EUROCOMMERCIAL

Annual Report
30 June 2017

EUROCOMMERCIAL

A unique combination of industry-leading experience and innovation.

Strong track record

Sustainable, consistent income and capital growth have been our focus from the beginning in 1991. Since then, our earnings and dividends have risen steadily and, with net asset value growth, have shown a total return of 10% per annum. We have the lowest turnover of senior staff in the industry with an average tenure of directors of well over 20 years.

Clear investment focus

We focus on wealthy West European regions – currently France, Italy and Sweden – and only on prime retail properties, whether city centre galleries, suburban shopping centres or retail parks. We work to ensure that, whatever their type or size, our properties are the best in their categories and are continually improved both physically and in tenant mix. The result is that our occupancy levels at 99.7% are the highest in the industry.

Research-led insight

Our research department conducts the most thorough demographic, economic, transport and competition research for every new investment. It also makes frequent surveys in our centres to ensure that our customers and tenants are happy with the facilities and products we offer. These surveys are both face-to-face and digital, using the latest social media and software.

Responsible partner

Our shopping centres are the focal point of their communities, not only for the physical amenities they offer, but also for employment of local residents and a real contribution to the local cultural, sporting and educational life of the community. We take our role as a partner seriously and work hard to support our local communities.

Cover photo: I Gigli, Firenze.
Eurocommercial's largest and most visited centre.

2016/17 results highlights
An active year

One of our most active years

We have bought properties with a value of over €150 million; have signed agreements to sell smaller centres amounting to nearly €100 million; and are developing new space with a future area of 82,100m². We also achieved the lowest level of vacancies in our history.

Earnings per share rose by 3.7% and adjusted net equity reached €46.42 per depositary receipt, as a result of property values increasing by 5.0%.

Rental growth

4.1%

Like-for-like rental growth over the 12 months has been strong across the portfolio at 4.1% despite almost 0% inflation and rental indexation. Italy was best with 5.6%, then Sweden at 3.2% and France at 2.3%.

Property values

5.0%

Overall, property values rose by 5.0% over the year. In Italy the increase was 6.7%, in France 2.8% and Sweden 5.5%.

Earnings

3.7%

Earnings, expressed as the direct investment result, rose by 3.7% to €2.23 per depositary receipt, a record level for the Company.

Net asset value

8.0%

The adjusted net asset value increased 8.0% to €46.42 per depositary receipt, an overall increase of €195 million.

Dividend

2.4%

The Board is recommending a dividend for the year of €2.10 per depositary receipt, an increase of 2.4%.

Retail sales growth

-1.0%

Overall, retail sales decreased 1.0% over 12 months, but improved over the three months to 30 June to +0.7%.

Contents

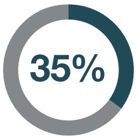
Eurocommercial
At a glance

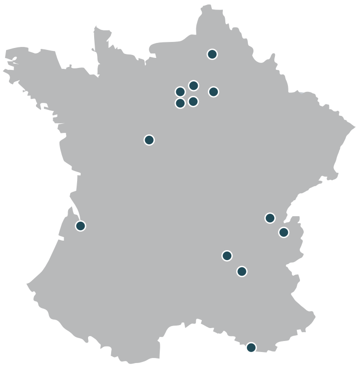
We own and manage retail property in France, Italy and Sweden **valued at €3.8 billion**, which attracted **148 million visitors** last year.

France

Property value
€1,352m

% of portfolio





Properties
13

Gross lettable area
228,000m²

Visitors
47m

Shop sales turnover (12 months)
€578.9m

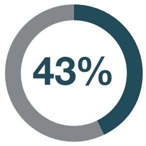
Average rent per m², MGR for boutiques 300m² and under
€519

Average turnover per m² for boutiques 300m² and under
€7,906

Italy

Property value
€1,645m

% of portfolio



Properties
12

Gross lettable area
328,000m²

Visitors
76m

Shop sales turnover (12 months)
€991.6m

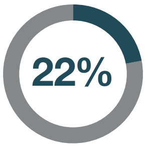
Average MGR per m², for boutiques 300m² and under
€673

Average turnover per m² for boutiques 300m² and under
€7,472

Sweden

Property value
€838m

% of portfolio



Properties
9

Gross lettable area
267,000m²

Visitors
25m

Shop sales turnover (12 months)
€544.7m

Average rent per m², MGR for boutiques 300m² and under
€370

Average turnover per m² for boutiques 300m² and under
€6,111

Chief Executive's review

The combination of new acquisitions and full occupancy of our centres has meant that our earnings have reached the record level of €2.23 per depositary receipt.

Jeremy Lewis
Chief Executive

2017 was one of our busiest and most successful years, with strong increases in both rental income and property values. Earnings have reached record levels and we have extended the maturity of our loans and our swaps to lock in current low interest rates.

Property investment markets in France, Italy and Sweden continue to be strong, particularly in France where yields had reduced and remain firm with good demand from French and foreign institutions. We have signed a contract to sell 74 rue de Rivoli, Paris, to a major institutional investor for a net price of €79.6 million and with a net yield of 3%. The property has produced a total return of 13% per annum since its purchase in 1998. Completion is expected to take place in October.

In Italy, valuation yields have declined for the larger properties, bringing them closer to French levels. I Gigli and Carosello are now valued at 5%. The Swedish market has retained its strength, despite possible tax reforms now delayed until at least 2018.

Eurocommercial's attractive and popular centres continue to perform well in 2017 with 99.7% occupancy levels, benefitting from continual upgrading and reletting to such strong international names as Primark and Zara. In 2017, these centres generated €186 million in rental income under IFRS. Our occupancy cost ratio of 8.5% reflects our long-term commercial approach to building sustainable and close relationships with our tenants, resulting in the lowest levels of vacancy and arrears in our industry.

The shopping centre developments of Halmstad and Kristianstad in Sweden are both on schedule for construction and lettings, with the former in line to deliver a 7% net return on cost. The exemplary expansion and refurbishment of our largest centre, I Gigli in Italy (85,406m², of which 12,192m² was refurbished and expanded), was completed in 2017. We welcomed the first Primark store south of Milan, a much enlarged Zara and an exciting new restaurant concept – ai Banchi del Mercato Centrale. In France, the 5,000m² extension of the gallery in Amiens is scheduled for completion in October 2017.

The agreed sales of rue de Rivoli (France) and Mellby (Sweden), which are examples of our continuing asset rotation programme, will release nearly €100 million, which we will reinvest into further expansion projects.

Earnings and dividends

With record earnings of €2.23 per depositary receipt, we are recommending a dividend of €2.10 per depositary receipt, maintaining our unbroken record of stable or rising dividend every year since the inception of Eurocommercial in 1991. Dividend reserves now stand at €357 million, giving us great security for the future.

Increased valuations

Independent valuations of our properties by the major international firms have increased book values, as at 30 June 2017, to a total of €3.8 billion. As a result, the adjusted net asset value has risen to €46.42 per depositary receipt.

99.7% Occupancy levels

Eurocommercial has enjoyed very high occupancy levels in its shopping centres since the founding of the Company and this year has been no exception. The reasons for the consistent popularity of our centres with retailers are that they are where the retailers want them to be, and the centres are attractive, easily accessed and the best of their kind in their catchments. We also make it our business to be responsive to the needs of our retailer tenants, with whom we have established excellent long-term relationships.

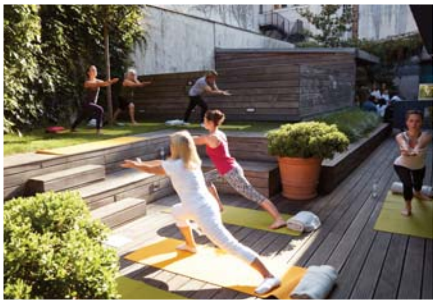
Internet: Challenges and opportunities

The rise of e-commerce and the concept of integrating physical and virtual sales platforms presents both challenges and opportunities to the retail sector.

We are already deploying exciting and innovative new ways of identifying and reaching visitors to our shopping centres – whether through geo-location, data collection or direct social media engagement. For example, during 2017, we had successes with highly targeted social media campaigns supporting our centres Cremona Po and Chasse Sud.

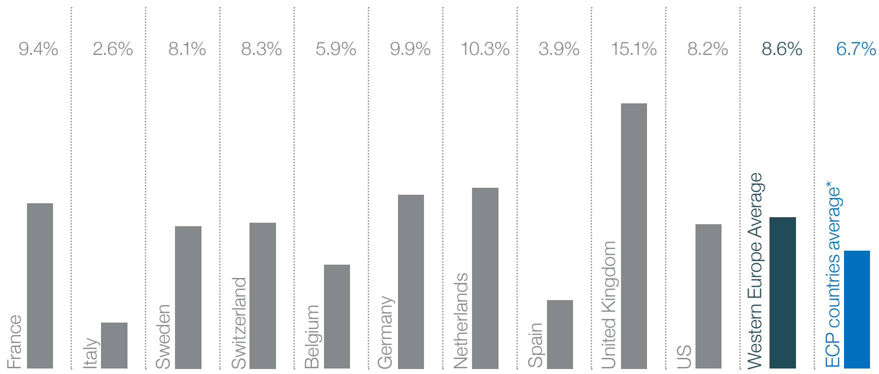
While e-commerce offers increasing competition for 'bricks and mortar' stores, overall, in Western European markets, less than 10% of retail sales are made online on average. Our research and experience shows that most fashion retailers are actually increasing the size of their shops to enable them to offer as complete a range as possible, and to facilitate 'click and collect' internet sales.

Moreover, the majority of our suburban centres are anchored by hypermarkets, which do not offer home delivery but prefer 'click and collect' from their stores. This means that our visitor numbers are maintained. Sales by this method also remain under 10% of the hypermarket total turnover.



Passage du Havre
Finding new ways to attract visitors.

Online sales as percentage of total sales



Source: Forrester European Online Retail Sales 2016. United States figures from the Census Bureau of the Department of Commerce, 4th Quarter 2016.

Total retail and online retail does not include categories such as travel, cars and prescription drugs. It also does not include food and drink sales at a restaurant or fast food chain, consumer-to-consumer commerce, or gasoline sales.

* Unweighted average

Chief Executive's review continued

Our management team

Evert Jan van Garderen Finance Director

Tom Newton Director, France

Jeremy Lewis Chief Executive

Peter Mills Director, Sweden

Roberto Fraticelli Director, Italy

Attractive centres

Physical shops must offer an attractive alternative to the convenience of buying from home or on a mobile device. We put considerable thought into ensuring that our centres are easy to get to and pleasant places in which to spend time.

We also ensure that our malls offer useful – or even essential – services such as health centres, dentists, childminding facilities and playgrounds, as well as free Wi-Fi and collection points for goods ordered online.

Community responsiveness

We sponsor local cultural events, sports teams, transport services and provide interesting and rewarding employment for people who live near our centres.

In the wake of terrorist and fire incidents across Europe, and France in particular, managing safety and security risks has become increasingly important for shopping centre operators and their customers. We work closely with local police and emergency services to ensure that we have appropriate preparedness procedures in place within our centres. All shopping centres have a manager who is responsible for undertaking regular safety checks and ensuring that all appropriate regulations are met and plans and mitigation measures are in place.

Acquisitions

Eurocommercial acquired a major shopping centre, hypermarket and retail park at Kristianstad in the southern Skåne region of Sweden in October 2016. The shopping centre is to be completed in 2018 and is already 75% pre-let. The hypermarket will open at the end of September 2017. The net acquisition yield for the shopping centre and hypermarket is 6% and will generate a total purchase cost of around €134 million, depending on the level of rental income achieved.

In December 2016, we increased our ownership of Centr'Azur to 100% by acquiring the 15,500m² hypermarket, along with some external units, at a gross price of €40 million.

Property sales

Sales of existing smaller properties have been completed, or are under way, in France and Sweden, releasing funds of almost €100 million for our expansion programme. We have signed a contract to sell 74 rue de Rivoli, Paris, to a major institutional investor for a net price of €79.6 million and with a net yield of 3%.

We have also agreed the sale of Mellby in Sweden at a price of SEK185 million, its latest valuation. We will continue our asset rotation plans as circumstances permit and as funds are required.

Developments

Extensions and refurbishments are under way, or completed, in a number of centres which will be described more fully in the country sections of this report. In all countries, we have built up considerable development expertise which means we can obtain higher returns than are possible by buying existing properties in the current highly competitive market.

The future

We have the opportunity to extend and improve a further 11 centres in France, Italy and Sweden over the coming years, as planning consents are obtained. Our clear objective is to reinforce the importance and attraction of these centres as the best in their catchments.

With high occupancy levels throughout our attractive shopping centres, plus the completion of several exciting expansion projects in the coming months, we believe the outlook for Eurocommercial in the next 12 months is excellent.

Market outlook

We expect modest inflation to re-emerge, in line with improving European economies, and interest rates to gradually rise as a result. Rental growth will also benefit from indexation so property yields are likely to remain firm.

I Gigli: Refurbishment

In June 2017, we completed a renovation and refurbishment of I Gigli, a centre we have owned since 1999. The space freed by the hypermarket reduction has been converted into a new mall and large premises for Primark, Zara, Piazza Italia, Sephora and others. On the upper floor, we introduced an exceptional new food concept for a shopping centre: ai Banchi del Mercato Centrale, a new marketplace for local food operators.

C4: A new centre in Sweden

In October 2016, we bought C4 Shopping, a 31,600m² shopping centre development and adjoining 9,000m² hypermarket box located just outside Kristianstad, Sweden. The centre is already 75% pre-let a year ahead of its scheduled opening in October 2018, with the hypermarket due to open at the end of 2017.

Property performance

Strong rental growth

Like-for-like rental growth for all properties was a strong 4.1% despite almost non-existent inflation and, therefore, rental indexation.

Italy showed the strongest growth with 5.6% and Sweden followed with 3.2%. France, despite elections and other worries, achieved 2.3%.

Like-for-like rental growth

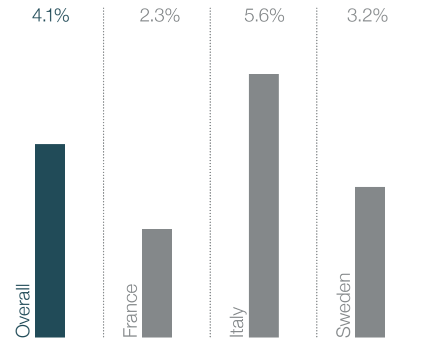
4.1%

Average rental uplift on relettings and renewals

21%

Like-for-like rental growth %

2016/17



	Average rental uplift on relettings and renewals	% of total leases relet and renewed	Number of relettings and renewals	Like-for-like rental growth
Overall	21%	17%	271	4.1%
France	10%	13%	64	2.3%
Italy	28%	18%	156	5.6%
Sweden	12%	20%	51	3.2%

Excluding extensions

Rising property values

All our properties are valued every six months by independent appraisers, and firms are rotated every three years. The valuations reflect an increase in investor demand but, equally importantly, they reflect the very low vacancies, security of income and retail sales in our centres.

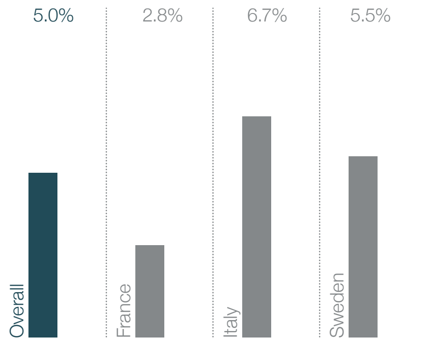
Overall, our values rose by 5.0% with an increase of 6.7% in Italy, as appraisers noted the discrepancy between yields here and other European countries. In Sweden, the strong market was reflected in a rise of 5.5% and in France, which has already seen a strong rise in values last year, our properties rose by 2.8%.

Increased property values

5.0%

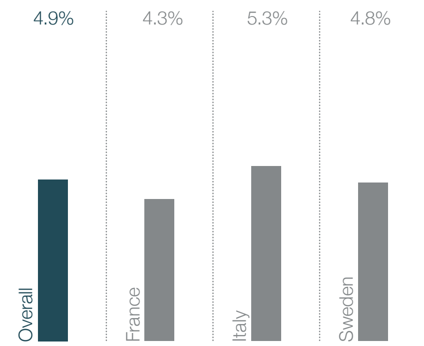
Value growth %

12 months to 30 June 2017



Net yields %

At 30 June 2017



High occupancy

Eurocommercial has the lowest vacancy rate in the listed property sector, with vacancies in its shopping centres consistently below 1%. We have, over recent years, achieved this level of success through very careful tenant selection, setting rents that allow tenants to be profitable, and employing centre management teams with vast experience and dedication.

At 30 June 2017, vacancies remained low once again with a total occupancy level of 99.7%.

Sustainable occupancy cost ratios

Shop rents are carefully matched to retail sales so that an appropriate and sustainable occupancy cost ratio (OCR) of gross rent to gross sales turnover can be achieved. This not only helps the retailer make a reliable profit, but also assists us in judging the shop mix and adapting it as necessary.

At 30 June 2017, occupancy cost ratios across the portfolio averaged 8.5%, excluding hypermarkets.

Retail sales improve in final quarter

A key driver of rental and capital value growth in any shopping centre is the volume and growth of retail sales by the tenants. Eurocommercial only invests in properties where retail tenants disclose their sales every month.

Overall, retail sales decreased 1.0% for the 12 months, but improved in the last three months by 0.7%.

Occupancy rates

99.7%

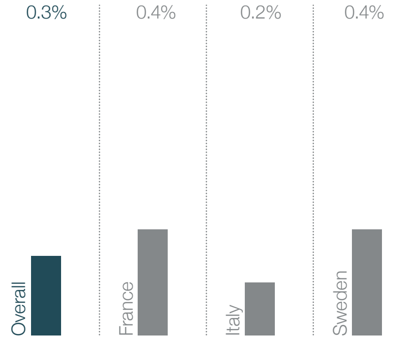
Occupancy cost ratio

8.5%

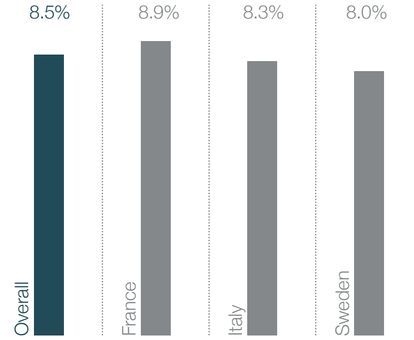
Like-for-like retail sales

-1.0%

Vacancy by rent %
30 June 2017



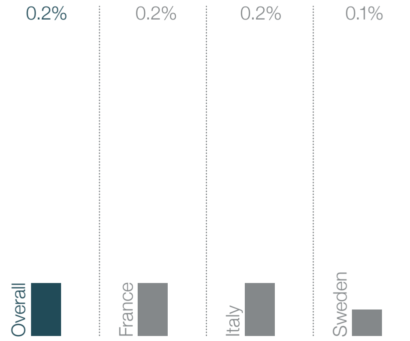
Occupancy cost ratios (excl. hypermarkets) %



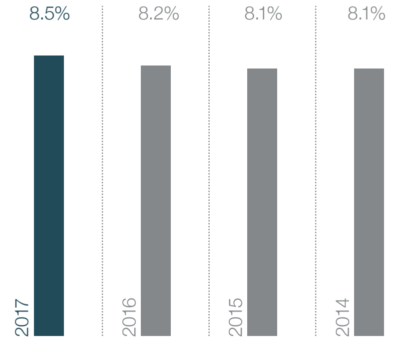
Like-for-like retail sales growth %

	12 months to 30 June 2017	6 months to 30 June 2017
Overall	-1.0%	-0.2%
France	-2.1%	-0.7%
Italy	-1.2%	-0.4%
Sweden	2.3%	1.7%

Vacancy by floor area %
30 June 2017



Historical occupancy cost ratios (excl. hypermarkets) Turnover incl. VAT %



Like-for-like retail sales growth by sector %
12 months to 30 June 2017

	12 months to 30 June 2017	6 months to 30 June 2017
Fashion	-1.0%	0.3%
Shoes	2.3%	4.4%
Gifts & jewellery	1.6%	0.3%
Health & beauty	1.0%	2.2%
Sport	1.4%	1.8%
Restaurants	-0.3%	2.0%
Home goods	-2.4%	0.7%
Electricals	-4.0%	-5.1%
Hyper/supermarkets	1.8%	2.8%

Financial performance

During the year, we completed a total of €515 million new or refinanced loans, approximately one-third of the total loan book.

Evert Jan van Garderen
Finance Director

Results summary*

	2016/17	2015/16
Rental income (€m)**	**197.7**	188.2
Net rental income (€m)**	**163.0**	155.4
Direct investment result (€m)	**108.0**	102.8
Direct investment result per depositary receipt (€)	**2.23**	2.15
Dividend per depositary receipt (€)	**2.10**	2.05
IFRS profit after taxation (€m)	**260.8**	207.4
Adjusted net asset value per depositary receipt (€)	**46.42**	43.00
IFRS net asset value per depositary receipt (€)	**40.58**	37.34
Net debt to adjusted net equity**	**67%**	66%
Net debt to property value**	**39%**	39%
Average interest cost, including margins	**2.5%**	2.7%

* Includes joint ventures.
** Based on proportional consolidation.

€2.10

Dividend per depositary receipt 2016/17

Overview

It has been another strong year for Eurocommercial, and our 4.1% rental income and 3.7% earnings growth during the year to 30 June 2017 are testament to this. As a result, we have proposed a dividend of €2.10 per depositary receipt, continuing our 25-year track record of dividend growth.

While more than satisfactory, these numbers only tell part of the story. Our active approach to asset rotation and portfolio management can only be achieved if we have a strong balance sheet. During the year, we undertook a significant amount of work to refinance a third of our loan book, securing longer and better loan terms. We supplemented this with agreements for asset disposals to generate further cash flow. Together with our comprehensive interest rate hedging programme, the result is that Eurocommercial has the capital and risk management structure to sustain our investment programme, thus driving returns and future earnings.

Property valuations and net asset values (NAV)

All our properties were independently valued at 30 June 2017 by major international firms in accordance with the standards set out in the Red Book of the Royal Institution of Chartered Surveyors. The outcome of this exercise was a 5.0% uplift in property valuations across our portfolio, with an overall net yield of 4.9%. The change in values of the individual properties since June and December 2016 are set out in the tables in each of the country sections of this report, together with their net yields.

	Valuation growth		Net yield including purchase costs
	12 months to 30 June 2017	6 months to 30 June 2017	At 30 June 2017
Overall	**5.0%**	**3.4%**	**4.9%**
France	2.8%	1.4%	4.3%
Italy	6.7%	5.3%	5.3%
Sweden	5.5%	3.1%	4.8%

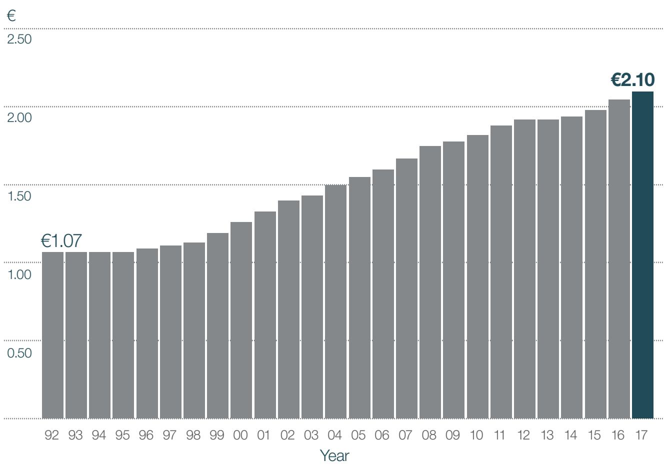
The adjusted net asset value figure at 30 June 2017 was €46.42 per depositary receipt, up 8.0% compared with €43.00 at 30 June 2016, and up also 8.0% compared with €43.00 at 31 December 2016. Adjusted net asset values do not take into account contingent capital gains tax liabilities, nor do they take into account the fair value of financial derivatives (interest rate swaps) which are used to stabilise interest costs.

The IFRS net asset value at 30 June 2017 was €40.58 per depositary receipt, compared with €37.34 at 30 June 2016 and €37.66 at 31 December 2016. It includes both contingent capital gains tax liabilities, if all the properties were to be sold simultaneously, and the fair value of financial derivatives (interest rate swaps).

