EUROCOMMERCIAL

Half Year Report
31 December 2017

Eurocommercial is one of Europe's most experienced property investors, with a current retail property portfolio in France, Italy and Sweden valued at €3.7 billion and a comprehensive programme of extensions and new projects.

The pending addition of Belgium, with the Brussels Woluwe centre acquisition, is complementary to the portfolio which will increase to approximately €4 billion.

Our focused strategy of acquiring retail properties in prime locations and continuously improving them, combined with our excellent tenant relationships, has resulted in a consistently high occupancy rate of over 99% - the highest in the industry – which is integral to our record of long-term rising dividends.

Contents

Assets, by country, 31 December 2017

France

Property value

€1,275m

% of portfolio

Properties

12

Italy

Property value

€1,675m

% of portfolio

Properties

12

Sweden

Property value

€760m

% of portfolio

Properties

7

Assets on a proportionally consolidated basis, as per 31 December 2017. Excludes the Valbo shopping centre, which was acquired on 10 January 2018 for approximately €116 million. Also excludes the Woluwe shopping centre which Eurocommercial will purchase on 1 March 2018 at a total cost of €468 million, including registration tax. Includes four Italian properties where a sale has been agreed for a total of €187 million, and is due to complete in the first half of 2018.

Assets, by country, following currently agreed sales and acquisitions

France

% of portfolio

Properties

12

Italy

% of portfolio

Properties

8

Sweden

% of portfolio

Properties

8

Belgium*

% of portfolio

Properties

1

** Post balance date.*

A strong half year – both financially and strategically

- **Direct investment result +9.8%**
- **Net property income +5.9%**
- **Like-for-like rental growth +4.1%**
- **Like-for-like retail sales +1.9%**
- **Net asset value per depositary receipt €44.87 +4.3%**

Chief Executive's Commentary

Our half year to December 2017 has been one of our busiest periods. We have sold, or agreed to sell, properties to a total value of €367 million - with further sales planned. Shortly following the close of the period, we signed a binding agreement to purchase the majority of Woluwe shopping centre – the most important and largest established shopping destination in Brussels. The centre's catchment is wealthy and significantly under-shopped, with competition unlikely for many years. A cosmetic refurbishment will be our priority upon completion, and we will immediately commence the planning procedures for the development of a major extension.

Eurocommercial's high quality assets have continued to deliver excellent results for the first six months. Vacancy levels remain under 1% of rent, while retail sales have been positive in all countries for the first six months. Rental growth – both from indexation and renewals and relettings – has been particularly strong, reflecting the sound basis of the retail sector in Europe, quite unlike the over-supplied equivalent in the USA.

The proceeds from the sales of 421, in Göteborg, and Mellby, in Laholm, were reinvested in the post-period acquisition of Valbo shopping centre, located outside Gävle in central Sweden, which has significant opportunities for adding value.

Our extensions and refurbishments at Hallarna, MoDo and Grand A were all completed on schedule, and work proceeds at C4 in Kristianstad as planned, with the centre already over 80% pre-let. In Italy, we are working on extensions at Fiordaliso, Curno, Collestrada, I Portali and Cremona.

We look forward to the second half of our financial year with enthusiasm and confidence.

Financial & operational review

Direct investment result: €56.5m (€1.16 per depositary receipt) +9.8%

The direct investment result for the six months to 31 December 2017 rose 9.8% to €56.5 million from €51.5 million for the same period in 2016. The direct investment result is defined as net property income less net interest expenses and company expenses after taxation. In the view of the Board this more accurately represents the underlying profitability of the Company than IFRS “profit after tax”, which must include unrealised capital gains and losses.

The direct investment result per depositary receipt rose 8.4% to €1.16 at 31 December 2017, from €1.07 at 31 December 2016, despite the 1.4% increase in the average number of depositary receipts in issue over the 12-month period.

Net property income: €83.5 million +5.9%

Rental income, including joint ventures (based on proportional consolidation), for the six months to 31 December 2017, after deducting net service charges and direct and indirect property expenses (branch overheads), increased by 5.9% to €83.5 million compared with €78.8 million for the six months to 31 December 2016. This was primarily due to higher rental income, with good contributions from the Italian portfolio (I Gigli and Carosello), while service charges and property expenses have remained stable.

Adjusted net asset value: €44.87

Adjusted net asset value at 31 December 2017 increased by 4.3% to €44.87 per depositary receipt, from €43.00 at 31 December 2016, and decreased by 4.5% since 30 June 2017.

Asset rotation

Eurocommercial’s active asset rotation programme aims to dispose of properties which offer limited potential for further improvement. Proceeds are then recycled into purchasing larger, high-quality shopping centres which attract the best national and international brands, and provide significant refurbishment and extension possibilities.

Disposals

In December, Eurocommercial announced a binding agreement with IGD, a leading Italian listed real estate company, for the sale of four of its smaller Italian properties. Under the terms of the agreement, Eurocommercial will sell Centro Lame (Bologna), La Favorita (Mantova), Centroluna (Sarzana) and Centro Leonardo (Imola) for a total price of €187 million, in line with June 2017 valuations. The sale is expected to complete in the first half year of 2018.

In total, asset sales realised a total of €180 million during the first half of 2017/2018 (Mellby, Rue de Rivoli, 421), with a further €187 million pending completion of the four Italian properties (first half of 2018), resulting in a total of €367 million. Further property sales are planned.

Acquisitions

In October 2017, Eurocommercial announced it had entered exclusive negotiations to acquire the prime Woluwe shopping centre in Brussels. Following a period of detailed due diligence, in January 2018 Eurocommercial signed a binding purchase agreement and expects to complete the acquisition on 1 March 2018.

In January 2018, Eurocommercial completed the acquisition of Valbo shopping centre, located on the E16 motorway outside Gävle, central Sweden.

Following the recent sales, the acquisition of Valbo in January 2018, plus the pending completion of Woluwe, and the pending sale of the four Italian centres, Eurocommercial’s portfolio will be approximately €4 billion, subject to planned further property sales.

IFRS results

The IFRS net asset value, which, unlike the adjusted net asset value, includes the negative fair value of financial derivatives (interest rate swaps) and contingent capital gains tax liabilities, was €39.20 per depositary receipt at 31 December 2017, compared with €40.58 at 30 June 2017 and €37.66 at 31 December 2016.

The IFRS profit after taxation for the six months to 31 December 2017 decreased to €39.2 million from €115.2 million for the same period in 2016. This was largely due to the negative investment revaluation and disposal of investment properties figure, which amounted to minus €12.4 million, compared with a positive contribution of €55.6 million for the previous corresponding period. It also reflects a lower fair value movement for derivative financial instruments of €6.4 million, compared with €30.7 million for the previous corresponding period. A lower deferred tax amount of €12.8 million (versus €23.1 million for the same period in 2016, due to higher investment revaluations) also contributed to the profit.

Rental growth

Over 280 leases were renewed or re-let in Eurocommercial's centres during the twelve-month period, resulting in an average uplift in minimum guaranteed rent for those shops of 20.2%. The like-for-like (same floor area) rents of all Eurocommercial's galleries increased by 4.1% overall at 31 December 2017, when compared with 31 December 2016, despite very low indexation. Rental indexation to be applied to rents in calendar year 2018 is 1.6% in France, 0.8% in Italy, and 1.7% in Sweden. The rent figures compare tenancy schedules at the relevant dates and include indexation and turnover rents.

Like-for-like rental growth, 12 months to December 2017

	Average rental uplift on relettings and renewals	Number of relettings and renewals	% of total leases relet and renewed	Overall like-for-like rental growth
Overall	20.2%	286	17%	+4.1%
France	12.8%	73	15%	+1.9%
Italy	23.7%	163	18%	+5.6%
Sweden	17.1%	50	21%	+3.7%

Retail sales

Like-for-like retail sales in Eurocommercial's shopping centres for the twelve months to 31 December 2017, compared with the previous corresponding period, increased just under 1%, while six-month turnovers increased 1.9% on average.

