

EUROCOMMERCIAL



Annual Report

30 June 2019

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2018/19

Highlights

- **Strong operational and financial performance generating increased earnings of €2.42 per depositary receipt**
- **Vacancies remain at only 1%**
- **A dividend of €2.18 per depositary receipt is proposed**
- **Joint venture with AXA on Passage du Havre at a yield of 3.7% confirms strength of market for prime French centres**
- **Property valuations within 0.4% of June 2018**

+3.9%

Direct investment result

Increased by 1.7% per depositary receipt

€2.18

Dividend

The Board is recommending a dividend for the year of €2.18 per depositary receipt

+0.3%

Retail sales growth

Belgium +2.0%, Italy +0.8%, Sweden +1.4%, France -1.8% after protest disruptions

+3.9%

Net property income

Higher income received from a larger portfolio, plus rental growth

+8.9%

Rental growth on relettings and renewals

€4,201m

Property valuations stable

Eurocommercial Properties

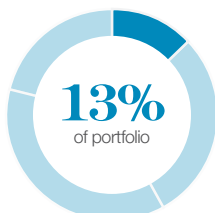
We own and manage retail property in Belgium, France, Italy and Sweden valued at €4.2 billion, and which attracted over 130 million visitors last year, confirming our importance to the communities we serve.

Belgium



€554m

Property value



1

Property

47,000m^{2}**

Total lettable area

€147m

Shop sales turnover
(12 months)

€21.7m

Rental income

[Read more in country report Belgium](#)

p29

** Includes non ECP owned GLA.

France



€1,191m

Property value



11

Properties

298,000m^{2}**

Total lettable area

€700m

Shop sales turnover
(12 months)*

€61.1m

Rental income

[Read more in country report France](#)

p32

* Includes ECP owned hypers.

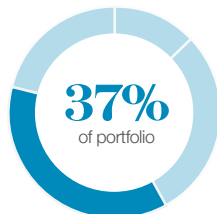
** Includes hypers and non ECP owned GLA.

Italy



€1,568m

Property value



8

Properties

387,000m^{2}**

Total lettable area

€1bn

Shop sales turnover
(12 months)*

€88.5m

Rental income

[Read more in country report Italy](#)

p39

* Includes ECP owned hypers.

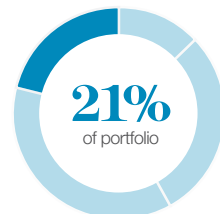
** Includes hypers and non ECP owned GLA.

Sweden



€888m

Property value



8

Properties

305,000m^{2}**

Total lettable area

€545m

Shop sales turnover
(12 months)*

€46.2m

Rental income

[Read more in country report Sweden](#)

p45

* Includes ECP owned hypers.

** Includes hypers and non ECP owned GLA.

Property performance

Rental growth

Our experienced leasing teams negotiated over 200 relettings and renewals in the year to 30 June 2019, resulting in an average uplift in minimum guaranteed rent of 8.9%.

The like-for-like (same floor area) rents of all Eurocommercial's galleries increased by 2.1% overall at 30 June 2019, when compared with 30 June 2018.

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

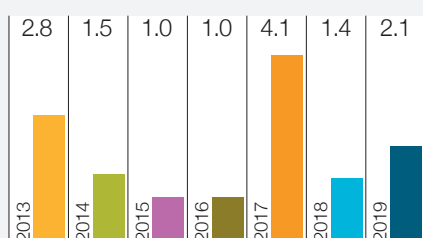
	Average rental uplift on relettings and renewals	% of total leases relet and renewed	Number of relettings and renewals	Like-for-like rental growth
Overall	8.9%	14.6%	248	2.1%
Belgium	8.2%	12.4%	16	-0.5%
France	11.0%	10.5%	53	2.9%
Italy	11.9%	12.3%	87	1.9%
Sweden	4.6%	25.8%	92	2.9%

8.9%

Average uplift on relettings and renewals

Eurocommercial like-for-like rental growth %

(financial year ending 30 June)



Retail sales

Retailer sales in Eurocommercial's shopping centres increased 0.3% year-on-year, largely led by Italy and Sweden. Retail sales in France were impacted by transport strikes, wet weather and the "Gilets Jaunes" protests which blocked access to centres.

Food & Beverage, Home Goods, and Services performed particularly well for the 12 months.

Retail sales growth by country %

	12 months to 30 June 2019	6 months to 30 June 2019
Overall	0.3%*	0.6%*
Belgium	2.0%	1.3%
France	-1.8%	-0.3%
Italy	0.8%	0.6%
Sweden	1.4%	1.6%

* Excluding hypermarkets.

0.3%

Retail sales growth by sector* %

	12 months to 30 June 2019	6 months to 30 June 2019
Fashion	-2.6%	-0.7%
Shoes	-0.6%	-1.1%
Gifts & Jewellery	1.2%	-1.1%
Health & Beauty	1.5%	2.2%
Sport	1.5%	1.1%
Restaurants	3.3%	3.4%
Home Goods	4.1%	6.3%
Telecoms & Electricals	0.3%	-0.9%
Books & Toys	-5.0%	-9.3%
Services	6.1%	1.3%
Hyper/supermarkets	0.9%	1.1%

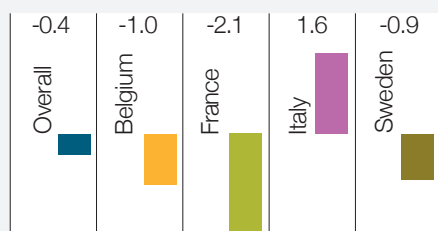
* Excluding extensions/redevelopments.

Property values

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

Valuations grew in Italy while there was a slight decline in Belgium, France and Sweden.

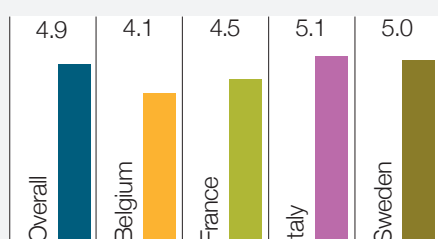
Valuation change % 2018/19



-0.4%

Valuation change over
12 months

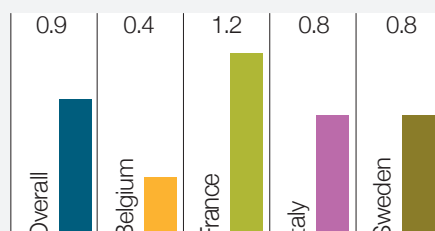
Net initial yield % 30 June 2019



Low vacancies

Vacancies in Eurocommercial's retail portfolio represented only 0.9% of rental income at 30 June 2019 despite our Belgian, Italian and Swedish portfolios seeing a slight increase in vacancies during the course of the year. Vacancies in our French portfolio decreased.

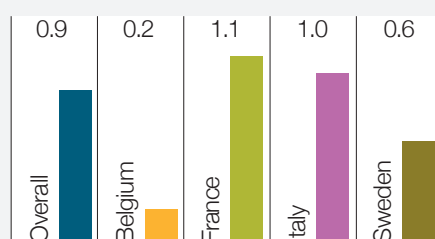
Vacancy by ERV* % 30 June 2019



* Based on the EPRA definition.

0.9%

Vacancy by floor area % 30 June 2019

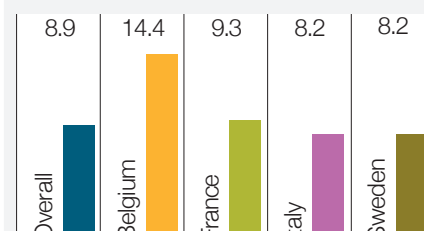


Sustainable OCRs

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

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

Occupancy cost ratios (excl. hypermarkets) %

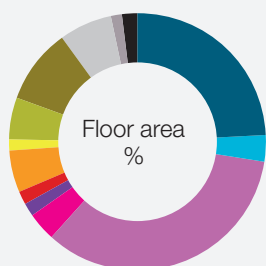


8.9%

Occupancy cost ratio

Tenants and merchandising mix

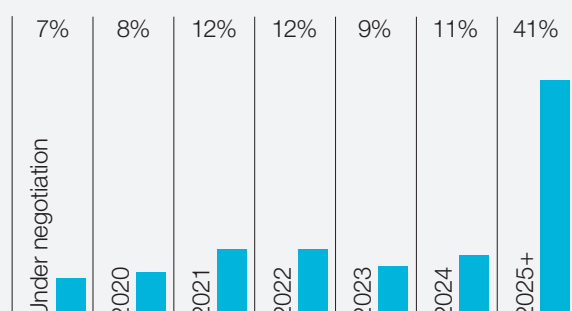
Broad range of retailers



	%
Fashion	24.3
Shoes	3.2
Hypermarket	34.3
Health & Beauty	3.7
Gifts & Jewellery	1.6
Books & Toys	1.5
Food – Restaurants	5.3
Services	1.6
Sport	5.3
Home Goods	9.4
Telecoms & Electricals	6.6
Department Store	1.4
Cinema	1.8
	100%

Lease expiry profile

As % of rental income



Top ten retail tenants

% of total Eurocommercial income
(minimum guaranteed rent)

1	INDITEX	4.2%
2	H&M	3.8%
3	fnac	2.1%
4	Carrefour	2.0%
5	GRUPPOCOIN	2.0%
6	MAXI ICA STORMARKNAD	1.5%
7	Géant Casino	1.5%
8	MediaMarkt	1.5%
9	Varner VARNER RETAIL	1.4%
10	coop	1.1%

Our investment methodology

Eurocommercial's property investment and management strategies are based on the most rigorous and intensive research by teams that are among the world's most experienced.

Purchases

A property purchase will only be made after a detailed examination of the catchment – among other factors:

- Retail density – square metres of overall retail space per capita
- Competing centres and their attributes
- Demographic research including disposable income, gender and family mix
- Careful examination of population isochrones with particular attention to transport links
- In-depth enquiries of planning authorities to determine future supply
- Establishment of sustainable rent levels with particular reference to rent to turnover and footfall levels
- Satisfaction of tenancy mix and retail positioning of tenants
- Possibility of extensions and/or improvements

Management

- High priority to employ centre managers who know the catchment well and who have had hands-on retail experience
- Regular and frequent surveys of customers and tenants to gauge their satisfaction
- High levels of property maintenance and presentation
- Constant awareness of the competition in the catchment and plans to beat it
- Careful attention to monthly tenant sales turnover numbers so that the tenant mix can be adjusted to ensure the attractiveness and popularity of the centre
- Serious consideration of environmental and social governance questions



Offering customers a destination to enjoy, not just a place to shop.

Above
Les Atlantes

Left
Grand A

Chief Executive's review



“

*A strong year for
income and
property values.*

Jeremy Lewis
Chief Executive

Notwithstanding slowing European economies, fears of world trade wars and the French “Gilets Jaunes” protests, our 2019 financial year has been a good one in terms of rental income and vacancies. Property valuations are stable and our earnings have risen notwithstanding the properties we have sold. We will increase the dividend once more this year and move to two dividend payments per annum from next year, without any diminution in the total payout.

Our centres continue to perform well with shop sales turnover positive over the year except in France due to the protesters blocking access to the centres which reduced the overall growth to -1.8%. While lease negotiations are generally taking longer than in previous years, relettings and lease renewals of our shops are showing solid rental uplifts averaging 8.9% overall.

The French group AXA, one of the world's largest and most experienced property investors, has demonstrated its confidence in the French market for prime shopping centres by becoming our 50% joint venture partner in our central Paris Passage du Havre at a price at the level of our 2018 independent property valuation at a net yield of 3.7%. This property has been an outstanding performer for Eurocommercial, having doubled in value since acquisition.

There has been much recent comment on the very poor retail property climate in the UK, with rents under extreme pressure through bankruptcies and yields rising with an expectation that those conditions are caused by online sales and will spread to Western European markets. We believe that this is highly unlikely because the main reason for the UK problems is that tenants' occupancy costs (rents + business rates) are often double those in our markets of Belgium, France, Italy and Sweden and, of course, the UK economic climate is weakening due to Brexit reducing consumer confidence.

Eurocommercial's sensible occupancy cost ratios averaging 8.9% allow retailers to make a profit in our centres, so our vacancies remain at around 1%, still the lowest in the industry and compare with an average of 10-15% in the UK or US. Online sales are increasing in our markets but the rate of growth is slowing. Shops are seen by retailers as very effective marketing tools, often more relevant than electronic advertising. Shops will continue as a key channel for brands to engage with and acquire customers. There is good local

evidence that online sales are enhanced by a shop in the district. It will remain vital for retailers therefore to be present in the best and most profitable shopping centres. Good retailers increasingly ensure that their physical and online “stores” complement each other, with an emphasis on click & collect and in-store returns rather than expensive home delivery.

We spend over €13 million annually on marketing to ensure our shopping centres remain attractive, relevant and engaging for the local community. Retailers at all our locations share their trading data with our field teams on a monthly basis. This allows us to work dynamically with our tenants to implement changes to marketing, merchandising, technology and customer experience so that we can adapt and respond quickly to changing local demand, as well as global trends.

Our balance sheet remains strong. The purchase of the prime Woluwe shopping centre in Brussels – a long-term strategic purchase for the Company – has increased net debt slightly to €1.9 billion. However, our loan to value ratio will reduce to approximately 43% after closing the committed sale at €203 million of 50% of Passage du Havre to our joint venture partner AXA. Other sales are under negotiation. As we announced at the time of the acquisition of Woluwe, we plan to extend and redevelop this prime centre.

In conclusion, I am extremely proud of our country teams who have been able to achieve excellent results with our retailer partners. The experience and proactive approach of our people, 55% of whom are women, mean we continue to adapt our centres to capture strong local demand, integrating them into the communities we serve. We remain sensitive to the evolving global retail landscape and environmental and social matters and we look to next year with confidence in the strong belief that good, well managed shopping centres continue to have a sound future.

Board of Management

Jeremy Lewis Chief Executive

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



Peter Mills Director

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



Evert Jan van Garderen Finance Director

Evert Jan joined the Company in 1994 after experience in a major law firm and an international investment group. He is both a Chartered Accountant and a qualified lawyer.



Roberto Fraticelli Director

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



Financial review



“
Due to the recent major property sale the loan to value ratio will go down to 43% and the aim is to decrease it further following further sales.

Evert Jan van Garderen
Finance Director

Results summary

<i>Includes joint ventures</i>	2018/19	2017/18
Rental income (€m)*	217.5	208.8
Net rental income (€m)*	178.6	171.8
Direct investment result (€m)	120.2	115.7
Direct investment result per depositary receipt (€)	2.42	2.36
Dividend per depositary receipt (€)	2.18	2.15
IFRS profit after taxation (€m)	74.6	72.1
Adjusted net asset value per depositary receipt (€)	44.83	45.08
IFRS net asset value per depositary receipt (€)	38.49	39.30
Net debt to adjusted net equity*	86%	81%
Net debt to property value*	46%	44%
Average interest cost, including margins	2.1%	2.2%

* Based on proportional consolidation.

Overview

Income and earnings grew steadily year-on-year once again, yielding yet another good performance for Eurocommercial. The outcome is a proposed dividend of €2.18 per depositary receipt, continuing our track record of steady growing dividends established over 28 years.

During the year, the focus was on extending the loan book and making use of the lower market interest rates. Due to the acquisition of a further part of the Woluwe shopping centre the loan to value ratio increased to 46% as per the end of June 2019. It is the clear aim to lower the loan to value ratio again and with the post balance sheet announced sale of 50% of the Paris shopping centre Passage du Havre to AXA Investment Managers – Real Assets, the loan to value ratio will decrease under the current circumstances to 43% after closing of this transaction in October 2019, as all proceeds (€199 million) will be used to repay debt.

Property valuations and net asset values (NAV)

Eurocommercial's properties were independently valued at 30 June 2019 by major international firms in accordance with the standards set out in the “Red Book” of The Royal Institution of Chartered Surveyors. The change in values of the properties since June and December 2018 are set out in the table opposite, together with their net yields. Overall valuations remained stable and the Italian

portfolio benefitted from lower purchasers' costs due to a change in the corporate structure.

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

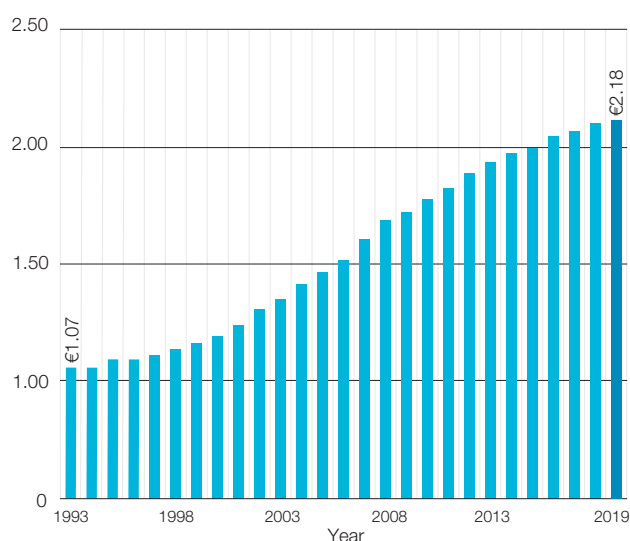
	Valuation growth		Net initial yield including purchase costs	
	12 months to 30 June 2019	6 months to 30 June 2019	At 30 June 2019	At 30 June 2018
Overall	-0.4%	0.0%	4.9%	4.7%
Belgium	-1.0%	-0.4%	4.1%	4.0%
France	-2.1%	-0.2%	4.5%	4.4%
Italy*	1.6%	2.1%	5.1%	5.1%
Sweden**	-0.9%	-2.0%	5.0%	4.9%

* Net yield excludes Collestrada lands and Acquamarina which was then under development.

** Net yield excludes C4 in 2018, which was then under development.

Adjusted net asset value at 30 June 2019 increased from €43.65 at 31 December 2018 to €44.83 per depositary receipt and decreased by 0.6% compared with 30 June 2018.

Dividend progression since inception €



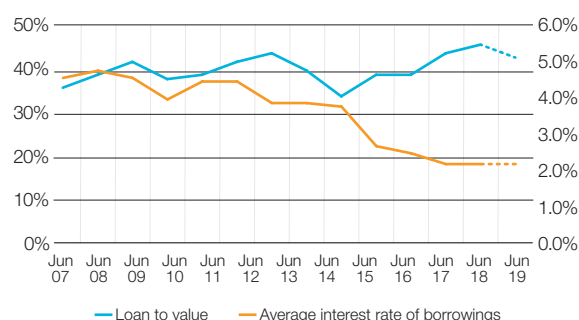
The IFRS net asset value, which (unlike the adjusted net asset value) includes the negative fair value of financial derivatives (interest rate swaps) and contingent capital gains tax liabilities, was €38.49 per depositary receipt at 30 June 2019, compared with €39.30 at 30 June 2018 and €37.71 at 31 December 2018.

International Financial Reporting Standards (IFRS)

The IFRS profit after taxation for the 12 months to 30 June 2019 increased slightly to €74.6 million from €72.1 million for the same period in 2017/2018. This was largely due to a better operating result and a lower deferred tax charge, although there was a more negative fair value movement for the interest rate swaps than for the previous corresponding period due to lower market interest rates.

The weakening of the Swedish Krona from EUR/SEK 10.453 to EUR/SEK 10.5633 during the year had an unrealised negative impact of €6.0 million on the Euro value of Eurocommercial's Swedish assets and liabilities at 30 June 2019, as recorded in the consolidated statement of comprehensive income.

Loan to value and average interest rate of borrowings %



Funding

In December 2018, the Company entered into a €50 million seven-year bullet loan jointly with ABN AMRO and ING for the purchase of part of the Woluwe shopping centre acquired in that month. In the last quarter of the financial year, Eurocommercial completed two long-term bank loans on properties which were not yet financed.

Financial review continued

The primary aim was to extend the loan book once again, and the average term now sits at five and a half years.

In June 2019, Eurocommercial closed a SEK 650 million bank loan with Postbank from Germany secured by a mortgage over the C4 shopping centre in Kristianstad, Sweden for a term of seven years. In the same month, the Company also closed a €72.5 million bank loan with Berlin Hyp secured by a mortgage over the French shopping centre Val Thoiry near Geneva, Switzerland for a term of ten years. The average overall interest was fixed at 1.44% for the entire term of the loans.

Aside from some amortisation in the loan book there are no non-current borrowings maturing for this calendar year 2019. In calendar year 2020, only two non-current borrowings will mature for a total amount of €97 million.

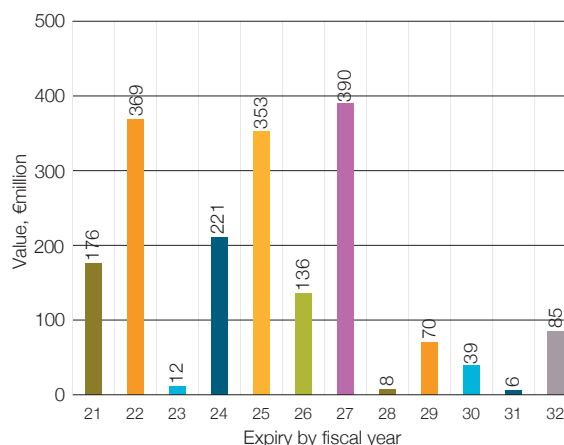
On 30 June 2019, the net debt of the Group on the basis of proportional consolidation was €1.9 billion compared to an adjusted net equity for the Group of just over €2.2 billion, translating into a loan to value ratio of 46%, which percentage was the same at 31 March 2019. The post balance sheet sale of 50% of the Paris shopping centre Passage du Havre will under the current circumstances reduce the loan to value ratio to 43%.

At the end of the financial year, 78% of interest costs were fixed for an average of six and a half years. The average overall interest rate (including margin) for the total loan portfolio was 2.1% (30 June 2018: 2.2%).

Details of new loans

Date	Value amount	Term	Type of loan	Bank/partner	Secured against
July 2018	€248m	Eight years	Bullet loan	Intesa San Paolo, BNP Paribas & UBI	Carosello
December 2018	€50m	Seven years	Bullet loan	ABN AMRO & ING	Woluwe Shopping
March 2019	€35 million	Short	Revolving	Banca Popolare di Milano & UBI	–
June 2019	SEK 650 million	Seven years	Fixed rate	Postbank	C4 Shopping
June 2019	€72.5 million	Ten years	Fixed rate	Berlin Hyp	Val Thoiry
July 2019	€17 million	Seven years	Bullet loan	BNP Paribas & ING	Fiordaliso

Non-current loan maturity schedule €m



Dutch tax regime

The suggested changes to the Dutch fiscal investment institution regime (FBI regime) were withdrawn by the Dutch government in October 2018, when it became clear that the proposed abolition was firmly rejected by major stakeholders, creating political pressure to stop this initiative by the Dutch government.

Moreover, the proposed changes would not have affected Eurocommercial as they were restricted to REITs which own Dutch real estate. Eurocommercial will continue to make use of the FBI regime. However, we will continue to closely monitor any proposed change to the FBI regime, together with our Dutch peers, which are organised in the Dutch listed real estate FBI association.

Buyback programme

With effect from 14 June 2019, the Company started to repurchase its depositary receipts with a market value up to €20 million for the purpose of returning capital to its holders of depositary receipts, as first announced in its press release of 12 June 2019. The programme was successfully completed on 29 July 2019. 835,420 depositary receipts were bought back at an average price of €23.94 compared to a much higher net asset value. This number of depositary receipts bought back represents 1.67% of the Company's issued share capital.

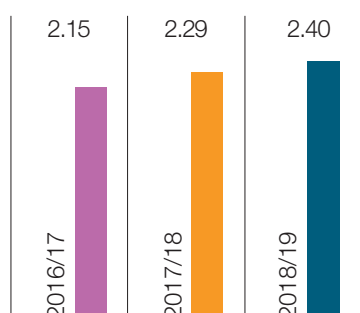
Semi-annual dividend payments proposed

Eurocommercial currently makes one dividend payment every year, in November. The Company proposes making two dividend payments per year starting from the next financial year 2019/2020. This implies an interim dividend to be paid in April with a final dividend being paid in November.

EPRA performance measures

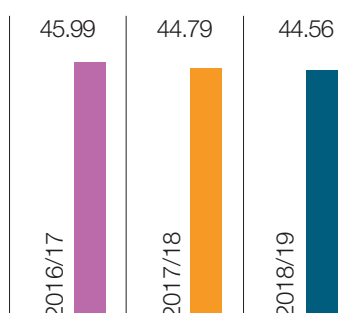
Eurocommercial is an active member of the European Public Real Estate Association (EPRA), a body which aims to promote, develop and represent the listed real estate sector. The Company has adopted the EPRA performance measures to assist in improving the transparency, comparability and relevance of the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

EPRA earnings € per depositary receipt



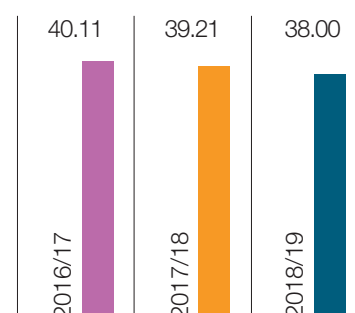
Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. Equivalent to the direct investment result less investment expenses.

EPRA NAV € per depositary receipt



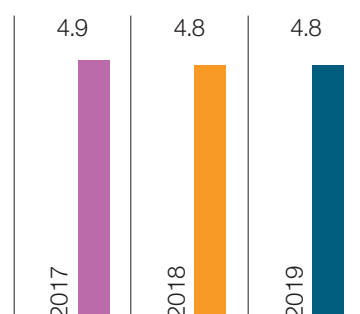
Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA NNAV € per depositary receipt



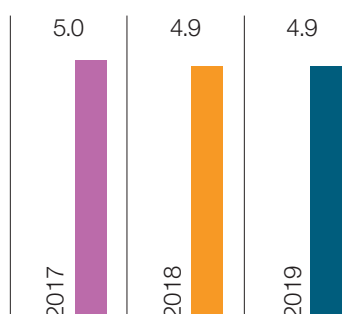
EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.

EPRA net initial yield (NIY) % per depositary receipt



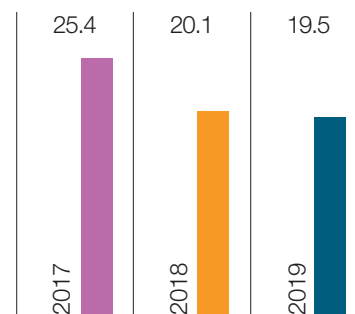
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

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



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

EPRA cost ratio % including costs of direct vacancy



Administrative and operating costs divided by gross rental income. The 2018 figure has been restated (see page 71).

The **EPRA cost ratio** does not, we believe, give a meaningful comparison of the efficiency of property companies with widely differing property types and countries of operation where lease law, leasing practice and tax regimes can impact costs significantly. On page 71 the reconciliation of the EPRA cost ratio is provided and we explain there in more detail the limitations and disadvantages of this metric.

We think it is more appropriate to compare the clear standard metric of personnel numbers, income and assets (30 June 2019):

- Property assets per employee, €47.2 million
- Gross rent per employee, €2.4 million
- These are amongst the best in the industry

Retail landscape

We closely monitor retail market trends both at national and international level to ensure that our understanding of consumers is as complete as possible.

In 2018/19, we conducted surveys of more than 12,000 people to gather feedback on our retail strategy and to anticipate changing consumer needs. In partnership with retailers, we adapt our strategy to consumer needs, often anticipating new trends.

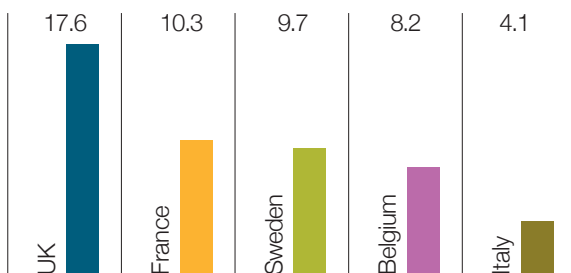
Integrated e-commerce

Eurocommercial believes in a multichannel customer experience and has supported the integration of online and physical retail. We have been monitoring the online habits of our consumer base since 2011 and we understand that customers want online and offline purchases to be frictionless, having the freedom to choose to buy in-store, via home delivery, or via click & collect. We have noticed that the proportion of people buying online has stabilised at around 50% in France and Sweden, and is starting to stabilise at 50% in Italy, after growing from 20%. Despite the increase in national penetration of online retail at the expense of weaker competitors, our turnover continues to grow, which is a testament to our winning strategy of being

multichannel players. Although e-commerce has strongly benefitted consumers, it also represents a cost burden for companies. Competition in the online market has increased while information asymmetry has decreased. As a result, companies have had to adapt to follow consumer demands. This has led to a material increase to the cost structure of firms serving the online market – from logistics to administration costs – but the biggest cost burden is related to de-centralised deliveries and returns. These costs significantly decrease if the online sale is integrated with physical retail, whether that be in-store pick-up or for returns. This integrated approach benefits both us and retailers.

Accordingly, for example, we signed a contract with Amazon to install Amazon lockers in our Italian shopping centres and we are currently negotiating a partnership for other click & collect opportunities. We are also working on a partnership with Alipay (part of the Alibaba group) to provide its payment services in our malls. A pilot project is being developed in I Gigli where our large Chinese

Online Sales Share By Country %



Source: Forrester.



The Health & Beauty category is increasingly important.

clientele is very keen to be able to use this service. In our French portfolio, we are rolling out click & collect stations and all our centres will install these stations in the coming months. In Sweden, five of our hypermarkets offer a drive-through service and all our centres offer Instabox delivery points. Moreover, we have launched a new website for Cremona Po, where customers can shop directly from the website and choose to click & collect in the mall. Finally, cinema tickets and leisure bookings for the kids play area can also be booked directly from the mall website. These website features will be rolled out to the entire Italian portfolio.

