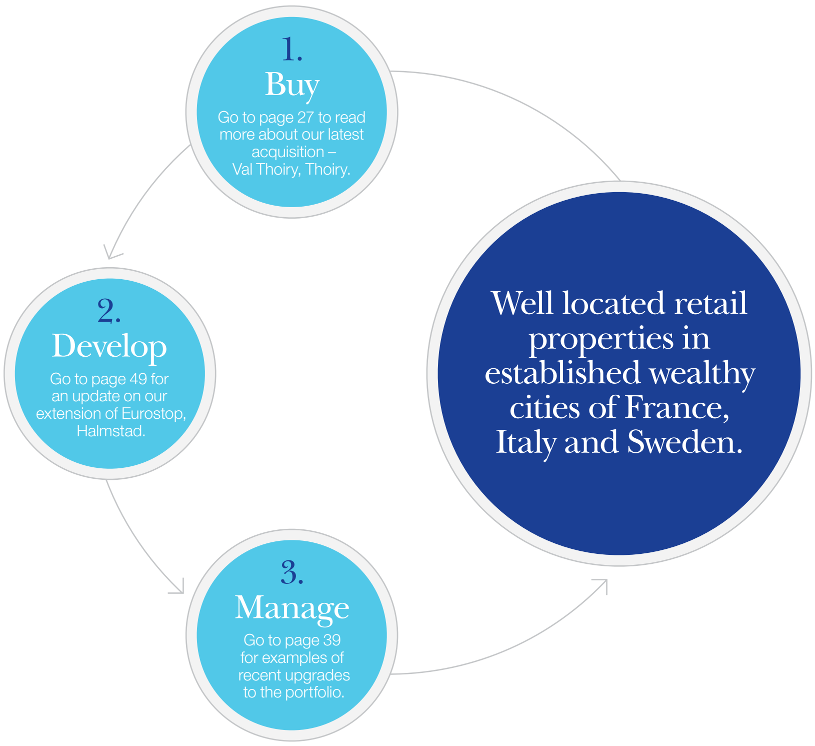
Clearly, with the certainty of eventual interest rate rises, if not their timing, one should be careful not to get carried away, notwithstanding the current popularity and scarcity of good property. We will, therefore, continue to concentrate on the essentials of sustainable income in our three countries of choice which, despite current travails, are fundamentally stable, wealthy and accessible.

Jeremy Lewis
Chief Executive

Clear investment strategy

Our strategy is a clear one – to buy, develop and carefully manage well-located retail properties in established wealthy cities in France, Italy and Sweden. We have chosen these countries because of the depth of their investment markets, their practical modern leases with turnover clauses and the spending power of their populations.

We work closely in partnership with the retailers who occupy our centres to grow sales volumes to our mutual benefit.



Eurocommercial acquired its first shopping centre in France in 1992. Since then we have built a portfolio of 33 centres in three countries. Vacancy levels in these properties have been consistently around 1% during the entire period.

How has this been achieved?

The following pages aim to provide an overview of the way we select and manage our centres.

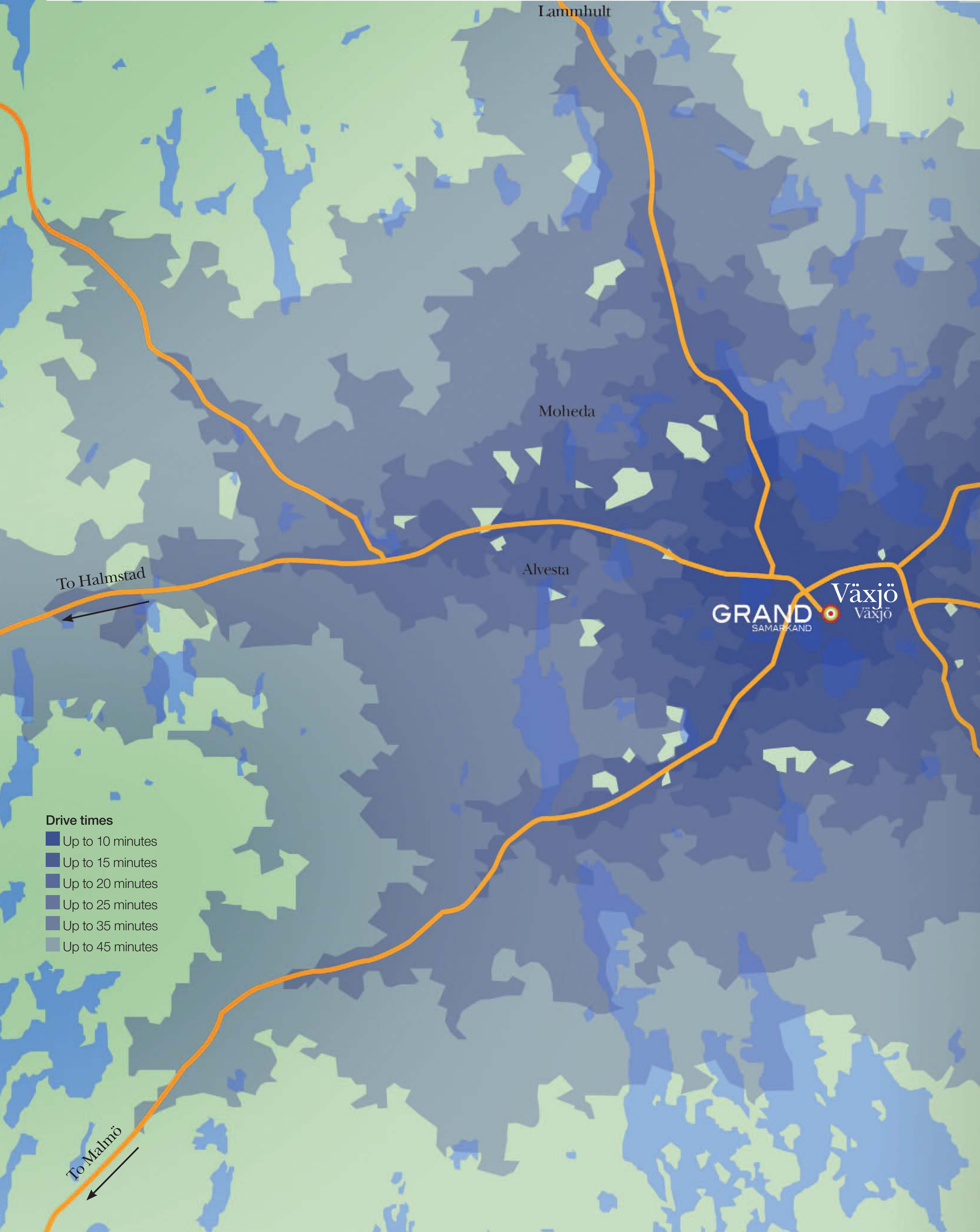
How we select and manage our shopping centres

Location and access

The position of the property should be the best possible in its catchment – easily accessible by its customers with a good road network and high visibility. Parking must be free and plentiful with a clear internal road network. All of Eurocommercial's centres, except the city centre properties in France, offer free parking and shelters for bicycles and all centres are linked to local bus routes. Great attention is paid to signage in the catchment area as well as close to the centre itself.

← Carosello shopping centre has direct access from Milan's ring road and 4,000 free parking spaces.

How we select and manage our shopping centres



In-depth catchment research

Our in-house research teams conduct catchment studies which are particularly detailed, whether demographically, logistically or economically. Profiles of inhabitants cover age, sex, employment, disposable income and home and car ownership. Spending patterns are analysed both in their totality but also by relevant sectors.

We take great care to analyse the provision of retail space in the catchment to produce a "retail density" index to ensure that there is not too high a proportion of retail space in relation to its population. These studies include not just shopping centres but also retail parks and significant city centre stores. If these statistics are not available officially, we compile our own through our research departments in each country. We continuously monitor potential developments which could cause an oversupply to assess the possible impact on our sales turnover and will take action accordingly, including, if necessary, the sale of an asset.

← Eurocommercial redeveloped Grand Samarkand in Växjö into a major shopping centre in 2011. At 24,000m² with 65 tenants it is not considered a large shopping centre by some standards, but as the only out of town shopping centre in the region, it dominates its catchment and attracts almost 5 million annual visitors.

How we select and manage our shopping centres

Partnerships with retailers

Shop rents are carefully matched to sales turnover – which are declared monthly by the retailers – so that an appropriate and sustainable occupancy cost ratio (OCR) of gross rent to turnover can be achieved. This not only helps the retailer make a reliable profit but also assists us in judging the shop mix and adapting it as necessary. Our leasing and management teams are in constant dialogue with the major international retail groups, monitoring emerging trends and often providing advice to new market entrants.

Eurocommercial has amongst the lowest OCRs in the industry – a major factor in maintaining low vacancy levels, even during economic recessions.

→ New retailers have been introduced at Centro Leonardo, Imola over the past few years, updating the tenant mix and significantly boosting turnover which was up 4.2% over the last 12 months.


Leonardo
CENTRO COMMERCIALE IMOLA
70 NEGOZI
ipercoop
MediaWorld
oviesse
Pittarello
librerie.coop
La Corte del Gusto
BENVENUTI

How we select and manage our shopping centres

Customer satisfaction

The centre should be clean, secure, well-lit and offer attractive facilities for customers, including, for example, baby and children's facilities, good toilets and clear signage. Essentially the centre must be welcoming, pleasant and efficient. Continual refurbishments and maintenance are carried out to ensure that these objectives are maintained.

Customer surveys are conducted frequently to help direct efforts to improve the shopping centres and our management of them. We host regular training sessions for both shop staff and our own management teams on sales motivation and customer satisfaction.

A number of our centres now have "Drives" or pick up points for click & collect internet shopping to encourage visitors and facilitate their ability to leave their hypermarket purchases in secure and refrigerated locations whilst they shop in the gallery boutiques.

← A children's play area was installed at Cremona Po, Cremona in April 2013 with great success – over 10,000 children used the facility in its first year. An additional external play area will open in 2015.

Management report

One of the most experienced management teams in Europe

Directors Jeremy Lewis, Evert Jan van Garderen, Peter Mills, Tom Newton and Tim Santini have worked together at Eurocommercial for over 20 years, a record of consistency unmatched in the industry.

They all have a professional background in real estate, accounting or law and meet at least weekly together with their respective country heads. The culture of Eurocommercial is rigorously, intellectually democratic and the views of all staff members are treated seriously and respectfully so that well-tested rational decisions can be made. The management teams in France, Italy and Sweden are all regarded as amongst the very best in their markets.

Jeremy Lewis
Chief Executive

Evert Jan van Garderen
Finance Director

Peter Mills
Director

Tom Newton
Director

Tim Santini
Director

Results summary

	2013/14	2012/13
Rental income (€m)	174.9	172.6
Net rental income (€m)	147.0	144.4
Direct investment result (€m)	82.9	81.5
Direct investment result per depositary receipt (€)	1.96	1.97
Dividend per depositary receipt (€)	1.94	1.92
IFRS profit after taxation (€m)	99.8	123.3
Adjusted net asset value per depositary receipt (€)	36.74	36.47
IFRS net asset value per depositary receipt (€)	32.77	32.73
Net debt to adjusted net equity	70%	81%
Net debt to property value	40%	44%
Average interest cost, including margins	3.9%	3.9%
Interest cover	2.6x	2.6x

Dividend

It is proposed to increase the annual dividend to €1.94 per depositary receipt (ten ordinary shares) from €1.92 in the previous financial year, notwithstanding the direct investment result of €1.96 per depositary receipt. The Board believes that this continued cautious approach allows it to be confident that it can continue its unbroken record of at least maintaining dividends despite a reorganisation of the portfolio following recent sales and acquisitions and limited rental growth as a result of low indexation.

Adjusted net asset value and IFRS net asset value

The adjusted net asset value figure for 30 June 2014 was €36.74 per depositary receipt, up 0.7% compared with €36.47 at 30 June 2013 and 3.6% compared with €35.45 at 31 December 2013. Adjusted net asset values do not take into account contingent capital gains tax liabilities nor do they take into account the fair value of financial derivatives (interest rate swaps) which are used to stabilise interest costs.

The IFRS net asset value at 30 June 2014 was €32.77 per depositary receipt, compared with €32.73 at 30 June 2013 and €32.11 at 31 December 2013 and includes both contingent capital gains tax liabilities if all the properties were to be sold simultaneously and the fair value of financial derivatives.

The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €37 million when calculating net asset value. At present, in the only two markets where CGT would be payable by the Company – Italy and Sweden – the majority of larger property transactions are typically made through the sale of the owning corporate entity and purchasers accept a major part of the potential CGT liability. As at 30 June 2014 the CGT only relates to the Swedish property portfolio.

Both adjusted and IFRS net asset values per depositary receipt at 30 June 2014 reflect the increased number of depositary receipts in issue following the 39% take-up of the 2013 stock dividend.

International Financial Reporting Standards (IFRS)

In accordance with the European and national rules and regulations, the Company has drawn up its financial statements for the financial year ending 30 June 2014 based on IFRS.

Despite an increase in property valuations of €32.6 million for the year ended 30 June 2014 compared with a decrease of €3.0 million for the year ended 30 June 2013, the total investment result (IFRS profit after taxation) for the year decreased to €99.8 million from €123.3 million for the previous financial year, mainly due to the negative fair value movement of the derivative financial investments of €12.6 million caused by lower interest rates (previous financial year positive €20.5 million) and a small negative deferred tax result of €1.7 million, which last year showed a positive result of €18.6 million due to the sale of Burlöv Center in Sweden.

The IFRS profit after taxation includes contributions from unrealised movements in property values as well as contingent nominal capital gains taxes and, as stated above, also includes fair value movements in derivatives. However, the Company has also chosen to continue presenting alongside the IFRS result, the direct investment result and the indirect investment result, which it believes are an important distinction as the direct investment result represents, in the view of the Board, the continuing underlying earnings better than the IFRS profit figure, which includes unrealised “capital” movements and therefore may cause large fluctuations in results. These direct and indirect investment results are included in a statement on page 68 which does not form part of the IFRS statements.

Management report

Property markets

Most European property markets exhibit one overwhelming characteristic – more investor demand than supply of sound properties. This is despite almost non-existent inflation ensuring that base indexed rents will rise very modestly next year. This can, of course, be regarded as a positive for tenant profitability, and therefore viability, given subdued economic growth in large parts of Europe.

The attraction of well-let property for investors is its significant yield advantage over alternatives, particularly government bonds. Prime property yields are now 4.5% to 5% and prime euro bonds average below 2%. Prices have accordingly firmed but how much further they should go one must debate. Details of Eurocommercial's markets of France, Italy and Sweden are set out later in this report.

Eurocommercial's portfolio

Over the last 12 months Eurocommercial completed the sale of Passy Plaza in Paris, the proceeds of which funded the €111.5 million (5.6% net initial yield) purchase of a shopping centre in Thoiry just outside Geneva. The Company has subsequently acquired a site adjoining the centre to accommodate further expansion and a refurbishment of the gallery is currently underway at a cost of €5 million.

In August 2013 Eurocommercial concluded its purchase of the newly-built retail park next to its centre in Chasse-sur-Rhône, which itself is to be expanded by 5,000m² in the next few years. Eurocommercial acquired the park through a VEFA (forward purchase agreement) for a total cost of €24 million representing a net yield of 7%. The park is anchored by Decathlon, Bricomarché, Boulanger and C&A and has been trading well since opening.

A parcel of land has been acquired next to Les Atlantes in Tours, on which it is intended to build a retail park to which existing large space users can be transferred, liberating space for an extension of the gallery inside the shopping centre.

Turnover in Eurocommercial's French centres has risen by 1.7% in the 12 months to June 2014, despite the poor economic and political climate, and it is particularly encouraging that the trend seems to be improving gradually. Like for like rents in Eurocommercial's French centres have increased by 1.6% over the year.

In Italy there appears to be something of a political renaissance with the leadership of Matteo Renzi having a positive effect on consumer confidence and, to a certain extent therefore, on turnover in our centres although economic growth has yet to recover. Investment demand, though, has changed radically, with many international investors looking to Italy once more. Like for like rental growth in our centres was 0.8% over the last year, reflecting almost zero inflation.

The €4.5 million refurbishment of I Portali, Modena started in February and is due to complete by the end of 2014. The project involves upgrades to the gallery, new toilets and improved entrances.

Swedish consumer spending has been very strong, encouraged by low interest rates and good industrial numbers. Eurocommercial's shopping centre turnovers in the country have shown an excellent overall increase of 4.0% with rents following suit at 2.8%. Our major current focus in Sweden continues to be the extension of Eurostop in Halmstad which we plan to expand by 16,000m², with completion scheduled for 2017.

Outlook

Eurocommercial's investment policy is to acquire good centres in any of our three markets. The Company would like to retain broadly its current split between France, Italy and Sweden but in the short term the quality of the particular asset will be of greater importance. Negotiations are currently at an early stage for assets in all three countries. Time will tell if they prove successful.

Undertaking value enhancing development projects

Sweden

Works are scheduled to begin in 2015 on the extension and refurbishment of the Eurostop shopping centre in Halmstad. The project is expected to deliver a net return on cost of around 7%.

Rental growth

Like for like rental growth for Eurocommercial's retail portfolio for the year to 30 June 2014 was 1.5%. Sweden delivered the best performance at 2.8%, followed by France and Italy at 1.6% and 0.8% respectively. Average indexation across all countries for calendar 2014 was flat, which has impacted rental growth and will continue to do so for the year ahead.

Like for like rental growth is calculated by comparing the tenancy schedules used by the independent valuers at the balance dates to ensure consistency. The figures exclude the impact of any extensions or acquisitions. Rental growth is achieved through a combination of indexation, relettings and renewals, occupancy changes and turnover rent. They exclude entry premiums.

Eurocommercial's leases are structured to include a base rent, indexed annually, with a further top-up provision related to the stores' sales turnover. If the pre-agreed percentage of annual turnover exceeds that of the indexed base rent, the tenant pays the difference to the landlord. Indexation is applied every January and is based on the Consumer Price Index (CPI) in Italy and Sweden and a mixture of CPI, the retail sales turnover index and the cost of construction index in France. Indexation in calendar 2014 was 0% in France, 0.6% in Italy and -0.1% in Sweden.

Renewals and relettings 2013/14

	No. of renewals and relettings	% of total rent renewed/relet	Average rental uplift achieved
Overall	202	10%	8%
France	27	4%	30%
Italy	113	12%	6%
Sweden	62	16%	6%

Like for like rental growth
2013/14

Overall	1.5%
France	1.6%
Italy	0.8%
Sweden	2.8%

Average lease length: 4.8 years

Lease renewal profile
As % of rental income

Expired	5%
2014/15	8%
2015/16	10%
2016/17	16%
2017/18	10%
2018+	51%

Bringing exciting new retailers into our centres

Italy

Over the past 12 months, we have welcomed a total of 30 new tenants into our Italian portfolio, including the first ever Superdry to open in an Italian shopping centre at Carosello in Milano.

Management report

Turnover growth

Overall like for like (same floor area) retail sales turnover in Eurocommercial's shopping centres for 12 months to 30 June 2014 increased by 1.3% compared with the same period in 2013. The strongest performance came from Sweden (4.0%), followed by France (1.7%) and Italy (-0.1%). The trend has generally improved over the year, as indicated by the six month turnover figures to June 2014 which averaged 1.5% across the Group.

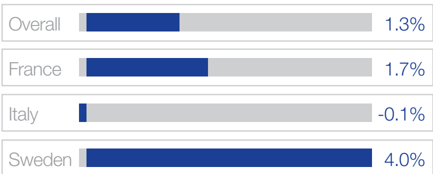
In the various sectors, the strongest performance was in home goods (5.6%) while the weakest came from sport (-2.1%). Turnover in the electrical sector is finally positive again at 1.3% for the 12 months to June 2014 after a considerable period of decline.

Like for like turnover growth by sector*

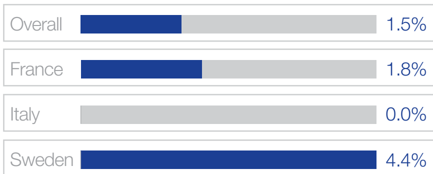
	6 months to 30 June 2014	12 months to 30 June 2014
Fashion	2.0%	1.2%
Shoes	6.3%	3.1%
Gifts and jewellery	3.6%	1.6%
Health and beauty	2.3%	2.7%
Sport	-2.2%	-2.1%
Restaurants	-0.4%	-0.8%
Home goods	6.4%	5.6%
Electricals	-0.1%	1.3%
Hyper/supermarkets	-0.1%	0.1%

* Excluding extensions

Like for like turnover growth*
12 months to 30 June 2014



Like for like turnover growth*
Six months to 30 June 2014



* Excluding hypermarkets and extensions

Strong turnover growth at centres of all sizes

France

During the year some of the strongest turnover growth in the portfolio at 6.2% was achieved at Amiens Glisy, Amiens – one of Eurocommercial's smaller properties. Sales performance was good across the gallery, helped in particular by the arrival of new retailers Kiko and Cleor as well as the improved attraction of the Géant hypermarket.

Occupancy cost ratios

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

OCRs have been gradually increasing over recent years as turnovers have come under pressure during the economic downturn. However, Eurocommercial's long-term philosophy to maintain OCRs at a reasonable level to ensure that rents are sustainable for its tenants has meant that retailers in its centres have weathered the recession well. This cautious approach is also reflected in Eurocommercial's low vacancy and arrear figures.

Total occupancy cost ratios for Eurocommercial's galleries excluding hypermarkets at the end of the period were 8.1% overall; 8.0% in France, 8.3% in Italy and 7.6% in Sweden when including VAT in the turnover figures. Excluding VAT, the OCRs were 9.7% overall; 9.6% in France, 9.9% in Italy and 9.5% in Sweden.

Vacancies and arrears

Eurocommercial's retail vacancies represent less than 1% of rental income – a figure which has remained consistently low throughout the Company's history.

The Company remains cautious, as ever, in its approach so although vacancies are not expected to increase significantly in any of its markets in the near future, Eurocommercial continues to ensure that its occupancy cost ratios are reasonable and the rent is therefore affordable for tenants. This is also reflected in the arrears of more than 90 days which remain minimal, although slightly higher than in previous periods, at 1.2% of rental income.

Out of a total of 1,436 shops, there are five tenants in administration – three in France, two in Italy but none in Sweden.

Occupancy cost ratios (excl. hypermarkets)
Turnover including VAT

Overall	8.1%
France	8.0%
Italy	8.3%
Sweden	7.6%

Occupancy cost ratios (excl. hypermarkets)
Turnover excluding VAT

Overall	9.7%
France	9.6%
Italy	9.9%
Sweden	9.5%

French retailers' security of tenure

France

Due to the Propriété Commerciale lease law in France, it is extremely rare for tenants to go into arrears or they risk losing the goodwill attributed to their store. As a result, arrears for our French portfolio are always extremely low. At 30 June 2014 they represented less than 0.5% of total French rental income.

Continuously working to keep vacancies low

Sweden

In August 2013, the leading Swedish home goods retailer, Clas Ohlson, opened its doors at Grand Samarkand in Växjö, having relocated from the city centre. The unit was previously occupied by an electronics retailer who had fallen into administration in September 2012. The reletting resulted in a 36% uplift in rent on that unit and further enhanced the first class tenant line-up at this ever popular shopping centre.

Management report

Property valuations

All of the Company's properties were independently valued, as usual, at 30 June 2014 by major international firms according to the standards set out in the "Red Book" of The Royal Institution of Chartered Surveyors. This requires the valuers to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. The valuation fees are fixed and are not in any way dependent on the outcome of the valuation. Total valuation fees for 2013/14 were €408,000. Valuers of properties are typically rotated every three years.

The net yield figures are the result of dividing the expected net income for the coming year by the valuation figure, to which has been added the relevant standardised market allowance for deemed purchasers' costs (usually notional transfer taxes) in the particular country. The objective is to replicate the calculations of a professional institutional investor. In France, several départements increased their registration taxes this year from 6.2% to 6.9% which had a negative impact of €3.7 million on the French net valuations.

Property values at 30 June 2014 increased slightly by 1.3% over June 2013 and were up by 1.2% since December 2013. The average net initial yield for all properties at 30 June 2014 was 5.7% overall (2013: 5.7%).

Value change
12 months to June 2014

Overall	1.3%
France	1.7%
Italy	0.8%
Sweden	1.4%

Value change
Six months to June 2014

Overall	1.2%
France	1.7%
Italy	0.6%
Sweden	1.3%

Net initial yields
June 2014

Overall	5.7%
France	5.1%
Italy	6.3%
Sweden	5.6%

Seeking opportunities to expand and improve centres

France

We have acquired parcels of land alongside Les Atlantes in Tours and Val Thoiry in Greater Geneva to facilitate future extensions of both centres. Planning applications will be submitted for both developments in due course.