Like-for-like retail sales by country*

	12 months to 31.12.17	6 months to 31.12.17
Overall	+0.9%	+1.9%
France	+0.9%	+2.6%
Italy	+0.4%	+1.4%
Sweden	+3.1%	+2.7%

* Excluding hypermarkets, Systembolaget and extensions/redevelopments.

Like-for-like retail sales by sector*

	12 months to 31.12.17	6 months to 31.12.17
Fashion	+0.6%	+1.7%
Shoes	+4.9%	+4.3%
Health & Beauty	+2.1%	+2.9%
Gifts & Jewellery	+3.4%	+5.4%
Sport	+4.4%	+6.1%
Home Goods	+0.9%	+1.3%
Restaurants	+6.6%	+10.6%
Electricals	-3.4%	-2.6%
Hyper/supermarkets	-3.4%	-4.3%

* Excluding extensions/redevelopments.

Occupancy cost ratios (OCR)

The total occupancy cost ratio (rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT) for Eurocommercial galleries excluding hypermarkets and Systembolaget (the Swedish government-owned monopoly alcohol retailer) at the end of the period was 8.4% overall.

Gallery occupancy cost ratios at 31 December 2017*

	OCR with turnover including VAT
Overall	8.4%
France	8.7%
Italy	8.4%
Sweden	7.9%

* Excluding hypermarkets and Systembolaget.

Vacancies and arrears

Total vacancies for the portfolio at 31 December 2017 remained very low and represented less than 0.6% of rental income (ERV).

Rental arrears of more than 90 days for the total Eurocommercial portfolio are less than 1% of total income. Out of a total of 1,845 shops, there are only eight tenants in administration – two in France and six in Italy - occupying a total of 16 units. The majority continue to make regular payments, with many having no outstanding invoices.

Property valuations

All the Company’s properties were independently valued as usual at 31 December 2017 in accordance with the rules set out in the “Red Book” of the Royal Institution of Chartered Surveyors (RICS), the International Valuation Standards and IAS40. The net yield figures provided in the following tables are the result of dividing the Company’s expected net income for the coming year by the valuation figure to which has been added the relevant standardised market allowance for deemed purchaser’s costs (usually notional transfer taxes) in the particular market. The objective is to replicate the calculations of an institutional investor.

Overall, the property portfolio increased in value by 3.4%, or €121.5 million, when compared with December 2016 and 0.2%, or €8.1 million, when compared with June 2017.

The overall net initial yield on valuations for Eurocommercial’s properties was 4.9%. The net initial yield was 4.4% in France, 5.2% in Italy and 5.0% in Sweden. These yield figures exclude C4 Shopping in Kristianstad which is under development.

Valuations at 31 December 2017

	Valuation increase				Net initial yield including purchase costs
	Twelve months to 31 December 2017		Six months to 31 December 2017		At 31 December 2017
Overall	+3.4%	+€121.5m	+0.2%	+€8.1m	4.9%
France	+0.5%		-0.5%		4.4%
Italy	+5.5%		+0.3%		5.2%
Sweden	+3.8%		+1.3%		5.0%

Valuations by property

	Net value 31/12/17	Net initial yield including purchase costs 31/12/17
France (€ million)		
Passage du Havre, Paris [4]	409.70	3.7%
Val Thoiry, Greater Geneva [3]	150.30	4.4%
Les Atlantes, Tours [3]	142.30	4.9%
Centr'Azur, Hyères [4]	94.10	4.8%
Chasse Sud, Chasse-sur-Rhône [3]	91.70	5.0%
MoDo, Moisselles [4]	80.00	5.1%
Les Portes de Taverny, Taverny [3]	71.90	4.5%
Grand A, Amiens [3]	71.10	5.2%
Shopping Etrembières, Greater Geneva [2] (JV)	54.20	4.6%
Les Allées de Cormeilles, Cormeilles [3]	49.80	4.8%
Les Trois Dauphins, Grenoble [3]	39.60	5.3%
Les Grands Hommes, Bordeaux [3]	20.60	4.1%
TOTAL	**1,275.30**	**4.4%**
Italy (€ million)		
I Gigli, Florence [2]	442.40	4.8%
Carosello, Carugate, Milan [3]	358.20	4.9%
Fiordaliso, Rozzano, Milan [3] (JV)	156.90	5.2%
Il Castello, Ferrara [3]	132.20	5.4%
Collestrada, Perugia [2]	130.90	5.2%
Curno, Bergamo [1]	112.50	5.7%
Cremona Po, Cremona [1]	105.90	5.9%
Centro Leonardo, Imola [1]	72.00	5.9%
I Portali, Modena [1]	50.20	5.6%
La Favorita, Mantova [2]	47.80	6.1%
Centro Lame, Bologna [1]	40.00	6.0%
Centroluna, Sarzana [2]	25.90	6.3%
TOTAL	**1,674.90**	**5.2%**
Sweden (SEK million)		
Hallarna, Halmstad [3]	1,278.00	5.2%
Bergvik, Karlstad [2]	1,525.00	4.8%
Ingelsta Shopping, Norrköping [3]	1,212.00	5.0%
Grand Samarkand, Växjö [2]	1,188.00	4.5%
C4 Shopping, Kristianstad [3] *	972.00	0
Elins Esplanad, Skövde [3]	845.00	5.0%
Moraberg, Södertälje [3]	458.00	5.6%
TOTAL	**7,478.00**	**5.0%**

* Yield figures are not provided as this property is under development.
Valuations by: [1] CBRE, [2] Cushman & Wakefield, [3] JLL, [4] Knight Frank

Funding

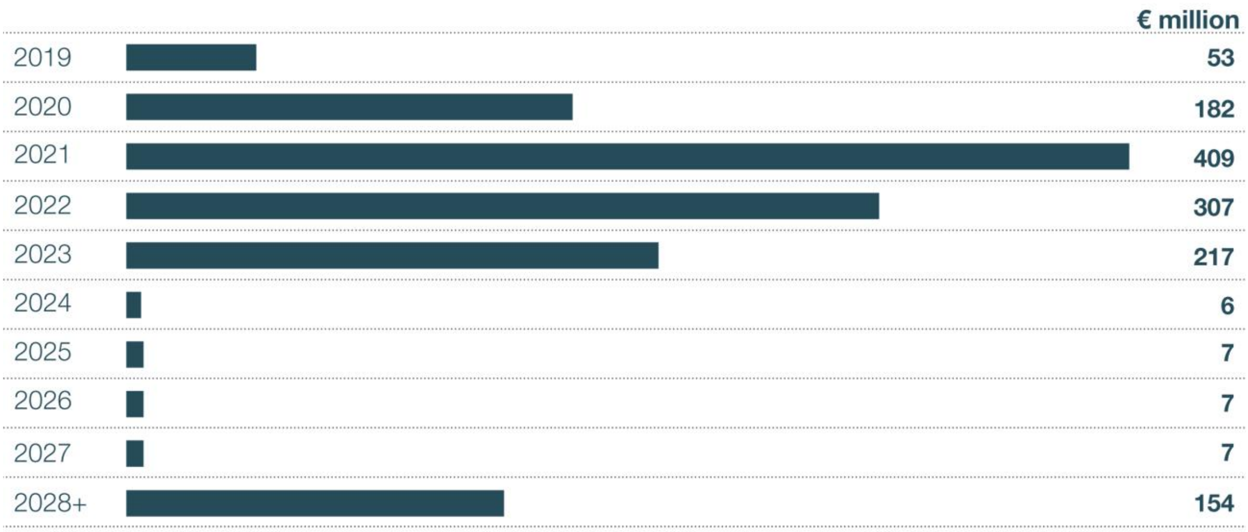
During the period, holders of depositary receipts (DRs) representing 26.2% (2016: 27.0%) of the issued share capital opted to take up 672,380 bonus DRs (2016: 616,025) at an issue price of €39.90 (2016: €43.05) from the Company's share premium reserve, instead of a cash dividend of €2.10 (2016: €2.05) per depositary receipt for the financial year ended 30 June 2017. Accordingly, of the available dividend of €102.1 million, an amount of €26.8 million was not paid out in cash. The total number of depositary receipts outstanding at 31 December 2017, was 49,336,049.