Enhanced customer experience

We believe that physical stores are more relevant than ever in a digital world. According to the Forrester 2018 report, physical share of retail sales account for almost 90%, which demonstrates that our consumers enjoy an experience when shopping. According to the latest internal research, consumers who do not shop online prefer the in-store experience. We strongly believe that technology is our ally and we have been investing in social media, in our websites and in innovative store formats to enhance the customer experience.

For example, Bershka opened its first digital shopping store at Cremona Po, that allows customers to make their purchases in-store via their smartphone for an increasingly integrated experience. With the Bershka Experience App, customers can choose to shop virtually or traditionally in a physical manner. They can scan the garments which are added to a virtual basket. They can request for items either to be sent directly to the dressing room or to the check-out counter; shop staff then prepare the order and send a push notification to the customer via the app informing them that their items are ready in the dressing room, or have been sent to the check-out counter. In Passage du Havre and Centr'Azur, a personal shopper service is available on request, so that customers can enjoy a personalised shopping experience.

Hypermarket refocussing

Hypermarkets have historically been one of the primary reasons for visiting our shopping centres. In the early 90s, hypermarkets sold a huge range of products, from food, electricals, hardware, motor parts and houseware, to fashion as well as food.



Bershka opened its first digital shopping store at Cremona Po.

Retail landscape continued

Thanks to our locally focused management and to consumer surveys, we were able to predict a change in consumer preferences. As a result, we encouraged hypermarkets to reduce their retail footprint and to focus more on groceries and daily household needs, providing high quality fresh products, while we converted the excess space to enlarge our commercial offer. This strategy has proven to be successful and our 2018 surveys show that grocery shopping still remains a core reason for visiting medium-sized provincial shopping centres. Eurocommercial has always been committed to giving customers as complete and well-balanced a retail offer as possible. Fashion accounts for 24.3% of our GLA including hypermarkets. Well-being and personal care has increased in recent years. We have been enlarging our offer with gyms, barber shops, wellness and medical centres. The Health & Beauty category is increasingly important.

Preference for locally sourced products

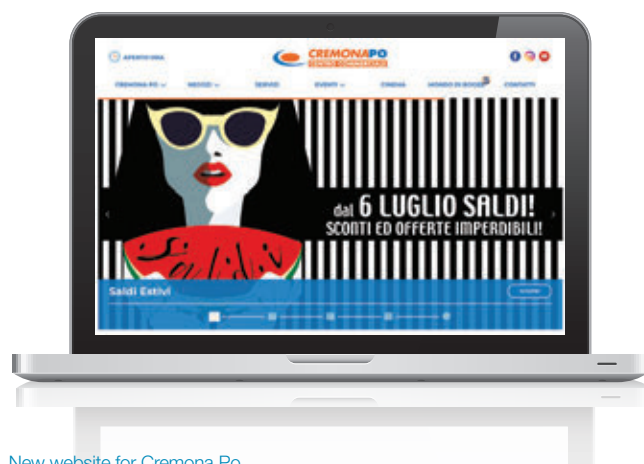
There is renewed interest in locally sourced products. When shopping for groceries, consumers are more interested in the provenance of food and prefer locally sourced products, with short and transparent production chains, even with discounted products. In recent years, supermarkets have been investing in high quality private label suppliers to offer consumers a choice of healthy local products at low prices.

According to the latest Global Data Consumer Surveys, in response to the question "Which countries do you associate with high quality food/drink products?" 52% of European consumers surveyed answered "Local products". This figure is even higher in France, Italy and Sweden, although convenience is still a key driver for purchases.



Amazon lockers at Il Castello, Ferrara.

Our shopping centres have click & collect stations



New website for Cremona Po.

Retailer relationships

Good relationships with retailers have always been fundamental for Eurocommercial. We see retailers as our partners with a shared interest in supporting strong sales volumes and reasonable occupancy costs.



“
These days, retailers value more and more the part physical shops play in enhancing online sales.

Valeria Di Nisio
Group Leasing Director

Overview

The continuous exchange of data through monthly turnover disclosure, the strong relationship of our leasing teams with the retailers' teams and finally the regular monitoring of their satisfaction through anonymous surveys are key factors in the success of the centres. As a consequence, retailers come to our shopping centres, knowing their stores will succeed with us and they bring to our galleries the latest trends. The newest formats appear in our malls, delivering novelty and increasing customer base. In June 2019, Smokery by Roadhouse opened in Fiordaliso, for example, the first store of its kind in Italy, which offers high quality slowly smoked meat. In Woluwe, Juttu opened its first francophone store in October 2018. Juttu is a lifestyle concept store by the Flemish AS Adventure that goes behind the traditional fashion offer. The store offers a wide range of brands, chosen because of their ethical values of local production, being environmentally-friendly and social engagement.



Grand A, Amiens.

Retailer relationships continued

Tenant surveys

We measure tenant satisfaction through regular surveys in which every retailer in every centre in the past year was asked to participate in a 12-minute phone interview. The questionnaires include topics relating to the overall image of the centre, its marketing, the management of the common areas, how daily issues and exceptional inconveniences are addressed. The results are extensively discussed with the centre management, asset managers and the leasing team. Action plans are prepared to address the areas where improvements are needed and presented to the tenants together with the results.

In some cases, we have also organised workshops where the tenants in smaller groups were asked to discuss the results and their expectations and how those could be realised.



Woluwe shopping centre.

Retail Academy

A lot of new exciting developments are taking place in the retail industry as new technology affects how, where and when we shop. In response to these changing times, one area that Eurocommercial has focussed on is the potential competitive advantage arising from high quality, professional customer service and care throughout the shopping centre, both in the public areas and in the retail stores. During 2017 the Company therefore initiated the Eurocommercial Retail Academy® for the benefit of all the 3,600 staff working in our Swedish shopping

centres. The ambition is to develop an inspiring educational programme to improve knowledge and training in sales and customer service with the aim of developing the most professional and dedicated staff to serve a customer base increasingly appreciative of personal service.

The education programme includes four sessions a year held before opening hours in our seven shopping centres. The programme was carefully devised using external lecturers specialising in sales, service and customer psychology. The Academy focuses on building confidence, self-understanding and interaction with consumers adopting the core values behind each centre brand in order to send a consistent message into the thousands of face-to-face meetings that take place in the centres daily.

The response has been very positive among all participants who each receive an officially recognised diploma on completing and passing the educational programme. Participants also receive additional training materials and a toolbox which the retailers continue to use in their own team workshop sessions. Eurocommercial has also received very positive feedback from the retailers' head office and senior management, further strengthening relationships with those tenants.



Retail Academy seminar at Grand Samarkand.

Feature

H&M, Bergvik

In 2015, Eurocommercial acquired a 19,000m² hypermarket anchored gallery that had recently been redeveloped and connected with the Company's existing 13,750m² gallery at Bergvik, Karlstad. As part of the transaction the vendor, Konsum Värmland (the regional Coop) took a 15-year lease on their 11,000m² hypermarket at a low rent of just below SEK1000/m².

Coop recently decided that they would close the non-food section of their hypermarket, thereby potentially releasing around 3,000m². At the same time we were aware from our regular discussions with H&M that they wanted to double their floor space in Bergvik and introduce their full concept format, including H&M Home. As it was not possible to provide H&M with additional

space contiguous to their existing store, they were prepared to relocate and take all the Coop space. Eurocommercial successfully negotiated the surrender from Coop and pre-let the space to H&M at a higher rent having first re-located several smaller tenants to provide H&M with sufficient frontage.

The new unit was handed over to H&M in April 2019 and has improved the balance of Bergvik, providing this end of a long single mall with a strong fashion anchor and bringing a substantial increase in footfall that has been very well received by neighbouring tenants. Meanwhile, the Coop's turnover/m² has increased by almost 30% as they now concentrate on their core food business.



Full concept H&M store, Bergvik.

Understanding consumers

Today, shopping alternatives are countless and we are attuned to customer preferences through our research and close relationship with our retailers.

We proactively review our offering to ensure that our centres have an appealing tenant mix, together with good quality facilities including parking, good restaurants and bars, medical facilities etc.

Customer surveys

We seek to tailor our centres to the needs, desires and expectations of customers by researching them extensively. Comprehensive analyses of the catchment area are carried out in order to understand trends in spending patterns. In the past year we have conducted more than 12,000 interviews, asking customers about their habits, what they like, and what they dislike about our centres. Beyond the customer, these interviews help us to understand the local catchment of our centres and profiles or age groups of consumers we are missing, if any, in our centres and why.

Comparing the results of our studies to previous ones allows us to note the evolution of each centre and see how effective any changes adopted have been.

Our deep insights into our catchment and our customers is based on an extensive collection of data gathered through surveys but also other touchpoints both in the centres and on social media platforms. This data is then cross-checked and analysed together in order to obtain as complete a picture as possible. The results are discussed by our management teams and the outcome influences marketing plans, tenant mix choices and refurbishment projects.



Above

We survey our customers regularly.

Left

Attractive restaurant offer – Andiamo at Val Thoiry.

Digital Marketing

The online share of total retail sales in France has reached 10.3% so we are aware of the challenge to remain ahead of the game with our tech-savvy French consumers. Accordingly, in order to remain relevant on social networks, mobile applications and to ensure we build a digital image, we implemented the following campaigns.

Social network campaigns

Guidelines were delivered to each shopping centre manager to promote their shopping centre within the social network community. Special training was provided to learn tools and tips to harmonise all our communication and promote valuable brand identity on Facebook and Instagram.

Google Ads

Each year, we invest in promoting our shopping centres using Google Ads. This optimises the position at which we appear on the search engine results page, a process which would otherwise take longer to achieve organically. Thanks to this tool, the number of visits on our websites has doubled, gaining better coverage on the internet and more visibility.

Waze

Most of our centres promote digital campaigns on Waze, one of the most widely used car GPS applications in France. We are able to display customised advertisements during significant campaigns (e.g. Black Friday, mid-season sales etc.) to drive customers towards the shopping centre. We are able to know when potential customers actually look at the advertisement and if they reroute accordingly by setting our shopping centres as the destination. We can then track them by GPS and know if they've reached our centres.

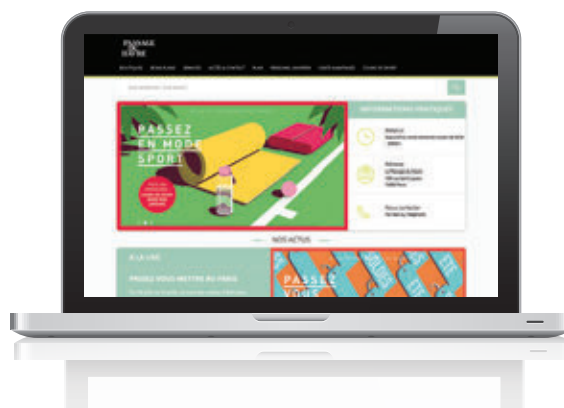
Vectaury

This tool is designed to develop the "Drive to store" with a digital campaign. We use popular apps, such as weather, news and magazine apps to advertise our shopping centre based on the geo-tracking of potential customers, e.g. if you are passing by rue Saint Lazare in Paris and open the weather app,

you will get an advertisement for Passage du Havre, together with easy-to-click directions to the mall. We are able to obtain information about how many customers actually come to the centre through this type of advertising and we can target potential customers with different messages. For example, we led a campaign to promote sports sessions offered in Passage du Havre. The advertisement was broadcast on several apps like "Le Point", "Météo France", "6 play", "Télé-Loisirs" and "Europe 1". The advertisement was either full screen or just a banner on the app which linked to a mini website with directions to the centre, a promotional message, a link to the Passage du Havre's website and the list of the shops. During a two-month period, we were able to reach 800,000 potential customers, 30,000 engaged customers clicked on the ad and 2,000 visited the centre.

Customer Relationship Management (CRM)

To deepen our understanding of customers, Eurocommercial has invested in developing a CRM system that consolidates customer data, enabling management to gain greater insight into customer behaviour and to better target our customers with a more relevant offering. Eurocommercial has an ambitious CRM programme, where all customers, who give consent online or in-person, are registered with the centre, along with their personal details. This database represents a ready-made panel of consumers to monitor and eventually to work with which enables us to constantly improve the shopping experience at our centres.



Digital marketing campaigns.

Understanding consumers continued

After assessing different external solutions from leading CRM providers, the Italian Marketing Team and the Dutch IT department co-developed an in-house CRM solution and trialled the system at Carosello shopping centre in 2018.

The objective was to create a structured and user-friendly database of all the data of registered customers collected from a range of sources including digital (newsletters, events, prize-draws, surveys, marketing campaigns) and physical touchpoints. With this database, the marketing team and shopping centre management can then:

- Improve the data analysis and produce relevant information to inform targeted marketing and communication campaigns
- Efficiently allocate marketing budget and improve returns on marketing expenditure
- Target customer groups we could not have otherwise identified
- Improve the customer experience of visitors

In January and May 2019, with this proprietary platform, we delivered customised couponing campaigns providing target-specific promotions on selected products to previously identified customers. The results showed greater effectiveness of the promotional action compared to general promotions, as we promoted new product categories to existing customers. For example, we targeted promotions for women's jeans to female customers who at the time only bought children's clothing.

In the meantime, we are working to integrate data from all touch points into our CRM platform in order to automatically collect data in real time. New digital solutions are also being rolled out to engage customers, empower people and engage communities in order to enrich our databases. The goal is to roll out the CRM platform to all centres in the coming years.



Da Sabato 27 Aprile a Giovedì 9 Maggio partecipa alla nostra fantastica operazione coupon: scopri su PC, smartphone o sui totem in Galleria le offerte e i vantaggi proposti dai punti vendita, scarica i coupon elettronici e presentali nei nostri negozi! Per maggiori informazioni visita il sito <https://carosello.centrio.org>



In-house CRM solution at Carosello shopping centre.

Environmental and Social Governance

At Eurocommercial, we strongly believe in protecting the environment and we are aware of the dangers of climate change and we do our best to reduce our carbon “footprint”.

We participate in the major environmental surveys of Global Real Estate Sustainability Benchmark (GRESB) where our score has consistently improved. We have also achieved gold awards from EPRA Awards for sustainability reporting for the sixth year in a row.

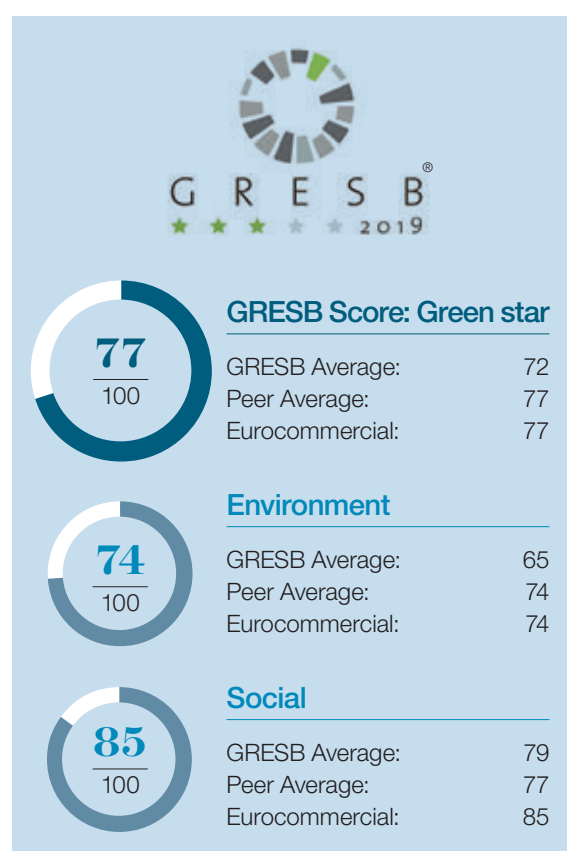
Environment protection and sustainability

Respecting the environment and actively working to decrease pollution have always been our core values. Hence, we monitor and improve our environmental impact by finding innovative solutions to create resilient properties.

On every project, we consult communities, use local suppliers where possible, prioritise materials from sustainable sources and install energy and waste efficient systems to reduce our carbon footprint. Through “green leases” we encourage our tenants to act responsibly and we gather robust data to consider how we can improve the environmental performance of each centre.



Green wall at Hallarna, Sweden.



EPRA Gold Award for sustainability reporting



Environmental and Social Governance continued

Growing environmental awareness

In the past few years, consumers have become more conscious of the environmental impact of the things they buy. Eurocommercial has been working extensively to reduce the carbon footprint of our shopping centres for the past ten years, from the installation of the 16,000m² Green Roof in Carosello in 2008 to installing solar panels in Elins Esplanad in 2019. Prior to October 2018, when the EU passed legislation to ban non-recyclable packaging by 2030, Eurocommercial launched its campaign “Shopping that Lasts” in August 2018, providing customers with recyclable and reusable bags in the Ingelsta Shopping Centre, distributing over 5,000 shopping bags over nine months. From the beginning of 2019, both the Stockholm and Milan offices went completely plastic free.

Property management

Asset management plays a significant role in how we maintain our “green” status. That includes important amenities such as green space and sustainable transport links. With every project, we aim to improve the environmental and energy performance of the shopping centre and to reduce its running costs. We prioritise the use of construction materials that are sourced locally and have a low environmental impact. A number of our centres have achieved BREEAM In-Use certificates, and we are currently pursuing certifications for other properties. We gather baseline energy data from all our assets, not only to comply with regulations concerning the environmental management of our properties, but also to reduce the service charge costs for our tenants. Safety is also important to us. And because we work closely with local police and emergency services, we are prepared and have procedures in place to protect the safety of our employees and visitors.

Environmental events

Many campaigns were organised to raise awareness concerning environmental changes. Projects and exhibitions were put in place on the benefits to our consumers of recycling and on the dangers of ocean pollution. In Carosello and Cremona Po, the “Ocean Giants” project consisted of an installation



“Ocean Giants” in Carosello and Cremona Po, Italy.

of endangered big ocean creatures, such as whales and sharks, to raise awareness of the importance of having clean oceans. At Ingelsta, to celebrate World Oceans Day, The Tsunami Wave of Plastic event was organised. A three-metre-high sculpture of a wave, produced by single-piece plastics and 2,500 PET bottles was installed in the gallery, to impress on people’s minds the harm caused by plastic pollution. Together with this impressive work of art, people were educated on plastic damage on living creatures and on what can be done to reduce plastic usage.

Be responsible, drive green

We provide sustainable and affordable means of transport for our visitors to reach our shopping centres. For example, shuttle buses in Carosello and Fiordaliso, and car sharing in I Gigli. Our shuttle buses are offered for free and are used yearly for 100,000 people rides by visitors and employees, in both Fiordaliso and Carosello. We also provide electric vehicle charging stations in MoDo, I Gigli, Cremona Po, Fiordaliso, Grand Samarkand, Val Thoiry, Chasse Sud and Woluwe. In France, public transport reaches six out of ten shopping centres and bicycle parking is provided in eight of those centres. In Woluwe, we have also installed bike lockers, so that people can park and lock up their bike without having to carry their padlocks. We have metro stations in Passage du Havre and Woluwe.

Corporate social responsibility

At Eurocommercial, we have always believed strongly in the social function of shopping centres. Malls are not mere shopping destinations for fast purchases. Rather, they are the cornerstones of their local communities where various useful and high-quality services can be found. We have a positive impact on local economies. In 2018, over 16,000 retail jobs were created at our shopping centres in Belgium, France, Italy and Sweden. Our goal is to be involved with the municipalities we operate in, conscious that services are complementary to the shopping experience and can benefit both customers and employees.

Community involvement example

Cremona is the world capital of the art of violin craftsmanship following in the footsteps of the famous Cremonese violin and cello makers from the 17th century Antonio Stradivari, the Amatis and the Guarneris.

The annual Stradivari Festival, organised by the Museo del Violino, offers the unique chance of listening to top-quality chamber music in the Arvedi Auditorium, a modern jewel of acoustic engineering.

Eurocommercial's Cremona shopping centre is a sponsor of the festival and this year through Eurocommercial's CEO Jeremy Lewis, a patron, the world-famous London Mozart Players orchestra played to a full house. Two soloist guest stars



The London Mozart Players at the festival.



Il Duomo di Cremona.

James Ehnes, violin, and Laura Van Der Heijden, cello, offered a balanced programme of Mozart and Haydn.

To support the Festival, Eurocommercial's Cremona Po centre also positioned musical instruments in the mall, freely available to customers, hosted performances and offered stages for local music schools.

The Multiplex Cinema offered free evening classical music concerts and there was an in-mall exhibition on the violin makers of Cremona. We also included a luthier's corner, where one could see a violin maker build a violin in real time.

Edutainment

Pro-active education methods involving schools are carried out. School involvement is particularly important to us, to make the learning experience more enjoyable and to promote pro-active forms of learning that keep children interested. In Grand Samarkand, Växjö, for example, we have collaborated with Linnaeus University to make Grand Samarkand a reference point for students. When students are tasked with writing a thesis or an essay on a specific topic or with conducting market research, they can enlist our help.

Environmental and Social Governance continued



EPRA sustainability performance measures*

Impact area		Absolute measure (Abs)		Like-for-like measure (Lfl)							
		Total		France		Italy		Sweden		Total	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Energy (landlord-obtained) (MWh)	Total electricity	70,722	70,357	6,836	6,711	10,038	10,313	16,267	16,741	33,141	33,765
	Proportion of electricity from renewable sources	49%	53%	0%	0%	0%	0%	100%	100%	49%	50%
	Total district heating and cooling	24,876	26,923	1,666	1,666	6,136	6,136	6,723	7,176	14,525	14,978
	Proportion of heating and cooling from renewable sources	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Total fuels	12,768	12,177	3,816	3,521	4,869	4,726	–	–	8,685	8,247
Greenhouse gas emissions (tonnes CO ₂ e)	Proportion of fuels from renewable sources	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Total direct GHG emissions (Scope 1)	2,349	2,240	702	648	896	869	–	–	1,598	1,517
	Total indirect GHG emissions (Scope 2 and 3)	10,051	10,865	1,952	1,916	2,902	2,980	66	71	4,920	4,967
	Energy and associated GHG disclosure coverage (if applicable)	27 of 27		9 of 9		4 of 4		4 of 4		17 of 17	
	Proportion of energy and associated GHG estimated	3%	0%	0%	0%	0%	0%	7%	0%	8%	0%
Water (cubic metres) (m ³)	Total water withdrawal	1,628,483	1,608,044	23,201	24,426	216,936	224,294	31,902	32,626	272,040	281,346
	Water disclosure coverage (if applicable)	25 of 25		8 of 8		4 of 4		4 of 4		16 of 16	
	Proportion of water disclosure estimated	4%	0%	0%	0%	0%	0%	27%	0%	0%	0%
Waste (landlord-handled) (metric tonnes) (proportion by weight %)	Total weight of non-hazardous waste	9,803	9,739	3,505	3,301	1,567	1,726	–	424	5,072	5,451
	Total weight of hazardous waste	4	45	–	–	–	–	1	3	1	3
	Reuse	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Recycling	30%	34%	16%	20%	34%	31%	13%	54%	21%	26%
	Composting	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Material recovery facility	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Incineration	28%	43%	23%	59%	66%	60%	19%	45%	35%	58%
	Landfill	2%	2%	0%	0%	0%	0%	0%	1%	0%	0%
	Other	39%	21%	60%	21%	0%	9%	67%	0%	45%	16%
	Waste disclosure coverage	21 of 21		8 of 8		2 of 2		2 of 2		12 of 12	
	Proportion of waste disclosure estimated	16%	0%	3%	0%	0%	0%	31%	0%	11%	0%

* All data relates to calendar year, the comparative figures for 2017 have been restated as explained below.

EPRA sustainability intensity measures

Impact area		2017	2018
Energy (kWh/m ² /year)	Building energy intensity ¹ (like-for-like)	507	522
Greenhouse gas emissions (kg CO ₂ e/m ² /year)	GHG intensity from building energy ¹ (like-for-like)	56.2	57.4
Water (m ³ /m ² /year)	Building water intensity ² (like-for-like)	10.1	10.0

Energy and greenhouse gases notes

Emissions have been calculated from location based emission factors provided by Defra. Emissions are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices guidelines.

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

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

All consumption in this report is for landlord shared services and/or common parts.

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

Fuels includes natural gas and diesel as sources.

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

Total electricity, district heating and cooling and fuels are landlord-obtained consumptions for common parts and any services provided to tenant areas. Eurocommercial acknowledges, as recommended by the EPRA sustainability best practices guidelines, that the intensity indicator may be affected due to a mismatch between numerator and denominator.

Woluwe, Grand A, I Gigli, Fiodaliso, Collestrada, Cremona Po, Bergvik, Hallarna, C4 and Elins Esplanad have been excluded from all like-for-like analysis as these assets were under development, acquired or built during the reporting period.

C4 has been excluded from all intensity calculations as Eurocommercial opened the newly constructed shopping centre during the reporting period. I Gigli has been excluded from the energy and GHG intensity calculations due to an outlier caused by adjustments in the heating and cooling system in 2017. There is no third party assurance available.

Energy notes

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

Water notes

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

All water consumed is obtained via municipal supplies.

Waste notes

All waste is reported by mass (tonnes) in line with EPRA best practice recommendations. Waste usage has been estimated for 2017 in Les Grand Hommes, I Gigli and Valbo.

Les Trois Dauphins, Il Castello, I Portali and Moraberg have been excluded from waste like-for-like analysis, as both 2017 and 2018 data is not available.

Building certifications

Six shopping centres have been certified BREEAM In-Use Very Good or higher.

Employment opportunities

We do our best to help reduce local unemployment by, for example in Italy, starting with I Portali and Fiordaliso, installing Jobby Digital Kiosks. These little stands let people submit their curricula vitae. In Hallarna, Halmstad, in collaboration with Arbetsförmedlingen, a local employment service, a job fair was organised. Stands of 34 companies were placed within the gallery, so that people could apply for job positions directly in the shopping centre. More than 2,000 visitors participated in the event, organised in February 2019. At Les Atlantes, we welcomed Army Recruitment Days in the gallery.

Strong employee commitment

We have an open and collegiate culture, and we are proud of our commitment to our employees. As a result of our commitment, we benefit from very low employee turnover. We maintain an open and respectful culture, and Eurocommercial colleagues are encouraged to share their ideas for the improvement of the business. Furthermore, we maintain a gender balance within the Company that strengthens our positive internal culture (women 55%; men 45%) which reflects the gender balance of the customers in our centres. We invest in the ongoing learning and skill set development of our staff. All employees are shareholders of Eurocommercial through a long-term performance share plan, aligning them with the Company and its shareholders.



Urban apiculture: beehives on the roof of Les Grands Hommes.



Jobby Digital Kiosks installed in I Portali and Fiordaliso.

Transparent disclosure and retail commitment

We provide transparent disclosure of our activities through formal reports and communication.

- As a member of the European Public Real Estate Association (EPRA) we have reported in line with the sustainability Best Practices Recommendations (sBPR) and for the sixth consecutive year we have achieved a Gold rating for our high level of disclosure on environmental reporting.
- For the sixth consecutive year, Eurocommercial has completed the Global Real Estate Sustainability Benchmark (GRESB) and received a score of 77, an increase of 14 points on last year's score, and as a result, received its third 'star'. Eurocommercial is ranked 7th out of 13 listed retail companies in Europe.
- Our financial and operational disclosure is among the best in our industry, providing stakeholders with detailed information on how we operate our business.

Eurocommercial is committed to dealing fairly and responsibly with all stakeholders. We adhere to high standards of corporate governance. More information about our articles of association, relevant policies and supporting documents can be found online at www.eurocommercialproperties.com/about/governance.

Environmental and Social Governance continued

EPRA Social & Governance indicators

All employees		2017		2018	
Diversity – Emp 405-1	<i>Employee gender diversity (based on headcount)</i>	Male	Female	Male	Female
	Board	2%	–	4%	–
	Management	10%	1	7%	5
	Staff	88%	46	89%	48
	Total number of employees	84	56%	89	55%
Diversity – Pay 405-2	<i>Gender pay ratio</i>	Male	Female	Male	Female
	Supervisory Board 2017/2018	60%	40%	60%	40%
	Board	100%	–	100%	–
	Management	56%	44%	50%	50%
	Staff	65%	35%	66%	34%
Emp – Training 404-1	<i>Employee training and development (based on headcount)</i>	Male	Female	Male	Female
	Training hours per employee	9	19	11	5
Emp – Dev 404-3	<i>Employee performance appraisals</i>				
	% of employees	100%		100%	
Emp – Turnover 401-1	<i>New hires and turnover</i>	New hires	Departures	New hires	Departures
	Male	3	1	4	1
	Female	8	4	5	3
	Total	11	5	9	4
	Employee turnover	6.0%		4.5%	
H&S – Emp 403-2	<i>Employee health & safety</i>				
	Absentee rate	1.5%		1.7%	
	Injury rate	0.0%		0.0%	
	Work-related fatalities	0		0	
H&S – Asset 416-1	<i>Asset health and safety assessments</i>				
	Health & Safety – assessments (in % of assets)	100%		100%	
H&S – Comp 416-2	<i>Asset health & safety compliance</i>				
	Health & Safety – incidents	0		0	
Comty – Eng 413-1	<i>Community engagement, impact assessments and development programmes</i>				
	Community engagement programmes in place (in % of assets)	100%		100%	
Gov – Board 102-22	Composition of highest governance body	View the 2018 annual report (page 60-62) on the corporate website www.eurocommercialproperties.com/financial/financial-reports			
Gov – Selec 102-25	Process for nominating and selecting the highest governance body	View the 2018 annual report (page 60-62) on the corporate website www.eurocommercialproperties.com/financial/financial-reports			
Gov – Col 102-25	Process for managing conflicts of interest	View the Code of Conduct (page 2) on the corporate website www.eurocommercialproperties.com/about/governance			



Woluwe charge points for electric cars (Belgium).

