EUROCOMMERCIAL
SHOPPING CENTRES

Annual Report
30 June 2012

Overview
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Geographic focus
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Company profile

Eurocommercial is one of Europe's most experienced property investors with a €2.7 billion portfolio of shopping centres in France, Northern Italy and Sweden. Quoted on NYSE Euronext Amsterdam we have provided investors with steadily rising dividends since our inception in 1991.

In the year to 30 June 2012 the dividend per depositary receipt increased to €1.92, the direct investment result rose to €79.5 million and the adjusted net asset value per depositary receipt grew to €36.92.

Governance

74–82

Financials

83–124

Strategy

Focused investment strategy

Prime retail property

Eurocommercial focuses on retail property with a €2.7 billion portfolio of prime assets both in the centres of major cities and in strong suburban locations.

Three wealthy markets

We focus our investments in France, Northern Italy and Sweden which are among Europe's richest regions measured by disposable income or wealth per capita.

Research led investments

We conduct in-depth research focusing on economic, demographic and retail supply statistics to support our investment decisions.

Sweden

25%

€690m

France

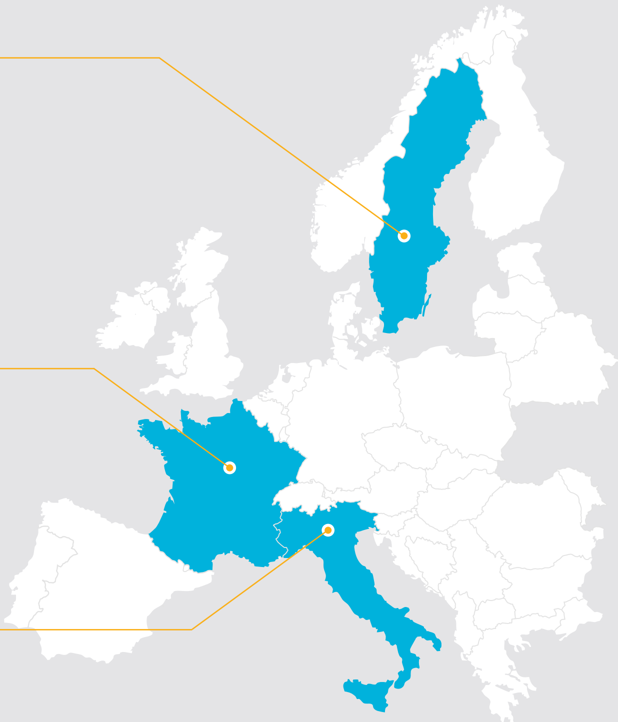
36%

€959m

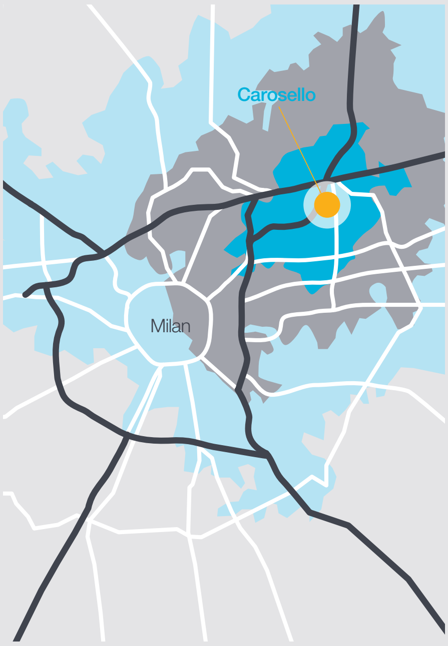
Italy (Northern)

39%

€1,042m



Catchment area



Primary catchment

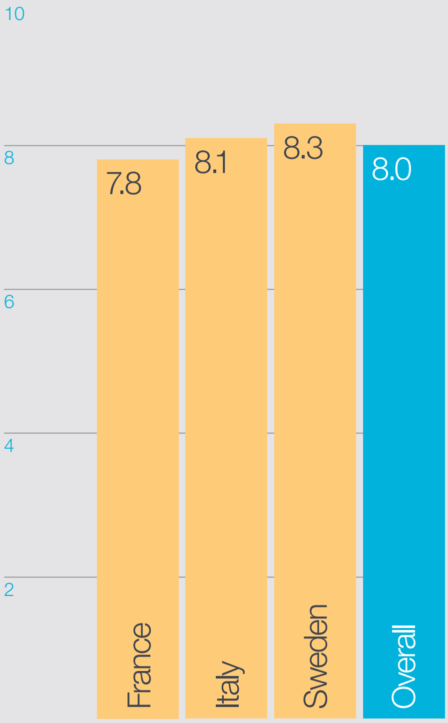
Secondary catchment

Tertiary catchment

Retail sales transparency

Retail tenants in our centres declare their turnover monthly so that we can monitor the performance, and thus viability, through calculating their occupancy cost ratios.

Occupancy cost ratios
% 30 June 2012



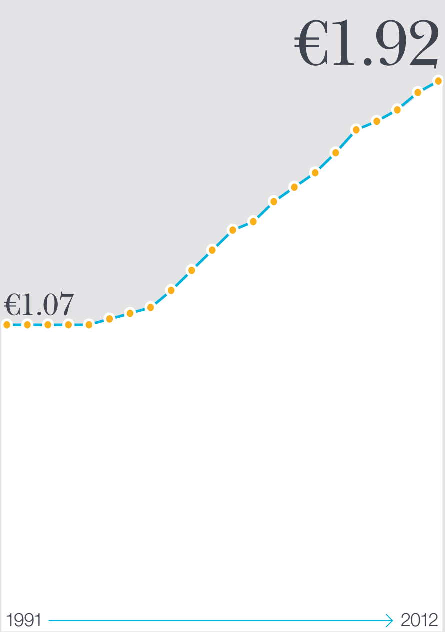
Professional management

Our management and leasing teams are amongst the most experienced in the industry, focused on building long-term relationships with retailers to better understand their needs and those of their customers.

Steadily rising dividends

We have always focused on stability of income so that our dividends have consistently risen since our inception in 1991.

Dividend per depositary receipt



A highly qualified and experienced management team

Jeremy Lewis
Chief Executive

Evert Jan van Garderen
Finance Director

Peter Mills
Director

Tom Newton
Director

Tim Santini
Director

The Eurocommercial management team has worked together for almost 20 years, joining the Company following careers with major international property consultants and fund managers. The five directors meet weekly to discuss all major corporate and property matters. They are joined at these meetings by other members of the property and finance teams, the investor relations director and the group economist so that information is freely shared across the Group and decisions can be made promptly on an informed, collegiate basis.

The total number of full-time employees is currently 62, with leasing and rent collection largely carried out in-house. In terms of assets managed per head, Eurocommercial is amongst the most efficient in its field.

Martin Björn
Property Director

Valeria Di Nisio
Property Director

Pascal Le Goueff
Property Director

Josep M Camacho Cabiscol
Group Economist

Roberto Fraticelli
Company Secretary

Kate Goode
Investor Relations Director

Jaco Veldhuis
Group Controller

Sound property fundamentals despite euro area concerns

Despite bond market turmoil, a recession in several European countries and some alarmist fears of the demise of the euro, Eurocommercial's rents have grown overall this year at 3.0% on a like for like basis. Those tenancies that had market rent reviews during the year have shown an average increase of 13%. Vacancies and arrears of rent both remain under 1% by income and floor area. Like for like turnover in Eurocommercial's shops for the six months to 30 June 2012 was slightly positive at +0.8% but for the full year turnover showed a decline of –1.5%.