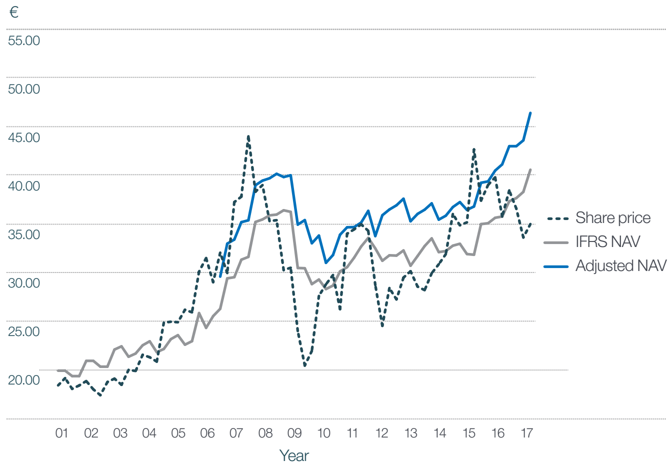
International Financial Reporting Standards (IFRS)

The total investment result (IFRS profit after taxation) for the year rose to €260.8 million from €207.4 million for the previous financial year. This included "investment revaluation and disposal of investment properties" for an amount of €173.0 million for the 12 months ended 30 June 2017, similar to €173.7 million for the 12 months to 30 June 2016.

Dividend progression since inception



Stock price vs. NAV



Financial performance continued

The year-on-year increase in total investment result reflects the positive fair value movement of the derivative financial investments (interest rate swap contracts) of €52.5 million, caused by slightly higher market interest rates (previous financial year €43.2 million negative). However, the overall result was reduced by higher deferred tax amounting to €77.0 million (previous financial year €22.5 million).

It is the view of the Board that the total investment result, as it includes unrealised 'capital' movements, does not properly represent continuing underlying earnings which are better defined by the direct investment result, the standard representation of operational profit for Dutch property companies.

Funding

Eurocommercial completed a total of €515 million new or refinanced loans, representing approximately one-third of the total loan book. As a result of agreeing these new loans under favourable terms, we were able to keep our interest expense for the financial year stable at €39.8 million. The average length of the loan portfolio, including the July transactions, is currently five and a quarter years and, at the end of the financial year, 72% of interest costs were fixed for an average of seven years.

The work we have done on refinancing means our loan schedule is very manageable. In our current financial year there is only one loan in Sweden amounting to €40 million maturing in December, and in the financial year starting 1 July 2018 only €80 million of non-current borrowings will mature. In the subsequent two financial years starting 1 July 2019 and 1 July 2020 respectively, the maturing non-current bank loans are amounts well below €100 million and just over €200 million, thus the overall refinancing risk has been significantly reduced.

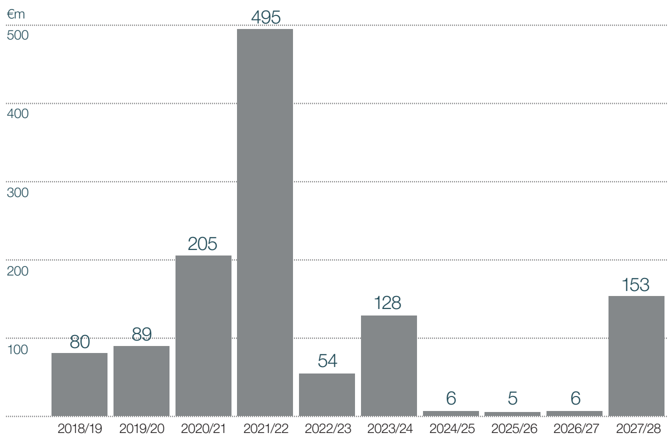
On the basis of proportional consolidation, the net debt to adjusted net equity ratio at year end was 67% (30 June 2016: 66%) and the net loan to property value was 39% (30 June 2016: 39%). The average overall interest rate (including margin) for the total loan portfolio improved slightly to 2.5%, compared with 2.8% at 31 March 2017 (30 June 2016: 2.7%).

19,900 performance shares (depositary receipts), which were awarded to employees in 2013, vested in November 2016. A further 616,025 depositary receipts were issued that month to shareholders who opted to take up the stock dividend. Therefore, at 30 June 2017, 48,631,957 depositary receipts were outstanding, after the deduction of the 262,230 depositary receipts held in treasury.

New and refinanced loans

Date financing completed	Value amount	Term	Type of loan	Secured against
September 2016	€72 million	7 years	Fixed rate bullet loan	Bergvik shopping centre
September 2016	€80 million	5 years	Loan, plus extension option for another five years	Carosello shopping centre
November 2016	€13 million	5 years	Loan, plus extension option for another five years	Italian properties
December 2016	€84 million	15 years	Fixed rate loan	Shopping centres in Amiens, Grenoble, Hyères and Moisselles
June 2017	€50 million	6 years	Loan	Leonardo, Imola
June 2017	€70 million	15 years	Fixed rate loan	Les Atlantes, Tours
June 2017	€55 million	5 years	Loan, plus extension option for another five years	Cremona Po
July 2017	€91 million	6 years	Two fixed rate bullet loans	Shopping centres in Norrköping and Skövde

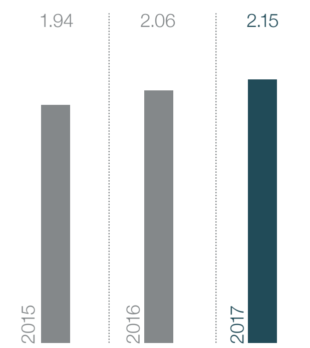
Non current loan maturity schedule



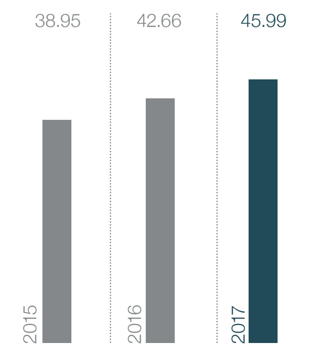
EPRA performance measures

Further information on the calculation of these metrics can be found on pages 59 and 60.

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.

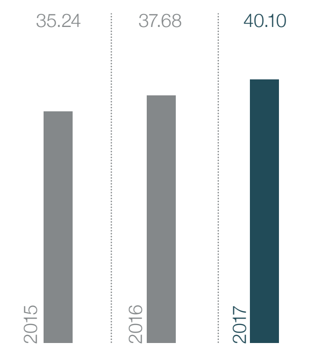


EPRA earnings
per depositary receipt (€)



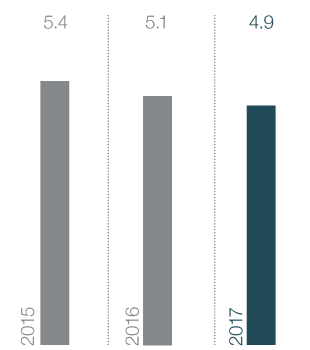
EPRA NAV
per depositary receipt (€)

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.

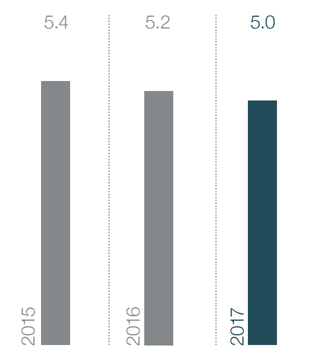


EPRA NNNAV
per depositary receipt (€)

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

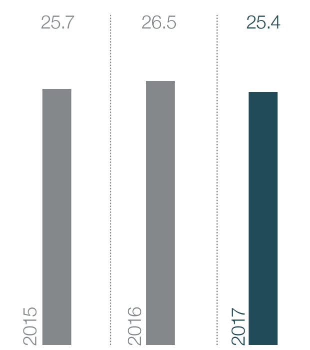


EPRA net initial yield (NIY)
per depositary receipt (€)



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

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



EPRA cost ratio*
including costs of direct vacancy

Administrative and operating costs divided by gross rental income.

* The EPRA cost ratio does not, we believe, give a meaningful comparison of the efficiency of property companies with widely differing property types and countries of operation where lease law, leasing practice and tax regimes can impact costs significantly. On page 60 the reconciliation of the EPRA cost ratio is provided and we explain there in more detail the limitations and disadvantages of this metric.

We think it is more appropriate to compare the clear standard metric of personnel numbers and costs (30 June 2017).

Personnel costs, including bonuses, €19.4 million.

Personnel costs, per €1 million of property assets €5,000.

Property assets per employee, €46.2 million.

Gross rent per employee, €2.4 million.

Research

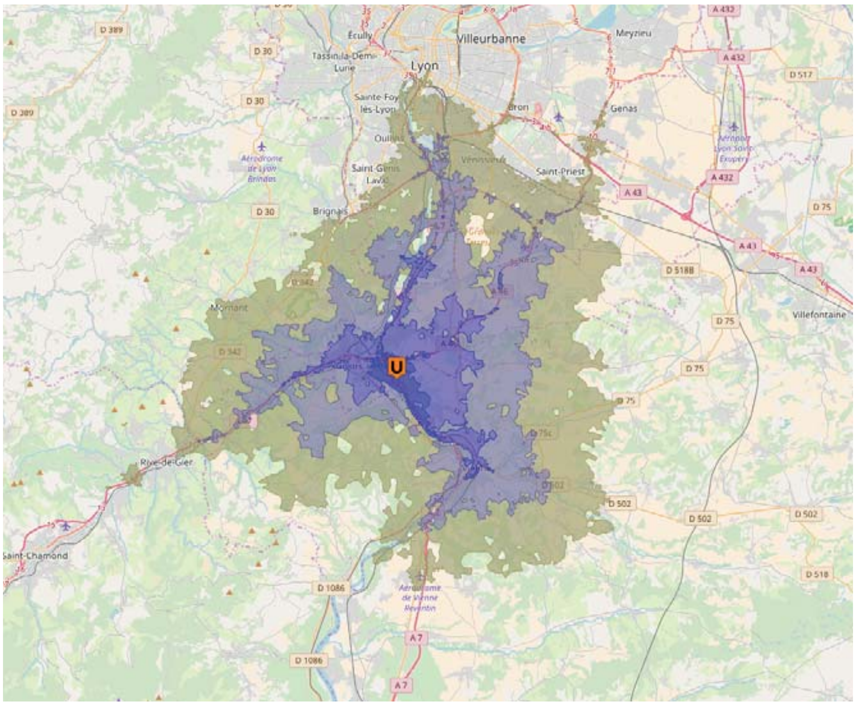
The outstandingly high occupancy levels of our centres (99.7% in 2017) is no accident. It is due to the most thorough research before a property is purchased and continues during its lifetime.

Our experienced and knowledgeable in-house research team covers national and regional economies, detailed catchment studies, analysis of spending capabilities and the relationship with rental levels, plus regular customer and tenant satisfaction surveys. It can be broadly summarised in three key areas.

National and regional economies

We thoroughly analyse national and regional economies, both in terms of actual conditions and future developments. Our dedicated research teams work closely with management to ensure that they have a full picture ahead of any decisions regarding purchases, investment or even disposals.

Our research here is based not just on key national and regional economic indicators (such as GDP, leader industries, PMI, and unemployment trends), but also consumer debt levels and savings ratios. We analyse inflation and national retail sales growth, as well as political stability and its potential impact on the health of the national and regional economies.



Catchment analysis

In order to establish the potential for an existing or future property, we look closely at the catchment surrounding our properties. We analyse the population and project spending in the area, based on data published by the relevant national statistics office.

Potential and actual competitor centres are taken into consideration, as well as the impact of e-commerce, together with the purchasing power of the population. We use this to estimate the potential turnover achievable by the property. In case of a new development or extension project, the leasing team can assess whether the projected rental income is sustainable.

Market research: Retailers and consumers

We survey our shoppers frequently and regularly and, over the years, we have acquired a deep knowledge of the customers of our centres. We broaden our research to the entire population of the catchment to monitor changes, capture new trends and use these insights to improve the competitiveness of our centres. We use a variety of methodologies including surveys, focus groups, detailed interviews and social media content analysis, benefitting from the support of the more advanced technologies.

Shoppers are not the only focus of our attention. Every two years an independent specialist retakes and produces a tenant satisfaction index that we use to improve our relationship with the retailers, working on the factors that are identified as most important to them.

Digital strategy

The retail sector is rapidly evolving in the face of technological innovation, demographic changes and increasing urbanisation – and we are acting on the opportunity this offers our tenants and our business.

With increasingly sophisticated smart phones, customers can shop online whenever and wherever they choose. But smart phones are not just a retail tool – they are also great providers of information, and data, plus a means of social connectivity. People use their phones to research their shopping needs, find good deals and integrate this into their existing social plans.

In fact, whereas many have viewed e-commerce as a direct threat to physical sales, we consider the two are complementary.

Independent third party data shows that physical sales remain by far the most popular method of shopping, on average less than 10% of retail sales are made online in Europe. Moreover, our retailers are actively encouraging the convergence of physical with the 'click and collect' method of purchase by enhancing their store experience.

We are already supporting the digital retail evolution at all of our shopping centres, in three key ways.

1. Communication and engagement

We use traditional survey and focus groups but also gather information using digital tools such as responsive websites, loyalty cards and social media. Demographic data is also reviewed regularly to identify changes that are pertinent to the retail world.

Each of our shopping centres proactively communicates and engages visitors regularly. Our centre websites are mobile-friendly, updated daily and can recognise customers, enabling carefully targeted advertising. We use local text messaging and advertising on mobile apps, such as Waze, or relevant fashion and news websites.

Social media platforms are highly effective to amplify our campaigns and engage the catchment population. With the help of social influencers and fashion bloggers, we have increased visibility and awareness, building a strong community of brand ambassadors.

All our centres have a Facebook account that is updated daily with high-quality content about events, offers and promotions, fashion tips and latest trends. Posts are simple and short to help the audience retain the information, and our experience shows videos are the most effective tool to emotionally engage the audience.

Almost all our centres have an Instagram account that is updated daily with photos and videos and dedicated hashtags. Instagram is the main tool for visual storytelling and visual merchandising and is the best channel for retailers to investigate trends, opinions and satisfaction of the customers.

Some of our centres have a YouTube account where they publish videos of events. We are enhancing our use of this channel as videos are now accepted to be the fastest growing media online (YouTube is the second most popular search engine globally).

We have increased our investment in Google referencing and advertising to ensure consumers living in our catchments are directed to the local outlets of national retailers in our centres. The latest system is being installed at Amiens to coincide with the opening of the new extension.

2.
Customer knowledge

One of the most exciting opportunities, from which we can benefit further, is the ability to collect and use smart data from visitors to our shopping centres.

Our sophisticated databases can filter and sort customer information about behavior, preferences and priorities. This information can be collected from website visits, use of on-site Wi-Fi, on-site special offers, gift cards, loyalty schemes etc. This rich seam of data enables Eurocommercial to build a better understanding of consumer behaviour which, in turn, allows us to build relationships with customers through highly targeted marketing campaigns.

Our IT function is critical, and databases are centrally monitored and controlled in Amsterdam, operating with the strictest adherence to all relevant data protection laws across markets.

Carosello
“We Live Shopping”: An award-winning campaign

In 2016, Carosello adopted Facebook’s new ‘LIVE’ function as part of its communication strategy. The aim of the initiative was to draw customers’ attention to the bestsellers and tenants’ promotions, to boost sales and to exploit the potential of social media and stimulate engagement and conversation.

The centre launched “We Live Shopping” – a web series hosted by a well-known fashion blogger from Lombardy – an innovative way to showcase tenants’ offerings and to promote social shopping in real time. The web series was broadcast on all of the centre’s social media channels. The campaign won the 2016 CNCC Italian marketing award.

3.
Information and entertainment

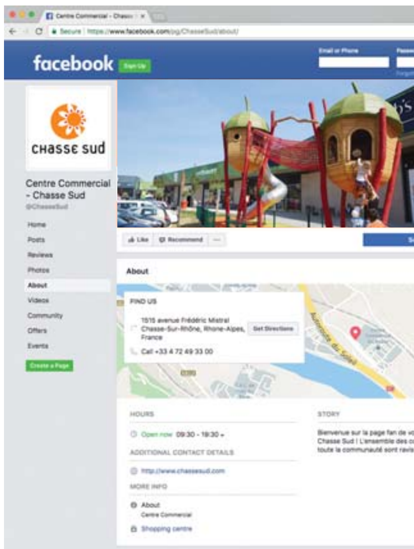
Many visitors use our shopping centres as a location for social engagement. Others are there to find what they need quickly and easily. Regardless of the purpose for their visits, we are constantly working hard to ensure visitors have a pleasurable experience.

We are introducing an enhanced digital experience. For example, in selected centres we already employ:

- Digital wayfinder directory with gift card dispenser
- Digital displays
- Digital totems located in the galleries to investigate customer satisfaction and collect customers’ feedback
- Indoor parking guidance system based on cameras
- Digital ‘furniture’: maxi video walls in food courts, recharging stations, business/internet points, and lockers to collect goods bought online.

Chasse Sud
Targeting families through social media

We wanted to use our children’s adventure playground event to bring more families to Chasse Sud. With a clear understanding of our local demographic and their social media habits, we launched a digital and social media communication campaign in April 2017. The centre recorded a short video of the event then increased its reach through the advertising tool on Facebook. Through this focused approach, we only spent €250 in social ads but managed to reach an incredible 160,000 people living in the catchment area – with the video viewed over 9,000 times. During the two-week event, we welcomed more than 6,000 children to the playground. The footfall at the car park during this event increased by 20% in comparison with the same period the previous year.



Retailer and customer relationships

The leasing team is constantly searching for new trends and innovation in the retail world.

Valeria Di Nisio
Group Leasing Director

The retail world continues to evolve, driven by consumer behaviour and increasing competition among retailers. Shopping centres are increasingly dedicating more gross lettable area for dining, leisure, and entertainment experiences and providing what the internet cannot: a relaxing meeting place where people can socialise and be entertained alongside their shopping experience.

We put considerable thought into ensuring that our centres are attractive and pleasant places where people can meet, shop, eat, be entertained and spend time. This year, our dedicated technical teams successfully completed a number of unique refurbishments and extension projects that increased the attractiveness of our shopping centres across all the countries in which we operate.

In addition to attracting customers who seek a pleasurable shopping experience, we also ensure that our malls offer convenient and essential amenities such as health centres, dentists, child-minding facilities, playgrounds, work spaces and collection points for goods ordered online.

Eurocommercial pays special attention to international, national and local retailers and listens carefully to their concerns and opinions. We conduct tenant satisfaction surveys to better understand the relationship between retailers and the shopping centres' management. Feedback from our tenants helps us understand what we can do to improve as a landlord. Main items reviewed in the tenant surveys include feedback on the management of the centre, environmental practices, marketing, the range of stores, daily issues, security, and the perception of Eurocommercial as a business partner.

Grand A

Amiens Glisy opened its doors in 1994 and has traded consistently well ever since, with a traditional line-up of domestic retailers and without incurring either major capital expenditure or seeing any significant changes in merchandising.

In response to evolving retail trends, we extended the centre by 5,500m² that allowed us to introduce two new anchor stores of 3,000m², together with 12 new shops, to replace superfluous hypermarket floor space, and allow our partners at Géant to concentrate on their excellent food offer. The anchor stores include H&M and New Yorker, and new units' shops include Pandora and Adopt, and, in order to improve the restaurant offer, two new exciting concepts.

This was a complicated exercise, as it necessitated the transfer of four national retailers to create the new mall to serve the anchor units. The total project cost of €20 million included €3.5 million of a much-needed refurbishment and renovation to the existing gallery. The yield on the cost of the extension is expected to be close to 6%.

Halmstad

Although the shopping centre at Halmstad had been a retail destination since the 1990s, at the time we acquired the shopping centre in 2012 it was in need of renovation. With only 30 tenants, it needed substantial enlargement. We secured a new zoning plan that allowed for an increase in retail space of 16,000m², partially facilitated by substantially reducing the size of the Co-op hypermarket to its new standard format of around 4,600m².

Our leasing strategy was to target Scandinavia's leading brands, particularly in fashion and sport, to complement the existing anchor retailers, H&M, KappAhl and Lindex. New retailers have been attracted by the quality and design of the €75 million project and the strength of the shopping centre's location next to the E6 motorway, serving a catchment of circa 200,000 people. The centre will be fully let when it opens at the end of October 2017. New fashion brands include New Yorker, Cassels, MQ and most of the Varner and Bestseller Group brands. There is also a very strong footwear offer with Nilson Group's Feet First concept, together with Håkanssons and Scorett. Sport is represented by Stadium, Sweden's largest retailer in this important sector, and the Norwegian retailer XXL opening a 3,800m² external unit in summer 2018. The main restaurant is a 1,300m² two-level unit let to Heagården, a well-known existing local restaurant group which operates four different food concepts.

Retailer and customer relationships continued

ai Banchi del Mercato Centrale, I Gigli

Given the increased importance of the food and beverage offer in shopping centres, at I Gigli in Italy, in conjunction with a major refurbishment undertaken in the centre, we replaced the former self-service restaurant with a unique marketplace concept for artisanal food operators: ai Banchi del Mercato Centrale.

This exciting new restaurant concept originated in the covered market of San Lorenzo, Florence, in 2014. We realised that this could be introduced into our I Gigli shopping centre to provide a new food experience to our clients. It offers customers the opportunity to buy fresh produce from its market stalls or to sit down and eat at the various restaurants within. All artisans are local and committed to a high standard of quality. It occupies an area of almost 1,800m², with 17 stalls and more than 500 seats. All this makes ai Banchi del Mercato Centrale the perfect place to enjoy food at any time of day.

Tenant mix

The leasing team is constantly searching for new trends and innovation in the retail world to help improve Eurocommercial's gallery retail mix.

The percentage of telecom & electrical in our shopping centres' GLA has reduced in the last two years from 14% to 12.5% in favour of an increase in the fashion and shoes sectors. Electrical retailers (along with books & toys, whose percentage went down from 2.6% to 2.4%) were the first to suffer from internet sales and have subsequently downsized their physical store requirements.

Conversely, many fashion retailers are increasing the size of their stores in order to showcase their full product ranges in one location, adding sport sections, shoes, beauty, household, etc. and to facilitate 'click and collect' internet sales. To allow these retailers to increase their size, we also took advantage of the downsizing of hypermarkets to reduce their non-food offerings, and we used this space to accommodate other retailers.

One such example is at Amiens, where we used some of the Géant hypermarket space to enlarge the gallery and introduce two anchor stores. In I Gigli, following the reduction of the hypermarket, we were able to create space for a larger Zara unit and a new Primark store. A similar project was completed in Carosello this year, where Carrefour hypermarket reduced their GLA by almost 6,800m², and this allowed us to create space for a Coin department store and shoes anchor retailer alongside other smaller units.

Lease expiry profile

As % of rental income

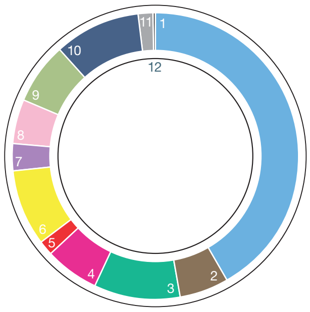
Under negotiation	10%
2017/18	9%
2018/19	10%
2019/20	11%
2020/21	13%
2021/2022	10%
2022 onwards	37%

Average lease length: 5.5 years

Merchandising mix

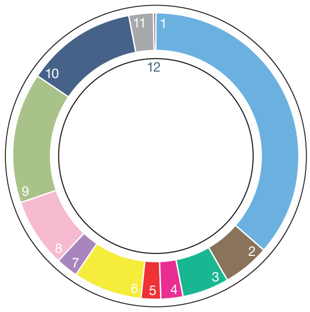
(excluding hypermarkets)

Minimum guaranteed rent %



1.	Fashion	41.8%
2.	Shoes	5.6%
3.	Health & beauty	9.8%
4.	Gifts & jewellery	5.9%
5.	Books & toys	1.8%
6.	Food & restaurants	8.5%
7.	Services	3.2%
8.	Sport	4.9%
9.	Home goods	7.0%
10.	Telecom & electrical	9.8%
11.	Cinema	1.5%
12.	Other	0.2%

Floor area %



1.	Fashion	36.4%
2.	Shoes	5.4%
3.	Health & beauty	5.2%
4.	Gifts & jewellery	2.5%
5.	Books & toys	2.4%
6.	Food & restaurants	7.6%
7.	Services	2.7%
8.	Sport	7.7%
9.	Home goods	14.6%
10.	Telecom & electrical	12.5%
11.	Cinema	2.8%
12.	Other	0.2%

Top ten retail tenants

% of total Eurocommercial income

INDITEX	4.3%
H&M	3.6%
MAXI ICA STORMARKNAD	3.2%
MediaMarkt	2.7%
GRUPPO COIN	2.4%
Carrefour	2.0%
fnac	1.9%
Géant Casino	1.5%
LEROY MERLIN	1.3%
coop Centro Italia	1.1%

Sustainability

Operating as a responsible business has always been a way of life for Eurocommercial, and we are quietly proud of our collegiate culture and high levels of staff retention and engagement.

Our investment strategy is straightforward. We make well-considered purchases with a careful eye to the future. Our country-specific teams focus on enhancing the operational efficiency, local benefits and customer experience at each asset, working together with tenants and local communities. Our over-arching goal is to actively evolve our retail destinations so that they thrive in the long-term, meeting our stakeholders' needs for sustainable value creation.

At the country level, sustainability is integrated as part of the day-to-day role of key functions. We promote active dialogue with stakeholders and cross-team knowledge-sharing to extract the most possible value from our actions. Sustainability will continue to be part of how we do business and something that every individual is proud to contribute to.