Belgium country report



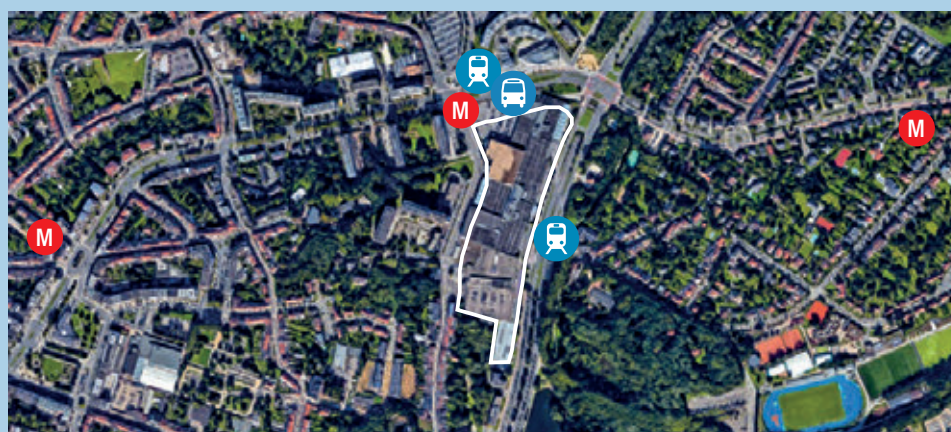
A spirit of renewal has permeated Woluwe as we have taken control of one of the best shopping centres in Belgium. A major refurbishment is underway and plans for an exciting extension are progressing.

Benjamin Frois
Asset Manager
Eurocommercial Belgium



Above
The new design and logo.

Right
Aerial view of Woluwe Shopping.
Source: Google Earth.



€554m*

Property value

2.0%

Like-for-like retail
sales growth

-1%

Valuation change
(12 months)

9,760

Boutiques turnover/m²

€21.7m

Rental income

129

Number of shops

8.2%

Average uplift from
relettings & renewals

880,000

Catchment

14.4%

Occupancy cost ratio

47,000m^{2}**

Gross lettable area

* Including Agridec acquisition from December 2018.

** Includes non-ECP owned GLA.

Belgium country report continued

Economy

The Belgian economy performed reasonably well in 2018, with a GDP growth of 1.4%. In the first quarter of 2019, the growth rate decreased to 1.2%. Unemployment is down to 5.7%. However, the minority government led by Mr Michel was unable to pass any reforms and for 2019 no major changes are envisaged. Estimates for 2019 are of moderate growth of 1.2%. Elections were held in May for the European Parliament and, both at regional and federal levels, they resulted in Flanders tilting further to the right, whereas Wallonia moved left. Belgium's traditional parties (Christian Democratic, Socialist and Liberal) have been decimated to the benefit of smaller parties on both sides of the political spectrum. Negotiations to form national and local governments are still ongoing.

Strategy

With its low retail density and affluent communities, Brussels is an attractive new market for Eurocommercial. The low retail density is primarily due to stringent and complex planning requirements which have resulted in limited retail property development, especially for greenfield projects, where the impact on local traffic is a considerable barrier to entry. To ease mobility, the government is encouraging better use of public transport and investing in click & collect infrastructure.

We entered the Belgian market a year ago with our acquisition of the renowned Woluwe centre, which is in a prime location to the east of Brussels. This is one of the wealthiest areas in the country with a catchment that is home to both French-speaking and Flemish residents who use the centre as a shopping destination and local amenity.

Our strategy in Belgium is to develop a shopping centre that is an accessible and attractive destination, with an innovative mix of food and beverage, leisure and services. Under a strong and experienced management team we have already made progress in introducing contemporary and international brands. We continue to seek the best tenants to enhance the offer further. To meet the needs of local consumers, we are also extending

the opening hours of the centre and reconfiguring the connection to the metro and tram stations located within the centre, making access to our centre more convenient and appealing.

Extension and refurbishment of Woluwe Shopping

We expect to submit the planning application for the future northern extension of the shopping centre in October. In the meantime, our renovation of the existing centre is proceeding at pace.

Notwithstanding its outstanding fundamentals of wealth and location, Woluwe Shopping had become a little tired and not kept abreast of trends in customer service and presentation. We are therefore completely renovating the entrances to upgrade the welcome, modernising the food court to encourage dwell times and upgrading all levels of comfort in the mall. We are confident that the new look of Woluwe will be appreciated by our customers when building work and rebranding are concluded in time for autumn trading.

We are communicating widely the new identity of the centre with the new logo being an essential element of the campaign.

Meanwhile, on the ground, we have succeeded in extending the opening hours to 20.00 on Saturdays and have upped free parking times in the evenings. Given the success of these measures, we are working with our retailers to continue freeing up trading hours.

We have introduced a fresh team on site with a new Centre Manager and a new Technical Manager, meaning we now have better interaction and partnership with retailers. Centre Management offices are to be relocated from the basement to mall level to further enhance communication.

We are also looking to refresh the merchandising and introduce contemporary brands. New international brands introduced to the centre include Levi's, Kusmi Tea, Unisa and La Chaise Longue. The imminent arrival of Courir will be a first step in the direction of enhancing the sport sector and a brand new pharmacy has now opened and includes an impressive array of veterinary products.

Effective management of the centre was impeded in the past by the split ownership. In December 2018 Eurocommercial Properties Belgium acquired the company ("Agridec S.A.") controlling 11,800m² of six stores leased to major retailers, including H&M, Zara Home, Esprit and a newly-opened AS Adventure, as well as the 3,000m² Match supermarket. As a second step, the imminent issue of shares in our Belgium FIIS to AG Insurance will for the first time bring about 100% ownership of this property, including therein the 12,000m² Inno department store which has recently renewed its lease. We will be working with Inno, now controlled by the Karstadt group, to encourage them to upgrade their offering.

Once approved, the northern extension will consist of two levels of retail space either side of a central mall to give a net increase of 8,000m². The mall will lead directly into a new Metro entrance, a great improvement on the rather lengthy underground passageway which currently serves the centre. Above the new mall will be four levels of apartments arranged around a central landscaped courtyard. There will be circa 100 apartments with a total lettable area of 8,000m². Access to the residential accommodation will be from street level and therefore independent from the shopping centre.

Following a flurry of activity in 2018 with three large centres sold, the investment market for Belgian shopping centres has been relatively quiet in 2019. The unit shop sector on the other hand has continued to operate at reasonable volumes and yields have remained stable at around 3.75% for the very best product on the principal arteries in Brussels and Antwerp. In this context the valuation of Woluwe Shopping, including the Agridec acquisitions, has remained stable at €554 million.

Marketing

The heart of Woluwe Shopping's marketing strategy lies in creating a unique, differentiated shopping experience in line with the expectations of local consumers in the mall shopping area.

The branding strategy of Woluwe Shopping has recently been completely redesigned with the introduction of a new logo and new communication

guidelines. The aim is to better reflect the positioning of the shopping centre and affirm its difference. Woluwe Shopping is "the new place to be".

To develop the frequency of visit and dwell time, it is essential to satisfy the expectations of our visitors. That's why we are constantly working to expand the range of customer services to facilitate the shopping experience: reinforcement of social spaces, digital tools, click & collect points and implementation of an iconic kids play area.

The event and entertainment policy plays an important role in the reasons for visiting Woluwe Shopping. Throughout the year, innovative and impactful events, reflecting current trends, are put in place to entertain our targeted customers and enrich their visit. We also attribute great importance to educational entertainment such as the Space Conquest and the Age of the Dinosaurs. This type of event reinforces the linking of the shopping centre with its local community as a place for sharing and discovering.

The entire marketing strategy is supported by a strong media plan combining traditional communication (radio, outdoor campaign) and new information technologies (social media, digital advertising).



New tram stop at Woluwe Shopping.

France country report



Despite protesters blocking access to many centres nationally, Eurocommercial showed good rental growth with minimal vacancies.

Pascal Le Goueff

Director

Head of Eurocommercial France

€1,191m

Property value

-1.8%

Like-for-like retail sales growth

-2.1%

Valuation change (12 months)

11

Number of properties

€61.1m

Rental income

508

Number of shops

11%

Average uplift from relettings & renewals

42m

Number of visitors

2.9%

Like-for-like rental growth

298,000m²*

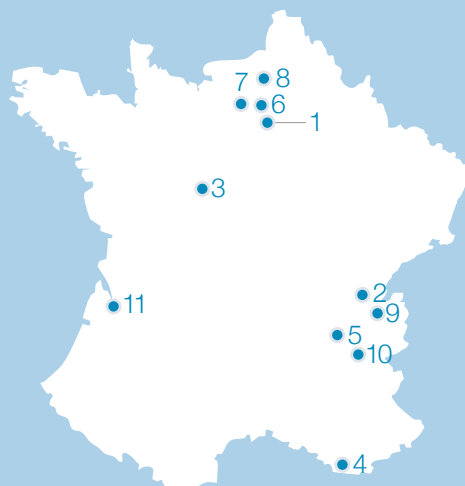
Gross lettable area

9.3%

Occupancy cost ratio

Property locations

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



* Includes hypermarkets and non-ECP owned GLA.

Economy

The promise of President Macron to reduce the unemployment rate by the end of his mandate is on target so far with a rate of 8.2% compared with 10.1% two years ago. The outlook for the economy in 2019 is auspicious with expected GDP growth of 1.3%, well above Eurozone average. Thanks to the stable growth pace, 241,000 jobs will be created, according to INSEE.

Strategy

We have been an investor in France for 27 years and our centres are all in prime locations within attractive catchments. We have successfully maintained very low vacancy rates despite the competitive dynamics, and this is due to the very experienced local team that proactively manages the merchandising mix of our centres to ensure it remains relevant and attractive to the local area. We have invested in digitalisation and the use of social media and online tools to target shoppers and better understand their changing needs.

Shopping centres have a long tradition in France, but the French retail market has strong competition. As a result, national and local governments are tightening planning consent for new retail parks, and new projects are subject to increased scrutiny, limiting new supply.

French shoppers increasingly see visiting shopping centres as an experience, and now demand more choice, comfort and convenience. Shoppers want more food and beverage options, sports and leisure, and ancillary services such as crèche and click & collect services. Although e-commerce penetration in France is high, it is becoming more a partner for physical retail rather than a threat and the most successful brands are those with an integrated online and in-store experience. These are all positive trends for us as more restaurants, leisure and services increase dwell time and interest in our centres by shoppers and potential tenants.

Rental growth

Like-for-like rental growth for the 12 months to June 2019 was 2.9%. The major contribution to this growth came from the 53 reletting and renewals

which produced an uplift of 11%. Indexation at +2% played a significant part in the performance of rental growth. The best overall results came from the relettings of Les Fromentiers and L'Ostréa in Centr'Azur (replacing part of the former Cafétéria Casino) and from the renewal of the Minelli lease (10 rue du Havre), Yves Rocher and Histoire d'Or (Passage du Havre) and CapOr in Chasse sur Rhône.

Retail sales

Despite the "Gilets Jaunes" protests which had a significant impact on retail sales over the past six months, retail sentiment remains positive among retailers except in the fashion sector where competition and over supply continue to destabilise the sector and force some retailers to rationalise their store networks. Over the past 12 months, the most successful sectors, home goods and food & beverage boutiques, have shown good results with respectively +16.3% and +7.8% while health & beauty and sports are also performing well. The electrical sector which first showed signs of difficulty ten years ago is now indicating clear signs of recovery in our provincial centres. In Passage du Havre our electricals anchor has been in positive territory in the last six months which is a major improvement on previous performance.

Property market

The market has been particularly dynamic thanks to large transactions by foreign investors who continue to take advantage of the opportunities offered by the French market. Fortress has bought a portfolio of 26 assets from Casino for almost €400 million. In Paris, Norges Bank has signed a contract with Groupama to acquire the 79, avenue des Champs-Élysées site for an amount of €613 million, reflecting a yield of around 2.50%. Yields for the prime end remain stable, whereas yields for secondary assets, mostly located in small/medium towns, are rising. The two major acquisitions by the largest French and European property investor AXA of 50% of our own Passage du Havre and 75% of Italie Deux, confirm the strength of the physical market for good quality assets.

France country report continued

Valuations

On a like-for-like basis, the value of the portfolio has decreased by 0.2% over six months and by 2.1% over 12 months. The average net yield of the portfolio stands at 4.5%, our suburban and provincial shopping centres are now valued at an average yield of 5%, our Parisian properties at 3.7% and our retail park at 4.5%. Yields have increased by 14 basis points over 12 months and remain stable over six months reflecting the market trend.

Passage du Havre joint venture

As part of Eurocommercial's asset rotation programme, we have signed a joint venture agreement with AXA Investment Managers – Real Assets by which AXA becomes the owner of a 50% interest in Passage du Havre shopping centre. The price for the 50% share in Passage du Havre was based on Eurocommercial's 31 December 2018 independent valuation resulting in an amount of €203 million for the half share and a net yield of 3.7%. Closing is expected to take place on 30 September. Eurocommercial will manage the retail component and AXA the office and residential.

Extension and refurbishments

On the project front, the new application for our project of a 20,000m² extension in Val Thoiry has been granted with pre-leasing of the major tenants completed. The light renovation of Shopping Etrembières was completed at the end of 2018 and we received an authorisation to build a 1,600m² GLA extension along with an underground parking on the land adjacent to the centre. The site of the project is already prelet to a well-known French restaurant operator and we expect work to start at the beginning of 2020. In Bordeaux, the refurbishment of Les Grands Hommes is well underway and terms have been agreed with Regus who will rent the first floor on a nine-year firm lease.

Marketing

Each shopping centre has built its own brand platform, with a clear mission, vision and values to guide the marketing strategy and media planning. Each strategy is based on the customer base of the shopping centre, on the characteristics of the catchment area, its positioning and competition and framed by the merchandising offer. We target our strategy based on customer knowledge.

The strategy is then discussed with retailers and reviewed according to customer surveys, usually made internally with our Group analyst, but also on information coming from the dynamic touch points that we have, such as digital kiosks, welcome desks and social networks.

Core values emerge on most shopping centres and this helps us build a marketing plan based on common ground: family, sports, sustainability, impact on local communities and innovation. That is why we organise edutainment activities and DIY workshops and we sponsor local sport associations as well as offer courses in our galleries.

In France we work to understand the new ways our consumers behave in order to adapt our services and events to new trends:

- Clothes recycling activities, whose profits are donated to humanitarian associations
- DIY workshop to learn how to make things yourself (food, decoration, fashion customisation etc)
- Reconnection to real life with meditation, mindfulness and "letting-go tips", to disconnect from the digital world from time to time

We also encourage young French enterprises by providing spaces for them to showcase their products, such as concept-stores like POOOW, Compagnie de Californie and La Boutique des Créateurs, covering different areas in design, clothes, food and wellness.

Feature

Remerchandising of Passage du Havre

In the first half of 2019 we had the opportunity to restyle the merchandising category of Passage du Havre, our prime location in central Paris. The tenants H&M and Zara needed more space for their flagship stores that we could not provide. Hence, when they left Passage du Havre, we conducted a consumer survey to understand which categories they wanted to see in the gallery. Following our consumers' preferences, we replaced some fashion brands with new players, with most of the space dedicated to the home décor sector. GAP was replaced by Maison du Monde, H&M was replaced by Normal, Victoria Magdalena and Søstrene Grene, and Zara was replaced by Courir and Rituals.

As we already knew, customers confirmed that the home sector was under-represented in central Paris and we decided to bring a novelty, Søstrene Grene, and a sector leader, Maison du Monde. In particular, Maison du Monde has an efficient e-commerce structure and customers are able to shop in-store and have items delivered to their homes. In fact, up to 50% of sales benefit from home delivery, which is extremely useful for shoppers who come in on foot or by public transport. For them, with no means of carrying large items out of the store, it would be a missed purchase if they were not offered a home delivery option.



Danish retailer Normal in Passage du Havre, Paris.

France portfolio

Passage du Havre

Paris



Located in one of the best retail areas in Paris, above a major rail interchange, Passage du Havre is constantly upgrading its merchandising mix to respond to client needs. The centre will soon benefit from an external refurbishment.

Val Thoiry

Greater Geneva
(Ain)



Located in the “Pays de Gex”, a prosperous Franco-Swiss area, Val Thoiry has an enviable track record and a strong reputation among national and international retailers.

Les Atlantes

Tours
(Indre-et-Loire)



The leading shopping centre in the region, located alongside the A10 motorway, Les Atlantes offers a range of 66 retailers anchored by a Carrefour hypermarket.

Centr’Azur

Hyères
(Var)



Located on the Côte d’Azur, Centr’Azur boasts a large and wealthy catchment area of 392,000* people. Population growth, wealthy catchment and tourism are key to Centr’Azur success.

Value

€403.3m

Catchment **7.8 million***

Passing rent **€17.44m**

Boutiques turnover/m² **€13,161**

Occupancy** **100%**

Visitors 2018/19 **11.2m**

Total lettable area **23,881m²**

Shops **44**

Value

€165.2m

Catchment **300,000**

Passing rent **€7.51m**

Boutiques turnover/m² **€6,468**

Occupancy** **100%**

Visitors 2018/19 **3.6m**

Total lettable area **35,867m²**

Shops **66**

Value

€122m

Catchment **356,000**

Passing rent **€7.13m**

Boutiques turnover/m² **€7,588**

Occupancy** **95%**

Visitors 2018/19 **5.2m**

Total lettable area **40,556m²**

Shops **66**

Value

€96.7m

Catchment **392,000**

Passing rent **€5.07m**

Boutiques turnover/m² **€6,999**

Occupancy** **100%**

Visitors 2018/19 **2.9m**

Total lettable area **24,640m²**

Shops **55**

* Within 30 minutes.
BREEAM Project certification in process.

** Occupancy calculated by floor area.

Chasse SudChasse-sur-Rhône
(Isère)

The new generation retail park is located on the banks of the Rhône, south of Lyon, alongside the Autoroute du Soleil. Over the years it has become a “go-to” retail destination.

MoDoMoisselles
(Val d'Oise)

Situated in the Val d'Oise, with 57 stores, MoDo benefits from a growing catchment and a very strong and recently refurbished Leclerc Hypermarket. The extension of the A16 will improve access for the northern catchment.

Les Portes de TavernyTaverny
(Val d'Oise)

Located in the Val d'Oise alongside the A115 the centre will soon enjoy a new exit which will improve traffic flow in the car park.

Grand AAmiens
(Somme)

Located alongside the Amiens ring road, the centre was refurbished and extended recently, and benefits from an excellent road network.

Value**€95.7m**Catchment **382,000***Passing rent **€4.74m**Boutiques turnover/m² **€3,201**Occupancy** **100%**Visitors 2018/19 **4.1m**Total lettable area **52,981m²**Shops **48****Value****€72.3m**Catchment **408,000**Passing rent **€4.83m**Boutiques turnover/m² **€5,594**Occupancy** **97%**Visitors 2018/19 **4.0m**Total lettable area **26,588m²**Shops **57****Value****€63.2m**Catchment **323,000**Passing rent **€3.42m**Boutiques turnover/m² **€9,016**Occupancy** **90%**Visitors 2018/19 **3.3m**Total lettable area **30,543m²**Shops **49****Value****€60.9m**Catchment **300,000***Passing rent **€4.07m**Boutiques turnover/m² **€6,700**Occupancy** **98%**Visitors 2018/19 **3.3m**Total lettable area **22,800m²**Shops **58**

* Within 20 minutes.

** Occupancy calculated by floor area.

* Within 30 minutes.

France portfolio continued

Shopping Etrembières

Greater Geneva
(Haute-Savoie)



Located at the junction of the A40 (Lyon-Chamonix) and A411 (Geneva) motorway near Annemasse, the centre will soon benefit from major improvements in the road networks.

Les Trois Dauphins

Grenoble
(Isère)



This mixed use building is situated in the heart of Grenoble and benefits from a catchment of 460,000 people.

Les Grands Hommes

Bordeaux
(Gironde)



Located in one of the best areas of central Bordeaux, this well-known gallery is being refurbished.

Value

€52.4m*

Catchment **400,000**

Passing rent **€2.58m***

Boutiques turnover/m² **€7,336**

Occupancy** **100%**

Visitors 2018/19 **1.9m**

Total lettable area **17,360m²**

Shops **47**

Value

€38.1m

Catchment **467,000**

Passing rent **€2.65m**

Occupancy** **100%**

Total lettable area **16,826m²**

Shops **4**

Value

€21m

Catchment **573,000**

Passing rent **€0.82m**

Boutiques turnover/m² **€5,943**

Occupancy** **100%**

Visitors 2018/19 **2.3m**

Total lettable area **5,530m²**

Shops **14**

* Represents ECP 50% interest in the owning entity.

BREEAM In-Use certified.

** Occupancy calculated by floor area.

Italy country report



We believe we have the best portfolio of shopping centres in Italy with I Gigli attracting the most visitors in the country.

Carlo Romagnoli
Director
Eurocommercial Italy

€1,568m

Property value

0.8%

Like-for-like retail
sales growth

1.6%

Valuation change
(12 months)

8

Number of properties

€88.5m

Rental income

710

Number of shops

11.9%

Average uplift from
relettings & renewals

62m

Number of visitors

1.9%

Like-for-like rental growth

387,000m^{2*}

Gross lettable area

8.2%

Occupancy cost ratio

Property locations

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



* Includes hypermarkets and non-ECP owned GLA.

Italy country report continued

Economy

Economic growth slowed its pace in 2018, with a 0.9% GDP increase over 2017, mainly related to political instability and uncertainty over global trade. The unemployment rate was down to 10.6% in 2018 for Italy as a whole, while in Northern Italy it was 6.6%. Consumer spending also grew in the first three months of 2019.

Strategy

The Italian retail market remains for us one of the most attractive ones. Our eight shopping centres are among the most visited in the country, with I Gigli still in first place with 20 million visitors, and continue to outperform their peers. Rents are affordable, with low OCRs and very low vacancy rates (below 1%). We have been investing in Italy since 1994 and our centres, all based in the northern half of the country, provide us exposure to wealthy areas such as Milan, Bergamo and Florence, which have wide population catchment areas.

Existing shopping centres are still favoured too, given the tight planning laws and strict requirements in several regions for shopping centres to be built on brown-field sites. This increases the cost, time and complexity for any new supply to come to market, as well as increasing the probability that they are in secondary locations.

We are continuing to improve our offer and enhance the customer experience by refurbishing centres or extending them. We are expanding available space to bring in key anchor tenants, as well as adding international brands. We are also refreshing our retail mix to ensure that our centres remain premier shopping destinations. We are adding more food and beverage outlets to our centres and updating them to make them places where consumers want to spend more time and money.

Rental growth

Like-for-like rental growth for the 12 months to June 2019 was 1.9%. Headline inflation averaged 1% in 2018 and is expected to remain stable for 2019. The main driver of rental growth was the 87 renewals and relettings which generated an average rental uplift of around 11.9%. The best overall rental growth results came from I Gigli and Curno.

Retail sales

Retail sales in our Italian centres for the year to June 2019 were positive at 0.8%, excluding hypermarkets, with boutiques performing better than medium units. Hypermarket retail sales on average declined due to increased competition. The best performing centres were Il Castello and Cremona Po. The occupancy cost ratio was kept at a healthy and sustainable 8.2%.

Property market

The retail sector represented around 20% of the total amount invested in Italian real estate during the past 12 months (second half of 2018 – first half of 2019) for an amount equal to €1.3 billion. Of this investment, out-of-town shopping centres represented around 52% of total volume and high street properties around 48% (source Savills Research). There were very few core assets transacted on the market, with demand for retail investments focusing on core plus opportunities and off-market deals, especially for high street properties. The market is two-tiered with a wide gap between prime and secondary yields. During the year, international and national investors confirmed their selective interest for Italian real estate products with slight prime net yield increase on specific asset classes.

High street net yields for primary cities range between 2.75% and 3.25%, good shopping centres between 4.90% and 5.25% and retail parks between 6.00% and 6.50%. Secondary assets are currently suffering from liquidity concerns and limited demand.

Valuations

Eurocommercial valuations showed an increase of 1.6% at the end of June 2019, compared with June 2018, and an increase of 2.1% compared with December 2018, taking the total value of the Italian investment portfolio above €1.5 billion. The average net initial yield, which has been stable since last year, was equal to 5.1%.

Extensions and refurbishments

Our extension and renovation programme is progressing well. Both Curno and Cremona extensions will be finalised by the end of the year. Primark and H&M will open their new stores in Fiordaliso shortly, so that the first phase of the new look shopping centre will be completed.

At Collestrada, we are currently working on a revised scheme of the extension. We plan to submit the revised extension plan to the newly elected town Council of Perugia by October 2019 and to the Regional Council by June 2020. As most formal procedures have already been dealt with, we expect the extension to open in 2023.

At I Gigli refurbishment works are ongoing in Corte Lunga and will be completed by the end of 2019. We submitted a formal application for the new external terrace to provide additional seating for the Mercato Centrale restaurant.

The structural works for the construction of a walkway connecting the two piazzas on the first floor (Corte Tonda and Corte Lunga) have started with completion forecast for November 2020.

The building permit for the construction of a 3,500m² sports centre and 900m² of restaurants next to the existing cinema has been granted. Works will start at the beginning of November 2019, with opening by the end of 2020.

At Fiordaliso, the hypermarket reduction and construction of the new Primark and H&M units will open at the end of 2019.

A contract has been signed with Finiper for the acquisition of the existing hypermarket, which will be relocated into the extension alongside the shopping centre. The existing hypermarket will be partly demolished and converted into new shops and partly into a multilevel car park.

We are working on the revised extension of Carosello and are in discussions with the local municipalities.

At Curno, work on the new 5,283m² food court “Le Cucine di Curno” is on schedule and on budget with the opening expected at the end of 2019.

At Cremona Po, works on the new 10,000m² retail park are ongoing, with opening expected by December 2019. The new retail park will be anchored by Decathlon, Brico, Burger King and other major players.

At I Portali, Modena, we received a first preliminary political consent from the Modena municipality for our 20,000m² extension project. We are going to formally apply for the necessary building permits. We expect the extension to be finalised by the end of 2023.

Marketing

In Italy, Eurocommercial boasts a continuous record of marketing awards won both nationally and internationally recognised by the CNCC and ICSC associations, thanks to original events and particularly effective communication campaigns.

We work closely with the leading marketing and tech players to monitor trends, identify innovations, test new concepts, accelerate innovation and ensure the strongest ideas are successfully adopted in our centres.

Our main goal is to create new reasons for visiting and shopping, introducing innovative and useful customer services, giving greater emphasis on distinctive events and increasing the space for leisure, dining and socialising.

Italy country report continued

In all our Italian centres we have a strong focus on customer satisfaction. We provide a wide range of innovative services which benefit both our visitors and the local communities, from providing sustainable transport, activities to encourage employment, facilities to support click & collect, both in-store and with Amazon Lockers and INpost, new smart payment solutions, to family- and children-friendly facilities and pet-friendly dedicated areas and services.

We therefore create destinations for our customers in which to socialise and be entertained, providing them with multiple reasons to go shopping in our malls. Events continue to play a significant role, a powerful driver of footfall and awareness, especially when related to edutainment and social activities, when combined with the latest technologies as the many events in augmented reality and virtual reality held in all our centres, and when related to the emerging trends and nascent phenomena on social media.

Significant importance is given to technology and the digital world, which offers us the opportunity to collect client data from many digital touchpoints such as loyalty clubs, Wi-Fi, websites, digital couponing platforms and interactive totems throughout the gallery, in order to obtain valuable information to better understand our customers' needs and behaviours and to improve their overall experience.



Le Cucine di Curno restaurant centre.

Feature

New restaurant centre in Curno

Curno, located in a wealthy catchment area on the western edge of the city of Bergamo, is a leading shopping centre that is undergoing a renewal phase with the construction of a new restaurant centre and a renovation of the car parking areas. It was our first investment in Italy, acquired in 1994, and it has evolved over the years thanks to the improvements Eurocommercial has carried out.

The extension, contracted in December 2018, covers an area of 5,283m² of GLA and will be connected to the south side of the existing shopping centre. In November 2019, the new restaurant centre will open, to provide a destination where you can search, choose, find, buy and dine. But also meet, relax and have fun with friends and family.

The leasing strategy was devised around the satisfaction of all customers' needs and tastes, from young students to large families. We considered it important to provide a diverse food offer, combining restaurants such as Old Wild West, Rosso Pomodoro, Johnny Rockets and Doppio Malto, with local famous bistros such as Signor Vino and a famous Italian chef bistro.

The diverse formulas encourage evening attendance, leveraging on the synergies with UCI cinema and the large retail park opposite our centre. Along with 19 restaurants/bars, we will provide a family area comprising a kids play area, nursery and baby changing room. Innovative services with unique and useful contents will be offered: technological food facilities, family friendly food court, touch & play area with interactive games, and reading and learning corners, and also a novelty for dogs' dining, with a "food court" dedicated to them.

Italy portfolio

I Gigli

Florence
(Tuscany)



I Gigli is the most popular shopping centre in Italy, attracting almost 20 million visitors each year. It has 128 stores including top brands such as Primark, Apple, Coin, Zara, and Ai Banchi del Mercato Centrale food hall.