During the six-month period to 31 December 2017, two new six year loans amounting in total to €91 million were concluded in Sweden. Due to the sale of the two Swedish properties two loans granted by Swedish banks were repaid for a total amount of €44.7 million. In early January a new SEK 442 million (€45 million) loan with Aareal Bank AG for a term of seven years was entered into to finance the Valbo shopping centre. Subsequently, the Company entered into an eighteen-month loan facility of €475 million granted by ABN AMRO and ING to acquire the Woluwe shopping centre, 50% of which will convert to a seven-year secured facility.

Based on proportional consolidation, the net debt to adjusted net equity ratio at 31 December 2017 was 70%, and the net loan to property value was 39%. These figures will change over the coming year, in line with property purchases and sales, following which it is planned that the ratios will revert to historic levels.

Number of shares in issue	49.3 million
Shareholders' adjusted net equity	€2.2 billion
Net debt	€1.5 billion
Net debt to adjusted net equity ratio	70%
Net loan to property value ratio	39%
Average loan term	5 years
Average fixed interest period	6.5 years
Overall interest cost (including margin)	2.6%

Non-current borrowings maturity and amortisation schedule at 31 December 2017*



* Maturities are stated on a proportionally consolidated basis, by calendar year.

Country commentary

France
Retail sales for the first six months of the financial year have increased in Eurocommercial's French properties, largely due to strong performances at Les Atlantes, Val Thoiry, Centr'Azur and Chasse Sud.

At the end of 2017, Eurocommercial hosted the official inauguration of the 5,000m² extension at Grand A (Amiens), which created an additional 18 new units, bringing in 14 new retailers to the centre including H&M, NewYorker, Promod and Pandora. Eurocommercial completed a complete refurbishment of the shopping centre, including the façade, existing gallery and car park, while also improving the overall customer experience. Works included the introduction of new services including family-friendly areas, two new indoor terraces for food and drink, and the creation of digital hubs for visitors. New energy management and LED lighting systems were installed improving the overall efficiency of the building, charging stations installed for electric vehicles, and the existing green spaces outside the centre were expanded and improved.

Refurbishment at the re-branded MoDo shopping centre (Moisselles) was completed at the end of 2017 with work focused on improving the look and feel of the centre and creating a better customer experience. Inside the gallery, works included improvements to shop frontages, the introduction of attractive new natural lighting, the creation of relaxation areas, better centre signage and digital store directories. Outside the gallery, a new children's play area was installed, along with better signage in the car park and new shopping centre signs to improve the visibility and appeal of the centre.

Italy
Retail sales in Eurocommercial's Italian centres increased year-on-year for the six months from July to December 2017, led by the solid performance of our larger shopping centres, particularly I Gigli, Carosello and Collestrada.

In December 2017, Eurocommercial agreed terms with IGD, a leading Italian listed real estate company, for the sale of four of its smallest Italian properties. Under the terms of the agreement, Eurocommercial will sell Centro Lame (Bologna), La Favorita (Mantova), Centroluna (Sarzana) and Centro Leonardo (Imola) for a total price of €187 million, in line with the June 2017 valuations. The sale is expected to complete in the first half of 2018.

Also in December 2017, Eurocommercial finalised the acquisition of additional land at Cremona Po, to build a new 10,000m² retail park which will further strengthen the dominance of the centre in its catchment. It follows the agreement of terms with the co-owner of the shopping centre, Coop Lombardia, for the acquisition of 2,300m² of the non-food section of the hypermarket during the first quarter of the financial year. The space is already under negotiation with a major international retailer.

Eurocommercial has now formally applied for the licences and building permits needed for the extension of the Collestrada shopping centre. Discussions with the local municipalities are progressing well and there is a strong interest from national and international retailers to enter the extended centre.

In December 2017, the Consiglio Nazionale dei Centri Commerciali (National Shopping Centre Council) gave Eurocommercial four awards in recognition of the Company's marketing policy and its active management of the centres. The awards were for "Best Use of New Media", "Best Services", for its refurbishment of the I Gigli shopping centre, and for its education / entertainment campaign at Carosello: "Carosello Anatomy".

Sweden

Retail sales were consistently positive across the Swedish portfolio during 2017 with turnover up 3.1% over the year and the Company continued to outperform the national shopping centre index each quarter.

In early January 2018, Eurocommercial completed the acquisition of Valbo shopping centre, located on the E16 motorway outside Gävle. An established and dominant regional centre, Valbo serves a catchment of 250,000 people, is let to 70 tenants and adjoins an IKEA store. At the acquisition price of €116 million, the property yields around 5.3% and provides opportunities for rental and capital growth through refurbishment, tenant rotation and active asset management.

On the development front, the Company opened the rebranded, refurbished and extended Hallarna (formerly Eurostop) located on the E6 motorway outside Halmstad. The extension opened fully-let and once the hotel and external 4,000m² XXL sport unit are completed during 2018, Hallarna will provide a total of around 44,000m² of new or fully refurbished space for 90 tenants. An overall investment return of 7% on the €75 million project will be achieved.

Meanwhile, progress continues at the 40,600m² C4 development outside Kristianstad which is already over 80% pre-let with the opening planned for the end of September 2018. C4 will be the only regional centre serving a catchment of 300,000 people and has, therefore, attracted a strong tenant line-up including a CityGross hypermarket (already open and trading), H&M, Lindex, KappAhl, Stadium, New Yorker and the Varner Group and Bestseller brands.

Two properties were identified to be sold because they offered relatively limited potential for further development and growth. In September 2017, the Company completed the sale of Mellby for a price of approximately €20 million, yielding 5.5% and just before the year end, 421, Göteborg, was also sold at a price of €81 million, yielding around 5.4%.

Following the close of the period, Eurocommercial was awarded an upgraded BREEAM In-Use certificate for Elins Esplanad in Skövde, meaning that as of 31 December 2017, Eurocommercial’s entire Swedish portfolio of shopping centres was certified as Very Good, demonstrating Eurocommercial’s ongoing commitment to reducing the environmental impact of its shopping centres.

Extensions and refurbishments

We continually work to ensure that our centres are fresh and modern through regular refurbishments and extensions that are designed to increase footfall in a time of internet competition.

Committed and recently-completed projects

Shopping centre	Project	Expected / confirmed cost (€m)	Cost to date (€m)	Expected net return on cost	Status
Grand A, Amiens	5,000m² extension	-	18.2	6%	Completed
MoDo, Moisselles	Refurbishment	-	4.1	-	Completed
Hallarna, Halmstad	16,000m² extension and refurbishment	75	51	7%	Completed
	Northern gallery, XXL unit and hotel				2018
C4 Shopping, Kristianstad *	9,000m² hypermarket box	139	92	6%	Completed
	31,600m² shopping centre				End 2018

* Project under development by third party

Potential future ext ensions and refurbishments

In addition to the above committed projects, the Company is working towards enhancing a number of other properties over the next 10 years. None have yet received the required planning authorisations to proceed and are of course subject to the allocation of available funds.

Property	Project
Les Atlantes, Tours	6,000m² extension and refurbishment
Val Thoiry, Greater Geneva	25,000m² extension and refurbishment
Shopping Etrembières, Greater Geneva	4,000m² extension and refurbishment
Cremona Po, Cremona	10,000m² new retail park
Cremona Po, Cremona	2,300m² extension
Curno, Bergamo	3,000m² new restaurants
Carosello, Carugate, Milan	23,000m² extension
Collestrada, Perugia	19,500m² extension and refurbishment
I Portali, Modena	20,000m² extension and refurbishment
Grand Samarkand, Växjö	10,000m² extension
Ingelsta Shopping, Norrköping	8,000m² extension
Elins Esplanad, Skövde	3,000m² extension and refurbishment
Woluwe, Brussels*	10,000m² extension

* Pending completion of acquisition which is expected to be on 1 March 2018

Responsibility statement

We hereby state that to the best of our knowledge, and in accordance with the applicable IFRS reporting principles for interim financial reporting, that the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the interim management report of the Board of Management includes the most important transactions with related parties as well as a fair review of the development and performance of the business during the reporting period and the position of the Group at the balance sheet date, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the current financial year.