Independent valuations of our properties carried out by major international firms at 30 June have shown very little overall movement – values were slightly up in France and Sweden and mildly down in Italy. Altogether, at the property level, therefore, it has been a satisfactory year.

Results summary	2011/2012	2010/2011
Rental income (€m)	163.0	153.5
Net rental income (€m)	139.4	131.1
Direct investment result (€m)	79.5	76.8
Adjusted net asset value per depositary receipt (€)	36.92	36.35
Proposed dividend per depositary receipt (€)	1.92	1.88
Net debt to adjusted net equity	75%	67%
Net loan to property value	42%	39%
Average interest cost, including margins	4.5%	4.5%
Interest cover	2.6x	2.7x

Property summary	2012	2011
Property values (€m)	2,691	2,522
Gross lettable area (m^2)	626,000	591,000
Number of properties	32	31
Number of shops	1,416	1,325
Number of visitors (m)	132	129
Sales turnover growth	–1.5%	1.9%
Boutiques <300m^2 turnover/m^2 (€)	6,915	7,240
Like for like rental growth	3.0%	3.8%
Boutiques <300m^2 rent/m^2 (€)	587	570

Property markets

The institutional markets for retail property have been, generally, fairly quiet in our countries but the market for French retail property has been quite robust this year and yields have not changed markedly. There has been solid demand from French institutional investors in the sub €50 million category and at the top end of the market, sales in the Champs Elysées and Rue du Faubourg Saint Honoré have been made at yields in the 4% range, confirming continued demand for, and scarcity of, this kind of property.

In Italy, two very large deals have been announced during the financial year – the planned 175,000m² shopping centre development at Segrate in Milan and a sale of 15 smaller centres to a new fund set up by a major international bank. Yields have generally risen in Italy but by far less for good properties than many commentators expected. Debt for property development is currently difficult and expensive to obtain in Italy which is actually positive for the market in good existing centres, particularly because the supply of retail space per capita in the north of Italy is about half of French or Swedish levels with similar or higher disposable income.

There have been very few sellers of prime shopping centres in Sweden since the €450 million sale of the three city centre galleries in Stockholm, but demand remains strong and yields are thought to have firmed slightly.

Outlook

We intend to maintain our presence in retail properties in our three countries of operation – France, Northern Italy and Sweden – where we have built up considerable knowledge and excellent relationships with the major retailers and relevant authorities.

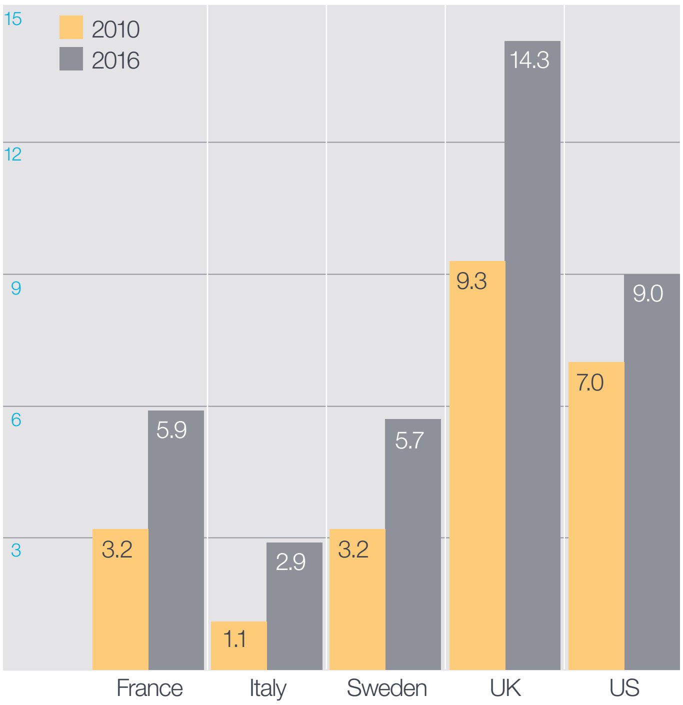
The turmoil in financial markets has so far not affected the fundamentals of our business, with rents still rising in line with inflation and sales turnover in our centres declining only modestly over the full year, notwithstanding the difficult economic situation.

At present only 3.2% of all retail goods are sold on the internet in France and Sweden, and a negligible 1.1% in Italy. We expect a gradual increase, particularly in click and collect sales, but believe that well positioned and managed hypermarket anchored shopping centres will continue to have an important place in the retail market, largely because of the uneconomic cost to the retailer of the delivery or selection of foodstuffs for the consumer. Internet sales of groceries in our markets, whether delivered or collected, amount to around 1% of total grocery sales.

It is likely that economic growth in Europe will be sluggish at best next year, so our policy of ensuring that rents and occupancy cost ratios are not pushed should stand us in good stead in this difficult period. Certainly, at the date of this report, there has been no significant increase in vacancies, and rental growth is expected to keep pace with inflation.

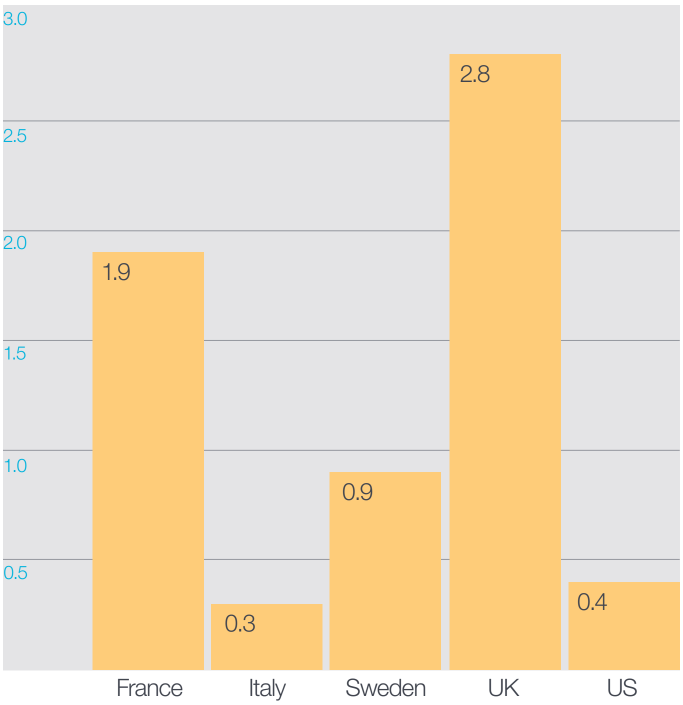
We will aim to keep dividends stable to rising through intensive management of our centres and the acquisition of properties with expansion and refocusing potential, as has been the case with the recent acquisitions in Bordeaux and Halmstad.