Funding

In June 2014 Eurocommercial extended the terms on a portfolio of loans for an amount of €93 million with one of its Swedish banks for a period of three years. During the last quarter of the financial year, the Company also positively renegotiated the margins on loans for an amount of €86 million granted by Italian banks, thereby reflecting the more favourable environment for obtaining bank financing for financially sound parties. A similar positive margin renegotiation was made on a Swedish loan for an amount of €46 million shortly after the end of the financial year.

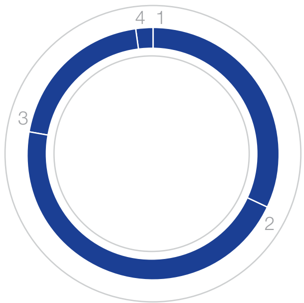
Short-term borrowings reduced by €161 million over the financial year partly due to the repayment of the short-term loans used to fund the acquisition of Val Thoiry and partly due to the aforementioned extension of some loans in Sweden. The ratio of short-term borrowings to long-term borrowings therefore improved significantly, with only 11% of total borrowings being short-term at the balance sheet date. At 30 June 2014 the average term of the total borrowings was almost five years.

At 30 June 2014 the net debt to adjusted net equity ratio was 70% (30 June 2013: 81%) and the net loan to property value was 40% (30 June 2013: 44%). Both ratios have been reduced significantly since 30 June 2013 as the proceeds from the sale of Passy Plaza, Paris were used to repay the short-term loans which funded the acquisition of Val Thoiry.
At the end of the financial year 82% of interest costs were fixed for an average of more than seven years resulting in an average overall interest rate for the total loan portfolio of 3.9%, including margins averaging 91 bps.

Lending institutions

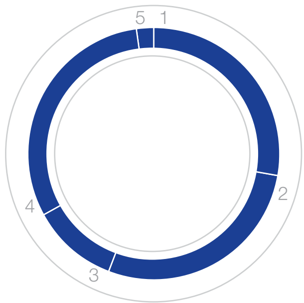
France	BNP Paribas
Germany	Deutsche Hypo
Italy	Intesa Sanpaolo
	MPS
	UBI-Centrobanca
	Unicredit
Sweden	Handelsbanken
	Nordea
	SEB
Netherlands	ABN AMRO
	ING
UK	RBS

Destination of loans by country



1	France	32%
2	Italy	46%
3	Sweden	20%
4	Netherlands	2%

Origination of loans by country



1	Italy	28%
2	Sweden	28%
3	Germany	11%
4	Netherlands	31%
5	UK	2%

Borrowings maturity schedule €m

2014/15	132
2015/16	239
2016/17	192
2017/18	217
2018/19	49
2019/20	45
2020/21	68
2021/22	126
2022/23	23
2023/24+	82

Building enduring relationships with retailers and customers

Eurocommercial's aim is to create shopping centres which offer the most appropriate mix of shops, restaurants and customer experiences for its visitors.

In the past 12 months we renewed or relet leases with over 200 tenants, representing 10% of our total rental income. Some notable new entrants to our centres include the first ever Superdry store to open in an Italian shopping centre at Carosello in Milano. Other new retailers to the Group include the high end make-up retailer Bourjois which opened a small unit in Passage du Havre in Paris and the upmarket outdoor clothing specialist Napapijri which entered three of our Italian centres.

Managing relationships with almost 1,500 tenants across 33 properties, the leasing directors in France, Italy and Sweden are continually searching for new trends and innovations in the retail world to help improve Eurocommercial's offering. They meet regularly to share experiences and ideas and to support each other in developing retailer relationships in each other's markets.

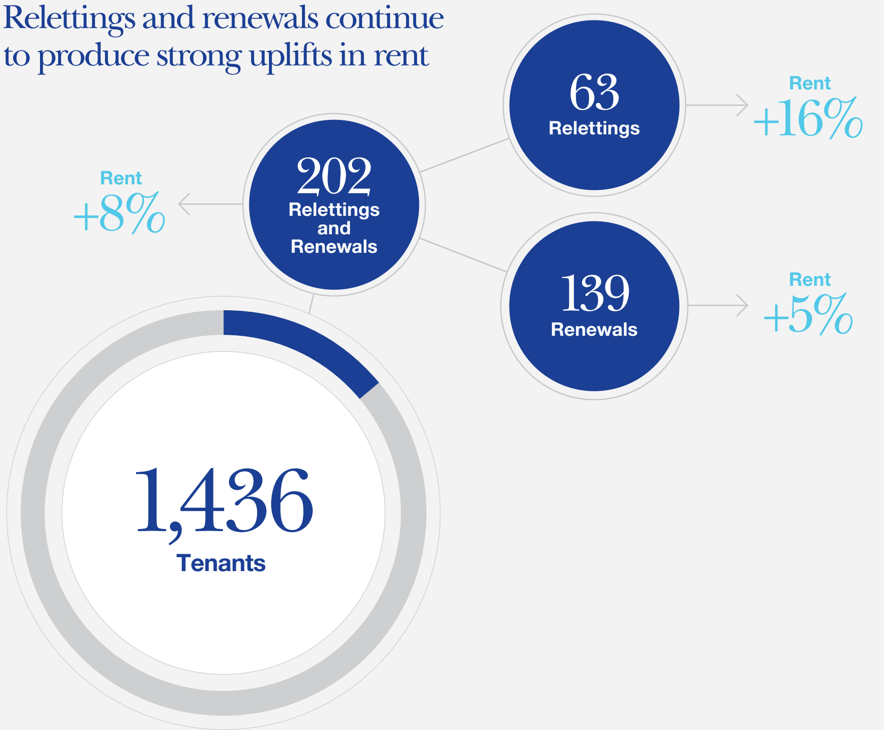
European retail market

France was cited as the second most sought after market (after Germany) by retailers looking to open stores in 2014. Monki, Kiko, Calzedonia and Parfois, among others, are continuing their international expansion into the country while British newcomer, Primark, is taking the French market by storm with the handful of stores it recently opened there. In all markets, including France and Italy, Zara, H&M and Mango are looking to increase the size of their stores in order to house their full ranges in a single location. French retailers are still expanding, albeit cautiously, with profitability taking precedence over pure market share gains. Electrical retailer, Fnac, is the recovery story of the year, with turnovers starting to grow again at their store in Passage du Havre after six consecutive years of contraction.

In Italy, Gruppo Coin is planning to significantly expand its Oviesse brand following its imminent public offering, with 200 new shops forecast to open over the next five years. Consequently they will be targeting a broader range of shopping centres including some of Eurocommercial's smaller centres such as Centro Lame, Bologna and Centroluna, Sarzana where they are not already present. Another of Coin's brands, a new upmarket food concept called Eats, is also being gradually rolled out across the country. Other brands expanding beyond Italian borders to France, amongst other places, include the fashion retailer Terranova and the shoe retailers Pittarello and Primadonna. Inditex's Massimo Dutti is expanding aggressively in Italy, now looking to take units in shopping centres as well as city centre locations. International names such as Uniqlo and Primark are also exploring opportunities to enter Italy, restricted as ever by the availability of good retail space in the major cities.

Valeria Di Nisio
Group Leasing Director

Relettings and renewals continue to produce strong uplifts in rent



The Swedish market remains dominated by Scandinavian retailers although Dutch and German brands Rituals, Hunkemöller and New Yorker are among the fastest growing chains in Sweden at the moment. Other international groups such as Zara, Starbucks and L'Occitane are beginning to test the market with a small number of shops in core cities.

Previous concerns in Sweden about the sports and electricals sectors becoming overcrowded have subsided. Three large-format sports retailers – XXL, Decathlon and U-sport – entered the Swedish market a few years ago but only XXL has developed any meaningful presence while the others have already closed stores or cancelled further expansion, leaving the incumbents (Stadium and Intersport) largely unaffected. Two years after the bankruptcy of Expert, and previously OnOff, Elgiganten has firmly established itself as the market leader in the electrical sector, with relative newcomer Media Markt in close second.

In stark contrast to the UK there is absolutely no sign of hypermarkets in France losing ground to German discounters. Carrefour are reinvigorated by new top management who have invested in price and handed back more control to the individual hypermarket managers. Casino is making a similar recovery with marked improvements seen in the turnover of the Géant hypermarkets in Eurocommercial's centres. ICA remains the dominant player in the hypermarket sector in Sweden and now has over 50% of the market. Smaller groups such as Axfood (Willys and Hemköp) continue to gain ground, primarily at the detriment of Coop and Bergendahls.

Retailer and customer surveys

Eurocommercial conducts regular surveys with customers and tenants to gain a greater understanding of how we are viewed as owners and managers, and to help direct efforts to improve the shopping centres and our management of them. The responses enable us to build a clearer picture of the visitor base – quantitative data such as their age, wealth etc., but also information such as how often they come to the centre, how much they spend and where else they like to shop. The surveys provide valuable information about where to direct resources, be that a change in tenant mix, the need for more services or even improved lighting. They are particularly useful for merchandising decisions as they identify which brands visitors would like in their centres and are therefore invaluable for discussions with new retailers.

This year the tenant survey resulted in us changing the management at one centre where retailer feedback confirmed internal concerns that the centre management did not meet our high standards. The survey also led us to organise training courses for store managers on sales motivation and customer satisfaction which were well attended and appreciated by our tenants.

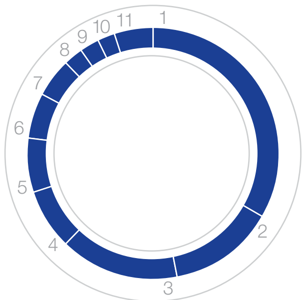
In addition to eliciting formal feedback from retailers using surveys, Eurocommercial arranges more informal events for retailers throughout the year. At MAPIC – the major retail real estate event held in Cannes each year – almost 200 representatives from the world's leading retailers attended a reception hosted by Eurocommercial. Similar smaller events were held by the French, Italian and Swedish teams throughout the year and are an invaluable tool for building long-lasting relationships with current and potential tenants.

Online retail

Eurocommercial now hosts seven click & collect Drives in its French centres which constitute anywhere between 0.5% and 7% of each hypermarket's turnover. Leclerc and Auchan are leaders in this field but even in the centres with the busiest Drives, there seems to be no adverse effect on gallery sales. The Drives offer convenience in the weekly food shop and, if anything, draw in new customers to the galleries as they travel from further afield to utilise the click & collect facility.

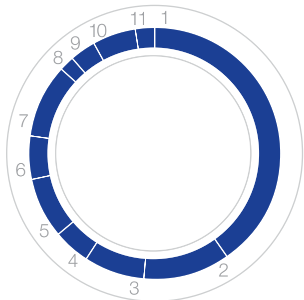
Merchandising mix (excl. hypermarkets)

Floor area
%



1	Fashion	33.4%
2	Electricals	13.8%
3	Home goods	15.1%
4	Sport	7.7%
5	Food & restaurants	7.2%
6	Shoes	5.6%
7	Health & beauty	5.1%
8	Books & toys	2.6%
9	Services	2.4%
10	Gifts & jewellery	2.3%
11	Other	4.8%

Minimum guaranteed rent
%



1	Fashion	40.4%
2	Electricals	11.2%
3	Home goods	7.6%
4	Sport	4.9%
5	Food & restaurants	7.8%
6	Shoes	5.5%
7	Health & beauty	9.5%
8	Books & toys	1.8%
9	Services	3.3%
10	Gifts & jewellery	5.5%
11	Other	2.5%

Top ten retail tenants
% of total Eurocommercial income

ICA Maxi	3.9%
Carrefour	3.5%
Inditex	3.4%
H&M	3.2%
Media Markt	2.5%
Gruppo Coin	2.3%
Fnac	2.2%
Groupe Casino	1.7%
Groupe Vivarte	1.3%
Sephora	1.1%
Total	**25.1%**

Building enduring relationships with retailers and customers

In Italy internet shopping is growing but still remains a very small percentage of total retail sales. Firms such as InPost are installing click & collect lockers in external locations outside stations and hypermarkets and we intend to install such lockers in the car parks of some of our shopping centres. It is interesting to note that major electronics retailers, which in some countries are being adversely affected by online competition, are experiencing less of an impact in Italy as they are widely represented throughout city centre and suburban locations and are therefore still regarded as a convenient shopping option.

Online sales now represent around 6% of total Swedish retail sales but the figure is growing at a slower rate than before. A few of the food retailers offer a limited delivery or click & collect option, but not to any significant extent. The trend has changed somewhat in Sweden in the fashion and shoe sectors where the rate of growth in online sales is now more in line with that of the physical stores as the two platforms are becoming increasingly integrated.

Spurred on by the success of Apple, more and more brands are opening stores focused on creating "experiences" for customers – among them Samsung, Nespresso and, more recently, Magnum. Eurocommercial is also exploring new initiatives to entice people into its centres. We are upgrading and expanding the restaurant and café offer in all of our shopping centres whenever opportunities arise. We particularly like to support and promote local food operators wherever possible. In addition, it is becoming increasingly common now to provide other services in the shopping centres, such as dentists and doctor surgeries, which are proving very popular and good drivers of footfall.

Marketing

The marketing strategy for Eurocommercial's centres is determined centrally in each country but the execution is carried out locally by the centre managers. The marketing heads in France, Italy and Sweden work together to exchange ideas and replicate successful campaigns across the Group where appropriate. Every quarter a publication highlighting the most interesting and effective marketing ideas at each centre is circulated among all Eurocommercial employees.

As retailers and shoppers become more comfortable with digital tools, the products are becoming more practical in their application, helping improve customers' in-store experiences. Digital directories, for example, have now been installed in several centres and we also have digital advertising in three of the Italian centres which show a mixture of gallery-related marketing and general promotional material.

In France, the upgrade of all centre websites and digital tools has continued, with 70% of the shopping centres now incorporated into the "Passionnément Shopping" campaign which aims to drive customers into our stores using digital promotions. Almost all of our centres' websites have now been transitioned onto the new Eurocommercial standardised platform and all data received as a result of our marketing efforts through the creation of loyalty cards, newsletters, apps etc. is gathered, assessed and utilised to further improve our marketing and also collect feedback on the centres for asset management purposes.

Best retail landlord

Sweden

In 2013 Eurocommercial Sweden was awarded "Best Retail Landlord" by the Swedish National Council of Shopping Centres, as voted for by the tenants. We were acknowledged for our "decisiveness" and "good knowledge of the market along with close tenant relationships".

In Italy, a loyalty card programme was rolled out during the year at I Gigli, Firenze, with more than 75% of tenants contributing to daily promotions. Over 30,000 cards have so far been activated. Similar programmes are due to be launched at Cremona Po, Cremona and La Favorita, Mantova next year. Websites of four of our Italian centres were redesigned during the year, giving them a fresh look and improving the navigation.

Eurocommercial is in advanced negotiations to trial the Path Intelligence footfall measurement system at I Gigli in Italy. The system tracks mobile phone signals, thereby providing data on which shops visitors enter, where they eat, which services they visit etc. If successful, this will be rolled out in other select centres.

Traditional media still dominate Eurocommercial's marketing programmes in Sweden, although the increased prevalence of complementary online television channels and the use of social media have improved online marketing opportunities and broadened our target audiences. We prefer to focus on a small number of the most successful media rather than trying to utilise all channels with a diminishing effect.

During the financial year, Elins Esplanad in Skövde celebrated its five year anniversary since the opening of the newly extended and refurbished centre. The campaign lasted several months and involved considerable participation from our tenants and their staff to great success. At Grand Samarkand significant progress was made during the year to synchronise marketing efforts in terms of both the timing and content across the website, Facebook, Instagram, digital signage in the centre and the successful TV campaign. We also took the opportunity to increase our exposure from our sponsorship arrangements with local sport clubs in the Småland region. As a result of these various activities we maximised the impact of the marketing campaign which resulted in a marked increase in visitors to the centre.

Facebook is used in all three countries to create a direct dialogue with our visitors and generate traffic for the shopping centres. We create an editorial policy for each centre depending on the target audience which largely focuses on promoting events and special offers to drive people into the stores.

Children's play areas

One of the main focuses over the past year has been the addition or improvement of children's play areas at various centres. They animate the mall and are extremely popular with our customers, entertaining the children while extending the dwell time in the mall. Half of Eurocommercial's shopping centres already have children's areas and there is an active campaign to expand and upgrade existing facilities. With 17,000 annual visitors, the kids' area in Curno, Bergamo, is one of the most popular in Italy. On average, visitor numbers to these facilities across our Italian portfolio increased by 5% year-on-year.

Networking, networking, networking

Over the course of the past 12 months, members of our leasing and marketing teams have attended multiple networking events across Europe, including MAPIC, MIPIM, SIEC, ICSC Retail Connections and the World Retail Congress. Such events provide valuable opportunities to learn about the latest developments in retail and, most importantly, meet existing and potential new tenants.

Solal Silver 2014
ICSC SOLAL MARKETING AWARDS

Award winning marketing campaigns

Italy

Carosello won Silver at the ICSC European Solal Marketing Awards 2014 for its "Super Classifica Shopping" campaign. The online contest invited customers to vote for their favourite retailer and the friendliest staff. Every €5 purchase at the centre gave them an opportunity to win instant prizes and one of three €1,000 gift cards. The successful campaign enhanced online databases and boosted turnover.

Year in review: Eurocommercial France

France

Strong investment market

Two parcels of land have been acquired to permit future extensions of Les Atlantes and Val Thoiry. Other extensions and refurbishments are being pursued at a further four shopping centres. Retail sales are up across the portfolio, in spite of ongoing economic weakness.

Top ten retail tenants in France

% of total Eurocommercial income

Fnac	2.2%
Inditex	1.8%
Groupe Casino	1.7%
H&M	1.4%
Groupe Vivarte	1.3%
Castorama	0.8%
Celio	0.8%
Groupe Etam	0.7%
Sephora	0.7%
Thom Europe	0.7%
Total	12.2%

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

Year in review: Eurocommercial France

Economy

Two years into a difficult presidency beset by tax increases and rising unemployment, François Hollande surprised many in his party by appointing Manuel Valls as Prime Minister. Subsequently, signs of improvement are emerging as the energetic M. Valls attempts to get to grips with reforms to the labour market and deficit reduction.

Rental growth

Rental growth for the year was 1.6%, of which 0.9% derived from relettings and renewals, 0.5% from indexation and the balance from turnover rent and filling vacancies.

27 relettings and renewals were achieved during the year with relettings (15) providing an average uplift of 37% and renewals (12) 19%. The best overall like for like rental growth came from Passage du Havre, Paris up 3.3%, Les Atlantes, Tours up 2.4% and Amiens Glisy, Amiens up 2.4%. Centr'Azur, Hyères and Les Portes de Taverny, Taverny also performed well.

Retail sales

The portfolio in France remains resilient and sales growth for the year was 1.7%. Middle class consumers have been hit with tax increases whereas the low paid have enjoyed an increase in the minimum wage and look set to pay less tax next year. Nevertheless, saving ratios remain a healthy 15.9% and consumer debt is manageable.

Out of the 12 centres for which data is received, 11 showed sales growth, with the best performing centres being Amiens Glisy, Amiens (6.2%) and Centr'Azur, Hyères (4.3%) – both beneficiaries of a new pricing policy in the Géant Casino hypermarkets. Population growth in the catchment for the Cormeilles retail park also continues to support sales growth there. The Passage du Havre and its anchor Fnac have returned to a positive trend and have unquestionably withstood new competition in the area. The Chasse Sud retail park in Chasse-sur-Rhône has traded well since opening last summer, and the small centre at St Doulchard in Bourges has clearly benefited from its refurbishment and small extension.

Property market

The residential property market is a key driver for consumption and the mood in France is distinctly downcast with occupiers being hit by tax increases and investors suffering from the twin effects of rent controls and the lifting of tax breaks. As a result building activity has slowed quite significantly with obvious knock-on effects to the economy and employment.

Paradoxically, institutional demand is as strong as ever for commercial property. Domestic funds continue to provide depth and liquidity, and large volumes of international money are hunting for product. The search for yield is intense and well-established shopping centres with sustainable income attract plenty of interest. The landmark transaction for the year has, however, been the newly opened, and untested, Beaugrenelle centre in Paris which attracted global interest and ended up being sold, ironically perhaps, to a consortium from France which included an online retailing entrepreneur. The price of €700 million reflected a net initial yield in the region of 4.6%.

Pascal Le Goueff
Director
France

France property summary

Number of properties 13	Gross lettable area (m^2) 210,000	Like for like rental growth 1.6%
Number of shops 471	Net rental income (€m) 53.8	Like for like turnover growth 1.7%
Number of visitors (m) 48.5	Valuation change 1.7%	Occupancy cost ratio 8.0%

Valuations

Property valuations were up 1.7% for the year with most of this increase driven by the Passage du Havre and rue de Rivoli in central Paris, both of which benefited from a 25 bp yield shift. Suburban and provincial shopping centres were flat, as were the two retail parks in Cormeilles and Chasse-sur-Rhône.

Acquisitions, extensions and refurbishments

Shortly after the end of the financial year, Eurocommercial acquired a 23,000m² block of land next to Les Atlantes for a price of €7 million. The site provides the land necessary for a major expansion of the gallery which is situated in the heart of the Tours agglomeration. The centre opened in 1992 and was refurbished in 2011 but has never been extended. Discussions with the authorities are well advanced and it is intended to submit a formal planning application shortly.

Refurbishment works have commenced at Val Thoiry and Eurocommercial has also signed a contract to acquire five hectares of land opposite the centre for a price of €9 million in order to extend the existing shopping centre. The land has outline planning consent for 12,500m² of GLA.

At Chasse Sud the Company is finalising the necessary consents to extend the small service mall of the Géant hypermarket. Pre-letting is underway and once this has reached 70% construction works should commence. Project costs are likely to be in the order of €10 million and the yield on cost around 7%. Planning consent has been obtained for a 5,000m² extension at Amiens Glisy and pre-letting is underway. Any extension will be accompanied by a major refurbishment programme.

In an increasingly competitive environment it is essential for centres to remain fresh and attractive to shoppers and with this in mind refurbishments are being planned at Les Portes de Taverny and Plaine de France, Moisselles.

Outlook

The weight of money currently targeting French property is obviously welcomed by shopping centre owners and developers, as well as local mayors who are attracted by the jobs created by new developments. Fortunately the national retail planning authority acts as a brake on the more extravagant proposals and Eurocommercial has managed twice in the past 12 months to overturn competitive schemes.

Eurocommercial has always sought to invest in the more dynamic regions of France and almost 75% of the portfolio is now invested in the Île-de-France or Rhône-Alpes. These areas continue to display healthy economic characteristics and, despite the national mood of introspection, Eurocommercial is confident that these sites will continue to provide sustainable long-term growth.

Independent valuations by property

(€ million)	Net value June 2014	Net value June 2013	Change June 2014/ June 2013	Net yield including purchase costs	Cost to date	Year of acquisition
Passage du Havre, Paris[1]	324.10	306.60	5.7%	4.5%	189.26	2000
Les Atlantes, Tours[3]	129.40	127.80	1.3%	5.1%	56.83	1992
Val Thoiry, Thoiry[2]	107.70	111.40	-3.3%	5.5%	112.02	2013
Plaine de France, Moisselles[2]	75.20	75.20	0.0%	5.5%	62.77	2009
Les Portes de Taverny, Taverny[3]	61.50	59.30	3.7%	5.2%	25.12	1995
74 rue de Rivoli, Paris[3]	56.30	53.60	5.0%	4.3%	20.64	1998
Chasse Sud, Chasse-sur-Rhône[2]	56.00	55.00	1.8%	6.1%	60.04	2007
Centr'Azur, Hyères[2]	51.60	50.40	2.4%	5.5%	21.75	1993
Amiens Glisy, Amiens[3]	47.50	46.80	1.5%	5.6%	16.07	1995
Les Allées de Cormeilles, Cormeilles[3]	40.50	41.00	-1.2%	5.9%	44.73	2007
Saint Doulchard, Bourges[1]	39.10	39.00	0.3%	6.0%	49.67	2007
Les Trois Dauphins, Grenoble[3]	36.80	35.80	2.8%	5.7%	25.69	2003
Les Grands Hommes, Bordeaux[1]	17.80	17.80	0.0%	4.3%	18.22	2012
Total France	1,043.50	1,019.70		5.1%	702.81	

Valuations by: [1]CBRE, [2]Cushman & Wakefield, [3]Knight Frank

French portfolio

Name | Description | Technology | Major tenants

Passage du Havre

Paris

Value (€m)
324.10

Following the disruption caused by works in St Lazare and the surrounding neighbourhood, sales growth has returned to the Passage du Havre with the centre up 1.1% for the 12 months to 30 June. Merchandising changes include the eviction of two underperforming food outlets and their replacement with jeweller, Didier Guérin, and also La Maison Pradier, a stylish and delectable sandwicherie. The rental uplift from these two deals was 67%.