Risk

This report makes reference to the 2016/2017 Annual Report with regards existing risks, which have not materially changed. However, it is not possible to rule out potential changes in taxation which could have an impact in future years.

Amsterdam, 9 February 2018

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

Conference call and webcast

Eurocommercial will host a conference call and audio webcast today, Friday 9 February 2018, at 9:00 AM (UK) / 10:00 AM (CET) for investors and analysts. To access the call, please dial +44 (0)1452 555566 approximately 5-10 minutes before the start of the conference and ask to be connected to the Eurocommercial call using the conference ID number of 2467787. The call will also be audio webcast at www.eurocommercialproperties.com/financial/webcast.

At all other times, management can be reached at +31 (0)20 530 6030 or +44 (0)20 7925 7860.

Statement of consolidated direct, indirect and total investment results*

(€'000)	**Six months ended 31-12-17**	Six months ended 31-12-16	**Second quarter ended 31-12-17**	Second quarter ended 31-12-16
Rental income	**95,307**	90,432	**47,454**	45,193
Service charge income	**15,120**	14,604	**5,705**	5,825
Service charge expenses	**(16,833)**	(16,510)	**(6,369)**	(6,808)
Property expenses	**(15,527)**	(15,038)	**(9,291)**	(8,589)
Interest income	**20**	17	**14**	3
Interest expenses	**(19,208)**	(19,981)	**(9,595)**	(9,971)
Company expenses	**(6,498)**	(6,295)	**(3,211)**	(3,130)
Other income	**646**	612	**322**	284
Current tax	**(244)**	(131)	**(71)**	(8)
Direct investment result properties 100% owned	**52,783**	47,710	**24,958**	22,799
Direct investment result joint ventures	**3,753**	3,775	**1,802**	1,841
Total direct investment result	**56,536**	51,485	**26,760**	24,640
Investment revaluation and disposal of investment properties	**(12,408)**	55,568	**(11,456)**	56,729
Fair value movement derivative financial instruments	**6,406**	30,688	**2,153**	30,400
Investment expenses	**(634)**	(481)	**(390)**	(273)
Deferred tax	**(12,752)**	(23,099)	**(12,573)**	(21,368)
Indirect investment result properties 100% owned	**(19,388)**	62,676	**(22,266)**	65,488
Indirect investment result joint ventures	**2,060**	1,082	**2,372**	1,634
Total indirect investment result	**(17,328)**	63,758	**(19,894)**	67,122
Total investment result	**39,208**	115,243	**6,866**	91,762
Per depositary receipt (€)**				
Direct investment result	**1.16**	1.07	**0.55**	0.51
Indirect investment result	**(0.36)**	1.32	**(0.41)**	1.39
Total investment result	**0.80**	2.39	**0.14**	1.90

Statement of adjusted net equity*

(€'000)	**31-12-17**	30-06-17	31-12-16
IFRS net equity per consolidated statement of financial position	**1,933,965**	1,973,694	1,831,671
Derivative financial instruments	**101,361**	111,815	142,443
Deferred tax liabilities	**169,836**	165,086	111,832
Derivative financial instruments and deferred tax liabilities joint ventures	**8,612**	7,131	5,430
Adjusted net equity	**2,213,774**	2,257,726	2,091,376
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	**49,336,049**	48,631,957	48,631,957
Net asset value - € per depositary receipt (IFRS)	**39.20**	40.58	37.66
Adjusted net asset value - € per depositary receipt	**44.87**	46.42	43.00
Stock market prices - € per depositary receipt	**36.31**	34.99	36.59

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

** The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares. The average number of depositary receipts on issue during the period was 48,756,741 compared with 48,100,806 for the six months to 31 December 2016, an increase of 1.4%.

EPRA performance measures*

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

	(€'000)		Per depositary receipt (€)	
	31-12-17	30-06-17	**31-12-17**	30-06-17
EPRA Earnings**	**55,895**	103,743	**1.15**	2.15
EPRA NAV**	**2,213,774**	2,257,726	**44.57**	45.99
EPRA NNNAV**	**1,917,753**	1,968,592	**38.61**	40.10

	France		Italy		Sweden		Total	
	31-12-17 %	30-06-17 %	**31-12-17 %**	30-06-17 %	**31-12-17 %**	30-06-17 %	**31-12-17 %**	30-06-17 %
EPRA net initial yield	**4.5**	4.3	**5.3**	5.4	**5.0**	4.9	**5.0**	4.9
EPRA topped up yield	**4.5**	4.3	**5.3**	5.4	**5.1**	5.0	**5.1**	5.0
EPRA vacancy rate	**0.6**	0.3	**0.7**	0.2	**1.0**	1.6	**0.7**	0.5

Reconciliation EPRA Earnings*

	Total (€'000)	
	31-12-17	30-06-17
IFRS profit after taxation	**39,208**	260,753
Adjustment to IFRS profit after taxation		
Investment revaluation and disposal of investment properties	**12,408**	(173,033)
Fair value movement derivative financial instruments	**(6,406)**	(52,495)
Deferred tax	**12,752**	77,006
Share of result of joint ventures	**(2,067)**	(8,488)
EPRA Earnings	**55,895**	103,743

Reconciliation NAV, EPRA NAV and EPRA NNNAV*

	Total (€'000)		Per depositary receipt (€)	
	31-12-17	30-06-17	**31-12-17**	30-06-17
Equity as per consolidated statement of financial position	**1,933,965**	1,973,694	**39.20**	40.58
Derivative financial instruments	**101,361**	111,815		
Deferred tax liabilities	**169,836**	165,086		
Derivative financial instruments and deferred tax liabilities joint ventures	**8,612**	7,131		
EPRA NAV**	**2,213,774**	2,257,726	**44.57**	45.99
Derivative financial instruments	**(101,361)**	(111,815)		
Deferred tax liabilities***	**(162,722)**	(157,717)		
Deferred tax liabilities joint ventures	**(8,913)**	(7,592)		
Fair value borrowings	**(23,025)**	(12,010)		
EPRA NNNAV**	**1,917,753**	1,968,592	**38.61**	40.10

* 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 48,756,741 compared with 48,364,199 at 30 June 2017.

*** 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 31 December 2017 was 49,669,696 compared with 49,090,171 at 30 June 2017.

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

Reconciliation EPRA net initial yield and EPRA topped up yield*

(€'000)	France		Italy		Sweden		Total	
	31-12-17	30-06-17	**31-12-17**	30-06-17	**31-12-17**	30-06-17	**31-12-17**	30-06-17
Property investments	**1,226,700**	1,225,600	**1,332,300**	1,491,600	**759,666**	819,207	**3,318,666**	3,536,407
Land and property held for development	**(15,900)**	(16,000)	**(17,800)**	(9,800)	**(98,742)**	(192,431)	**(132,442)**	(218,231)
Investments in joint ventures	**48,600**	47,400	**156,900**	153,200	**0**	0	**205,500**	200,600
Property investments held for sale	**0**	79,100	**185,700**	0	**0**	19,088	**185,700**	98,188
Property investments completed	**1,259,400**	1,336,100	**1,657,100**	1,635,000	**660,924**	645,864	**3,577,424**	3,616,964
Purchasers' costs	**85,917**	91,515	**67,406**	65,540	**6,610**	6,459	**159,933**	163,514
Gross value property investments completed	**1,345,317**	1,427,615	**1,724,506**	1,700,540	**667,534**	652,323	**3,737,357**	3,780,478
Annualised net rents (EPRA NIY)	**60,050**	60,830	**91,751**	91,840	**33,307**	32,179	**185,108**	184,849
Lease incentives (incl. rent free periods)	**582**	497	**491**	541	**807**	168	**1,880**	1,206
Annualised rents (EPRA topped up yield)	**60,632**	61,327	**92,242**	92,381	**34,114**	32,347	**186,988**	186,055