Online share of overall retail goods sales
%



Source: Forrester Research Inc., Online Retail Forecast, 2011 to 2016 (Western Europe), February 2012

Online share of grocery sales
%



Source: Europanel, Exane BNP Paribas

Funding

Eurocommercial has maintained its conservative, long-term funding strategy with an average loan maturity of six years. At 30 June 2012 the net debt to adjusted net equity ratio was 75% and the net loan to property value was 42%. 83% of interest costs are fixed for an average of almost eight years.

Four new loans for a total amount of around €180 million were secured during the year on attractive terms, resulting in an average overall interest rate for the total loan portfolio of the Company at 30 June 2012 of 4.5%, including margins averaging 89 bps.

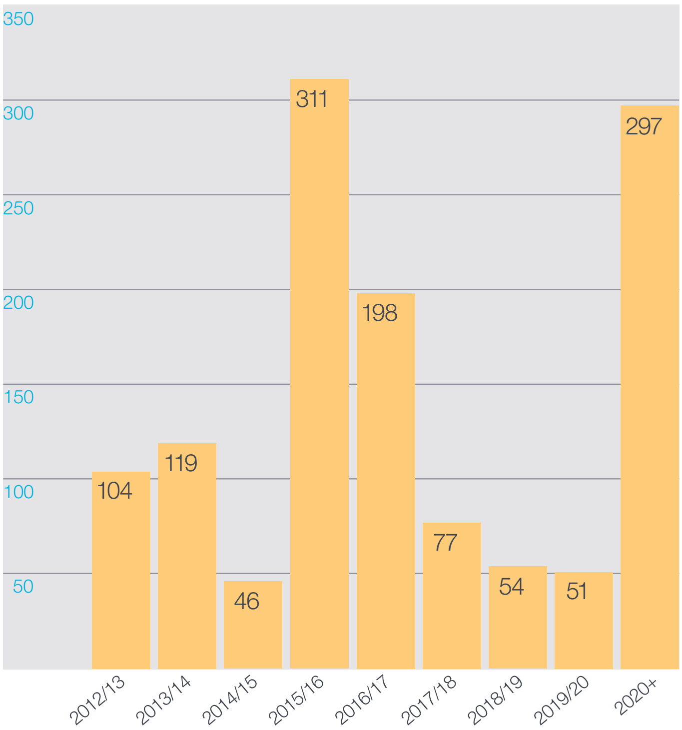
Destination of loans by country
%

France	29%
Italy	46%
Sweden	25%

Origination of loans by country
%

Italy	35%
Sweden	33%
Netherlands	23%
Germany	9%

Loan maturity schedule
€m



Lending institutions

- ABN Amro
- Centrobanca
- Deutsche Hypo
- Handelsbanken
- ING
- Intesa Sanpaolo
- MPS
- Nordea
- SEB
- Unicredit

Rental growth

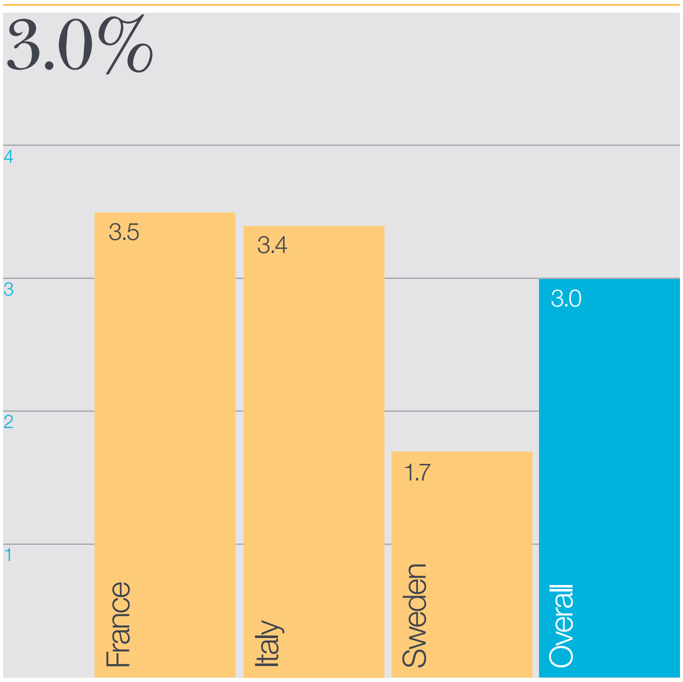
Like for like rental growth is one of the key metrics Eurocommercial uses to assess the performance of its shopping centres. The figures are calculated by comparing the tenancy schedules for each shopping centre one year apart, including only the same floor areas over the period, thereby excluding the impact of any extensions or acquisitions. The total like for like rental growth for the Company for the 12 months to June 2012 was 3.0%. Changes in the rents are caused by indexation, relettings and renewals, the amount of turnover rent achieved and whether any shops have become vacant or been re-tenanted over the year.

Eurocommercial's leases are structured to include a base rent, indexed annually, with a further top-up provision related to the stores' sales turnover. If the pre-agreed percentage of annual turnover exceeds that of the indexed base rent, the tenant pays the difference to the landlord. Indexation is applied every January and is based on the Consumer Price Index (CPI) in Italy and Sweden and a mixture of CPI, the retail sales turnover index and the cost of construction index in France. Rent indexation in 2012 was 2.6% in France, 3.2% in Italy and 2.6% in Sweden. For 2013 we estimate that indexation will be approximately 3% in France, 2% in Italy and 0.8% in Sweden.

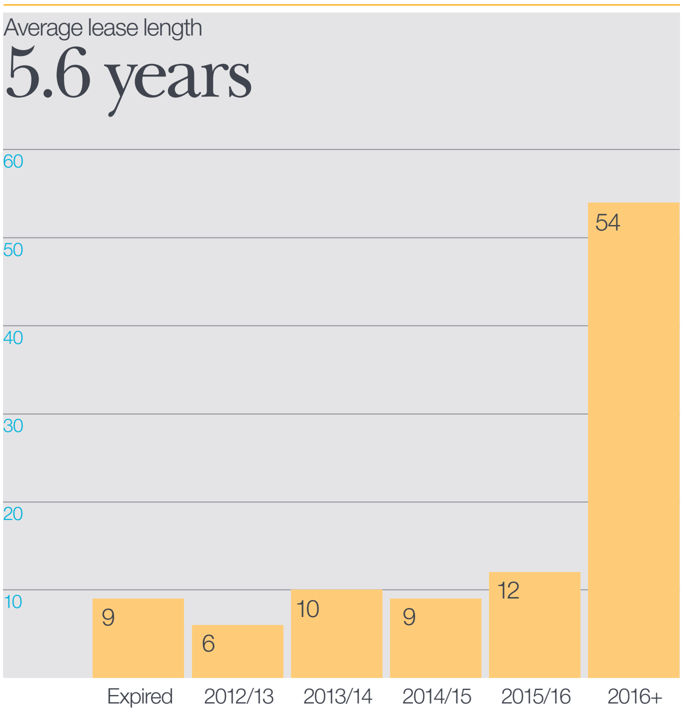
Renewals and relettings

2011/12	% of total leases renewed/relet	% of total rent renewed/relet	Average rental uplift achieved
France	6%	10%	18%
Italy	10%	8%	18%
Sweden	17%	14%	6%
Overall	**10%**	**10%**	**13%**

Like for like rental growth 2011/12
%



Lease renewal profile
As % of rental income



Turnover growth

Eurocommercial only invests in countries where it is standard market practice for retail tenants to declare their sales turnover on a regular basis. Every month we therefore receive sales figures for the shops in the portfolio, enabling us to closely analyse the performance of retailers, as well as review trends across sectors and geographies.