The valuation of the property has increased by over 5% in recognition of the quality of the income and also the weight of money seeking to invest in this type of prime Paris asset.

Major tenants:
- Fnac
- Nature et Découvertes
- Zara
- Sephora
- H&M

Les Atlantes

Tours (Indre-et-Loire)

Value (€m)
129.40

Having acquired some neighbouring land alongside Les Atlantes, the path is now set for a major extension which will potentially enable the centre to assume its position as the regional centre for the Loire valley. Planning consents need to be negotiated but interest from major retailers is strong and it is hoped that works can commence within a two to three year timeframe.

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

Val Thoiry

Thoiry (Ain)

Value (€m)
107.70

Refurbishment works to transform the centre are well underway. Little has been done to the property since it opened and a completely fresh look will enable it to attract wealthy shoppers from the catchment area, some of whom have drifted away in recent years.

In addition the Company has signed a contract to acquire five hectares of land opposite the centre. This highly strategic parcel secures the long-term expansion possibilities of the centre and constructive negotiations with the local authorities to improve the road layout are already well advanced.

Major tenants:
- H&M
- Go Sport
- Sephora
- Leroy Merlin

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

Property summary

Total lettable area 23,385m²	Value (€ million) 324.10	Turnover growth 1.1%
Retail/Gallery 14,894m²	Occupancy 99%	Occupancy cost ratio 6.5%
Residential 2,374m²	Passing rent (€ million) 16.51	Visitors 2013/14 14.3m
Office 6,117m²	Rental growth 3.3%	
ECP Ownership 23,385m²	Boutiques <300m² turnover/m² (€) 15,963	

Total lettable area 39,290m²	Value (€ million) 129.40	Boutiques <300m² turnover/m² (€) 7,848
Retail/Gallery 22,690m²	Occupancy 100%	Turnover growth 0.6%
Hyper (Carrefour) 16,600m²	Passing rent (€ million) 7.16	Occupancy cost ratio 9.4%
ECP Ownership 22,690m²	Rental growth 2.4%	Visitors 2013/14 5.9m

Total lettable area 33,416m²	Value (€ million) 107.70	Boutiques <300m² turnover/m² (€) 5,744
Retail/Gallery 14,826m²	Occupancy 96%	Turnover growth 0.9%
Hyper (Migros) 10,000m²	Passing rent (€ million) 6.37	Occupancy cost ratio 8.1%
Retail boxes 8,590m²	Rental growth -1.2%	Visitors 2013/14 3.0m
ECP Ownership 23,416m²		

French portfolio

Name	Description	Technology	Major tenants
Plaine de France Moisselles (Val d'Oise) Value (€m) 75.20	The centre continues to trade well driven by the strength of its anchor, the Leclerc hypermarket. Competition has intensified in the secondary catchment area but visitors to the centre are down only marginally. New additions to the centre following the arrival of H&M in 2012 include Bonobo, Claire's and Olly Gan. It is now intended to focus hard on improving the restaurant offer and this initiative will be accompanied by a light refurbishment.		H&M Mango Zara Kids Bonobo
Les Portes de Taverny Taverny (Val d'Oise) Value (€m) 61.50	The centre continues to perform well with sales densities outstripping all but central Paris properties. Recent improvements to the internal and external common areas will continue to be implemented.		H&M Kiko Promod
Rue de Rivoli Paris Value (€m) 56.30	The valuation yield of 4.3% reflects the 80/20 income split between shops and residential and very strong demand for freehold Haussmanien property in Paris.		Stradivarius Oysho

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

Property summary

Total lettable area	25,980m^2
Retail/Gallery	10,980m^2
Hyper (Leclerc)	15,000m^2
ECP Ownership	10,980m^2
Value (€ million)	75.20
Occupancy	96%
Passing rent (€ million)	4.74
Rental growth	0.6%
Boutiques <300m^2 turnover/m^2 (€)	5,659
Turnover growth	2.8%
Occupancy cost ratio	11.8%
Visitors 2013/14	4.5m

Total lettable area	30,532m^2
Retail/Gallery	5,660m^2
Hyper (Auchan)	16,200m^2
Other	8,672m^2
ECP Ownership	5,660m^2
Value (€ million)	61.50
Occupancy	100%
Passing rent (€ million)	3.44
Rental growth	1.7%
Boutiques <300m^2 turnover/m^2 (€)	9,040
Turnover growth	1.3%
Occupancy cost ratio	9.6%
Visitors 2013/14	3.2m

Total lettable area	3,035m^2
Retail	1,065m^2
Residential	1,970m^2
ECP Ownership	3,035m^2
Value (€ million)	56.30
Occupancy	100%
Passing rent (€ million)	2.65
Rental growth	0.8%
Boutiques turnover/m^2 (€)	9,500
Turnover growth	0.0%

French portfolio

Name	Description	Technology	Major tenants
Chasse Sud Chasse-sur-Rhône (Isère) Value (€m) 56.00	The new Chasse Sud retail park is approaching its first anniversary and feedback from retailers is generally positive. Accordingly plans are advancing to extend and refurbish the small service gallery to the Géant hypermarket and construction works should commence within the next 12 months, once a satisfactory level of pre-leasing has been achieved.	Facebook page, Website	Géant Conforama Bricomarché Décathlon Boulanger C&A Gémo
Centr'Azur Hyères (Var) Value (€m) 51.60	Following the successful refurbishment which was completed in 2013, turnover is up over 4% for the year. Recent arrivals to the centre include lingerie chain, Passionata, and fashion retailer, One Step.	Free Wi-Fi, Website, Loyalty card	Sephora IKKS Jack & Jones
Amiens Glisy Amiens (Somme) Value (€m) 47.50	Sales growth for the year has been a vigorous 6.2% assisted by the arrival of Cleor and Kiko into vacant units. Notwithstanding this good performance the centre requires renovation and this is planned for next year. In parallel plans are underway to achieve a gallery extension of around 5,000m² with the addition of a strong secondary anchor to complement the Géant hypermarket.	Facebook page, Website	Flunch Camaïeu Nocibé

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

Property summary

Total lettable area	46,159m²	Retail park/Boxes	30,551m²	Passing rent (€ million)	3.50
Retail/Gallery	1,529m²	ECP Ownership	46,159m²	Rental growth	3.2%
Hyper (Géant)	14,079m²	Value (€ million)	56.00	Visitors 2013/14	3.4m

Total lettable area	17,035m²	Value (€ million)	51.60	Boutiques <300m² turnover/m² (€)	7,492
Retail/Gallery	6,235m²	Occupancy	100%	Turnover growth	4.3%
Hyper (Géant)	10,800m²	Passing rent (€ million)	3.06	Occupancy cost ratio	8.4%
ECP Ownership	6,235m²	Rental growth	1.8%	Visitors 2013/14	2.9m

Total lettable area	22,769m²	Value (€ million)	47.50	Turnover growth	6.2%
Retail/Gallery	6,279m²	Occupancy	99%	Occupancy cost ratio	10.2%
Hyper (Géant)	16,000m²	Passing rent (€ million)	2.93	Visitors 2013/14	3.2m
Other	490m²	Rental growth	2.4%		
ECP Ownership	6,279m²	Boutiques <300m² turnover/m² (€)	6,392		

Year in review: Eurocommercial France

French portfolio

Name	Description	Technology	Major tenants
Les Allées de Cormeilles Cormeilles (Val d'Oise) Value (€m) 40.50	Six years after opening, the retail park continues to demonstrate both steady sales growth and also income security. Eurocommercial is working in partnership with Castorama – the anchor DIY store – to secure a possible extension of its sales area. The new residential quartier of the Zac Bois Rochefort continues to grow and attract new middle income households drawn by the ease of the commute into central Paris.		Castorama Lidl Kiabi Celio
Saint Doulchard Bourges (Cher) Value (€m) 39.10	This centre has now been successfully refurbished and extended and footfall is up. The six new national retailers are all trading well and it is to be hoped that further rental growth can be achieved now that the centre is once again attractive to consumers.		Géant Flunch Camaïeu Nocibé
Les Trois Dauphins Grenoble (Isère) Value (€m) 36.80	Rents remain affordable and the property is fully occupied. The retail portion remains clearly reversionary.		Fnac C&A Groupe Accor
Les Grands Hommes Bordeaux (Gironde) Value (€m) 17.80	Detailed discussions are being held with the city authorities concerning the renovation and remodelling of the shopping centre. Upmarket shoe retailer, Jonak, will open a new store in the centre this autumn.		Villeroy & Boch Jonak

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

Property summary

Total lettable area
20,294m²

ECP Ownership
20,294m²

Value (€ million)
40.50

Occupancy
100%

Passing rent (€ million)
2.61

Rental growth
-0.1%

Turnover growth
16.9%

Occupancy cost ratio
3.8%

Visitors 2013/14
3.2m

Total lettable area
22,229m²

Retail/Gallery
3,789m²

Hyper (Géant)
16,482m²

Retail boxes
1,958m²

ECP Ownership
22,229m²

Value (€ million)
39.10

Occupancy
99%

Passing rent (€ million)
2.58

Rental growth
5.1%

Visitors 2013/14
2.0m

Total lettable area
16,845m²

Retail/Gallery
8,600m²

Residential
4,700m²

Hotel/Office
3,545m²

ECP Ownership
16,845m²

Value (€ million)
36.80

Occupancy
100%

Passing rent (€ million)
2.56

Rental growth
-0.7%

Total lettable area
4,660m²

ECP Ownership
2,662m²

Value (€ million)
17.80

Occupancy
93%

Passing rent (€ million)
0.91

Rental growth
-6.1%

Boutiques
<300m² turnover/m² (€)
7,225

Turnover growth
-9.6%

Occupancy cost ratio
10.6%

Visitors 2013/14
2.9m

Year in review: Eurocommercial Italy

Italy

Property valuations return to growth

In spite of continued economic weakness, renewed interest in the property investment market has triggered increases in valuations. Demand from international retailers entering the Italian market is strong, supporting rental growth, despite low indexation.

Top ten retail tenants in Italy

% of total Eurocommercial income

Carrefour	3.5%
Gruppo Coin	2.3%
Media Markt	2.0%
Inditex	1.6%
Miroglio Fashion	1.0%
Leroy Merlin	0.8%
H&M	0.7%
Scarpe & Scarpe	0.6%
Foot Locker	0.6%
Apple	0.5%
Total	13.5%

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

Year in review: Eurocommercial Italy

Economy

After briefly emerging from a long period of recession at the end of 2013, the Italian economy contracted again in the first half of 2014, clearly still suffering from the fallout of the economic crisis. However, the appointment of Matteo Renzi as Prime Minister in February 2014 has brought about a wind of change in the country with consumer confidence starting to increase again.

Private consumption is improving and is expected to rebound further due to planned tax cuts as well as rebates for low income workers. Still, strong headwinds remain, mainly from the labour market. The unemployment rate is around 8% in the north of the country versus a national unemployment rate of 12.7%, with nearly one in two youths out of work.

Rental growth

Falling inflation in Italy has translated into lower rental indexation and subsequently a more subdued like for like rental growth figure for the year of just 0.8%. The biggest contributor to rental growth was the uplift achieved on new leases signed which compensated for the reduced turnover rent and slightly higher vacancy. Although the vacancy rate has improved again since the year end at 30 June, it is perhaps a continued sign of a sluggish economy.

113 new leases were signed across the portfolio during the year, producing a rental uplift on those leases of nearly 6%. The 30 new tenants which came into the centres contributed a greater than average increase of 11% and also helped refresh the retail offer. The best reletting results came from I Gigli, Firenze (15%), Il Castello, Ferrara (12%) and Carosello, Milano (5%).

In several cases the leasing teams had to engineer a rotation of tenants to accommodate new brands – perhaps the one drawback of having very low vacancy levels. Of particular note this year was the arrival of Superdry, Pandora and Desigual to Eurocommercial Italy, all of which are performing well.

Retail sales

Overall turnover was flat for the year with the unit shops (+1%) slightly outperforming the larger stores (-1%). Interestingly the electricals sector was the best performer amongst the unit shops, driven by mobile phone operators focusing as much on providing customer support and contract sales as the sale of new devices. The hypermarkets (which apart from at Carosello are not owned by Eurocommercial) saw a dip in performance but this is not related to e-commerce which is almost non-existent in the food sector in Italy. Hypermarkets remain an important driver of footfall, except in the largest centres which are less dependent on food.

During the year it was the smaller centres that produced some of the highest turnover growth. Turnover at Cremona Po, Cremona grew 4.2% and investments are being made in the year ahead to further improve the centre. Centro Leonardo in Imola also performed well with 4.2% growth, with the unit stores up 7%. This is testament to the fact that it is the position of the shopping centre in the catchment which is so important and not absolute size.

Property market

Property investment activity in Italy began to pick up again in the second half of 2013. Opportunity funds led the way, buying mostly secondary stock at high yields, but have since widened their search to include all segments of the market with the exception of the top end of prime. It will be interesting to see over time if these higher yields will compensate for the riskier income streams of many of these assets. Since early 2014 these investors have been joined by the property companies and fund managers.

Carlo Romagnoli
Director
Italy

Italy property summary

Number of properties 10	Gross lettable area (m^2) 227,000	Like for like rental growth 0.8%
Number of shops 689	Net rental income (€m) 62.1	Like for like turnover growth -0.1%
Number of visitors (m) 62.4	Valuation change 0.8%	Occupancy cost ratio 8.3%

Interest is almost entirely in the centre or north of Italy as the risk/reward profile of southern Italy remains unpopular. Most of the specialist retail investors are looking only at large prime shopping centres which remain few and far between. Recent merger activity between developers and, more recently, investors underlines this trend. The lack of available bank finance and the economic downturn of the last few years have kept retail density levels low in Italy. The best property is mostly in the hands of long-term investors and this explains the interest from international developers to create new high quality stock. The difference this time around is that these operators are mainly developing in order to hold the investment, rather than sell into the market.

Valuations

Valuations conducted in June 2014 showed a small increase of 0.8% compared to June 2013 and an increase of 0.6% compared to December 2013. This annual increase is reflected in the net initial yield which, at 6.3%, is very slightly lower than last year (-7 bps). The pick-up in investment activity has meant that the valuation firms once again have some comparable evidence upon which to base their opinions.

Acquisitions and refurbishments

At Cremona Po an 11,500m² parcel of land was purchased between the shopping centre and the retail park which will be used to shorten the access route to the main car park, add around 250 new surface car spaces, develop a large children's play area and create a pedestrian link between the retail park and the shopping centre. Work is scheduled to begin in late summer 2014 at a cost of around €2 million.

At I Portali, Modena the refurbishment is underway at a cost in the region of €4.5 million. The aim is to improve the public spaces with increased natural light, better use of the piazzas, new entrances and customer toilets and taller shop fronts to increase the impact of the retail offer. At I Gigli the final stages of negotiations are underway with the local authority to add further car parking. Consent is expected in autumn 2014. In late 2013, the pedestrian link between the retail park and the shopping centre was completed. This included the creation of a large children's play area with landscaping which is also used for events.

Eurocommercial intends to submit a planning application for a significant extension of Carosello in autumn 2014.

Outlook

The investment activity in Italy is expected to continue, with increasing focus on development. As the market returns to normal, however, the focus should return to the fundamentals of rent sustainability rather than playing the yield cycle. It may be that the yield gap between prime and good secondary will narrow as the scarcity of the former will force more investment in the latter.

The low occupancy cost ratio of Eurocommercial's portfolio stands it in good stead to benefit from any upturn in economic activity. The increasing strength of the Italian team, which has been boosted over the last 18 months by a number of senior appointments, means we are in a good position to capitalise on this. Moving the leasing function in-house is also bringing many benefits, particularly in the depth and frequency of retailer contact.

Now with 20 years' experience of operating in Italy, the team has built up a deep market knowledge and local contact network. Their main priority is to understand the tenants' requirements in this evolving retail environment and help them to best serve their customers.

Independent valuations by property

(€ million)	Net value June 2014	Net value June 2013	Change June 2014/ June 2013	Net yield including purchase costs	Cost to date	Year of acquisition
Carosello, Carugate, Milano[1]	295.60	292.00	1.2%	5.7%	188.58	1997
I Gigli, Firenze[3]	250.80	244.30	2.7%	6.4%	212.49	1999
Il Castello, Ferrara[2]	104.70	99.30	5.4%	6.3%	84.85	2001
Curno, Bergamo[2]	97.40	96.20	1.2%	6.3%	34.60	1994
Cremona Po, Cremona[3]	80.20	80.40	-0.2%	6.8%	84.00	2011
Centro Leonardo, Imola[2]	66.50	66.20	0.5%	6.4%	65.04	1998
La Favorita, Mantova[1]	43.90	45.00	-2.4%	6.7%	34.07	1997
I Portali, Modena[3]	40.80	41.20	-1.0%	6.6%	42.56	2009
Centro Lame, Bologna[3]	36.20	36.20	0.0%	6.8%	29.71	2003
Centroluna, Sarzana[1]	24.60	25.20	-2.4%	6.8%	14.92	1998
Total Italy	1,040.70	1,026.00		6.3%	790.82	

Valuations by: [1]CBRE, [2]Cushman & Wakefield, [3]JLL

Italian portfolio

Name	Description	Technology	Major tenants
Carosello Carugate, Milano (Lombardia) Value (€m) 295.60	The leading shopping centre in Milan, Carosello is often the first choice for major international retailers, such as Superdry, The Locker Room, Claire's, Apple, Hollister and Desigual. The Company has started the planning process to extend the centre by around 23,000m².		Carrefour Media World Oviesse H&M Zara Apple Hollister
I Gigli Firenze (Toscana) Value (€m) 250.80	With 18.4 million visitors a year, I Gigli is the second most visited centre in Italy. New retailers which entered the centre this year include Napapijri, Desigual and Pandora. A new pedestrian link between the shopping centre and the retail park has recently been completed which includes a 2,000m² children's playground and some green areas.		Leroy Merlin Media World Coin Zara Apple Hollister
Il Castello Ferrara (Emilia Romagna) Value (€m) 104.70	Il Castello is the leading centre in the province of Ferrara and the gallery is fully let. 13 new leases were signed during the past year producing an average uplift in rent on those leases of 12.5%.		H&M Euronics Oviesse Cisalfa Pull & Bear Bata

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

Property summary

Total lettable area 52,842m²	Value (€ million) 295.60	Turnover growth -1.2%
Retail/Gallery 23,810m²	Occupancy 100%	Occupancy cost ratio 7.4%
Hyper (Carrefour) 27,743m²	Passing rent (€ million) 18.50	Visitors 2013/14 8.4m
Other 1,289m²	Rental growth 0.7%	
ECP Ownership 52,842m²	Boutiques <300m² turnover/m² (€) 8,756	

Total lettable area 82,787m²	ECP Ownership 61,316m²	Boutiques <300m² turnover/m² (€) 8,378
Retail/Gallery 54,257m²	Value (€ million) 250.80	Turnover growth 0.4%
Hyper (Panorama) 12,727m²	Occupancy 100%	Occupancy cost ratio 7.1%
Retail Park 4,663m²	Passing rent (€ million) 18.09	Visitors 2013/14 18.4m
Cinema 11,140m²	Rental growth 2.8%	

Total lettable area 38,457m²	Value (€ million) 104.70	Turnover growth -2.5%
Retail/Gallery 17,850m²	Occupancy 100%	Occupancy cost ratio 9.6%
Hyper (Ipercoop) 17,837m²	Passing rent (€ million) 7.32	Visitors 2013/14 5.2m
Other 2,770m²	Rental growth 1.6%	
ECP Ownership 20,620m²	Boutiques <300m² turnover/m² (€) 6,385	

Italian portfolio

Name	Description	Technology	Major tenants
Curno Bergamo (Lombardia) Value (€m) 97.40	Curno is still one of the leading centres in Lombardy in terms of visitors, despite growing competition. The municipality of Curno intends to invest in the area which, it is hoped, should facilitate an extension of the centre. This would be combined with a refurbishment of the entrances and external façade.	Free Wi-Fi, Website, Facebook page, Mobile app	Media World Passatempo Cisalfa Brek
Cremona Po Cremona (Lombardia) Value (€m) 80.20	Cremona Po delivered very strong turnover growth for the 12 months to June 2014, driven by the arrival of several new tenants. Following the purchase of some land between the shopping centre and retail park, improvements will be made to the road layout including additional car parking and the construction of a new open air children's playground.	Free Wi-Fi, Website, Facebook page, Loyalty card	H&M Oviesse Expert Sport Specialist Pull & Bear Stradivarius
Centro Leonardo Imola (Emilia Romagna) Value (€m) 66.50	As Imola's only shopping centre, Centro Leonardo continues to dominate the catchment with turnover growing strongly. The addition of a new relaxation area is being planned to improve the customer service offering of the centre.	Free Wi-Fi, Website, Facebook page	Media World Oviesse Pittarello Zara

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

Property summary

Total lettable area 36,292m²	Value (€ million) 97.40	Turnover growth 0.6%
Retail/Gallery 15,597m²	Occupancy 100%	Occupancy cost ratio 8.7%
Hyper (Auchan) 18,195m²	Passing rent (€ million) 7.02	Visitors 2013/14 7.2m
Other 2,500m²	Rental growth 0.3%	
ECP Ownership 18,097m²	Boutiques <300m² turnover/m² (€) 7,723	

Total lettable area 42,938m²	ECP Ownership 28,438m²	Boutiques <300m² turnover/m² (€) 5,423
Retail/Gallery 20,626m²	Value (€ million) 80.20	Turnover growth 4.2%
Hyper (Ipercoop) 14,500m²	Occupancy 100%	Occupancy cost ratio 10.8%
Retail Park 5,674m²	Passing rent (€ million) 6.27	Visitors 2013/14 4.9m
Other 2,138m²	Rental growth 0.0%	

Total lettable area 33,026m²	Occupancy 100%	Turnover growth 4.2%
Retail/Gallery 15,252m²	Passing rent (€ million) 4.84	Occupancy cost ratio 10.2%
Hyper (Ipercoop) 17,774m²	Rental growth -0.2%	Visitors 2013/14 4.9m
ECP Ownership 15,252m²	Boutiques <300m² turnover/m² (€) 6,152	
Value (€ million) 66.50		

Year in review: Eurocommercial Italy

Italian portfolio

Name	Description	Technology	Major tenants
La Favorita Mantova (Lombardia) Value (€m) 43.90	The tenant mix at La Favorita has been strengthened by the recent arrival of new national and international retailers and the addition of customer services including a dentist and a new free flow restaurant.		Media World Oviesse Scarpe & Scarpe UPIM Piazza Italia Terranova
I Portali Modena (Emilia Romagna) Value (€m) 40.80	A considerable refurbishment is underway which is due to be completed by the end of 2014. The works include major upgrades to the façade, entrances and the gallery itself, as well as improvements to the access to the shopping centre. The hypermarket remains one of the best in Modena.		Oviesse Bata McDonald's
Centro Lame Bologna (Emilia Romagna) Value (€m) 36.20	Centro Lame is a city centre property serving the local catchment and the hypermarket is the top performer in Coop Adriatica's portfolio. A new residential complex with approximately 1,700 apartments has recently opened close to the centre which is expected to boost performance.		Camaïeu Camst Benetton Original Marines
Centroluna Sarzana (Liguria) Value (€m) 24.60	The centre is fully let with around 3 million visitors a year. The addition of new toilets with a nursery area and an open air playground are in the planning.		Piazza Italia Benetton Camaïeu

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

Property summary

Total lettable area	29,879m^2
Retail/Gallery	7,400m^2
Retail Park	6,279m^2
Hyper (Ipercoop)	11,000m^2
Brico	2,700m^2
Cinema	2,500m^2
ECP Ownership	13,679m^2
Value (€ million)	43.90
Occupancy	97%
Passing rent (€ million)	3.43
Rental growth	-0.4%
Boutiques <300m^2 turnover/m^2 (€)	5,106
Turnover growth	-4.0%
Occupancy cost ratio	8.5%
Visitors 2013/14	2.6m

Total lettable area	24,810m^2
Retail/Gallery	7,937m^2
Hyper (Ipercoop)	16,989m^2
ECP Ownership	7,937m^2
Value (€ million)	40.80
Occupancy	100%
Passing rent (€ million)	2.87
Rental growth	-1.5%
Boutiques <300m^2 turnover/m^2 (€)	6,064
Turnover growth	-1.3%
Occupancy cost ratio	8.9%
Visitors 2013/14	4.1m

Total lettable area	16,610m^2
Retail/Gallery	5,574m^2
Hyper (Ipercoop)	11,036m^2
ECP Ownership	5,574m^2
Value (€ million)	36.20
Occupancy	100%
Passing rent (€ million)	2.68
Rental growth	-0.6%
Boutiques <300m^2 turnover/m^2 (€)	4,739
Turnover growth	0.2%
Occupancy cost ratio	13.6%
Visitors 2013/14	3.8m

Total lettable area	15,128m^2
Retail/Gallery	3,553m^2
Hyper (Ipercoop)	11,580m^2
ECP Ownership	3,553m^2
Value (€ million)	24.60
Occupancy	98%
Passing rent (€ million)	1.81
Rental growth	-4.1%
Boutiques <300m^2 turnover/m^2 (€)	5,103
Turnover growth	-3.1%
Occupancy cost ratio	11.9%
Visitors 2013/14	2.9m

Year in review: Eurocommercial Sweden

Sweden

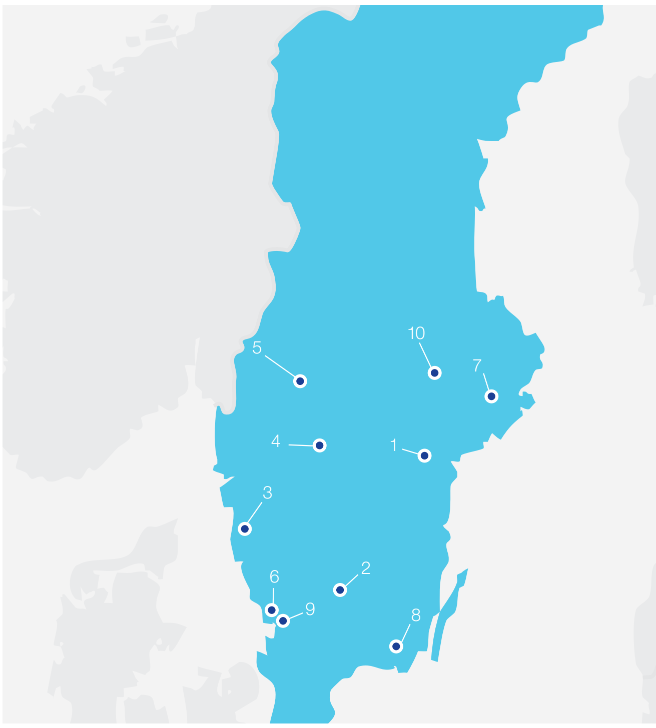
Robust rental and turnover growth

A positive performance for Sweden with strong rental and turnover growth across the portfolio despite negligible indexation. Vacancies and arrears remain minimal and the economic outlook is steadily improving.