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

Condensed consolidated statement of profit or loss

(€'000)	Note	**Six months ended 31-12-17**	Six months ended 31-12-16
Rental income		**95,307**	90,432
Service charge income		**15,120**	14,604
Total revenue		**110,427**	105,036
Service charge expenses		**(16,833)**	(16,510)
Property expenses	4	**(15,527)**	(15,038)
Net property income		**78,067**	73,488
Share of result of joint ventures		**5,813**	4,857
Investment revaluation and disposal of investment properties	5	**(12,408)**	55,568
Company expenses	7	**(6,517)**	(6,290)
Investment expenses		**(615)**	(486)
Other income		**646**	612
Operating result		**64,986**	127,749
Interest income	6	**20**	17
Interest expenses	6	**(19,208)**	(19,981)
Fair value movement derivative financial instruments	6	**6,406**	30,688
Net financing cost	6	**(12,782)**	10,724
Profit before taxation		**52,204**	138,473
Current tax		**(244)**	(131)
Deferred tax	14	**(12,752)**	(23,099)
Total tax		**(12,996)**	(23,230)
Profit after taxation		**39,208**	115,243
Per depositary receipt (€)*			
Profit after taxation		**0.80**	2.39
Diluted profit after taxation		**0.80**	2.38

Condensed consolidated statement of comprehensive income

(€'000)	**Six months ended 31-12-17**	Six months ended 31-12-16
Profit after taxation	**39,208**	115,243
Unrealised foreign currency translation differences (to be recycled through profit or loss)	**(8,308)**	(4,278)
Realised foreign currency translation result (recycled through profit or loss)	**3,512**	88
Actuarial result on pension scheme (not to be recycled through profit or loss)	**27**	(424)
Other comprehensive income	**(4,769)**	(4,614)
Total comprehensive income	**34,439**	110,629
Per depositary receipt (€)*		
Total comprehensive income	**0.71**	2.30
Diluted total comprehensive income	**0.70**	2.28

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

Condensed consolidated statement of financial position

(€'000)	Note	31-12-17	30-06-17
Property investments	8	**3,214,324**	3,451,034
Property investments under development		**104,342**	85,373
Investments in joint ventures	9	**113,119**	107,306
Tangible fixed assets		**1,811**	1,818
Receivables	10	**1,024**	246
Derivative financial instruments		**205**	230
Total non-current assets		**3,434,825**	3,646,007
Receivables	10	**41,320**	34,960
Cash and deposits		**47,135**	78,078
Total current assets		**88,455**	113,038
Property investments held for sale		**185,700**	98,188
Total assets		**3,708,980**	3,857,233
Creditors	11	**76,864**	75,649
Borrowings	12	**140,650**	284,652
Total current liabilities		**217,514**	360,301
Creditors	11	**19,910**	24,471
Borrowings	12	**1,265,379**	1,220,810
Derivative financial instruments	13	**101,566**	112,045
Deferred tax liabilities	14	**169,836**	165,086
Provisions for pensions		**810**	826
Total non-current liabilities		**1,557,501**	1,523,238
Total liabilities		**1,775,015**	1,883,539
Net assets		**1,933,965**	1,973,694
Equity Eurocommercial Properties shareholders	15		
Issued share capital		**247,833**	244,471
Share premium reserve		**517,602**	520,692
Other reserves		**1,129,322**	947,778
Undistributed income		**39,208**	260,753
Total equity		**1,933,965**	1,973,694

Condensed consolidated statement of cash flows

(€ '000)	**Six months ended 31-12-2017**	Six months ended 31-12-2016
Profit after taxation	**39,208**	115,243
Adjustments:		
Movement performance shares granted	**1,038**	672
Investment revaluation and disposal of investment properties	**10,910**	(55,467)
Derivative financial instruments	**(6,406)**	(30,688)
Share of result of joint ventures	**(5,813)**	(4,857)
Interest income	**(20)**	(17)
Interest expenses	**19,208**	19,981
Deferred tax	**12,752**	23,099
Current tax	**244**	131
Depreciation tangible fixed assets	**496**	375
Other movements	**540**	(269)
Cash flow from operating activities after adjustments	**72,157**	68,203
Increase in receivables	**(6,991)**	(4,361)
Increase/decrease in creditors	**2,756**	(1,026)
	67,922	62,816
Current tax paid	**(1,073)**	(4)
Derivative financial instruments settled	**(4,045)**	(2,090)
Borrowing costs	**(384)**	(2,147)
Interest paid	**(18,641)**	(19,282)
Interest received	**37**	14
Cash flow from operating activities	**43,816**	39,307
Acquisitions	**(14,676)**	(86,212)
Capital expenditure	**(58,832)**	(44,518)
Sale of investment*	**89,149**	18,450
Sale of property	**79,600**	0
Additions to tangible fixed assets	**(491)**	(145)
Cash flow from investing activities	**94,750**	(112,425)
Borrowings added	**134,749**	322,902
Repayment of borrowings*	**(228,039)**	(278,197)
Stock options exercised	**162**	649
Cost of performance shares settled	**(65)**	(59)
Dividends paid	**(75,303)**	(71,890)
Decrease/increase in non-current creditors	**(400)**	1,017
Cash flow from financing activities	**(168,896)**	(25,578)
Net cash flow	**(30,330)**	(98,696)
Currency differences on cash and deposits	**(613)**	(594)
Decrease in cash and deposits	**(30,943)**	(99,290)
Cash and deposits at beginning of period	**78,078**	124,452
Cash and deposits at the end of period	**47,135**	25,162

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

Condensed consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the six months period ended 31 December 2017 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undistributed income	Total
30-06-2017	**244,471**	**520,692**	**947,778**	**260,753**	**1,973,694**
Profit after taxation				**39,208**	**39,208**
Other comprehensive income			**(4,769)**		**(4,769)**
Total comprehensive income	**0**	**0**	**(4,769)**	**39,208**	**34,439**
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		**1,038**			**1,038**
Performance shares settled (note 15)			**(65)**		**(65)**
Performance shares vested		**(762)**	**762**		**0**
Stock options exercised			**162**		**162**
31-12-2017	**247,833**	**517,602**	**1,129,322**	**39,208**	**1,933,965**

The movements in shareholders' equity in the previous six months period ended 31 December 2016 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undistributed income	Total
30-06-2016	241,291	522,063	820,917	207,399	1,791,670
Profit after taxation				115,243	115,243
Other comprehensive income			(4,614)		(4,614)
Total comprehensive income	0	0	(4,614)	115,243	110,629
Profit previous financial year			135,527	(135,527)	0
Issued shares	3,080	(3,080)			0
Dividends paid		(18)		(71,872)	(71,890)
Performance shares granted		672			672
Performance shares settled- shares issued	100	586	(745)		(59)
Performance shares vested		(491)	491		0
Stock options exercised			649		649
31-12-2016	244,471	519,732	952,225	115,243	1,831,671

Notes to the condensed consolidated financial statements

as at 31 December 2017

General

Eurocommercial Properties N.V. (the Company) domiciled in Amsterdam, the Netherlands, is a closed-end property investment company. The consolidated financial statements of the Company for the financial year starting 1 July 2017 and ending 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). This half year report includes the figures for the six month period from 1 July 2017 to 31 December 2017. The interim financial information has not been audited.

1. Principal accounting policies

(a) Statement of compliance

The interim condensed consolidated financial statements for the six month period ending 31 December 2017 have been drawn up in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (IFRS) as per 31 December 2017. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2017.

(b) Change in accounting policies, reclassifications, amendments and improvements to IFRS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017. The new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers will be adopted by the Company as from the financial year starting 1 July 2018. The impact of these standards has been reviewed by the Company and will have no material impact on the consolidated financial statements.