Carosello

Cargate, Milan
(Lombardy)



One of the dominant shopping centres in Milan with 116 stores. Major retailers include Apple, Zara, H&M and Coin department store. Discussions are ongoing with the local municipality for a possible further extension.

Fiordaliso

Rozzano, Milan
(Lombardy)



Fiordaliso is one of the prime shopping centres in Milan with 129 stores. Eurocommercial co-owns the centre with leading retailing group Finiper. Refurbishment and extension projects are ongoing to accommodate international retailers including Primark.

Collestrada

Perugia
(Umbria)



Collestrada is the prime shopping centre in the Umbria region. The gallery hosts top brands such as Zara, H&M, Bershka and Media World. The centre has been recently refurbished and discussions are ongoing with the local municipality for an updated design of the extension.

Value

€472.1m

Catchment **1.1 million**

Passing rent **€24.40m**

Boutiques turnover/m² **€10,885**

Occupancy** **100%**

Visitors 2018/19 **20.3m**

Total lettable area **85,406m²**

Shops **128**

Value

€380.4m

Catchment **1.2 million**

Passing rent **€19.20m**

Boutiques turnover/m² **€9,087**

Occupancy** **100%**

Visitors 2018/19 **8.4m**

Total lettable area **52,778m²**

Shops **116**

Value

€156.4m*

Catchment **1.3 million**

Passing rent **€8.27m***

Boutiques turnover/m² **€7,911**

Occupancy** **100%**

Visitors 2018/19 **8.4m**

Total lettable area **74,210m²**

Shops **129**

Value

€143.5m

Catchment **485,000**

Passing rent **€7.81m**

Boutiques turnover/m² **€10,995**

Occupancy** **100%**

Visitors 2018/19 **4.6m**

Total lettable area **31,120m²**

Shops **55**

BREEAM In-Use certified.

* Represents ECP 50% interest in the owning entity.

** Occupancy calculated by floor area.

Italy portfolio continued

Il Castello

Ferrara
(Emilia Romagna)



Il Castello is dominant in the province of Ferrara, with nearly 90 stores including the only Zara, H&M and Bershka stores in the area. A new renovated food court and an outdoor kids area have further improved the customer experience.

Curno

Bergamo
(Lombardy)



Curno is a well-established shopping centre in one of the wealthiest parts of Lombardy. A new food court of 5,283m² GLA will open by November to become a casual and fine dining destination.

Cremona Po

Cremona
(Lombardy)



Cremona Po is the leading shopping centre in the province of Cremona. The centre has 76 stores and continues to deliver strong performances. The extension of the retail park will include Decathlon and will be inaugurated in November.

I Portali

Modena
(Emilia Romagna)



I Portali is located in the wealthy city of Modena where the retail density is low. Our 20,000m² extension project has been submitted to the municipality, with a most favourable response.

Value	Value	Value	Value
€137.4m	€118.8m	€107.3m	€52.2m
Catchment 430,000	Catchment 480,000	Catchment 170,000	Catchment 370,000
Passing rent €8.00m	Passing rent €7.20m	Passing rent €6.74m	Passing rent €3.17m
Boutiques turnover/m ² €6,989	Boutiques turnover/m ² €8,544	Boutiques turnover/m ² €6,487	Boutiques turnover/m ² €7,250
Occupancy* 100%	Occupancy* 95%	Occupancy* 94%	Occupancy* 100%
Visitors 2018/19 5m	Visitors 2018/19 6.2m	Visitors 2018/19 5.5m	Visitors 2018/19 3.7m
Total lettable area 38,503m²	Total lettable area 36,291m²	Total lettable area 43,183m²	Total lettable area 24,929m²
Shops 88	Shops 69	Shops 76	Shops 49

* Occupancy calculated by floor area.

Sweden country report



Our portfolio of properties in Sweden have all been refurbished and extended so that they are the dominant centres in their regions.

Martin Björn
Director
Eurocommercial Sweden

€888m

Property value

1.4%

Like-for-like retail sales growth

-0.9%

Valuation change (12 months)

8

Number of properties

€46.2m

Rental income

475

Number of shops

4.6%

Average uplift from relettings & renewals

22m*

Number of visitors

2.9%

Like-for-like rental growth

305,000m^{2}**

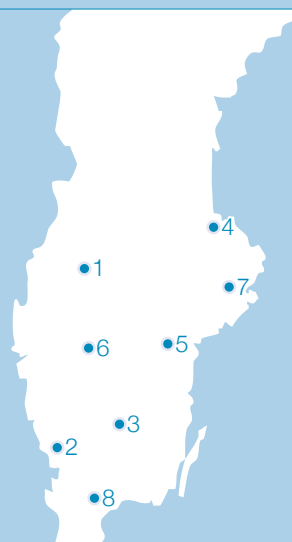
Gross lettable area

8.2%

Occupancy cost ratio

Property locations

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



* Excludes C4 shopping centre.

** Includes hypermarkets and non-ECP owned GLA.

Sweden country report continued

Economy

Swedish economic performance for 2018 was extremely positive with GDP growth of 2.4%. With a sound economic recovery and with inflation reaching benchmark values, the Riksbank increased repo rates in December for the first time in seven years. However, since then monetary policy tightening has stalled and repo rates remain stable with concerns about international economies. In the first quarter of 2019, GDP growth was 2% and unemployment fell to 6.3%.

Strategy

Eurocommercial first entered the Swedish market in 2001 since when the Company's strategy has been to focus on dominant, external shopping centres in the country's largest 25 provincial cities with populations of 75,000 and above but serving regional catchments of at least 250,000 people. In these cities, competition is more limited with broad retail density of around 650m² per 1,000 population, less than half the density currently experienced in Stockholm, Göteborg and Malmö.

To further strengthen market position in each catchment, asset management initiatives have focused on refurbishments, extensions and developments, and we have delivered 90,000m² of additional retail space since 2008 and refurbished a further 150,000m². In order to satisfy what is mainly a Scandinavian tenant base the projects always comprise a strong hypermarket offer and fully refurbished galleries of between 50-100 shops where most of the main retail chains can be accommodated with their latest brands and concepts.

Rental growth

Like-for-like rental growth increased by 2.9% over the year during which 92 lease renewals and relettings were completed, producing an average uplift of 4.6% on those transactions. While the uplift was lower than last year, there remains strong tenant demand for retail space in our portfolio of regional shopping centres which is also reflected

in low vacancy and arrears, both still below 1%. In December, we signed three further H&M full concept stores, almost doubling their floor space in Valbo, Hallarna (both under construction) and Elins Esplanad. By the end of 2020, we will therefore have five large format H&M stores which will bring important long-term commercial benefits for the shopping centres at a time when H&M are closing some of their smaller stores elsewhere. Just after Christmas, the Danish toy retailer Top Toy went into administration. We had five of their BR stores averaging 350m² each and have already let three at similar rents, with negotiations on the way for the remaining two.

Although structural headwinds affecting the retail sector have resulted in store closures in secondary shopping centres and locations around Sweden, we have not suffered and our modernised, prime portfolio of regional centres still remains highly relevant for both customers and tenants in terms of size, quality, design and merchandising. In these circumstances, we would expect to keep the portfolio fully let and while rental growth is harder to achieve, the letting team continues to secure uplifts on their negotiations, supported by steady demand for our retail space.

2.9%

Like-for-like rental growth

92

Lease renewals and relettings were completed, producing an average uplift of 4.6%

Feature

Valbo, Gävle

In January 2018, Eurocommercial acquired Valbo, located alongside the E16 motorway between Gävle and Sandviken and serving a catchment of around 250,000 people.

Valbo was originally built in the 1970s by the Coop who remain the food anchor in a shopping centre let to around 70 tenants, including part of the adjoining IKEA who considerably strengthens the zone together with the retail park opposite.

Following the acquisition of Valbo, asset management initiatives have focused on re-merchandising and the preparation of a project to improve the masterplan and deliver an extension of around 1,000m². Phase 1 of the project is well underway and involves re-routing the mall from a new entrance off the main car park to form a single loop around the whole centre which will significantly improve customer flow. This has involved 17 lease negotiations and will result in new stores for H&M and Intersport.

We have also taken back 600m² from the Coop hypermarket which we are in the course of re-letting to facilitate the establishment of a new international fashion anchor who have signed. The total project will take almost two years to complete by which time Valbo will be technically updated and fully refurbished to include new shopfronts, malls, common areas and external façade.



250,000

Catchment of people

70

Tenants

Sweden country report continued

Retail sales

Retail sales remained positive over the year at 1.4% and while fashion and shoes were marginally negative, other sectors more than made up the shortfall with strong performances from health & beauty, gifts & jewellery, sport and electricals. Our seven owned and let hypermarkets also had another year of strong sales growth at 1.7%, and together with our four Systembolaget (state alcohol monopoly), they continue to provide regular footfall to the benefit of the whole shopping centre. These important food anchors also have a long average remaining lease term of eight years and comprise around 15% of the Swedish rent roll.

Property market

Recent transactions in the prime segment of the retail market have mainly comprised retail parks and city centre property. DEKA have acquired two retail parks at Länna, south of Stockholm and at Norrköping. The reported yields on these transactions were below 6% and both included a food anchor for which there is very strong investor demand. Indeed, recent evidence suggests that yields for stand-alone hypermarkets are now around 5%. Swedish institutions have been more acquisitive of city centre retail with two recent examples in Uppsala trading at yields below 5%.



Bergvik, Karlstad.

Valuations

There was a slight decline in the valuations of 0.9% over the year and 2% over the past six months. The average net initial yield on the portfolio has increased slightly to 5%. The yield range remains quite narrow, reflecting the homogenous character of the portfolio, being established regional shopping centres that are dominant in their catchment. The highest increase in value was at C4, our new 40,600m² shopping centre located outside Kristianstad which the valuer brought into line with the other shopping centres following its full letting and strong early trading.



5%

The average net initial yield on the portfolio

C4

Saw the highest increase in value

C4, Kristianstad.

Developments and extensions

On 20 September 2018, our C4 shopping centre development located outside Kristianstad opened 96% pre-let. Most major Scandinavian retailers are present including H&M, KappAhl, Lindex, New Yorker, Stadium, the Varner Group and Bestseller brands, Afound (the latest H&M concept) and Clas Ohlson. The adjoining and owned hypermarket let to City Gross had already successfully opened a year earlier and complements the latest Lidl concept situated in the gallery. Footfall and retail sales over the first nine months have been very encouraging and C4 has clearly already established a strong market position in its 300,000 catchment.

At Elins Esplanad we recently agreed to take back almost 800m² from the ICA hypermarket who have simultaneously extended their lease to 10 years. We expect to be able to double the rent on the former hypermarket space by subdividing it and adding four new tenants in this prime mall location.

Last year we opened the new northern extension at Hallarna, Halmstad and six new units including Pizza Hut, Kjell & Co and Flying Tiger. By the end of 2019, the project will be finalised following the completion of the 120-room hotel who have a new 15-year lease and the relocation of H&M into the former Willys supermarket.



Hallarna, Halmstad.



Black Friday marketing campaign and mascots at Grand Samarkand.



Marketing

Being a consumer product, our individual shopping centre brands are a key marketing tool and we focus hard on the way each brand is perceived and interpreted by the customers. Every shopping centre has a detailed brand platform and design manual to use in conjunction with a carefully planned marketing and communication strategy. The work is executed by our full-time, locally employed marketing coordinators who are well entrenched into their local communities, commerce and culture.

The marketing and communication strategy is carried out through a broad mix of channels including social media, online marketing, blogs, vlogs and increasingly via local influencers. As part of the marketing, a number of well-publicised events are organised involving not only the retailers but also important local companies, organisations and public authorities. The events are a natural focus point for interaction in the centre and also in the wider digital community.

Sweden portfolio

Hallarna

Halmstad
(Halland)



Hallarna has 84 shops and a hotel and is located outside Halmstad alongside the E6 motorway. A major refurbishment and 16,000m² extension opened fully let in October 2017 followed by a 4,000m² box for the Norwegian sports retailer XXL.

Bergvik

Karlstad
(Värmland)



Bergvik was refurbished and extended in 2015 and comprises 68 shops and two hypermarkets and adjoins an IKEA. Bergvik fronts the E18 motorway just to the west of Karlstad and serves a regional catchment of around 270,000 people.

C4

Kristianstad
(Skåne)



C4 comprises a new shopping centre of 31,600m² and an adjoining City Gross hypermarket located alongside the E22 motorway outside Kristianstad and serving a regional catchment of 300,000.

Grand Samarkand

Växjö
(Småland)



Grand Samarkand is located in the main external retail zone of Växjö and was completely redeveloped in 2011 to provide around 67 shops adjoining an ICA hypermarket.

Value

€146.9m

Catchment **350,000**

Passing rent **€7.07m**

Boutiques turnover/m² **€4,365**

Occupancy* **99%**

Visitors 2018/19 **3.1m**

Total lettable area **42,802m²**

Shops **84**

Value

€143.7m

Catchment **270,000**

Passing rent **€6.89m**

Boutiques turnover/m² **€6,847**

Occupancy* **100%**

Visitors 2018/19 **4.2m**

Total lettable area **48,786m²**

Shops **68**

BREEAM In-Use certified.

Value

€134.1m

Catchment **300,000**

Passing rent **€7.33m**

Visitors 2018/19 **N/A**

Total lettable area **40,600m²**

Shops **90**

BREEAM Project certification in process.

Value

€114.4m

Catchment **240,000**

Passing rent **€5.54m**

Boutiques turnover/m² **€7,547**

Occupancy* **98%**

Visitors 2018/19 **3.3m**

Total lettable area **37,155m²**

Shops **67**

BREEAM In-Use certified.

* Occupancy calculated by floor area.

ValboGävle
(Gästrikland)

Valbo is located on the E16 motorway outside Gävle and is an established regional shopping centre comprising 37,000m² and let to 74 retailers including a Coop hypermarket and part of the adjoining IKEA.

Ingelsta ShoppingNorrköping
(Östergötland)

Ingelsta is located in the main external retail area of Norrköping at the city's northern entrance from the E4 motorway. Ingelsta was refurbished and extended in 2009 and comprises an ICA hypermarket and around 50 shops.

Elins EsplanadSkövde
(Västergötland)

Elins Esplanad was originally extended and refurbished in 2008 and currently has around 33 shops and an ICA Maxi hypermarket. Six new shops were added in September 2018 and there is planning approval for up to a further 5,000m².

MorabergSödertälje
(Södermanland)

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

Value**€110.6m**Catchment **250,000**Passing rent **€6.01m**Boutiques turnover/m² **€5,044**Occupancy* **99%**Visitors 2018/19 **3.2m**Total lettable area **54,543m²**Shops **74****Value****€118.5m**Catchment **280,000**Passing rent **€5.31m**Boutiques turnover/m² **€5,253**Occupancy* **100%**Visitors 2018/19 **3.5m**Total lettable area **36,483m²**Shops **50**

BREEAM In-Use certified.

Value**€79.0m**Catchment **240,000**Passing rent **€4.00m**Boutiques turnover/m² **€8,821**Occupancy* **100%**Visitors 2018/19 **3.4m**Total lettable area **26,114m²**Shops **33**

BREEAM In-Use certified.

Value**€40.8m**Catchment **266,000**Passing rent **€2.60m**Occupancy* **100%**Visitors 2018/19 **1.8m**Total lettable area **18,791m²**Shops **9**

* Occupancy calculated by floor area.

Corporate Governance

In accordance with the Netherlands Corporate Governance Code, a broad outline of the corporate governance structure of the Company is presented in this section, including any departures from the Code's best practices.

On 8 December 2016, the Monitoring Committee Corporate Governance Code published an amended Netherlands Corporate Governance Code, which is applicable for the Company as from 1 July 2017. This Code was enacted on 7 September 2017 and replaced the Code from 2008. The full text of the amended Code can be found on the website www.mccg.nl.

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

In the following paragraphs the aforementioned broad outline is presented.

General Meeting of Shareholders

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

The General Meeting of Shareholders is usually held in the first week of November each year. Holders of depositary receipts are entitled to attend and to vote at the meeting. Upon written request by shareholders and holders of depositary receipts, who solely or jointly represent 10% of the issued capital, the Board of Management and the Supervisory Board shall be required to convene a General Meeting of Shareholders. The notice calling that meeting shall specify the items to be considered. The Secretary appointed for the meeting will take minutes of the proceedings at the meeting. The minutes will be signed by the Chairman of the meeting and by the Secretary.

In principle, the minutes will be published on the Company's website within three months after the meeting.

Supervisory Board

The Supervisory Board's primary task is to supervise the activities of the Company and to provide advice and guidance to the Board of Management. In pursuing these responsibilities, the Supervisory Board takes the interests of all stakeholders into account. Supervision focuses on the achievement of corporate goals and strategy. In addition, the Supervisory Board supervises the proper management of internal risk and execution of control structures, the property and financial reporting process, and legal and regulatory compliance. Finally, the Supervisory Board is involved in drawing up the remuneration policy of the Company and ratifies the individual remuneration of the Board of Management members according to the policy and remuneration proposals approved by the General Meeting of Shareholders. Under powers granted to it by the General Meeting of Shareholders for the period to 30 June 2020, the Board of Management, subject to the approval of the Supervisory Board, is authorised to issue new shares up to a maximum of 20% of the issued share capital and to determine 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.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders from a binding nomination to be drawn up by the Supervisory Board. This Board also determines the number of Managing Directors and Supervisory Directors of the Company. The General Meeting of Shareholders determines the remuneration of members of the Supervisory Board. With the exception of one member, all members of the Supervisory Board are independent of one another, the Board of Management and any particular interest. Pursuant to the Articles of Association, the Supervisory Directors retire under a rotation scheme. In view of the current size of the Supervisory Board (five members), each appointment will be made for a maximum period of four years. Any proposal for appointment or reappointment to the General Meeting of

Shareholders shall be properly explained. In the case of a reappointment, account will be taken of the candidate's performance and functioning as a Supervisory Director. The rules and regulations of the Supervisory Board stipulate that the maximum term of office is 12 years. The amended Code provides for the basic principle that Supervisory Directors are appointed for two periods of four years. Reappointment is possible for a maximum term of a further two two-year periods. A resolution by the General Meeting of Shareholders to dismiss or suspend a Supervisory Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital.

As referred to in the Report of the Board of Supervisory Directors 2018/2019, changes have been made to the membership of the Audit Committee and the combined Nomination and Remuneration Committee.

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

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

Board of Management

The Board of Management (Jeremy Lewis, Evert Jan van Garderen, Roberto Fraticelli and Peter Mills) 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 Supervisory Board. 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. A key indicator for remuneration is based on aligning the Board of Management with the interests of shareholders. The remuneration of the Board of Management will be submitted to the General Meeting of Shareholders for approval. The Supervisory Board prepares a Remuneration Report annually. The report is posted on the Company's website. A resolution by the General Meeting of Shareholders to dismiss or suspend a Managing Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital. The amount of compensation that a member of the Board of Management may receive on termination of his employment may not exceed one year's base salary.

Jeremy Lewis, Chief Executive

The founding Chief Executive of the Company, Jeremy Lewis (74), is a Chartered Surveyor. He read Estate Management at Reading University and has over 50 years of international experience in commercial property and the running of quoted property investment vehicles.

Evert Jan van Garderen, Finance Director

Evert Jan van Garderen (57), 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.

Peter Mills, Director

Peter Mills (60) joined Eurocommercial in 1993 and is, in addition to his general management tasks and responsibilities, responsible for the Company's operations in Sweden. Prior to joining the Company,

Corporate Governance continued

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.

Roberto Fraticelli, Director

Roberto Fraticelli (48) joined Eurocommercial in 1998 and is, in addition to his general management tasks and responsibilities, responsible for the Italian activities of the Company. He has degrees in Economics (LUISS University, Rome) and Political Sciences (Amsterdam University) as well as an Executive MBA (Rotterdam School of Management). He is also a Chartered Surveyor.

Administrative Foundation

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

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

voting rights in favour of all resolutions proposed by the Board of Management and the Supervisory Board unless such resolutions are manifestly contrary to the interests of the shareholders and the holders of depositary receipts.

The Board of Trustees of the Administrative Foundation currently comprises three independent members. The articles of association and the conditions of administration of the Administrative Foundation are posted on the Company's website and the Company and the Administrative Foundation comply with Principle 4.4 of the Code and the related best practices for issuing depositary receipts.

Conversion of bearer depositary receipts into registered depositary receipts

As 1 July 2019, the Act on conversion of bearer shares has entered into force. Under this new law, bearer depositary receipts may no longer be issued and the rights attached to the outstanding depositary receipts may no longer be exercised. The articles of association and terms and conditions of administration of Stichting Administratiekantoor Eurocommercial Properties were amended on 26 June 2019 in connection with the conversion of the bearer depositary receipts and the alignment with these changes to Dutch law. Pursuant to the amendment of the terms and conditions of administration, the previously outstanding bearer depositary receipts have been converted into registered depositary receipts. This conversion did not affect the rights attached to the depositary receipts for shares in the share capital of the Company.

External auditor

The external auditor is appointed by the General Meeting of Shareholders. The external auditor attends the meeting of the Supervisory Board and the Board of Management at which the annual and half-year figures are discussed and adopted. The Supervisory Board also meets the external auditor without the presence of the Board of Management. The quarterly, half-year and annual figures presented in press releases are discussed with the external auditor prior to publication. The annual accounts are audited by the external auditor and the half-year accounts are subject to a review by the external auditor.

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

KPMG Accountants N.V. were reappointed as the Company's auditors by the General Meeting of Shareholders in November 2018 for the financial years 2018/2019 and 2019/2020.

Corporate governance best practice

The amended Code was published on 8 December 2016 and was tabled and discussed in the meeting of the Supervisory Board and the Board of Management held in February 2017. As a result of the amended Code, various changes and additions have been made to the Company's codes, rules and regulations in order to comply with the amended Code. The provisions governing the Audit Committee and the Nomination and Remuneration Committee are also included in the amended rules and regulations of the Supervisory Board. These documents have been posted on the Company's website. The only principles and best practice provisions of the amended Code with which the Company does not fully comply or which require an explanation are:

Principle 1.3 of the Code

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

Principle 3.2 of the Code

Where Principle 3.2 of the Code provides that the Supervisory Board determines the remuneration of the members of the Board of Management, in accordance with the Netherlands Civil Code and the articles of association of the Company, it is provided that the remuneration of the individual members of the Board of Management is determined and adopted by the General Meeting of Shareholders.

Provision 4.2.2 of the Code

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

The Company is of the opinion that the current applicable law is clear and provides sufficient guidance about what is and what is not allowed in respect of price sensitive information.

Provision 4.3.3 of the Code

Members of the Board of Management and the Board of Supervisory Directors are appointed to, and removed from, office by the General Meeting of Shareholders. This is in line with the Code. Pursuant to the Articles of Association of the Company, the Board of Supervisory Directors has the right to make binding nominations for the appointment of members of the Board of Management and the Board of Supervisory Directors. The Code considers as best practice in provision 4.3.3 that the General Meeting of Shareholders may cancel the binding nature of a nomination by an absolute majority of the votes cast with a quorum requirement of not more than one third of the issued share capital. The Articles of Association of the Company are aligned with art. 2:133(2) of the Netherlands Civil Code and provide that the General Meeting of Shareholders may cancel the binding nature of a nomination by a two-thirds majority of the votes cast, representing more than one half of the issued share capital. Also, the Articles of Association of the Company provide that no new meeting can be convened if the required quorum is not met. The Board of Supervisory Directors and the Board of Management are of the opinion that these deviations from provision 4.3.3 of the Code will enhance the continuity of the Company and contribute to the long-term value creation by the Company.

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. Reference is made to the sustainability section of the Annual Report.

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

Corporate Governance continued

particular cause. Many of the Company's shopping centres also support local sports teams through sponsorship agreements.

The Company is committed at both the corporate and operational level to minimising the impact of its business activities on the environment. The Company discloses its energy and water consumption, waste production and greenhouse gas emissions on an annual basis. This information can be found on page 26.

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

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

Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all of the Swedish centres, while in France and Italy photovoltaic panels have been, and will continue to be, installed on properties as part of ongoing maintenance and upgrade works. Several centres now have facilities to collect rainwater to use for irrigation and waste facilities.

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

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

The Company employed an average of 89 full-time equivalent persons during the financial year, of which 43 are employed by The Netherlands, 32 in Italy, 10 in Sweden and 4 in the UK. 55% of employees are female and 45% are male. Of the workforce, 15 are under the age of 30, 56 are between the ages of 30 and 50 and 18 are over the age of 50. These facts show how diversity is implemented throughout the organisation by differences in nationality, age and gender.

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

Organisation, culture and long-term value creation

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

Two members of the Board of Management and a Senior Director responsible for property have a regional management role as well as contributing their expertise to collective major investment decisions. In addition to their general management tasks and responsibilities, Roberto Fraticelli is responsible for Italy and Peter Mills for Sweden. Pascal Le Goueff is responsible for France.

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

Investment in property is a local and long-term business. The country teams therefore comprise only nationals and residents of the country in which investments are made. It is important to understand local values and practices to avoid errors and mistakes, which implies that teams consist of skilled professionals with relevant experience. There is a significant number of employees who have

been employed for more than ten years. Also, the remuneration of the local teams is linked to the performance of the local property portfolio based on rental growth and asset value growth in the respective countries.

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

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

Remuneration

The remuneration policy for Supervisory Directors and Managing Directors, which has been applicable in previous years, has been continued. Supervisory Directors receive a fixed fee. Managing Directors may be entitled to cash bonuses in addition to their

base salaries. These bonuses, like those of the senior managers, are directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2012, a Performance Share Plan has been in place for Managing Directors, regional Directors and permanent staff of the Company. Under this scheme, conditional performance depositary receipts may be granted from time to time, but these only vest after three years have lapsed from 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 62.

Internal risk management and control systems

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

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

The Company has appropriate internal risk management and control systems. Key elements of the internal control systems are a management structure designed to enable effective and collegiate decision-making, monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancy, arrears and doubtful debtors, and weekly meetings between the Board

Corporate Governance continued

of Management and regional Directors and senior staff to review each country's performance against budgets and long-term financial plans.

Detailed procedures and responsibilities for the various country teams, as well as for the segregation of duties and authorisation structures have been implemented and maintained. Payment procedures are very detailed and strict. Payments always require the involvement of the Amsterdam head office, where all payments for the Group are finally authorised by at least two senior signatories, as country offices cannot make any payments under the procedures in place. Strict procedures are also observed for the periodic drawing up of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to directly identify developments in the value of investments and in income and expenses. For this purpose, use is made of electronic data processing within automated, integrated central information systems. There is a back-up and recovery plan in place so that data can be restored. IT systems and data base are located at a professional specialised external data centre with high protection against disruptions and power failure.

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

Risk management policies

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

The Company's management structure and corporate strategy is designed to serve long-term value creation including maximisation of shareholder value while minimising risks to the accepted risk appetite.

All major corporate, property and financial decisions are discussed and reviewed at regular meetings of the Board of Management together with senior management comprising the Chief Executive, the Finance Director and the finance team, the heads of the French, Italian and Swedish businesses, their deputies, the research department, the Investor Relations Director and the Group Economist. 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 risk management policies and any changes were reviewed and discussed with the Supervisory Board and were approved by the Board of Management.

Strategic risk

Country and sector weighting of assets

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

Timing of investments and divestments

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

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

Operational risk

Asset selection

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

Tenant selection and credit risk

The creditworthiness of tenants is researched thoroughly and bank guarantees or deposits are always required in Belgium, France and Italy but not in Sweden where this is not market practice. The credit risk in Sweden is no different as compared to the risk in other countries. Property performance is reviewed by analysing monthly retail sales and visitor numbers, vacancies and arrears. Such information allows the management team to make prompt judgements about how a tenant is performing and its impact on the performance of the rest of the centre. The credit risk associated with lease debtors is determined through a detailed analysis of the tenant's outstanding debt. The credit risk has also been reduced by investing in mature markets and by choosing major tenants on the basis of their financial strength.

Technical condition of properties

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

Property extension/redevelopment risk

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

Taxation

The Company is tax-exempt in Belgium, France and The Netherlands and subject to corporate income tax in Italy and Sweden. It is difficult to assess whether the Company will have to pay more taxes in the future due to changes made to the tax systems in the countries where the Company operates, but it cannot be excluded. The implementation of the Anti-Tax Avoidance Directive in Sweden will limit the deductibility of interest and therefore will increase taxable income for the Swedish subsidiaries.

Financial risk

Credit risk

The Company minimises the risks related to the possible defaults of its counterparties by dealing with 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.

Corporate Governance continued

Interest rate risk

As the Company's policy is to have long-term investments, the borrowings used for funding them are also long-term (five to ten years but preferably for ten years or more). The Company uses fixed interest loans, interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 1.9% and only 22% of the existing loans are at a floating rate. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €3.1 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 20 (financial instruments) of the consolidated financial statements.

Currency risk

The only significant foreign currency exposure for the Company is its exposure to the Swedish property markets. However, due to SEK loan facilities with major financial institutions and currency swaps (if applicable), a hedging of the foreign currency is achieved up to 41%. The remaining exposure is relatively limited compared with the total size of the portfolio and will in principle not be hedged. Net SEK income may also be hedged from time to time by using defensive currency derivatives. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.4% 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 and reputation 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) as it is listed on Euronext Amsterdam, which is its home market. The Company has a secondary listing on Euronext Brussels. All employees are made aware of the regulations, and procedures are in place to ensure that employees comply with the rules and are aware of the high standards of ethics applicable. It is very important that any, even small, deviation of what is required under these standards could trigger that the reputation of the Company and its management and staff becomes at risk. The Company has an internal code of conduct and a whistleblower's code which all employees are required to read, understand and adhere to. The country directors are also responsible for complying with local laws and regulations.