Top ten retail tenants in Sweden

% of total Eurocommercial income

ICA Maxi	3.9%
H&M	1.0%
Stadium	1.0%
KappAhl	1.0%
Intersport	0.9%
Lindex	0.9%
Varnergruppen	0.8%
Elgiganten	0.8%
Coop	0.6%
Media Markt	0.5%
Total	11.4%



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

Year in review: Eurocommercial Sweden

Economy

GDP growth in Sweden is currently among the highest in the EU which indicates that the economic recovery is on track in spite of weak export growth. Sweden is forecast to exceed the average EU GDP growth in 2014, with consensus forecasts of around 2.5%, an improvement over the 1.6% achieved in 2013.

Reduced economic uncertainty, tax cuts and further reductions in interest rates have all helped household consumption. Inflation is currently very low and will remain so throughout 2014. In spite of steady increases in employment numbers, unemployment remains static, with future decreases expected to be very gradual.

Rental growth

Despite negligible indexation, rental growth was strong at 2.8%, up from 1.2% last year. This performance was the result of a very successful lease renewal programme, some active tenant rotation and the reletting of the few vacancies in the portfolio. In total, the in-house leasing team completed a total of 62 negotiations producing an average uplift of over 6%. The most significant increases were achieved on 16 lease renewals completed at Elins Esplanad, Skövde which achieved an overall uplift of more than 14%.

There were also important transactions at Grand Samarkand, Växjö where several new concepts including Clas Ohlson, Indiska, Bellbox, Polarn O Pyret and Lagerhaus were introduced over the year.

Retail sales

Retail sales have been consistently strong in the galleries and were up 4% during the year. The outperformers included Grand Samarkand, Växjö at 10.5%, Eurostop, Halmstad at 6.3% and the retail park at Moraberg, Södertälje at 8.0%. The outstanding sectors were shoes (6.6%), health and beauty (8.6%) and home goods (12.9%). It has also been encouraging to see the rebound in the electrical sector at 11.5%. Hypermarket sales were flat over the year.

Property market

Sweden is very much on the radar for an increasing number of international investors and this has resulted in plenty of activity in the investment market. The most recent transaction was the sale of a portfolio of five shopping centres by Steen and Strøm to the Norwegian investor, Olav Thon, at a total price of SEK 3.25 billion. It is understood that while the overall yield was between 6% and 6.25%, the yields on the more comparable Sollentuna Centrum, Stockholm and Mitt i City, Karlstad were considerably lower. Other important transactions were Starwood's acquisition of seven retail properties from KF Fastigheter in November 2013 for SEK 3.9 billion at an overall yield understood to be around 6%, which is approximately the same yield that CBRE Global Investors and the Teacher Retirement System of Texas recently announced on their purchase of the 37,000m² Valbo Shopping Centre outside Gävle.

The most interesting theme of these transactions was that they were undertaken by foreign investors, some new to the Swedish market, and the majority of the retail assets were in provincial cities.

Valuations

The value of Eurocommercial's Swedish portfolio increased by 1.4% over the year and by 1.3% since December 2013 when the properties were last valued. The average net yield of the portfolio currently stands at 5.6%, a decrease of 20 bps over the 12 months.

Martin Bjöörn
Director
Sweden

Sweden property summary

Number of properties
10

Gross lettable area (m²)
216,000

Like for like rental growth
2.8%

Number of shops
276

Net rental income (€m)
31.1

Like for like turnover growth
4.0%

Number of visitors (m)
32.2

Valuation change
1.4%

Occupancy cost ratio
7.6%

Extensions and refurbishments

No properties were acquired or sold during the year. The main focus continues to be the extension of Eurostop, a shopping centre acquired in August 2012 and located on the E6/E20 motorway outside Halmstad on Sweden's west coast. The existing centre comprises a 10,800m² Coop hypermarket and adjoining 13,600m² gallery with 34 retail tenants including Willys, H&M, KappAhl, Lindex and Systembolaget together with a hotel. A planning application for a 16,000m² (GLA) extension has received the support of the municipality and region and it is envisaged that a new zoning plan is imminent to permit the development to start in 2015 which will open in phases during the following two years. Ongoing discussions with existing and future anchors remain very encouraging and early terms have been agreed with Statoil who will vacate their existing petrol station and lorry park once their new petrol station is completed. This will release 14,000m² of land that they currently rent to allow for the future extension.

A thorough refurbishment of Bergvik, outside Karlstad, is also planned. This important regional shopping centre which adjoins a Coop and ICA Maxi hypermarket is now ten years old. While it has performed very well, almost doubling in value since Eurocommercial acquired it in 2005 and still has the highest turnover per square metre in the portfolio, retail sales have levelled out over the last two years as external retail box competition has come on stream. A new external façade and entrances, new floors, ceilings and lighting will give the centre a facelift and ensure that the gallery continues to be the main target for both domestic and international retailers wanting to establish a presence in the Värmland region.

Outlook

Decent rental growth will be challenging with no indexation in 2014 and nothing forecast for 2015. However, we have a further 40 lease renewals to negotiate and a significant number of tenants in our strongest centre at Grand Samarkand are expected to pay turnover rent in 2015. This should produce positive rental growth going forward, as long as vacancies remain below 1%.

In terms of capital markets, cheaper bank finance, increasing international investor demand and limited prime retail stock should all help to keep yields at or around their current levels.

Independent valuations by property

(SEK million)*	Net value June 2014	Net value June 2013	Change June 2014/ June 2013	Net yield including purchase costs	Cost to date	Year of acquisition
Ingelsta Shopping, Norrköping[2]	990.00	969.00	2.2%	5.8%	888.48	2003
Grand Samarkand, Växjö[2]	910.00	879.00	3.5%	5.2%	736.72	2003
421, Göteborg[3]	758.00	758.00	0.0%	5.6%	829.77	2007
Elins Esplanad, Skövde[2]	720.00	705.00	2.1%	5.5%	549.47	2003
Bergvik, Karlstad[2]	670.00	659.00	1.7%	5.5%	345.90	2005
Eurostop, Halmstad[1]	594.00	580.00	2.4%	5.8%	581.64	2012
Moraberg, Södertälje[1]	408.00	397.00	2.8%	6.1%	365.52	2006
Kronan, Karlskrona[2]	174.00	171.00	1.8%	6.1%	154.57	2007
Mellby Center, Laholm[2]	169.00	167.00	1.2%	6.0%	140.95	2003
Hälla Shopping, Västerås[3]	153.00	151.00	1.3%	6.1%	197.46	2002
Total Sweden	5,546.00	5,436.00		5.6%	4,790.48	

Valuations by: [1]Cushman & Wakefield, [2]DTZ, [3]JLL
*1€ = 9.176 SEK

Swedish portfolio

Name | Description | Technology | Major tenants

Ingelsta Shopping

Norrköping (Östergötland)

Value (€m)
107.89

Ingelsta Shopping was awarded Sweden's shopping centre of the year in 2010 following its refurbishment and 9,000m² extension. The shopping centre is located in the middle of Ingelsta, Norrköping's main external retail area. Discussions are still progressing well with the municipality to achieve a new access from Stockholmsvägen, the main entrance to the city from the E4 motorway. Improved access arrangements and additional parking could also set the stage for a further possible extension.

Major tenants:
- ICA Maxi
- H&M
- KappAhl
- Stadium
- Lindex
- Intersport
- Gina Tricot
- Elgiganten
- K-rauta

Grand Samarkand

Växjö (Småland)

Value (€m)
99.17

Grand Samarkand was awarded both Scandinavian and Sweden's shopping centre of the year in 2012 following its complete redevelopment. Grand Samarkand is Växjö's only external shopping centre serving a catchment of approaching 300,000 and continues to trade very well with retail sales up 10.5% over the last 12 months. Some active tenant rotation has introduced several new important national retailers, in particular the new 1,570m² unit for Clas Ohlson who relocated from the city centre last September.

Major tenants:
- H&M
- Stadium
- New Yorker
- Lindex
- KappAhl
- Gina Tricot
- Clas Ohlson
- Systembolaget

421

Göteborg (Västergötland)

Value (€m)
82.61

421 is located in Sisjön Högsbo, the main external retail zone to the south of Göteborg. The ICA Maxi hypermarket and Intersport Megastore have been the strongest performers in terms of retail sales, and the Media Markt unit remains one of their top performers in Sweden. The property is now ten years old and a planned refurbishment to include a new coffee shop should help to freshen up the gallery.

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

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

Property summary

Total lettable area 36,727m²	Value (€ million) 107.89	Turnover growth 0.2%
Retail/Gallery 15,626m²	Occupancy 100%	Occupancy cost ratio 10.1%
Retail Park 11,520m²	Passing rent (€ million) 6.71	Visitors 2013/14 3.0m
Hyper (ICA Maxi) 9,581m²	Rental growth 1.0%	
ECP ownership 36,727m²	Boutiques <300m² turnover/m² (€) 4,422	

Total lettable area 34,820m²	ECP ownership 24,188m²	Boutiques <300m² turnover/m² (€) 5,576
Retail/Gallery 18,579m²	Value (€ million) 99.17	Turnover growth 10.5%
Retail Park 3,954m²	Occupancy 99%	Occupancy cost ratio 7.0%
Hyper (ICA Maxi) 10,632m²	Passing rent (€ million) 5.48	Visitors 2013/14 4.8m
Offices 1,655m²	Rental growth 9.4%	

Total lettable area 33,422m²	Value (€ million) 82.61	Occupancy cost ratio 9.9%
Retail/Gallery 18,522m²	Occupancy 99%	Visitors 2013/14 3.5m
Hyper (ICA Maxi) 11,783m²	Passing rent (€ million) 4.97	
Offices 3,117m²	Rental growth 2.4%	
ECP ownership 33,422m²	Turnover growth -0.1%	

Swedish portfolio

Name	Description	Technology	Major tenants
Elins Esplanad Skövde (Västergötland) Value (€m) 78.47	Retail sales in the gallery were up by 3.4% and there are still several national retail chains who want a presence in what is the region's only external shopping centre serving a catchment of approaching 200,000 people.	Free Wi-Fi, Website, Facebook page	ICA Maxi KappAhl Lindex Elgiganten Stadium Clas Ohlson H&M
Bergvik Karlstad (Värmland) Value (€m) 73.02	Bergvik has long been Värmland's dominant external shopping centre although retail sales have recently levelled out as Bergvik's two sport anchors, Stadium and Intersport, have been particularly affected by the new retail box competition on the other side of the city. Bergvik still produces the highest rents and turnovers in Eurocommercial's Swedish portfolio and will benefit from a thorough refurbishment which should start within the next 12 months.	Website, Gift card, Facebook page	H&M Stadium Intersport Lindex KappAhl Indiska
Eurostop Halmstad (Halland) Value (€m) 64.73	Eurostop was built in 1990 and is located beside the E6 motorway on the edge of Halmstad, a city of 95,000 people. The shopping centre is fully let and continues to trade very well with the gallery turnover up more than 6.3% over last year. A 16,000m² GLA extension is being prepared subject to a new zoning plan being approved.	Facebook page, Website	Coop Forum Willy's H&M Lindex KappAhl Systembolaget

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

Property summary

Total lettable area 28,783m²	Value (€ million) 78.47	Turnover growth 3.4%
Retail/Gallery 17,994m²	Occupancy 100%	Occupancy cost ratio 7.0%
Hyper (ICA Maxi) 10,039m²	Passing rent (€ million) 4.90	Visitors 2013/14 3.9m
Office 750m²	Rental growth 3.9%	
ECP ownership 28,783m²	Boutiques <300m² turnover/m² (€) 7,528	

Total lettable area 48,154m²	Value (€ million) 73.02	Turnover growth -2.3%
Retail/Gallery 13,754m²	Occupancy 100%	Occupancy cost ratio 8.9%
Hypers (ICA, Coop) 30,000m²	Passing rent (€ million) 4.17	Visitors 2013/14 5.9m
Retail Boxes 4,400m²	Rental growth -0.9%	
ECP ownership 13,754m²	Boutiques <300m² turnover/m² (€) 5,707	

Total lettable area 31,129m²	ECP ownership 31,129m²	Boutiques <300m² turnover/m² (€) 4,715
Retail/Gallery 13,643m²	Value (€ million) 64.73	Turnover growth 6.3%
Hyper (Coop Forum) 10,810m²	Occupancy 100%	Occupancy cost ratio 5.3%
Hotel/Office 5,346m²	Passing rent (€ million) 4.40	Visitors 2013/14 3.1m
Other 1,330m²	Rental growth 2.3%	

Swedish portfolio

Name	Description	Technology	Major tenants
Moraberg Södertälje (Södermanland) Value (€m) 44.46	Moraberg is a modern retail park located on the busy E20/E4 motorway outside of Södertälje, an important city of 91,000 people located 30 km south of Stockholm. The property is let on long leases to major box retailers in the Swedish retail market operating in the electrical, sport, DIY and household sectors.		Elgiganten Rusta Jysk Plantagen Jula Stadium Intersport
Kronan Karlskrona (Blekinge) Value (€m) 18.96	Kronan remains the most important and well located city gallery in Karlskrona and despite increasing external competition, retail sales have remained stable. An important asset management initiative was recently taken to secure vacant possession of a two level KappAhl unit at the end of 2014. The unit will be split up into several stores and is expected to shortly be fully pre-let, mainly to fashion retailers at higher rents.		Stadium Gina Tricot MQ Brothers Nilsson
Mellby Center Laholm (Halland) Value (€m) 18.42	Located on the E6 motorway just south of Halmstad, Mellby continues to trade soundly following a refurbishment which was completed two years ago. The centre always enjoys strong Easter and summer trade in this popular coastal area.		ICA Maxi KappAhl Lindex Dressmann
Hälla Shopping Västerås (Västmanland) Value (€m) 16.67	Hälla Shopping forms part of an important external retail area to the east of Västerås on the E18 motorway. After a period of declining sales following new retail competition and IKEA's relocation, sales are now stabilising. The adjoining ICA Maxi store remains one of their top five performers in Sweden and Hälla will shortly benefit from the redevelopment of the old IKEA which opens in September with several complementary retailers including Willys, Systembolaget and Rusta relocating from secondary locations nearby. The 2,000m² retail box vacated by OnOff has been re-let to Granngården on a new ten year lease.		H&M Stadium KappAhl Lindex

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

Property summary

Total lettable area 19,043m²	Passing rent (€ million) 2.69	Occupancy cost ratio 5.8%
ECP ownership 19,043m²	Rental growth 8.2%	Visitors 2013/14 1.6m
Value (€ million) 44.46	Turnover growth 8.0%	
Occupancy 94%		

Total lettable area 7,052m²	Occupancy 100%	Turnover growth -0.1%
Retail/Gallery 5,878m²	Passing rent (€ million) 1.34	Occupancy cost ratio 9.5%
Offices 1,174m²	Rental growth -5.7%	Visitors 2013/14 1.4m
ECP ownership 7,052m²	Boutiques <300m² turnover/m² (€) 3,977	
Value (€ million) 18.96		

Total lettable area 11,550m²	Occupancy 100%	Turnover growth 4.8%
Retail/Gallery 3,315m²	Passing rent (€ million) 1.42	Occupancy cost ratio 7.9%
Hyper (ICA Maxi) 8,235m²	Rental growth 0.2%	Visitors 2013/14 1.0m
ECP ownership 11,550m²	Boutiques <300m² turnover/m² (€) 3,063	
Value (€ million) 18.42		

Total lettable area 20,152m²	Value (€ million) 16.67	Occupancy cost ratio 9.5%
Retail/Gallery 8,152m²	Occupancy 96%	Visitors 2013/14 4.0m
Hyper (ICA Maxi) 10,000m²	Passing rent (€ million) 1.18	
Other retail 2,000m²	Rental growth -2.3%	
ECP ownership 10,152m²	Turnover growth -5.6%	

Corporate responsibility

Our people

Eurocommercial's employees are important and the Company expends considerable resources on attracting, motivating and retaining staff who will contribute to the success of the Company. Eurocommercial has a decentralised, collegiate management style which actively encourages employee contributions and feedback at regular staff meetings at both the Group and country level. In addition, senior staff meet with all employees once a year to discuss their performance and job satisfaction.

All permanent employees are enrolled in the performance share programme which aims to reward staff for their contribution to the Company while also promoting their long-term interest in the business through making them shareholders. As a result of the corporate culture, staff turnover is extremely low. The senior Directors have served the Company for an average of 20 years.

In 2013/14, Eurocommercial employed 67 full-time employees of which 47% were male and 53% were female. At the forthcoming Annual General Meeting of Shareholders, the Board of Supervisory Directors will propose a female candidate for the first time.

All employees must adhere to the Company's Code of Conduct and Code to Prevent Insider Trading. They are also advised of their rights under the Whistleblower's Code. Employees completed more than 70 training days during the course of the financial year.

Community engagement

Eurocommercial's shopping centres play an important role in their communities, contributing to their vibrancy and diversity and providing a place for people to meet and conveniently and safely buy the goods they require. Eurocommercial builds upon this premise by offering its centres as forums for entertainment, education and charitable support. Such events over the past year included turning Les Atlantes, Tours into a recruitment centre for the French Army and setting up a cookery school at Il Castello, Ferrara hosted by famous chefs.

The shopping centres are increasingly also being used as leisure destinations, with children's entertainment areas now considered an important part of the service offer. In Italy, the shopping centres attracted around 90,000 children to its nine play areas over the course of the year.

Environmental review

Eurocommercial has made considerable progress in increasing its energy efficiency, thereby reducing its building energy intensity by over 4% this year.

In France solar panels were installed on the Centr'Azur shopping centre in Hyères as part of the refurbishment project which took place in 2013. Together with the existing photovoltaic panels at Les Allées de Cormeilles, the French portfolio produced 2.4 GWh of electricity over the year versus total consumption of 6.6 GWh. Additional panels are due to be installed on covered parking spaces in the Centr'Azur car park.

The heating, ventilation and air conditioning (HVAC) units were replaced at five French centres over the past 18 months resulting in electricity savings and lower water consumption at the properties in question. Les Atlantes in Tours, for example, achieved a 20% year-on-year drop in electricity costs in 2013 and 23% reduction in water consumption.

Eurocommercial analyses the electricity consumption of all of its tenants in Italy – in addition to the consumption already monitored in the common areas – with the aim of further improving energy efficiency in its centres. At I Gigli, Firenze the air conditioning plant was replaced during the year, resulting in a reduction in energy costs. The photovoltaic panels installed on the roof of the new I Gigli retail park produced almost 40 MWh over the past 12 months.

In Sweden the Company modified the monitoring and control systems for district heating at two of its shopping centres, resulting in a 30% year-on-year reduction in energy usage at each property. Similar modifications are scheduled to take place at a further three centres in 2014 to further minimise consumption.

Energy consumption

Impact area		EPRA sustainability performance measures		Absolute 2013	France 2012	France 2013	Italy 2012	Italy 2013	Sweden 2012	Sweden 2013	Total 2012	Total 2013
					Like for like comparison							
Energy	3.1	Total energy consumption from electricity [GRI: EN4]	MWh	68,245	6,065	5,651	27,147	25,311	35,254	35,213	68,466	66,175
		of which exclusively sub-metered to tenants		*5,432*			*5,791*	*5,409*	*39*	*23*	*5,830*	*5,432*
	3.2	Total energy consumption from district heating and cooling [GRI: EN4]		10,062			1,031	1,178	9,014	7,630	10,046	8,808
	3.3	Total energy consumption from fuels [GRI: EN3]		20,782	3,263	3,381	14,533	16,552			17,796	19,933
Greenhouse gas emissions	3.5	Total direct GHG emissions [GRI: EN16 – GHG Protocol Scope 1]	tonnes CO_2e	3,825	605	623	2,692	3,046			3,297	3,669
	3.6	Total indirect GHG emissions [GRI: EN16 – GHG Protocol Scope 2]		11,860	473	447	9,009	8,341	2,639	2,692	12,122	11,480
	3.6	Total indirect GHG emissions [GRI: EN16 – GHG Protocol Scope 3]		6,166	36	34	6,354	5,932	161	177	6,551	6,143
Water	3.8	Total water withdrawal [GRI: EN8 partial]	cubic metres (m^3)	357,650	17,431	12,881	277,945	285,034	38,950	36,592	334,326	334,507
Waste	3.10	Total weight of waste [GRI: EN22]	metric tonnes	2,874	1,571	1,604			900	1,028	2,471	2,632
	3.11	Disposal route – Reused	proportion by weight (%)									
		Disposal route – Recycled		30%	24%	22%			47%	41%	32%	30%
		Disposal route – Off-site materials recovery facility		36%	64%	64%				1%	41%	39%
		Disposal route – Landfill facility – non-hazardous		8%	12%	14%					7%	8%
		Disposal route – Hazardous waste treatment facility										
		Disposal route – Incineration with energy recovery		26%					51%	58%	18%	23%
		Disposal route – Incineration with no energy recovery							2%		2%	
		Disposal route – Composting/ anaerobic digestion facility										

Impact area		EPRA sustainability intensity measures		2012	2013
Energy	3.4	Building energy intensity [GRI-CRESS: CRE1]	kWh/m^2/year	634	608
Greenhouse gas emissions	3.7	Greenhouse gas intensity from building energy [GRI-CRESS: CRE3]	kg CO_2e/m^2/year	107	105
Water	3.9	Building water intensity [GRI-CRESS: CRE2]	m^3/m^2/year	2.59	2.58

The information provided is for the calendar years 2013 and 2012. The emission factors are based upon the Department for Environment, Food and Rural Affairs (DEFRA) guidance and are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices. Jones Lang LaSalle assisted Eurocommercial in preparing this data in line with the reporting guidelines.

For 2013 the absolute coverage data disclosed for all energy, greenhouse gas and water performance measures, for which the landlord has control, is for 28 out of 33 properties for energy and greenhouse gas and 24 out of 33 properties for water. The data disclosed for waste refers to 15 out of 33 properties. For the like for like figures, 25 properties are included for the energy and greenhouse gas data, 22 for water and 14 for waste. Waste data is not currently available for Italy as this is often handled by the public authorities. The reported data contains the total landlord-obtained energy and water consumed in the Company's properties.