Notes to the condensed consolidated financial statements

as at 31 December 2017

2. Segment information 2017

(€ '000) For the six months period ended 31/12/2017	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	31,913	50,448	18,874	0	101,235	(5,928)	95,307
Service charge income	6,327	5,174	5,055	0	16,556	(1,436)	15,120
Service charge expenses	(7,302)	(5,050)	(5,899)	0	(18,251)	1,418	(16,833)
Property expenses	(4,084)	(9,331)	(2,609)	0	(16,024)	497	(15,527)
Net property income	26,854	41,241	15,421	0	83,516	(5,449)	78,067
Share of result of joint ventures	0	0	0	0	0	5,813	5,813
Investment revaluation and disposal of investment properties	(6,351)	4,357	(5,739)	(1,124)	(8,857)	(3,551)	(12,408)
Segment result	20,503	45,598	9,682	(1,124)	74,659	(3,187)	71,472
Net financing result					(13,768)	986	(12,782)
Company expenses					(6,517)	0	(6,517)
Investment expenses					(623)	8	(615)
Other income					135	511	646
Profit before taxation					53,886	(1,682)	52,204
Current tax					(603)	359	(244)
Deferred tax					(14,075)	1,323	(12,752)
Profit after taxation					39,208	0	39,208

(€ '000) As per 31/12/2017	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	1,269,700	1,489,200	660,924	0	3,419,824	(205,500)	3,214,324
Property investments under development	5,600	0	98,742	0	104,342	0	104,342
Investments in joint ventures	0	0	0	0	0	113,119	113,119
Tangible fixed assets	855	632	52	272	1,811	0	1,811
Receivables	22,473	11,639	6,994	1,319	42,425	(81)	42,344
Derivative financial instruments	59	301	146	0	506	(301)	205
Cash and deposits	9,951	18,373	13,270	20,306	61,900	(14,765)	47,135
Property investments held for sale	0	185,700	0	0	185,700	0	185,700
Total assets	1,308,638	1,705,845	780,128	21,897	3,816,508	(107,528)	3,708,980
Creditors	26,058	30,026	26,924	2,698	85,706	(8,842)	76,864
Non-current creditors	9,630	1,962	9,060	0	20,652	(742)	19,910
Borrowings	378,161	864,601	252,298	0	1,495,060	(89,031)	1,406,029
Derivative financial instruments	6,341	94,739	486	0	101,566	0	101,566
Deferred tax liabilities	0	107,606	71,143	0	178,749	(8,913)	169,836
Provision for pensions	0	0	0	810	810	0	810
Total liabilities	420,190	1,098,934	359,911	3,508	1,882,543	(107,528)	1,775,015

(€ '000) For the six months period ended 31/12/2017	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	(70,524)	25,625	(71,949)	0	(116,848)	(1,335)	(118,183)

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

Notes to the condensed consolidated financial statements

as at 31 December 2017

2. Segment information 2016

(€ '000) For the six months period ended 31/12/2016	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	30,828	47,697	17,829	0	96,354	(5,922)	90,432
Service charge income	5,726	5,024	5,469	0	16,219	(1,615)	14,604
Service charge expenses	(6,570)	(5,008)	(6,552)	0	(18,130)	1,620	(16,510)
Property expenses	(4,103)	(8,754)	(2,737)	0	(15,594)	556	(15,038)
Net property income	25,881	38,959	14,009	0	78,849	(5,361)	73,488
Share of result of joint ventures	0	0	0	0	0	4,857	4,857
Investment revaluation and disposal of investment properties	19,126	19,696	18,026	(44)	56,804	(1.236)	55,568
Segment result	45,007	58,655	32,035	(44)	135,653	(1,740)	133,913
Net financing result					11,118	(394)	10,724
Company expenses					(6,290)	0	(6,290)
Investment expenses					(496)	10	(486)
Other income					95	517	612
Profit before taxation					140,080	(1,607)	138,473
Current tax					(458)	327	(131)
Deferred tax					(24,379)	1,280	(23,099)
Profit after taxation					115,243	0	115,243

(€ '000) As per 30/06/2017	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	1,267,400	1,644,800	739,434	0	3,651,634	(200,600)	3,451,034
Property investments under development	5,600	0	79,773	0	85,373	0	85,373
Investments in joint ventures	0	0	0	0	0	107,306	107,306
Receivable from joint ventures	0	0	0	0	0	0	0
Tangible fixed assets	949	526	58	285	1,818	0	1,818
Receivables	21,627	7,373	5,355	1,152	35,507	(301)	35,206
Derivative financial instruments	0	461	230	0	691	(461)	230
Cash and deposits	6,352	71,740	11,379	953	90,424	(12,346)	78,078
Property investments held for sale	79,100	0	19,088	0	98,188	0	98,188
Total assets	1,381,028	1,724,900	855,317	2,390	3,963,635	(106,402)	3,857,233
Creditors	30,378	29,662	19,525	4,364	83,929	(8,280)	75,649
Non-current creditors	9,501	2,455	13,244	0	25,200	(729)	24,471
Borrowings	400,414	905,730	274,119	15,000	1,595,263	(89,801)	1,505,462
Derivative financial instruments	8,237	103,075	733	0	112,045	0	112,045
Deferred tax liabilities	0	98,975	73,703	0	172,678	(7,592)	165,086
Provision for pensions	0	0	0	826	826	0	826
Total liabilities	448,530	1,139,897	381,324	20,190	1,989,941	(106,402)	1,883,539

(€ '000) For the six months period ended 31/12/2016	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions divestments and capital expenditure (including capitalised interest)	44,106	25,719	41,564	0	111,389	(408)	110,981

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

Notes to the condensed consolidated financial statements

as at 31 December 2017

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 31 December 2017 €1 was SEK 9.8438 (30 June 2017: SEK 9.6398) and €1 was GBP 0.8872 (30 June 2017: GBP 0.8793).

4. Property expenses

Property expenses in the current financial period were:

For the six months ended (€'000)	31-12-17	31-12-16
Direct property expenses		
Bad debts	**10**	265
Centre marketing expenses	**1,350**	1,208
Insurance premiums	**403**	383
Managing agent fees	**1,042**	943
Property taxes	**1,907**	1,875
Repair and maintenance	**488**	626
Shortfall service charges	**246**	278
	5,446	5,578
Indirect property expenses		
Accounting fees	**183**	224
Audit fees	**92**	179
Depreciation fixed assets	**402**	254
Dispossession indemnities	**109**	117
Italian local tax (IRAP)	**988**	765
Legal and other advisory fees	**699**	825
Letting fees and relocation expenses	**835**	1,003
Local office and accommodation expenses	**935**	938
Pension contributions	**87**	80
Salaries, wages and bonuses	**3,233**	2,949
Social security charges	**1,258**	1,158
Performance shares granted (IFRS 2)	**295**	170
Travelling expenses	**452**	387
Other local taxes	**424**	304
Other expenses	**89**	107
	10,081	9,460
	15,527	15,038

Notes to the condensed consolidated financial statements

as at 31 December 2017

5. Investment revaluation and disposal of investment properties

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

For the six months ended (€‘000)	31-12-17	31-12-16
Revaluation of property investments	**3,098**	56,062
Revaluation of property investments under development	**1,413**	271
Divestment movement property sold	**(15,421)**	(866)
Elimination of accrued entry fees	**(162)**	128
Elimination of capitalised letting fees	**51**	(241)
Movement long-term creditors	**(306)**	262
Foreign currency results	**(1,081)**	(48)
	(12,408)	55,568

The divestment result of €15.4 million is related to the sale of the Swedish asset owning companies: €10.7 million negative relate to the net price received and €4.7 million due to realised negative currency translation differences.