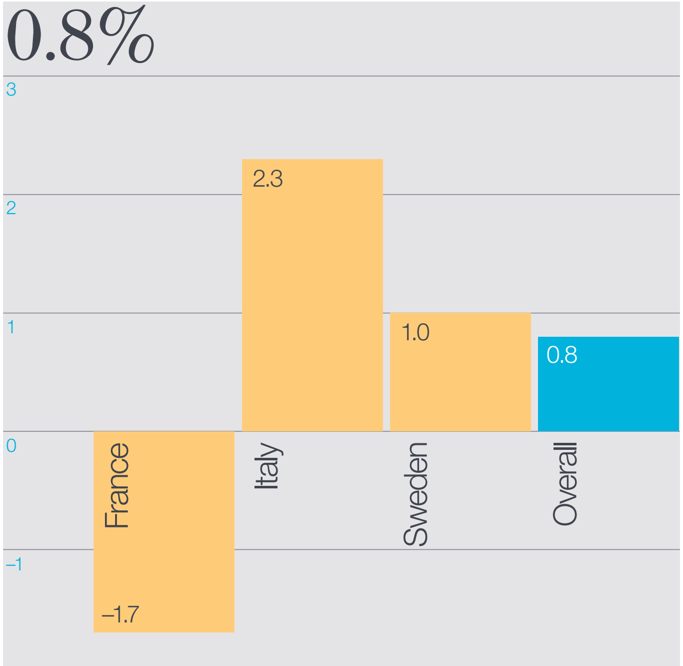
Retail sales turnover for the second half of the financial year was positive at +0.8% although turnover for the full year was negative at –1.5%. The better second half should not necessarily be taken as an indication of future trends, although July has started reasonably well, because the challenging economic environment is undoubtedly having a negative impact on consumer spending to a greater or lesser extent in all three markets.

Like for like turnover growth by sector*

	6 months to 30 June 2012	12 months to 30 June 2012
Fashion	0.0%	–1.5%
Shoes	–2.3%	–6.7%
Gifts and jewellery	–3.1%	–2.5%
Health and beauty	4.4%	4.4%
Sport	4.5%	–3.2%
Food and restaurants	2.3%	0.3%
Home goods	5.3%	1.8%
Electricals	–1.7%	–4.8%
Hyper/supermarkets	3.7%	1.1%

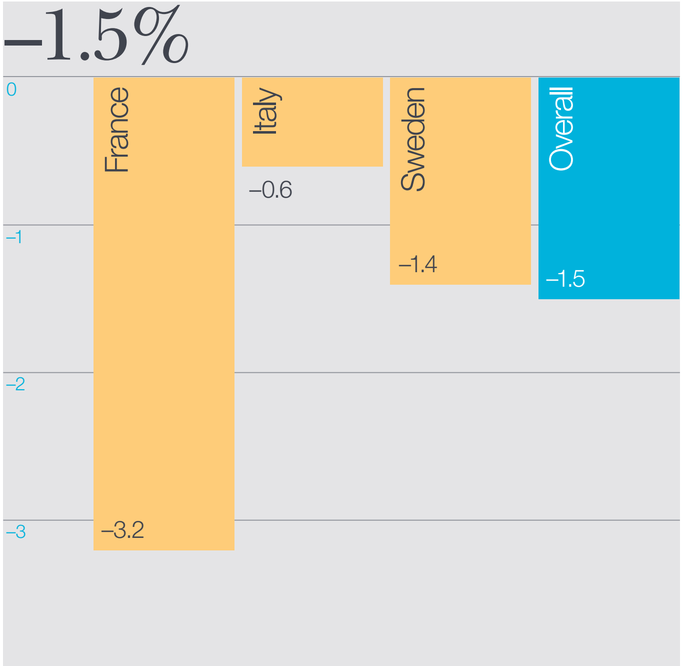
Like for like turnover growth by country*

% 6 months to 30 June 2012 compared to 6 months to 30 June 2011



Like for like turnover growth by country*

% 12 months to 30 June 2012 compared to 12 months to 30 June 2011



*Excluding extensions

Occupancy cost ratios, arrears and vacancies

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

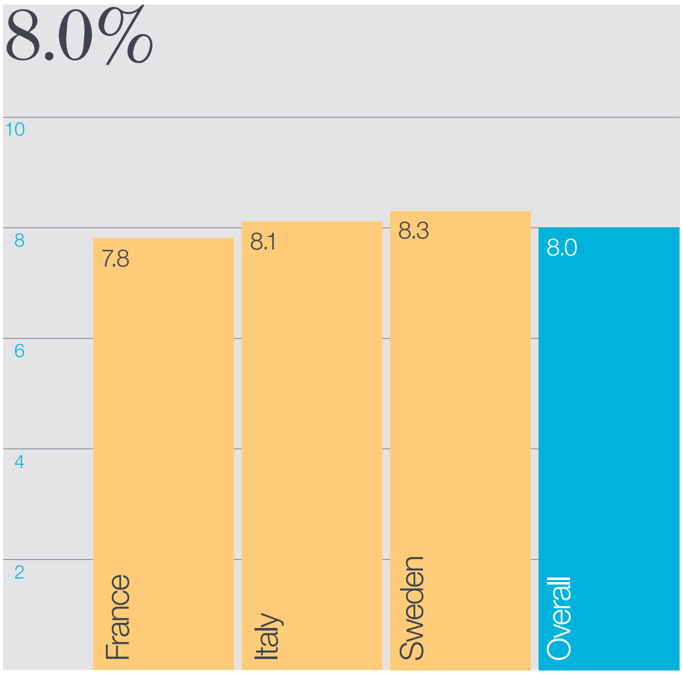
The OCR can vary quite considerably, depending on the size and type of shop and its location. Eurocommercial's philosophy, however, has always been to maintain OCRs at a reasonable level to ensure that rents are sustainable for its tenants.

The result is clearly reflected in the Company's arrears and vacancies which are, and always have been, extremely low. Currently they each represent less than 1% of rental income which is an encouraging sign in the challenging economic environment.

Arrears	Vacancies
<1%	<1%

Occupancy cost ratios*

%



Top ten tenants

% of income	
ICA Sverige AB	4.0%
Inditex	3.7%
H&M	3.5%
Carrefour	3.3%
Media Saturn	3.1%
Groupe Casino	2.8%
Fnac	2.4%
Coin SpA	1.9%
UCI	1.3%
COOP Sverige AB	1.2%
Total	27.2%

Merchandising mix*

	Floor area	Minimum guaranteed rent
Fashion	34.5%	41.5%
Electricals	14.6%	11.2%
Home goods	13.9%	7.5%
Sport	7.2%	4.7%
Food/restaurants	7.1%	7.3%
Shoes	5.2%	5.5%
Health and beauty	4.9%	8.7%
Other	4.9%	2.5%
Books and toys	3.0%	2.5%
Services	2.5%	3.4%
Gifts and jewellery	2.2%	5.2%

*Excluding hypermarkets

Valuations

All of the Company's properties were independently valued, as usual, at 30 June 2012 by major international firms according to the standards set out in the "Red Book" of The Royal Institution of Chartered Surveyors. This requires the valuers to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. The valuation fees are fixed and are not in any way dependent on the outcome of the valuation. Total valuation fees for 2011/12 were €382,000. Valuers of properties are typically rotated every three years.