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

Corporate governance

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

General Meeting of Shareholders

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

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

Supervisory Board

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

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

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

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

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

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

Board of Management

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

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

Jeremy Lewis, Chief Executive
The founding Chief Executive of the Company, Jeremy Lewis (69), a Chartered Surveyor, has almost 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 (52), 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 (55) 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 (56) joined Eurocommercial in 1992. Since then he has been involved in the acquisition programme in France and Italy and has responsibility for all French operations. Tom has a degree in modern languages from Durham University and is a Chartered Surveyor.

Tim Santini, Director
Tim Santini (48) joined Eurocommercial in 1994 and is responsible for the Italian activities of the Company. Prior to joining Eurocommercial he was with a major international property consultant in London working on projects in the UK and continental Europe. Tim read modern languages at UEA and is a Chartered Surveyor.

Hostile takeover defence

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

Under powers granted to it by the General Meeting of Shareholders for the period to 30 June 2015, 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.

External auditor

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

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

Corporate governance best practice

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

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

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

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

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

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

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

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

Corporate governance

Provision IV.3.13 of the Code

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

Provision V.3.1 of the Code

Due to its size the Company will not appoint an internal auditor.

Corporate responsibility

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

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

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

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

The Company employed an average of 67 full-time equivalent persons during the financial year, of which 14 are based in The Netherlands, 12 in the UK, 17 in France, 16 in Italy and eight in Sweden. 47% of employees are male and 53% are female. Of the workforce, eight are under the age of 30, 51 are between the ages of 30 and 50 and eight are over the age of 50.

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

Organisation

Eurocommercial has had offices in Amsterdam and London since inception, but the Company's focus on France, Italy and Sweden has necessitated the opening of offices in Paris, Milan and Stockholm. The expansion of the Italian and Swedish teams required new office space which was taken possession of in September and November 2012 respectively. The expansion of the French team also required new office space, which was fitted out during the summer of 2014 and is now occupied.

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

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

Remuneration

The remuneration policy for Supervisory Directors and Managing Directors, which has been applicable in previous years, has been continued. Supervisory Directors receive a fixed fee. Managing Directors may be entitled to cash bonuses in addition to their base salaries. These bonuses, like those of the senior managers, are directly linked to the annual growth in the Company's net asset value and dividend per share and directly linked to the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to 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 64.

Internal risk management and control systems

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

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

The Company has appropriate internal risk management and control systems. Key elements of the internal control systems are a management structure designed to enable effective and collegiate decision-making, monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancy, arrears and doubtful debtors and weekly meetings between the Board of Management and regional Directors to review each country's performance against budgets and long-term financial plans.

Detailed procedures and responsibilities for the various country teams, as well as for the segregation of duties and authorisation structures have been implemented and maintained. Strict procedures are also observed for the periodic drawing up of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to directly identify developments in the value of investments and in income and expenses. For this purpose use is made of electronic data processing within automated, integrated central information systems. There is a back-up and recovery plan in place so that data can be restored.

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

Risk management policies

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

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

All major corporate, property and financial decisions are discussed and reviewed at regular meetings of the Board of Management together with senior management comprising the Chief Executive, the Finance Director and the finance team, the heads of the French, Italian and Swedish businesses, their deputies, the 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 issue – against a number of key criteria including financial implications, strategic fit and the impact it will have on the rest of the Company. The Board of Management will normally act upon the recommendations of this meeting.

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

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

Strategic risk

Country and sector weighting of assets

The Company invests in a relatively predictable real estate sector (retail) and relatively wealthy and stable economies (France, 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).

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

Operational risk

Asset selection

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

Tenant selection and credit risk

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

Technical condition of properties

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

Property extension/redevelopment risk

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

Corporate governance

Taxation

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

Financial risk

Credit risk

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

Interest rate risk

As the Company's policy is to have long-term investments, the borrowings used for funding them are also long term (five years but preferably for ten years or more). The Company uses interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 3.7% excluding margins and only 18% of the existing loans are at a floating rate. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €2.14 million, or 2.6% of the reported direct investment result.

Liquidity risk

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

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

Currency risk

The only significant foreign currency exposure for the Company is its exposure to the Swedish property markets. However, due to SEK loan facilities with major banks and currency swaps (if applicable), a hedging of the foreign currency is achieved up to 39%. The remaining exposure is relatively limited compared to the total size of the portfolio and will in principle not be hedged. Net SEK income may also be hedged from time to time by using defensive currency derivatives. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.2% of reported net asset value and in a decrease of only 1.3% of reported direct investment result.

Reporting risk

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

Compliance risk

At the corporate level the Company complies with the Netherlands Corporate Governance Code and the Netherlands Act on Financial Supervision (Wet op het financieel toezicht). All employees are made aware of the regulations and procedures are in place to ensure that employees comply with the rules. The Company has an internal code of conduct and a 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

Pursuant to the Netherlands Act on Financial Supervision and the Decree on the Supervision of the Conduct of Financial Undertakings (Besluit gedragstoezicht financiële ondernemingen), the Company states that it has a description of the organisation of its business operations (Administrative Organisation and Internal Control) which meets the specifications as laid down in the Act and the Decree. During the financial year 2013/2014 the Company has evaluated various aspects of the Company's Administrative Organisation and Internal Control and found nothing to indicate that the description of the structure of the Company's Administrative Organisation and Internal Control does not meet the requirements as included in the Decree and related legislation. Also, there have been no indications during the financial year 2013/2014 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Company therefore states with a reasonable level of assurance that the organisation of its business operations functioned effectively and in accordance with the description. It is not expected that during the current financial year a major change will be made to the design of the Company's Administrative Organisation and Internal Control.

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

The Board of Management believes that the design of the internal controls for financial reporting provide a reasonable level of assurance (i) to prevent material inaccuracies in the financial statements of the Company for the financial year 2013/2014, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2013/2014 and there are no indications that this will not continue to be so in the current financial year.

Insurance

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

Netherlands Financial Markets Supervision Act

The Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht) has been amended further to implement the European Directive 2011/61/EU on Alternative Investment Fund Managers (the "AIFMD"). Pursuant to this amendment, Eurocommercial Properties N.V. is no longer an investment institution within the meaning of the Netherlands Financial Markets Supervision Act, whereby the current license will not by operation of law be converted as of 22 July 2014. As a result hereof, the license of Eurocommercial Properties N.V. as an investment institution ended as of 22 July 2014. The regulations applicable to listed companies, as amongst others laid down in the Netherlands Financial Markets Supervision Act, continue to apply in full.

Taxation

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

Amsterdam, 19 September 2014

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

Responsibility statement

With reference to the EU Transparency Directive and the Act on Financial Supervision we hereby state to the best of our knowledge that the financial statements for the financial year ended 30 June 2014 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, 19 September 2014

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

Report of the Board of Supervisory Directors

To the General Meeting of Shareholders

Financial statements

We are pleased to present the Annual Report of Eurocommercial Properties N.V. for the financial year ending 30 June 2014, as drawn up by the Board of Management. The Auditors, Ernst & Young Accountants LLP, have examined the financial statements and will issue an unqualified report thereon. We recommend that you adopt the financial statements.

Dividend proposal

We support the proposal of the Board of Management to distribute a cash dividend of €1.94 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2014. We also support the offer, at the option of the holders of depositary receipts, of a scrip issue to be charged to the share premium reserve as an alternative to the cash dividend.

Activities

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

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

In the August 2013 meeting, in addition to the approval of the annual results and other usual items, the agenda for the Annual General Meeting including the proposal to appoint two new members of the Supervisory Board was tabled and determined. Mr Carlo Croff was proposed to succeed Mr Hugh Bolland and Mr Jan-Åke Persson was proposed to succeed Mr John Pollock. These proposals were the result of the amended profile of the Supervisory Board and the subsequent search. In the Annual General Meeting held on 5 November 2013 Mr Croff and Mr Persson were appointed. The Board is very grateful for the valuable contributions and excellent service to the Company for so many years by both Mr Bolland and Mr Pollock, who stepped down in that Annual General Meeting.

In the November 2013 meeting the Board focused in particular on the search for new members of the Supervisory Board and two candidates were identified. After an introductory process, the two candidates confirmed their interest to join the Board and they will be proposed as new members in the forthcoming Annual General Meeting to be held on 4 November 2014.

The February 2014 meeting took place in France and gave the Board the opportunity to visit the recently refurbished shopping centre Les Atlantes in Tours, to review the retail competition in that area and also meet local management. The search for a Chairman of the Board was also started, for which a reputable executive search firm was engaged.

In the May 2014 meeting particular focus was given to the funding and debt strategy of the Company and the remuneration policy for the Group. Having regard to external benchmark studies and international practice, a metric of relative performance to calculate variable remuneration of senior executives and management was discussed.

The Supervisory Board also took the opportunity to meet in the absence of the Board of Management to discuss its own functioning and that of the Board of Management.

In the August 2014 meeting the annual results were discussed together with the auditors of the Company. The results of the search and selection process for the new Chairman were also discussed.

There have been no conflicts of interest.

As from 1 January 2013 the Dutch Civil Code has been amended and provides new rules on diversity, implying that 30% of the members of the Supervisory Board and of the Board of Management should be male or female and if not, that the Company should explain in its annual report why it does not comply. The amended profile provides for a target over time that each gender is represented, but does not require a particular minimum percentage to ensure the best candidates can be selected. The new rules also require an explanation on gender diversity when an appointment proposal is made to the shareholders' meeting, which does not result in a percentage close to or above 30%. In the forthcoming Annual General Meeting to be held on 4 November 2014, it is the intention to propose three new members of the Supervisory Board: Ms B. Carrière, a French national, Mr R. Foulkes, a British national and Mr B. T. M. Stein Bisschop, a Dutch national.

Corporate governance

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

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

The Audit Committee reviewed the need for an internal audit function and concluded again that this is not necessary due to the size of the Company. The Supervisory Board as a whole also functions as the Remuneration Committee. Remuneration was discussed in two meetings on the basis of an updated external benchmark report and the draft updated remuneration report. The final 2013/2014 Remuneration Report will be posted on the website of the Company when the Annual Report is published. The Supervisory Board as a whole also functions as the Selection and Appointment Committee, which discussed in three meetings the future composition of the Supervisory Board. At the forthcoming Annual General Meeting to be held on 4 November 2014, there will be three appointment proposals on the agenda. With reference to the new rules on gender diversity already mentioned, we are pleased to report that one of the new proposed members is female.

Summary remuneration report

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

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

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

– base salary – total annual gross fixed income including holiday allowance;

– short-term variable annual performance-related gross cash bonuses;

– long-term incentives through a performance shares plan; and

– pension and other benefits.

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for executives and members of the Board of Management are directly linked to the annual growth in the Company's net asset value and dividend per share and are also directly linked to the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to 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. 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 with one amendment being the addition of a relative performance metric for calculating the variable remuneration of senior staff and management. Following a benchmarking exercise, it is proposed for the next financial year to increase the remuneration of the Supervisory Directors by €2,000 to €39,000 for each member and to €49,000 for the Chairman and to maintain the base salaries of the members of the Board of Management at £515,000 for Mr J.P. Lewis and €415,000 for Mr E.J. van Garderen. The Annual General Meeting of Shareholders is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

Report of the Board of Supervisory Directors

Composition of the Supervisory Board

All members of the Supervisory Board are independent. Only Mr C. Croff is considered to be dependent 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 available for inspection at the Company's office and placed on the Company's website. At 30 June 2014 the Supervisory Board was composed as follows:

1. Mr W.G. van Hassel (68), Chairman, of Dutch nationality and member of the Supervisory Board since 1997, was reappointed in 2010 for a period of four years. He is a former partner and chairman of a major Dutch law firm and former Dean of The Dutch Bar Association. He is a member of the following supervisory boards:

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

2. Mr C. Croff (59), of Italian nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years. He is a senior partner of the leading law firm Chiomenti Studio Legale in Milan, Italy which he joined in 1989. Following his additional degrees at Oxford and Harvard Universities, Mr Croff has had extensive experience advising Italian and international clients on legal matters related to banking and real estate.

3. Mr P.W. Haasbroek (66), of Dutch nationality and member of the Supervisory Board since 2008, was reappointed in 2012 for a period of four years. He is a former Director Real Estate Europe of PGGM, the manager of the Dutch pension fund for the healthcare sector. He worked for more than 25 years in the international property investment markets until he retired in 2007.

4. Mr J.-Å. Persson (64), of Swedish nationality, was appointed as a member of the Supervisory Board in 2013 for a 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.

5. Mr A.E. Teeuw (68), of Dutch nationality and member of the Supervisory Board since 2006, was reappointed in 2010 for a period of four years. He is a former Chief Executive Officer of the listed financial institution Binck Bank N.V. of Amsterdam and a former Managing Director of Barclays Bank plc. Mr Teeuw worked for more than 30 years as an international banker until he retired at the end of 2005. He is chairman of the advisory board of HiQ Invest B.V.

At the Annual General Meeting of Shareholders held on 5 November 2013, Mr C. Croff and Mr J.-Å. Persson were appointed for a period of four years. At the forthcoming Annual General Meeting of Shareholders to be held on 4 November 2014, Mr W.G. van Hassel and Mr A.E. Teeuw will retire by rotation and will not be available for reappointment. Three new members of the Supervisory Board will then be proposed.

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:

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

2016: Mr P.W. Haasbroek

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

Staff

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

Amsterdam, 19 September 2014

Board of Supervisory Directors

W.G. van Hassel, Chairman
C. Croff
P.W. Haasbroek
J.-Å. Persson
A.E. Teeuw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Ten year financial summary*

Key financial information (consolidated)

For the financial year ended	30-06-05 €'000	30-06-06 €'000	30-06-07 €'000	30-06-08 €'000	30-06-09 €'000	30-06-10 €'000	30-06-11 €'000	30-06-12 €'000	30-06-13 €'000	30-06-14 €'000
	Neth GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Profit and loss account										
Net property income	80,784	87,215	95,830	110,033	114,380	120,472	131,116	139,353	144,368	146,978
Net financing expenses	(24,631)	(23,477)	(28,944)	(38,117)	(40,822)	(41,862)	(44,501)	(48,900)	(51,769)	(52,674)
Company expenses	(6,738)	(7,671)	(8,243)	(9,114)	(8,510)	(8,611)	(9,789)	(10,707)	(10,576)	(11,206)
Direct investment result	49,340	56,087	58,653	62,802	65,048	69,999	76,826	79,515	81,518	82,870
Indirect investment result	64,613	177,840	200,819	47,484	(245,753)	23,741	124,451	(91,633)	41,790	16,920
Result after taxation	113,953	233,927	259,472	110,286	(180,705)	93,740	201,277	(12,118)	123,308	99,790
Balance sheet										
Total assets	1,597,042	1,891,430	2,267,934	2,528,936	2,172,037	2,505,718	2,671,251	2,842,953	2,889,027	2,807,083
Property investments	1,498,081	1,782,338	2,197,070	2,446,615	2,136,750	2,359,574	2,522,054	2,690,467	2,806,023	2,688,603
Cash and deposits	73,011	76,581	18,044	13,796	7,827	116,218	112,976	120,954	51,422	85,372
Borrowings	566,191	643,537	798,302	970,249	913,186	1,017,841	1,107,964	1,252,744	1,286,923	1,173,236
Shareholders' equity	828,144	1,037,679	1,242,118	1,300,981	1,033,080	1,214,323	1,370,150	1,300,147	1,366,064	1,386,632
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	34,462,476	35,277,619	35,277,619	35,727,332	35,840,442	40,304,266	40,813,650	40,953,515	41,740,054	42,319,567
Average number of depositary receipts representing shares in issue	31,589,214	34,938,162	35,277,619	35,554,261	35,797,301	38,543,725	40,602,632	40,895,429	41,410,071	42,311,667
Per depositary receipt (€)										
Net asset value	24.03	29.41	35.21	36.41	28.82	30.13	33.57	31.75	32.73	32.77
Direct investment result	1.56	1.61	1.66	1.77	1.82	1.82	1.89	1.94	1.97	1.96
Indirect investment result	2.05	5.09	5.69	1.34	(6.87)	0.61	3.07	(2.24)	1.01	0.40
Dividend	1.55	1.60	1.67	1.75	1.78	1.82	1.88	1.92	1.92	1.94
Property information										
Sector spread (%)										
Retail	90	91	92	93	100	100	100	100	100	100
Office	7	7	6	5	0	0	0	0	0	0
Warehouse	3	2	2	2	0	0	0	0	0	0
	100	100	100	100	100	100	100	100	100	100
Stock market										
Closing price at the end of June on Euronext Amsterdam (€: depositary receipts)	30.10	29.96	38.32	30.27	21.95	26.25	34.30	27.25	28.20	36.02
Market cap	1,037,321	1,056,917	1,351,838	1,081,466	786,698	1,057,987	1,399,908	1,115,983	1,176,928	1,540,754

* This statement contains additional information which is not part of the IFRS financial statements. The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

Note

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. 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	2013/2014 €'000	2012/2013 €'000
Rental income	4	174,899	172,596
Service charges income	4	26,368	28,418
Service charges expenses		(29,229)	(31,325)
Property expenses	5	(25,060)	(25,321)
Net property income	2	146,978	144,368
Interest income	7	1,330	2,479
Interest expenses	7	(54,004)	(54,248)
Net financing expenses	7	(52,674)	(51,769)
Company expenses	8	(11,206)	(10,576)
Direct investment result before taxation		83,098	82,023
Current tax	11	(228)	(505)
Direct investment result		82,870	81,518
Investment revaluation and disposal of investment properties	6	33,084	4,867
Fair value movement derivative financial instruments	7	(12,592)	20,479
Investment and company expenses	8/10	(1,867)	(2,134)
Indirect investment result before taxation		18,625	23,212
Deferred tax	11	(1,705)	18,578
Indirect investment result		16,920	41,790
Total investment result		99,790	123,308
Per depositary receipt (€)**			
Direct investment result		1.96	1.97
Indirect investment result		0.40	1.01
Total investment result		2.36	2.98

Statement of adjusted net equity*

	30-06-14 €'000	30-06-13 €'000
IFRS net equity per balance sheet	1,386,632	1,366,064
Derivative financial instruments	132,379	120,350
Deferred tax liabilities	36,795	36,192
Deferred tax assets	(800)	(284)
Adjusted net equity	1,555,006	1,522,322
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	42,319,567	41,740,054
Net asset value – € per depositary receipt (IFRS)	32.77	32.73
Adjusted net asset value – € per depositary receipt	36.74	36.47
Stock market prices – € per depositary receipt	36.02	28.20

* This statement contains additional information which is not part of the IFRS financial statements. The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

** The average number of depositary receipts on issue over the year was 42,311,667 compared with 41,410,071 for the previous financial year.

Alongside the consolidated profit and 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 and current tax. The indirect investment result consists of the investment revaluation, the fair value movement of derivative financial instruments, investment expenses, the unrealised movement in the provision for pensions and deferred tax.

EPRA performance measures*

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

	Total (€'000)		Per depositary receipt (€)	
	30-06-2014	30-06-2013	30-06-2014	30-06-2013
EPRA earnings**	82,870	81,518	1.96	1.97
EPRA NAV***	1,555,006	1,522,322	35.71	35.19
EPRA NNNAV***	1,398,739	1,386,127	32.13	32.04

Reconciliation NAV, EPRA NAV and EPRA NNNAV:	Total (€'000)		Per depositary receipt (€)	
	30-06-2014	30-06-2013	30-06-2014	30-06-2013
Equity balance sheet	1,386,632	1,366,064	32.77	32.73
Derivative financial instruments	132,379	120,350		
Deferred tax liabilities	36,795	36,192		
Deferred tax assets	(800)	(284)		
EPRA NAV***	1,555,006	1,522,322	35.71	35.19
Derivative financial instruments	(132,379)	(120,350)		
Deferred tax liabilities	(11,039)	(10,858)		
Deferred tax assets	800	284		
Fair value borrowings****	(13,649)	(5,271)		
EPRA NNNAV***	1,398,739	1,386,127	32.13	32.04

Reconciliation EPRA net initial yield and EPRA vacancy rate:

	France		Italy		Sweden		Total	
	13/14 €'000	12/13 €'000	13/14 €'000	12/13 €'000	13/14 €'000	12/13 €'000	13/14 €'000	12/13 €'000
Property investments	1,043,500	995,100	1,040,700	1,026,000	604,403	619,323	2,688,603	2,640,423
Property investments held for sale	0	141,000	0	0	0	0	0	141,000
Property investments completed	1,043,500	1,136,100	1,040,700	1,026,000	604,403	619,323	2,688,603	2,781,423
Purchasers' costs	67,667	70,300	41,796	41,160	6,064	6,302	115,527	117,762
Gross value property investments completed	1,111,167	1,206,400	1,082,496	1,067,160	610,467	625,625	2,804,130	2,899,185
Annualised net rents (EPRA NIY)	57,169	62,557	69,011	67,216	34,076	36,048	160,256	165,821
EPRA net initial yield (%)	5.1	5.2	6.4	6.3	5.6	5.8	5.7	5.7
EPRA vacancy rate (%)	1.3	1.0	0.3	0.6	0.6	1.7	0.7	1.0

* 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 42,311,667 compared with 41,410,071 for the previous financial year.

*** The diluted number of depositary receipts on issue at 30 June 2014 was 43,539,813 compared with 43,250,338 at 30 June 2013.

**** The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on the confirmations received from the bank.

Consolidated profit and loss account*

	Note	2013/2014 €'000	2012/2013 €'000
Rental income	4	174,899	172,596
Service charges income	4	26,368	28,418
Service charges expenses		(29,229)	(31,325)
Property expenses	5	(25,060)	(25,321)
Net property income	2	146,978	144,368
Investment revaluation and disposal of investment properties**	6	33,084	4,867
Interest income	7	1,330	2,479
Interest expenses	7	(54,004)	(54,248)
Fair value movement derivative financial instruments	7	(12,592)	20,479
Net financing cost	7	(65,266)	(31,290)
Company expenses	8	(11,120)	(10,261)
Investment expenses	10	(1,953)	(2,449)
Profit before taxation		101,723	105,235
Current tax	11	(228)	(505)
Deferred tax	11	(1,705)	18,578
Total tax	11	(1,933)	18,073
Profit after taxation		99,790	123,308
Per depositary receipt (€)***			
Profit after taxation	24	2.36	2.98
Diluted profit after taxation	24	2.28	2.87

* The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

** The disposal of investment properties (30 June 2013: negative €1,696 million) is reclassified to Disinvestment movement property sold under Investment revaluation and disposal of investment properties (see also note 6). As per 30 June 2014 the amount for Disinvestment movement property sold is positive €594,000 due to the adjustment of accruals of properties sold in the previous and the current financial year and is therefore not relevant to be presented separately in the Consolidated profit and loss.