In control statement

The Company has a description of the organisation of its business operations (Administrative Organisation and Internal Control). During the financial year 2018/2019, the Company has evaluated various aspects of the Company's Administrative Organisation and Internal Control and found nothing to indicate that the description of the structure of the Company's Administrative Organisation and Internal Control does not meet the requirements as included in the Code. Also, there have been no indications during the financial year 2018/2019 that the Company's Administrative Organisation and Internal Control were ineffective and did not function

in accordance with the description. The Board of Management therefore states with a reasonable level of assurance that the organisation of its business operations functioned effectively and in accordance with the description. It is not expected that during the current financial year a major change will be made to the design of the Company's administrative organisation and internal control.

Given the nature and size of the Company and its operations, inherent internal control limitations exist including limited possibilities to segregate duties, disproportionate 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 2018/2019, as included in this Annual Report; and (ii) that the risk management and control systems as described above worked properly in the financial year 2018/2019.

As required by provision 1.4.3 of the Code and on the basis of the foregoing, the Board of Management states that: (a) this report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems; (b) the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies; (c) based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and (d) this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of this report.

Insurance

The Company is fully insured against property damage and liability and consequent loss of income for the period during which the property is rebuilt and relet. Terrorism, flooding and earthquake cover is limited by current market conditions, but the Company believes it has achieved a reasonable balance of risk cover and premium costs.

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

Taxation

As a tax-exempt quoted Netherlands-based Fiscal Investment Institution, all investment income, whatever its source, is tax free at the corporate level if it is distributed to shareholders. The Company is also tax-exempt in France as a SIIC (Société d'investissements immobiliers cotée) and in Belgium the Company's subsidiary is subject to the special tax regime under which property revenues are tax exempt (FIIS/GVBF). In Italy and Sweden the Company's subsidiaries are subject to corporate income tax and are in a corporate income tax payable position.

Amsterdam, 20 September 2019

Board of Management

J.P. Lewis, Chairman
R. Fraticelli
E.J. van Garderen
J.P.C. Mills

Responsibility statement

With reference to the EU Transparency Directive and Article 5:25c, section 2 c sub 2 of the Act on Financial Supervision, we hereby state to the best of our knowledge that the financial statements for the financial year ended 30 June 2019 give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the management report of the Board of Management includes a fair review of the development and performance of the business during the financial year and the position of the Group at the balance sheet date, together with a description of the principal risks associated with the Group.

Amsterdam, 20 September 2019

Board of Management

J.P. Lewis, Chairman
R. Fraticelli
E.J. van Garderen
J.P.C. Mills

Report of the Board of Supervisory Directors 2018/19

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 2019, as drawn up by the Board of Management. The auditors, KPMG Accountants N.V., have audited the financial statements and have issued an unqualified report thereon. We recommend that you adopt the financial statements.

Dividend proposal

We support the proposal of the Board of Management to distribute a cash dividend of €2.18 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2019. We also support the offer, at the option of the holders of depositary receipts, of a scrip issue to be charged to the share premium reserve as an alternative to the cash dividend.

Provision of information

During the year under review, there were eight meetings of the Supervisory Board which were also attended by the members of the Management Team (composed of the Board of Management and one country director). In addition to the extensive information provided in connection with these meetings, the Supervisory Board is kept informed on a monthly basis of activities and financial performance through monthly wide-ranging management accounts which contain detailed analyses of rental income, costs of maintenance and extensions, interest, financing, Company expenses, investment developments, relevant markets and various other operational and financial items during the month under review, set off against budget and previous relevant periods. Each month there have been various meetings, either in person or through telephone conferences, between the individual members of the Supervisory Board and the Management Team.

Monitoring role

The Supervisory Board fulfils its monitoring role through several channels. The monthly management accounts are reviewed by all members of the

Supervisory Board and provide a starting point for assessing and monitoring performance. These accounts are also regularly discussed between members of the Supervisory Board and the Finance Director. Points raised as a result of analysing the management accounts were discussed in the Board meetings throughout the year.

Among the recurring topics discussed in the Board meetings were:

- Strategy and risk
- Property and financial markets
- Management and financial accounts
- Funding
- Foreign currencies and dividend policy
- The system of internal controls, remuneration levels, IT systems and corporate governance

The discussions included, inter alia, the changes in property markets, valuations and rents, the impact of the internet, e-commerce, social media and digitalisation in general. Also, marketing in the various countries, and the Company's bank loans and bank covenants were addressed and monitored during the year. The Supervisory Board was informed of the investment and funding policy of the Board of Management. The Board was also informed about the continuation of the current strategy of the Company and the increased focus on digitalisation. Furthermore, the contents of press releases, the Annual Report, the Interim Report and the quarterly reports were discussed.

In the two August 2018 meetings held in Sweden, among the items discussed were the draft audit report, the dividend proposal, the draft Annual Report, and the year's budget. The auditors also attended the meeting in which the annual results were discussed, to present their audit findings. In the meetings, attention was also given to reviewing the proposed property acquisitions and disposals, as well as reviewing the Company's property portfolio and its markets. Corporate governance was among the items discussed. The Supervisory Board also visited the rebranded, refurbished and extended shopping centre C4, located outside Kristianstad, which opened late summer and the Board met with local property management.

In the Board meetings in Amsterdam in November 2018 the portfolio was reviewed, and the Company's strategy, financial ratios and staff training were discussed.

The two Board meetings in February 2019, held in Paris, were focused on the Company's financing, corporate governance and strategy. During the discussion on strategy, the Supervisory Board and the Board of Management discussed several points, including e-commerce, expansion in new countries and sectors, the sale and rotation of assets and succession planning. The Company's interim results were also discussed, and the auditors attended by videoconference to present their review report and the review process was also discussed with the Company's auditors. The Supervisory Board also visited the Passage du Havre shopping centre in Paris.

The May 2019 Board meetings were held in Milan, the first in the Fiordaliso shopping centre and the second in the Carosello shopping centre. During these meetings, the Supervisory Board addressed the third quarter's results, the preliminary budget for 2019/2020, as well as an update of proposed property acquisitions and a review of the portfolio and the markets. In addition to these usual items, the Remuneration Report was discussed, as well as the composition of the Supervisory Board. The members of the Supervisory Board also attended a presentation regarding the Customer Relationship Management system which is being installed in Italian shopping centres.

Supervisory Directors also attended some of the weekly team meetings, property team meetings at local offices and closing meetings with the local auditors. Furthermore, a Supervisory Director attended one closing meeting to prepare the annual accounts for the financial year ending 30 June 2019 between management and KPMG (and local KPMG auditors) held in the month of July in Stockholm.

All Supervisory Directors attended each meeting held during the year, with the exception of the May 2019 meeting, which one member was not able to attend. There have been no conflicts of interest.

Advisory role

There has been frequent contact between Supervisory Directors and the Management Team, through formal and informal meetings, telephone calls and written communication. The national expertise of Supervisory Directors proved relevant in advising the Management Team on country-specific matters. The Supervisory Board followed up on the changes in the amended Netherlands Corporate Governance Code, which took effect as of the Company's 2017/2018 financial year, by installing the aforementioned committees. These changes were assessed and action points were specified. Furthermore, the Supervisory Board advised on matters relating to international financial and economic trends such as interest rates and inflation.

Employer's role

During the year, the Supervisory Board also concentrated on monitoring the updating of the Company's succession planning and reviewed the Company's plans for succession and career development for senior management. As a result of these activities, an appointment is proposed and included in the Agenda of the Annual General Meeting to be held in November 2019.

Stakeholder and relationship management

The Supervisory Board established that the Company has remained in intensive contact with retailers to keep the Company's shopping centres in line with tenants' needs. The Company actively addresses changes in customer behaviour and the resulting strategic consequences for further developing and expanding the shopping centres. This policy has resulted in a well-managed tenant mix, high occupancy and low arrears, and also in satisfactory numbers of visitors to the centres. Through roadshows, investor conferences and one-on-one meetings, the relationship with the Company's shareholders has been maintained and strengthened.

Report of the Board of Supervisory Directors 2018/19 continued

Professional training

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

Supervisory Board education and functioning

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

Diversity

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

Corporate governance

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

Audit Committee

Until February 2019, the Supervisory Board also functioned as Audit Committee. The committee now consists of Mr Persson (chairman) and

Mrs Attout. The Audit Committee had two meetings with the auditors of the Company as well as one meeting with the auditors of the Company in the absence of the Board of Management. During those meetings, the Audit Committee discussed the report of the auditors, as well as the Annual Report and the Interim Report; the KPMG audit plan was also discussed. The Audit Committee reviewed the need for an internal audit function and recommended to the Board of Management to consider outsourcing this function in the future in order to match and balance adequately on the one hand the need for an independent internal audit function and on the other hand the limited size of the company. In the meantime, and for the year 2019/2020, the Audit Committee agreed to have external independent experts reviewing the implementation of new processes and controls, like (i) electronic invoicing, (ii) treasury software and (iii) invoice processing and approval software.

Nomination and Remuneration Committee

Until February 2019, the Supervisory Board also functioned as the combined Nomination/Remuneration Committee. The committee now consists of Mr Steins Bisschop (chairman) and Mr Croff. Remuneration of the Management team was discussed in two meetings on the basis of the draft updated Remuneration Report. The final 2018/2019 Remuneration Report will be posted on the website of the Company when this Annual Report is published. The combined Nomination/Remuneration Committee had numerous contacts and meetings regarding various aspects of succession in the Board of Management and the Supervisory Board. At the forthcoming Annual General Meeting to be held on 5 November 2019, there will be a proposal for the appointment of a new member of the Supervisory Board. This proposal has the unanimous support of all members of the Board.

Summary remuneration report

The purpose of the remuneration policy is to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company. The remuneration policy aims to reward

management and key staff for their contribution to the performance of the Company and its subsidiaries. The Supervisory Board proposes the remuneration policy, and any material adjustments to it, at the Annual General Meeting of Shareholders based on recommendations of the Board of Management. The Supervisory Board recommends decisions on all aspects of the remuneration of the members of the Board of Management, within the scope of the remuneration policy, to the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders is invited to approve both the remuneration policy and the remuneration of the members of the Board of Management. At the end of each financial year, the Supervisory Board reviews and discusses the remuneration of the members of the Board of Management. The level of remuneration for the members of the Board of Management and other members of the Management Team reflects the differences in responsibilities of the members, as well as their individual performance.

The 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 share plan; and pension and other benefits

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for directors and members of the Management Team are directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. There is no minimum guaranteed bonus and variable cash bonuses are capped at one year's base salary. There are also claw-back possibilities for the Company. Performance shares granted under the Performance Share Plan are also linked to the aforesaid metrics, are capped as well to a maximum of six months

base salary and there is no minimum guaranteed number of performance shares. Only one member of the Board of Management has joined a pension scheme. This scheme is a defined contribution scheme with current annual premiums being capped using a maximum pensionable salary.

Supervisory Directors receive a fixed fee only. The remuneration policy for Supervisory Directors and Managing Directors has been continued during the year under review. It is proposed for the next financial year to maintain the remuneration of the Supervisory Directors unchanged at €47,000 for each member and at €61,000 for the Chairman and to maintain the base salary for Mr J.P. Lewis at €723,000 and to maintain the base salaries for the other members of the Board of Management, which implies €475,000 for Mr E.J. van Garderen, €508,000 for Mr Fraticelli and GBP 400,000 for Mr J.P.C. Mills. The Annual General Meeting of Shareholders to be held on 5 November 2019 is invited to approve the proposed remuneration of Supervisory Directors and the members of the Board of Management.

Composition of the Supervisory Board

Following the acquisition of the Woluwe shopping centre in Brussels in March 2018 and with reference to the profile of the Board of Supervisory Directors, which amendment was approved with the adoption of a diversity profile, an intensive search was conducted with the assistance of a reputedly international executive search firm to select a new member for the Supervisory Board with Belgian nationality and Belgian residency. This was a successful exercise and resulted in the appointment of Mrs Emmanuèle Attout at the Annual General Meeting of Shareholders in November 2018 as independent member of the Supervisory Board.

During the financial year, the Supervisory Board also searched for a successor of Mr Pieter Haasbroek, who passed away in May 2017 and had vast real estate knowledge and experience. After careful selection the Supervisory Board will propose Mrs Karin Laglas to be appointed by the Annual General Meeting of Shareholders in November 2019 as an independent member of the Supervisory Board.

Report of the Board of Supervisory Directors 2018/19 continued

All members of the Supervisory Board are independent except for Mr C. Croff as his firm also acts as the Italian legal counsel to the Company. The profile, role and responsibilities of the Supervisory Board are laid down in specific rules and regulations which are posted on the Company's website. At 30 June 2019, the Supervisory Board was composed as follows:

1. Bas Steins Bisschop (70), Chairman, of Dutch nationality, was appointed as member of the Supervisory Board in 2014 and reappointed in 2018 for a period of four years. As "advocaat" he practised law from 1975 until 2019 in the Netherlands and abroad. He is also a (em) professor of Corporate Law and Corporate Governance at Maastricht University and Nyenrode Business University.

2. Emmanuèle Attout (60), of Belgian nationality, was appointed as a member of the Supervisory Board in 2018 for a period of four years. She was a former senior audit partner of PwC Brussels until she retired in 2014. Mrs Attout is a non-executive board member of several companies and she is a co-founder and director of the Belgian NGO "Women on Board", whose aim is to promote women in Boards of Directors. Mrs Attout is also Chair of the "Toutes à l'école" foundation to raise funds for underprivileged girls in Cambodia.

3. Brigitte Carrière (73), of French nationality, was appointed as member of the Supervisory Board in 2014 and reappointed in 2018 for a period of three years. She was formerly an asset manager and real estate financial analyst at Amundi, a major European asset manager based in Paris until her retirement.

4. Carlo Croff (64), of Italian nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years and reappointed in 2017 for another period of four years. He is a senior partner of the leading law firm Chiomenti Studio Legale in Milan, Italy which he joined in 1984. Following his additional degrees at Cambridge and Harvard Universities, Mr Croff has had extensive experience advising Italian and international clients on legal matters related to banking and real estate.

5. Jan-Åke Persson (69), of Swedish nationality, was appointed as a member of the Supervisory

Board in 2013 for a period of four years and reappointed in 2017 for another period of four years. He was a former senior partner of Ernst & Young AB in Malmö, Sweden, until he retired in 2008. Mr Persson has had an extensive professional career advising major international and Swedish groups.

Rotation scheme

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

2021: Mr C. Croff and Mr J.-Å. Persson could be re-elected for another two years and Mrs Carrière will resign.

2022: Mr Steins Bisschop could be re-elected for another two years and Mrs Attout could be re-elected for another four years.

At the forthcoming Annual General Meeting of Shareholders, to be held on 5 November 2019, it is proposed to appoint Mrs K. Laglas, of Dutch nationality, currently Chief Executive Officer of the largest Dutch affordable housing investor Ymere, active in the greater Amsterdam area, as member of the Supervisory Board.

Change in corporate governance

Priority Foundation

Last year, the Company published the agenda for its Annual General Meeting of shareholders on 6 November 2018, which included two resolutions on corporate governance.

It was proposed to repurchase and cancel the Priority Shares and to amend the articles of association of the Company to reflect this. The articles were updated to ensure the Company is aligned with the revised Netherlands Corporate Governance Code. Shareholders and holders of depositary receipts have voted in favour on both these resolutions in November's meeting.

The Boards proposed that the powers attached to the Priority Shares, previously held by the Stichting Prioriteitsaandelen Eurocommercial Properties (also known as the Priority Foundation), will,

as with other similar companies, devolve to the Supervisory Board. These powers relate to the issue of new shares and related exclusion of pre-emptive rights, and the nomination of directors of the Company. Shareholders and holders of depositary receipts voted in favour of this resolution. On 7 November 2018, the Priority Shares were cancelled and the Priority Foundation was dissolved.

Conversion of bearer depositary receipts into registered depositary receipts

As per 1 July 2019, the Act on conversion of bearer shares has entered into force. Under this new law, bearer depositary receipts may no longer be issued and the rights attached to the outstanding depositary receipts may no longer be exercised. The articles of association and terms and conditions of administration of Stichting Administratiekantoor Eurocommercial Properties have been amended as per 26 June 2019 in connection with the conversion of the bearer depositary receipts and the alignment with these changes to Dutch law. Pursuant to the amendment of the terms and conditions of administration, the previously outstanding bearer depositary receipts have been converted into registered depositary receipts. This conversion did not affect the rights attached to the depositary receipts for shares in the share capital of Eurocommercial.

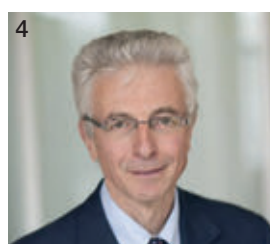
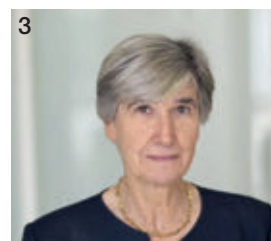
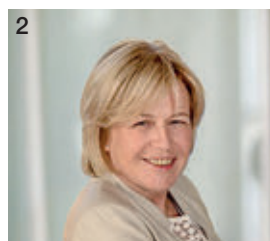
Conclusion

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

Amsterdam, 20 September 2019

Board of Supervisory Directors

1. B.T.M. Steins Bisschop (Chairman)
2. E.R.G.M. Attout
3. B. Carrière
4. C. Croff
5. J.-Å. Persson



Ten year financial summary*

Key financial information consolidated

For the financial year ended	30-06-10 €'000	30-06-11 €'000	30-06-12 €'000	30-06-13 €'000	30-06-14 €'000	30-06-15 €'000	30-06-16 €'000	30-06-17 €'000	30-06-18 €'000	30-06-19 €'000
Profit or loss account										
Net property income**	120,472	131,116	139,353	144,368	146,978	145,528	155,370	163,036	171,828	178,606
Net interest expenses**	(41,862)	(44,501)	(48,900)	(51,769)	(52,674)	(45,780)	(38,727)	(41,260)	(42,326)	(45,766)
Company expenses	(8,611)	(9,789)	(10,707)	(10,576)	(11,206)	(12,297)	(14,645)	(12,434)	(13,743)	(13,766)
Total direct investment result	69,999	76,826	79,515	81,518	82,870	87,400	102,785	108,044	115,729	120,208
Total indirect investment result	23,741	124,451	(91,633)	41,790	16,920	80,374	104,614	152,709	(43,665)	(45,622)
Result after taxation	93,740	201,277	(12,118)	123,308	99,790	167,774	207,399	260,753	72,064	74,586
Balance sheet										
Total assets**	2,505,718	2,671,251	2,842,953	2,889,027	2,807,083	3,112,410	3,656,361	3,963,635	4,170,783	4,325,165
Property investments**	2,359,574	2,522,054	2,690,467	2,806,023	2,688,603	2,907,726	3,489,358	3,835,195	4,078,285	4,201,185
Cash and deposits**	116,218	112,976	120,954	51,422	85,372	170,249	131,541	90,424	44,278	75,566
Borrowings**	1,017,841	1,107,964	1,252,744	1,286,923	1,173,236	1,160,222	1,496,210	1,595,263	1,835,349	1,995,139
Shareholders' equity	1,214,323	1,370,150	1,300,147	1,366,064	1,386,632	1,658,245	1,791,670	1,973,694	1,939,784	1,906,559
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	40,304,266	40,813,650	40,953,515	41,740,054	42,319,567	47,388,471	47,978,844	48,631,957	49,358,734	49,534,024
Average number of depositary receipts representing shares in issue	38,543,725	40,602,632	40,895,429	41,410,071	42,311,667	42,916,246	47,729,745	48,364,199	49,046,502	49,585,907
Per depositary receipt (€)										
Net asset value (IFRS)	30.13	33.57	31.75	32.73	32.77	34.99	37.34	40.58	39.30	38.49
Adjusted net asset value	33.90	36.35	36.92	36.47	36.74	39.24	43.00	46.42	45.08	44.83
Direct investment result	1.82	1.89	1.94	1.97	1.96	2.04	2.15	2.23	2.36	2.42
Indirect investment result	0.61	3.07	(2.24)	1.01	0.40	1.87	2.19	3.16	(0.89)	(0.92)
Dividend	1.82	1.88	1.92	1.92	1.94	1.98	2.05	2.10	2.15	2.18
Property information – Geographical spread (%)**										
Belgium	0	0	0	0	0	0	0	0	11	13
France	36	37	36	41	39	41	36	35	31	29
Italy	40	38	39	37	39	38	43	43	37	37
Sweden	24	25	25	22	22	21	21	22	21	21
	100	100	100	100	100	100	100	100	100	100
Stock market – Euronext										
Closing price at the end of June (€: depositary receipts)	26.25	34.30	27.25	28.20	36.02	37.41	38.45	34.99	36.36	23.50
Market cap	1,057,987	1,399,908	1,115,983	1,176,928	1,540,754	1,783,118	1,855,530	1,710,563	1,802,240	1,172,878

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

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

Note

The Company's shares are listed in the form of registered depositary receipts on Euronext Amsterdam and Brussels. One registered 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	2018/2019 €'000	2017/2018 €'000
Rental income	4	206,343	197,051
Service charge income	4	27,934	28,263
Service charge expenses	4	(31,085)	(30,739)
Property expenses	5	(34,764)	(33,766)
Interest income	7	32	86
Interest expenses	7	(44,318)	(40,855)
Company expenses**	8	(13,766)	(13,743)
Other income	11	2,877	1,874
Current tax	12	118	(95)
Direct investment result properties 100% owned		113,371	108,076
Direct investment result joint ventures		6,837	7,653
Total direct investment result		120,208	115,729
Investment revaluation and disposal of investment properties	6	(8,734)	(22,355)
Fair value movement derivative financial instruments	7	(23,742)	7,810
Investment expenses**	8/10	(1,389)	(3,481)
Deferred tax	12	(4,921)	(24,033)
Indirect investment result properties 100% owned		(38,786)	(42,059)
Indirect investment result joint ventures		(6,836)	(1,606)
Total indirect investment result		(45,622)	(43,665)
Total investment result		74,586	72,064
Per depositary receipt (€)***			
Total direct investment result		2.42	2.36
Total indirect investment result		(0.92)	(0.89)
Total investment result		1.50	1.47

Statement of adjusted net equity*

	30-06-19 €'000	30-06-18 €'000
IFRS net equity per consolidated statement of financial position	1,906,559	1,939,784
Derivative financial instruments	123,143	99,934
Deferred tax liabilities	181,385	177,171
Derivative financial instruments and deferred tax liabilities joint ventures	9,689	8,048
Adjusted net equity	2,220,776	2,224,937
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	49,534,024	49,358,734
Net asset value – € per depositary receipt (IFRS)	38.49	39.30
Adjusted net asset value – € per depositary receipt	44.83	45.08
Stock market prices – € per depositary receipt	23.50	36.36

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

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

*** The average number of depositary receipts on issue over the year was 49,585,907 compared with 49,046,502 for the previous financial year.

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

EPRA performance measures*

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

	Total €'000		Per depositary receipt €	
	30-06-19	30-06-18	30-06-19	30-06-18
EPRA earnings**	118,811	112,235	2.40	2.29
EPRA NAV	2,220,776	2,224,937	44.56	44.79
EPRA NNNAV	1,893,996	1,947,437	38.00	39.21

	Belgium		France		Italy		Sweden		Total	
	2018/2019 %	2017/2018 %	2018/2019 %	2017/2018 %	2018/2019 %	2017/2018 %	2018/2019 %	2017/2018 %	2018/2019 %	2017/2018 %
EPRA net initial yield	4.0	4.2	4.5	4.4	5.2	5.2	4.8	5.0	4.8	4.8
EPRA topped-up yield	4.0	4.3	4.6	4.4	5.3	5.2	4.9	5.0	4.9	4.9
EPRA vacancy rate	0.4	2.2	1.2	1.5	0.8	0.1	0.8	0.8	0.9	0.8

Reconciliation EPRA earnings:

	Total €'000	
	30-06-19	30-06-18
IFRS profit after taxation	74,586	72,064
Adjustments to IFRS profit after taxation:		
Investment revaluation and disposal of investment properties	8,734	22,355
Fair value movement derivative financial instruments	23,742	(7,810)
Deferred tax	4,921	24,033
Share of result of joint ventures	6,828	1,593
EPRA earnings	118,811	112,235

Reconciliation NAV, EPRA NAV and EPRA NNNAV:

	Total €'000		Per depositary receipt €	
	30-06-19	30-06-18	30-06-19	30-06-18
Equity as per consolidated statement of financial position	1,906,559	1,939,784	38.49	39.30
Derivative financial instruments	123,143	99,934		
Deferred tax liabilities	181,385	177,171		
Derivative financial instruments and deferred tax liabilities joint ventures	9,689	8,048		
EPRA NAV***	2,220,776	2,224,937	44.56	44.79
Derivative financial instruments	(123,143)	(99,934)		
Deferred tax liabilities****	(144,929)	(149,135)		
Derivative financial instruments and deferred tax liabilities joint ventures	(9,689)	(8,048)		
Fair value borrowings	(49,019)	(20,383)		
EPRA NNNAV***	1,893,996	1,947,437	38.00	39.21

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

** The average number of depositary receipts on issue over the year was 49,585,907 compared with 49,046,502 for the previous financial year.

*** EPRA NAV and EPRA NNNAV per depositary receipt are based on the diluted number of depositary receipts. The diluted number of depositary receipts on issue at 30 June 2019 was 49,836,538 compared with 49,669,696 at 30 June 2018.

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

EPRA performance measures* continued

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

	Belgium		France		Italy		Sweden		Total	
	2018/2019 €'000	2017/2018 €'000	2018/2019 €'000	2017/2018 €'000	2018/2019 €'000	2017/2018 €'000	2018/2019 €'000	2017/2018 €'000	2018/2019 €'000	2017/2018 €'000
Property investments	554,400	452,800	941,100	1,205,200	1,411,700	1,349,700	887,885	867,885	3,795,085	3,875,585
Land and property held for development	0	0	(8,200)	(7,500)	(20,000)	(15,800)	0	(111,930)	(28,200)	(135,230)
Investments in joint ventures	0	0	50,700	50,600	156,400	152,100	0	0	207,100	202,700
Property investments held for sale	0	0	199,000	0	0	0	0	0	199,000	0
Property investments completed	554,400	452,800	1,182,600	1,248,300	1,548,100	1,486,000	887,885	755,955	4,172,985	3,943,055
Purchasers' costs	13,893	11,360	67,593	85,715	23,034	59,314	8,898	7,559	113,418	163,948
Gross value property investments completed	568,293	464,160	1,250,193	1,334,015	1,571,134	1,545,314	896,783	763,514	4,286,403	4,107,003
Annualised net rents (EPRA NIY)	22,577	19,393	57,224	58,610	82,361	80,367	42,934	37,839	205,096	196,209
Lease incentives (incl. rent free periods)	314	520	555	422	920	388	1,090	586	2,879	1,916
Annualised rents (EPRA topped-up yield)	22,891	19,913	57,779	59,032	83,281	80,755	44,024	38,425	207,975	198,125

Reconciliation EPRA cost ratio:

	2018/2019 €'000	2017/2018 €'000**
Operating and company expenses	43,903	44,641
Net service charge	3,151	2,476
Other income/recharge intended to cover overhead expenses less any related profits	(1,943)	(1,047)
Net expenses joint ventures	1,048	1,020
Exclude if part above		
Service charge and property expenses recovered through rents	(4,355)	(5,930)
Service charge and property expenses recovered through rents joint ventures	(372)	(376)
EPRA costs (including direct vacancy costs)	41,432	40,784
Vacancy costs	(1,314)	(761)
EPRA costs (excluding direct vacancy costs)	40,118	40,023
Rental income	206,343	197,051
Less: Service charge and property expenses recovered through rents	(4,355)	(5,930)
Share of joint venture rental income	11,203	11,785
Less: Service charge and property expenses recovered through rents joint ventures	(372)	(376)
Gross rental income	212,819	202,529
EPRA cost ratio (including direct vacancy costs)	19.5%	20.1%
EPRA cost ratio (excluding direct vacancy costs)	18.9%	19.8%

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

** The comparative figures 2017/2018 have been restated to reflect the exclusion of local taxes (IRAP in Italy and CVAE in France) which can be considered as corporate income taxes and should be ignored, to reflect that part of the rent can be considered as operating expenses not recharged specifically to tenants and that part of the staff and office expenses can be considered as overhead and operating costs to be capitalised as these expenses are made to develop, extend or refurbish the properties. This approach has been taken in line with peer group companies to calculate the 2018/2019 EPRA cost ratio.

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

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

Although the EPRA cost ratio recommends an additional disclosure about the capitalised overhead and operating expenses, these amounts do not form part of the ratio. Eurocommercial does not capitalise any of its overhead or local offices costs to extensions or developments in the IFRS financial statements. For comparison purposes an amount of €3.8 million (2017/2018: €3.5 million) of overhead and operating expenses has been capitalised in the calculation of the above EPRA cost ratio.