The movement of foreign currency results includes a realised amount of €863,000 negative (31 December 2016: €51,000 negative), an unrealised amount of €218,000 negative (31 December 2016: €3,000 positive) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

6. Net financing cost

Net financing cost in the current financial period comprised:

For the six months ended (€‘000)	31-12-17	31-12-16
Interest income	**20**	17
Gross interest expense	**(20,180)**	(20,500)
Capitalised interest	**972**	519
Unrealised fair value movement derivative financial instruments	**10,451**	32,778
Realised fair value movement derivative financial instruments	**(4,045)**	(2,090)
	(12,782)	10,724

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method. The interest payable to finance the extension/acquisition of an asset is capitalised until completion/acquisition date and is reported as capitalised interest. The interest rate used for capitalised interest during the current financial period was 1.9% (31 December 2016: 1.9%). Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements so that 87% (31 December 2016: 77%) of interest costs are fixed at an average interest rate of 2.6% (31 December 2016: 2.7%) for an average period of six years (31 December 2016: seven years). Due to higher market interest rates the negative fair value of this interest rate swap portfolio changed, resulting in a positive movement of €6.4 million for the period. During this period interest rate swaps were terminated with a notional amount of €60.0 million resulting in a negative realised fair value movement of €4.1 million.

Notes to the condensed consolidated financial statements

as at 31 December 2017

7. Company expenses

Company expenses in the current financial period comprised:

For the six months ended (€'000)	31-12-17	31-12-16
Audit fees	**157**	160
Depreciation fixed assets	**95**	122
Directors' fees	**813**	810
IT expenses	**451**	434
Legal and other advisory fees	**345**	178
Marketing expenses	**286**	309
Office and accommodation expenses	**1,038**	991
Pension costs*	**19**	(5)
Pension contributions	**135**	326
Salaries, wages and bonuses	**1,929**	1,860
Social security charges	**316**	263
Statutory costs	**182**	195
Performance shares granted (IFRS 2)	**224**	165
Travelling expenses	**244**	183
Other expenses	**283**	299
	6,517	6,290

* The pension contributions are allocated to the direct investment result and the pension costs to the indirect investment result.

8. 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 be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 31 December 2017. The yields described in the Board of Management report reflect market practice and are derived by dividing expected property net income for the coming year by the gross valuation (net valuation figure plus purchaser's costs including transfer duties) expressed as a percentage. 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 at 31 December 2017, which contained an uncertainty paragraph setting out these circumstances.

Notes to the condensed consolidated financial statements

as at 31 December 2017

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

The current property portfolio is:

(€'000)	**31-12-17 Net value**	30-06-17 Net value	**31-12-17 Costs to date**	30-06-17 Costs to date
France				
Passage du Havre, Paris*	**409,700**	410,300	**190,455**	190,368
Val Thoiry, Greater Geneva	**150,300**	147,800	**136,349**	136,231
Les Atlantes, Tours*	**142,300**	152,800	**65,393**	65,408
Centr'Azur, Hyères*	**94,100**	93,100	**62,093**	62,060
Chasse Sud, Chasse-sur-Rhône*	**91,700**	89,100	**73,135**	73,197
Plaine de France, Moisselles*	**80,000**	79,400	**67,403**	64,603
Les Portes de Taverny, Taverny*	**71,900**	71,800	**26,015**	25,995
Amiens Glisy, Amiens*	**71,100**	69,000	**37,341**	31,886
Les Allées de Cormeilles, Cormeilles*	**49,800**	48,300	**44,749**	44,727
Les Trois Dauphins, Grenoble*	**39,600**	38,600	**26,913**	26,913
Les Grands Hommes, Bordeaux	**20,600**	19,800	**18,353**	18,269
Shopping Etrembières, Greater Geneva*** *****	**5,600**	5,600	**8,013**	8,013
74 rue de Rivoli, Paris*	**0**	79,100	**0**	20,784
	1,226,700	1,304,700	**756,212**	768,454
Italy				
I Gigli, Florence*	**442,400**	439,000	**325,757**	322,387
Carosello, Carugate, Milan*	**358,200**	353,800	**208,781**	207,277
Il Castello, Ferrara*	**132,200**	128,000	**86,543**	85,075
Collestrada, Perugia* **	**130,900**	130,100	**127,141**	125,978
Curno, Bergamo*	**112,500**	112,800	**36,727**	36,546
Cremona Po, Cremona* **	**105,900**	89,700	**106,507**	90,372
Centro Leonardo, Imola* ****	**72,000**	72,500	**65,925**	65,642
I Portali, Modena*	**50,200**	50,200	**47,361**	47,283
La Favorita, Mantova* ****	**47,800**	48,600	**34,500**	34,374
Centro Lame, Bologna* ****	**40,000**	40,800	**29,988**	29,966
Centroluna, Sarzana* ****	**25,900**	26,100	**14,925**	14,930
	1,518,000	1,491,600	**1,084,155**	1,059,830
Sweden				
Bergvik, Karlstad*	**154,920**	156,123	**110,468**	109,562
Hallarna, Halmstad	**129,828**	112,658	**123,365**	108,330
Ingelsta Shopping, Norrköping*	**123,123**	124,899	**93,783**	93,713
Grand Samarkand, Växjö*	**120,685**	121,164	**79,901**	79,784
C4 Shopping, Kristianstad ***	**98,742**	79,773	**94,558**	76,665
Elins Esplanad, Skövde*	**85,841**	86,828	**59,654**	59,299
Moraberg, Södertälje	**46,527**	48,030	**38,987**	38,968
421, Göteborg*	**0**	89,732	**0**	89,813
Mellby Center, Laholm*	**0**	19,088	**0**	15,919
	759,666	838,295	**600,716**	672,053
	3,504,366	3,634,595	**2,441,083**	2,500,337
Less: Property investments under development	**(104,342)**	(85,373)	**(102,571)**	(84,678)
Less: Property investments held for sale	**(185,700)**	(98,188)	**(145,338)**	(36,703)
Property investments	**3,214,324**	3,451,034	**2,193,174**	2,378,956

* These properties carry mortgage debt up to €1,325 million at 31 December 2017 (30 June 2017: €1,394 million).
** Including (land) acquisitions.
*** Classified as property investments under development.
**** Property investments held for sale.
***** This parcel of land is next to Shopping Etrembières (partly owned via a joint venture).

Notes to the condensed consolidated financial statements

as at 31 December 2017

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

Changes in property investments for the financial period ended 31 December 2017 were as follows:

(€'000)	**01-07-17/ 31-12-17**	01-07-16/ 30-06-17
Book value at beginning of period	**3,549,222**	3,295,558
Acquisitions	**14,676**	51,572
Capital expenditure - general	**3,643**	9,505
Capital expenditure - extensions and refurbishments	**30,802**	56,876
Capitalised interest	**491**	939
Capitalised letting fees	**(51)**	(199)
Elimination of capitalised letting fees	**51**	199
Revaluation of property investments	**3,098**	162,427
Revaluation of property investments held for sale	**0**	8,028
Book value divestment property	**(185,660)**	(19,867)
Exchange rate movement	**(16,248)**	(15,816)
Book value at end of period	**3,400,024**	3,549,222

Changes in property investments under development for the financial period ended 31 December 2017 were as follows:

(€'000)	**01-07-17/ 31-12-17**	01-07-16 / 30-06-17
Book value at beginning of period	**85,373**	5,000
Acquisitions	**0**	39,434
Capital expenditure	**17,412**	37,115
Capitalised interest	**481**	486
Revaluation property investments under development	**1,413**	2,915
Exchange rate movement	**(337)**	423
Book value at end of period	**104,342**	85,373

The fair value measurement of all the property investments is categorised within level 3 of the fair value hierarchy (30 June 2017: level 3).

Assumptions and sensitivity analysis:
The average net initial yield applied by the valuers is 4.3% for France, 5.2% for Italy and 5.0% for Sweden, compared to the yields reported as per 30 June 2017 of 4.2%, 5.3% and 4.9%, respectively.