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

Consolidated statement of comprehensive income*

	30-06-14 €'000	30-06-13 €'000
Profit after taxation	99,790	123,308
Foreign currency translation differences (to be recycled through profit and loss account)	(14,291)	(3,573)
Actuarial result on pension scheme (not recycled through profit and loss account)	55	(389)
Total other comprehensive income	(14,236)	(3,962)
Total comprehensive income	85,554	119,346
Per depositary receipt (€)***		
Total comprehensive income	2.03	2.87
Diluted total comprehensive income	1.97	2.77

* The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

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

Consolidated balance sheet*

	Note	30-06-14 €'000	30-06-13 €'000
Property investments	12	2,688,603	2,640,423
Property investments under development	12	0	24,600
Tangible fixed assets	13	1,906	2,034
Receivables	14	234	245
Deferred tax assets	19	800	284
Total non-current assets		2,691,543	2,667,586
Receivables	14	30,168	29,019
Cash and deposits	15	85,372	51,422
Total current assets		115,540	80,441
Property investments held for sale	12	0	141,000
Total assets		2,807,083	2,889,027
Creditors	16	65,464	66,505
Borrowings	17	131,935	293,280
Total current liabilities		197,399	359,785
Creditors	16	10,733	11,137
Borrowings	17	1,041,301	993,643
Derivative financial instruments	18	132,379	120,350
Deferred tax liabilities	19	36,795	36,192
Provision for pensions	20	1,844	1,856
Total non-current liabilities		1,223,052	1,163,178
Total liabilities		1,420,451	1,522,963
Net assets		1,386,632	1,366,064
Equity Eurocommercial Properties shareholders			
Issued share capital	21	213,875	208,890
Share premium reserve	22	385,838	393,547
Other reserves	23	687,129	640,319
Undistributed income		99,790	123,308
Net assets		1,386,632	1,366,064

* The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

Consolidated cash flow statement*

	Note	2013/2014 €'000	2012/2013 €'000
Cash flow from operating activities			
Profit after taxation		99,790	123,308
Adjustments:			
Increase in receivables		(1,325)	(6,469)
Increase in creditors		7,444	211
Interest income		(1,330)	(2,479)
Interest expenses		54,004	54,248
Movement stock options and performance shares granted	22	(78)	1,117
Investment revaluation	6	(32,604)	2,985
Derivative financial instruments		12,592	(20,479)
Deferred tax	11	1,705	(18,578)
Current tax		228	505
Other movements		725	(3,483)
		141,151	130,886
Cash flow from operations			
Current tax paid		(390)	(254)
Derivative financial instruments		0	(8,038)
Borrowing costs		(599)	(980)
Interest paid		(54,426)	(54,194)
Interest received		1,205	2,866
		86,941	70,286
Cash flow from investing activities			
Property acquisitions	12	0	(196,404)
Capital expenditure	12	(24,593)	(50,598)
Property sale	12	141,000	125,301
Additions to tangible fixed assets	13	(591)	(2,008)
		115,816	(123,709)
Cash flow from financing activities			
Borrowings added	17	155,867	278,469
Repayment of borrowings	17	(259,178)	(243,909)
Dividends paid	22/23	(48,620)	(54,670)
Stock options exercised	23	4,796	124
Depositary receipts bought back	23	(21,084)	0
Decrease/increase in non-current creditors		(27)	4,270
		(168,246)	(15,716)
Net cash flow		34,511	(69,139)
Currency differences on cash and deposits		(561)	(393)
Increase/decrease in cash and deposits		33,950	(69,532)
Cash and deposits at beginning of year		51,422	120,954
Cash and deposits at end of year		85,372	51,422

* The comparative figures for 2012/2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

Consolidated statement of changes in shareholders' equity*

The movements in shareholders' equity in the financial year ended 30 June 2014 were:

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2013	208,890	393,547	640,319	123,308	1,366,064
Profit after taxation				99,790	99,790
Foreign currency translation differences (to be recycled through profit and loss account)			(14,291)		(14,291)
Actuarial gain on pension scheme (not recycled through profit and loss account)			55		55
Total comprehensive income			(14,236)	99,790	85,554
Issued shares	4,985	(4,985)			0
Profit previous financial year			74,749	(74,749)	0
Dividends paid		(61)		(48,559)	(48,620)
Depositary receipts bought back			(21,084)		(21,084)
Stock options exercised			4,796		4,796
Stock options and performance shares granted		(78)			(78)
Stock options vested		(2,585)	2,585		0
30-06-2014	213,875	385,838	687,129	99,790	1,386,632

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

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2012	204,983	396,385	710,897	(12,118)	1,300,147
Profit after taxation				123,308	123,308
Foreign currency translation differences (to be recycled through profit and loss account)			(3,573)		(3,573)
Actuarial loss on pension scheme (not recycled through profit and loss account)			(389)		(389)
Total comprehensive income			(3,962)	123,308	119,346
Issued shares	3,907	(3,907)			0
Result previous financial year			(12,118)	12,118	0
Dividends paid		(48)	(54,622)		(54,670)
Stock options exercised			124		124
Stock options and performance shares granted		1,117			1,117
30-06-2013	208,890	393,547	640,319	123,308	1,366,064

* The comparative figures for previous financial year have been restated for the actuarial result on the pension scheme under IAS 19R.

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 2013 and ending 30 June 2014 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 2013.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2014. 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 2013 are adopted as such by the Group. Additional disclosure on new standards, amendments and interpretations and the relating effect on the financial statements, if significant and applicable to the Company, 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 profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with Article 2:402 of the Netherlands Civil Code.

The financial statements are prepared on a going concern basis.

(c) Change in accounting policies and reclassifications
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC Interpretations applicable as of 1 July 2013:

– IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. The amendments require disclosure about rights to set off and related arrangements (e.g. collateral agreements). These disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment will not affect Eurocommercial Properties N.V. as the Group does not set off financial instruments. The amendment becomes effective for financial years beginning on or after 1 January 2013.

– IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when fair value is required to be used, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defined fair value as an exit price; the price that would be received to sell an asset or paid to transfer a liability. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchies are provided in note 12 Property investments and note 18 Financial instruments.

– IAS 12 Income Taxes – Recovery of Tax Assets. The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 will always be measured on a sale basis of the asset. The amendment did not have an impact on the Group's financial position or performance.

– IAS 19 Employee Benefits (revised). IAS 19R includes a number of amendments to the accounting for defined benefit plans. Actuarial gains and losses are now recognised in other comprehensive income and permanently excluded from profit and loss. Expected returns on plan assets are no longer recognised in profit or loss. Instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The Group applied IAS 19 (Revised 2011) retrospectively in the current period. The revised standard will have no material impact on the Group and therefore no third balance sheet is presented. For the financial year 2012/2013, recognising actuarial gains and losses in other comprehensive income instead of in profit and loss account and adopting of net interest approach resulted in a reduction of the expenses for defined benefit plans and consequently increased actuarial losses recognised in other comprehensive income by €389,000 in total. The impact on total comprehensive income and total shareholders' equity was neutral.

1. Principal accounting policies (continued)

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 10 Consolidated Financial Statements, effective 1 January 2014. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the portion of IAS 27 'Consolidated and Separate Financial Statements' that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 'Consolidation - Special Purpose Entities'. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As Eurocommercial Properties N.V. holds 100 per cent interest in all of its subsidiaries and the Group is not considered to be an investment entity in accordance with the IFRS 10 definition, the standard will have no impact on the Group.

- IFRS 11 Joint Arrangements, effective 1 January 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. As the Group has no joint arrangements, there will be no impact.

- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014. IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previous existing disclosure requirements for subsidiaries. The standard will not affect the Group's financial position or performance and additional disclosures will be included in the financial statements.

- IFRS 10-12 - Transition Guidance, effective 1 January 2014. The amendments clarify the transition guidance in IFRS 10 'Consolidated Financial Statements' and also provide additional transition relief in IFRS 10, IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'. The transition guidance will have no impact on the Group.

- IFRS 10, IFRS 12 and IAS 27 - Investment Entities, effective 1 January 2014. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to measure particular subsidiaries at fair value through profit or loss. The amendments will have no impact on the Group, as the Group is not considered to be an investment entity in accordance with the IFRS 10 definition.

- IAS 27 Separate Financial Statements. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The revised standard will have no impact on the Group's financial position and performance. The revised standard becomes effective for financial years beginning on or after 1 January 2014.

- IAS 28 Investments in Associates and Joint Ventures. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As Eurocommercial Properties N.V. holds 100 per cent interest in all of its subsidiaries, this standard will have no impact on the Group. The revised standard becomes effective for financial years beginning on or after 1 January 2014.

- IAS 32 Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities, effective 1 January 2014. The amendments clarify the meaning of "currently has a legally enforceable right to set off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendment will not affect Eurocommercial Properties N.V. as the Group does not set off financial instruments. The revised standard becomes effective for financial years beginning on or after 1 January 2014.

- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets. The amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGU's) for which impairment losses have been recognised or reversed during the period. As the Group has no impairment of assets, there will be no impact. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. As the Group does not apply hedge accounting, there will be no impact. These amendments become effective for financial years beginning on or after 1 January 2014.

- IFRIC 21 Levies - IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation will have no impact on the Group's financial position and performance. The interpretation becomes effective for financial years beginning on or after 17 June 2014.

(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.

Notes to the consolidated financial statements

1. Principal accounting policies (continued)

(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, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

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

Holgura B.V., Amsterdam	ECP Karlskrona AB, Stockholm
Sentinel Holdings B.V., Amsterdam	ECP Moraberg Holding AB, Stockholm
Eurocommercial Properties Ltd., London	ECP Moraberg KB, Stockholm
Eurocommercial Properties Caumartin S.N.C., Paris	Eurocommercial Properties Sweden AB, Stockholm
Eurocommercial Properties France S.A.S., Paris	Fastighetsbolaget ES Örebro AB, Stockholm
Eurocommercial Properties Taverny S.N.C., Paris	Hälla Shopping Fastighets AB, Stockholm
Betulla S.r.l., Milan	KB Degeln 1, Stockholm
Eurocommercial Properties Italia S.r.l., Milan	Kronan Fastigheter i Karlskrona AB, Stockholm
Aktiebolaget Laholm Mellby 2:129, Stockholm	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
ECP Hälla Köpmannen 4 AB, Stockholm	Ugglum Fastigheter AB, Stockholm
ECP Högsbo AB, Stockholm	

(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.

Foreign currency translations

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

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

1. Principal accounting policies (continued)

Property investments and property investments under development

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

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

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

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

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

Property investments held for sale

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

Fixed assets

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

Share capital

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

Borrowings

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

Notes to the consolidated financial statements

1. Principal accounting policies (continued)

Non-current creditors
Non-current creditors are stated at amortised cost.

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

Derivative financial instruments are recognised initially at trade date at fair value (cost price). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on measurement to fair value is recognised in profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, the current creditworthiness of the swap counterparties and the Group's own creditworthiness. Derivative financial instruments concern only derivative interest rate swap contracts. 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.

Provisions
A provision is recognised in the balance sheet when a legal or constructive obligation would exist, as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company has various defined contribution pension plans and only one defined benefit pension plan for a limited number of employees. The net receivable or liability in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of the plan assets is deducted. The defined benefit obligation is calculated annually by an independent external actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised in 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 and loss account on a straight-line basis over the term of the lease. Rent-free periods, rent discounts and other lease incentives are recognised over the term of the lease, or over the period until the first break option if shorter, on a straight-line basis as a reduction of rental income. This applies mutatis mutandis for entry fees as an increase of rental income.

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

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 its staff and offices and some local taxes, accounting, audit and advisory fees, which are charged to the relevant buildings rather than the general expense pool. These expenses at a Group level are referred to as indirect property expenses.

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

Company expenses and investment expenses
Company expenses comprise general 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 and the unrealised movement in the provision for pensions, are recognised as investment expenses.

1. Principal accounting policies (continued)

Stock options and performance shares granted to employees

Since 2000 a stock option plan has been in place for Managing Directors and certain staff of the Company. The stock option plan (SOP) has been replaced by a performance share plan (PSP) in the financial year 2011/2012. The cost of stock options/performance shares granted under these plans are measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model. The cost is recognised, together with a corresponding increase in shareholders' equity, over the period in which the performance and service conditions are fulfilled ending on the vesting date.

Current tax and deferred tax

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

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

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

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

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

Cash flow statement

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

Segment information

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

Notes to the consolidated financial statements

2. Segment information

	France		Italy		Sweden		The Netherlands		Total	
	2013/2014 €'000	2012/2013 €'000	2013/2014 €'000	2012/2013 €'000	2013/2014 €'000	2012/2013 €'000	2013/2014 €'000	2012/2013 €'000	2013/2014 €'000	2012/2013 €'000
Rental income	61,939	57,726	74,647	73,384	38,313	41,486	0	0	174,899	172,596
Service charges income	7,065	7,057	8,197	8,285	11,106	13,076	0	0	26,368	28,418
Service charges expenses	(8,262)	(8,394)	(8,197)	(8,285)	(12,770)	(14,646)	0	0	(29,229)	(31,325)
Property expenses	(6,982)	(7,256)	(12,523)	(12,265)	(5,555)	(5,800)	0	0	(25,060)	(25,321)
Net property income	53,760	49,133	62,124	61,119	31,094	34,116	0	0	146,978	144,368
Investment revaluation and disposal of investment properties	17,463	34,112	8,092	(25,000)	7,651	(6,656)	(122)	2,411	33,084	4,867
Segment result	71,223	83,245	70,216	36,119	38,745	27,460	(122)	2,411	180,062	149,235
Net financing cost									(65,266)	(31,290)
Company expenses									(11,120)	(10,261)
Investment expenses									(1,953)	(2,449)
Profit before taxation									101,723	105,235
Current tax									(228)	(505)
Deferred tax									(1,705)	18,578
Profit after taxation									99,790	123,308

	France		Italy		Sweden		The Netherlands		Total	
	30-06-14 €'000	30-06-13 €'000	30-06-14 €'000	30-06-13 €'000	30-06-14 €'000	30-06-13 €'000	30-06-14 €'000	30-06-13 €'000	30-06-14 €'000	30-06-13 €'000
Property investments	1,043,500	995,100	1,040,700	1,026,000	604,403	619,323	0	0	2,688,603	2,640,423
Property investments under development	0	24,600	0	0	0	0	0	0	0	24,600
Tangible fixed assets	351	317	1,278	1,352	141	198	136	167	1,906	2,034
Receivables	20,993	20,486	6,007	5,600	2,414	2,446	988	732	30,402	29,264
Deferred tax assets	0	0	800	284	0	0	0	0	800	284
Cash and deposits	2,288	3,730	746	21,302	15,704	10,634	66,634	15,756	85,372	51,422
Property investments held for sale	0	141,000	0	0	0	0	0	0	0	141,000
Total assets	1,067,132	1,185,233	1,049,531	1,054,538	622,662	632,601	67,758	16,655	2,807,083	2,889,027
Creditors	26,912	33,058	16,211	16,682	15,127	14,658	7,214	2,107	65,464	66,505
Non-current creditors	8,641	9,332	2,081	1,792	11	13	0	0	10,733	11,137
Borrowings	371,328	395,021	548,142	590,360	233,766	246,542	20,000	55,000	1,173,236	1,286,923
Derivative financial instruments	17,960	23,441	98,354	84,405	16,065	12,504	0	0	132,379	120,350
Deferred tax liabilities	0	0	0	0	36,795	36,192	0	0	36,795	36,192
Provision for pensions	0	0	0	0	0	0	1,844	1,856	1,844	1,856
Total liabilities	424,841	460,852	664,788	693,239	301,764	309,909	29,058	58,963	1,420,451	1,522,963
Acquisitions, divestments and capital expenditure (including capitalised interest)	(134,695)	169,443	6,398	11,034	4,813	(60,616)	0	0	(123,484)	119,861

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 2014 €1 was SEK 9.1762 (30 June 2013: SEK 8.7773) and €1 was GBP 0.8015 (30 June 2013: GBP 0.8572).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	2013/2014 €'000	2012/2013 €'000
Gross lease payments collected/accrued	173,851	171,621
Entry fees received/accrued	1,048	975
	174,899	172,596

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:

	2013/2014 €'000	2012/2013 €'000
– less than one year	144,296	151,210
– one to five years	321,678	380,147
– five years or more	64,635	144,008
	530,609	675,365

Approximately 1.1 per cent of the rental income for the year ended 30 June 2014 is turnover rent (2012/2013: 1.4 per cent).

Service charges income of €26.4 million (2012/2013: €28.4 million) represents income receivable from tenants for the services of utilities, caretakers, etc. when the Group acts as principal.

Notes to the consolidated financial statements

5. Property expenses

Property expenses in the current financial year were:

	2013/2014 €'000	2012/2013 €'000
Direct property expenses		
Bad debts	323	599
Centre marketing expenses	2,186	2,446
Insurance premiums	657	585
Managing agent fees	1,951	1,952
Property taxes	2,736	2,750
Repair and maintenance	1,345	1,310
Shortfall service charges	398	303
	9,596	9,945
Indirect property expenses		
Accounting fees	409	398
Audit fees	265	291
Depreciation fixed assets	528	380
Dispossession indemnities	581	993
Italian local tax (IRAP)	1,247	1,564
Legal and other advisory fees	1,467	1,728
Letting fees and relocation expenses	1,571	1,856
Local office and accommodation expenses	1,387	1,471
Pension contributions	136	97
Salaries, wages and bonuses	4,573	3,670
Social security charges	1,785	1,448
Stock options and performance shares granted (IFRS 2)	(89)	187
Travelling expenses	577	547
Other local taxes	772	562
Other expenses	255	184
	15,464	15,376
	25,060	25,321

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 2018 and September 2017 respectively. The depreciation amount is €445,000 (2012/2013: €244,000) for the Milan office, €36,000 (2012/2013: €105,000) for the Paris office and €47,000 (2012/2013: €31,000) 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:

	2013/2014 €'000	2012/2013 €'000
Revaluation of property investments	32,604	(10,295)
Revaluation of property investments under development	0	(692)
Revaluation of property investments held for sale	0	8,002
Disinvestment movement property sold	594	(1,696)
Elimination of accrued entry fees	(527)	3,362
Elimination of capitalised letting fees	537	2,764
Movement long term creditors	(145)	207
Foreign currency results	(149)	3,247
Other movements	170	(32)
	33,084	4,867

6. Investment revaluation and disposal of investment properties (continued)

The movement of foreign currency results on finance includes a realised amount of €20,000 negative (2012/2013: €3,434,000 positive) and an unrealised amount of €129,000 negative (2012/2013: €187,000 negative) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

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

7. Net financing costs

Net financing costs in the current financial year comprised:

	2013/2014 €'000	2012/2013 €'000
Interest income	1,330	2,479
Gross interest expense	(54,182)	(54,537)
Capitalised interest	178	289
Unrealised fair value movement derivative financial instruments	(12,592)	28,517
Realised fair value movement interest rate swaps	0	(8,038)
	(65,266)	(31,290)

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method and 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 4.8 per cent (2012/2013: 4.8 per cent).

8. Company expenses

Company expenses in the current financial year comprised:

	2013/2014 €'000	2012/2013 €'000
Audit fees	292	261
Depreciation fixed assets	239	366
Directors' fees	1,709	1,246
Legal and other advisory fees	928	876
Marketing expenses	435	443
Office and accommodation expenses	1,456	1,406
Pension – unrealised movement in the provision for pensions*	(86)	(315)
Pension contributions	809	798
Salaries, wages and bonuses	3,743	2,852
Social security charges	448	433
Statutory costs	540	595
Stock options and performance shares granted (IFRS 2)	(283)	372
Travelling expenses	427	470
Other expenses	463	458
	11,120	10,261

* This item is part of the indirect investment result. The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

Office and accommodation expenses include the expenses of the Amsterdam and London offices and include rent paid under operating leases for the Company's head office at Herengracht 469, Amsterdam and the Group office at 4 Carlton Gardens, London. These leases are standard lease contracts with no contingent rents and sublease payments and expire in September 2018 and March 2018 respectively. The depreciation amount is €209,000 (2012/2013: €326,000) for the Amsterdam office and €30,000 (2012/2013: €40,000) for the London office.

Notes to the consolidated financial statements

9. Personnel costs

Total personnel costs in the current financial year comprised:

	2013/2014 €'000	2012/2013 €'000
Salaries and wages	8,248	7,398
Social security charges and taxes	2,512	2,042
Pension – unrealised movement in the provision for pensions	(86)	(315)
Pension contributions	982	932
Bonuses	2,712	966
Stock options and performance shares granted (IFRS 2)	(78)	1,117
	14,290	12,140

Total personnel costs are partly presented under (indirect) property expenses (€6,405,000 (2012/2013: €5,402,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€6,340,000 (2012/2013: €5,386,000)) and partly under investment expenses (€1,545,000 (2012/2013: €1,352,000)). Under the pension contributions an amount of €575,000 is related to the total of defined contribution plans (30 June 2013: €582,000). The bonuses paid to senior executives are directly linked to the annual growth in the Company's net asset value and dividend per share and are also directly linked to the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to a peer group of ten listed retail property companies. The Group employed an average of 67 full-time equivalent persons during the financial year (2012/2013: 64), of which 14 are based in The Netherlands, 12 in the UK, 17 in France, 16 in Italy and eight in Sweden. The Group staff (members of the Board of Management excluded) holds 11,758 depositary receipts and 262,622 ordinary registered shares in total, representing 0.09 per cent of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprised:

	2013/2014 €'000	2012/2013 €'000
Aborted acquisition costs	0	646
Bonuses linked to NAV growth and relative performance	1,087	717
Social security charges and taxes	164	77
Stock options and performance shares granted (IFRS 2)	294	558
Property valuation fees	408	451
	1,953	2,449

11. Taxation

Total tax in the current financial year comprised:

	2013/2014 €'000	2012/2013 €'000
Current tax Italy	209	494
Current tax United Kingdom	19	11
Current tax	228	505
Deferred tax on realised value movements investment property Sweden	0	(23,708)
Deferred tax on realised value movements disposal property Sweden	0	9,140
Deferred tax on realised value movements derivative financial instruments Sweden	0	1,785
Deferred tax on unrealised value movements investment property Italy and Sweden	4,160	(3,510)
Deferred tax on related tax rate deduction in Sweden and UK	0	(6,762)
Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden	(907)	1,235
Movement tax losses recognised Italy and Sweden	(1,548)	3,242
Deferred tax	1,705	(18,578)
Total tax	1,933	(18,073)

11. Taxation (continued)

Reconciliation of total tax:

	2013/2014 €'000	2012/2013 €'000
Tax-exempt income (including effect of FBI and SIIC)	67,145	89,462
Profit before tax attributable to Swedish tax rate of 22%	11,147	782
Profit before tax attributable to Italian tax rate of 27.5%/31.4%	23,398	14,567
Profit before tax attributable to UK tax rate of 23%	33	35
Profit before taxation	101,723	104,846

Tax on profit before tax attributable to Italian taxable subsidiaries at a tax rate of 27.5%/31.4%	6,434	4,006
Tax on profit before tax attributable to Swedish taxable subsidiaries at a tax rate of 22%	2,452	172
Tax on profit before tax attributable to UK taxable subsidiary at a tax rate of 23%	7	8
Movement unrecognised tax losses Italy	(8,034)	(5,056)
Benefit of related tax rate deduction in Sweden and UK	0	(6,762)
Benefit of property sale Sweden	0	(12,782)
Non-taxable income/expense Italy, Sweden and UK	1,074	2,341
Total tax	1,933	(18,073)

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

In Italy and Sweden the properties are held by taxable entities. In Italy the nominal tax rate is 31.40 per cent or 27.50 per cent depending on the type of property and in Sweden the nominal tax rate is 22 per cent. The nominal tax rate for the subsidiary in the United Kingdom is 23 per cent.

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

Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data, including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2014.

Property investments held for sale

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

The total purchasers' costs including registration tax, which are excluded from the fair value of the property investments and property investments under development, for the financial year ended 30 June 2014 were as follows:

	30-06-14				30-06-13			
	France*	Italy	Sweden	Total	France	Italy	Sweden	Total
Purchasers' costs (%)	6.5	4.0	1.0	4.3	6.1	4.0	1.0	4.2
Purchasers' costs (€'000)	67,667	41,796	6,064	115,527	70,700	41,160	6,302	118,162

* Several départements increased their registration taxes for this year from 6.2% to 6.9%, which had a negative impact of €3.7 million on the French net valuations.

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. Due to the limited number of property transactions, some valuation reports for the Italian portfolio as per 30 June 2014 contain an uncertainty paragraph setting out these circumstances.

Vacancies in the property portfolio represent 0.7 per cent of rental income (30 June 2013: 1 per cent).

Notes to the consolidated financial statements

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

The current property portfolio is:

	30-06-14 Book value €'000	30-06-13 Book value €'000	30-06-14 Costs to date €'000	30-06-13 Costs to date €'000
France				
Amiens Glisy, Amiens*	47,500	46,800	16,066	16,006
Les Grands Hommes, Bordeaux	17,800	17,800	18,224	18,150
Saint Doulchard, Bourges*	39,100	39,000	49,665	48,869
Chasse Sud, Chasse-sur-Rhône*	56,000	55,000	60,044	59,087
Les Allées de Cormeilles, Cormeilles*	40,500	41,000	44,733	44,781
Les Trois Dauphins, Grenoble*	36,800	35,800	25,686	25,471
Centr'Azur, Hyères*	51,600	50,400	21,754	21,744
Plaine de France, Moisselles*	75,200	75,200	62,765	62,922
Passage du Havre, Paris*	324,100	306,600	189,265	187,369
Passy Plaza, Paris	0	141,000	0	75,406
74 rue de Rivoli, Paris*	56,300	53,600	20,640	20,723
Les Portes de Taverny, Taverny*	61,500	59,300	25,119	24,329
Val Thoiry, Thoiry	107,700	111,400	112,020	110,993
Les Atlantes, Tours*	129,400	127,800	56,834	56,033
	1,043,500	1,160,700	702,815	771,883
Italy				
Curno, Bergamo*	97,400	96,200	34,604	34,503
Centro Lame, Bologna*	36,200	36,200	29,709	29,697
Cremona Po, Cremona*	80,200	80,400	83,998	82,610
Il Castello, Ferrara*	104,700	99,300	84,851	84,735
I Gigli, Firenze*	250,800	244,300	212,492	209,262
Centro Leonardo, Imola	66,500	66,200	65,037	65,069
La Favorita, Mantova*	43,900	45,000	34,066	33,893
Carosello, Carugate, Milano*	295,600	292,000	188,575	187,838
I Portali, Modena*	40,800	41,200	42,561	41,985
Centroluna, Sarzana*	24,600	25,200	14,923	14,825
	1,040,700	1,026,000	790,816	784,417
Sweden				
421, Göteborg*	82,607	86,359	88,920	88,822
Eurostop, Halmstad	64,734	66,080	70,130	69,240
Kronan, Karlskrona*	18,962	19,482	16,724	16,671
Bergvik, Karlstad*	73,016	75,080	37,714	37,763
Mellby Center, Laholm*	18,417	19,026	15,626	15,652
Ingelsta Shopping, Norrköping*	107,891	110,398	93,215	92,302
Elins Esplanad, Skövde*	78,466	80,320	58,969	58,098
Moraberg, Södertälje	44,464	45,230	38,895	38,508
Hälla Shopping, Västerås*	16,674	17,203	21,594	21,050
Grand Samarkand, Växjö*	99,172	100,145	79,481	78,349
	604,403	619,323	521,268	516,455
	2,688,603	2,806,023	2,014,899	2,072,755
Less: Property investments held for sale	0	(141,000)	0	(75,406)
Property investments	2,688,603	2,665,023	2,014,899	1,997,349

* These properties carry mortgage debt up to €1,093 million at 30 June 2014 (30 June 2013: €1,179 million).