Consolidated financial statements

Consolidated statement of profit or loss

	Note	2018/2019 €'000	2017/2018 €'000
Rental income	4	206,343	197,051
Service charge income	4	27,934	28,263
Total revenue		234,277	225,314
Service charge expenses	4	(31,085)	(30,739)
Property expenses	5	(34,764)	(33,766)
Net property income	2	168,428	160,809
Share of result of joint ventures	14	1	6,047
Investment revaluation and disposal of investment properties	6	(8,734)	(22,355)
Company expenses	8	(13,814)	(13,766)
Investment expenses	10	(1,341)	(3,458)
Other income	11	2,877	1,874
Operating result		147,417	129,151
Interest income	7	32	86
Interest expenses	7	(44,318)	(40,855)
Fair value movement derivative financial instruments	7	(23,742)	7,810
Net financing result	7	(68,028)	(32,959)
Profit before taxation		79,389	96,192
Current tax	12	118	(95)
Deferred tax	12	(4,921)	(24,033)
Total tax	12	(4,803)	(24,128)
Profit after taxation		74,586	72,064
Per depositary receipt (€)*			
Profit after taxation	26	1.50	1.47
Diluted profit after taxation	26	1.50	1.46

Consolidated statement of comprehensive income

	30-06-19 €'000	30-06-18 €'000
Profit after taxation	74,586	72,064
Foreign currency translation differences (to be recycled through profit or loss)	(6,018)	(33,468)
Actuarial result on pension scheme (not to be recycled through profit or loss)	249	(207)
Total other comprehensive income	(5,769)	(33,675)
Total comprehensive income	68,817	38,389
Per depositary receipt (€)*		
Total comprehensive income	1.39	0.78
Diluted total comprehensive income	1.38	0.78

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

Consolidated statement of financial position

	Note	30-06-19 €'000	30-06-18 €'000
Property investments	13	3,793,385	3,761,655
Property investments under development	13	1,700	113,930
Investments in joint ventures	14	108,156	108,853
Tangible fixed assets	15	1,333	1,717
Receivables	16	381	303
Derivative financial instruments	20	0	276
Total non-current assets		3,904,955	3,986,734
Receivables	16	51,093	39,780
Cash and deposits	17	65,211	34,038
Total current assets		116,304	73,818
Property investments held for sale	13	199,000	0
Total assets		4,220,259	4,060,552
Creditors	18	87,165	79,112
Borrowings	19	143,221	175,417
Total current liabilities		230,386	254,529
Creditors	18	10,803	15,473
Borrowings	19	1,767,148	1,572,337
Derivative financial instruments	20	123,143	100,210
Deferred tax liabilities	21	181,385	177,171
Provision for pensions	22	835	1,048
Total non-current liabilities		2,083,314	1,866,239
Total liabilities		2,313,700	2,120,768
Net assets		1,906,559	1,939,784
Equity Eurocommercial Properties shareholders			
Issued share capital	23	249,548	247,833
Share premium reserve	24	517,513	518,812
Other reserves	25	1,064,912	1,101,075
Undistributed income		74,586	72,064
Total equity		1,906,559	1,939,784

Consolidated financial statements continued

Consolidated statement of cash flows

	2018/2019 €'000	2017/2018 €'000
Profit after taxation	74,586	72,064
Adjustments:		
Movement performance shares granted	2,150	2,327
Investment revaluation and disposal of investment properties	8,874	22,167
Derivative financial instruments	23,742	(7,810)
Share of result of joint ventures	(1)	(6,047)
Interest income	(32)	(86)
Interest expenses	44,318	40,855
Deferred tax	4,921	24,033
Current tax	(118)	95
Depreciation tangible fixed assets	1,158	1,120
Other movements	(254)	658
Cash flow from operating activities after adjustments	159,344	149,376
Decrease/Increase in receivables	766	(3,135)
Decrease/Increase in creditors	(3,352)	6,630
	156,758	152,871
Dividends received from joint ventures	1,300	4,500
Current tax paid	(317)	(1,084)
Derivative financial instruments settled	(527)	(4,045)
Borrowing costs	(5,805)	(5,552)
Interest paid	(40,505)	(38,935)
Interest received	32	103
Cash flow from operating activities	110,936	107,858
Property acquisitions	(118,180)	(485,942)
Acquisition of investment	0	(64,124)
Capital expenditure	(62,190)	(102,224)
Sale of investment	0	89,155
Sale of property	49,406	175,761
Loan to joint ventures	(12,000)	0
Additions to tangible fixed assets	(776)	(1,038)
Cash flow from investing activities	(143,740)	(388,412)
Borrowings added	494,854	1,178,526
Repayment of borrowings	(333,381)	(866,953)
Stock options exercised	74	742
Cost of performance shares settled	(195)	(65)
Depository receipts bought back	(5,168)	0
Dividends paid	(92,848)	(75,303)
Increase in non-current creditors	765	385
Cash flow from financing activities	64,101	237,332
Net cash flow	31,297	(43,222)
Currency differences on cash and deposits	(124)	(818)
Increase/decrease in cash and deposits	31,173	(44,040)
Cash and deposits at beginning of year	34,038	78,078
Cash and deposits at end of year	65,211	34,038

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2019 were:

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2018	247,833	518,812	1,101,075	72,064	1,939,784
New IFRS standards adopted			(6,055)		(6,055)
01-07-2018	247,833	518,812	1,095,020	72,064	1,933,729
Profit after taxation				74,586	74,586
Other comprehensive income			(5,769)		(5,769)
Total comprehensive income	0	0	(5,769)	74,586	68,817
Profit previous financial year			(20,779)	20,779	0
Issued shares	1,715	(1,715)			0
Depositary receipts bought back			(5,168)		(5,168)
Dividends paid		(5)		(92,843)	(92,848)
Performance shares granted		2,150			2,150
Performance shares settled			(195)		(195)
Performance shares vested		(1,729)	1,729		0
Stock options exercised			74		74
30-06-2019	249,548	517,513	1,064,912	74,586	1,906,559

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

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

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 2018 and ending 30 June 2019 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 2018 and Part 9 of Book 2 of the Netherlands Civil Code.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2019. 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 2018 are adopted as such by the Group. The new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted by the Company as from this financial year. The impact of these standards, for the amount of €6 million, has been accounted for in the opening balance sheet of the shareholders' equity as per 1 July 2018. Additional information on new standards, amendments, interpretations and the relating effect on the financial statements, if significant and applicable to the Company, has been disclosed in note 1(c).

(b) Basis of preparation

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

The financial statements are prepared on a going concern basis and have been authorised for issue on 20 September 2019.

(c) Change in accounting policies and reclassifications

The accounting policies adopted are consistent with those of the previous financial year, except for standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. 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 16 Leases, effective 1 January 2019. The scope of IFRS 16 includes leases of all assets. There are certain exceptions, in particular, for the lessor of investment property accounted for under IAS 40. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to financing leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The Group is a lessee in some lease contracts for offices which the Group leases in Amsterdam, London, Milan and Stockholm, company cars and office equipment. The Group will apply this standard as from 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying the standard is recognised in retained earnings at the date of initial application. The Group will also make use of the available recognition examples and chooses not to apply IFRS 16 to short term lease contracts (less than 12 months) and leases for which the underlying asset is of low value. It is estimated that the Group would recognise a right-of-use asset and corresponding lease liability of approximately €3.7 million and the net impact on the income statement will not be material.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, effective 1 January 2019. In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation) which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group will apply this standard as from 1 July 2019 and estimates that the IFRIC interpretation will have a limited impact on the Group.

1. Principal accounting policies continued

(d) Critical accounting estimates and assumptions

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

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

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

(f) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, the exposure, or rights, to variable returns from its involvement and the ability to use its power to affect the amount of the returns of the entities. In assessing control, potential voting rights that are presently exercisable are taken into account. Some entities are classified as joint ventures when there is joint control in these entities.

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

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

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

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

(ii) Transactions eliminated on consolidation

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

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

Foreign currency translations

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

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

Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be valued semi-annually by qualified independent experts. The qualified independent experts will rotate in principle after three years, so that the expert will not value the same property investment more than three years in a row.

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

Movements in the fair value of property investments and property investments under development are recognised in the profit or loss account in the period in which they occur.

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

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

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

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

1. Principal accounting policies continued

Property investments held for sale

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

Investments in joint ventures

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

Tangible fixed assets

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

Receivables

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

Share capital

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

Borrowings

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

Creditors

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

Derivative financial instruments

The Company and its subsidiaries use derivative financial instruments to hedge (part of) their exposure to foreign exchange (if any instruments at year end date) and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments will not be held or issued for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are on the balance sheet at their fair value and the value changes are recognised immediately in the profit or loss account. The Company does not apply hedge accounting.

Derivative financial instruments are recognised initially at trade date at fair value (cost price). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on measurement to fair value is recognised in profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, the current creditworthiness of the swap counterparties and the Group's own creditworthiness. Derivative financial instruments concern only derivative interest rate swap contracts and a put option issued to the other partner in a joint venture. The fair value of the derivatives is estimated using a valuation technique and discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument that are directly or indirectly observable market data. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

Provisions

A provision is recognised in the consolidated statement of financial position when a legal or constructive obligation would exist, as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

The Company has various defined contribution pension plans and only one defined benefit pension plan for a limited number of employees. The net receivable or liability in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of the plan assets is deducted. The defined benefit obligation is calculated semi-annually by an independent external actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised in other comprehensive income. The majority of the Company's employees are members of a defined contribution scheme for which the annual premiums are an expense of the period.

Other assets and liabilities

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

Rental income

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

Service charge income and service charge expenses

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

Property expenses (direct and indirect)

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

Result in joint ventures

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

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

Net financing income/cost

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

1. Principal accounting policies continued

Company expenses and investment expenses

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

Performance shares granted to employees

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

Current tax and deferred tax

As an Investment Institution under Netherlands tax law (fiscale beleggingsinstelling) the Company is subject to a nil rate of Netherlands corporate income tax, provided it meets certain conditions, notably the distribution of all taxable income (after permitted deductions) to shareholders within eight months of the end of each financial year. As of 1 July 2005, the Company has opted for the French tax regime applicable to "Sociétés d'investissements immobiliers cotées" (SIIC). As from that date the revenues and capital gains from the French portfolio of the Company are tax-exempt, provided it meets certain conditions, notably a listing at a stock exchange in an EU country and the distribution of at least 85% of French tax-exempt income and of at least 50% of tax-exempt capital gains to shareholders. In Belgium the Company incorporated a wholly owned FIIS/GVBF ("Fonds d'investissement immobilier spécialisé"/"gespecialiseerd vastgoedbeleggingsfonds"). The FIIS/GVBF will be subject to corporate income tax, but its taxable basis will be limited to disallowed expenses and abnormal or gratuitous advantages received. Rental income, capital gains on real estate assets, and dividend and interest income will remain untaxed as a matter of principle, provided that the fiscal result is distributed by a dividend.

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

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

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

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

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

Cash flow statement

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

Segment information

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

Notes to the consolidated financial statements continued

2. Segment information

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

2019

For the 12 months ended 30-06-19 €'000	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	21,740	61,137	88,456	46,213	0	217,546	(11,203)	206,343
Service charge income	1,182	8,739	6,189	14,594	0	30,704	(2,770)	27,934
Service charge expenses	(1,195)	(10,165)	(6,304)	(16,326)	0	(33,990)	2,905	(31,085)
Property expenses	(2,309)	(9,867)	(16,862)	(6,616)	0	(35,654)	890	(34,764)
Net property income	19,418	49,844	71,479	37,865	0	178,606	(10,178)	168,428
Share of result of joint ventures	0	0	0	0	0	0	1	1
Investment revaluation and disposal of investment properties	(5,677)	(25,049)	24,693	(8,508)	433	(14,108)	5,374	(8,734)
Segment result	13,741	24,795	96,172	29,357	433	164,498	(4,803)	159,695
Net financing result						(72,351)	4,323	(68,028)
Company expenses						(13,814)	0	(13,814)
Investment expenses						(1,349)	8	(1,341)
Other income						1,796	1,081	2,877
Profit before taxation						78,780	609	79,389
Current tax						(662)	780	118
Deferred tax						(3,532)	(1,389)	(4,921)
Profit after taxation						74,586	0	74,586

As per 30-06-19 €'000	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	554,400	990,100	1,568,100	887,885	0	4,000,485	(207,100)	3,793,385
Property investments under development	0	1,700	0	0	0	1,700	0	1,700
Investment in joint ventures	0	0	0	0	0	0	108,156	108,156
Tangible fixed assets	7	329	605	140	252	1,333	0	1,333
Receivables	5,974	23,698	13,554	3,061	794	47,081	4,393	51,474
Cash and deposits	1,585	58,779	32,700	62,693	(80,191)	75,566	(10,355)	65,211
Property investments held for sale	0	199,000	0	0	0	199,000	0	199,000
Total assets	561,966	1,273,606	1,614,959	953,779	(79,145)	4,325,165	(104,906)	4,220,259
Creditors	7,756	28,114	31,400	25,706	3,928	96,904	(9,739)	87,165
Non-current creditors	788	9,106	1,489	128	0	11,511	(708)	10,803
Borrowings	284,835	429,179	876,295	363,830	41,000	1,995,139	(84,770)	1,910,369
Derivative financial instruments	9,746	2,904	112,048	1,325	0	126,023	(2,880)	123,143
Deferred tax liabilities	0	0	115,282	72,912	0	188,194	(6,809)	181,385
Provision for pensions	0	0	0	0	835	835	0	835
Total liabilities	303,125	469,303	1,136,514	463,901	45,763	2,418,606	(104,906)	2,313,700

For the 12 months ended 30-06-19 €'000	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	107,300	(39,275)	41,497	38,118	0	147,640	(9,705)	137,935

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

2. Segment information continued

2018

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

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

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

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

Notes to the consolidated financial statements continued

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 2019, €1 was SEK 10.5633 (30 June 2018: SEK 10.4530) and €1 was GBP 0.8966 (30 June 2018: GBP 0.8861).

4. Rental income and service charge income and expenses

Rental income

Rental income in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000
Gross lease payments collected/accrued	205,766	196,381
Entry fees received/accrued	577	670
	206,343	197,051

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 aggregated minimum rent (turnover rent not included) receivable under non-cancellable operating leases and to the first possible tenant break option amounts approximately to:

	2018/2019 €'000	2017/2018 €'000*
– less than one year	170,900	167,935
– between one and five years	319,310	335,534
– more than five years	169,940	164,459
	660,150	667,928

* The comparative figures 2017/2018 have been restated.

Approximately 1.63% of the rental income for the year ended 30 June 2019 is turnover rent (2017/2018: 1.96%).

Service charge income and expenses

Service charge income of €27.9 million (2017/2018: €28.2 million) represents income receivable from tenants for the services of utilities, caretakers etc. when the Group acts as principal.

Service charge expenses of €31.1 million (2017/2018: €30.7 million) represent costs related to the services of utilities, caretakers etc. which are rendered to tenants. The service charge expenses can be higher than the service charge income as costs are not always fully recoverable from tenants.

5. Property expenses

Property expenses in the current financial year were:

	2018/2019 €'000	2017/2018 €'000
Direct property expenses		
Bad debts	515	646
Centre marketing expenses	2,966	2,360
Insurance premiums	837	786
Managing agent fees	3,626	2,723
Property taxes	3,500	3,806
Repair and maintenance	820	918
Shortfall service charges	1,160	840
	13,424	12,079
Indirect property expenses		
Accounting fees	708	442
Audit fees	405	366
Depreciation fixed assets	949	934
Dispossession indemnities	173	219
Italian local tax (IRAP)	1,352	1,771
Legal and other advisory fees	2,071	1,344
Letting fees and relocation expenses	1,485	1,712
Local office and accommodation expenses	1,734	1,819
Pension contributions	183	172
Salaries, wages and bonuses	6,602	7,374
Social security charges	2,861	2,801
Performance shares granted (IFRS 2)	587	642
Travelling expenses	976	790
Other local taxes	944	1,192
Other expenses	310	109
	21,340	21,687
	34,764	33,766

Indirect property expenses include the expenses of the Brussels, Milan, Paris and Stockholm offices. Local office and accommodation expenses include rent paid under operating leases for the Company's Group offices in Milan and Stockholm. These leases are standard lease contracts with no contingent rents and sublease payments and expire in February 2024 and September 2022 respectively. The depreciation amount is €3,000 for the Brussels office (2017/2018: €0), €354,000 (2017/2018: €431,000) for the Milan office, €531,000 (2017/2018: €468,000) for the Paris office and €61,000 (2017/2018: €35,000) for the Stockholm office.

Notes to the consolidated financial statements continued

6. Investment revaluation and disposal of investment properties

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

	2018/2019 €'000	2017/2018 €'000
Revaluation of property investments	(1,146)	(7,710)
Revaluation of property investments under development	(385)	2,860
Revaluation of property investments held for sale	(8,021)	0
Disinvestment movement property sold	661	(17,318)
Elimination of accrued entry fees	(99)	(344)
Elimination of capitalised letting fees	(214)	387
Movement long-term creditors	13	(354)
Foreign currency results	457	124
	(8,734)	(22,355)

The movement of foreign currency results includes a realised amount of €177,000 positive (2017/2018: €425,000 negative) and an unrealised amount of €280,000 positive (2017/2018: €301,000 positive) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

7. Net financing costs

Net financing costs in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000*
Interest income	32	86
Gross interest expense	(45,018)	(42,701)
Capitalised interest	700	1,845
Unrealised fair value movement derivative financial instruments	(23,742)	7,811
	(68,028)	(32,959)

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method and on derivative financial instruments. The interest payable to finance the extension/acquisition of an asset is capitalised until completion/acquisition date and is reported as capitalised interest. The interest rate used for capitalised interest during this financial year was 1.9% (2017/2018: 1.9%).

8. Company expenses

Company expenses in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000
Audit fees	384	300
Depreciation fixed assets	209	186
Directors' fees	2,658	2,076
IT expenses	993	834
Legal and other advisory fees	817	893
Marketing expenses	616	578
Office and accommodation expenses	2,071	2,029
Pension costs*	475	333
Salaries, wages and bonuses	3,037	4,046
Social security charges	410	475
Statutory costs	452	422
Performance shares granted (IFRS 2)	488	521
Travelling expenses	482	478
Other expenses	722	595
	13,814	13,766

* €427,000 (2017/2018: €310,000) of pension costs are allocated to the direct investment result and €48,000 (2017/2018: €23,000) to the indirect investment result.

Office and accommodation expenses include the expenses of the Amsterdam and London offices and include rent paid under operating leases for the Company's head office at Herengracht 469, Amsterdam and the Group office at 4 Carlton Gardens, London. These leases are standard lease contracts with no contingent rents and sublease payments and expire in September 2023 and September 2019 respectively. The depreciation amount is €208,000 (2017/2018: €185,000) for the Amsterdam office and €1,000 (2017/2018: €1,000) for the London office.

9. Personnel costs

Total personnel costs in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000
Salaries and wages	10,825	10,361
Social security charges and taxes	3,450	3,653
Pension costs	821	555
Bonuses	937	3,954
Performance shares granted (IFRS 2)	2,150	2,327
	18,183	20,850

Total personnel costs are partly presented under (indirect) property expenses (€10,233,000 (2017/2018: €10,989,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€7,068,000 (2017/2018: €7,451,000)) and partly under investment expenses (€1,131,000 (2017/2018: €2,654,000)). The pension costs consist of €658,000 of pension contributions (2017/2018: €532,000) and a positive amount of €48,000 of fair value movement defined benefit plan (2017/2018: positive amount of €23,000). The bonuses paid to senior executives are directly linked to the annual growth in the Company's net asset value, the dividend per depositary receipt and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. For this financial year, there was no relative outperformance (2017/2018: 8.33%). The Group employed an average of 89 full-time equivalent persons during the financial year (2017/2018: 90), of whom 16 are based in The Netherlands, 9 in the UK, 22 in France, 32 in Italy and 10 in Sweden. The Group staff (members of the Board of Management excluded) holds 74,998 depositary receipts, representing 0.15% of the issued share capital of the Company.

Notes to the consolidated financial statements continued

10. Investment expenses

Investment expenses in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000
Aborted acquisition costs	73	392
Bonuses linked to NAV growth and relative outperformance	40	1,286
Social security charges and taxes related to bonuses linked to NAV growth and relative outperformance	16	204
Performance shares granted (IFRS 2)	1,075	1,164
Property valuation fees	457	412
Other income/expenses	(320)	0
	1,341	3,458

11. Other income

Other income is related to advisory, management and guarantee fees received from joint ventures and recharges of local management fees to tenants.

12. Taxation

Total tax in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000
Current tax Italy	(108)	81
Current tax United Kingdom	(10)	14
Current tax	(118)	95
Deferred tax on unrealised value movements investment property Italy and Sweden	9,317	21,116
Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden	12,993	5,063
Movement tax losses recognised Italy and Sweden	(17,389)	(2,146)
Deferred tax	4,921	24,033
Total tax	4,803	24,128

	2018/2019 €'000	2017/2018 €'000
Tax-exempt income (including effect of FBI, FIIS and SIIC)	30,483	10,391
Profit before tax attributable to Swedish tax rate of 20.6%	7,725	30,129
Profit before tax attributable to Italian tax rate of 24%/27.9%	41,193	55,689
Profit before tax attributable to UK tax rate of 19.75%	(12)	(17)
Profit before taxation	79,389	96,192
Tax on profit before tax attributable to Italian taxable subsidiaries at a tax rate of 24%/27.9%	9,754	14,692
Tax on profit before tax attributable to Swedish taxable subsidiaries at a tax rate of 20.6%	1,591	6,303
Tax on profit before tax attributable to UK taxable subsidiary at a tax rate of 19.75%	(2)	(3)
Benefit due to tax rate change	(5,140)	(3,967)
Change in tax base	(1,843)	0
Non-taxable income/expense Italy, Sweden and UK	443	7,103
Total tax	4,803	24,128

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

12. Taxation continued

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

The issued notices by the Italian Tax Authorities related to the financial years from 2009/2010 to 2012/13 of the Italian subsidiary Eurocommercial Properties Italia S.r.l. have been renounced by the Tax Authorities after first and second degree Tax Court decisions in favour of the Company. The relevant litigations therefore ended without any liability for the Company.

In December 2017 the tax authorities issued two notices of assessment on property depreciation for the fiscal year 2014/2015. In February 2019 the Italian tax court rendered a decision in the first degree in favour of the Company. The Italian tax authorities have appealed against this decision. No provisions have been accounted for in the financial statements.

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

Property investments, property investments under development and property investments held for sale are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, among other activities, collect a variety of data, including general economic data, property-specific data and market supply and demand data. Property-specific data includes passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2019.

Following the agreement signed in November, the sale of Les Allées de Corneilles, Corneilles was completed successfully for €49.9 million in December 2018. The Company purchased a further part of the Woluwe shopping centre from AG Insurance in December 2018, by acquiring the company controlling six boutiques as well as the 2,670m² Match supermarket. In July the Company signed a joint venture agreement with AXA Investment Managers – Real Assets (AXA IM – Real Assets), acting on behalf of its clients, by which AXA IM – Real Assets becomes the owner of a 50% interest in the Passage du Havre shopping centre. The price for the 50% share in Passage du Havre was based on Eurocommercial's 31 December 2018 independent valuation resulting in an amount of €203 million for the half share. This transaction is expected to close on 30 September 2019.

Purchasers' costs

The total purchasers' costs including registration tax, which are excluded from the fair value of the property investments, property investments under development and property investments held for sale, for the financial year ended 30 June 2019 were as follows:

	30-06-19					30-06-18				
	Belgium	France	Italy	Sweden	Total	Belgium	France	Italy	Sweden	Total
Purchasers' costs (%)	2.5	6.0	1.5	1.0	2.8	2.5	6.8	3.9	1.0	4.0
Purchasers' costs (€'000)	13,893	68,461	21,598	8,897	112,849	11,360	82,315	53,259	8,678	155,612

During this financial year the purchaser's costs in Italy decreased for most of the properties from 4 per cent to 1 per cent, due to changes in the Italian corporate structure. The change had a positive effect of €33 million on the investment revaluation of investment properties and €4.5 million on the share of result of joint ventures.

The valuation standards used by the external independent valuers require that valuers draw attention to uncertain circumstances, if these could have a material effect on the valuation, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation. There were no valuation reports for this financial year which contained an uncertainty paragraph setting out these circumstances.

Vacancies in the property portfolio represent 1.0% of rental income (30 June 2018: 0.5%).

Notes to the consolidated financial statements continued

13. Property investments, property investments under development and property investments held for sale continued

Fair value hierarchy

Property investments, including property investments under development and property investments held for sale are at level 3.

The current property portfolio is:

	30-06-19 Net value €'000	30-06-18 Net value €'000	30-06-19 Costs to date €'000	30-06-18 Costs to date €'000
Belgium				
Woluwe, Brussels* **	554,400	452,800	577,751	470,451
France				
Passage du Havre, Paris* ***	403,300	412,000	192,700	190,786
Val Thoiry, Greater Geneva*	165,200	150,800	138,054	136,989
Les Atlantes, Tours*	122,000	130,800	66,923	65,496
Centr'Azur, Hyères* **	96,700	94,400	64,667	62,160
Chasse Sud, Chasse-sur-Rhône*	95,700	93,200	73,275	73,211
MODO, Moisselles*	72,300	74,800	67,834	67,701
Les Portes de Taverny, Taverny*	63,200	68,900	26,510	26,400
Grand A, Amiens*	60,900	66,900	37,981	37,750
Les Trois Dauphins, Grenoble*	38,100	42,000	27,322	27,164
Les Grands Hommes, Bordeaux	21,000	20,600	20,242	18,509
Shopping Etrembières, Greater Geneva****	1,700	2,000	8,099	8,013
Les Allées de Corneilles, Corneilles	0	48,800	0	44,753
	1,140,100	1,205,200	723,607	758,932
Italy				
I Gigli, Florence*	472,100	446,000	334,200	328,478
Carosello, Carugate, Milan*	380,400	368,200	209,393	209,073
Collestrada, Perugia*	143,500	138,200	137,681	128,746
Il Castello, Ferrara*	137,400	133,300	86,573	86,841
Curno, Bergamo*	118,800	112,500	45,317	36,936
Cremona Po, Cremona*	107,300	100,300	115,139	107,075
I Portali, Modena*	52,200	51,200	48,509	47,733
	1,411,700	1,349,700	976,812	944,882
Sweden				
Hallarna, Halmstad*	146,905	139,672	147,116	135,363
Bergvik, Karlstad*	143,704	146,819	94,661	110,638
C4 Shopping, Kristianstad*	134,049	111,930	116,290	108,381
Ingelsta Shopping, Norrköping*	118,542	116,694	79,294	93,881
Grand Samarkand, Växjö*	114,358	114,608	63,445	79,917
Valbo, Gävle*	110,572	109,873	102,426	107,643
Elins Esplanad, Skövde *	78,953	83,995	56,157	63,241
Moraberg, Södertälje	40,802	44,294	33,438	39,104
	887,885	867,885	692,827	738,168
Total	3,994,085	3,875,585	2,970,997	2,912,433
Less: Property investments under development	(1,700)	(113,930)	(8,099)	(116,394)
Less: Property investments held for sale	(199,000)	0	(96,350)	0
Property investments	3,793,385	3,761,655	2,866,548	2,796,039

* These properties carry mortgage debt up to €1,819 million at 30 June 2019 (30 June 2018: €1,645 million).

** Including (land) acquisitions.

*** Partly held as property investments held for sale.

**** This parcel of land is next to Shopping Etrembières (partly owned via a joint venture) and classified as property investments under development.

13. Property investments, property investments under development and property investments held for sale continued

Assumptions and sensitivity analysis

The assumptions and sensitivity analysis of the valuations are made by the valuers and represent the property investments, excluding land and property held for development. The following assumptions were applied as per 30 June 2019:

	30-06-19				30-06-18			
	Belgium	France	Italy	Sweden	Belgium	France	Italy	Sweden
Passing rent per m ² (€; average)	693	292	312	216	818	274	304	224
Estimated rent value per m ² (€; average)	660	297	325	226	794	291	313	231
Net initial yield (%; average)	3.9	4.5	5.1	4.8	3.9	4.3	5.2	5.0
Reversionary yield (%; average)	4.1	4.8	5.4	5.2	3.9	4.8	5.4	5.1
Inflation rate (%; min/max)*	n.a.	1.7	1.0/1.6	2.0/2.2	n.a.	1.5	1.5/1.9	2.0
Long-term growth in rental value (%; min/max)*	n.a.	1.2/1.9	1.5/1.6	n.a.	n.a.	1.4/2.7	1.5/1.9	n.a.

* When DCF method is used.