The following firms conducted the valuations at 30 June 2012:

France: Cushman & Wakefield, Knight Frank, Retail Consulting Group

Italy: CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle

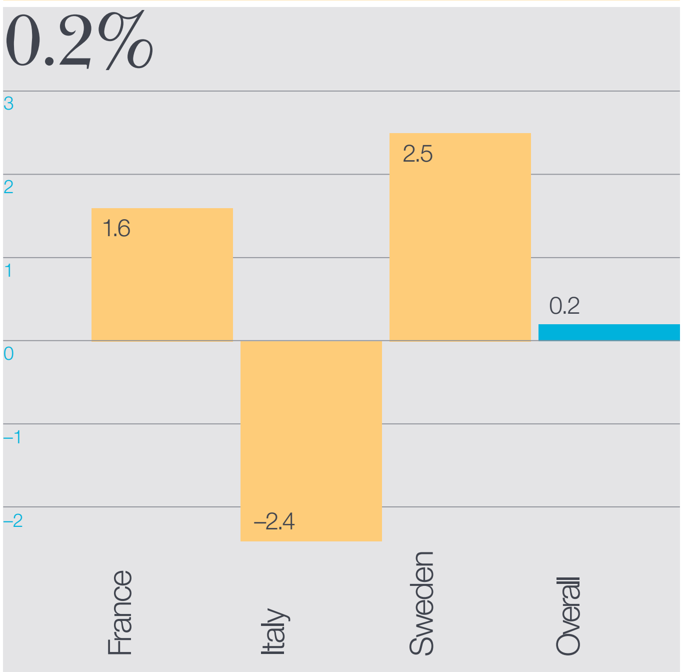
Sweden: Cushman & Wakefield, DTZ

The net yield figures provided in the table opposite are the result of dividing expected net income for the coming year by the valuation figure, to which has been added the relevant standardised market allowance for deemed purchaser's costs (usually notional transfer taxes) in the particular country. The objective is to replicate the calculations of a professional institutional investor. For details see note 12 of the consolidated financial statements.

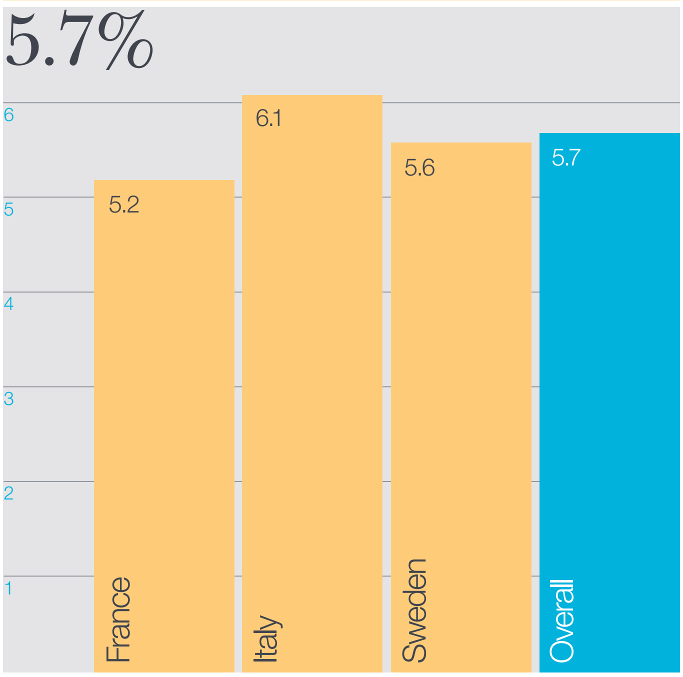
Property values increased by 0.2% over June 2011, but fell by 0.2% over December 2011. The values of Eurocommercial's properties in France increased by 1.6% over the year to June 2012, and by 2.5% in Sweden but decreased by 2.4% in Italy. The changes since December 2011 were 0.5% in France, –1.2% in Italy and 0.4% in Sweden.

The average net initial yield for all properties at 30 June 2012 was 5.7% overall (2011: 5.6%), 5.2% for France (2011: 5.2%), 6.1% for Italy (2011: 5.9%) and 5.6% for Sweden (2011: 5.7%).

Value change 2011/12
%



Net yields June 2012
%



Independent valuations by property

	Net value June 2012	Net value June 2011	Change June 2012/ June 2011	Net yield including purchase costs	Cost to date	Year of acquisition
France (€ million)						
Amiens Glisy, Amiens[5]	46.30	43.80	5.7%	5.3%	16.07	1995
Saint Doulchard, Bourges[6]	36.00	36.70	–1.9%	6.3%	43.82	2007
Chasse Sud, Chasse-sur-Rhône[6]	30.00	29.90	0.3%	6.3%	32.82	2007
Les Allées de Cormeilles, Cormeilles[5]	40.60	40.20	1.0%	5.8%	44.84	2007
Les Trois Dauphins, Grenoble[5]	35.70	34.80	2.6%	5.5%	25.20	2003
Centr'Azur, Hyères[6]	47.40	45.90	3.3%	5.3%	18.33	1993
Plaine de France, Moisselles[5]	72.80	70.00	4.0%	5.4%	61.42	2009
Passage du Havre, Paris[2]*	288.00	270.50	6.5%	4.8%	186.16	2000
Passy Plaza, Paris[2]	131.30	127.70	2.8%	5.2%	74.17	1999
74 rue de Rivoli, Paris[5]	51.90	50.00	3.8%	4.4%	20.99	1998
Les Portes de Taverny, Taverny[5]	56.50	53.70	5.2%	5.5%	24.68	1995
Les Atlantes, Tours[5]	122.20	117.00	4.4%	5.0%	53.95	1992
Italy (€ million)						
Curno, Bergamo[4]	96.20	100.50	–4.3%	6.2%	34.35	1994
Centro Lame, Bologna[4]	38.10	41.00	–7.1%	6.6%	29.56	2003
Cremona Po, Cremona[2]	80.60	–	–	6.7%	82.48	2011
Il Castello, Ferrara[2]	101.20	105.00	–3.6%	6.4%	84.51	2001
I Gigli, Firenze[1]	256.10	248.80	2.9%	5.9%	207.15	1999
Centro Leonardo, Imola[1]	72.30	74.20	–2.6%	5.9%	65.04	1998
La Favorita, Mantova[2]	47.40	48.50	–2.3%	6.6%	33.82	1997
Carosello, Carugate, Milano[4]	281.40	279.50	0.7%	6.0%	180.46	1997
I Portali, Modena[2]	43.20	44.90	–3.8%	6.1%	41.74	2009
Centroluna, Sarzana[1]	25.40	26.60	–4.5%	6.7%	14.22	1998
Sweden (SEK million)**						
421, Göteborg[3]	743.00	733.00	1.4%	5.6%	825.95	2007
Kronan, Karlskrona[2]	182.00	166.00	9.6%	5.5%	149.64	2007
Bergvik, Karlstad[2]	653.00	602.00	8.5%	5.4%	345.78	2005
Mellby Center, Laholm[2]	171.00	165.00	3.6%	5.7%	140.97	2003
Burlöv Center, Malmö[3]	1,157.00	1,134.00	2.0%	5.5%	699.00	2001
Ingelsta Shopping, Norrköping[2]	984.00	889.00	10.7%	5.5%	878.90	2003
Elins Esplanad, Skövde[2]	668.00	658.00	1.5%	5.7%	541.42	2003
Moraberg, Södertälje[3]	434.00	421.00	3.1%	5.7%	362.29	2006
Hälla Shopping, Västerås[3]	213.00	271.00	–21.4%	6.7%	192.66	2002
Grand Samarkand, Växjö[2]	847.00	767.00	10.4%	5.5%	719.25	2003