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

The following table shows an analysis of the fair value of property investments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1 30-06-14 €'000	Level 1 30-06-13 €'000	Level 2 30-06-14 €'000	Level 2 30-06-13 €'000	Level 3 30-06-14 €'000	Level 3 30-06-13 €'000	Total fair value 30-06-14 €'000	Total fair value 30-06-13 €'000
Property investments	0	0	0	0	2,688,603	2,640,423	2,688,603	2,640,423
Property investments under development	0	0	0	0	0	24,600	0	24,600
Property investments held for sale	0	0	0	0	0	141,000	0	141,000
	0	0	0	0	2,688,603	2,806,023	2,688,603	2,806,023

The following assumptions were applied by the valuers as per 30 June 2014:

	30-06-14			30-06-13		
	France	Italy	Sweden	France	Italy	Sweden
Passing rent per m² (€; average)	281	301	197	274	300	186
Estimated rent value per m² (€; average)	287	306	205	290	303	196
Net initial yield (%; average)	5.1	6.3	5.6	5.1	6.3	5.7
Reversionary yield (%; average)	5.4	6.3	5.8	5.5	6.3	6.0
Inflation rate (%; min/max)*	n.a.	1.7/2.0	2.0/2.0	n.a.	1.7/2.1	2.0/2.0
Long term growth in rental value (%; min/max)*	n.a.	1.6/2.0	n.a.	n.a.	1.6/2.1	n.a.

* When DCF method is used.

A sensitivity analysis of the valuations is made by the valuers based on the assumptions of the two major items listed below. The amounts reflect the increase or decrease of the value of the respective property portfolio.

	30-06-14				30-06-13			
	France €'000	Italy €'000	Sweden €'000	Total €'000	France €'000	Italy €'000	Sweden €'000	Total €'000
Increase in the average net initial yield by 25 bps	(44,860)	(33,070)	(22,220)	(100,150)	(46,290)	(32,250)	(24,520)	(103,060)
Increase in the average net initial yield by 50 bps	(86,230)	(63,680)	(43,690)	(193,600)	(89,226)	(61,490)	(47,070)	(197,786)
Decrease in the average net initial yield by 25 bps	51,710	36,070	26,230	114,010	52,467	34,580	26,710	113,757
Decrease in the average net initial yield by 50 bps	107,970	74,880	53,880	236,730	110,252	72,220	55,930	238,402
Increase in the estimated rental value of 5 per cent	38,600	21,500	25,560	85,660	37,369	23,100	25,490	85,959
Increase in the estimated rental value of 10 per cent	76,420	42,950	51,010	170,380	74,388	46,350	50,990	171,728
Decrease in the estimated rental value of 5 per cent	(39,410)	(21,490)	(25,500)	(86,400)	(39,300)	(23,240)	(25,490)	(88,030)
Decrease in the estimated rental value of 10 per cent	(80,270)	(42,910)	(50,900)	(174,080)	(79,627)	(46,390)	(50,990)	(177,007)

Changes in property investments and property investments held for sale for the financial year ended 30 June 2014 were as follows:

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	2,781,423	2,690,467
Acquisitions	0	198,382
Capital expenditure – general	11,898	9,554
Capital expenditure – extensions and refurbishments	5,977	20,994
Capitalised interest	178	289
Capitalised letting fees	(537)	(2,764)
Elimination of capitalised letting fees	537	2,764
Revaluation of property investments	32,604	(10,295)
Revaluation of property investments held for sale	0	8,002
Reallocation from properties under development	24,600	0
Book value divestment property	(141,000)	(131,886)
Exchange rate movement	(27,077)	(4,084)
Book value at end of year	2,688,603	2,781,423

Notes to the consolidated financial statements

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

Changes in property investments under development for the financial year ended 30 June 2014 were as follows:

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	24,600	0
Capital expenditure	0	25,292
Capitalised interest	0	0
Revaluation property investments under development	0	(692)
Reallocation to property investments	(24,600)	0
Book value at end of year	0	24,600

13. Tangible fixed assets

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

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	2,034	836
Additions	639	2,040
Depreciation	(767)	(746)
Disposals	0	(96)
Book value at end of year	1,906	2,034
Cost at end of year	5,039	4,405
Accumulated depreciation	(3,133)	(2,371)
Book value at end of year	1,906	2,034

During the financial year ended 30 June 2014 tangible fixed assets with a total cost price of €5,000 were disposed of or out of use (30 June 2013: disposals €430,000).

14. Receivables

	30-06-14 €'000	30-06-13 €'000
Funds held by managing agents	1,467	2,045
Prepaid acquisition costs	1,754	0
Provision for bad debts	(1,289)	(1,232)
Rents receivable	21,280	19,553
Trademark licence	0	292
VAT receivable	1,530	2,380
Other receivables and prepayments	5,660	6,226
	30,402	29,264

Receivables at 30 June 2014 include an amount of €0.2 million (30 June 2013: €0.2 million) which is due after one year.

15. Cash and deposits

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

	30-06-14 €'000	30-06-13 €'000
Bank balances	27,219	15,002
Deposits	58,153	36,420
	85,372	51,422

16. Creditors

	30-06-14 €'000	30-06-13 €'000
(i) Current liabilities		
Interest payable	8,569	9,720
Local and property tax payable	435	844
Payable on purchased property/extensions	12,043	18,761
Rent received in advance	23,090	20,711
VAT payable	1,372	424
Other creditors and accruals	19,955	16,045
	65,464	66,505
(ii) Non-current liabilities		
Tenant rental deposits	10,733	11,137
	10,733	11,137

17. Borrowings

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	1,286,923	1,252,744
Drawdown of funds	155,867	278,469
Repayments	(259,178)	(243,909)
Exchange rate movement	(10,633)	(343)
Movement prepaid borrowing costs	257	(38)
Book value at end of year	1,173,236	1,286,923

89 per cent of the borrowings are at a floating interest rate, rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 11 per cent of the borrowings are at a fixed interest rate and the interest rate risk is managed by fixing the interest to maturity at the drawdown date.

	Borrowings €'000	Borrowing cost €'000	30-06-14 €'000	Fair value €'000	30-06-14 %	30-06-13 €'000	Fair value €'000	30-06-13 %
Borrowings with floating interest rate	1,047,312	(2,416)	1,044,896	1,047,312	89	1,156,030	1,156,030	90
Borrowings with fixed interest rate	129,913	(1,573)	128,340	143,562	11	130,893	136,164	10
Total borrowings	1,177,225	(3,989)	1,173,236	1,190,874	100	1,286,923	1,292,194	100

	30-06-14				30-06-13
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Current borrowings	52,083	79,852	131,935	1.6	293,280
Non-current borrowings					
One to two years	238,931	0	238,931		28,728
Two to five years	458,531	0	458,531		532,491
Five to ten years	263,828	0	263,828		351,053
More than ten years	84,000	0	84,000		85,625
Total non-current borrowings	1,045,290	0	1,045,290	4.4	997,897
Borrowing costs	(3,989)	0	(3,989)		(4,254)
Total borrowings	1,093,384	79,852	1,173,236	4.1	1,286,923

Notes to the consolidated financial statements

17. 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
2013/2014						
Euro	815,913	127,243	943,156	4.3	8.3	5.0
Swedish krona	146,905	87,164	234,069	3.2	4.2	3.0
Borrowing costs	(3,989)	0	(3,989)			
	958,829	214,407	1,173,236	4.1	7.6	4.6
2012/2013						
Euro	883,690	160,710	1,044,400	4.2	7.7	5.1
Swedish krona	153,578	93,199	246,777	3.6	4.9	2.7
Borrowing costs	(4,254)	0	(4,254)			
	1,033,014	253,909	1,286,923	4.1	7.2	4.6

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

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

The borrowings are all directly from major banks with average committed unexpired terms of almost five years. Borrowings of €1,093 million are secured on property (30 June 2013: €1,133 million). The average interest rate during the financial year ended 30 June 2014 on non-current borrowings including hedges was 4.4 per cent (2012/2013: 4.8 per cent). The average interest rate is calculated as the weighted average interest rate over the remaining principals until the respective interest maturity dates. There have been no defaults during the financial year in respect of any of the borrowings at 30 June 2014.

The Company repaid €75 million of short-term bank loans due to the sale of Passy Plaza, Paris in October 2013. In June 2014 Eurocommercial extended the terms on a portfolio of loans for an amount of €93 million with one of its Swedish banks for a period of three years. The Company also positively renegotiated the margins on loans for an amount of €86 million granted by Italian banks.

At 30 June 2014 the Group has at its disposal undrawn borrowing facilities for a total amount of €75 million (30 June 2013: €43 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes.

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

18. Financial instruments

Financial risks

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

Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of the Group's counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks have a credit rating of AA- (23 per cent), A+ (37 per cent), A (three per cent) and BBB+ (26 per cent) and 11 per cent has no rating from Fitch; and Aa2 (11 per cent), Aa3 (23 per cent), A2 (33 per cent), A1 (four per cent), Baa2 (23 per cent) and Baa3 (six per cent), according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the basis of their financial strength.

The carrying amounts of the financial assets represent the maximum credit risk and was made up as follows:

Carrying amount of financial assets	Note	30-06-14 €'000	30-06-13 €'000
Receivables	14	30,402	29,264
Cash and deposits	15	85,372	51,422
		115,774	80,686

18. Financial instruments (continued)

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

	30-06-14				30-06-13			
	Rents receivable	Provision for bad debts	Other receivables	Receivables	Rents receivable	Provision for bad debts	Other receivables	Receivables
Due and overdue by 0-90 days (€'000)	19,674	(35)	10,411	30,050	16,512	0	10,943	27,455
Overdue by 90-120 days (€'000)	213	(51)	0	162	60	0	0	60
Overdue by more than 120 days (€'000)	1,393	(1,203)	0	190	2,981	(1,232)	0	1,749
	21,280	(1,289)	10,411	30,402	19,553	(1,232)	10,943	29,264

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €10.7 million (2013: €11.1 million) in addition to bank guarantees.

Liquidity risk

In order to reduce liquidity risk, the repayment dates of borrowings are well spread over time and 89 per cent of borrowings are long-term, with 30 per cent of borrowings with a remaining term of more than five years. The Group aims to enter into long-term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was almost five years. Group borrowings will not exceed the adjusted net equity of the Company, so that the debt to equity ratio is less than one, which further mitigates risk. The ratios to which the Group has committed itself are monitored at regular intervals. The net debt to adjusted net equity ratio at 30 June 2014 was 0.70 (30 June 2013: 0.81).

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

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

	30-06-14				30-06-13			
Undiscounted cash flows	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000
Non-current borrowings	1,045,290	0	697,461	347,829	997,897	0	561,219	436,678
Current borrowings	131,935	131,935	0	0	293,280	293,280	0	0
Interest derivative financial instruments	203,288	29,709	89,253	84,326	221,385	31,918	98,335	91,132
Interest on borrowings	86,874	18,126	47,148	21,600	98,542	19,477	50,971	28,094
Tenant rental deposits	12,232	2,316	5,959	3,957	12,765	2,826	6,390	3,549
Other creditors	56,895	56,895	0	0	56,785	56,785	0	0
	1,536,514	238,981	839,821	457,712	1,680,654	404,286	716,915	559,453

Foreign currency risk

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

SEK borrowings amount to €234.1 million (30 June 2013: €246.8 million). The total property investments in Sweden are €604.4 million (30 June 2013: €619.3 million) so 39 per cent of this SEK exposure is hedged through these borrowings at 30 June 2014 (30 June 2013: 40 per cent). The remaining exposure is relatively limited compared to the total size of the portfolio and will, in principle, not be hedged. A weakening of this currency by five per cent would result, for example, in a decrease of shareholders' equity of only 1.2 per cent and a decrease of less than 1 per cent of the profit after taxation.

The Group also has a small foreign currency exposure of approximately €5.3 million to the British pound as a result of company expenses relating to the London office and staff.

Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivatives to protect the Company against increases in interest rates. The Company intends to hedge the majority of its loans outstanding for the medium to long-term (five to 15 years). The fair value (mark to market) of the current interest rate hedge instruments as at 30 June 2014 is a negative value of €132.4 million (30 June 2013: negative €120.3 million).

The interest rate hedge instruments as at 30 June 2014 have a weighted average maturity of almost eight years and the Company is hedged at an average interest rate of 3.7 per cent excluding margins (30 June 2013: 3.8 per cent). Only 18 per cent (30 June 2013: 20 per cent) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of 1 per cent would therefore only have a limited negative impact of an additional annual interest expense of €2.14 million (30 June 2013: €2.54 million) or 2.6 per cent (30 June 2013: 3.1 per cent) of reported direct investment result.

If at 30 June 2014 the euro interest curve and the Swedish interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholder's equity by €30.7 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the shareholder's equity by €32.0 million. Both calculations assume that all other variables were held constant and do not take into account the impact of deferred tax.

Notes to the consolidated financial statements

18. Financial instruments (continued)

Maturity profile derivative financial instruments	30-06-14 Notional amount €'000	30-06-14 Fair value €'000	30-06-13 Notional amount €'000	30-06-13 Fair value €'000
Up to one year	30,898	(1,285)	24,399	(2,623)
From one year to two years	29,000	(3,826)	83,393	(6,925)
From two years to five years	226,895	(49,097)	342,711	(48,080)
From five years to ten years	466,113	(49,641)	364,075	(41,573)
Over ten years	80,000	(28,530)	90,000	(21,149)
	832,906	(132,379)	904,578	(120,350)

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 table above, the financial instruments portfolio as per the balance sheet date included forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €255 million (2013: €280 million), forward starting interest rate swaps for a notional amount of €11 million (2013: €11 million), interest rate caps for a notional amount of €70 million (2013: €70 million) and basis interest rate swaps swapping three months Euribor for one month Euribor for a notional amount of €80 million (2013: €155 million). Although the notional amounts of the aforesaid financial instruments are not included in the table above, the fair value of these financial instruments is reported in the table above.

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

Derivative financial instruments	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	(120,350)	(148,616)
Unrealised fair value movement interest rate swaps	(12,592)	28,518
Exchange rate movement	563	(252)
Book value at end of year	(132,379)	(120,350)

Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2014) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date, together with an ageing analysis according to interest rate revision dates.

	30-06-14				30-06-13			
	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received
Effective interest rate (%)	1.37	2.92	3.94	0.43	1.34	2.96	3.79	0.38
Up to one year (€'000)	129,068	2,867	30,898	30,898	290,503	2,777	24,399	24,399
From one year to two years (€'000)	235,951	2,980	29,000	29,000	25,862	2,867	83,396	83,396
From two years to five years (€'000)	448,865	9,666	221,446	221,446	523,192	9,298	342,712	342,712
From five years to ten years (€'000)	149,428	114,400	471,562	471,562	233,305	117,748	364,071	364,071
Over ten years (€'000)	84,000	0	80,000	80,000	85,625	0	90,000	90,000
	1,047,312	129,913	832,906	832,906	1,158,487	132,690	904,578	904,578

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2014) on both borrowings and derivatives are expected to occur on the basis of the loan and interest rate swap agreements entered into by the Group, as per the balance sheet date:

Interest cash flows	Borrowings floating rate €'000	Borrowings fixed rate €'000	Swaps fixed rate €'000	Swaps floating rate €'000	Total €'000
Up to one year	14,335	3,792	33,640	(3,931)	47,836
From one year to two years	12,795	3,708	32,362	(3,874)	44,991
From two years to five years	20,058	10,588	70,028	(9,262)	91,412
From five years to ten years	9,588	8,073	36,038	(4,228)	49,471
Over ten years	3,938	0	56,909	(4,393)	56,454
	60,714	26,161	228,977	(25,688)	290,164

18. Financial instruments (continued)

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	30-06-14 €'000 Carrying amount	30-06-14 €'000 Fair value	30-06-13 €'000 Carrying amount	30-06-13 €'000 Fair value
Receivables	14	B	30,402	30,402	29,264	29,264
Cash and deposits	15	B	85,372	85,372	51,422	51,422
			115,774	115,774	80,686	80,686
Creditors	16	D	76,197	76,197	77,642	77,642
Borrowings	17	D	1,173,236	1,190,874	1,286,923	1,292,194
Derivative financial instruments (liabilities)		A	132,379	132,379	120,350	120,350
			1,381,812	1,399,450	1,484,915	1,490,186

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 €128,340,000), the fair value was based upon the confirmations received from the bank. The borrowings with a floating interest rate (carrying amount of €1,044,896,000), 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 approximate fair value for the other balance sheet items.

Fair value hierarchy

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

	Level 1 30-06-14 €'000	Level 1 30-06-13 €'000	Level 2 30-06-14 €'000	Level 2 30-06-13 €'000	Level 3 30-06-14 €'000	Level 3 30-06-13 €'000	Total fair value 30-06-14 €'000	Total fair value 30-06-13 €'000
Creditors	0	0	76,197	77,642	0	0	76,197	77,642
Borrowings	0	0	1,190,874	1,292,194	0	0	1,190,874	1,292,194
Derivative financial instruments (liabilities)	0	0	132,379	120,350	0	0	132,379	120,350

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

19. Deferred tax assets and liabilities

Deferred tax assets of €0.8 million relate to the Italian tax losses carried forward, which can be compensated by future taxable profits. As per 30 June 2014 a deferred tax asset for the net result between the positive fair value property investments and the negative fair value of the derivative financial instruments for an amount of €1.7 million (30 June 2013: €9.7 million) is not recognised in Italy. The reason is that the Company holds these financial instruments to hedge its Italian interest exposure, therefore the higher deferred tax asset will not be materialised in the future. The applicable tax rate for the calculation of the deferred tax asset is 27.50 per cent. The total unrecognised losses carried forward of the Italian subsidiaries are €13.0 million as at 30 June 2014 (30 June 2013: €39.7 million) and can be carried forward for an indefinite period.

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

	30-06-13 €'000	Recognised in profit and loss account €'000	Release to profit and loss account due to property sale €'000	Disposal of investment property €'000	Exchange rate movement €'000	30-06-14 €'000
Investment property	(46,136)	(4,160)	0	0	2,074	(48,222)
Derivative financial instruments	2,752	907	0	0	(124)	3,535
Tax value of loss carry-forwards recognised	7,192	1,032	0	0	(332)	7,892
Total deferred tax liabilities	(36,192)	(2,221)	0	0	1,618	(36,795)
Deferred tax assets	284	516	0	0	0	800
	(35,908)	(1,705)	0	0	1,618	(35,995)

Notes to the consolidated financial statements

19. Deferred tax assets and liabilities (continued)

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

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

As at 30 June 2014 the total amount of deferred tax liabilities of €36.8 million is related to Sweden (30 June 2013: €36.2 million for Sweden).

20. Provision for pensions

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

The major categories of plan assets are as follows:

	30-06-2014	30-06-2013
Investments quoted in active markets:	0	0
Unquoted investments:		
Investment funds – equities	5,169	4,172
Investment funds – bonds	890	623
Investment funds – property	250	247
Investment funds – cash	367	205
	6,676	5,247

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 30-06-2013/30-06-2012	5,247	(7,103)	(1,856)	4,089	(5,987)	(1,898)
Service cost	0	(443)	(443)	0	(361)	(361)
Interest income/(expenses)	255	(336)	(81)	181	(250)	(69)
Pension cost charged to profit and loss account	255	(779)	(524)	181	(611)	(430)
Return on plan assets	211	0	211	477	0	477
Actuarial changes arising from changes in financial assumptions	0	(198)	(198)	0	(725)	(725)
Experience adjustments	0	42	42	0	(141)	(141)
Actuarial result on pension scheme	211	(156)	55	477	(866)	(389)
Contributions by employer	610	0	610	749	0	749
Benefits paid	(11)	11	0	(8)	8	0
Exchange rate movement	364	(493)	(129)	(241)	353	112
Book value at end of year 30-06-2014/30-06-2013	6,676	(8,520)	(1,844)	5,247	(7,103)	(1,856)

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 2014. The discount rate is 4.2 per cent (30 June 2013: 4.3 per cent), future salary is 3.4 per cent (30 June 2013: 3.4 per cent) and future pension is 3.4 per cent (30 June 2013: 3.4 per cent). The life expectancy for pensioners at the age of 60 has increased for both men and women to 29.6 years and 31.8 years respectively.

The comparative figures for June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R. For more details reference is made to note 1(c) Change in accounting policies and reclassifications.

20. Provision for pensions (continued)

A quantitative sensitivity analysis for significant assumptions as at 30 June 2014 is as shown below:

Year	Sensitivity level	Discount rate: 0.5% decrease	Future salary increases: 0.5% increase	Rate of inflation: 0.5% increase	Life expectancy: 1 year increase
30 June 2014	Impact on defined benefit obligation	Increase by 14%	Increase by 4%	Increase by 9%	Increase by 4%
30 June 2013	Impact on defined benefit obligation	Increase by 14%	Increase by 4%	Increase by 9%	Increase by 4%

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 to the previous period.

The duration of the liabilities of the Scheme is approximately 25 years as at 30 June 2014.

Based on the existing Schedule of Contributions, it is expected that the contributions to be paid by the employer under the Company's defined benefit plan for the next financial year is €599,000.

21. Issued share capital

Share capital comprises:

– 999,999,900 authorised ordinary shares of €0.50 par value, of which 427,749,623 shares are issued and fully paid as at 30 June 2014 and of which 4,554,050 were bought back as at 30 June 2014.

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

The weighted average number of shares in issue in the current financial year is 423,116,673.

The number of shares in issue as per 30 June 2014 is 423,195,673.

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

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	208,890	204,983
Issued bonus shares	4,985	3,907
Book value at end of year	213,875	208,890

The number of shares on issue increased on 30 November 2013 as a result of the issue of 996,918 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 39.4 per cent of the issued share capital (last year 30.5 per cent) opted for the bonus depositary receipts at an issue price of €31.68 from the Company's share premium reserve, instead of a cash dividend of €1.92 per depositary receipt for the financial year ended 30 June 2013.

	2013/2014		2012/2013	
	No. of depositary receipts	No. of shares	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	41,778,044	417,780,444	40,996,505	409,965,048
Shares (DRs) issued under the stock dividend plan	996,918	9,969,179	781,539	7,815,396
Number of shares (DRs) on issue at end of year	42,774,962	427,749,623	41,778,044	417,780,444
Priority shares	10	100	10	100
Shares (DRs) bought back	(455,405)	(4,554,050)	(38,000)	(380,000)
Number of shares (DRs) after deduction of shares (DRs) bought back	42,319,567	423,195,673	41,740,054	417,400,544

Notes to the consolidated financial statements

21. Issued share capital (continued)

Net asset value per depositary receipt

The net asset value per depositary receipt is €32.77 at 30 June 2014 (30 June 2013: €32.73).

Stock options and performance shares

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

In June 2014 a programme was initiated under which depositary receipts are bought back to cover future anticipated exercises of the options granted under the SOP 2007 and SOP 2010. In June 2014 577,000 depositary receipts were bought back at an average price of €36.54. After options exercised during the financial year, the Company holds 455,405 depositary receipts as per 30 June 2014 (30 June 2013: 38,000 depositary receipts).