Informed decisions

We take a long-term view of any potential purchase. Eurocommercial has always employed a rigorous, research-led approach to acquisitions. We incorporate environmental and socio-economic risks and opportunities into our criteria for potential purchases. The management team meets on a weekly basis to identify issues of emerging relevance, from demographic change, social expectations and asset flexibility to technological advances and enhancements to environmental building standards.

The retail sector is now evolving rapidly with a confluence of major trends – including technological innovation, demographic change, urbanisation, and the growing focus on transitioning to a low-carbon economy. There is an increasing desire by shopping centre owners to enhance the social and environmental value that they bring to local communities, be that through the promotion of local employment and procurement, the improvement of local transport infrastructure, or the integration of renewable energy systems or green spaces on site.

Active asset management

The cornerstone of Eurocommercial's asset management approach is to ensure that our centres are refreshed and enhanced on a regular basis through refurbishment and extension projects. Integral to this process is consideration for the needs of our local communities, including the delivery of important amenities such as green space and transport links, in accordance with local government priorities. Eurocommercial aims to increase the environmental quality and reduce the running costs of our assets by implementing standards to improve operational energy and water efficiency, and waste recycling. We also seek to prioritise the use of construction and fit-out materials that are locally sourced, recycled and have a low environmental impact.

We focus on gathering robust baseline energy data from all our assets, ensuring that we are compliant with increasingly stringent regulations concerning building environmental management and, most importantly, delivering reductions in service charge costs through energy efficiency measures.

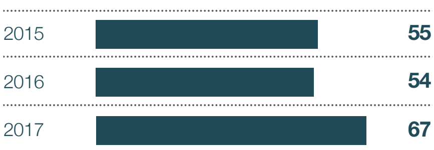
Going forwards, we will reinforce our collaboration with tenants on responsible property aspects, particularly energy efficiency, by increasing the level of communications and one-on-one engagement with tenants at management and asset level. We are introducing 'green' clauses in all new leases in France and Italy and aim to meet with tenants to exchange utilities consumption data. We will also review and update our fit-out guidance with a view to ensuring that our tenant-demised areas are operated as efficiently as possible.

Transparent reporting

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

As sustainability issues have risen up the agenda for investors, governments and retailers alike, we have responded by reporting on our portfolio's environmental performance.

GRESB score*



* Global Real Estate Sustainability Benchmark

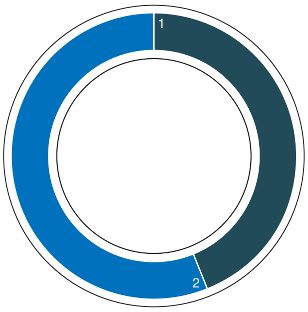
Eurocommercial gained Gold Awards from EPRA in 2017 in recognition of the quality of its business and sustainability reporting.

Colleagues celebrate 25 years of Eurocommercial

As a member of EPRA, we have reported in line with the EPRA sustainability BPRs for four consecutive years, and achieve a Gold rating for our high level of disclosure on environmental performance.

We participated in the Global Real Estate Sustainability Benchmark (GRESB) survey for the first time in 2015 and achieved Green Star status in 2016. We significantly improved our score in 2017 from 54 to 67. Eurocommercial's GRESB scorecard

Employee gender split



1.	Men	44%
2.	Women	56%

highlighted our disclosure on sustainability performance as a key strength, and continues to help us recognise areas for future improvement.

Responsible employers

We pride ourself on our commitment to our employees and benefit from long-standing tenure, which currently stands at an average of 7.7 years. Over the 26 years of our existence, only three senior people have left the Company. We maintain an open and respectful culture which we believe is a key differentiator in enabling us to attract and retain a skilled and dedicated team. Staff are encouraged to share ideas for the improvement of the business and the relatively small size of the Company, and horizontal reporting structure, is often cited as a key contributor to job satisfaction. High levels of engagement and acumen were demonstrated by the feedback received through internal staff interviews. The good gender balance within the Company adds further strength to the positive internal culture.

All employees are shareholders of Eurocommercial and all partake in the annual bonus scheme. Annual reviews enable two-way discussions between managers and employees to give and receive feedback on their performance and guidance for progression.

Eurocommercial is committed to investing in the ongoing learning and skills development of its staff, and enabled employees to participate in an average three workdays of training during the financial year ending on 30 June 2017. Training initiatives included supporting staff to obtain chartered surveyor qualifications; an MBA in real estate and research qualifications, ongoing professional training and participation in professional networks and governing bodies. We also offer internship placements in all our offices as a means to support the development of skills and work experience among the younger generation. All employees can participate in our comprehensive healthcare schemes.

Sustainability continued

France

In France, proven positive environmental and socio-economic outcomes are now some of the main criteria for local decisions on retail permits, so sustainable development and urban integration are key priorities for Eurocommercial.

We have delivered consistent investments in energy management over the past four years. During 2016/17, we made a series of investments in energy efficient building management systems and air conditioning equipment. Further notable achievements in 2016 include:

- In acquiring the hypermarket at Centr'Azur, we have also significantly increased our solar power generation as the entire roof benefits from photovoltaic panels. This additional power generation complements the array of solar panel sun shades which are located in our car park to protect our customers and their cars from the searing heat of the Côte d'Azur during the blissful summer months;
- The installation of a new €950,000 air-cooling system at Les Trois Dauphins, which is designed to increase efficiency and prevent ground water discharge. It enabled the shopping centre to reduce electricity consumption by 18% versus 2015;
- The introduction of LED lighting in the common parts areas of Passage du Havre, Chasse Sud and Val Thoiry, as well as the car park of Shopping Etrembières.

More broadly, we actively promote effective energy management among property and facilities management teams. For example, in our shopping centres we are systematically introducing environmental annexes to our leases ('green leases'), which stipulate requirements for energy and waste reduction.

We are pursuing BREEAM certifications for our two important extension projects at Val Thoiry and Les Atlantes.

Italy

In Italy, we are encouraging our shopping centres to make investments in more efficient air conditioning equipment and lighting, while also raising awareness about sustainable management practices. In the last year, we have reduced energy consumption in Italy by roughly 3%, which has had the added benefit of reducing operating costs. Other notable achievements during 2016/17 include:

- SEESEU qualification for the generation system at I Gigli from GSE, the Italian state-owned company which promotes and supports renewable energy sources. The qualification confirms 100% of supply electricity to the hypermarket in this shopping centre is generated onsite, providing 3,500 MWh of electricity, 4,000 MWh for cooling and 2,600 MWh for heating per year.
- The installation of a photovoltaic roof at the I Gigli Retail Park, which generated 46 MWh of solar energy in 2016;
- Installation of energy-efficient LED lights in many car parks of our shopping centres;
- Water efficient equipment and/or rainwater harvesting systems in place at Carosello, Fiordaliso, Collestrada, Centroluna and Lame;
- Effective waste recycling systems at all our shopping centres, including electronic waste collection points on authorised sites.

In 2016, we obtained a BREEAM In-Use 'Very Good' certification for Carosello and will pursue BREEAM In-Use/BREEAM certification in other shopping centres.

We have always been committed to promoting initiatives that enable a strong bond with our local communities. As an example, we hosted a successful and educational event at Centroluna, involving local primary schools, to highlight waste recycling in a new fun way.

Sweden

In Sweden, environmental efficiency practices are well embedded in business and culture. Nonetheless, our tenants are very focused on improving margin.

To align both these agendas, we have reduced costs by focusing on energy efficiency and waste recycling.

- Eight out of our nine Swedish properties are connected to district heating systems;
- From 1 January 2018, 100% of energy bought in our Swedish properties will be from renewable sources;
- Four shopping centres have already obtained certification with 'Very Good' ratings in 2016: Ingelsta Shopping; Grand Samarkand; Elins Esplinad, Bergvik.

Energy from renewable sources contributes part of the energy mix at our Swedish shopping centres. Equipment upgrades are made on a regular basis, with small refurbishment works being used as a platform to extend upgrades such as LED lighting retrofits across all common parts areas. The team is also focusing on installing smarter energy control systems.

We have comprehensive procedures in place to manage environmental and safety risks, covering energy, materials, waste and water among other aspects. Every shopping centre has an up-to-date recycling station in place which is available for public use.

Eurocommercial is pursuing BREEAM In-Use certification for all of its Swedish properties, excluding those already certified.

EPRA sustainability performance measures

			Absolute	Like-for-like comparison							
			Total	France		Italy		Sweden		Total	
Impact area		Units of measurement	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**
Energy	For landlord-shared services	MWh	**72,943**	7,330	**7,357**	19,281	**18,727**	29,423	**29,743**	56,034	**55,827**
	(sub)metered exclusively to tenants		**5,006**								
	Total landlord-obtained electricity GRI G4-EN4		**77,948**	7,330	**7,357**	19,281	**18,727**	29,423	**29,743**	56,034	**55,827**
	Total landlord-obtained district heating and cooling consumption GRI G4-EN4		**11,296**	1,468	**1,583**	1,303	**1,355**	5,331	**6,192**	8,101	**9,130**
	Total landlord-obtained fuel consumption GRI G4-EN4		**12,808**	4,262	**4,250**	8,366	**8,398**			12,629	**12,648**
Greenhouse gas emissions	Total direct GHG emissions GRI G4-EN15 – GHG Protocol Scope 1	tonnes CO_2e	**2,355**	785	**780**	1,543	**1,545**			2,328	**2,326**
	Total indirect GHG emissions GRI G4-EN16 – GHG Protocol Scope 2		**12,108**	758	**624**	7,984	**6,473**	1,677	**1,591**	10,420	**8,689**
	Total indirect GHG emissions GRI G4-EN17 – GHG Protocol Scope 3		**5,672**	55	**54**	560	**565**	105	**106**	719	**725**
	Proportion of energy and associated GHG estimated		**3%**	0%	**0%**	0%	**0%**	0%	**3%**	0%	**2%**
Water	Total landlord-obtained water consumption GRI G4-EN8	cubic metres (m^3)	**1,829,637**	26,621	**22,684**	1,541,365	**1,430,740**	46,959	**50,064**	1,614,946	**1,503,488**
	Proportion of water disclosure estimated		**4%**	0%	**0%**	0%	**0%**	5%	**5%**	0%	**0%**
Waste (landlord-handled)	Total weight of waste GRI: G4-EN23	metric tonnes	**8,706**	2,280	**2,089**	2,446	**2,417**	742	**531**	5,468	**5,037**
	Composting/anaerobic digestion	proportion by weight (%)	**1%**	0%	**0%**	11%	**0%**	0%	**0%**	5%	**0%**
	Recycled		**49%**	43%	**27%**	20%	**74%**	100%	**100%**	40%	**48%**
	Off-site materials recovery facility		**16%**	30%	**34%**	53%	**12%**	0%	**0%**	36%	**19%**
	Incineration with energy recovery		**8%**	18%	**31%**	0%	**0%**	0%	**0%**	8%	**9%**
	Reused		**2%**	0%	**0%**	8%	**8%**	0%	**0%**	4%	**3%**
	Hazardous waste treatment facility		**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**2%**
	Landfill		**23%**	9%	**8%**	9%	**6%**	0%	**0%**	8%	**18%**
	Proportion of waste disclosure estimated		**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**

EPRA sustainability intensity measures

Impact area		Units of measurement	2015	**2016**
Energy	Building energy intensity GRI-CRESS: CRE1	kWh/m^2/year	561	**567**
Greenhouse gas emissions	Greenhouse gas intensity from building energy GRI-CRESS: CRE3	kg CO_2e/m^2/year	98	**86**
Water	Building water intensity GRI-CRESS: CRE2	m^3/m^2/year	11.0	**11.0**

Percentage figures may not add up to 100% due to rounding.

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

The information provided is for the calendar years 2016 and 2015. For 2016 the absolute coverage data disclosed for all energy and greenhouse gas performance measures, for which the landlord has control, is for 34 out of 34 properties. The data disclosed for water is for 31 out of 31 properties, and for waste it refers to 25 out of 25 properties. For the like-for-like figures, 26 out of 26 properties are included for the energy and greenhouse gas data, 25 out of 25 for water, and 16 out of 16 for waste. The reported data contains the total landlord-obtained energy and water consumed in the Company's properties, and excludes utilities and waste consumption at our corporate offices.

Changes to 2015 data for our intensity performance measures are due to the restatement of estimated data and improved data collection resulting in additional consumptions for fuels and water that were not available at the time of our 2015 report.

'Shared services' refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered. Where tenant consumption is sub-metered, this is also reported separately from 'shared services'. For French and Italian properties, energy and emissions intensities are reported using 'shared services' as the numerator and 'common parts areas' as the denominator. For Swedish properties 'shared services' is the numerator and a combination of 'common parts areas' and 'gross internal areas' are used as the denominator depending on the area served by the landlord procured utilities. Eurocommercial acknowledges, as recommended in the EPRA Sustainability Best Practice Recommendations, that the intensity indicator may be affected due to a mismatch between numerator and denominator.

The emission factors are based upon UK Government guidance and are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices. Natural gas and diesel emissions use UK Government emissions factors based on UK natural gas calculations, as the greenhouse gas content of natural gas and diesel varies only marginally over time and between regions.

Scope 3 emissions are for landlord-obtained consumption that is sub-metered to tenants and tenant-obtained energy.

Year in review: Eurocommercial France

France

Pascal Le Goueff
Property Director, Eurocommercial France

Left to right:
Christine Marest – Director, Rental Management
Ambroise Leroy – Portfolio Director
Pascal Le Goueff – Property Director
Emilie Rizzotti – Financial Controller
Cécile Limousin – Operations Director
Nicolas Bourimoff – Leasing Director

Property value

€1,352m

Valuation change
+2.8%

Like-for-like retail sales growth
-2.1%

Number of visitors
47m

Net rental income
€60.13m

Number of properties
13

Gross lettable area
228,000m²

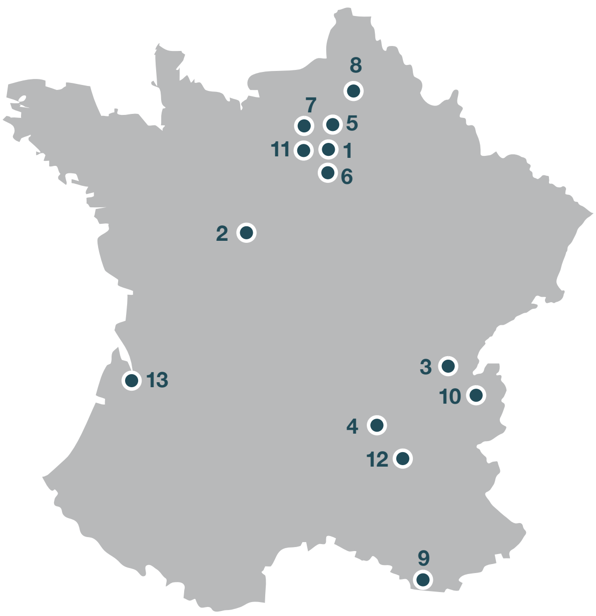
Relettings and renewals
+10%

Number of shops
511

Occupancy cost ratio
8.9%

Like-for-like rental growth
+2.3%

Locations



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

Top 5 retail tenants

fnac
Géant Casino
INDITEX
H&M
vivarte

Year in review: Eurocommercial France

Economy
Within the space of a few months, Emmanuel Macron managed to convince electors from the centre left to the centre right to give him a large majority at both the presidential election and at the parliamentary election that followed.

Equipped with this strong mandate and the confidence of electors, the President now faces the challenges of reforming the labour market, reducing the deficit and introducing durable tax reform.

These measures, if they are implemented, could amplify GDP growth and, as a consequence, reduce unemployment which has already started to decline.

Rental growth
Like-for-like rental growth over 12 months increased 2.3%, mainly driven by renewals and relettings. During the year, 64 leases were renewed or relet, which generated an average rental uplift of 10%.

The main drivers for this growth were our three largest assets Passage du Havre, Val Thoiry and Les Atlantes but we also completed some good deals in our smaller centres at Hyères and Etrembières.

We reduced vacancies from 12 units at the end of June 2016, to seven units at the end of June 2017.

Retail sales
Retail sales were down 2.1% over 12 months to June 2017.

This decline was largely seen in Paris as some shoppers were deterred by concerns over terrorism. We have also been directly impacted by more direct competition at Tours and Hyères. The latest monthly analysis, however, shows improvements at these centres.

The best performance came from the Rhône Alpes region where Chasse Sud has had a phenomenal year increasing retail sales by 12%, while Val Thoiry is up 6%, aided by the arrival of Decathlon.

Health & beauty, food & restaurant sectors are performing well, whereas the fashion sector is still struggling, due to increasing competition from few large international brands, and, to a lesser extent, from internet sales.

Retailers continue to seek to expand into good established shopping centres but will not hesitate to close stores where the occupancy cost ratio is too high. We work hard to maintain a balance between long-term leasing relationships and a strong Eurocommercial margin.

Property market
While investment volumes in retail property are down this year the drop appears to be caused by a lack of product, rather than diminished investor demand.

A wide range of investors, including sovereign funds and insurance companies, are playing an active part in this market, but we have continued to see particularly strong demand from the Sociétés Civiles de Placements Immobiliers (SCPI), open-ended property funds available to French retail investors, whose capacity of investment has grown significantly since 2013.

Local capital from France has been at the origin of circa 70% of turnover in the commercial property market in France, and continues to underpin values.

Valuations
Although valuations showed an increase of 2.8% for 12 months and 1.3% for the six months, yields now look to be stabilising following the heavy valuation gains of recent years. Our Parisian properties are now valued at a yield of 3.6%, suburban and provincial centres at 4.8 % and our two retail parks at 5%.

Our French portfolio is valued at an average yield of 4.3%.

Acquisitions and disposals
In December 2016, we increased our ownership of Centr'Azur at Hyères to 100% by acquiring the 15,500m² hypermarket along with some external units, at a gross price of €40 million. The vendor, group Casino, continues to operate the hypermarket with the brand Géant, under a long-term lease. We are already seeing the benefits of consolidating our ownership in this excellent site.

We have signed a contract to sell 74 rue de Rivoli, Paris, to a major institutional investor for a net price of €79.6 million and with a net yield of 3%.

Extensions and refurbishments
The 5,000m² extension of Grand A (Amiens) is nearing completion and is expected to be open in October 2017. New brands such as H&M, New Yorker and Pandora will reinforce our merchandising plan. The total cost of this extension, including a refurbishment of the existing centre, is €20 million, and the overall yield on cost is expected to be around 6%.

We have submitted a planning application to the municipality of Thoiry and have achieved the CDAC zoning consent for an extension of 25,000m² at Val Thoiry, with pre-leasing underway.

Planning applications are also being prepared to extend Les Atlantes by circa 15,000m² and Etrembières by circa 5,000m².

The renovation of the MODO gallery is expected to be completed in time for Christmas trading and our partners at Leclerc will be investing to upgrade their hypermarket next year to ensure that the centre maintains its position in the competitive market of the Val d'Oise. Significant changes in the merchandising of the centre have also been enjoyed.

The municipality of Bordeaux has approved our project of renovation of Les Grands Hommes, including the possibility for each shop to trade on the street around the perimeter of the building. We have submitted a planning application and we expect to start the works at the beginning of 2018.

Outlook
Our challenges over the coming year are to increase the dwell times and to attract new customers via accurate marketing, attractive restaurants and new services (e.g. children's areas, etc.)

We will also focus on pursuing planning applications for extensions, and continuing to improve our merchandising mix and to accommodate or extend large international brands.

Independent valuations by property

(€ million)	**Net value June 2017**	Net value June 2016	Net yield	Cost to date 30.06.2017	Year of acquisition
Passage du Havre, Paris[3]	**410.30**	405.40	3.7%	190.37	2000
Les Atlantes, Tours[2]	**152.80**	146.70	4.6%	65.41	1992
Val Thoiry, Greater Geneva[2]	**147.80**	135.80	4.6%	136.23	2013
Centr'Azur, Hyères[3]	**93.10**	55.40	4.8%	62.06	1993
Chasse Sud, Chasse-sur-Rhône[2]	**89.10**	86.50	4.9%	73.20	2007
MODO, Moisselles[3]	**79.40**	81.90	5.1%	64.60	2009
74 rue de Rivoli, Paris[3]	**79.10**	70.80	3.0%	20.79	1998
Les Portes de Taverny, Taverny[2]	**71.80**	65.40	4.5%	26.00	1995
Grand A, Amiens[2]	**69.00**	60.40	5.1%	31.89	1995
Shopping Etrembières, Greater Geneva[1]	**53.00**	49.40	4.7%	52.05	2015
Les Allées de Cormeilles, Cormeilles[2]	**48.30**	46.10	5.0%	44.73	2007
Les Trois Dauphins, Grenoble[2]	**38.60**	40.10	5.4%	26.91	2003
Les Grands Hommes, Bordeaux[2]	**19.80**	18.20	3.5%	18.27	2012
Total	**1,352.10**	1,262.10	4.3%	812.49	

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

Centr'Azur, Hyères
Consolidated ownership of Centr'Azur

Val Thoiry
Greater Geneva
25,000m²
Extension planned

Les Atlantes Tours
15,000m²
Extension planned

Shopping Etrembières
Greater Geneva
5,000m²
Extension and refurbishment planned

Year in review: Eurocommercial France

France portfolio

Property | Property summary

Passage du Havre
Paris

Value (€m)

410.30

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
16.22	**15,085**	**7.8%**
Rental growth	Turnover growth	Occupancy
2.5%	**-7.8%**	**100%**

Visitors 2016/17	11.7m
Total lettable area	23,588m²
ECP ownership	23,588m²

Les Atlantes
Tours (Indre-et-Loire)

Value (€m)

152.80

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
7.23	**7,886**	**9.9%**
Rental growth	Turnover growth	Occupancy
2.6%	**-3.7%**	**100%**

Visitors 2016/17	5.5m
Total lettable area	39,576m²
ECP ownership	22,976m²

Val Thoiry
Greater Geneva (Ain)

Value (€m)

147.80

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
6.95	**6,827**	**7.5%**
Rental growth	Turnover growth	Occupancy
5.8%	**6.2%**	**100%**

Visitors 2016/17	3.8m
Total lettable area	33,671m²
ECP ownership	23,671m²

Centr'Azur
Hyères (Var)

Value (€m)

93.10

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
4.86	**7,645**	**10.0%**
Rental growth	Turnover growth	Occupancy
1.5%	**-5.3%**	**99%**

Visitors 2016/17	3.2m
Total lettable area	24,640m²
ECP ownership	24,640m²

Property	Property summary

Chasse Sud
Chasse-sur-Rhône (Isère)

Value (€m)

89.10

Passing rent (€m)	Boutiques <300m^2 turnover/m^2 (€)	Occupancy cost ratio
4.39	2,022	4.8%
Rental growth	**Turnover growth**	**Occupancy**
2.4%	11.6%	100%

Visitors 2016/17	3.5m
Total lettable area	52,072m^2
ECP ownership	52,072m^2

MoDo
Moisselles (Val d'Oise)

Value (€m)

79.40

Passing rent (€m)	Boutiques <300m^2 turnover/m^2 (€)	Occupancy cost ratio
4.66	5,868	12.3%
Rental growth	**Turnover growth**	**Occupancy**
3.3%	-1.8%	100%

Visitors 2016/17	4.6m
Total lettable area	26,252m^2
ECP ownership	11,252m^2

Rue de Rivoli
Paris

Value (€m)

79.10

Passing rent (€m)	Occupancy cost ratio	Occupancy
2.61	23.3%	100%

Total lettable area	3,013m^2
ECP ownership	3,013m^2

Les Portes de Taverny
Taverny (Val d'Oise)

Value (€m)

71.80

Passing rent (€m)	Boutiques <300m^2 turnover/m^2 (€)	Occupancy cost ratio
3.48	9,151	10.5%
Rental growth	**Turnover growth**	**Occupancy**
0.0%	-3.2%	99%

Visitors 2016/17	3.2m
Total lettable area	30,543m^2
ECP ownership	5,671m^2

Year in review: Eurocommercial France

France portfolio

Property | Property summary

Grand A
Amiens (Somme)

Value (€m)

69.00

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
3.34	6,903	9.9%
Rental growth		**Occupancy**
-1.9%		96%

Visitors 2016/17	3.4m
Total lettable area	23,006m²
ECP ownership	11,164m²

Shopping Etrembières
Greater Geneva (Haute-Savoie)

Value (€m)*

53.00

* Represents ECP 50% interest in the owning entity.