Valuations by: [1]CB Richard Ellis, [2]Cushman & Wakefield, [3]DTZ, [4]Jones Lang LaSalle, [5]Knight Frank, [6]Retail Consulting Group

*Includes acquisition of 101 rue Saint Lazare for €11.4 million during the period

**1 € = 8.7720 SEK

Economic and political background

The major preoccupation of financial markets has been a misplaced fear that the euro will "collapse" and that member states will revert to their historic currencies which could then deteriorate against the US dollar, sterling or Japanese yen.

We can see no valid reason for European governments to decide collectively to revert to their national currencies.

We should recall that, unlike the US, UK and Spain, there were no property bubbles in Eurocommercial's euro area markets of France and Italy, and given underlying corporate and private solvency there is no reason for property values to have dropped significantly, either in the original local currencies or the euro.

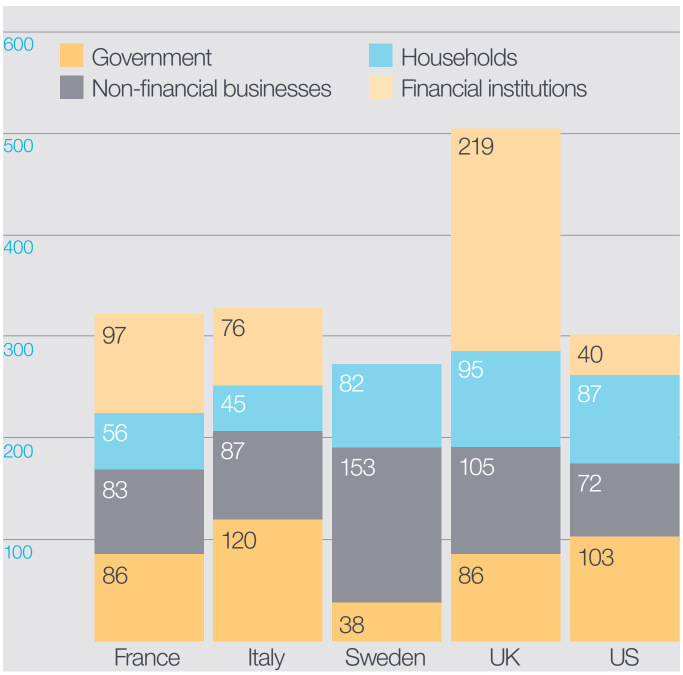
It is our firm opinion that, despite deficit and debt problems in particular countries and massive international speculation against some national bonds, the euro will continue as a sound reserve currency for the foreseeable future, with Italy and France remaining core members as they have been since the beginning. The euro area has, after all, lower government debt and annual deficits than the US or the UK whose ten year bonds trade at yields of under 2% compared with the euro area money weighted average of 3.8%.

The new socialist government in France is in the process of increasing the minimum wage and raising tax levels on higher incomes and wealth to pay for various social measures, including reducing the pension age for some and significantly increasing the number of public employees, particularly teachers. It is unclear at the time of writing this report whether the various measures are compatible with reducing the government deficit to 3% of GDP, to which the government is, nonetheless, committed. Unemployment has increased in the meantime and is now approaching 10%.

Fears of austerity measures in Italy, which are expected to produce a government deficit below 3% of GDP this year, are having a negative effect on consumer confidence, but Prof. Monti's government has introduced a number of measures to improve competiveness and reduce bureaucracy which should be positive in the medium term. Unemployment in the north of Italy is now 7.3% following the expiry of some part time working subsidies.

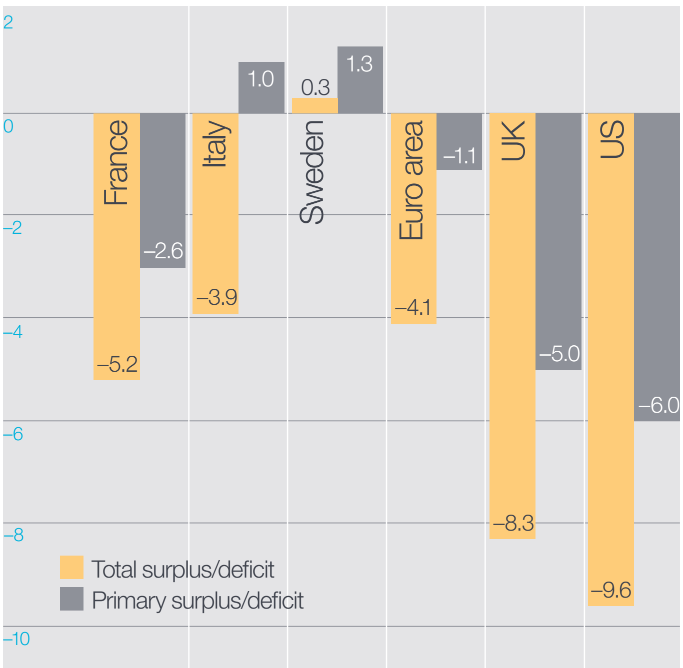
Swedish public finances are in good shape and the banks are sound but clearly exports are being hampered by current economic stagnation in Europe. Unemployment is 7.5%.

Composition of debt
2011 (% of GDP)



Source: ECB, Eurostat, McKinsey, OECD

Total and primary government fiscal balances*
2011 (% of GDP)