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

	30-06-19					30-06-18				
	Belgium €'000	France €'000	Italy €'000	Sweden €'000	Total €'000	Belgium €'000	France €'000	Italy €'000	Sweden €'000	Total €'000
Increase average NIY 25 by bps	(32,020)	(61,193)	(63,760)	(37,330)	(194,303)	(27,240)	(62,880)	(62,800)	(35,150)	(188,070)
Increase average NIY 50 by bps	(60,460)	(113,675)	(123,000)	(72,650)	(369,785)	(51,390)	(119,110)	(118,700)	(67,140)	(356,340)
Decrease average NIY 25 by bps	35,120	68,852	69,320	49,290	222,582	28,990	70,040	65,980	39,430	204,440
Decrease average NIY 50 by bps	77,260	146,151	147,150	100,100	470,661	65,660	149,330	140,850	82,910	438,750
Increase ERV of 5%	27,075	39,280	41,410	32,470	140,235	22,120	48,220	39,190	31,640	141,170
Increase ERV of 10%	54,160	81,310	82,950	66,740	285,160	44,220	98,880	80,740	64,800	288,640
Decrease ERV of 5%	(25,785)	(42,033)	(41,320)	(34,340)	(143,478)	(21,060)	(51,170)	(42,090)	(35,810)	(150,130)
Decrease ERV of 10%	(49,230)	(82,357)	(82,380)	(67,770)	(281,737)	(40,210)	(103,860)	(81,350)	(69,160)	(294,580)

Changes in property investments and property investments held for sale for the financial year ended 30 June 2019 were as follows:

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	3,761,655	3,549,222
Acquisitions	119,946	592,975
Capital expenditure – general	33,290	11,687
Capital expenditure – extensions and refurbishments	18,870	47,510
Capitalised interest	357	813
Capitalised letting fees	321	(387)
Elimination of capitalised letting fees	(321)	387
Revaluation of property investments	(1,146)	(7,710)
Revaluation of property investments held for sale	(8,021)	0
Reallocation from properties under development	127,588	0
Book value divestment property	(48,800)	(371,484)
Exchange rate movement	(11,354)	(61,358)
Book value at end of year	3,992,385	3,761,655

Notes to the consolidated financial statements continued

13. 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 2019 were as follows:

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	113,929	85,373
Reallocation to property investments	(127,588)	0
Capital expenditure	13,712	30,629
Capitalised interest	343	1,032
Capitalised letting fees	(107)	0
Elimination of capitalised letting fees	107	0
Revaluation property investments under development	(385)	2,860
Exchange rate movement	1,689	(5,965)
Book value at end of year	1,700	113,929

14. Investments in joint ventures

The French joint ventures reported in this statement have a calendar year end, unlike the Group which has a June year end. However, the figures reported for the joint ventures are for the same reporting period as the Group. There are no contingent liabilities or other post balance sheet events in the joint ventures than mentioned below. There are no unrecognised losses and no restrictions on the joint ventures' cash dividends or on the repayment of loans and advances. During this financial year, dividends for a total amount of €1.3 million were paid by the joint ventures (2017/2018: €4.5 million).

In July, Eurocommercial entered into an agreement with its joint venture partner Finiper for the acquisition of the existing Fiordaliso hypermarket in Milan at a net price of €21 million which will be converted into mall shops when the hypermarket moves to an external position at the centre.

The French joint ventures are funded both by the Group and its partner. The Company's Italian joint venture Galleria Verde S.r.l. is funded by ING Bank and BNP Paribas for €150 million, maturing in January 2026 and by UBI for €23 million. The maturity of the UBI loan, currently July 2021, can be extended for an additional five years. The loans are hedged with interest rate swaps for a notional amount of €160 million, with an average maturity of five years and an average rate 0.52%. In July 2019 the Italian joint venture Galleria Verde S.r.l. increased its loan granted by ING Bank and BNP Paribas with €17 million with the same maturity of the loan already in place.

Property	Etrembières		Fiordaliso	Total	Etrembières	Etrembières	Fiordaliso	Total
Country	France		Italy		France	France	Italy	
ECP ownership	50%		50%		50%	50%	50%	
Company name	SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.		SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.	
Summarised profit or loss account	2018/2019 €'000	2018/2019 €'000	2018/2019 €'000	2018/2019 €'000	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000
Rental income	5,018	98	17,290	22,406	5,138	96	18,336	23,570
Property expenses	(92)	(4)	(1,684)	(1,780)	(226)	(20)	(1,656)	(1,902)
Service charge income	632	22	4,886	5,540	1,234	44	5,072	6,350
Service charge expenses	(608)	(28)	(5,174)	(5,810)	(964)	(32)	(4,984)	(5,980)
Investment revaluation	(20)	48	(10,776)	(10,748)	6,232	0	(7,580)	(1,348)
Net interest expenses	0	0	(2,960)	(2,960)	0	0	(3,114)	(3,114)
Net derivatives movements	0	0	(5,686)	(5,686)	0	0	(996)	(996)
Other expenses to Group companies	0	0	(2,162)	(2,162)	0	0	(2,596)	(2,596)
Financial and investment expenses	(4)	0	(12)	(16)	(4)	(2)	(20)	(26)
Deferred tax	0	0	2,778	2,778	0	0	(842)	(842)
Corporate income tax	0	0	(1,560)	(1,560)	0	0	(1,022)	(1,022)
Result after taxation	4,926	136	(5,060)	2	11,410	86	598	12,094
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	4,926	136	(5,060)	2	11,410	86	598	12,094
ECP share of total comprehensive	2,463	68	(2,530)	1	5,705	43	299	6,047

14. Investments in joint ventures continued

Property	Etrembières	Etrembières	Fiordaliso	Total	Etrembières	Etrembières	Fiordaliso	Total
Country	France	France	Italy		France	France	Italy	
ECP ownership	50%	50%	50%		50%	50%	50%	
Company name	SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.		SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.	
Summarised statement of financial position	2018/2019 €'000	2018/2019 €'000	2018/2019 €'000	2018/2019 €'000	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000	2017/2018 €'000
Property investments	99,540	1,860	312,800	414,200	99,280	1,920	304,200	405,400
Cash and deposits	2,432	328	17,950	20,710	1,660	262	18,558	20,480
Debtors	2,310	16	888	3,214	1,108	2	372	1,482
Derivatives financial instruments (non-current)	0	0	0	0	0	0	116	116
Total assets	104,282	2,204	331,638	438,124	102,048	2,184	323,246	427,478
Creditors (current)	56	2	19,420	19,478	290	24	16,728	17,042
Borrowings (current)	0	0	4,452	4,452	0	0	4,440	4,440
Loan from Group companies (current)	0	0	12,000	12,000	0	0	0	0
Creditors (non-current)	966	6	444	1,416	936	6	384	1,326
Borrowings (non-current)	0	0	165,088	165,088	0	0	170,750	170,750
Derivatives financial instruments (non-current)	0	0	5,760	5,760	0	0	192	192
Deferred tax	0	0	13,618	13,618	0	0	16,022	16,022
Total liabilities	1,022	8	220,782	221,812	1,226	30	208,516	209,772
Net assets	103,260	2,196	110,856	216,312	100,822	2,154	114,730	217,706
ECP share of net assets in joint ventures	51,630	1,098	55,428	108,156	50,411	1,077	57,365	108,853

15. Tangible fixed assets

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

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	1,717	1,818
Additions	776	838
Depreciation	(1,158)	(920)
Exchange rate movement	(2)	(19)
Book value at end of year	1,333	1,717
Cost at end of year	8,107	7,704
Accumulated depreciation	(6,726)	(5,941)
Accumulated exchange movements	(48)	(46)
Book value at end of year	1,333	1,717

During the financial year ended 30 June 2019 tangible fixed assets with a total cost price of €373,000 were disposed of or out of use (30 June 2018: disposals €190,000).

Notes to the consolidated financial statements continued

16. Receivables

	30-06-19 €'000	30-06-18 €'000
Funds held by managing agents	3,476	3,539
Loan to joint venture	12,000	0
Rents receivable	27,174	23,460
Provision for bad debts	(1,594)	(1,205)
VAT receivable	4,002	6,132
Prepaid tax	1,828	2,956
Other receivables and prepayments	4,588	5,201
	51,474	40,083

Receivables at 30 June 2019 include an amount of €381,000 (30 June 2018: €303,000) which is due after one year.

17. Cash and deposits

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

	30-06-19 €'000	30-06-18 €'000
Bank balances	65,180	34,011
Deposits	31	27
	65,211	34,038

18. Creditors

	30-06-19 €'000	30-06-18 €'000
(i) Current liabilities		
Interest payable	8,126	7,170
Local and property tax payable	450	2,675
Payable on purchased property/extensions	21,917	13,079
Rent received in advance	35,117	30,591
VAT payable	2,537	3,842
Other creditors and accruals	19,018	21,755
	87,165	79,112
(ii) Non-current liabilities		
Tenant rental deposits	10,803	10,591
Payable on purchased property/extensions	0	4,882
	10,803	15,473

19. Borrowings

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	1,747,754	1,505,462
IFRS adjustments	6,488	0
Drawdown of funds	494,854	1,178,526
Repayments	(333,381)	(866,953)
Funds – included in acquisition of subsidiary	0	44,974
Sale of subsidiaries	0	(88,542)
Exchange rate movement	(3,078)	(23,827)
Movement prepaid borrowing costs	(2,268)	(1,886)
Book value at end of year	1,910,369	1,747,754

73% of the borrowings are at a floating interest rate (30 June 2018: 77%), rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 27% 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 (30 June 2018: 23%).

At 30 June 2019, the Group had at its disposal undrawn borrowing facilities for a total amount of €56 million. These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes. At 30 June 2019, the Group had also at its disposal undrawn borrowing facilities, which are not committed, for a total amount €40 million (30 June 2018: €108 million).

	Borrowings €'000	Borrowing cost €'000	30-06-19 €'000	Fair value €'000	30-06-19 %	30-06-18 €'000	Fair value €'000	30-06-18 %
Borrowings with floating interest rate	1,402,565	(8,595)	1,393,970	1,402,565	73%	1,344,259	1,350,895	77
Borrowings with fixed interest rate	519,699	(3,300)	516,399	568,718	27%	403,495	433,379	23
Total borrowings	1,922,264	(11,895)	1,910,369	1,971,283	100%	1,747,754	1,784,274	100

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

The borrowings are all directly from major banks, with the exception of one loan which is from an insurance company, with average committed unexpired terms of more than five and half years. Borrowings of €1,819 million are secured on property (30 June 2018: €1,645 million). The average interest rate during the financial year ended 30 June 2019 on non-current borrowings including hedges was 2.3% (2017/2018: 3.1%). 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 2019.

Notes to the consolidated financial statements continued

19. Borrowings continued

				30-06-19	30-06-18
	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Borrowings maturity profile					
Current borrowings	52,221	91,000	143,221	0.9	175,417
Non-current borrowings:					
One to two years	173,920	0	173,920		84,549
Two to five years	591,676	0	591,676		576,168
Five to ten years	884,566	0	884,566		777,304
More than ten years	128,881	0	128,881		150,453
Total non-current borrowings	1,779,043	91,000	1,779,043	2.3	1,588,474
Borrowing costs	(11,895)	0	(11,895)		(16,137)
Total borrowings	1,819,369	91,000	1,910,369	2.2	1,747,754

	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
Currency and interest rate profile						
2018/2019						
Euro	1,192,489	364,948	1,557,437	2.3	6.7	5.7
Swedish krona	300,569	64,258	364,827	1.8	4.8	4.5
Borrowing costs	(3,300)	(8,595)	(11,895)			
	1,489,758	420,611	1,910,369	2.2	6.6	5.4
2017/2018						
Euro	1,068,108	388,536	1,456,644	2.4	7.0	5.8
Swedish krona	222,424	84,823	307,247	2.6	5.0	5.0
Borrowing costs	(9,501)	(6,636)	(16,137)			
	1,281,031	466,723	1,747,754	2.5	6.8	5.6

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

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

In July 2018 the Company entered into a €248 million eight-year loan jointly with Intesa SanPaolo, BNP Paribas and UBI for the refinancing of shopping centre Carosello in Italy. In December 2018 the Company entered into a €50 million seven-year bullet loan jointly with ABN AMRO and ING for the purchase of part of the Woluwe shopping centre acquired in that month. In March 2019 the Company entered into three new short-term loans with Banca Popolare di Milano and UBI for a total amount of €35 million. In June 2019 Eurocommercial closed a SEK 650 million bank loan with Postbank from Germany secured by a mortgage over the C4 shopping centre in Kristianstad, Sweden for a term of seven years. In the same month the Company also closed a €72.5 million bank loan with Berlin Hyp secured by a mortgage over the French shopping centre Val Thoiry near Geneva, Switzerland for a term of ten years.

20. Financial instruments

Financial risks

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

Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of the Group's counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks in their position as lenders have a credit rating of AA (1%), AA- (30%), A+ (16%), A (3%), A- (10%), B (2%), BBB (20%), BBB- (5%), and 13% have no rating from Fitch; and Aa3 (34%), Aa2 (3%), Aa1 (10%), A1 (16%), A3 (1%), Baa1 (25%), Baa2 (9%) and Caa1 (2%) 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	30-06-19 €'000	30-06-18 €'000
Receivables	16	51,474	40,083
Derivative financial instruments		0	276
Cash and deposits	17	65,211	34,038
		116,685	74,397

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

	30-06-19				30-06-18			
	Rents receivable €'000	Provision for bad debts €'000	Other receivables €'000	Receivables €'000	Rents receivable €'000	Provision for bad debts €'000	Other receivables €'000	Receivables €'000
Due	23,190	(180)	0	23,010	19,055	0	0	19,055
Overdue by 0–90 days	2,189	(167)	25,894	27,916	3,231	(128)	17,828	20,931
Overdue by 90–120 days	146	(146)	0	0	153	(73)	0	80
Overdue by more than 120 days	1,649	(1,101)	0	548	1,021	(1,004)	0	17
	27,174	(1,594)	25,894	51,474	23,460	(1,205)	17,828	40,083

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €10.8 million (2018: €10.6 million) in addition to bank guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets at a reasonable price. In order to reduce liquidity risk, the repayment dates of borrowings are well spread over time and 93% of borrowings are long term, with 53% of borrowings with a remaining term of over five years. The Group aims to enter into long-term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was five and half years. Group borrowings on a proportional consolidated basis will not exceed the adjusted net equity of the Company, so that the net debt to equity ratio is less than one, which further mitigates risk. The ratios to which the Group has committed itself are monitored at regular intervals. The net debt to adjusted net equity ratio at 30 June 2019 was 0.86 (30 June 2018: 0.81).

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

Notes to the consolidated financial statements continued

20. Financial instruments continued

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

	30-06-19				30-06-18			
	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000
Undiscounted cash flows								
Non-current borrowings	1,779,043	0	765,597	1,013,446	1,588,474	0	660,717	927,757
Current borrowings	143,221	143,221	0	0	175,417	175,417	0	0
Interest derivative financial instruments	129,025	19,592	51,266	58,167	91,770	15,014	45,314	31,442
Interest on borrowings	137,695	20,677	70,650	46,368	106,638	18,016	56,949	31,673
Non-current creditors	12,121	3,559	3,648	4,914	16,832	3,814	8,609	4,409
Current creditors	87,165	87,165	0	0	71,942	71,942	0	0
	2,288,270	274,214	891,161	1,122,895	2,051,073	284,203	771,589	995,281

Foreign currency risk

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

Due to Swedish property investments, the Group is exposed to the Swedish krona, the only significant foreign currency exposure for the Group. However, due to SEK loan facilities, this exposure is partly hedged. SEK borrowings amount to €364 million (30 June 2018: €307 million). The total property investments in Sweden are €888 million (30 June 2018: €868 million). So 41% of this SEK exposure is hedged through these borrowings at 30 June 2019 (30 June 2018: 35%). The remaining exposure is relatively limited compared with the total size of the portfolio and will, in principle, not be hedged. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.4% and in a decrease of only 1.3% of direct investment result.

The Group also has a small foreign currency exposure of approximately €6.0 million to the British pound as a result of company expenses relating to the London office and staff (30 June 2018: €6.0 million).

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 2019 is a negative value of €123.1 million (30 June 2018: negative €88.8 million).

The interest rate hedge instruments as at 30 June 2019 have a weighted average maturity of six and a half years and the Company is hedged at an average interest rate of 1.9% (30 June 2018: 1.8%). Only 22% (30 June 2018: 27%) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €3.1 million (30 June 2018: €4.7 million) or 2.6% (30 June 2018: 4.4%) of reported direct investment result.

If at 30 June 2019, the euro interest curve and the Swedish krona interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholders' equity by €35.9 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the shareholders' equity by €38.6 million. Both calculations assume that all other variables were held constant and do not take into account the impact of deferred tax.

Maturity profile derivative financial instruments	30-06-19 Notional amount €'000	30-06-19 Fair value €'000	30-06-18 Notional amount €'000	30-06-18 Fair value €'000
Up to one year	103,933	(2,320)	0	0
From one year to two years	141,286	(3,854)	74,567	(3,199)
From two years to five years	255,074	(15,272)	334,059	(15,676)
From five years to ten years	347,000	(26,492)	375,445	(23,032)
Over ten years	145,000	(75,205)	170,000	(46,931)
	992,293	(123,143)	954,071	(88,838)

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

20. Financial instruments continued

In addition to the notional amounts of the derivative financial instruments presented in the previous table, the financial instruments portfolio as per the balance sheet date includes forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €20 million (2018: €40 million) and forward starting interest rate swaps for a notional amount of €10 million (2018: €59 million). Although the notional amounts of the aforesaid financial instruments are not included in the previous table, the fair value of these financial instruments is reported.

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

	30-06-19 €'000	30-06-18 €'000
Derivative financial instruments		
Book value at beginning of year	(99,934)	(111,815)
Unrealised fair value movement interest rate swaps	(35,702)	6,650
Realised fair value movement interest rate swaps	527	4,045
Exchange rate movement	6	26
Fair value movement of Galleria Verde put option	11,960	1,160
Book value at end of year	(123,143)	(99,934)

As part of the transaction to buy the hypermarket from its joint venture partner in Galleria Verde S.r.l., the Galleria Verde put option was amended. The 4% premium to the latest market value is no longer a feature of the revised put option and therefore the liability of €11 million was released in this year's statement of profit or loss.

Effective interest rate and ageing analysis

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2019) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date. This table also includes an ageing analysis according to interest rate revision dates of these assets and liabilities.

	30-06-19				30-06-18			
	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received
Effective interest rate (%)	0.88	1.95	1.87	(0.29)	0.78	1.99	1.83	(0.33)
Up to one year (€'000)	135,572	7,649	103,933	103,933	169,579	5,838	0	0
From one year to two years (€'000)	118,644	55,276	141,286	141,286	78,583	5,967	84,567	84,567
From two years to five years (€'000)	418,466	173,210	255,074	255,074	509,636	66,532	334,059	334,059
From five years to ten years (€'000)	729,883	154,683	347,000	347,000	593,097	184,205	365,445	365,445
Over ten years (€'000)	0	128,881	145,000	145,000	0	150,454	170,000	170,000
	1,402,565	519,699	992,293	992,293	1,350,895	412,996	954,071	954,071

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2019) 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
30-06-2019					
Up to one year	10,809	9,867	15,943	3,649	40,268
From one year to two years	9,111	9,423	12,681	3,977	35,192
From two years to five years	27,857	24,258	30,017	4,590	86,722
From five years to ten years	17,997	22,251	30,099	(5,200)	65,147
Over ten years	0	6,121	48,234	(14,966)	39,389
	65,774	71,920	136,974	(7,950)	266,718

Notes to the consolidated financial statements continued

20. 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. IFRS 9 contains the following principal classification categories for financial assets and liabilities: A. Financial assets and liabilities measured at amortised cost, B. Financial assets at fair value through other comprehensive income and C. Financial assets at fair value through P&L.

IFRS 9 eliminates the previous IAS 39 category of B. Loans and receivables and largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities.

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

	Note	Categories in accordance with IFRS 9	30-06-19 €'000		30-06-18 €'000	
			Carrying amount	Fair value	Carrying amount	Fair value
Receivables	16	A	51,474	51,474	40,083	40,083
Derivative financial instruments		C	0	0	276	276
Cash and deposits	17	A	65,211	65,211	34,038	34,038
			116,685	116,685	74,397	74,397
Creditors		A	97,968	97,968	94,585	94,585
Borrowings	19	A	1,910,369	1,971,283	1,747,754	1,784,274
Derivative financial instruments (liabilities)		C	123,143	123,143	100,210	100,210
			2,131,480	2,192,394	1,942,549	1,979,069

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 €516,399,000), the fair value was based upon the relevant yield curves. For the borrowings with a floating interest rate (carrying amount of €1,393,970,000), the carrying amount is deemed to approximate the fair value because the floating interest rate approximates the market interest rate and own credit risk is not deemed significant. Due to their short-term nature the carrying amount approximates fair value for the other balance sheet items.

Fair value hierarchy

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

21. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	30-06-18 €'000	IFRS9 adjustment €'000	Recognised in profit or loss €'000	Release to profit or loss due to property sale €'000	Exchange rate movement €'000	30-06-19 €'000
Investment property	(198,400)	0	(9,477)	2,020	868	(204,989)
Derivative financial instruments	16,839	0	(12,993)	0	(2)	3,844
Tax value of loss carry-forwards recognised	4,390	(160)	15,529	0	1	19,760
Total deferred tax liabilities	(177,171)	(160)	(6,941)	2,020	867	(181,385)

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

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

As at 30 June 2019, the total amount of deferred tax liabilities of €181.4 million is related to Italy for an amount of €108.5 million (30 June 2018: €107.1 million) and to Sweden for an amount of €72.9 million (30 June 2018: €70.1 million).

22. Provision for pensions

The provision for pensions is related to one defined benefit plan in the United Kingdom. The plan has no active members (30 June 2018: no active members) and no new members have entered the scheme since 2001. The scheme is based on a final salary plan with a pensionable salary cap and the Company expects no new members in the scheme in the near future.

The major categories of plan assets are as follows:

	30-06-19 €'000	30-06-18 €'000
Cash and cash equivalents	29	6
Unquoted investment funds – mixed	9,119	8,342
	9,148	8,348

Notes to the consolidated financial statements continued

22. Provision for pensions continued

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 30-06-18/30-06-17	8,348	(9,396)	(1,048)	8,642	(9,468)	(826)
Service cost	0	0	0	0	(21)	(21)
Interest income/(expenses)	214	(241)	(27)	231	(254)	(23)
Pension cost charged to profit or loss account	214	(241)	(27)	231	(275)	(44)
Return on plan assets	705	0	705	(429)	0	(429)
Actuarial changes arising from changes in assumptions	0	(57)	(57)	0	218	218
Experience adjustments	0	(399)	(399)	0	4	4
Actuarial result on pension scheme charged to OCI	705	(456)	249	(429)	222	(207)
Contributions by employer	21	0	21	21	0	21
Benefits paid	0	0	0	(52)	52	0
Insurance premiums paid by the fund	(21)	0	(21)	0	0	0
Administration expenses paid by the fund	(21)	0	(21)	0	0	0
Exchange rate movement	(98)	110	12	(65)	73	8
Book value at end of year 30-06-19/30-06-18	9,148	(9,983)	(835)	8,348	(9,396)	(1,048)

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 2019. The discount rate is 2.4% (30 June 2018: 2.6%) and pension increase is 3.2% (30 June 2018: 3.2%). The life expectancy for pensioners at the age of 60 is 26.8 years and 29.2 years for men and women respectively (30 June 2018: men 27.3 years and women 29.8 years).

A quantitative sensitivity analysis for significant assumptions as at 30 June 2019 is as shown below:

Year	Discount rate: 0.25% decrease	Discount rate: 0.25% decrease	Rate of inflation: 0.25% increase	Rate of inflation: 0.50% increase	Life expectancy: 1 year increase
30 June 2019 Liabilities (€'000)	9,531	10,468	10,393	9,587	10,490

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 duration of the liabilities of the Scheme is approximately 19 years as at 30 June 2019 (30 June 2018: 21 years).

As all four active members of the Scheme opted out as per 1 June 2016 and based on an amended investment and funding strategy for the Scheme, it is expected that no contributions are to be paid by the employer under the Company's defined benefit plan for the next financial year (30 June 2018: €0).

23. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 499,096,818 shares are issued and fully paid as at 30 June 2019 and of which 3,756,580 were bought back as at 30 June 2019.
- At the Annual General Meeting of Shareholders held on 6 November 2018 the resolution was adopted to repurchase the priority shares and to convert these into ordinary shares. The Articles of Association of the Company were amended to reflect this on 7 November 2018.

The weighted average number of shares in issue in the current financial year is 495,859,069.

The number of shares in issue (after deduction of shares bought back) as per 30 June 2019 is 495,340,238.

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

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	247,833	244,471
Issued bonus shares	1,715	3,362
Book value at end of year	249,548	247,833

The number of shares on issue increased on 30 November 2018 as a result of the issue of 343,114 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 12.51 % of the issued share capital (last year 26.2%) opted for the bonus depositary receipts at an issue price of €38.70 from the Company's share premium reserve, instead of a cash dividend of €2.15 per depositary receipt for the financial year ended 30 June 2018.

	2018/2019		2017/2018	
	No. of depositary receipts	No. of shares	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	49,566,558	495,665,578	48,894,177	488,941,773
Priority shares converted	10	100	0	0
Shares (DRs) issued under the stock dividend plan	343,114	3,431,140	672,381	6,723,805
Number of shares (DRs) on issue at end of year	49,909,682	499,096,818	49,566,558	495,665,578
Priority shares	0	0	10	100
Shares (DRs) bought back	(375,658)	(3,756,580)	(207,834)	(2,078,340)
Number of shares (DRs) after deduction of shares (DRs) bought back	49,534,024	495,340,238	49,358,734	493,587,338

Net asset value per depositary receipt

The net asset value per depositary receipt is €38.49 at 30 June 2019 (30 June 2018: €39.30).

Shares bought back

During the current financial year the number of shares bought back increased from 207,834 depositary receipts as per 30 June 2018 to 375,658 depositary receipts as per 30 June 2019.

In November 2018 49,975 depositary receipts bought back were used for the vesting of performance shares. On 14 June 2019, the Company started a buyback programme of its depositary receipts which was successfully completed on 29 July 2019 when €20 million was spent to buy back depositary receipts in the capital of the Company. The Company has bought back 217,799 depositary receipts at an average price of €23.73 as per 30 June 2019. The total number of depositary receipts bought back on 29 July 2019 was 993,289.

Notes to the consolidated financial statements continued

23. Issued share capital continued

Stock options

The Company has operated a long-term incentive scheme for (some) Group employees and members of the Board of Management through its Stock Option Plan (SOP). Each option under the SOP confers the right to one depositary receipt representing ten ordinary shares of €0.50 par value. The vesting date of the options is three years after the grant date and options can only be exercised up to seven years after the vesting date. Vesting is subject to performance targets linked to a minimal growth of the dividend per share and the net asset value per share over the three-year period between grant date and vesting date. Vesting is also subject to employment at the vesting date. The method of settlement of the options is in equity. The Company has only options outstanding with expiry date November 2020 and an exercise price of €32.45. The vesting date of these options was November 2013 and the outstanding options at the end of the year are 68,808 (30 June 2018: 68,808). During the year no options were exercised.

Performance shares

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

Performance Share Plan (PSP)	PSP 2015	PSP 2016	PSP 2017	PSP 2018	Total
Grant date	09-11-15	07-11-16	13-11-17	12-11-2018	
Vesting date	09-11-18	07-11-19	13-11-20	12-11-2021	
Share price at grant date	€40.00	€35.22	€35.44	€29.66	
Dividend yield	4.83%	5.66%	5.76%	7.00%	
Fair value per performance share	€34.60	€29.72	€29.82	€24.04	
Performance shares granted	58,267	119,283	78,367	55,622	311,539
Performance shares forfeited	(7,746)	(7,802)	(6,220)	(3,564)	(25,332)
Performance shares vested	(50,521)	(1,205)	(775)	0	(52,501)
Outstanding performance shares at end of year	0	110,276	71,372	52,058	233,706

Movements in the number of performance shares during the year

	PSP 2015	PSP 2016	PSP 2017	PSP 2018	Total
Performance shares at beginning of year	50,428	114,134	77,592	0	242,154
Performance shares granted	0	0	0	55,622	55,622
Performance shares forfeited	(453)	(3,858)	(6,220)	(3,564)	(14,095)
Performance shares vested	(49,975)	0	0	0	(49,975)
Outstanding performance shares at end of year	0	110,276	71,372	52,058	233,706

The expenses for the performance shares granted (IFRS 2) are €2,150,000 (2017/2018: €2,327,000). The outstanding options and performance shares as per 30 June 2019: 302,514 (30 June 2018: 310,962). As at 30 June 2019, the outstanding options and performance shares represent 0.6% of the issued share capital (30 June 2018: 0.6%).

24. Share premium reserve

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	518,812	520,692
Performance shares granted (IFRS 2)	2,150	2,327
Release for issued bonus shares	(1,715)	(3,362)
Cost for dividends paid	(5)	(4)
Performance shares vested	(1,729)	(841)
Book value at end of year	517,513	518,812

25. Other reserves

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	1,101,075	947,778
IFRS adjustments	(6,055)	0
Profit previous financial year	(20,779)	185,454
Stock options exercised	74	742
Performance shares settled	(195)	(65)
Performance shares vested	1,729	841
Depository receipts bought back	(5,168)	0
Actuarial result on pension scheme	249	(207)
Foreign currency translation differences	(6,018)	(33,468)
Book value at end of year	1,064,912	1,101,075

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

26. Earnings per depository receipt

Basic earnings per depository receipt

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

The calculation of basic earnings per depository receipt of €1.50 at 30 June 2019 was based on the profit attributable to holders of depository receipts of €74,6 million (30 June 2018: €72.1 million) and a weighted average number of depository receipts outstanding during the year ended 30 June 2019 of 49,585,907 (30 June 2018: 49,046,502), as calculated below.

Profit attributable to holders of depository receipts:

	30-06-19 €'000	30-06-18 €'000
Profit for the year	74,586	72,064
Issued depository receipts (after deduction of depository receipts bought back) at beginning of year	49,358,734	48,631,957
Effect of depository receipts issued (stock dividend)	200,228	392,376
Effect of depository receipts bought back	(5,094)	0
Effect of depository receipts issued (staff options exercised)	0	5,118
Effect of depository receipts issued (performance share plan)	32,039	17,051
Weighted average number of depository receipts	49,585,907	49,046,502

Diluted earnings per depository receipt

The calculation of diluted earnings per depository receipt of €1.50 at 30 June 2019 was based on the profit attributable to holders of depository receipts of €74.6 million (30 June 2018: €72.1 million) and a weighted average number of depository receipts (diluted) outstanding during the year ended 30 June 2019 of 49,896,226 (30 June 2018: 49,423,231), as calculated below.