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
2.43	8,521	11.4%
Rental growth	**Turnover growth**	**Occupancy**
2.7%	-4.6%	99%

Visitors 2016/17	2.2m
Total lettable area	18,651m²
Gallery area	8,901m²

Les Allées de Cormeilles
Cormeilles (Val d'Oise)

Value (€m)

48.30

Passing rent (€m)		Occupancy cost ratio
2.61		7.7%
Rental growth	**Turnover growth**	**Occupancy**
0.4%	0.5%	100%

Visitors 2016/17	2.9m
Total lettable area	21,751m²
ECP ownership	21,751m²

Property	Property summary

Les Trois Dauphins
Grenoble (Isère)

Value (€m)

38.60

Passing rent (€m)

2.54

Rental growth	Occupancy
0.3%	**100%**

Total lettable area	16,826m²
ECP ownership	16,826m²

Les Grands Hommes
Bordeaux (Gironde)

Value (€m)

19.80

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)
0.85	**7,200**

Visitors 2016/17	2.6m
Total lettable area	4,660m²
ECP ownership	2,665m²

Year in review: Eurocommercial Italy

Italy

Carlo Romagnoli
Property Director, Eurocommercial Italy

Left to right:
Sergio Olgiati – Administrative Director
Fabrizio Da Rin – Senior Asset Manager
Fabrizio Aquilina – Senior Asset Manager
Carlo Romagnoli – Property Director

Property value

€1,645m

Valuation change
+6.7%

Like-for-like retail sales growth
-1.2%

Number of visitors
76m

Net rental income
€91.0m

Number of properties
12

Gross lettable area
328,000m²

Relettings and renewals
+28%

Number of shops
902

Occupancy cost ratio
8.3%

Like-for-like rental growth
+5.6%

Locations

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

Top 5 retail tenants

INDITEX
GRUPPO COIN
MediaMarkt
Carrefour
H&M

Year in review: Eurocommercial Italy

Economy
Preliminary estimates of the 2017 Italian GDP, show a 0.5% increase on the previous quarter and a 1.5% increase on the previous year. The main contributions came from a strong increase in domestic demand and consumer spending, showing the highest jump in almost five years. These recent figures put the government on track to reach its 1.1% GDP growth target in 2017.

Good retail sales data suggests that household spending continues to firm up, despite slow wage growth and high unemployment. However, the unemployment rate dropped to 11.1%, its lowest level since 2012.

With elections expected for mid-2018, Italy's new Prime Minister, Paolo Gentiloni, is busy reforming the electoral and banking systems. Before summer 2017, the government injected €5.2 billion into two mid-sized banks, which were afterwards acquired by Banca Intesa Sanpaolo, and became the largest shareholder in Monte dei Paschi di Siena, injecting €5.4 billion, with the blessing of the European Commission. European Central Bank's monetary policy, with its focus on quantitative easing, has been beneficial to Italy's recovery facilitating cheap borrowing and much-needed investments.

Rental growth
Like-for-like rental growth for the 12 months to June 2017 was 5.6%. Headline inflation averaged 0.4% in 2016 and is expected to reach 0.5% in 2017. The main driver of rental growth was the 156 renewals and relettings which generated a significant average rental uplift of around 28%. The best overall rental growth results came from I Gigli, Il Castello, Collestrada and Centroluna.

Retail sales
Retail sales turnover decreased slightly, averaging -1.2% for the 12 months to June 2017, partly due to the refurbishment and extension works performed in some of our shopping centres (I Gigli and Il Castello) and partly to increased competition (Fiordaliso and La Favorita). The best performers were Retail Park I Gigli, Carosello and Centroluna, reflecting strength across the portfolio regardless of the size of the shopping centre. The occupancy cost ratio was kept at a healthy and sustainable 8.3%.

Property market
In the first half of 2017, around 20 relevant retail real estate transactions were finalised in Italy, for a total investment of €1.2 billion, an increase of 24% over the same period last year. Shopping centre transactions amounted to €515m, with Le Befane in Rimini representing almost half of this volume. The remaining transactions were a combination of core plus and value add single and portfolio deals.

The increased interest of national and international investors for the Italian real estate assets led to a further prime net yields compression in Q2 2017. High-street yields reduced from 3.5% to 3.4%, shopping centres from 5.3% to 5.0% and retail parks from 6.3% to 6.2%. However, some liquidity concerns and a decline, on average, in footfall and revenues were noticed for 'secondary' shopping centres, which recorded a yield decompression from 6.7% to 6.8%.

Valuations
Valuations showed an increase of 6.7% at the end of June 2017, compared with June 2016, and an increase of 5.3% compared with December 2016, taking the total value of the Italian investment portfolio well above €1.6 billion. This increase in values is mirrored by a decrease in the average net initial yields which is now 5.3% (down from 5.7% last year).

Acquisitions and refurbishments
We are busy with our extensive programme of refurbishments and extensions in our Italian assets.

The major refurbishment works at the I Gigli shopping centre have now been completed. The space freed by the hypermarket reduction has been converted into a new mall and large premises for Primark, Zara and other stores, including Piazza Italia and Sephora. On the upper floor we have replaced the former self-service restaurant with ai Banchi del Mercato Centrale, a dynamic new marketplace for local food operators.

New sales licences for almost 10,000m² will be put to use in Fiordaliso, redefining parts of the layout and rearranging some units, creating the space to add new important international brands.

The local municipality voted in favour of the extension of our Curno shopping centre. We will take this opportunity to introduce a new 3,500m² foodcourt and also to further improve access and parking facilities.

In Perugia, Eurocommercial has acquired some portions of land, and is in the process of acquiring more land next to the existing shopping centre, which will be used for the 19,500m² gallery extension, currently planned for 2021 and for which we are seeking municipal consent. The extension will host several national and international retailers. The existing gallery has already undergone a light refurbishment with a renewed food court area, new toilets, and a freshening up of parts of the parking areas.

In June 2017, Eurocommercial secured an option to buy a 50,000m² site in Modena near I Portali, which will be instrumental in reaching an agreement with the local municipality to extend the shopping centre.

In Cremona, discussions are ongoing for the possible acquisition of a portion of the hypermarket, and an adjoining piece of land, to further improve the retail offer of the centre.

Outlook
The forecasted increase in GDP and the fact that the purchasing power of Italian families rose by more than 1.5%, and private consumption by 1.3% in 2016, lead us to be moderately positive on the immediate future of the Italian economy. The recent yield compression showed an increased interest of international investors towards the Italian market; this could possibly lead to a further yield compression as Italian yields are still well above other European markets.

We are continuing with our refurbishment and extension programme to further upgrade and extend our existing shopping centres.

Independent valuations by property

(€ million)	**Net value June 2017**	Net value June 2016	Net yield	Cost to date 30.06.2017	Year of acquisition
I Gigli, Firenze (includes retail park and cinema)[3]	**439.00**	383.50	5.0%	322.39	1999
Carosello, Carugate, Milano[2]	**353.80**	320.80	5.0%	207.28	1997
Fiordaliso, Rozzano, Milano (includes retail park)[2]	**153.20**	144.40	5.4%	142.17	2015
Collestrada, Perugia[3]	**130.10**	110.40	5.3%	125.98	2015
Il Castello, Ferrara[2]	**128.00**	113.90	5.6%	85.07	2001
Curno, Bergamo[1]	**112.80**	112.20	5.7%	36.55	1994
Cremona Po, Cremona[1]	**89.70**	83.90	6.3%	90.37	2011
Centro Leonardo, Imola[1]	**72.50**	70.50	5.9%	65.64	1998
I Portali, Modena[1]	**50.20**	48.50	5.8%	47.28	2009
La Favorita, Mantova (includes retail park)[3]	**48.60**	46.60	6.1%	34.37	1997
Centro Lame, Bologna[1]	**40.80**	39.80	6.1%	29.97	2003
Centroluna, Sarzana[3]	**26.10**	25.80	6.4%	14.93	1998
Total	**1,644.80**	1,500.30	**5.3%**	1,201.99	

Valuations by: [1]CBRE, [2]JLL, [3]C&W

Carosello Carugate (Milano)
23,000m² extension

Collestrada Perugia

19,500m²

Extension and refurbishment planned

Curno Bergamo

3,500m²

New restaurants planned

I Portali Modena

13,000m²

Extension and refurbishment planned

Year in review: Eurocommercial Italy

Property | Property summary

I Gigli
Firenze (Toscana)

Value (€m)

439.00

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
24.93	**10,601**	**7.4%**
Rental growth	Turnover growth	Occupancy
15.8%	**-2.2%**	**100%**

Visitors 2016/17	19.1m
Total lettable area	85,406m²
ECP ownership	85,406m²

Carosello
Carugate, Milano (Lombardia)

Value (€m)

353.80

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
18.51	**9,448**	**6.5%**
Rental growth	Turnover growth	Occupancy
3.8%	**3.5%**	**100%**

Visitors 2016/17	8.9m
Total lettable area	52,778m²
ECP ownership	52,778m²

Fiordaliso
Rozzano, Milano (Lombardia)

Value (€m)*

153.20

* Represents ECP 50% interest in the owning entity.

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
8.6	**7,443**	**10.8%**
Rental growth	Turnover growth	Occupancy
2.3%	**-6.9%**	**99%**

Visitors 2016/17	8.1m
Total lettable area	64,609m²
Gallery and retail park*	45,714m²

Property	Property summary

Collestrada
Perugia (Umbria)

Value (€m)

130.10

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
7.57	10,176	6.1%
Rental growth	Turnover growth	Occupancy
4.6%	1.1%	100%

Visitors 2016/17	4.6m
Total lettable area	31,120m²
ECP ownership	31,120m²

Il Castello
Ferrara (Emilia Romagna)

Value (€m)

128.00

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
7.67	6,862	10.1%
Rental growth	Turnover growth	Occupancy
7.0%	-5.1%	98%

Visitors 2016/17	5.0m
Total lettable area	38,503m²
ECP ownership	20,666m²

Curno
Bergamo (Lombardia)

Value (€m)

112.80

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
7.33	7,990	8.9%
Rental growth	Turnover growth	Occupancy
1.1%	-1.8%	100%

Visitors 2016/17	7.0m
Total lettable area	36,291m²
ECP ownership	18,096m²

Year in review: Eurocommercial Italy

Property	Property summary

Cremona Po
Cremona (Lombardia)

Value (€m)

89.70

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
6.46	5,897	10.2%
Rental growth	Turnover growth	Occupancy
0.9%	-0.6%	100%

Visitors 2016/17	4.8m
Total lettable area	43,183m²
ECP ownership	28,683m²

Centro Leonardo
Imola (Emilia Romagna)

Value (€m)

72.50

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
4.97	6,622	10.8%
Rental growth	Turnover growth	Occupancy
0.7%	-1.2%	100%

Visitors 2016/17	4.9m
Total lettable area	32,873m²
ECP ownership	15,099m²

I Portali
Modena (Emilia Romagna)

Value (€m)

50.20

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
3.08	6,516	10.2%
Rental growth	Turnover growth	Occupancy
1.5%	-2%	100%

Visitors 2016/17	3.9m
Total lettable area	24,929m²
ECP ownership	7,940m²

Property	Property summary

La Favorita
Mantova (Lombardia)

Value (€m)

48.60

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
3.31	**4,806**	**7.8%**
Rental growth	Turnover growth	Occupancy
-4.4%	**-5.1%**	**100%**

Visitors 2016/17	2.9m
Total lettable area	29,813m²
ECP ownership	13,613m²

Centro Lame
Bologna (Emilia Romagna)

Value (€m)

40.80

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
2.71	**4,836**	**13.6%**
Rental growth	Turnover growth	Occupancy
1.8%	**0.4%**	**100%**

Visitors 2016/17	3.7m
Total lettable area	16,612m²
ECP ownership	5,576m²

Centroluna
Sarzana (Liguria)

Value (€m)

26.10

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
1.8	**5,820**	**11.1%**
Rental growth	Turnover growth	Occupancy
7.3%	**5.4%**	**100%**

Visitors 2016/17	2.8m
Total lettable area	15,156m²
ECP ownership	3,576m²

Year in review: Eurocommercial Sweden

Sweden

Martin Bjöörn
Property Director, Eurocommercial Sweden

Left to right:
Tom Ågren – Controller
Kati Stork – Leasing Director
Martin Bjöörn – Property Director
Jonas Gustavsson – Director, Asset Management
Patrik Sörnell – Director, Asset Management

Property value

€838m

Valuation change
+5.5%

Like-for-like retail sales growth
2.3%

Number of visitors
25m

Net rental income
€31.9m

Number of properties
9

Gross lettable area
267,000m²

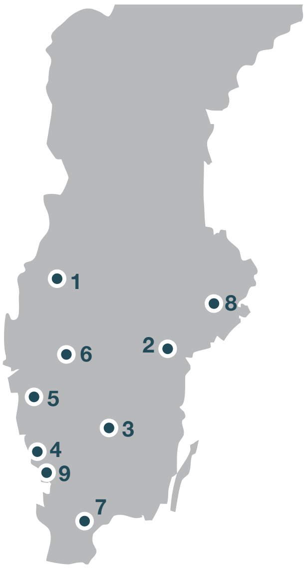
Relettings and renewals
+12%

Number of shops
346

Occupancy cost ratio
8.0%

Like-for-like rental growth
+3.2%

Locations



1. **Bergvik**
Karlstad (Värmland)
2. **Ingelsta Shopping**
Norrköping (Östergötland)
3. **Grand Samarkand**
Växjö (Småland)
4. **Eurostop**
Halmstad (Halland)
5. **421**
Göteborg (Västergötland)
6. **Elins Esplanad**
Skövde (Västergötland)
7. **C4**
Kristianstad (Skåne)
8. **Moraberg**
Södertälje (Södermanland)
9. **Mellby Center**
Laholm (Halland)

Top 5 retail tenants

MAXI ICA STORMARKNAD
coop KONSUM
VARNER
H&M
KappAhl

Year in review: Eurocommercial Sweden

Economy
GDP growth in Sweden is forecast to be around 2.5% in 2017, lower than in previous years mainly due to a decrease in net exports. The main driver behind GDP growth is an increase in household consumption encouraged by low interest rates. Rising residential prices and high household debt are constant topics of interest. Inflation is picking up with CPI approaching 2%, while unemployment is slowly reducing down to its current level of around 6.6%.

Rental growth
Rental growth increased by 3.2% over the year, up from 2.7% last year. 2017 saw a return of some limited rental indexation, but the major contribution to this growth came from the 51 relettings and renewals which produced an average uplift of 12% on those transactions (up from 7% last year). The outstanding centres were Skövde, Norrköping and Växjö where a combined 37 leasing deals produced uplifts of 18%, 14% and 12% respectively.

Retail sales
Like-for-like sales growth in the galleries increased by 2.3% over the 12 months, with all the shopping centres showing positive figures and the fashion sector up everywhere. The important sports sector was slightly negative as a result of a mild winter, but also perhaps an indication that this sector has become very competitive with the Norwegian retailer XXL increasing its penetration and market share.

The hypermarkets had another solid year increasing sales by 1.8%. The positive retail climate among both retailers and consumers has resulted in strong tenant demand for retail space in our shopping centres with only 0.4% vacancy and no rental arrears in the portfolio.

Property market
A lively investment market has a healthy balance between local and international investors keeping yields under downward pressure. While not quite reaching the record levels achieved in 2016, transaction volumes have remained high during the first half of 2017. The most comparable transaction to our portfolio was the €135 million acquisition by Olav Thon of Torp, a 32,000m² shopping centre located on the outskirts of Uddevalla, which was interpreted by the market at a net initial yield of 4.7%. Alecta's purchase of Värndö Centrum was another relevant reference point at a similar yield.

Valuations
Strong property fundamentals have supported the valuation of the Swedish assets which increased by 5.5% over the year and by 3.1% since December 2016. The average net initial yield on the portfolio currently stands at 4.8%, a decrease of 20 bps over the 12 months. The yield range is relatively narrow at between 4.4% and 5.5%, reflecting the homogeneous characteristics of the portfolio: dominant, external shopping centres in their catchment, always anchored on a strong hypermarket providing regular footfall.

Extensions and refurbishments
The 16,000m² extension at Halmstad is now almost complete and will officially open at the end of October 2017, although the new southern entrance and 12 shops including the 4,300m² Coop are already open and trading. Upon opening the extension will be fully let and new tenants include New Yorker, Stadium, Nilson Group (Feet First), Jack and Jones, Vero Moda, Gina Tricot, Cubus, Volt, BikBok, Carlings, MQ and Cassels. The existing 13,600m² gallery is also currently being fully refurbished where tenants already include H&M, KappAhl, Lindex, Willys and Systembolaget. A new 15 year lease has been signed by a hotel group which, together with the external XXL unit (3,830m²), will form the last part of the extension to be completed by summer 2018, by when the centre will have around 90 tenants. The overall investment return of 7% on the €75 million project should be achieved.

The most advanced of our next round of extensions is at Skövde, where we expect to receive a new zoning plan early in 2018 for an extension of up to 5,000m². We are planning an initial extension of 2,700m², providing 20 new units – for which there is strong tenant demand from missing fashion retailers, and a particular need for more restaurants and coffee shops.

Acquisitions and disposals
We completed the off-market acquisition of a 31,600m² shopping centre development and adjoining 9,000m² hypermarket box located just outside Kristianstad, in the southern region of Skåne. Although the city of around 80,000 people has a well-supplied city centre, Kristianstad is one of the last provincial Swedish cities without an external shopping centre, and this centre, known as C4 Shopping, will serve a regional catchment of around 300,000 people.

The shopping centre is already around 75% pre-let a year ahead of its scheduled opening in autumn 2018. Tenants include H&M, Lindex, KappAhl, Gina Tricot and the Varner Group and Bestseller brands. The hypermarket has also been let to the regionally strong City Gross (part of the Bergendahl Group) and opens in September 2017. The purchase has been structured as a forward financing in stage payments, with the final purchase price calculated on the actual net operating income achieved based on a yield of 6%. There is an additional commitment to acquire an adjoining 20,500m² retail park on a yield of 6.5%, subject to very specific and demanding pre-leasing conditions.

At the end of June 2017, we agreed the sale of Mellby Center, Laholm, based on a property price of SEK 185 million, its latest valuation, yielding approximately 5.5%. Mellby Center was acquired in 2003 as part of a portfolio of ICA's three shopping centres alongside our centres at Växjö and Norrköping. We refurbished the centre in 2012 and decided to sell it on account of its relatively small lot size and its proximity to our major project at Halmstad. The sale will be completed at the end of September 2017.

Outlook
With inflation of around 2% and HUI Research forecasting retail sales growth of 2.5% both this year and next, there are good prospects for rental growth. Occupancy cost ratios of only 8% provide sufficient room to increase rental levels, particularly with such strong demand from tenants for retail space in our centres. While there is no evidence of a reduction in demand for retail investments, we think it is possible that the proposed changes in the taxation regime could affect future liquidity and, therefore, yields are unlikely to decline further.

Independent valuations by property

(SEK million)*	**Net value June 2017**	Net value June 2016	Net yield including purchase costs	Cost to date	Year of acquisition
Bergvik, Karlstad[2]	**1,505.00**	1,426.00	4.8%	1,015.43	2005
Ingelsta Shopping, Norrköping[1]	**1,204.00**	1,147.00	5.0%	893.17	2003
Grand Samarkand, Växjö[2]	**1,168.00**	1,104.00	4.4%	739.56	2003
Eurostop, Halmstad[1]	**1,086.00**	762.00	5.3%	944.97	2012
421, Göteborg[2]	**865.00**	785.00	4.7%	838.13	2007
Elins Esplanad, Skövde[2]	**837.00**	800.00	4.8%	552.62	2003
C4, Kristianstad[1]	**769.00**	–	n/a	743.13	2016
Moraberg, Södertälje[1]	**463.00**	458.00	5.5%	366.21	2006
Mellby Center, Laholm[2]	**184.00**	184.00	5.5%	143.76	2003
Total	**8,081.00**	6,666.00	**4.8%**	6,236.98	

Valuations by: [1]JLL, [2]C&W

* €1 = 9.6398 SEK (as at 30 June 2017)

Eurostop Halmstad
16,000m² extension and refurbishment

Grand Samarkand
Växjö
10,000m²
Extension planned

Ingelsta Shopping
Norrköping
8,000m²
Extension planned

Elins Esplanad
Skövde
5,000m²
Refurbishment and extension planned

Year in review: Eurocommercial Sweden

Property | Property summary

Bergvik
Karlstad (Värmland)

Value (€m)

156.12

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
7.76	6,129	9.1%
Rental growth	Turnover growth	Occupancy
2.3%	3.5%	99%

Visitors 2016/17	5m
Total lettable area	47,102m²
ECP ownership	32,790m²

Ingelsta Shopping
Norrköping (Östergötland)

Value (€m)

124.93

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
5.47	5,450	8.5%
Rental growth	Turnover growth	Occupancy
5.3%	2.3%	100%

Visitors 2016/17	3.6m
Total lettable area	36,483m²
ECP ownership	36,483m²

Grand Samarkand
Växjö (Småland)

Value (€m)

121.20

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
5.73	6,754	8.1%
Rental growth	Turnover growth	Occupancy
2.2%	5.4%	100%

Visitors 2016/17	3.5m
Total lettable area	34,887m²
ECP ownership	24,255m²

Eurostop
Halmstad (Halland)

Value (€m)

112.69

Visitors 2016/17	2.5m
Total lettable area	43,013m²
ECP ownership	43,013m²

Project nearing completion.

Property	Property summary

421
Göteborg (Västergötland)

Value (€m)

89.76

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
4.81	**N/A**	**8.7%**
Rental growth	Turnover growth	Occupancy
5.9%	**-0.6%**	**100%**

Visitors 2016/17	4.0m
Total lettable area	33,131m²
ECP ownership	33,131m²

Elins Esplanad
Skövde (Västergötland)

Value (€m)

86.83

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy cost ratio
4.42	**9,008**	**7.9%**
Rental growth	Turnover growth	Occupancy
5.1%	**1.9%**	**100%**

Visitors 2016/17	3.7m
Total lettable area	26,383m²
ECP ownership	26,383m²

C4
Kristianstad (Skåne)

Value (€m)

79.98

Total lettable area	40,600m²
ECP ownership	40,600m²

The hypermarket opens in September 2017.

The shopping centre will open in autumn 2018.

Moraberg
Södertälje (Södermanland)

Value (€m)

48.03

Passing rent (€m)	Occupancy cost ratio	
2.7	**5.9%**	
Rental growth	Turnover growth	Occupancy
1.2%	**-1.9%**	**100%**

Visitors 2016/17	1.7m
Total lettable area	18,791m²
ECP ownership	18,791m²

Mellby Center
Laholm (Halland)

Value (€m)

19.09

Passing rent (€m)	Boutiques 300m² and under turnover/m² (€)	Occupancy
1.37	**3,182**	**100%**

Visitors 2016/17	1.0m
Total lettable area	11,549m²
ECP ownership	11,549m²

SALE CONTRACT

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. A detailed list of these best practice provisions can be found on the Company's website (www.eurocommercialproperties.com/about/governance).

Compared with the Corporate governance report provided in the previous annual report for the year ending 30 June 2016, no significant changes have occurred in the definitions and measurement methods of the corporate responsibility information.

General Meeting of Shareholders

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

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

Supervisory Board

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

The members of the Supervisory Board are appointed by the General Meeting of Shareholders from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. The General Meeting of Shareholders determines the remuneration of members of the Supervisory Board. 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. A resolution by the General Meeting of Shareholders to dismiss or suspend a Supervisory Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital.

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

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

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

Board of Management

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

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

Jeremy Lewis, Chief Executive
The founding Chief Executive of the Company, Jeremy Lewis (72), a Chartered Surveyor, read Estate Management at Reading University. He has over 50 years of international experience in commercial property and the running of quoted property investment vehicles.

Evert Jan van Garderen, Finance Director
Evert Jan van Garderen (55), a graduate of Erasmus University Rotterdam, joined the Company in 1994 after experience in a major law firm and an international investment group. He is both a Chartered Accountant and a qualified lawyer.

Country heads

Peter Mills, Director
Peter Mills (58) joined Eurocommercial in 1993 and is responsible for the Company's operations in Sweden. Prior to joining the Company, he worked for major international property consultants covering the UK and European retail markets. Peter is a Chartered Surveyor and read Land Economy at Cambridge University.

Tom Newton, Director
Having acquired experience in the property markets of the UK, Australia and Europe, Tom Newton (59) joined Eurocommercial in 1992. Since then, he has been involved in the acquisition programme in France and Italy and has responsibility for all French operations. Tom has a degree in modern languages from Durham University and is a Chartered Surveyor.

Roberto Fraticelli, Director
Roberto Fraticelli (46) joined Eurocommercial in 1998 and is responsible for the Italian activities of the Company. Roberto 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.

Hostile takeover defence

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

Under powers granted to it by the General Meeting of Shareholders for the period to 30 June 2018, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares up to a maximum of 20% of the issued share capital and the terms of issue, including the power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares.

External auditor

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

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

KPMG were reappointed as the Company's auditors by the General Meeting of Shareholders in November 2016.

Corporate governance best practice

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

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

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

Principle II.2 of the Code

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

Corporate governance continued

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

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

Provision IV.3.13 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 V.3.1 of the Code
Due to its size, the Company will not appoint an internal auditor.

On 8 December 2016, the Monitoring Committee Corporate Governance Code published an amended Netherlands Corporate Governance Code, which will be applicable for the Company as from 1 July 2017. This Code was enacted on 7 September 2017. The Company is obliged to report about this amended Code in its Annual Report for the year ending 30 June 2018.