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

Stock option plan (SOP) and performance share plan (PSP)	SOP 2004	SOP 2007	SOP 2010	PSP 2012	PSP 2013	Total
Grant date	08-11-04	12-11-07	08-11-10	12-11-12	11-11-13	
Vesting date	08-11-07	12-11-10	08-11-13	12-11-15	11-11-16	
Expiry date	08-11-14	12-11-17	08-11-20	n.a.	n.a.	
Exercise price	€24.82	€37.28	€32.45	n.a.	n.a.	
Fair value per option/performance share	€1.56	€4.10	€4.01	€23.14	€24.69	
Options/performance shares granted	676,000	716,000	825,000	14,841	22,828	
Options/performance shares vested	676,000	647,795	657,303	0	0	
Options/performance shares exercised	(676,000)	0	(121,595)	0	0	
Options/performance shares forfeited	0	0	0	(509)	(417)	
Exercisable options/performance shares at end of year	0	647,795	535,708	0	0	1,183,503

Movements in the number of options/ performance shares during the year	SOP 2004	SOP 2007	SOP 2010	PSP 2012	PSP 2013	Total
Options/performance shares at beginning of the year	38,000	647,795	809,000	14,754	0	1,509,549
Options/performance shares granted	0	0	0	0	22,828	22,828
Options/performance shares exercised*	(38,000)	0	(121,595)	0	0	(159,595)
Options/performance shares forfeited	0	0		(422)	(417)	(839)
Options/performance shares not vested	0	0	(151,697)	0	0	(151,697)
Outstanding options/performance shares at end of the year	0	647,795	535,708	14,332	22,411	1,220,246

* Weighted average sale price SOP 2004: €34.16 per depositary receipt, weighted average sale price SOP 2010: €36.71 per depositary receipt.

The expenses for the stock options and performance shares granted (IFRS 2) are €78,000 positive (2012/2013 €1,117,000). The positive result was due to the correction for the options of the SOP 2010 not vested in November 2013. The outstanding options and performance shares as per 30 June 2014 are 1,220,246 (30 June 2013: 1,509,549). As at 30 June 2014 the outstanding options and performance shares represent 2.9 per cent of the issued share capital (30 June 2013: 3.6 per cent).

22. Share premium reserve

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	393,547	396,385
Stock options and performance shares granted (IFRS 2)	(78)	1,117
Release for issued bonus shares	(4,985)	(3,907)
Cost for dividends paid	(61)	(48)
Stock options not vested	(2,585)	0
Book value at end of year	385,838	393,547

23. Other reserves

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	640,319	710,897
Result previous financial year	123,308	(12,118)
Dividends paid	(48,559)	(54,622)
Depositary receipts bought back	(21,084)	0
Stock options exercised	4,796	124
Stock options not vested	2,585	0
Actuarial result on pension scheme	55	(389)
Foreign currency translation differences	(14,291)	(3,573)
Book value at end of year	687,129	640,319

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 €385 million and are not freely distributable. For dividend distribution however, both the retained profit reserve, share premium reserve and the undistributed income are available.

24. Earnings per depositary receipt

Basic earnings per depositary receipt

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

The calculation of basic earnings per depositary receipt of €2.36 at 30 June 2014 was based on the profit attributable to holders of depositary receipts of €99.8 million (30 June 2013: €123.3 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2014 of 42,311,667 (30 June 2013: 41,410,071), as calculated below.

Profit attributable to holders of depositary receipts:

	30-06-14 €'000	30-06-13 €'000
Profit for the year	99,790	123,308

	30-06-14	30-06-13
Issued depositary receipts (after deduction of depositary receipts bought back) at beginning of year	41,740,054	40,953,515
Effect of depositary receipts issued (stock dividend)	584,494	456,076
Effect of depositary receipts issued (staff options exercised)	10,876	480
Effect of depositary receipts bought back	(23,757)	0
Weighted average number of depositary receipts	42,311,667	41,410,071

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €2.28 at 30 June 2014 was based on the profit attributable to holders of depositary receipts of €99.8 million (30 June 2013: €123.3 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2014 of 43,724,510 (30 June 2013: 42,915,489), as calculated below.

Profit attributable to holders of depositary receipts (diluted):

	30-06-14 €'000	30-06-13 €'000
Profit for the year	99,790	123,308

	30-06-14	30-06-13
Weighted average number of depositary receipts	42,311,667	41,410,071
Effect of issued options and performance shares on depositary receipts	1,412,843	1,505,418
Weighted average number of depositary receipts (diluted)	43,724,510	42,915,489

Notes to the consolidated financial statements

25. Commitments not included in the balance sheet

As at 30 June 2014 bank guarantees have been issued for a total amount of €2.8 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 €0.8 million for the financial year 2014/2015 and approximately €2.1 million for the four year period thereafter.

26. Capital management

The primary objective of the Company's capital management is to ensure that capital is available for the long-term. No changes have been made to these objectives, policies or processes during the year ended 30 June 2014. The Company monitors capital primarily using a loan to value ratio and a debt to equity ratio. The loan to value ratio is calculated as the amount of outstanding (net) borrowings divided by the latest market value of the property investments, the property investments under development and property investments held for sale. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity. Equity means the adjusted net equity calculated as the sum of the net equity increased by the book values of the deferred tax liabilities and the derivative financial instruments. The interest coverage ratio is defined as the net property income less company expenses divided by interest expenses less interest income.

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

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

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

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

During the period the Company complied with its banking covenants.

The calculation of the two most frequent used ratios is as follows:

Loan to value	30-06-14 €'000	30-06-13 €'000
Borrowings	1,173,236	1,286,923
Cash and deposits	(85,372)	(51,422)
Net borrowings	1,087,864	1,235,501
Property investments	2,688,603	2,806,023
Loan to value	40%	44%

Debt to equity ratio	30-06-14 €'000	30-06-13 €'000
Net borrowings	1,087,864	1,235,501
Shareholders' equity	1,386,632	1,366,064
Derivative financial instruments	132,379	120,350
Deferred tax assets and liabilities	35,995	35,908
Adjusted net equity	1,555,006	1,522,322
Debt to equity ratio	0.70	0.81

27. Related parties

Introduction

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

The Directors' fees recognised in the Company expenses include an amount of €195,000 (2012/2013: €180,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-14 €'000	30-06-13 €'000
W.G. van Hassel	47	44
H.W. Bolland	13	34
C. Croff	24	0
P.W. Haasbroek	37	34
J.-Å. Persson	24	0
J.C. Pollock	13	34
A.E. Teeuw	37	34

27. Related parties (continued)

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	
	30-06-14 €'000	30-06-13 €'000	30-06-14 €'000	30-06-13 €'000
Salary	616	563	415	381
Bonus	362	111	234	77
Pension premiums (defined contribution plan)	0	0	37	37
Social security charges	128	77	7	8
Stock options and performance shares granted (IFRS 2)	(12)	144	(9)	104

The bonuses paid to members of the Board of Management are directly linked to the annual growth in the Company's net asset value and dividend per depositary receipt and are also directly linked to the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to a peer group of ten listed retail property companies. The so-called 'crisis-levy' charged by the Netherlands tax office on remuneration of members of the Board of Management in 2014 amounted to €25,000 and was entirely related to E.J. van Garderen. This levy is not included in the remuneration table.

The total remuneration for the members of the Supervisory Board and the Board of Management is €1,973,000 (2012/2013: €1,682,000).

Stock options and performance shares

During the year only 33,751 options of the Board of Management did not vest. No options have been exercised or granted. The outstanding options for the Board of Management as per 30 June 2014 are 305,624 (30 June 2013: 339,375). At the end of the year J.P. Lewis has 179,062 options and E.J. van Garderen has 126,562 options. At 30 June 2014 the outstanding options held by the Board of Management represent 0.71 per cent of the issued share capital (30 June 2013: 0.81 per cent).

In November 2013 performance shares were granted to the Board of Management under the new Performance Share Plan. 1,868 performance shares were granted to J.P. Lewis and 1,290 performance shares were granted to E.J. van Garderen. At 30 June 2014 the outstanding performance shares held by the Board of Management represent 0.012 per cent of the issued share capital. In November 2014 performance shares will be granted to the Board of Management with a value of 13.5 per cent of base salaries, subject to the approval of the shareholders meeting.

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

27 per cent (€21,000) of the positive amount charged to the profit and loss account (€78,000) as stock options and performance shares granted (IFRS 2) is related to the stock options and performance shares granted to the members of the Board of Management.

Shareholdings

Mr J.P. Lewis and entities associated with him hold 984,729 depositary receipts in total, representing 2.30 per cent of the issued share capital of the Company. Mr E.J. van Garderen holds 24,000 depositary receipts in total, representing 0.056 per cent of the issued share capital of the Company. Mr W.G. van Hassel indirectly holds 3,782 depositary receipts representing 0.0088 per cent of the issued share capital of the Company. Mr A.E. Teeuw holds 7,000 depositary receipts representing 0.016 per cent of the issued share capital of the Company. None of the other members of the Board of Supervisory Directors has any holdings in the Company.

Loans

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

28. Post balance sheet events

After 30 June 2014 two parcels of land were purchased next to Les Atlantes, Tours for €6.6 million and Val Thoiry for €9.0 million.

In the period from 1 July 2014 up to and including 1 September 2014, the Company acquired a total of 728,098 of its own depositary receipts at an average price of €36.76 to cover any (possible) exercises of the 1,183,503 outstanding employee stock options as per 30 June 2014.

Company balance sheet*
(before income appropriation)

	Note	30-06-14 €'000	30-06-13 €'000
Investments in subsidiaries	3	1,094,358	1,019,503
Due from subsidiaries	4	254,508	389,501
Tangible fixed assets	5	480	506
Total non-current assets		1,349,346	1,409,510
Receivables	6	1,009	690
Cash and deposits	7	66,524	15,620
Total current assets		67,533	16,310
Total assets		1,416,879	1,425,820
Creditors	8	8,403	2,900
Borrowings	9	20,000	55,000
Total current liabilities		28,403	57,900
Total liabilities		28,403	57,900
Provision for pensions	10	1,844	1,856
Net assets		1,386,632	1,366,064
Shareholders' equity	11		
Issued share capital		213,875	208,890
Share premium reserve		385,838	393,547
Legal reserve subsidiaries		380,315	350,907
Currency translation reserve		4,187	13,531
Retained profit reserve		302,627	275,881
Undistributed income		99,790	123,308
		1,386,632	1,366,064

* The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R and for the change in accounting policy with regards to the legal reserves.

Company profit and loss account*

	2013/2014 €'000	2012/2013 €'000
Company profit after taxation	19,602	24,948
Profit from subsidiaries after taxation	80,188	98,360
Profit after taxation	99,790	123,308

* The comparative figures for 30 June 2013 have been restated for the actuarial result on the pension scheme under IAS 19R.

Notes to the Company financial statements

1. General

The description of the Company's activities and structure, as included in the notes to the consolidated financial statements, also apply to the Company financial statements. The 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 2013. The Company financial statements are prepared on a going concern basis.

When preparing its financial statements the Company also applied the rules for the contents of the financial statements of investment institutions pursuant to the Netherlands Act on Financial Supervision as the Company had a licence under the afore said act on 30 June 2014. It should be noted that this licence was terminated as of 22 July 2014. For more details reference is made to Other information on page 106.

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.

Change in accounting policy legal reserve

Please refer to Note 11 for the change in accounting policy for legal reserves.

3. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2014 were as follows:

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	1,019,503	921,306
Investments	25	0
Exchange rate movement	(5,358)	(163)
Profit from subsidiaries	80,188	98,360
Book value at end of year	1,094,358	1,019,503
Cost at end of year	266,330	266,305
Exchange rate movement	(7,832)	(2,474)
Cumulative profit from subsidiaries	835,860	755,672
Book value at end of year	1,094,358	1,019,503

4. Due from subsidiaries

The balance at 30 June 2014 principally represents funds advanced to Eurocommercial Properties Caumartin S.N.C., Eurocommercial Properties France S.A.S., Eurocommercial Properties Taverny S.N.C. and Eurocommercial Properties Sweden AB.

These advances were made under long-term loan facilities and the average interest rate of these advances is 4.5 per cent (30 June 2013: 4.1 per cent).

Maturity profile due from subsidiaries	30-06-14 €'000	30-06-13 €'000
Up to one year	979	2,959
From one year to ten years	207,396	210,900
Indefinite maturity period	46,133	175,642
	254,508	389,501

5. Tangible fixed assets

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

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	506	580
Additions	219	302
Depreciation	(245)	(363)
Disposals	0	(13)
Book value at end of year	480	506
Cost at end of year	2,448	2,232
Accumulated depreciation	(1,968)	(1,726)
Book value at end of year	480	506

During the financial year ended 30 June 2014 tangible fixed assets with a total cost price of €3,800 were disposed of or out of use (30 June 2013: disposals €366,000).

6. Receivables

	30-06-14 €'000	30-06-13 €'000
Interest receivable from banks	372	247
Prepayments	637	410
VAT receivable	0	33
	1,009	690

7. Cash and deposits

Cash and deposits of €66.5 million consist of time deposits and amounts held as bank balances and other liquid assets. All bank balances and deposits are freely available.

8. Creditors

	30-06-14 €'000	30-06-13 €'000
Due to bank for shares bought back	3,612	0
Interest payable	225	137
Remuneration payable	2,464	962
VAT payable	309	11
Other creditors and accruals	1,793	1,790
	8,403	2,900

9. Borrowings

Borrowings of €20.0 million consist of one unsecured short term facility.

	30-06-14 €'000	30-06-13 €'000
Book value at beginning of year	55,000	0
Drawdown of funds	30,000	100,797
Repayments	(65,000)	(44,526)
Exchange rate movement	0	(1,271)
Book value at end of year	20,000	55,000

10. Provisions for pensions

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

Notes to the Company financial statements

11. 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	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2013	208,890	393,547	350,907	13,531	275,881	123,308	1,366,064
Issued shares	4,985	(4,985)					0
Profit previous financial year					74,749	(74,749)	0
Profit for the year						99,790	99,790
Dividends paid		(61)				(48,559)	(48,620)
Stock options exercised					4,796		4,796
Stock options and performance shares granted		(78)					(78)
Stock options not vested		(2,585)			2,585		0
Actuarial gain on pension scheme					55		55
Depositary receipts bought back					(21,084)		(21,084)
Foreign currency translation differences				(9,344)	(4,947)		(14,291)
Addition to legal reserve			29,408		(29,408)		0
30-06-2014	213,875	385,838	380,315	4,187	302,627	99,790	1,386,632

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

	Issued share capital €'000	Share premium reserve €'000	Legal revaluation reserve* €'000	Legal reserve subsidiaries* €'000	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2012	204,983	396,385	655,000	0	16,739	39,158	(12,118)	1,300,147
Restatement			(655,000)	332,785		322,215		0
New opening balance 01-07-2012	204,983	396,385	0	332,785	16,739	361,373	(12,118)	1,300,147
Issued shares	3,907	(3,907)						0
Result previous financial year						(12,118)	12,118	0
Profit for the year							123,308	123,308
Dividends paid		(48)				(54,622)		(54,670)
Stock options exercised		916				124		1,040
Stock options and performance shares granted		201						201
Actuarial loss on pension scheme						(389)		(389)
Foreign currency translation differences					(3,208)	(365)		(3,573)
Addition to legal reserve				18,122		(18,122)		0
30-06-2013	208,890	393,547	0	350,907	13,531	275,881	123,308	1,366,064

* During the financial year, the Company changed the way it determines its legal reserves. Up to this financial year, the Company recognised a legal revaluation reserve based on article 390 of Book 2 of the Netherlands Civil Code. Starting this financial year, in respect of its subsidiaries and investment properties held by these subsidiaries, the Company recognises a legal reserve subsidiaries based on article 389 section 6 of Book 2 of the Netherlands Civil Code. As a result of this change, unrealised fair value movements on investment properties held by subsidiaries that, based on local law are distributable to Eurocommercial Properties N.V., are no longer included in a legal reserve. This change in accounting policy did not have an impact on total equity. The change resulted in the elimination of the legal revaluation reserve of €708 million as per 30 June 2013 and €655 million as per 1 July 2012, the recognition of a legal reserve subsidiaries of €380 million as per 30 June 2014 (30 June 2013: €351 million and 1 July 2012: €333 million) and a corresponding increase of retained profit reserve to €276 million as per 30 June 2013 and €361 million as per 1 July 2012, all within shareholders' equity in the Company financial statements. This change in accounting policy is based on the accounting policy choice provided by RJ 240.228 and was further supported by external legal advice. Due to the accumulation of significant unrealised negative fair value movements of derivative financial instruments held by subsidiaries, combined with the existing practice that the Company itself does not hold investment properties – these are held by subsidiaries - this policy choice has become relevant and triggered the reassessment thereof.

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

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

Holders of depositary receipts representing 39.4 per cent of the issued share capital (last year 30.5 per cent) opted for 996,918 bonus depositary receipts at an issue price of €31.68 from the Company's share premium reserve, instead of a cash dividend of €1.92 per depositary receipt for the financial year ended 30 June 2014. Accordingly, an amount of €31.6 million of the undistributed income was taken to fund the cash dividend paid on 30 November 2013.

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

12. Audit fee

The fee for professional audit services and other services rendered by Ernst & Young Accountants LLP of Amsterdam, The Netherlands for the financial year ended 30 June 2014 is €220,000 (2012/2013: €240,000). The services rendered by the external audit firm during 2013/2014 and 2012/2013 are only related to the audit of the financial statements.

13. Expense ratio

Pursuant to the Netherlands Act on Financial Supervision it is required to report the expense ratio of the Company. This ratio is calculated as the total costs, which include property expenses, net service charge expenses, company expenses, investment expenses and current tax, divided by the weighted average net asset value of the last five quarters. Over the financial year 2013/2014 this expense ratio amounted to 2.98 per cent (2012/2013: 3.18 per cent).

14. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of Intesa Sanpaolo S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €172 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.3 million.

The Company has entered into guarantees in favour of UniCredit Banca d'Impresa S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. and Betulla S.r.l. to an amount of €78 million.

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

The Company has entered into a guarantee in favour of Monte Dei Paschi Di Siena S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €18 million.

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

The Company has entered into a guarantee in favour of UBI-CentroBanca S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €61 million.

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

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

The Company has entered into guarantees in favour of Deutsche Hypothekenbank AG for debts incurred by Eurocommercial Properties Taverny S.N.C. and Eurocommercial Properties France S.A.S. to an amount of €130 million.

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB, French Branch, for debts incurred by Eurocommercial Properties France S.A.S. to an amount of €94 million.

The Company has entered into guarantees in favour of Nordea AB for debts incurred by Aktiebolaget Laholm Mellby 2:129, Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde K-mannen 2, Hälla Shopping Fastighets AB, Bergvik Köpet 3 KB, and ECP Högsbo AB to an amount of SEK 1,273 million.

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

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

The Company has entered into guarantees in favour of credit institutions for interest rate swap contracts hedging the exposure of subsidiaries to interest rate movements over a total notional amount of €833 million (see also note 18 to the consolidated financial statements).

Amsterdam, 19 September 2014

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

Board of Supervisory Directors
W.G. van Hassel, Chairman
C. Croff
P.W. Haasbroek
J.-Å. Persson
A.E. Teeuw

Other information

Post balance sheet events

An analysis of the post balance sheet events is provided in note 28 of the consolidated financial statements.

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 2015, 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 2014 comprised:

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

Provisions in the Articles of Association concerning the appropriation of income

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

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

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

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

Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders to be held at the Amstel InterContinental Hotel, Prof. Tulpplein 1, Amsterdam on 4 November 2014 at 14.00 hours to distribute a cash dividend of €1.94 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2014 (30 June 2013: €1.92 per depositary receipt). Subject to its fiscal and other limitations, the Company will offer holders of depositary receipts the option of taking new depositary receipts from the Company's share premium reserve, instead of a cash dividend. The percentage of such scrip issue will be announced on 31 October 2014. The distribution will be payable as from 28 November 2014. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15 per cent for the Netherlands and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2014/2015. Holders of depositary receipts are given the opportunity to make their choice known up to and including 20 November 2014. If notification is not received by that date a cash dividend only will be payable. The part of the profit not distributed in cash will be added to shareholders' equity.

Financial calendar

31 October 2014	Announcement of scrip issue price
4 November 2014 at 14:00	Annual General Meeting of Shareholders
6 November 2014	Ex-dividend date
7 November 2014	Announcement of first quarter results 2014/2015
28 November 2014	Dividend payment date
6 February 2015	Announcement of half year results 2014/2015
8 May 2015	Announcement of third quarter results 2014/2015
28 August 2015	Announcement of annual results 2014/2015
3 November 2015	Annual General Meeting of Shareholders

Statements pursuant to the Netherlands Act on Financial Supervision

The Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht) has been amended further to implement the European Directive 2011/61/EU on Alternative Investment Fund Managers (the "AIFMD"). Pursuant to this amendment, Eurocommercial Properties N.V. is no longer an investment institution within the meaning of the Netherlands Financial Markets Supervision Act, whereby the current licence will not by operation of law be converted as of 22 July 2014. The regulations applicable to listed companies, as amongst others laid down in the Netherlands Financial Markets Supervision Act, continue to apply in full.

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

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

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

Stichting Administratiekantoor Eurocommercial Properties (99.84 per cent), the Government of Singapore (12.75 per cent), Norges Bank (9.18 per cent), BlackRock, Inc. (3.16 per cent), CBRE Clarion Securities, LLC (4.94 per cent) and State Street Corporation (3.01 per cent).

The dates of the aforesaid notifications were 1 November 2006, 1 November 2006, 31 December 2013, 11 September 2013, 4 February 2014 and 19 August 2014.

Stock market prices and turnover 2013/2014

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

		High	Low	Average
Closing price 30 June 2014 (€; depositary receipts)	36.02	37.50	27.16	31.03
Average daily turnover (in depositary receipts)	91,424			
Average daily turnover (€'000,000)	2.8			
Total turnover over the past 12 months (€'000,000)	740.8			
Market capitalisation (€'000,000)	1,540.8			
Total turnover divided by market capitalisation	48%			

Source: Euronext, Global Property Research

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

ISIN – Code: NL 0000288876

Stock market prices are followed by:

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

Valuers

The following independent firms have valued the Company's properties at 30 June 2014:

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

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements of Eurocommercial Properties N.V., Amsterdam, for the year ended 30 June 2014 (as set out on pages 70 to 105). The financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated profit and loss account and the consolidated statement of comprehensive income for the year ended 30 June 2014, the consolidated balance sheet as at 30 June 2014, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the year ended 30 June 2014, and notes, comprising a summary of the significant accounting policies and other explanatory information. The Company financial statements comprise the Company balance sheet as at 30 June 2014, the Company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2014, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision.

Opinion with respect to the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision.

Report on other legal and regulatory requirements

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

Amsterdam, 19 September 2014

Ernst & Young Accountants LLP

Signed by J.C.J. Preijde RA

Glossary

Adjusted net asset value:	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). Adjusted NAV per depositary receipt is calculated using the number of DRs (basic) outstanding at the balance sheet date.
Boutique:	Retail unit less than 300m².
CPI:	Consumer price index.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on Euronext Amsterdam.
Direct investment result:	Net property income less net interest expenses and company expenses after taxation. Direct investment result per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year.
Drive:	A drive-through collection point for hypermarket goods ordered online.
Entry premium:	One-off payment by a tenant, in addition to the MGR, to secure a lease on a particularly desirable retail unit.
EPRA:	European Public Real Estate Association.
EPRA earnings:	Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. Equivalent to the direct investment result.
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.
ERV:	The estimated rental value of the whole portfolio if all space was let at current market levels at the balance sheet date.
FBI:	Fiscale Beleggingsinstelling (Dutch fiscal investment institution). As a result of being an FBI all of Eurocommercial's income, whatever its source, is tax free at the corporate level if it is distributed to shareholders in the form of a dividend.
Gallery:	All retail units in a shopping centre excluding the hypermarket.
Gross/total lettable area (GLA):	Total area of a property that can be leased to a tenant, including storage area.
ICC:	Indice du Coût de la Construction. Cost of construction index still used for some French retail leases although the majority have adopted the new ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50 per cent from the consumer price index, 25 per cent from the cost of construction index and 25 per cent from the retail sales index.
Interest cover ratio (ICR):	Net property income less company expenses divided by interest expenses less interest income.
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.

Glossary

Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity. This is the definition used in debt covenants.
Net (initial) yield:	Expected rental income for the year ahead as provided by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
Net loan to value:	Total borrowings net of cash expressed as a percentage of the total value of property investments, property investments under development and property investments held for sale.
Net return on cost:	Net rental income generated by an extension/development as a proportion of the total cost of the development including financing costs.
Net rental income:	Gross rental income for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and real estate management costs and other vacant property costs.
Occupancy cost ratio (OCR):	Rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover.
Passing rent:	The annualised rental income at 30 June 2014 including 2013 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.
SIIC:	Société d'investissements immobiliers cotée. French tax-exempt regime available to listed property companies with assets in France.
Turnover rent:	Any element of rent received or to be received related to a tenant's sales turnover.
Vacancy:	The ERV of vacant retail space expressed as a percentage of the total retail ERV, excluding property investments under development.

Directory

Supervisory Board
W.G. van Hassel, Chairman
C. Croff
P.W. Haasbroek
J.-Å. Persson
A.E. Teeuw

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

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

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

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

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

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Eurocommercial Properties N.V.
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