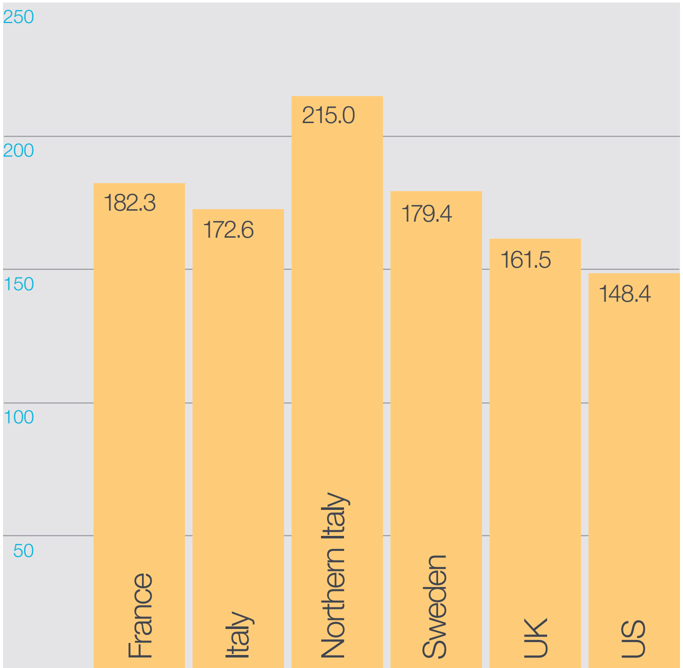


*Total fiscal balance includes primary balance plus interest payments

Source: European Commission, ECB, OECD

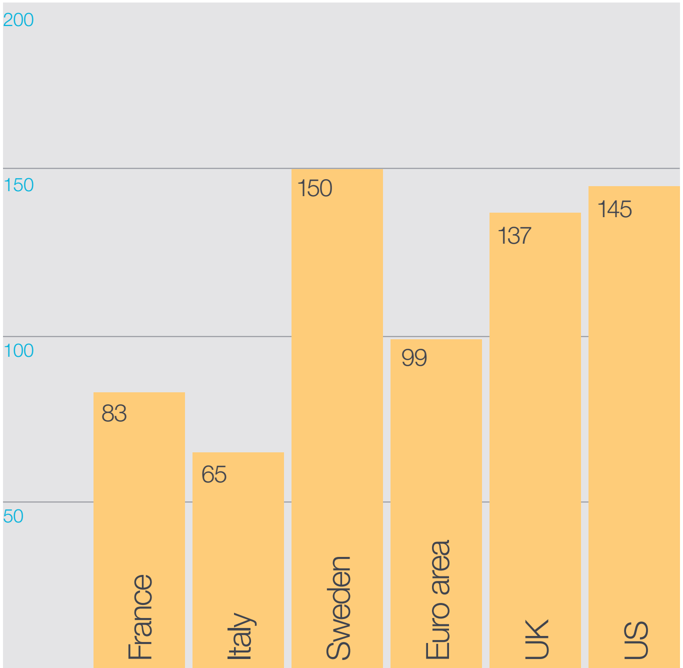
Economic statistics

Wealth per capita*
2011 € (thousands)

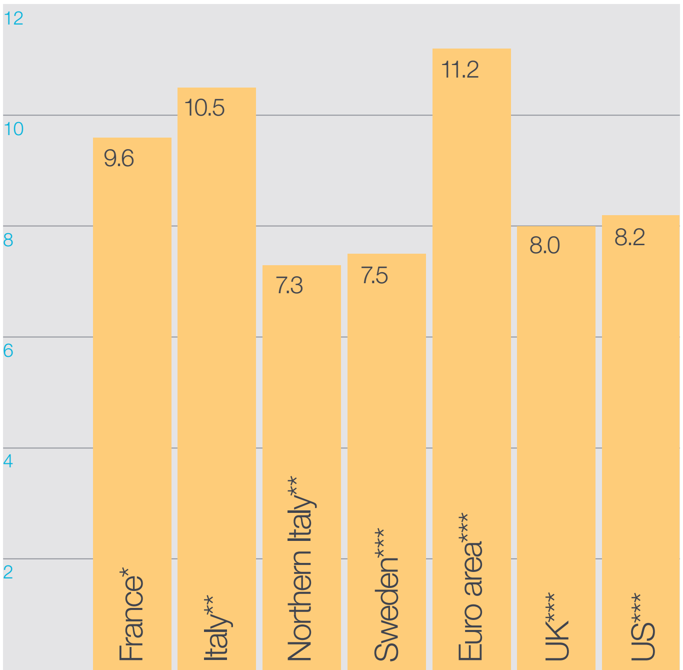


* Wealth is defined as the value of financial assets plus real assets (principally housing) owned by individuals less their debts

Household debt
2011 (% of disposable income)

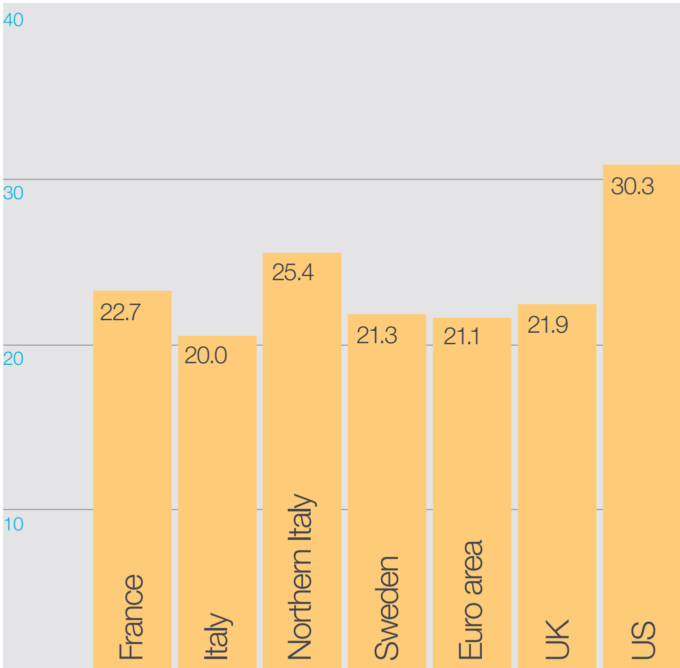


Unemployment rate
%



*Q1 2012 **Q2 2012 ***June 2012

Disposable income per capita
2010 €PPS* (thousands)



*Purchasing Power Standard

Source: Banque de France, CSFB, ECB, ECP estimates, Eurostat, INSEE, ISTAT, OECD, SCB

France

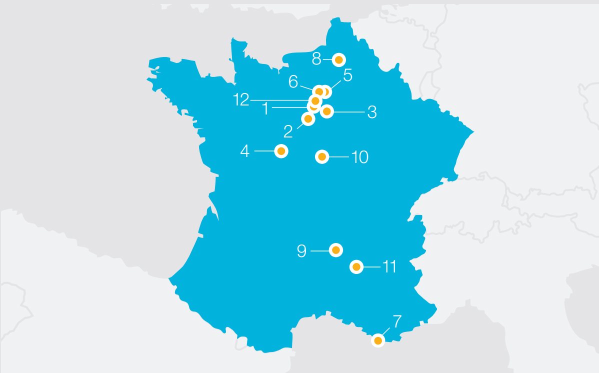
"The majority of both French and international retailers are continuing with their expansion plans – targeting the best locations and, in particular, existing shopping centres with strong track records. Retailers' decisions are also being heavily influenced by criteria such as refurbishment and extension plans, marketing strategy and provision of customer services."