Corporate responsibility

Shopping centres play a major role within the local community as places for people not only to shop in, but also to relax and interact with each other. The Company therefore strives to integrate itself as much as possible into its surrounding environment.

The Company holds events in its centres to educate and entertain its visitors to enhance their enjoyment of the shopping centre facilities. The events are often held in conjunction with a local government body, charity or corporate sponsor to align it with a particular cause. Many of the Company's shopping centres also support local sports teams through sponsorship agreements.

The Company is committed at both the corporate and operational level to minimising the impact of its business activities on the environment. The Company discloses its energy and water consumption, waste production and greenhouse gas emissions on an annual basis. This information can be found on page 25.

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. Jones Lang LaSalle assisted the Company in preparing the data in line with the EPRA reporting guidelines. Jones Lang LaSalle also consolidated and verified the data.

Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all of the Swedish centres, while in France and Italy photovoltaic panels have been, and will continue to be, installed on properties as part of ongoing maintenance and upgrade 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 83 full-time equivalent persons during the financial year, of which 17 are based in The Netherlands, 8 in the UK, 20 in France, 30 in Italy and 8 in Sweden. 56% of employees are female and 44% are male. Of the workforce, 16 are under the age of 30, 52 are between the ages of 30 and 50 and 16 are over the age of 50.

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

Organisation

Eurocommercial has had offices in Amsterdam and London since inception, but the Company's focus on France, Italy and Sweden necessitated the opening of offices in 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 have been brought in-house.

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

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

Remuneration

The remuneration policy for Supervisory Directors and Managing Directors, which has been applicable in previous years, has been continued. Supervisory Directors receive a fixed fee. Managing Directors may be entitled to cash bonuses in addition to their base salaries. These bonuses, like those of the senior managers, are directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared with a peer group of ten listed retail property companies. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2012, a Performance Share Plan has been in place for Managing Directors, regional Directors and permanent staff of the Company. Under this scheme, conditional performance depositary receipts may be granted from time to time, but these only vest after three years have lapsed since the date of granting, provided certain targets are met. After vesting, these depositary receipts are blocked for another two years. The remuneration policy is set out in the Remuneration Report posted on the Company's website. A summary of the Remuneration Report is included in the Report of the Board of Supervisory Directors on page 55.

Internal risk management and control systems

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

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

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

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

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

Risk management policies

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

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

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

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

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

Strategic risk

Country and sector weighting of assets

The Company invests in a relatively predictable real estate sector (retail) and relatively wealthy and stable economies (France, Italy and Sweden) to minimise economic and political risk. By limiting the number and types of sectors and countries in which the Company operates, management can maintain a high level of understanding and insight into how the assets perform, which in turn reduces risk. However, the diversification achieved by investing in these countries, both in provincial and major cities, reduces risk further, as well as the spread among a large number of tenants, with a relatively small exposure to any one single tenant (largest exposure to one single tenant is 4.3% of total portfolio rent).

Corporate governance continued

Timing of investments and divestments

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

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

Operational risk

Asset selection

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

Tenant selection and credit risk

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

Technical condition of properties

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

Property extension/redevelopment risk

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

Taxation

The Company is tax-exempt in The Netherlands and France, and subject to corporate income tax in Italy and Sweden. It is difficult to assess whether the Company will have to pay more taxes in the future due to changes made to the tax systems in the countries where the Company operates, but it cannot be excluded.

Financial risk

Credit risk

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

Interest rate risk

As the Company's policy is to have long-term investments, the borrowings used for funding them are also long-term (five years but preferably for ten years or more). The Company uses fixed interest loans, interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 2.6% and only 28% of the existing loans are at a floating rate. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €4.27 million, or 4.0%, 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 33%. 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 0.01% and in a decrease of only 1.1% of reported direct investment result.

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

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

In control statement
Pursuant to the Netherlands Corporate Governance Code, the Board of Management states that it has a description of the organisation of its business operations (Administrative Organisation and Internal Control). During the financial year 2016/2017, 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 Netherlands Corporate Governance Code. Also, there have been no indications during the financial year 2016/2017 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 2016/2017, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2016/2017.

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 Investment Institution, all investment income, whatever its source, is tax free at the corporate level if it is distributed to shareholders. The Company is also tax-exempt in France as a SIIC (Société d'investissements immobiliers cotée). In Italy and Sweden the Company is currently not in a corporate income tax payable position.

Amsterdam, 22 September 2017

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

Responsibility statement
With reference to the EU Transparency Directive and the Act on Financial Supervision, we hereby state to the best of our knowledge that the financial statements for the financial year ended 30 June 2017 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, 22 September 2017

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

Report of the Board of Supervisory Directors 2016/17

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 2017, as drawn up by the Board of Management. The auditors, KPMG Accountants N.V., have audited the financial statements and will issue an unqualified report thereon. We recommend that you adopt the financial statements.

Dividend proposal

We support the proposal of the Board of Management to distribute a cash dividend of €2.10 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2017. 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 Executive Committee (composed of the Board of Management and the three Country Directors). 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 Executive Committee.

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 critically 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 eight Board meetings throughout the year.

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

In the two August 2016 meetings held in Lyon, 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 shopping centre and retail park Chasse Sud, which had its 5,500m² extension opened in June 2016, and met with local property management.

In the Board meetings in October and November 2016 in Amsterdam, the portfolio was reviewed, and the Company's strategy, financial ratios, and staff training were discussed. Furthermore, the audit process was discussed with the Company's auditors.

The two Board meetings in February 2017, held in Paris, were focused on the Company's finances, corporate governance and strategy. During the discussion on strategy, the Supervisory Board and the Management Board discussed several points, including e-commerce, expansion in new countries and sectors, the sale and rotation of assets, and succession planning. The Company's interim results were also discussed and the auditors attended that meeting to present their review report.

The Board meetings held in Florence in May 2017 addressed the third quarter's results, the preliminary budget for 2017/18, 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 Supervisory Board's resignation rota. The Supervisory Board also visited the I Gigli shopping centre which had just refurbished its southern piazza with new enlarged shops including Zara and Primark.

Supervisory Directors also attended some of the weekly team meetings, property team meetings at the local offices and closing meetings with the local auditors. Furthermore, Supervisory Directors attended two closing meetings to prepare for the annual accounts for the financial year ending 30 June 2017 between management and KPMG (and local auditors) held in the month of July in Stockholm, Paris and Milan.

All Supervisory Directors attended each meeting with the exception of two meetings where the Chairman was unable to attend and two meetings where one member was unable to attend.

There have been no conflicts of interest.

Advisory role

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

Employer's role

During the year, the Supervisory Board also concentrated on monitoring the updating of the Company's succession planning and reviewed the Company's plans for succession and career development for senior management.

Stakeholder and relationship management

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

Professional training

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

Supervisory Board education and functioning

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

Diversity

As from 13 April 2017, the Netherlands Civil Code has been amended and provides rules on diversity, implying not less than 30% of the members of the Supervisory Board and of the Board of Management should be female, or male and, if not, that the Company should explain in its Annual Report why it does not comply. The current profile of the Supervisory Board provides for a target over time that each gender is represented, but does not require a particular minimum percentage to ensure the best candidates can be selected. Presently, the Company complies with these statutory requirements.

Corporate governance

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

The Supervisory Board also functions as Audit Committee and had two meetings with the auditors of the Company as well as one meeting with the auditors of the Company in the absence of the Board of Management. During those meetings, the Audit Committee discussed the report of the auditors, as well as the Annual Report and the Interim Report. The Audit Committee reviewed the need for an internal audit function and concluded again that this is not necessary due to the size of the Company and the policy to assign reviews to external experts to check specific parts of the administrative organisation and internal controls. The Supervisory Board also functions as the Remuneration Committee. Remuneration of the Executive Committee was discussed in two meetings on the basis of an updated external benchmark report and the draft updated Remuneration Report. The final 2016/17 Remuneration Report will be posted on the website of the Company when this Annual Report is published. The Supervisory Board also functions as the Selection and Appointment Committee. At the forthcoming Annual General Meeting to be held on 7 November 2017, there will be proposals for the reappointment of two members of the Supervisory Board. These proposals have the unanimous support of all members of the Board.

Summary remuneration report

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

The benchmark for remuneration of the Executive Committee is based on an independent survey of the remuneration for directors of international real estate companies with comparable positions, determined by the size and complexity of the organisation and the responsibilities of the directors.

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

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

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for directors and members of the Executive Committee 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.

Report of the Board of Supervisory Directors 2016/17 continued

Supervisory Directors receive a fixed fee only. The remuneration policy for Supervisory Directors and Managing Directors has been continued during the year under review. Following a benchmarking exercise, it is proposed for the next financial year to increase the remuneration of the Supervisory Directors to €46,000 for each member and to €60,000 for the Chairman and to maintain the base salary for Mr J.P. Lewis and to increase the base salary for Mr E.J. van Garderen to €450,000. The Annual General Meeting of Shareholders to be held on 7 November 2017 is invited to approve the proposed remuneration of Supervisory Directors and the members of the Board of Management.

Composition of the Supervisory Board

Totally unexpectedly we learnt of the tragic sudden death of our colleague, Pieter Haasbroek. He was the longest-serving member of the Supervisory Board. During his term, he made considerable contributions to the Company's successes. His expertise in the real estate sector combined with his superior knowledge of institutional investing benefited the Company greatly. He was a sharp observer, valued adviser to the Executive Committee and a dear colleague in the Supervisory Board. He will certainly also be remembered for his friendship with so many in our Company. We all miss him greatly.

All members of the Supervisory Board are independent. Only Mr C. Croff is considered to be dependent as his firm also acts as the Italian legal counsel to the Company. The profile, role and responsibilities of the Supervisory Board are laid down in specific rules and regulations which are available for inspection at the Company's office and placed on the Company's website. At 30 June 2017, the Supervisory Board was composed as follows:

1. Bas Steins Bisschop (68), Chairman, of Dutch nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. He is a professor of Corporate Law and Corporate Governance at Maastricht University and Nyenrode Business University. He is also an attorney at law in The Hague. He began practising law in 1975.

2. Brigitte Carrière (71), of French nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. She was formerly an asset manager and real estate financial analyst at Amundi, a major European asset manager based in Paris, until her retirement.

3. Carlo Croff (62), of Italian nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years. He is a senior partner of the leading law firm Chiomenti Studio Legale in Milan, Italy which he joined in 1984. Following his additional degrees at Cambridge and Harvard Universities, Mr Croff has had extensive experience advising Italian and international clients on legal matters related to banking and real estate.

4. Richard Foulkes (71), of British nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. Formerly he was Vice Chairman of Schroder Investment Management Limited in London. He graduated from Queens' College, Cambridge, UK, and was made a Fellow-Commoner there in 2006. He worked at Schroders in senior investment management positions until he retired in 2005 and is a member of the investment committees of Queens' College and the Royal Opera House pension fund.

5. Jan-Åke Persson (67), of Swedish nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years. He was a former senior partner of Ernst & Young AB in Malmö, Sweden, until he retired in 2008. Mr Persson has had an extensive professional career advising major international and Swedish groups.

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:

2017: Mr C. Croff and Mr J.-Å. Persson

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

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

At the forthcoming Annual General Meeting of Shareholders to be held on 7 November 2017 Messrs C. Croff and J.-Å. Persson are proposed to be reappointed as members of the Supervisory Board.

Conclusion

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

Amsterdam, 22 September 2017

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

Left to right:
Bas Steins Bisschop, Carlo Croff, Richard Foulkes, Brigitte Carrière, Jan-Åke Persson.

Ten year financial summary*

Key financial information consolidated

For the financial year ended	30-06-08 €'000	30-06-09 €'000	30-06-10 €'000	30-06-11 €'000	30-06-12 €'000	30-06-13 €'000	30-06-14 €'000	30-06-15 €'000	30-06-16 €'000	**30-06-17 €'000**
Profit or loss account										
Net property income**	110,033	114,380	120,472	131,116	139,353	144,368	146,978	145,528	155,370	**163,036**
Net interest expenses**	(38,117)	(40,822)	(41,862)	(44,501)	(48,900)	(51,769)	(52,674)	(45,780)	(38,727)	**(41,260)**
Company expenses	(9,114)	(8,510)	(8,611)	(9,789)	(10,707)	(10,576)	(11,206)	(12,297)	(14,645)	**(12,434)**
Total direct investment result	62,802	65,048	69,999	76,826	79,515	81,518	82,870	87,400	102,785	**108,044**
Total indirect investment result	47,484	(245,753)	23,741	124,451	(91,633)	41,790	16,920	80,374	104,614	**152,709**
Result after taxation	110,286	(180,705)	93,740	201,277	(12,118)	123,308	99,790	167,774	207,399	**260,753**
Balance sheet										
Total assets**	2,528,936	2,172,037	2,505,718	2,671,251	2,842,953	2,889,027	2,807,083	3,112,410	3,656,361	**3,963,635**
Property investments**	2,446,615	2,136,750	2,359,574	2,522,054	2,690,467	2,806,023	2,688,603	2,907,726	3,489,358	**3,835,195**
Cash and deposits**	13,796	7,827	116,218	112,976	120,954	51,422	85,372	170,249	131,541	**90,424**
Borrowings**	970,249	913,186	1,017,841	1,107,964	1,252,744	1,286,923	1,173,236	1,160,222	1,496,210	**1,595,263**
Shareholders' equity	1,300,981	1,033,080	1,214,323	1,370,150	1,300,147	1,366,064	1,386,632	1,658,245	1,791,670	**1,973,694**
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	35,727,332	35,840,442	40,304,266	40,813,650	40,953,515	41,740,054	42,319,567	47,388,471	47,978,844	**48,631,957**
Average number of depositary receipts representing shares in issue	35,554,261	35,797,301	38,543,725	40,602,632	40,895,429	41,410,071	42,311,667	42,916,246	47,729,745	**48,364,199**
Per depositary receipt (€)										
Net asset value (IFRS)	36.41	28.82	30.13	33.57	31.75	32.73	32.77	34.99	37.34	**40.58**
Adjusted net asset value	40.63	33.02	33.90	36.35	36.92	36.47	36.74	39.24	43.00	**46.42**
Direct investment result	1.77	1.82	1.82	1.89	1.94	1.97	1.96	2.04	2.15	**2.23**
Indirect investment result	1.34	(6.87)	0.61	3.07	(2.24)	1.01	0.40	1.87	2.19	**3.16**
Dividend	1.75	1.78	1.82	1.88	1.92	1.92	1.94	1.98	2.05	**2.10**
Property information										
Sector spread (%)										
Retail	93	100	100	100	100	100	100	100	100	**100**
Office	5	0	0	0	0	0	0	0	0	**0**
Warehouse	2	0	0	0	0	0	0	0	0	**0**
	100	100	100	100	100	100	100	100	100	**100**
Stock market										
Closing price at the end of June on Euronext Amsterdam (€: depositary receipts)	30.27	21.95	26.25	34.30	27.25	28.20	36.02	37.41	38.45	**34.99**
Market cap	1,081,466	786,698	1,057,987	1,399,908	1,115,983	1,176,928	1,540,754	1,783,118	1,855,530	**1,710,563**

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

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

Note

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

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

Statement of consolidated direct, indirect and total investment result*

	Note	2016/2017 €'000	2015/2016 €'000
Rental income	4	**186,020**	179,383
Service charge income	4	**26,477**	26,566
Service charge expenses	4	**(29,693)**	(29,763)
Property expenses	5	**(30,520)**	(29,029)
Interest income	7	**45**	1,626
Interest expenses	7	**(39,859)**	(38,946)
Company expenses**	8	**(12,434)**	(14,645)
Other income	11	**1,117**	2,034
Current tax	12	**(597)**	(145)
Direct investment result properties 100% owned		**100,556**	97,081
Direct investment result joint ventures		**7,488**	5,704
Total direct investment result		**108,044**	102,785
Investment revaluation and disposal of investment properties	6	**173,033**	173,707
Fair value movement derivative financial instruments	7	**52,495**	(43,211)
Investment expenses**	8/10	**(4,282)**	(4,351)
Deferred tax	12	**(77,006)**	(22,514)
Indirect investment result properties 100% owned		**144,240**	103,631
Indirect investment result joint ventures		**8,469**	983
Total indirect investment result		**152,709**	104,614
Total investment result		**260,753**	207,399
Per depositary receipt (€)***			
Total direct investment result		**2.23**	2.15
Total indirect investment result		**3.16**	2.19
Total investment result		**5.39**	4.34

Statement of adjusted net equity*

	30-06-17 €'000	30-06-16 €'000
IFRS net equity per consolidated statement of financial position	**1,973,694**	1,791,670
Derivative financial instruments	**111,815**	175,456
Deferred tax liabilities	**165,086**	90,569
Derivative financial instruments and deferred tax liabilities joint ventures	**7,131**	5,287
Adjusted net equity	**2,257,726**	2,062,982
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	**48,631,957**	47,978,844
Net asset value – € per depositary receipt (IFRS)	**40.58**	37.34
Adjusted net asset value – € per depositary receipt	**46.42**	43.00
Stock market prices – € per depositary receipt	**34.99**	38.45

* 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 48,364,199 compared with 47,729,745 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) is an organisation 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 (€)	
	30-06-17	30-06-16	30-06-17	30-06-16
EPRA earnings**	**103,743**	98,423	**2.15**	2.06
EPRA NAV	**2,257,726**	2,062,982	**45.99**	42.66
EPRA NNNAV	**1,968,592**	1,822,133	**40.10**	37.68

	France		Italy		Sweden		Total	
	2016/2017 %	2015/2016 %	2016/2017 %	2015/2016 %	2016/2017 %	2015/2016 %	2016/2017 %	2015/2016 %
EPRA net initial yield	**4.3**	4.4	**5.4**	5.7	**4.9**	5.1	**4.9**	5.1
EPRA topped up yield	**4.3**	4.5	**5.4**	5.8	**5.0**	5.1	**5.0**	5.2
EPRA vacancy rate	**0.3**	1.2	**0.2**	0.6	**1.6**	0.5	**0.5**	0.8

Reconciliation EPRA earnings:

	Total (€'000)	
	30-06-17	30-06-16
IFRS profit after taxation	**260,753**	207,399
Adjustments to IFRS after taxation:		
Investment revaluation and disposal of investment properties	**(173,033)**	(173,707)
Fair value movement derivative financial instruments	**(52,495)**	43,211
Deferred tax	**77,006**	22,514
Share of result of joint ventures	**(8,488)**	(994)
EPRA earnings	**103,743**	98,423

Reconciliation NAV, EPRA NAV and EPRA NNNAV:

	Total (€'000)		Per depositary receipt (€)	
	30-06-17	30-06-16	30-06-17	30-06-16
Equity as per consolidated statement of financial position	**1,973,694**	1,791,670	**40.58**	37.34
Derivative financial instruments	**111,815**	175,456		
Deferred tax liabilities	**165,086**	90,569		
Derivative financial instruments and deferred tax liabilities joint ventures	**7,131**	5,287		
EPRA NAV***	**2,257,726**	2,062,982	**45.99**	42.66
Derivative financial instruments	**(111,815)**	(175,456)		
Deferred tax liabilities****	**(157,717)**	(47,071)		
Deferred tax liabilities joint ventures	**(7,592)**	(5,287)		
Fair value borrowings	**(12,010)**	(13,035)		
EPRA NNNAV***	**1,968,592**	1,822,133	**40.10**	37.68

* 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 48,364,199 compared with 47,729,745 for the previous financial year. EPRA earnings have been restated for the previous financial year to include the investment expenses.

*** 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 2017 was 49,090,171 compared with 48,359,535 at 30 June 2016.

**** 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:

	France		Italy		Sweden		Total	
	2016/2017 (€'000)	2015/2016 (€'000)	2016/2017 (€'000)	2015/2016 (€'000)	2016/2017 (€'000)	2015/2016 (€'000)	2016/2017 (€'000)	2015/2016 (€'000)
Property investments	1,225,600	1,217,700	1,491,600	1,355,900	819,207	707,328	3,536,407	3,280,928
Land and property held for development	(16,000)	(23,400)	(9,800)	0	(192,431)	(80,856)	(218,231)	(104,256)
Investments in joint ventures	47,400	44,400	153,200	144,400	0	0	200,600	188,800
Property investments held for sale	79,100	0	0	0	19,088	19,630	98,188	19,630
Property investments completed	1,336,100	1,238,700	1,635,000	1,500,300	645,864	646,102	3,616,964	3,385,102
Purchasers' costs	91,515	86,363	65,540	59,915	6,459	6,461	163,514	152,739
Gross value property investments completed	1,427,615	1,325,063	1,700,540	1,560,215	652,323	652,563	3,780,478	3,537,841
Annualised net rents (EPRA NIY)	60,830	58,585	91,840	89,678	32,179	33,303	184,849	181,566
Lease incentives (incl. rent free periods)	497	401	541	72	168	212	1,206	685
Annualised rents (EPRA topped up yield)	61,327	58,986	92,381	89,750	32,347	33,515	186,055	182,251

Reconciliation EPRA cost ratio:

	2016/2017 €'000	2015/2016 €'000
Net service charge	3,216	3,197
Property expenses	30,520	29,029
Company expenses	12,427	14,008
Investment expenses	4,289	4,988
Net expenses joint ventures	(174)	(1,418)
EPRA costs (including direct vacancy costs)	50,278	49,804
Vacancy costs	(559)	(520)
EPRA costs (excluding direct vacancy costs)	49,719	49,284
Rental income	186,020	179,383
Share of joint venture rental income	11,677	8,819
Gross rental income	197,697	188,202
EPRA cost ratio (including direct vacancy costs)	25.4%	26.5%
EPRA cost ratio (excluding direct vacancy costs)	25.1%	26.2%

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

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

The EPRA cost ratio is not directly comparable between companies due to costs associated with different countries of operation, business models and accounting treatments.

The EPRA cost ratio is very sensitive to which property sector the company is investing in. The retail sector is an example where property expenses are in general much higher than in other sectors. So the EPRA cost ratio only works for comparison purposes, if pure play property companies are compared.