Profit attributable to holders of depository receipts (diluted):

	30-06-19 €'000	30-06-18 €'000
Profit for the year	74,586	72,064
Weighted average number of depository receipts	49,585,907	49,046,502
Effect of issued performance shares on depository receipts	310,319	376,729
Weighted average number of depository receipts (diluted)	49,896,226	49,423,231

Notes to the consolidated financial statements continued

27. Commitments not included in the balance sheet

As at 30 June 2019, bank guarantees have been issued for a total amount of €6.9 million.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, Paris, London, Milan and Stockholm amount to approximately €1.0 million for the financial year 2019/2020 and approximately €2.9 million for the four-year period thereafter.

The Company is committed to contribute to Galleria Verde S.r.l. a residual amount of €3.2 million for the refurbishment of Fiordaliso.

In January 2019, the Company signed with AG Insurance a subscription agreement for the contribution of the 12,000m² Inno department store in exchange for shares by the Company's Belgian subsidiary to AG Insurance, whereby AG Insurance will become a minority shareholder in that company. The completion took place on 18 September 2019.

28. Capital management

The primary objective of the Company's capital management is to ensure that capital is available for the long term. No changes have been made to these objectives, policies or processes during the year ended 30 June 2019. The Company monitors capital primarily using a debt to equity ratio. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity calculated on a proportional consolidated basis. Equity means the adjusted net equity calculated as the sum of the net equity increased by the book values of the deferred tax liabilities and the derivative financial instruments. The net debt will not exceed adjusted net equity.

The calculation of the debt to equity is as follows:

	30-06-19 €'000	30-06-18 €'000
Debt to equity ratio (on a proportional consolidated basis)		
Net borrowings (total borrowings less cash and deposits)	1,919,573	1,791,071
Shareholders' equity	1,906,559	1,939,784
Derivative financial instruments	123,143	99,934
Deferred tax liabilities	181,385	177,171
Derivative financial instruments and deferred tax liabilities joint ventures	9,689	8,048
Adjusted net equity	2,220,776	2,224,937
Debt to equity ratio	0.86	0.81

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

29. Related parties

Introduction

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

The Directors' fees recognised in the company expenses include an amount of €249,000 (2017/2018: €244,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-19 €'000	30-06-18 €'000
B.T.M. Steins Bisschop	61	60
E.R.G.M. Attout	31	0
B. Carrière	47	46
C. Croff	47	46
R.R. Foulkes	16	46
J.-Å. Persson	47	46

The Directors' fees also include salaries, bonuses, pension premiums and social security charges for the members of the Board of Management.

29. Related parties continued

The total remuneration for the members of the Board of Management can be specified as follows:

	J.P. Lewis		E.J. van Garderen		R. Fraticelli		P. Mills	
	30-06-19 €'000	30-06-18 €'000	30-06-19 €'000	30-06-18 €'000	30-06-19 €'000	30-06-18 €'000	30-06-19 €'000	30-06-18 €'000
Salary	723	689	475	450	339	0	302	0
Housing allowance	0	0	0	0	55	0	9	0
Bonus	60	465	40	305	42	0	37	0
Pension premiums (defined contribution plan)	0	0	53	50	62	0	48	0
Social security charges	110	148	10	48	7	0	36	0
Performance shares granted (IFRS 2)	188	189	126	124	84	0	78	0
	1,081	1,491	704	977	589	0	510	0

The bonuses paid to members of the Board of Management are directly linked to the annual growth in the Company's net asset value, the dividend per depositary receipt and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. For this financial year, there was no relative outperformance (30 June 2018: 8.33%). The total remuneration for the members of the Supervisory Board and the Board of Management is €3,134,000 (2017/2018: €2,712,000).

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

Stock options and performance shares

The Board of Management does not have any outstanding options as per 30 June 2019 neither as per 30 June 2018.

In November 2018, performance shares were granted to the Board of Management under the Performance Share Plan. 4,179 performance shares were granted to Mr J.P. Lewis, 2,746 performance shares were granted to Mr E.J. van Garderen, 2,934 were granted to Mr R. Fraticelli and 2,609 performance shares were granted to Mr J.P.C. Mills. At 30 June 2019, the outstanding performance shares held by the Board of Management represent 0.167% of the issued share capital. In November 2018, performance shares will be granted to the Board of Management with a value of 4.18% of base salaries, subject to the approval of the shareholders' meeting.

For more information about the Stock Option Plan and Performance Share Plan, see note 23.

22.1% (€476,000) of the amount charged to the consolidated statement of profit or loss (€2,150,000) as performance shares granted (IFRS 2) is related to the performance shares granted to the members of the Board of Management.

Shareholdings

Mr J.P. Lewis and entities associated with him hold 1,077,004 depositary receipts in total, representing 2.16% of the issued share capital of the Company. Mr E.J. van Garderen holds 23,994 depositary receipts in total, representing 0.05% of the issued share capital of the Company. Mr J.P.C. Mills holds 27,075 depositary receipts in total, representing 0.05% of the issued share capital of the Company. Mr R. Fraticelli holds 3,211 depositary receipts in total, representing 0.01% of the issued share capital of the Company. None of the members of the Board of Supervisory Directors has any holdings in the Company.

Loans

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

30. Audit fee

The fee for professional audit services rendered by KPMG for the financial year ended 30 June 2019 is €629,000 (2017/2018: €578,000). During the financial year ended 30 June 2019, KPMG provided assurance services of €6,000 (2017/2018: nil).

Notes to the consolidated financial statements continued

31. Post balance sheet events

The Company has signed a joint venture agreement with AXA Investment Managers – Real Assets (AXA IM – Real Assets), acting on behalf of its clients, by which AXA IM – Real Assets becomes the owner of a 50% interest in the Passage du Havre shopping centre. The price for the 50% share in Passage du Havre was based on Eurocommercial's 31 December 2018 independent valuation resulting in an amount of €203 million for the half share. This transaction is expected to close on 30 September 2019.

In July 2019 the Company completed the buyback programme that was announced in June 2019. After the year end closing the Company bought 617,621 depositary receipts at an average price of €24.01.

In July 2019, through its joint venture Galleria Verde S.r.l., Eurocommercial acquired the existing Fiordaliso hypermarket in Milan from Finiper at a net price of €21 million, which will be converted into mall shops.

In July 2019 the Italian joint venture Galleria Verde S.r.l. increased its loan funded by ING Bank and BNP Paribas with €17 million with the same maturity of the loan already in place.

In January 2019, the Company signed with AG Insurance a subscription agreement for the contribution of the 12,000m² Inno department store in exchange for shares by the Company's Belgian subsidiary to AG Insurance, whereby AG Insurance will become a minority shareholder in that company. The completion took place on 18 September 2019.

32. Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders, to be held at Euronext Amsterdam, Beursplein 5 1012JW Amsterdam on 5 November 2019 at 9.30 hours, to distribute a cash dividend of €2.18 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2019 (30 June 2018: €2.15 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 Friday 1 November 2019. The distribution will be payable as from 29 November 2019. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15% for The Netherlands and certain overseas holders. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2019/2020. Holders of depositary receipts are given the opportunity to make their choice known up to and including 22 November 2019. 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.

The company proposes making two dividend payments per year starting from the financial year 2019/2020. This implies an interim dividend to be paid on 30 April with a final dividend payment being paid on 30 November 2020.

Company financial statements

Company balance sheet

(before income appropriation)

	Note	30-06-19 €'000	30-06-18 €'000
Investments in subsidiaries	3	1,830,648	1,674,976
Due from subsidiaries	5	0	166,000
Tangible fixed assets	4	575	1,046
Total non-current assets		1,831,223	1,842,022
Due from subsidiaries	5	291,837	267,157
Receivables	6	798	808
Cash and deposits	7	22,503	2,711
Total current assets		315,138	270,676
Total assets		2,146,361	2,112,698
Creditors	8	5,705	6,989
Due to subsidiaries	9	192,262	164,877
Borrowings	10	41,000	0
Total current liabilities		238,967	171,866
Provision for pensions	11	835	1,048
Total non-current liabilities		835	1,048
Total liabilities		239,802	172,914
Net assets		1,906,559	1,939,784
Shareholders' equity	12		
Issued share capital		249,548	247,833
Share premium reserve		517,513	518,812
Legal reserve subsidiaries		857,924	841,005
Currency translation reserve		(36,804)	(34,323)
Retained profit reserve		243,792	294,393
Undistributed income		74,586	72,064
		1,906,559	1,939,784

Company statement of profit or loss

	Notes	2018/2019 €'000	2017/2018 €'000
Company expenses	13	(8,025)	(7,299)
Operating result		(8,025)	(7,299)
Interest income	14	10,042	10,099
Interest expenses	14	(578)	(169)
Other income and financing costs	14	24,448	19,402
Net financing income	14	33,912	29,332
Profit before taxation		25,887	22,033
Current tax		0	0
Profit from subsidiaries after taxation	3	48,699	50,031
Profit after taxation		74,586	72,064

Notes to the Company financial statements

1. General

The description of the Company's activities and structure, as included in the notes to the consolidated financial statements, also applies to the Company financial statements. The Company financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code. In order to harmonise the accounting principles of the Company financial statements with the consolidated financial statements, the Board of Management has decided, from 1 July 2005 onward, to adopt the provisions of Article 2:362 paragraph 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated financial statements also apply to the Company financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 1 July 2018 and Part 9 of Book 2 of the Netherlands Civil Code. The Company financial statements are prepared on a going concern basis.

2. Principal accounting policies

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

Investments in subsidiaries

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

Shareholders' equity

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

3. Investments in subsidiaries

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

Movements in investments in subsidiaries for the financial year ended 30 June 2019 were as follows:

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	1,674,976	1,585,932
New IFRS standards adopted	(6,055)	0
Dividends from subsidiaries	(53,725)	0
Investments	170,000	50,000
Result from subsidiaries via reserves	(3,247)	(10,987)
Profit from subsidiaries	48,699	50,031
Book value at end of year	1,830,648	1,674,976
Cost at end of year (less dividends received)	346,535	230,260
Cumulative result from subsidiaries via reserves	(34,909)	(25,607)
Cumulative profit from subsidiaries	1,519,022	1,470,323
Book value at end of year	1,830,648	1,674,976

Notes to the Company financial statements continued

4. Tangible fixed assets

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

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	1,046	1,230
Additions	268	468
Depreciation	(417)	(502)
Disposals	(322)	(150)
Book value at end of year	575	1,046
Cost at end of year	3,860	3,914
Accumulated depreciation	(3,285)	(2,868)
Book value at end of year	575	1,046

During the financial year ended 30 June 2019, tangible fixed assets with a total cost price of €322,000 were disposed of or out of use (30 June 2018: disposals €150,000).

5. Due from subsidiaries

The balance of €291.8 million at 30 June 2019 represents mainly funds advanced to Eurocommercial Properties France S.A.S., Eurocommercial Properties Sweden AB and Eurocommercial Properties Belgium N.V. The average interest rate of these advances is 4.1% (30 June 2018: 3.0%).

6. Receivables

	30-06-19 €'000	30-06-18 €'000
Prepayments	798	744
VAT receivable	0	64
	798	808

7. Cash and deposits

Cash and deposits of €22.5 million consist of amounts held as bank balances. All bank balances are freely available.

8. Creditors

	30-06-19 €'000	30-06-18 €'000
Interest payable	2	0
Remuneration payable	730	3,471
Shares bought back	1,856	0
VAT payable	914	650
Other creditors and accruals	2,203	2,868
	5,705	6,989

9. Due to subsidiaries

The balance of €192.3 million at 30 June 2019 represents mainly funds advanced from Eurocommercial Properties Italia S.r.l. and Eurocommercial Properties Caumartin S.N.C. The average interest rate of these advances is 2.4%.

10. Borrowings

	30-06-19 €'000	30-06-18 €'000
Book value at beginning of year	0	18,112
Drawdown of funds	202,722	67,263
Repayments	(161,451)	(85,391)
Exchange rate movement	(271)	16
Book value at end of year	41,000	0

11. Provisions for pensions

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

Notes to the Company financial statements continued

12. Shareholders' equity

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

	Issued share capital €'000	Share premium reserve €'000	Legal reserve subsidiaries €'000	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2018	247,833	518,812	841,005	(34,323)	294,393	72,064	1,939,784
New IFRS standards adopted					(6,055)		(6,055)
01-07-2018	247,833	518,812	841,005	(34,323)	288,338	72,064	1,933,729
Issued shares	1,715	(1,715)					0
Profit previous financial year					(20,779)	20,779	0
Profit for the year						74,586	74,586
Depository receipts bought back					(5,168)		(5,168)
Dividends paid		(5)				(92,843)	(92,848)
Stock options exercised					74		74
Performance shares granted		2,150					2,150
Performance shares settled					(195)		(195)
Performance shares vested		(1,729)			1,729		0
Actuarial gain on pension scheme					249		249
Foreign currency translation differences				(2,481)	(3,537)		(6,018)
Movement of legal reserve			16,919		(16,919)		0
30-06-2019	249,548	517,513	857,924	(36,804)	243,792	74,586	1,906,559

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

	Issued share capital €'000	Share premium reserve €'000	Legal reserve subsidiaries €'000	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2017	244,471	520,692	864,303	(12,490)	95,965	260,753	1,973,694
Issued shares	3,362	(3,362)					0
Profit previous financial year					185,454	(185,454)	0
Profit for the year						72,064	72,064
Dividends paid		(4)				(75,299)	(75,303)
Stock options exercised					742		742
Performance shares granted		2,327					2,327
Performance shares settled					(65)		(65)
Performance shares vested		(841)			841		0
Actuarial gain on pension scheme					(207)		(207)
Foreign currency translation differences				(21,833)	(11,635)		(33,468)
Movement of legal reserve			(23,298)		23,298		0
30-06-2018	247,833	518,812	841,005	(34,323)	294,393	72,064	1,939,784

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

Under the Netherlands Civil Code the Company has to maintain legal reserves which comprise 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 €858 million (30 June 2018: €841 million) and are not freely distributable. For dividend distribution, however, both the retained profit reserve, share premium reserve and the undistributed income are available.

Holders of depository receipts representing 12.51% of the issued share capital (last year 26.2%) opted for 343,114 bonus depository receipts at an issue price of €38.70 from the Company's share premium reserve, instead of a cash dividend of 2.15 per depository receipt for the financial year ended 30 June 2018.

13. Company expenses

Company expenses in the current financial year comprised:

	2018/2019 €'000	2017/2018 €'000
Audit fees	389	290
Depreciation fixed assets	739	653
IT expenses	1,000	829
Legal and other advisory fees	892	861
Marketing expenses	621	695
Office and accommodation expenses	2,396	2,463
Pension costs	505	295
Salaries, wages, bonuses and performance shares granted*	7,655	10,099
Social security charges*	2,136	2,079
Statutory costs	12	422
Travelling expenses	657	739
Other expenses	907	601
	17,909	20,026
Recharge of company expenses to subsidiaries	(9,884)	(12,727)
	8,025	7,299

* Including Directors' fees.

The Company employed an average of 43 full-time equivalent persons during the financial year (2017/2018: 44), of whom 16 are based in The Netherlands, 5 in the UK, 22 in France and one in Italy. An analysis of the Directors' fees is provided in note 29 of the consolidated financial statements.

14. Net financing income

The net financing income of €33.9 million (2017/2018: €29.3 million) comprises interest income due from subsidiaries €10.0 million (2017/2018: €10.1 million); interest expenses from borrowings €0.6 million (2017/2018: €0.2 million); and other income and financing costs of €24.4 million (2017/2018: €19.4 million). The other income and financing costs consists of €24.2 million positive (2017/2018: €19.4 million positive) for guarantees in favour of financial institutions for debts incurred by Group subsidiaries, and €0.2 million positive (2017/2018: €0.5 million positive) for foreign currency results.

Notes to the Company financial statements continued

15. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of credit institutions for debts and interest rate swaps incurred by its subsidiaries to an amount of €1.9 billion and €992 million respectively.

The Company has entered into guarantees in favour of credit institutions for debts and interest rate swaps incurred by its joint ventures to an amount of €173 million and €160 million respectively.

Amsterdam, 20 September 2019

Board of Management

J.P. Lewis, Chairman

R. Fraticelli

E.J. van Garderen

J.P.C. Mills

Board of Supervisory Directors

B.T.M. Steins Bisschop, Chairman

E.R.G.M. Attout

B. Carrière

C. Croff

J.-Å. Persson

Other information

Provisions in the Articles of Association concerning the appropriation of income

The appropriation of income is subject to the Provisions of Article 42 of the Articles of Association of the Company of which the major provisions are as follows:

- (a) Out of the profit as shown in the adopted annual accounts in which all taxes due by the Company have been deducted, such amount may be reserved as the Board of Management shall determine, which reserve shall be at the disposal only 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, or for reserves or such other purposes covered by the objects of the Company, as the General Meeting of Shareholders shall decide.
- (c) Distribution of dividend shall take place after the adoption of the annual accounts which show that such distribution is permitted. (Interim) dividends may be paid in cash or in shares in the capital of the Company, or a combination thereof.

Financial calendar

1 November 2019	Announcement of scrip issue price and announcement of first quarter results 2019/2020
5 November 2019 at 9.30 hours	Annual General Meeting of Shareholders
7 November 2019	Ex-dividend date
29 November 2019	Dividend payment date
7 February 2020	Announcement of half-year results 2019/2020
30 April 2020	Interim dividend payment date
6 May 2020	Announcement of third quarter results 2019/2020
28 August 2020	Announcement of annual results 2019/2020
3 November 2020 at 9.30 hours	Annual General Meeting of Shareholders
30 November 2020	Final dividend payment date

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

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

Stichting Administratiekantoor Eurocommercial Properties (99.84%), Mr A. van Herk (20.22%), Bank of Montreal (5.01%), Janus Henderson Group Plc (4.84%) and BlackRock, Inc. (4.59%).

The dates of the aforesaid notifications were 1 November 2006, 10 May 2019, 4 June 2019, 26 November 2015 and 31 May 2018.

Other information continued

Stock market prices and turnover 2018/2019

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

		High	Low	Average
Closing price 30 June 2019 (€; depositary receipts)	23.50	37.04	22.50	28.98
Average daily turnover (in depositary receipts)	91,083			
Average daily turnover (€'000,000)	2.7			
Total turnover over the past 12 months (€'000,000)	690.9			
Market capitalisation (€'000,000)	1,173			
Total turnover divided by market capitalisation	58.91 %			

Source: Euronext, Global Property Research

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

ISIN – Code: NL 0000288876, symbol: ECMPA

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

Valuers

The following independent firms have valued the Company's properties (including the properties held by joint ventures) at 30 June 2019:

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



Independent auditor's report

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

Report on the audit of the financial statements 2018/2019

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2019 and of its result and its cash flows for the year ended 30 June 2019, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2018/2019 of Eurocommercial Properties N.V. based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 30 June 2019;
- 2 the following consolidated statements for the year ended 30 June 2019: the statement of profit or loss, the statements of other comprehensive income, changes in shareholders' equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company balance sheet as 30 June 2019;
- 2 the company statement of profit or loss for year ended 30 June 2019; and

Other information continued



- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Audit approach

Summary

Materiality

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

Group audit

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

Key audit matters

- Valuation of investment property
- Acquisition and disposal of investment property

Opinion

- Unqualified opinion



Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 20 million (2017/2018: EUR 20 million). The materiality is determined with reference to the net assets. We consider net assets as the most appropriate benchmark because investors consider this to be an important indicator of the company's value. In addition, we applied a materiality of EUR 5 million for results from continuing operations before tax. Results from continuing operations before tax is an important measure of the performance of the company's current portfolio, excluding the impact of changes in market value of investment property and derivatives and the result from the disposal of investment property. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

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

Scope of the group audit

Eurocommercial Properties N.V. is at the head of a group of components (hereafter: the Group). The financial information of this group is included in the financial statements of Eurocommercial Properties N.V.. The Group manages its investment property through its operating companies in France, Belgium, Italy and Sweden. Each of these operations is significant in the context of the Group's financial statements and therefore we have used KPMG audit teams in each country to perform an audit of the financial information of the operating companies in these countries (full-scope audits). The audits performed in these countries covered the entire investment property portfolio and the related net property income.

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

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

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

These adjustments and related disclosures relate mainly to:

- the valuation of investment property at fair value;
- the valuation of derivatives at fair value;
- accounting for share-based payments;

Other information continued



- deferred income taxes;
- equity accounting for the group's share in joint ventures.

At group level we have performed audit procedures on:

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

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

Audit scope in relation to fraud and non-compliance with laws and regulations

Fraud risk

In accordance with the Dutch Standards on Auditing we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. In determining the audit procedures we make use of the evaluation of management in relation to fraud risk management (prevention, detection and response), including ethical standards to create a culture of honesty.

In our process of identifying fraud risks we assessed fraud risk factors, which we discussed with the Board of Management and the Audit Committee. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

In line with the auditing standards we evaluated the two presumed fraud risks: fraud risk in relation to the revenue (rental income) recognition and fraud risk in relation to management override of controls. However, after due consideration of the non-complex and predictable nature of rental income transactions we concluded that the presumed risk of fraud for revenue recognition was not present and consequently no additional procedures in this respect were required. Based on our analysis of fraud risk factors we have not identified and evaluated any additional fraud risks.

Our audit procedures in response to the risk of management override of controls included an evaluation of the internal controls relevant to mitigate this risk and supplementary substantive audit procedures, including testing significant estimates for the valuation of investment property (considering potential bias), designing specific data analytics routines to identify and test high-risk journal entries (e.g. entries that deviate from the normal pattern) and testing consolidation and post-closing journal entries as mentioned above. We refer to the first key audit matter in which we describe our procedures on the valuation of investment property.

Our procedures to address fraud risks did not result in findings to be included in this audit report.



Laws and regulations

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience, through discussion with the Board of Management, the Audit Committee and other management (as required by auditing standards) and discussed the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations within our audit team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

- Firstly, the Group is subject to laws and regulations that directly affect the financial statements, such as relevant tax laws and financial reporting standards and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. In order to assist us in our assessment of the Company's compliance with tax laws we used KPMG tax specialists in our audit, as necessary, and consulted with the Company's tax advisors on matters we considered to be important.
- Secondly, the Group is subject to other, sector specific, laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified anti-corruption laws as those most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of the directors, those charged with governance and other management and inspection of (board) minutes and regulatory and legal correspondence, if any. These are part of our procedures on the related financial statement items. With respect to laws and regulations, the further non-compliance (irregularities) is removed from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our procedures to address the risk of non-compliance with laws and regulations did not result in findings to be included in this audit report.

Our key audit matters

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

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

Other information continued



Valuation of investment property

Description

Investment property amounts to €4.0 billion and represent 95% of the Group's total assets at 30 June 2019. Investment property is valued at fair value; therefore the Group has to make estimates and use assumptions to determine those fair values. The fair value is, as explained in notes 1 and 13 to the financial statements, based on appraisal reports by independent appraisers. For the valuations estimates are made with the support of independent appraisers of the discounted expected future cash flows and related risks. Appraisers confirm the results of these calculations by comparing them to recent transactions involving similar properties.

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

Our response

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

We have evaluated the appropriateness of the information and assumptions used in the valuations. This includes the estimates by the external appraisal firms (such as market rent levels, expected vacancy, interest rates and expected expenditure). We also challenged the appraisers on the appropriateness of the comparable property transactions used as a reference point to confirm the outcome of their valuations.

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

Finally, we verified whether the disclosures in Notes 1 and 13 to the financial statements in respect of investment property are in conformity with EU-IFRS.

Our observation

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

Acquisition and disposal of investment property

Description

Acquisitions and disposals of investment property are significant non-standard transactions.

During the year 2018/2019 the company acquired one property as the second stage of the Woluwe acquisition in Belgium and sold a property in France. The company also agreed that



the final part of the Woluwe asset will be contributed in exchange for shares to be issued to the contributing party by its Belgian subsidiary, while in Italy the company agreed to acquire, through its joint venture vehicle, a property from the other joint venture partner; both of these transactions completing after the year-end. In France the company agreed to sell 50% of one of its largest properties, which is consequently presented as held-for-sale in the statement of financial position. The completion will take place after the year-end. The complexity lies in the manner in which these transactions are structured; some being share deals and others as asset deals and involving contingent considerations, earn-outs, rental guarantees and put options.

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

Our response

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

At group level we reviewed minutes of board meetings in which these transactions are discussed as evidence of the involvement of the appropriate level of management in these transactions. If necessary we also inspected contracts ourselves in order to understand the nature of the transaction and assess the impact of any special features on the accounting treatment.

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

Our observation

Overall we assess that the results of our procedures on the acquisitions and disposals of investment property and the related disclosure in the financial statements were satisfactory.

Report on the other information included in the annual report

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

- the report of the board of management;
- the report of the board of supervisory directors;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

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

Other information continued



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

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

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

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

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

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

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

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



Our responsibilities for the audit of the financial statements

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

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

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

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

Amstelveen, 20 September 2019

KPMG Accountants N.V.

H.D. Grönloh RA

Appendix:

Description of our responsibilities for the audit of the financial statements

Other information continued



Appendix

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

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

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

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



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

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

Glossary

Adjusted net asset value (NAV):	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). Adjusted NAV per depositary receipt is calculated using the number of DRs (basic) outstanding at the balance sheet date.
Boutique:	Retail unit 300m ² or less.
CPI:	Consumer price index.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on Euronext Amsterdam and Brussels.
Direct investment result:	Net property income less net interest expenses and company expenses after taxation. Direct investment result per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year.
Drive:	A drive-through collection point for hypermarket goods ordered online.
Entry premium:	One-off payment by a tenant, in addition to the MGR, to secure a lease on a particularly desirable retail unit.
EPRA:	European Public Real Estate Association.
EPRA cost ratios:	Administrative and operating costs (including and excluding costs of direct vacancy) including the share of joint venture overheads and operating expenses (net of any service fees) divided by rental income.
EPRA earnings:	Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. Equivalent to the direct investment result less investment expenses.
EPRA NAV:	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). EPRA NAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
EPRA net initial yield:	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. The following operating costs are not deducted in arriving at the EPRA NIY: letting and rent review fees, provision for doubtful debtors, marketing costs and eviction costs.
EPRA NNNNAV:	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes. EPRA NNNNAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
EPRA topped-up net initial yield:	The EPRA net initial yield adjusted in respect of the expiration of rent free periods (or other unexpired lease incentives such as discount rent periods and step rents).
EPRA vacancy:	The ERV of vacant retail space expressed as a percentage of the total retail ERV, excluding property investments under development.
ERV:	The estimated rental value of the whole portfolio if all space was let at current market levels at the balance sheet date.
FBI:	Fiscale Beleggingsinstelling (Dutch fiscal Investment Institution). As a result of being an FBI all of Eurocommercial's income, whatever its source, is tax free at the corporate level if it is distributed to shareholders in the form of a dividend.
FIIS/GVBF:	Fonds d'investissement immobilier spécialisé. Belgian tax-exempt regime available to property companies with assets in Belgium.
Gallery:	All retail units in a shopping centre excluding the hypermarket.
GRESB:	Global Real Estate Sustainability Benchmark.
Gross/total lettable area (GLA):	Total area of a property that can be leased to a tenant, including storage area.
ICC:	Indice du Coût de la Construction. Cost of construction index still used for some French retail leases although the majority have adopted the ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50% from the consumer price index, 25% from the cost of construction index and 25% from the retail sales index.

Interest cover ratio (ICR):	Net property income less company expenses divided by interest expenses less interest income, calculated on a proportionally consolidated basis.
Like-for-like:	Compares the gross rental income and/or the gross sales turnover of units which existed for the whole of the current and prior year period, i.e. excluding acquisitions, divestments and extensions. Entry premiums are not included in the like-for-like rental growth figures.
Minimum guaranteed rent (MGR):	Contracted annual rent paid by a tenant, excluding indexation, turnover rent and entry premiums. Also referred to as base rent.
Medium Surface/Moyenne Surface/Media Superficie (MS):	A major unit occupying a large space within a shopping centre or retail park which serves as a draw to other retailers and customers. The total lettable area is usually greater than 600m ² .
Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity, calculated on a proportionally consolidated basis.
Net (initial) yield:	Expected rental income for the year ahead as provided by the external valuers, less non-recoverable property operating expenses, divided by the reported gross value of the property. Excludes land and property investments under development.
(Net) loan to value:	Total borrowings net of cash expressed as a percentage of the total value of property investments, property investments under development, property investments in joint ventures and property investments held for sale, calculated on a proportionally consolidated basis. The total values are net of any (estimated) purchasers' costs.
Net return on cost:	Net rental income generated by an extension/development as a proportion of the total cost of the development including financing costs.
Net rental income:	Gross rental income for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and real estate management costs and other vacant property costs, calculated on a proportionally consolidated basis.
Occupancy cost ratio (OCR):	Rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT.
Passing rent:	The annualised rental income at 30 June 2019 including 2018 turnover rent.
Pre-let:	A lease signed with a tenant prior to completion of a development.
Rental arrears:	Rent which is unpaid 90 days after the due date, expressed as a percentage of the total rent due.
Reversionary yield:	Estimated rental value (ERV) as calculated by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
Sales area:	Gross/total lettable area excluding storage area.
Sales turnover:	Sales income, including VAT, of retail tenants.
Scrip dividend:	Dividend received in the form of shares.
Stock dividend:	See Scrip dividend
SIIC:	Société d'investissements immobiliers cotée. French tax-exempt regime available to listed property companies with assets in France.
Turnover rent:	Any element of rent received or to be received related to a tenant's sales turnover.
Vacancy:	See EPRA vacancy.

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