An increase in the average net initial yield of 25 bps would result in a decrease in the value of the property portfolio of €166 million (30 June 2017: €176 million), whereas a decrease in the average yield of 25 bps would result in an increase in the value of the property portfolio of €183 million (30 June 2017: €184 million).

An increase in the estimated rental value of 5% would result in an increase in the value of the property portfolio of €132 million (30 June 2017: €130 million). A decrease in the estimated rental value of 5% would result in a decrease in the value of the property portfolio of €132 million (30 June 2017: €123 million).

9. Investments in joint ventures

Changes in investments in joint ventures for the financial period ended 31 December 2017 were as follows:

(€'000)	**01-07-17 / 31-12-17**	01-07-16 / 30-06-17
Book value at beginning of period	**107,306**	90,596
Other movements/acquisitions	**0**	753
Eurocommercial share of total comprehensive income	**5,813**	15,957
Book value at end of period	**113,119**	107,306

Notes to the condensed consolidated financial statements

as at 31 December 2017

10. Receivables

The two largest current receivables items are rents receivable for an amount of €23.5 million (30 June 2017: €23.1 million) and VAT receivable for an amount of €8.1 million (30 June 2017: €6.9 million).

11. Creditors

The two largest current creditors items are rent received in advance for an amount of €26.9 million (30 June 2017: €25.8 million) and the creditors related to capital expenditure on the retail properties for an amount of €15.2 million (30 June 2017: €18.4 million). The non-current creditors of €19.9 million relate to €10.9 million for tenant rental deposits (30 June 2017: €11.3 million) and for €9.0 million to estimated purchase costs of a property investment under development (30 June 2017: €13.2 million).

12. Borrowings

(€'000)	01-07-17 / 31-12-17	01-07-16 / 30-06-17
Book value at beginning of the period	**1,505,462**	1,404,689
Drawdown of funds	**134,749**	523,372
Repayments	**(228,039)**	(415,466)
Exchange rate movement	**(6,778)**	(5,488)
Movement prepaid borrowing costs	**635**	(1,645)
Book value at the end of the period	**1,406,029**	1,505,462

The borrowings are all directly from major banks with average committed unexpired terms of almost 5 years. The average interest rate, including derivative financial instruments, in the current financial period was 2.6% (12 months ended 30 June 2017: 2.5%). At 31 December 2017 the Company has hedged its exposure to interest rate movements on its borrowings for 87% (30 June 2017: 72% at an average term of 7 years (30 June 2017: 7 years). The fair value of the loans is €1,439 million (book value at 31 December 2017: €1,406 million), compared to a fair value of €1,532 million at 30 June 2017 (book value at 30 June 2017: €1,505 million). 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.

13. Derivative financial instruments

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 the condensed consolidated statement of 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 own credit risk regarding counterparties. Derivative financial instruments concern derivative interest rate swap contracts. A valuation technique is used to determine the fair value of the derivatives with inputs that are directly or indirectly observable market data. The fair value of the derivatives is estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument. In connection with the non-current borrowings, the derivative financial instruments are presented as non-current assets and non-current liabilities. The fair value measurement of all derivative financial instruments is categorised within level 2 of the fair value hierarchy (30 June 2017: level 2), except for the put option to acquire the remaining 50% of the Fiordaliso shopping centre. The fair value of this instrument is €12.6 million (30 June 2017: €12.3 million) and is classified within level 3. The fair value of this put option is based on an independent property valuation as per the balance sheet date, plus a premium based on a fixed percentage and matures on 29 October 2025.

Notes to the condensed consolidated financial statements
as at 31 December 2017

14. Deferred tax liabilities
Deferred tax liabilities increased to €169.8 million (30 June 2017: €165.1 million) and are related to deferred capital gains tax on the Italian and Swedish property investments and to the derivative financial instruments for hedging the Company’s exposure to interest rates in Italy and Sweden.
The changes in deferred tax liabilities were as follows:

(€‘000)	**01-07-17 / 31-12-17**	01-07-16 / 30-06-17
Book value at beginning of the period	**165,086**	90,569
Recognised in statement of profit or loss	**12,752**	77,007
Release to statement of profit or loss due to property sale	**(6,546)**	(993)
Exchange rate movement	**(1,456)**	(1,497)
Book value at the end of the period	**169,836**	165,086

15. Share capital and reserves
The Company’s shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares. The number of shares on issue increased on 30 November 2017 by 672,381 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 26.2% of the issued share capital (2016: 27.0%) opted for the bonus depositary receipts at an issue price of €39.90 from the Company’s share premium reserve, instead of a cash dividend of €2.10 per depositary receipt for the financial year ended 30 June 2017. Accordingly, of the available dividend of €102.1 million, an amount of €26.8 million was not paid out in cash.

On 10 November 2017, 26,711 depositary receipts granted under the Performance Share Plan 2014 were vested. On the date of the vesting the company had 262,230 depositary receipts bought back of which 168,263 were initially intended to finance the exercise of the 2007 stock options. Since this series of options expired out of money, part of these depositary receipts were used to provide for the vested performance shares.

16. Commitments not included in the balance sheet
The Company has signed building contracts for the extension project in Halmstad, Sweden and for C4 in Kristianstad, Sweden. The outstanding commitments under these contracts are SEK 395 million (c. €40 million) as per 31 December 2017. Not included is an amount of SEK 350 million (c. €36 million) for the C4 project, which is due if certain conditions are met. The Company has signed an agreement to contribute €3.2 million to Galleria Verde S.r.l. to undertake a refurbishment of Fiordaliso. The Company signed a contract to sell land adjacent to the shopping centre of Collestrada, Perugia In Italy for further development if certain conditions are met at a price of €7.4 million. The Company signed a contract to buy more land adjacent to the shopping centre of Collestrada, Perugia in Italy for further development if certain conditions are met at a price of €4.9 million.

17. Post balance sheet events
In January, the Company has signed a binding agreement to purchase the Woluwe shopping centre situated in Brussels, Belgium for an overall gross investment amount including registration tax of around €468 million. In addition, the Company signed an eighteen-month loan facility jointly provided by ABN AMRO and ING of €475 million. 50% of which will convert to a seven-year mortgage loan. In the same month, the Company also signed a binding agreement to purchase the Valbo shopping centre in Gävle, Sweden for the amount of around €116 million. In addition to this purchase the Company signed a seven-year mortgage loan in Swedish Kroner with Aareal Bank AG for the amount of SEK 442 million (c. €45 million).

Amsterdam, 9 February 2018

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

Board of Supervisory Directors
B.T.M. Steins Bisschop, Chairman
B. Carrière
C. Croff
R.R. Foulkes
J.-Å. Persson

Other information

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%), the Government of Singapore (9.91%), BlackRock, Inc. (5.41%) and Janus Henderson Group Plc (4.84%).

The dates of the aforesaid notifications were 1 November 2006, 1 February 2018, 29 August 2017 and 26 November 2015.

Stock market prices and turnovers from 1 July to 31 December 2017

	High	Low	Average
Closing price 31 December 2017 (€; depositary receipts)	37.22	33.79	35.50
Average daily turnover (in depositary receipts)	98,428		
Average daily turnover (€‘000,000)	3.5		
Total turnover over the past six months (€‘000,000)	453.2		
Market capitalisation (€‘000,000)	1,799.8		
Total six months turnover as a percentage of market capitalisation	25.2%		

Source: Euronext, Global Property Research.

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

ISIN – Code:	NL 0000288876
Stock market prices are followed by:	
Bloomberg:	ECMPA:NA
Reuters:	SIPFc.AS

Other information

Review report of the Company's auditors

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

Introduction
We have reviewed the accompanying condensed consolidated interim financial information as at 31 December 2017 of Eurocommercial Properties N.V., Amsterdam, which comprises the condensed statement of financial position as at 31 December 2017, the condensed statements of profit or loss, changes in shareholders' equity, and cash flows for six months ended 31 December 2017, and the notes. The Board of Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope
We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 December 2017 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 9 February 2018
KPMG Accountants N.V.

H.D. Grönloh RA

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