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

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

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

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

Consolidated financial statements

Consolidated statement of profit or loss

	Note	2016/2017 €'000	2015/2016 €'000
Rental income	4	186,020	179,383
Service charge income	4	26,477	26,566
Total revenue		212,497	205,949
Service charge expenses	4	(29,693)	(29,763)
Property expenses	5	(30,520)	(29,029)
Net property income	2	152,284	147,157
Share of result of joint ventures	14	15,957	6,687
Investment revaluation and disposal of investment properties	6	173,033	173,707
Company expenses	8	(12,427)	(14,008)
Investment expenses	10	(4,289)	(4,988)
Other income	11	1,117	2,034
Operating result		325,675	310,589
Interest income	7	45	1,626
Interest expenses	7	(39,859)	(38,946)
Fair value movement derivative financial instruments	7	52,495	(43,211)
Net financing result	7	12,681	(80,531)
Profit before taxation		338,356	230,058
Current tax	12	(597)	(145)
Deferred tax	12	(77,006)	(22,514)
Total tax	12	(77,603)	(22,659)
Profit after taxation		260,753	207,399
Per depositary receipt (€)*			
Profit after taxation	26	5.39	4.34
Diluted profit after taxation	26	5.35	4.31

Consolidated statement of comprehensive income

	30-06-17 €'000	30-06-16 €'000
Profit after taxation	260,753	207,399
Foreign currency translation differences (to be recycled through profit or loss)	(8,217)	(8,132)
Actuarial result on pension scheme (not to be recycled through profit or loss)	(844)	2,126
Total other comprehensive income	(9,061)	(6,006)
Total comprehensive income	251,692	201,393
Per depositary receipt (€)*		
Total comprehensive income	5.20	4.22
Diluted total comprehensive income	5.16	4.19

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

Consolidated financial statements
continued

Consolidated statement of financial position

	Note	30-06-17 €'000	30-06-16 €'000
Property investments	13	**3,451,034**	3,275,928
Property investments under development	13	**85,373**	5,000
Investments in joint ventures	14	**107,306**	90,596
Tangible fixed assets	15	**1,818**	1,899
Receivables	16	**246**	247
Derivative financial instruments	20	**230**	0
Total non-current assets		**3,646,007**	3,373,670
Receivables	16	**34,960**	32,874
Cash and deposits	17	**78,078**	124,452
Total current assets		**113,038**	157,326
Property investments held for sale	13	**98,188**	19,630
Total assets		**3,857,233**	3,550,626
Creditors	18	**75,649**	78,136
Borrowings	19	**284,652**	183,586
Total current liabilities		**360,301**	261,722
Creditors	18	**24,471**	10,106
Borrowings	19	**1,220,810**	1,221,103
Derivative financial instruments	20	**112,045**	175,456
Deferred tax liabilities	21	**165,086**	90,569
Provision for pensions	22	**826**	0
Total non-current liabilities		**1,523,238**	1,497,234
Total liabilities		**1,883,539**	1,758,956
Net assets		**1,973,694**	1,791,670
Equity Eurocommercial Properties shareholders			
Issued share capital	23	**244,471**	241,291
Share premium reserve	24	**520,692**	522,063
Other reserves	25	**947,778**	820,917
Undistributed income		**260,753**	207,399
Total equity		**1,973,694**	1,791,670

Consolidated statement of cash flows

	Note	2016/2017 €'000	2015/2016 €'000
Cash flow from operating activities			
Profit after taxation		260,753	207,399
Adjustments:			
Increase in receivables		(2,112)	(659)
Increase in creditors		1,962	6,475
Interest income	7	(45)	(1,626)
Interest expenses	7	39,859	38,946
Movement performance shares granted	24	1,632	749
Investment revaluation and disposal of investment properties	6	(172,289)	(174,828)
Derivative financial instruments	7	(52,495)	43,211
Deferred tax	12	77,006	22,514
Current tax	12	597	145
Other movements		472	(82)
Share of result of joint ventures	14	(15,957)	(6,687)
		139,383	135,557
Cash flow from operations			
Dividends received from joint ventures		0	1,978
Current tax paid		(15)	(1,129)
Derivative financial instruments settled	7	(10,708)	(9,407)
Borrowing costs		(3,065)	(2,458)
Interest paid		(40,084)	(39,142)
Interest received		29	1,678
		(53,843)	(48,480)
Cash flow from investing activities			
Acquisitions	13	(88,769)	(265,649)
Capital expenditure		(96,586)	(56,665)
Sale of investment		11,656	42,204
Investment in joint ventures	14	(800)	(33,049)
Additions to tangible fixed assets	15	(813)	(870)
		(175,312)	(314,029)
Cash flow from financing activities			
Borrowings added		523,372	618,563
Repayment of borrowings		(408,672)	(367,657)
Stock options exercised	25	649	100
Performance shares settled – shares issued		(59)	(111)
Dividends paid	24/25	(71,890)	(68,706)
Decrease in non-current creditors		645	(69)
		44,045	182,120
Net cash flow		(45,727)	(44,832)
Currency differences on cash and deposits		(647)	151
Decrease in cash and deposits		(46,374)	(44,681)
Cash and deposits at beginning of year		124,452	169,133
Cash and deposits at end of year	17	78,078	124,452

Consolidated financial statements continued

Consolidated statement of changes in shareholders' equity

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

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

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

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2015	238,353	524,098	728,020	167,774	1,658,245
Profit after taxation				207,399	207,399
Other comprehensive income			(6,006)		(6,006)
Total comprehensive income	0	0	(6,006)	207,399	201,393
Profit previous financial year			99,087	(99,087)	0
Issued shares	2,886	(2,886)			0
Dividends paid		(19)		(68,687)	(68,706)
Performance shares granted		749			749
Performance shares settled – shares issued	52	363	(526)		(111)
Performance shares vested		(242)	242		0
Stock options exercised			100		100
30-06-2016	241,291	522,063	820,917	207,399	1,791,670

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 2016 and ending 30 June 2017 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 2016 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 2017. 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 2016 are adopted as such by the Group. Additional information on new standards, amendments and interpretations and the relating effect on the financial statements, if significant and applicable to the Company, has been disclosed in note 1(c).

(b) Basis of preparation

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

The financial statements are prepared on a going concern basis and have been authorised for issue on 22 September 2017.

c) Change in accounting policies and reclassifications

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

– IFRS 9 Financial instruments is effective as from 1 January 2018 and will be implemented retrospectively by the Group as from 1 July 2018. Classification and measurement of the Group's financial assets and liabilities will not change as a result of implementing IFRS 9 as the Group only has financial assets and liabilities that are measured at amortised cost and derivatives which are measured at fair value through profit or loss (no hedge accounting applied). Impairment of trade receivables will be measured at the transition date using the simplified approach to determine the expected lifetime credit loss. The impact compared to the current method is not expected to be significant. The Group will restate the carrying amount of any loans for which under IAS 39 modification accounting was applied and an unamortised amount of breakage costs is included in the carrying amount. The impact of this correction will be recorded in equity and has no material effect on the Group.

– IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018. IFRS 15 outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer by using a five-step model. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage. The new standard will have no impact on the Group.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

- IFRS 16 Leases, effective 1 January 2018. 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 finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right -of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Impact of the standard on the financial statements: IFRS 16 Leases will have no material impact on the Group.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, effective 1 January 2019. In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation) which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The IFRIC interpretation will have a limited impact on the Group.
- IAS 7 Disclosure Initiative – Amendments to IAS 7, effective 1 January 2017. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). These amendments have no impact on the Group's financial position or performance.
- Transfers of Investment Property (Amendments to IAS 40), effective 1 January 2018. The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments have no impact on the Group.

(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.

1. Principal accounting policies continued

(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 Ltd., London	ECP Fastighet Köpet 1 KB, Stockholm
Eurocommercial Properties Caumartin S.N.C., Paris	ECP Högsbo AB, Stockholm
Eurocommercial Properties France S.A.S., Paris	ECP Karlskrona AB, Stockholm
Eurocommercial Properties Taverny S.N.C., Paris	ECP Moraberg Holding AB, Stockholm
SCI Chasse Distribution, Paris	ECP Moraberg KB, Stockholm
Eurocommercial Gallerie Commerciali S.r.l., Milan	Eurocommercial Properties Sweden AB, Stockholm
Eurocommercial Management Italia S.r.l., Milan	Fastighetsbolaget ES Örebro AB, Stockholm
Eurocommercial Properties Italia S.r.l., Milan	KB Degeln 1, Stockholm
Immobiliare 2011 S.r.l., Milan	Lagergatan i Växjö, AB, Stockholm
Aktiebolaget Laholm Mellby 2:129, Stockholm	Premi Fastighets AB, Stockholm
Aktiebolaget Norrköping Silvret 1, Stockholm	Samarkandfastigheter AB, Stockholm
Aktiebolaget Skövde K-mannen 2, Stockholm	Sar Degeln AB, Stockholm
Bergvik Köpet 3 KB, Stockholm	Ugglum Fastigheter AB, Stockholm

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

(ii) Transactions eliminated on consolidation

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

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.

Notes to the consolidated financial statements continued

1. Principal accounting policies continued

Property investments and property investments under development

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

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

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

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

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

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

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

Property investments held for sale

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

1. Principal accounting policies continued

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

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

Borrowings

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

Creditors

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

Derivative financial instruments

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

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

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.

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

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.

1. Principal accounting policies continued

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.

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.

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

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

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

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

Cash flow statement

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

Segment information

Segment information is presented by country (France, Italy, Sweden and The Netherlands). The segmented information in the financial statements is in line with the segments used for internal reporting; 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 and taxation are not allocated to the respective segments.

2017

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

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

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

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

2. Segment information continued

2016

For the 12 months ended 30-06-16 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	63,145	87,560	37,497	0	188,202	(8,819)	179,383
Service charge income	8,211	9,867	10,868	0	28,946	(2,380)	26,566
Service charge expenses	(9,697)	(9,624)	(12,647)	0	(31,968)	2,205	(29,763)
Property expenses	(8,061)	(16,064)	(5,685)	0	(29,810)	781	(29,029)
Net property income	53,598	71,739	30,033	0	155,370	(8,213)	147,157
Share of result of joint ventures	0	0	0	0	0	6,687	6,687
Investment revaluation and disposal of investment properties	95,761	43,187	41,174	(135)	179,987	(6,280)	173,707
Segment result	149,359	114,926	71,207	(135)	335,357	(7,806)	327,551
Net financing result					(83,455)	2,924	(80,531)
Company expenses					(14,008)	0	(14,008)
Investment expenses					(4,999)	11	(4,988)
Other income					981	1,053	2,034
Profit before taxation					233,876	(3,818)	230,058
Current tax					(194)	49	(145)
Deferred tax					(26,283)	3,769	(22,514)
Profit after taxation					207,399	0	207,399

As per 30-06-16 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	1,257,100	1,500,300	707,328	0	3,464,728	(188,800)	3,275,928
Property investments under development	5,000	0	0	0	5,000	0	5,000
Investment in joint ventures	0	0	0	0	0	90,596	90,596
Tangible fixed assets	709	747	59	384	1,899	0	1,899
Receivables	20,306	9,227	3,426	604	33,563	(442)	33,121
Cash and deposits	7,107	9,554	14,116	100,764	131,541	(7,089)	124,452
Property investments held for sale	0	0	19,630	0	19,630	0	19,630
Total assets	1,290,222	1,519,828	744,559	101,752	3,656,361	(105,735)	3,550,626
Creditors	32,108	28,301	20,176	5,907	86,492	(8,356)	78,136
Non-current creditors	9,053	1,600	25	0	10,678	(572)	10,106
Borrowings	392,061	850,499	253,650	0	1,496,210	(91,521)	1,404,689
Derivative financial instruments	13,637	148,420	14,916	0	176,973	(1,517)	175,456
Deferred tax liabilities	0	32,198	62,140	0	94,338	(3,769)	90,569
Provision for pensions	0	0	0	0	0	0	0
Total liabilities	446,859	1,061,018	350,907	5,907	1,864,691	(105,735)	1,758,956

For the 12 months ended 30-06-16 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	(19,857)	358,136	80,365	0	418,644	(140,915)	277,729

* 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 2017, €1 was SEK 9.6398 (30 June 2016: SEK 9.4242) and €1 was GBP 0.8793 (30 June 2016: GBP 0.8265).

4. Rental income and service charge income and expenses

Rental income

Rental income in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Gross lease payments collected/accrued	**185,360**	178,594
Entry fees received/accrued	**660**	789
	186,020	179,383

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

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

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

	2016/2017 €'000	2015/2016 €'000
– less than one year	**159,765**	166,264
– between one and five years	**347,332**	363,205
– more than five years	**124,013**	123,844
	631,110	653,313

Approximately 2.2% of the rental income for the year ended 30 June 2017 is turnover rent (2015/2016: 1.8%).

Service charge income and expenses

Service charge income of €26.5 million (2015/2016: €26.6 million) represents income receivable from tenants for the services of utilities, caretakers etc. when the Group acts as principal.

Service charge expenses of €29.7 million (2015/2016: €29.8 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:

	2016/2017 €'000	2015/2016 €'000
Direct property expenses		
Bad debts	**402**	606
Centre marketing expenses	**2,199**	2,230
Insurance premiums	**763**	750
Managing agent fees	**2,070**	1,885
Property taxes	**3,786**	3,236
Repair and maintenance	**1,160**	1,847
Shortfall service charges	**714**	581
	11,094	11,135
Indirect property expenses		
Accounting fees	**384**	393
Audit fees	**351**	339
Depreciation fixed assets	**679**	639
Dispossession indemnities	**109**	327
Italian local tax (IRAP)	**1,970**	1,706
Legal and other advisory fees	**1,511**	1,639
Letting fees and relocation expenses	**1,889**	1,766
Local office and accommodation expenses	**1,723**	1,501
Pension contributions	**160**	164
Salaries, wages and bonuses	**6,356**	5,567
Social security charges	**2,387**	2,235
Performance shares granted (IFRS 2)	**435**	173
Travelling expenses	**736**	911
Other local taxes	**548**	334
Other expenses	**188**	200
	19,426	17,894
	30,520	29,029

Indirect property expenses include the expenses of the Milan, Paris and Stockholm offices. Local office and accommodation expenses include rent paid under operating leases for the Company's Group offices in Milan and Stockholm. These leases are standard lease contracts with no contingent rents and sublease payments and expire in February 2018 and September 2017 respectively. The depreciation amount is €445,000 (2015/2016: €548,000) for the Milan office, €184,000 (2015/2016: €51,000) for the Paris office and €50,000 (2015/2016: €40,000) for the Stockholm office.

6. Investment revaluation and disposal of investment properties

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

	2016/2017 €'000	2015/2016 €'000
Revaluation of property investments	**162,427**	175,530
Revaluation of property investments under development	**2,915**	(1,380)
Revaluation of land held for development	**0**	(900)
Revaluation of property investments held for sale	**8,028**	(361)
Disinvestment movement property sold	**(1,082)**	1,937
Elimination of accrued entry fees	**174**	(324)
Elimination of capitalised letting fees	**199**	(678)
Movement long-term creditors	**389**	(64)
Foreign currency results	**(17)**	(53)
	173,033	173,707

The movement of foreign currency results includes a realised amount of €87,000 negative (2015/2016: €398,000 negative) and an unrealised amount of €104,000 positive (2015/2016: €345,000 negative) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

Notes to the consolidated financial statements continued

7. Net financing costs

Net financing costs in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Interest income	45	1,626
Gross interest expense	(41,284)	(39,973)
Capitalised interest	1,425	1,027
Unrealised fair value movement derivative financial instruments	63,204	(33,804)
Realised fair value movement derivative financial instruments	(10,709)	(9,407)
	12,681	(80,531)

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% (2015/2016: 4.2%).

8. Company expenses

Company expenses in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Audit fees	304	323
Depreciation fixed assets	212	211
Directors' fees	1,738	1,986
IT expenses	932	608
Legal and other advisory fees	471	545
Marketing expenses	636	599
Office and accommodation expenses	1,961	1,800
Pension costs*	506	616
Salaries, wages and bonuses	3,406	4,908
Social security charges	448	567
Statutory costs	369	510
Performance shares granted (IFRS 2)	381	162
Travelling expenses	456	600
Other expenses	607	573
	12,427	14,008

* €513,000 of pension costs are allocated to the direct investment result and €7,000 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 March 2018 respectively. The depreciation amount is €211,000 (2015/2016: €210,000) for the Amsterdam office and €1,000 (2015/2016: €1,000) for the London office.

9. Personnel costs

Total personnel costs in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Salaries and wages	9,874	9,778
Social security charges and taxes	3,373	3,492
Pension costs	723	829
Bonuses	3,832	5,609
Performance shares granted (IFRS 2)	1,632	749
	19,434	20,457

Total personnel costs are partly presented under (indirect) property expenses (€9,338,000 (2015/2016: €8,139,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€6,479,000 (2015/2016: €7,974,000)) and partly under investment expenses (€3,901,000 (2015/2016: €4,344,000)). The pension costs consist of €730,000 of pension contributions (2015/2016: €1,465,000) and a negative amount of €7,000 of fair value movement defined benefit plan (2015/2016: negative amount of €637,000). 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 (2015/2016: 6.78%). The Group employed an average of 83 full-time equivalent persons during the financial year (2015/2016: 82), of which 17 are based in The Netherlands, 8 in the UK, 20 in France, 30 in Italy and 8 in Sweden. The Group staff (members of the Board of Management excluded) holds 61,200 depositary receipts, representing 0.13% of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Aborted acquisition costs	2	181
Bonuses linked to NAV growth and relative outperformance	2,653	3,382
Social security charges and taxes related to bonuses linked to NAV growth and relative outperformance	432	548
Performance shares granted (IFRS 2)	816	414
Property valuation fees	386	463
	4,289	4,988

11. Other income

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

Notes to the consolidated financial statements continued

12. Taxation

Total tax in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Current tax Italy	**586**	139
Current tax United Kingdom	**11**	6
Current tax	**597**	145
Deferred tax on unrealised value movements investment property Italy and Sweden	**64,334**	24,021
Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden	**13,819**	(4,073)
Movement tax losses recognised Italy and Sweden	**(1,147)**	2,566
Deferred tax	**77,006**	22,514
Total tax	**77,603**	22,659

Reconciliation of total tax:

	2016/2017 €'000	2015/2016 €'000
Tax-exempt income (including effect of FBI and SIIC)	**92,468**	144,528
Profit before tax attributable to Swedish tax rate of 22%	**58,423**	53,100
Profit before tax attributable to Italian tax rate of 24%/27.9%	**187,529**	32,366
Profit before tax attributable to UK tax rate of 19.75%	**(62)**	64
Profit before taxation	**338,358**	230,058
Tax on profit before tax attributable to Italian taxable subsidiaries at a tax rate of 24%/27.9%	**48,289**	11,497
Tax on profit before tax attributable to Swedish taxable subsidiaries at a tax rate of 22%	**12,853**	11,682
Tax on profit before tax attributable to UK taxable subsidiary at a tax rate of 19.75%	**(12)**	13
Benefit due to tax rate	**0**	(3,668)
Change in tax base	**17,548**	0
Usage of unrecognised tax losses Italy and Sweden	**(1,147)**	0
Non-taxable income/expense Italy, Sweden and UK	**72**	3,135
Total tax	**77,603**	22,659

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

In Italy and Sweden the properties are held by taxable entities. In Italy the nominal tax rate is 24% or 27.9% depending on the type of property and in Sweden the nominal tax rate is 22%. The nominal tax rate for the subsidiary in the United Kingdom is 19.75%.

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

During the second quarter of 2017, the Italian tax authorities have performed an audit on property depreciation for the fiscal year 2014/2015. Up to this date, no notice has been issued by the tax authorities.

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

Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, among other activities, collect a variety of data, including general economic data, property-specific data and market supply and demand data. Property-specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2017.

In October 2016, Eurocommercial entered into an agreement for the acquisition of a 31,600m² shopping centre and adjoining hypermarket-anchored retail boxes under development in Kristianstad, Sweden, with a conditional commitment to purchase an additional 20,500m² retail park on the site. The project is expected to be completed by the end of 2018 and the total purchase cost will be around SEK 1.325 billion (c. €140 million), depending on the level of net rental income achieved. At the end of 2016, Eurocommercial acquired the 15,500m² hypermarket at its Centr'Azur shopping centre in Hyères, along with some external units of 1,300m² together with all parking, from Groupe Casino for a gross price of €40 million. Géant will continue to operate the hypermarket under a long-term lease. The acquisition increased Eurocommercial's ownership of the property to 100%.

Property investments held for sale

The book value of property investments held for sale is stated at fair value and is related to 74 rue de Rivoli in Paris and Mellby Center in Laholm. At the end of June 2017, we agreed the sale of Mellby Center, Laholm based on a property price of SEK 185 million (c. €19 million). The sale will be completed at the end of September 2017. In August 2017, we signed a contract to sell 74 rue de Rivoli for a net sale price of €79.6 million. Completion is expected to take place in October 2017. The sale of Kronan shopping centre in Karlskrona for a property price of SEK 185 million (€19.4 million) was completed on 30 September 2016, as planned.

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 2017 were as follows:

				30-06-17				30-06-16
	France	Italy	Sweden	Total	France	Italy	Sweden	Total
Purchasers' costs (%)	**6.8**	**4.0**	**1.0**	**4.3**	6.9	4.0	1.0	4.4
Purchasers' costs (€'000)	**88,435**	**59,800**	**8,420**	**156,655**	83,739	54,166	7,270	145,175

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

Vacancies in the property portfolio represent 0.5% of rental income (30 June 2016: 0.8%).

Fair value hierarchy

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

Notes to the consolidated financial statements continued

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

The current property portfolio is:

	30-06-17 Net value €'000	30-06-16 Net value €000	30-06-17 Costs to date €'000	30-06-16 Costs to date €'000
France				
Passage du Havre, Paris *	410,300	405,400	190,368	189,428
Les Atlantes, Tours *	152,800	146,700	65,408	65,002
Val Thoiry, Greater Geneva	147,800	135,800	136,231	136,757
Centr'Azur, Hyères * ****	93,100	55,400	62,060	21,644
Chasse Sud, Chasse-sur-Rhône *	89,100	86,500	73,197	72,034
Plaine de France, Moisselles *	79,400	81,900	64,603	63,703
74 rue de Rivoli, Paris **	79,100	70,800	20,784	20,725
Les Portes de Taverny, Taverny *	71,800	65,400	25,995	25,921
Amiens Glisy, Amiens *	69,000	60,400	31,886	23,084
Les Allées de Cormeilles, Cormeilles *	48,300	46,100	44,727	44,741
Les Trois Dauphins, Grenoble *	38,600	40,100	26,913	26,777
Les Grands Hommes, Bordeaux	19,800	18,200	18,269	18,270
Shopping Etrembières, Greater Geneva ***	5,600	5,000	8,013	7,644
	1,304,700	1,217,700	768,454	715,730
Italy				
I Gigli, Florence *	439,000	383,500	322,387	304,352
Carosello, Carugate, Milan *	353,800	320,800	207,277	202,268
Collestrada, Perugia * ****	130,100	110,400	125,978	114,031
Il Castello, Ferrara *	128,000	113,900	85,075	84,922
Curno, Bergamo *	112,800	112,200	36,546	35,600
Cremona Po, Cremona *	89,700	83,900	90,372	87,217
Centro Leonardo, Imola *	72,500	70,500	65,642	64,967
I Portali, Modena *	50,200	48,500	47,283	47,242
La Favorita, Mantova *	48,600	46,600	34,374	34,211
Centro Lame, Bologna *	40,800	39,800	29,966	29,998
Centroluna, Sarzana *	26,100	25,800	14,930	14,892
	1,491,600	1,355,900	1,059,830	1,019,700
Sweden				
Bergvik, Karlstad *	156,123	151,313	109,562	108,322
Ingelsta Shopping, Norrköping *	124,899	121,707	93,713	93,563
Grand Samarkand, Växjö *	121,164	117,145	79,784	79,748
Eurostop, Halmstad	112,658	80,856	108,330	84,095
421, Göteborg *	89,732	83,296	89,813	89,728
Elins Esplanad, Skövde *	86,828	84,888	59,299	59,091
C4 Project, Kristianstad	79,773	0	76,665	0
Moraberg, Södertälje	48,030	48,599	38,968	38,915
Mellby Center, Laholm * **	19,088	19,524	15,919	15,706
Kronan, Karlskrona	0	19,630	0	17,936
	838,295	726,958	672,053	587,104
	3,634,595	3,300,558	2,500,337	2,322,534
Less: Property investments under development	(85,373)	(5,000)	(84,678)	7,644
Less: Property investments held for sale	(98,188)	(19,630)	(36,703)	(17,936)
Property investments	3,451,034	3,275,928	2,378,956	2,312,242

* These properties carry mortgage debt up to €1,394 million at 30 June 2017 (30 June 2016: €1,340 million).

** This property is transferred to property investments held for sale.

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

**** Including (land) acquisitions.

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

Assumptions and sensitivity analysis

The following assumptions were applied by the valuers as per 30 June 2017:

	30-06-17			30-06-16		
	France	Italy	Sweden	France	Italy	Sweden
Passing rent per m² (€; average)	278	295	214	298	292	209
Estimated rent value per m² (€; average)	303	308	221	321	298	223
Net initial yield (%; average)	4.2	5.3	4.9	4.3	5.5	4.8
Reversionary yield (%; average)	4.8	5.5	5.2	4.9	6.1	5.8
Inflation rate (%; min/max)*	n.a.	1.4/1.9	2.0	n.a.	1.5/1.9	1.9/2.0
Long-term growth in rental value (%; min/max)*	n.a.	1.5/1.9	n.a.	n.a.	1.5/1.9	n.a.

* When DCF method is used.

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

	30-06-17				30-06-16			
	France €'000	Italy €'000	Sweden €'000	Total €'000	France €'000	Italy €'000	Sweden €'000	Total €'000
Increase in the average net initial yield by 25 bps	(75,030)	(65,000)	(35,500)	(175,530)	(67,170)	(57,790)	(34,240)	(159,200)
Increase in the average net initial yield by 50 bps	(138,060)	(124,900)	(67,190)	(330,150)	(123,090)	(110,290)	(66,180)	(299,560)
Decrease in the average net initial yield by 25 bps	75,110	71,250	37,820	184,180	72,770	63,170	40,510	176,450
Decrease in the average net initial yield by 50 bps	164,040	150,480	81,470	395,990	158,360	132,220	84,730	375,310
Increase in the estimated rental value of 5%	49,970	45,960	34,490	130,420	52,350	43,750	33,750	129,850
Increase in the estimated rental value of 10%	106,250	92,600	69,070	267,920	105,220	87,020	67,400	259,640
Decrease in the estimated rental value of 5%	(44,310)	(43,850)	(34,490)	(122,650)	(53,300)	(42,500)	(33,750)	(129,550)
Decrease in the estimated rental value of 10%	(84,640)	(89,710)	(69,490)	(243,840)	(106,380)	(85,380)	(67,610)	(259,370)

Changes in property investments and property investments held for sale for the financial year ended 30 June 2017 were as follows:

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	3,295,558	2,860,926
Acquisitions	51,572	265,649
Capital expenditure – general	9,512	8,391
Capital expenditure – extensions and refurbishments	56,876	40,489
Capitalised interest	939	1,027
Capitalised letting fees	(199)	678
Elimination of capitalised letting fees	199	(678)
Revaluation of land held for development	0	(900)
Revaluation of property investments	162,427	175,530
Revaluation of property investments held for sale	8,028	(361)
Book value divestment property	(19,867)	(40,086)
Exchange rate movement	(15,816)	(15,107)
Book value at end of year	3,549,229	3,295,558

Changes in property investments under development for the financial year ended 30 June 2017 were as follows:

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	5,000	4,800
Acquisitions	39,434	0
Capital expenditure	37,115	1,580
Capitalised interest	486	0
Revaluation property investments under development	2,915	(1,380)
Exchange rate movement	423	0
Book value at end of year	85,373	5,000

Notes to the consolidated financial statements
continued

14. Investments in joint ventures

The French joint ventures reported in this statement have a calendar year end, unlike the Group which has a June year end. However, the figures reported for the joint ventures are for the same reporting period as the Group and are provided from the date of acquisition. There are no contingent liabilities or post balance sheet events in the joint ventures. There are no unrecognised losses and no restrictions on the joint ventures' cash dividends or on the repayment of loans and advances. During this financial year, no dividends were paid by the joint ventures (2015/2016: €1.98 million).

The French joint ventures are funded both by the Group and its partner. In February 2016, the Company's Italian joint venture Galleria Verde S.r.l. entered into a five-year loan for €160 million with the Italian branches of ING Bank and BNP Paribas and an additional loan of €25 million with UBI S.p.A. also for five years. Both loans have an option to extend for another five years. The loans are hedged with interest rate swaps for a notional amount of €160 million with an average maturity date of six years and an average interest rate of 0.34% as per 30 June 2017.

Property	Etrembières	Etrembières	Fiordaliso	Total	Etrembières	Etrembières	Fiordaliso	Total
Country	France	France	Italy		France	France	Italy	
ECP ownership	50%	50%	50%		50%	50%	50%	
Company name	SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.		SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.	
Summarised profit or loss account	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000
Rental income	4,850	112	18,392	23,354	4,756	86	12,796	17,638
Property expenses	(328)	0	(1,740)	(2,068)	(302)	(6)	(1,254)	(1,562)
Service charge income	1,118	42	5,076	6,236	828	44	3,888	4,760
Service charge expenses	(1,146)	(42)	(4,830)	(6,018)	(1,060)	(36)	(3,314)	(4,410)
Investment revaluation	7,198	(1,256)	14,718	20,660	4,258	298	8,004	12,560
Net interest expenses	0	0	(2,892)	(2,892)	0	0	(2,816)	(2,816)
Net derivatives movements	0	0	3,958	3,958	0	0	(3,034)	(3,034)
Other expenses to Group companies	(118)	(6)	(2,050)	(2,174)	0	0	(2,106)	(2,106)
Financial and investment expenses	(4)	0	(32)	(36)	(4)	0	(16)	(20)
Deferred tax	0	0	(7,642)	(7,642)	0	0	(7,538)	(7,538)
Corporate income tax	0	0	(1,464)	(1,464)	0	0	(98)	(98)
Result after taxation	11,570	(1,150)	21,494	31,914	8,476	386	4,512	13,374
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	11,570	(1,150)	21,494	31,914	8,476	386	4,512	13,374
ECP share of total comprehensive income	5,785	(575)	10,747	15,957	4,238	193	2,256	6,687

Summarised statement of financial position	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000	2016/2017 €'000	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000
Property investments (non-current)	92,902	1,898	306,400	401,200	85,660	3,140	288,800	377,600
Cash and deposits (current)	6,898	196	17,598	24,692	2,700	140	11,338	14,178
Debtors (current)	112	6	484	602	242	6	636	884
Derivatives financial instruments (non-current)	0	0	922	922	0	0	0	0
Total assets	99,912	2,100	325,404	427,416	88,602	3,286	300,774	392,662
Creditors (current)	556	28	15,976	16,560	846	30	15,836	16,712
Borrowings (current)	0	0	4,122	4,122	0	0	3,200	3,200
Creditors (non-current)	942	6	510	1,458	908	6	230	1,144
Borrowings (non-current)	0	0	175,480	175,480	0	0	179,842	179,842
Derivatives financial instruments (non-current)	0	0	0	0	0	0	3,034	3,034
Deferred tax	0	0	15,184	15,184	0	0	7,538	7,538
Total liabilities	1,498	34	211,272	212,804	1,754	36	209,680	211,470
Net assets	98,414	2,066	114,132	214,612	86,848	3,250	91,094	181,192
ECP share of net assets in joint ventures	49,207	1,033	57,066	107,306	43,424	1,625	45,547	90,596

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:

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	1,899	1,865
Additions	825	870
Depreciation	(904)	(850)
Exchange rate movement	(2)	14
Book value at end of year	1,818	1,899
Cost at end of year	6,866	6,041
Accumulated depreciation	(5,020)	(4,117)
Accumulated exchange movements	(28)	(25)
Book value at end of year	1,818	1,899

During the financial year ended 30 June 2017 tangible fixed assets with a total cost price of €221,000 were disposed of or out of use (30 June 2016: disposals €161,000).

16. Receivables

	30-06-17 €'000	30-06-16 €'000
Funds held by managing agents	2,041	1,436
Rents receivable	23,049	21,876
Provision for bad debts	(1,830)	(1,526)
VAT receivable	5,937	5,451
Other receivables and prepayments	6,009	5,884
	35,206	33,121

Receivables at 30 June 2017 include an amount of €246,000 (30 June 2016: €247,000) 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.

	30-06-17 €'000	30-06-16 €'000
Bank balances	77,994	124,428
Deposits	84	24
	78,078	124,452

18. Creditors

	30-06-17 €'000	30-06-16 €'000
(i) Current liabilities		
Interest payable	6,983	7,246
Local and property tax payable	2,384	1,925
Payable on purchased property/extensions	18,434	17,667
Rent received in advance	25,833	23,150
VAT payable	1,759	1,568
Other creditors and accruals	20,256	26,580
	75,649	78,136
(ii) Non-current liabilities		
Tenant rental deposits	11,267	10,106
Payable on purchased property/extensions	13,204	0
	24,471	10,106

Notes to the consolidated financial statements continued

19. Borrowings

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	1,404,689	1,160,222
Drawdown of funds	523,372	618,563
Repayments	(408,672)	(367,657)
Disposal	(6,794)	0
Exchange rate movement	(5,488)	(5,200)
Movement prepaid borrowing costs	(1,645)	(1,239)
Book value at end of year	1,505,462	1,404,689

78% of the borrowings are at a floating interest rate (30 June 2016: 86%), rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 22% of the borrowings are at a fixed interest rate and the interest rate risk is managed by fixing the interest to maturity at the drawdown date.

At 30 June 2017, the Group has at its disposal undrawn borrowing facilities for a total amount of €22 million. These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes. At 30 June 2017, the Group has also at its disposal undrawn borrowing facilities, which are not committed, for a total amount €53 million (30 June 2016: €59 million).

	Borrowings €'000	Borrowing cost €'000	30-06-17 €'000	Fair value €'000	30-06-17 %	30-06-16 €'000	Fair value €'000	30-06-16 %
Borrowings with floating interest rate	1,175,975	(3,887)	1,172,088	1,175,975	78	1,217,726	1,221,828	86
Borrowings with fixed interest rate	343,795	(10,421)	333,374	355,805	22	186,963	201,381	14
Total borrowings	1,519,770	(14,308)	1,505,462	1,531,780	100	1,404,689	1,423,209	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 almost five years. Borrowings of €1,394 million are secured on property (30 June 2016: €1,340 million). The average interest rate during the financial year ended 30 June 2017 on non-current borrowings including hedges was 3.4% (2015/2016: 3.5%). 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 2017.

	30-06-17				30-06-16
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Current borrowings	172,762	111,890	284,652	0.7	183,586
Non-current borrowings:					
One to two years	77,187		77,187		214,532
Two to five years	832,395		832,395		355,261
Five to ten years	167,981		167,981		525,046
More than ten years	157,555		157,555		131,749
Total non-current borrowings	1,235,118		1,235,118	3.4	1,226,588
Borrowing costs	(14,308)		(14,308)		(5,485)
Total borrowings	1,393,572	111,890	1,505,462	2.8	1,404,689

19. Borrowings continued

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Average interest rate at 30 June in %	Average interest maturity in years	Average maturity of borrowings in years
2016/2017						
Euro	**969,348**	**275,839**	**1,245,187**	**2.9**	**6.7**	**5.5**
Swedish krona	**123,447**	**151,136**	**274,583**	**2.6**	**3.4**	**2.2**
Borrowing costs	**(10,421)**	**(3,887)**	**(14,308)**			
	1,082,374	**423,088**	**1,505,462**	**2.8**	**6.7**	**4.9**
2015/2016						
Euro	824,292	332,076	1,156,368	2.9	7.5	5.5
Swedish krona	170,731	83,075	253,806	3.2	3.0	2.0
Borrowing costs***	(1,383)	(4,102)	(5,485)			
	993,640	411,049	1,404,689	2.9	6.9	4.8

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

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

*** The borrowing costs have been restated for the previous financial year to include the split of the borrowing cost between fixed rate borrowings and floating rate borrowings.

In September 2016, a SEK 690 million (c. €72 million) fixed rate bullet loan with a term of seven years was closed with Allianz Real Estate on the Bergvik shopping centre at a fixed rate. In September 2016, a five-year loan for an amount of €80 million was concluded with Intesa Sanpaolo on Carosello shopping centre with an extension option for another five years. In December 2016, a 15-year loan for an amount of €84 million with Deutsche Hypo was concluded at a fixed interest rate on four French retail properties replacing a loan expiring in 2018. In June 2017, two loans with Deutsche Hypo were replaced by a new loan of €70 million with a term of 15 years. The modification of these loans are booked following modification accounting and not treated as debt extinguishment, whereby the company has selected the accounting policy to recognise modification gains or losses over the remaining term of the liability. In June 2017, a loan with ABN AMRO of €50 million on Leonardo was concluded to replace the loan maturing in 2018 and a new five-year loan, with an extension option of another five years, of €55 million with Unicredit and UBI was concluded to replace the existing loan on Cremona Po.

After balance sheet date, two short-term loans with Nordea maturing in 2017, were renewed by two new loans for the amount of SEK 880 million (c. €91 million) with a term of six years.

Further information about borrowings and bank covenants can be found in note 28.

20. Financial instruments

Financial risks

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

Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of the Group's counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks in their position as lenders have a credit rating of AA- (11%), A+ (29%), AA (2%), A- (1%), B- (4%), BBB+ (2%), BBB (31%), BBB- (3%), and (17%) has no rating from Fitch; and Aa3 (29%), Aa2 (2%), A3 (1%), A1 (29%), B3 (4%), Baa1 (31%), Baa2 (3%) and Baa3 (1%) according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the basis of their financial strength.

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

Carrying amount of financial assets	Note	30-06-17 €'000	30-06-16 €'000
Receivables	16	**35,206**	33,121
Derivative financial instruments		**230**	0
Cash and deposits	17	**78,078**	124,452
		113,514	157,573

Notes to the consolidated financial statements continued

20. Financial instruments continued

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

	30-06-17				30-06-16			
	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	18,938	0	0	18,938	15,902	0	0	15,902
Overdue by 0–90 days	2,254	(104)	13,987	16,137	3,898	(4)	12,771	16,665
Overdue by 90–120 days	(29)	(332)	0	(361)	(98)	(56)	0	(154)
Overdue by more than 120 days	1,886	(1,394)	0	492	2,174	(1,466)	0	708
	23,049	(1,830)	13,987	35,206	21,876	(1,526)	12,771	33,121

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €11.3 million (2016: €10.1 million) in addition to bank guarantees.

Liquidity risk

In order to reduce liquidity risk, the repayment dates of borrowings are well spread over time and 80% of borrowings are long term, with 21% of borrowings with a remaining term of almost five years. The Group aims to enter into long-term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was almost five years. Group borrowings will not exceed the adjusted net equity of the Company, so that the 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 2017 was 0.67 (30 June 2016: 0.66).

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

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

	30-06-17				30-06-16			
Undiscounted cash flows	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000
Non-current borrowings	1,235,118	0	909,582	325,536	1,226,587	0	569,793	656,794
Current borrowings	284,652	284,652	0	0	183,586	183,586	0	0
Interest derivative financial instruments	134,372	17,181	67,988	49,203	153,756	19,899	77,339	56,518
Interest on borrowings	84,142	11,197	37,670	35,275	78,858	13,511	41,965	23,382
Non-current creditors	26,275	4,459	18,000	3,816	11,521	4,558	3,994	2,969
Current creditors	68,666	68,666	0	0	70,890	70,890	0	0
	1,833,225	386,155	1,033,240	413,830	1,725,198	292,444	693,091	739,663

Foreign currency risk

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 €274 million (30 June 2016: €253.8 million). The total property investments in Sweden are €838 million (30 June 2016: €727 million). So 33% of this SEK exposure is hedged through these borrowings at 30 June 2017 (30 June 2016: 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 0.01% and in a decrease of only 1.1% 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 2016: €8.8 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 2017 is a negative value of €99.6 million (30 June 2016: negative €163.9 million).

20. Financial instruments continued

Interest rate risk continued

The interest rate hedge instruments as at 30 June 2017 have a weighted average maturity of almost seven years and the Company is hedged at an average interest rate of 2.6% (30 June 2016: 2.8%). Only 28% (30 June 2016: 29%) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €4.3 million (30 June 2016: €4.2 million) or 4.0% (30 June 2016: 4.0%) of reported direct investment result.

If at 30 June 2017 the euro interest curve and the Swedish interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholders' equity by €32.6 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 €35.0 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	30-06-17 Notional amount €'000	30-06-17 Fair value €'000	30-06-16 Notional amount €'000	30-06-16 Fair value €'000
Up to one year	0	0	0	0
From one year to two years	24,000	(1,588)	37,139	(8,849)
From two years to five years	427,000	(30,472)	359,537	(48,886)
From five years to ten years	183,000	(23,324)	295,000	(28,486)
Over ten years	115,000	(44,175)	115,000	(77,683)
	749,000	(99,559)	806,676	(163,904)

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

In addition to the notional amounts of the derivative financial instruments presented in the previous table, the financial instruments portfolio as per the balance sheet date includes forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €135 million (2016: €205 million) and forward starting interest rate swaps for a notional amount of €137 million (2016: €66 million). Although the notional amounts of the aforesaid financial instruments are not included in the previous table, the fair value of these financial instruments is reported.

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

Derivative financial instruments	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	(175,456)	(131,723)
Unrealised fair value movement interest rate swaps	53,199	(41,899)
Realised fair value movement interest rate swap	10,709	9,407
Exchange rate movement	437	311
Fair value movement of Galleria Verde put option	(704)	(11,552)
Book value at end of year	(111,815)	(175,456)

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

Effective interest rate and aging analysis

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2017) 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.

	30-06-17				30-06-16			
	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 (%)	0.36	2.03	2.62	(0.33)	0.73	2.41	2.75	(0.28)
Up to one year (€'000)	279,270	5,382	0	0	180,624	2,962	0	0
From one year to two years (€'000)	71,349	5,838	24,000	24,000	211,486	3,047	37,139	37,139
From two years to five years (€'000)	762,231	70,165	427,000	427,000	292,535	62,726	359,537	359,537
From five years to ten years (€'000)	63,125	104,856	183,000	183,000	458,183	66,862	295,000	295,000
Over ten years (€'000)	0	157,555	115,000	115,000	79,000	52,749	115,000	115,000
	1,175,975	343,796	749,000	749,000	1,221,828	188,346	806,676	806,676

Notes to the consolidated financial statements continued

20. Financial instruments continued

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2017) on both borrowings and derivatives are expected to occur on the basis of the loan and interest rate swap agreements entered into by the Group, as per the balance sheet date:

Interest cash flows	Borrowings floating rate €'000	Borrowings fixed rate €'000	Swaps fixed rate €'000	Swaps floating rate €'000	Total €'000
Up to one year	4,227	6,970	19,660	(2,479)	28,378
From one year to two years	3,519	6,853	23,268	(3,124)	30,516
From two years to five years	8,428	18,870	55,354	(7,510)	75,142
From five years to ten years	591	21,851	34,647	(4,713)	52,376
Over ten years	0	12,832	22,049	(2,780)	32,101
	16,765	67,376	154,978	(20,606)	218,513

Fair value of financial instruments

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

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

	Note	Categories in accordance with IAS 39	30-06-17 €'000 Carrying amount	30-06-17 €'000 Fair value	30-06-16 €'000 Carrying amount	30-06-16 €'000 Fair value
Receivables	16	B	35,206	35,206	33,121	33,121
Derivative financial instruments		A	230	230	0	0
Cash and deposits	17	B	78,078	78,078	124,452	124,452
			113,514	113,514	157,573	157,573
Creditors		D	100,120	100,120	88,242	88,242
Borrowings	19	D	1,505,462	1,531,780	1,404,689	1,423,209
Derivative financial instruments (liabilities)		A	112,045	112,045	175,456	175,456
			1,717,627	1,743,945	1,668,387	1,686,907

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 €333,374,000), the fair value was based upon the relevant yield curves. The borrowings with a floating interest rate (carrying amount of €1,172,088,000), 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, except for the Galleria Verde put option. For the level 2 derivative financial instruments the Group uses a model to determine the fair value with inputs that are directly or indirectly observable market data. The Galleria Verde put option is based on the net market value obtained from an independent appraiser and therefore reported at level 3 for an amount of €12.3 million (30 June 2016: €11.6 million).

21. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

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

21. Deferred tax liabilities continued

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

	30-06-15 €'000	Recognised in profit or loss €'000	Release to profit or loss due to property sale €'000	Exchange rate movement €'000	30-06-16 €'000
Investment property	(106,979)	(24,021)	0	1,400	(129,600)
Derivative financial instruments	31,766	4,073	0	(74)	35,765
Tax value of loss carry-forwards recognised	5,844	(2,566)	0	(12)	3,266
Total deferred tax liabilities	(69,369)	(22,514)	0	1,314	(90,569)

As at 30 June 2017, the total amount of deferred tax liabilities of €165.1 million is related to Italy for an amount of €91.4 million (30 June 2016: €28.4 million) and to Sweden for an amount of €73.7 million (30 June 2016: €62.2 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 2016: 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:

	30-06-17 €'000	30-06-16 €'000
Investments quoted in active markets	0	0
Unquoted investments:		
Cash and cash equivalents	39	0
Investment funds – equities	0	6,570
Investment funds – bonds	0	1,831
Investment funds – property	0	415
Investment funds – cash	0	122
Investment funds – mixed	8,603	0
	8,642	8,938

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 30-06-16/30-06-15	9,024	(9,024)	0	9,196	(12,047)	(2,851)
Service cost	0	(19)	(19)	0	(567)	(567)
Interest income/(expenses)	267	(260)	7	307	(391)	(84)
Pension cost charged to profit or loss account	267	(279)	(12)	307	(958)	(651)
Return on plan assets	262	0	262	(101)	0	(101)
Actuarial changes arising from changes in assumptions	0	(1,416)	(1,416)	0	2,614	2,614
Experience adjustments	0	(12)	(12)	0	0	0
Adjustment obligation year end	(84)	406	322	101	(488)	(387)
Actuarial result on pension scheme charged to OCI	178	(1,022)	(844)	0	2,126	2,126
Past service costs (including curtailments)	0	0	0	0	441	441
Contributions by employer	19	0	19	848	0	848
Benefits paid	290	(290)	0	(20)	20	0
Exchange rate movement	(570)	581	11	(1,307)	1,394	87
Book value at end of year 30-06-17/30-06-16	9,208	(10,034)	(826)	9,024	(9,024)	0

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 2017. The discount rate is 2.7% (30 June 2016: 3.2%) and pension increase is 3.4% (30 June 2016: 3.0%). The life expectancy for pensioners at the age of 60 has decreased for both men and women to 27.3 years and 29.8 years respectively (30 June 2016: men 27.4 years and women 30.0 years).

Notes to the consolidated financial statements continued

22. Provision for pensions continued

A quantitative sensitivity analysis for significant assumptions as at 30 June 2017 is as shown below:

Year	Sensitivity level	Discount rate: 0.5% decrease	Future salary increases: 0.5% increase	Rate of inflation: 0.5% increase	Life expectancy: 1 year increase
30 June 2017	Impact on defined benefit obligation	Increase by 11%	n/a	Increase by 11%	Increase by 3%
30 June 2016	Impact on defined benefit obligation	Increase by 13%	n/a	Increase by 8%	Increase by 3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated based on the average age and the Normal Retirement Age of members and the duration of the liabilities of the Scheme. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period. The duration of the liabilities of the Scheme is approximately 22 years as at 30 June 2017 (30 June 2016: 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 2016: €0).

23. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 488,941,773 shares are issued and fully paid as at 30 June 2017 and of which 2,622,300 were bought back as at 30 June 2017.
- 100 authorised priority shares of €0.50 par value, which are entirely issued and fully paid. All issued priority shares are held by Stichting Prioriteitsaandelen Eurocommercial Properties. The holders of the priority shares are entitled to determine the number of members of the Company's Supervisory and Management Boards, to nominate the persons to be submitted to the vote of all shareholders for election to the Board of Management and the Supervisory Board and to approve the appropriation of income of the Company. For the period to 30 June 2017, the Stichting is empowered by the shareholders to authorise the issue of new shares and the terms of issue, including a power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares. The priority shares are in all other respects identical to the registered ordinary shares.

The weighted average number of shares in issue in the current financial year is 483,641,987.

The number of shares in issue (after deduction of shares bought back) as per 30 June 2017 is 486,319,573.

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

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	**241,291**	238,353
Issued performance shares	**100**	52
Issued bonus shares	**3,080**	2,886
Book value at end of year	**244,471**	241,291

The number of shares on issue increased on 30 November 2016 as a result of the issue of 616,025 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 27.0% of the issued share capital (last year 26.8%) opted for the bonus depositary receipts at an issue price of €43.05 from the Company's share premium reserve, instead of a cash dividend of €2.05 per depositary receipt for the financial year ended 30 June 2016. On 30 November 2016, the number of shares increased by 19,900 new depositary receipts due to the vesting of depositary receipts under the 2013 Performance Share Plan.

	2016/2017		2015/2016	
	No. of depositary receipts	No. of shares	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	**48,258,252**	**482,582,523**	47,670,566	476,705,663
Shares (DRs) issued	**0**	**0**	0	0
Shares (DRs) issued under the Performance Share Plan	**19,900**	**199,000**	10,498	104,980
Shares (DRs) issued under the stock dividend plan	**616,025**	**6,160,250**	577,188	5,771,880
Number of shares (DRs) on issue at end of year	**48,894,177**	**488,941,773**	48,258,252	482,582,523
Priority shares	**10**	**100**	10	100
Shares (DRs) bought back	**(262,230)**	**(2,622,300)**	(279,418)	(2,794,180)
Number of shares (DRs) after deduction of shares (DRs) bought back	**48,631,957**	**486,319,573**	47,978,844	479,788,443

23. Issued share capital continued

Net asset value per depositary receipt

The net asset value per depositary receipt is €40.58 at 30 June 2017 (30 June 2016: €37.34).

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 two outstanding option plans with expiry date November 2017 and an exercise price of €37.28 and an option plan with expiry date November 2020 and an exercise price of €32.45. The vesting dates of these plans were November 2010 and November 2013 and the outstanding options at the end of the year are 262,230 (30 June 2016: 279,418); 168,263 options for the plan expiring in November 2017 and 93,967 options for the plan expiring November 2020 (30 June 2016: 185,451 options November 2017 and 93,967 options November 2020). During the year, 17,188 options were exercised with expiry date November 2017 at a weighted average sale price of €40.87.

In June 2014, a programme was initiated under which depositary receipts were bought back to cover future anticipated exercises of the options granted under the SOP 2007 and SOP 2010. After options were exercised during the financial year, the Company holds 262,230 depositary receipts as per 30 June 2017 (30 June 2016: 279,418 depositary receipts).

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 2013	PSP 2014	PSP 2015	PSP 2016	Total
Grant date	11-11-13	11-11-14	09-11-15	07-11-16	
Vesting date	11-11-16	11-11-17	09-11-18	07-11-19	
Share price at grant date	€29.78	€33.80	€40.00	€35.22	
Dividend yield	6.25%	5.58%	4.83%	5.66%	
Fair value per performance share	€24.69	€28.59	€34.60	€29.72	
Performance shares granted	22,828	30,079	58,267	119,283	230,457
Performance shares forfeited	(2,928)	(3,368)	(6,531)	(1,746)	(14,573)
Performance shares vested	(19,900)	0	0	0	(19,900)
Outstanding performance shares at end of year	0	26,711	51,736	117,537	195,984

Movements in the number of performance shares during the year	PSP 2013	PSP 2014	PSP 2015	PSP 2016	Total
Performance shares at beginning of year	19,993	27,643	53,637	0	101,273
Performance shares granted	0	0	0	119,283	119,283
Performance shares forfeited	(93)	(932)	(1,901)	(1,746)	(4,672)
Performance shares vested	(19,900)	0	0	0	(19,900)
Outstanding performance shares at end of year	0	26,711	51,736	117,537	195,984

The expenses for the performance shares granted (IFRS 2) are €1,632,000 (2015/2016: €749,000). The outstanding options and performance shares as per 30 June 2017: 458,214 (30 June 2015: 380,691). As at 30 June 2017, the outstanding options and performance shares represent 0.9% of the issued share capital (30 June 2016: 0.8%).

Notes to the consolidated financial statements continued

24. Share premium reserve

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	522,063	524,098
Performance shares granted (IFRS 2)	1,632	749
Release for issued bonus shares	(3,080)	(2,886)
Cost for dividends paid	(18)	(19)
Performance shares settled – shares issued	586	363
Performance shares vested	(491)	(242)
Book value at end of year	520,692	522,063

25. Other reserves

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	820,917	728,020
Profit previous financial year	135,527	99,087
Stock options exercised	649	100
Performance shares settled – shares issued	(745)	(526)
Performance shares vested	491	242
Actuarial result on pension scheme	(844)	2,126
Foreign currency translation differences	(8,217)	(8,132)
Book value at end of year	947,778	820,917

For more information of the other reserves, reference is made to note 11 of the Company financial statements.

26. Earnings per depositary receipt

Basic earnings per depositary receipt

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

The calculation of basic earnings per depositary receipt of €5.43 at 30 June 2017 was based on the profit attributable to holders of depositary receipts of €260.8 million (30 June 2016: €207.4 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2017 of 48,364,199 (30 June 2016: 47,729,745), as calculated below.

Profit attributable to holders of depositary receipts:

	30-06-17 €'000	30-06-16 €'000
Profit for the year	260,753	207,399

Issued depositary receipts (after deduction of depositary receipts bought back) at beginning of year	47,978,844	47,388,471
Effect of depositary receipts issued (stock dividend)	359,489	337,482
Effect of depositary receipts issued (staff options exercised)	14,253	780
Effect of depositary receipts issued (share plan)	11,613	3,012
Weighted average number of depositary receipts	48,364,199	47,729,745

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €5.39 at 30 June 2017 was based on the profit attributable to holders of depositary receipts of €260.8 million (30 June 2016: €207.4 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2017 of 48,756,812 (30 June 2016: 48,106,287), as calculated below.

Profit attributable to holders of depositary receipts (diluted):

	30-06-17 €'000	30-06-16 €'000
Profit for the year	260,753	207,399

Weighted average number of depositary receipts	48,364,199	47,729,745
Effect of issued performance shares on depositary receipts	392,614	376,543
Weighted average number of depositary receipts (diluted)	48,756,813	48,106,288

27. Commitments not included in the balance sheet

As at 30 June 2017 bank guarantees have been issued for a total amount of €2.0 million.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €0.8 million for the financial year 2017/2018 and approximately €2.0 million for the four-year period thereafter and €0.5 million for the period longer than five years.

The Company has signed building contracts for the extension project in Halmstad, Sweden and for C4 in Kristianstad, Sweden. The outstanding commitment under these contracts is SEK 560 million (c. €58 million) as per 30 June 2017.

The Company has signed an agreement to contribute €4 million to Galleria Verde S.r.l. to undertake a refurbishment of Fiordaliso.

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 2017. 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:

Debt to equity ratio (on a proportional consolidated basis)	30-06-17 €'000	30-06-16 €'000
Net borrowings (total borrowings less cash and deposits)	**1,504,839**	1,364,669
Shareholders' equity	**1,973,694**	1,791,670
Derivative financial instruments	**111,815**	175,456
Deferred tax liabilities	**165,086**	90,569
Derivative financial instruments and deferred tax liabilities joint ventures	**7,131**	5,287
Adjusted net equity	**2,257,726**	2,062,982
Debt to equity ratio	**0.67**	0.66

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

29. Related parties

Introduction

Subsidiaries and joint ventures of the Company and members of its Supervisory Board and 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 €284,000 (2015/2016: €265,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-17 €'000	30-06-16 €'000
B.T.M. Steins Bisschop	**59**	55
B. Carrière	**45**	42
C. Croff	**45**	42
R.R. Foulkes	**45**	42
P.W. Haasbroek	**45**	42
J.–Å. Persson	**45**	42

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

Notes to the consolidated financial statements continued

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	
	30-06-17 €'000	30-06-16 €'000	30-06-17 €'000	30-06-16 €'000
Salary	**689**	689	**435**	435
Bonus	**430**	623	**281**	435
Pension premiums (defined contribution plan)	**0**	0	**57**	49
Social security charges	**138**	183	**9**	6
Performance shares granted (IFRS 2)	**142**	72	**92**	45
	1,399	1,567	**874**	970

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 2016: 6.78%). The total remuneration for the members of the Supervisory Board and the Board of Management is €2,557,000 (2015/2016: €2,802,000).

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

Stock options and performance shares

During the year no options have been exercised by the Board of Management. The outstanding options for the Board of Management as per 30 June 2017 are 79,375 (30 June 2016: 79,375). At the end of the year, Mr J.P. Lewis has 43,750 options and Mr E.J. van Garderen has 35,625 options. At 30 June 2017, the outstanding options held by the Board of Management represent 0.16% of the issued share capital (30 June 2016: 0.16%).

In November 2016, performance shares were granted to the Board of Management under the Performance Share Plan. 8,730 performance shares were granted to Mr J.P. Lewis and 6,095 performance shares were granted to Mr E.J. van Garderen. At 30 June 2017, the outstanding performance shares held by the Board of Management represent 0.065% of the issued share capital. In November 2017, performance shares will be granted to the Board of Management with a value of 31.2% 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.

14.3% (€234,000) of the amount charged to the consolidated statement of profit or loss (€1,632,000) 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 987,781 depositary receipts in total, representing 2.02% of the issued share capital of the Company. Mr E.J. van Garderen holds 27,145 depositary receipts in total, representing 0.06% 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 and other services rendered by KPMG for the financial year ended 30 June 2017 is €545,000 (2015/2016: €510,000). The services rendered by the external audit firm during 2016/2017 is related to audit services for an amount of €540,000 and to assurance services for an amount of €5,000. The services rendered by the external audit firm during 2015/2016 are only related to the audit of the financial statements of the Group and its subsidiaries.

31. Post balance sheet events

In August 2017, the Company signed a contract of sale of 74 rue de Rivoli at a price of €79.6 million and completion is expected to take place in October.

In July 2017, a total of SEK 880 million (c. €91 million) bullet loans were renewed with a term of six years.

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 7 November 2017 at 09:00 hours, to distribute a cash dividend of €2.10 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2017 (30 June 2016: €2.05 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 3 November 2017. The distribution will be payable as from 30 November 2017. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15% for The Netherlands and certain overseas holders. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2017/2018. Holders of depositary receipts are given the opportunity to make their choice known up to and including 23 November 2017. If notification is not received by that date a cash dividend only will be payable. The part of the profit not distributed in cash will be added to shareholders' equity.

Company financial statements

Company balance sheet

(before income appropriation)

	Note	30-06-17 €'000	30-06-16 €'000
Investments in subsidiaries	3	1,585,932	1,363,101
Due from subsidiaries	4	0	225,267
Tangible fixed assets	5	1,230	1,091
Total non-current assets		1,587,162	1,589,459
Due from subsidiaries	4	410,557	108,677
Receivables	6	586	948
Cash and deposits	7	827	100,963
Total current assets		411,970	210,588
Total assets		1,999,132	1,800,047
Creditors	8	6,500	8,377
Borrowings	9	18,112	0
Total current liabilities		24,612	8,377
Provision for pensions	10	826	0
Total non-current liabilities		826	0
Total liabilities		25,438	8,377
Net assets		1,973,694	1,791,670
Shareholders' equity	11		
Issued share capital		244,471	241,291
Share premium reserve		520,692	522,063
Legal reserve subsidiaries		864,303	663,803
Currency translation reserve		(12,490)	(7,720)
Retained profit reserve		95,965	164,834
Undistributed income		260,753	207,399
		1,973,694	1,791,670

Company statement of profit or loss

	Notes	2016/2017 €'000	2015/2016 €'000
Company expenses	12	(7,929)	(7,444)
Operating result		(7,929)	(7,444)
Interest income	13	11,046	10,896
Interest expenses	13	(196)	(118)
Other income and financing cost	13	15,963	14,625
Net financing income	13	26,813	25,403
Profit before taxation		18,884	17,959
Current tax		0	0
Profit from subsidiaries after taxation		241,869	189,440
Profit after taxation		260,753	207,399

Notes to the Company financial statements

1. General
The description of the Company's activities and structure, as included in the notes to the consolidated financial statements, also apply to the Company financial statements. The Company financial statements have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code. In order to harmonise the accounting principles of the Company financial statements with the consolidated financial statements, the Board of Management has decided, from 1 July 2005 onward, to adopt the provisions of Article 2:362 paragraph 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated financial statements also apply to the Company financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 1 July 2016 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 2017 were as follows:

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	**1,363,101**	1,176,825
Dividends from subsidiaries	**(16,000)**	(70)
Result from subsidiaries via reserves	**(3,038)**	(3,094)
Profit from subsidiaries	**241,869**	189,440
Book value at end of year	**1,585,932**	1,363,101
Cost at end of year (less dividends received)	**180,260**	196,260
Cumulative result from subsidiaries via reserves	**(14,620)**	(11,582)
Cumulative profit from subsidiaries	**1,420,292**	1,178,423
Book value at end of year	**1,585,932**	1,363,101

4. Due from subsidiaries
The balance of €410.6 million at 30 June 2017 represents mainly funds advanced to Eurocommercial Properties France S.A.S. and Eurocommercial Properties Sweden AB. The average interest rate of these advances is 3.3% (30 June 2016: 2.1%).

5. Tangible fixed assets

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

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	1,091	658
Additions	766	834
Depreciation	(446)	(261)
Disposals	(181)	(140)
Book value at end of year	1,230	1,091
Cost at end of year	3,597	3,012
Accumulated depreciation	(2,367)	(1,921)
Book value at end of year	1,230	1,091

During the financial year ended 30 June 2017, tangible fixed assets with a total cost price of €181,000 were disposed of or out of use (30 June 2016: disposals €140,000).

6. Receivables

	30-06-17 €'000	30-06-16 €'000
Interest receivable from banks	17	0
Prepayments	569	753
VAT receivables	0	195
	586	948

7. Cash and deposits

Cash and deposits of €0.8 million consist of amounts held as bank balances. All bank balances are freely available.

8. Creditors

	30-06-17 €'000	30-06-16 €'000
Interest payable	3	0
Remuneration payable	3,387	5,451
VAT payable	688	624
Other creditors and accruals	2,422	2,302
	6,500	8,377

9. Borrowings

	30-06-17 €'000	30-06-16 €'000
Book value at beginning of year	0	0
Drawdown of funds	58,076	10,000
Repayments	(40,000)	(10,000)
Exchange rate movement	36	0
Book value at end of year	18,112	0

10. 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

11. Shareholders' equity

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

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

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
30-06-2015	238,353	524,098	585,798	(2,841)	145,063	167,774	1,658,245
Restatement			(76,800)		76,800		0
New opening balance 01-07-2015	238,353	524,098	508,998	(2,841)	221,863	167,774	1,658,245
Issued shares	2,886	(2,886)					0
Profit previous financial year					99,087	(99,087)	0
Profit for the year						207,399	207,399
Dividends paid		(19)				(68,687)	(68,706)
Stock options exercised					100		100
Performance shares granted		749					749
Performance shares issued – shares vested	52	363			(526)		(111)
Performance shares vested		(242)			242		0
Actuarial gain on pension scheme					2,126		2,126
Foreign currency translation differences				(4,879)	(3,253)		(8,132)
Addition to legal reserve			154,805		(154,805)		0
30-06-2016	241,291	522,063	663,803	(7,720)	164,834	207,399	1,791,670

*Restated for comparative purposes.

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

Under the Netherlands Civil Code the Company has to maintain legal reserves which comprise of the reserve subsidiaries and the currency translation reserve. The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than that of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

The amounts recognised by these reserves amount to €864 million (30 June 2016: €664 million) and are not freely distributable. For dividend distribution, however, both the retained profit reserve, share premium reserve and the undistributed income are available.

Holders of depositary receipts representing 27.0% of the issued share capital (last year 26.8%) opted for 616,025 bonus depositary receipts at an issue price of €43.05 from the Company's share premium reserve, instead of a cash dividend of €2.05 per depositary receipt for the financial year ended 30 June 2016. Accordingly, an amount of €71.9 million of the undistributed income was taken to fund the cash dividend paid on 30 November 2016.

An analysis of the Directors' fees is provided in note 29 of the consolidated financial statements.

12. Company expenses

Company expenses in the current financial year comprised:

	2016/2017 €'000	2015/2016 €'000
Audit fees	292	319
Depreciation fixed assets	394	261
IT expenses	942	612
Legal and other advisory fees	382	538
Marketing expenses	707	604
Office and accommodation expenses	2,454	1,942
Pension costs	532	645
Salaries, wages, bonuses and performance shares granted*	8,801	11,056
Social security charges*	1,971	2,162
Statutory costs	369	510
Travelling expenses	731	931
Other expenses	623	606
	18,198	20,186
Recharge of company expenses to subsidiaries	(10,269)	(12,742)
	7,929	7,444

* Including directors' fees.

The Company employed an average of 41 full-time equivalent persons during the financial year (2015/2016: 42), of which 17 are based in The Netherlands, four in the UK and 20 in France.

13. Net financing income

The net financing income of €26.8 million (2015/2016: €25.4 million) comprises of interest income due from subsidiaries €11.0 million (2015/2016: €10.9 million); interest expenses from borrowings €0.2 million (2015/2016: €0.1 million); and other income and financing cost of €16.0 million (2015/2016: €14.6 million). The other income and financing cost consists of €16.1 million positive (2015/2016: €14.7 million positive) for guarantees in favour of financial institutions for debts incurred by Group subsidiaries and €0.1 million negative (2015/2016: €0.1 million negative) for foreign currency results.

14. 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 €1.5 billion and €749 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 €181 million and €160 million respectively.

Amsterdam, 22 September 2017

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

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

Other information

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

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

For the period to 30 June 2018, they are empowered to authorise the issue of new shares and the terms of issue, including a power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares. The priority shares are in all other respects identical to the registered ordinary shares.

The Board of Stichting Prioriteitsaandelen Eurocommercial Properties at 30 June 2017 comprised:

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

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

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

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

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

Financial calendar

3 November 2017	Announcement of scrip issue price
7 November 2017 at 09:30	Annual General Meeting of Shareholders
9 November 2017	Ex-dividend date
10 November 2017	Announcement of first quarter results 2017/2018
30 November 2017	Dividend payment date
9 February 2018	Announcement of half-year results 2017/2018
11 May 2018	Announcement of third quarter results 2017/2018
31 August 2018	Announcement of annual results 2017/2018
6 November 2018	Annual General Meeting of Shareholders

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

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

Stichting Administratiekantoor Eurocommercial Properties (99.84%), the Government of Singapore (12.75%), Janus Henderson Group Plc (4.84%) and BlackRock, Inc. (5.41%).

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

Stock market prices and turnover 2016/2017

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

		High	Low	Average
Closing price 30 June 2017 (€; depositary receipts)	34.99	41.37	32.80	36.60
Average daily turnover (in depositary receipts)	77,083			
Average daily turnover (€'000,000)	2.8			
Total turnover over the past 12 months (€'000,000)	733.3			
Market capitalisation (€'000,000)	1,710.3			
Total turnover divided by market capitalisation	43%			

Source: Euronext, Global Property Research

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

ISIN – Code: NL 0000288876

Stock market prices are followed by:

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

Valuers

The following independent firms have valued the Company's properties (including the properties held by joint ventures) at 30 June 2017:

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

Other information
continued

Independent auditor's report

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

Report on the accompanying financial statements 2016/2017

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 2017, and of its result and its cash flows for the year ended 30 June 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands 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 2017, and of its result for the year ended 30 June 2017 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2016/2017 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 2017;
2. the following consolidated statements for the year ended 30 June 2017: 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 principal accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 30 June 2017;
2. the company profit and loss account for the year ended 30 June 2017; and
3. the notes comprising a summary of the principal accounting policies and other explanatory information.

Basis for our opinion

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

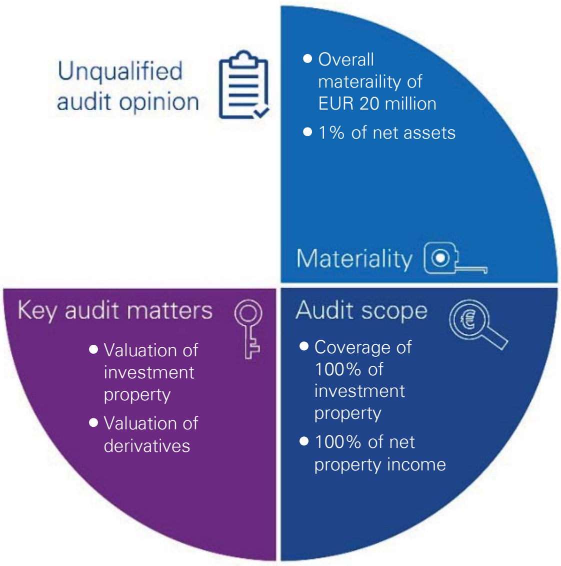
We are independent of Eurocommercial Properties N.V. in accordance with the EU-regulation regarding specific requirements for audits of financial statements of public-interest entities, the Dutch law regarding supervision of audit firms (Wet toezicht accountants, Wta) and the Code of Ethics for Professional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

KPMG

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

Audit approach

Summary



Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 20 million (2015/2016: EUR 20 million). The materiality is determined with reference to the net assets (1%). We consider net assets as the most appropriate benchmark as 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 smaller misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

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 head of a group of entities. 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, Italy and Sweden. Each of these operations is significant in the context of the Group's financial statements and therefore we have used KPMG audit teams in each country to perform an audit of the financial information of the operating companies in these countries. The audits performed in these countries covered the entire investment property portfolio and the related net property income.

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

Other information
continued

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

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

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

At group level we have performed audit procedures on:

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

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

Our key audit matters

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

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

Valuation of investment property
Description Investment property amounts to €3.6 billion and represent 94% of the Group's total assets at 30 June 2017. 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. Because the valuation of investment property is complex and highly dependent on estimates and assumptions (such as market rent levels, expected vacancies, interest rates, expected capital expenditure and maintenance) we consider the valuation of investment property as a key audit matter in our audit.
Our response We have evaluated the objectivity, independence and expertise of the external appraisal firms. In this regard we assess the Group's rotation scheme for appraisers, and evaluate the appraiser's experience and qualifications. We have evaluated the appropriateness of the information and assumptions used in the valuations.

KPMG

Valuation of investment property
This includes the estimates by the external appraisal firms (such as market rent levels, expected vacancy, interest rates and expected expenditure). We analysed the results of the valuation process and discussed the 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 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.

Valuation of derivatives
Description The Group uses derivatives (mainly interest rate swaps) to fix the interest rates on part of its floating rate borrowings used to finance investment property. As at 30 June 2017, the Group had entered into derivative contracts with a notional amount of €0.75 billion. These derivatives are included as a liability in the statement of financial position at fair value for an amount of €100 million. The Group has not opted for hedge accounting, therefore movements in the fair value of the derivatives are recognised in the statement of profit or loss (in 2016/2017 a gain of €53 million) and are not offset for accounting purposes. As explained in notes 1 and 20 to the financial statements, the fair value of derivatives is based on fair value quotes from counterparties which are compared to the results of the internal valuation model using market data obtained from an independent recognised market data agency. As these calculations are complex we consider the valuation of derivatives to be a key audit matter.
Our response We used KPMG valuation specialists to independently calculate the fair value of the derivatives and compared the outcome to the values calculated by the Group. We also evaluated the Group's assessment of the adjustment to the fair value for counterparty non-performance risk (or credit valuation adjustment / debit valuation adjustment – CVA/DVA).
Our observation Overall we assess that the assumptions used and related estimates resulted in a balanced valuation without significant variances when compared with our own valuations. We concur with the disclosures on financial instruments in the financial statements.

Report on the other information included in the annual report

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

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

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

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

Other information
continued

KPMG

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 Netherlands 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 Netherlands Civil Code and other Information pursuant to Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Engagement

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

Confirmations

We confirm that:

- our audit opinion is consistent with the additional report to the supervisory board as required in article 11 of the EU-regulation 2014/R0537;
- we have not provided to the company any prohibited non-audit services as specified in article 5(1) of the EU-regulation 2014/R0537.

Services rendered

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

Description of the responsibilities for 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 with Part 9 of Book 2 of the Netherlands 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 errors or fraud.

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 framework 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 financial statements

Our objective is to plan and perform the audit 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 have detected all material errors and fraud during the audit.

Misstatements can arise from fraud or error and are considered material if, individually or in 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.

KPMG

For a further description of our responsibilities in respect of an audit of financial statements we refer to the appendix.

Amstelveen, 22 September 2017

KPMG Accountants N.V.

H.D. Grönloh RA

Other information
continued

KPMG

Appendix

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

- 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 for one 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 entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities 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.

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 safegards.

From the matters communicated with the Supervisory Board, we determine 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 300m² or less.
CPI:	Consumer price index.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on Euronext Amsterdam.
Direct investment result:	Net property income less net interest expenses and company expenses after taxation. Direct investment result per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year.
Drive:	A drive-through collection point for hypermarket goods ordered online.
Entry premium:	One-off payment by a tenant, in addition to the MGR, to secure a lease on a particularly desirable retail unit.
EPRA:	European Public Real Estate Association.
EPRA cost ratios:	Administrative and operating costs (including and excluding costs of direct vacancy) including the share of joint venture overheads and operating expenses (net of any service fees) divided by rental income.
EPRA earnings:	Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. Equivalent to the direct investment result less investment expenses.
EPRA NAV:	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). EPRA NAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
EPRA net initial yield:	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. The following operating costs are not deducted in arriving at the EPRA NIY: letting and rent review fees, provision for doubtful debtors, marketing costs and eviction costs.
EPRA NNNAV:	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes. EPRA NNNAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
EPRA topped up net initial yield:	The EPRA net initial yield adjusted in respect of the expiration of rent free periods (or other unexpired lease incentives such as discount rent periods and step rents).
EPRA vacancy:	The ERV of vacant retail space expressed as a percentage of the total retail ERV, excluding property investments under development.
ERV:	The estimated rental value of the whole portfolio if all space was let at current market levels at the balance sheet date.
FBI:	Fiscale Beleggingsinstelling (Dutch fiscal Investment Institution). As a result of being an FBI all of Eurocommercial's income, whatever its source, is tax free at the corporate level if it is distributed to shareholders in the form of a dividend.
Gallery:	All retail units in a shopping centre excluding the hypermarket.
GRESB:	Global Real Estate Sustainability Benchmark.
Gross/total lettable area (GLA):	Total area of a property that can be leased to a tenant, including storage area.
ICC:	Indice du Coût de la Construction. Cost of construction index still used for some French retail leases although the majority have adopted the ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50% from the consumer price index, 25% from the cost of construction index and 25% from the retail sales index.

Glossary
continued

Interest cover ratio (ICR):	Net property income less company expenses divided by interest expenses less interest income, calculated on a proportionally consolidated basis.
Like-for-like:	Compares the gross rental income and/or the gross sales turnover of units which existed for the whole of the current and prior year period, i.e. excluding acquisitions, divestments and extensions. Entry premiums are not included in the like-for-like rental growth figures.
Minimum guaranteed rent (MGR):	Contracted annual rent paid by a tenant, excluding indexation, turnover rent and entry premiums. Also referred to as base rent.
Medium Surface/Moyenne Surface/Media Superficie (MS):	A major unit occupying a large space within a shopping centre or retail park which serves as a draw to other retailers and customers. The total lettable area is usually greater than 600m².
Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity, calculated on a proportionally consolidated basis.
Net (initial) yield:	Expected rental income for the year ahead as provided by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. Excludes 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 2017 including 2016 turnover rent.
Pre-let:	A lease signed with a tenant prior to completion of a development.
Rental arrears:	Rent which is unpaid 90 days after the due date, expressed as a percentage of the total rent due.
Reversionary yield:	Estimated rental value (ERV) as calculated by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
Sales area:	Gross/total lettable area excluding storage area.
Sales turnover:	Sales income, including VAT, of retail tenants.
Scrip dividend:	Dividend received in the form of shares.
SIIC:	Société d'investissements immobiliers cotée. French tax-exempt regime available to listed property companies with assets in France.
Turnover rent:	Any element of rent received or to be received related to a tenant's sales turnover.
Vacancy:	See EPRA vacancy.

Directory

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

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

Country Heads
R. Fraticelli, Director
J.P.C. Mills, Director
T.R. Newton, Director

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

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

Board of Stichting Administratiekantoor Eurocommercial Properties
M. van der Eerden
C.M. Slangen

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

info@eurocommercialproperties.com
www.eurocommercialproperties.com

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

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

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

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

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

MIX
Paper from responsible sources
FSC® C022913
FSC
www.fsc.org

Designed and produced by Friend. www.friendstudio.com
Print: Pureprint Group

This report has been printed on Claro Silk which is FSC® certified and made from 100% Elemental Chlorine Free (ECF) pulp. The mill and the printer are both certified to ISO 14001 environmental management system and registered to EMAS the eco management Audit Scheme. The report was printed using vegetable based inks by a CarbonNeutral® printer.