Pictured

Pascal Le Goueff,
Property Director

Nicolas Bourimoff,
Head of Leasing

1.	Passage du Havre Paris	City centre gallery
2.	Passy Plaza Paris	City centre gallery
3.	Rue de Rivoli Paris	City centre shops
4.	Les Atlantes Tours (Indre-et-Loire)	Shopping centre
5.	Plaine de France Moisselles (Val d'Oise)	Shopping centre
6.	Les Portes de Taverny Taverny (Val d'Oise)	Shopping centre
7.	Centr'Azur Hyères (Var)	Shopping centre
8.	Amiens Glisy Amiens (Somme)	Shopping centre
9.	Chasse Sud Chasse-sur-Rhône (Isère)	Shopping centre
10.	Saint Doulchard Bourges (Cher)	Shopping centre
11.	Les Trois Dauphins Grenoble (Isère)	City centre shops
12.	Les Allées de Cormeilles Cormeilles (Val d'Oise)	Retail park



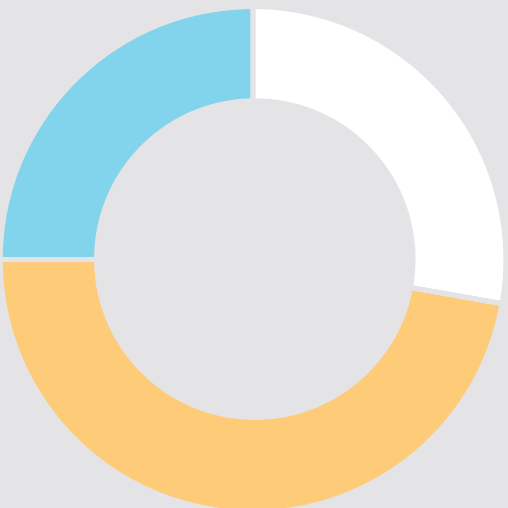
The retail market in France

France adopted the concept of freestanding out of town, or suburban, shopping centres in the early 1960's to serve rapidly expanding housing developments. These shopping centres were invariably anchored by a hypermarket with a sales area of 10,000m^2 or more. Some hypermarket operators are now starting to downsize the non-food elements of their stores, so that sales areas of 8,000m^2 to 10,000m^2 are becoming more common. Food continues to be an important driver of footfall to suburban shopping centres. E. Leclerc, Intermarché and Auchan have been the strongest operators in recent years due to their unwavering focus on price, but Carrefour remains the group with the largest market share, with Casino particularly strong in the south of France and in Paris intra muros.

Most town centres have a small gallery but retailers generally prefer to be in prime street locations which are often pedestrianised with city centre parking. Retail "boxes" have existed in France for many years and constitute almost 50% of the total retail landscape. Retailers like them because they are cheap to rent with low or non-existent service charges. The trend today is to create more logical, convenient and aesthetic "parks" of retail boxes which often offer shoppers restaurants and other facilities to increase dwell time.

Retail landscape
% of floor area

Shopping centres	28%
Retail parks	47%
City centre	25%



Source: CNCC, Cushman & Wakefield

The major international fashion powerhouses such as H&M and Inditex are in high streets and shopping centres across France but the domestic chains such as Promod, Camaïeu, Carroll and Gemo still dominate. While the health & beauty sector continues to move from strength to strength with operators including Sephora, L'Occitane and Marionnaud, the electrical sector is facing increasingly challenging times and Metro has sold its Saturn chain to Boulanger. Market leader Fnac is adapting to the changing climate by opening smaller stores which complement their online offer by providing technical advice and support, as well as collection and returns facilities.

New entrants to the French market include the US brands Apple and Hollister who are focusing on city centre locations and larger galleries. Italian cosmetic retailer Kiko and the Scandinavian Bestseller fashion group are also expanding, as are the domestic chains, but more cautiously given their strong existing networks.

Major retail groups

Food

Carrefour
E. Leclerc
Intermarché
Casino
Auchan

Electrical

Fnac
Boulanger
Darty

Fashion and shoes

Vivarte
Eram Group
Kiabi
C&A
H&M

DIY

Leroy Merlin
Castorama
Mr. Bricolage
Bricomarché

The retail market in France

Internet

Online retail sales as % of total retail goods sales*

3.2% → 5.9%

2010 2016

E-commerce currently represents just 3.2% of total retail goods sales in France, compared with the two largest European markets for online sales, the UK and Germany, at 9.3% and 5.8% respectively. The biggest sector by some way is electricals.

Online grocery sales as % of total grocery sales**

1.9%

Although online food sales are increasing, they still only represent 1.9% of total food retail sales. The majority of this small percentage is collected at pick up points (Drives) located next to existing hypermarkets, which should continue to be the most prevalent and effective anchors for suburban shopping centres.

* Source: Forrester Research Inc., Online Retail Forecast, 2011 to 2016 (Western Europe), February 2012, excludes services, travel, automotive, prescription drugs, video games and online gambling

** Source: Europanel

Planning

The current planning regime is based on a twin-track system which requires both a building permit (Permis de Construire) and retail licences (CDAC). Politically fuelled changes, however, are moving things towards a single-track system based on retail zoning plans which place greater emphasis on town planning and environmental factors, with mayors gaining greater influence.


Les Portes de Taverny, Taverny

Les Allées de Cormeilles, Cormeilles


Les Atlantes, Tours

Passage du Havre, Paris

Densities

Total retail density in France is the highest in the portfolio due to the prevalence of retail warehousing. There will typically be an agglomeration of retail boxes around a hypermarket anchored shopping centre, in addition to a considerable number of units running along most main road networks. Density numbers are increasing due to new developments as well as extensions of existing properties. A typical provincial town in France has a total retail density of around 1,000m² per 1,000 inhabitants.

Lease structure

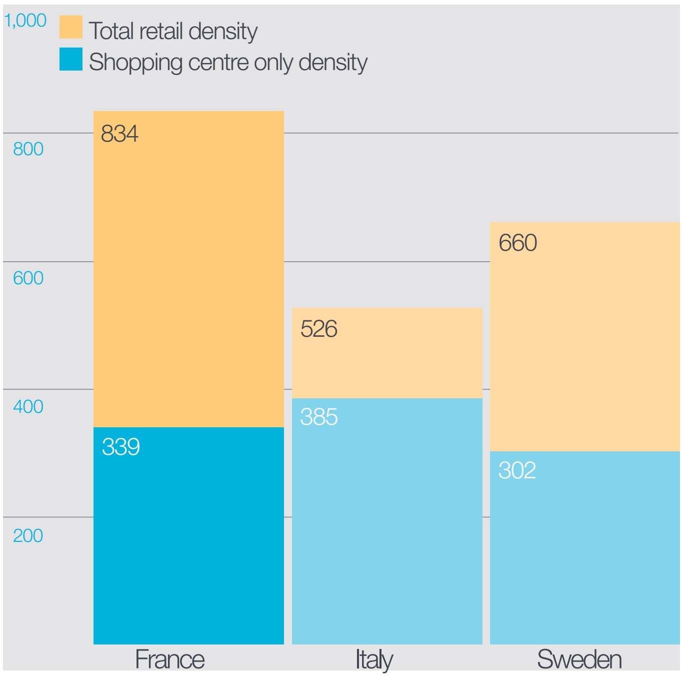
3–6–9–10 years

French retail leases typically have a minimum term of nine or ten years with three year breaks in favour of the tenant. The minimum guaranteed rent is indexed annually and topped up with an additional performance-based turnover rent. There is generally full recoverability of all outgoings through service charges.

Lease law provides retail tenants with significant security of tenure centred on the value of their "goodwill" which is generally held by the courts to be around one year's turnover if a lessor wishes to evict them, even after the lease has expired.

Eurocommercial shopping centre densities

m² per 1,000 inhabitants



Source: ECP research

All density figures, expressed per 1,000 inhabitants, represent around 80–90% of total visitors to any particular centre and are obtained from Eurocommercial customer surveys. The figures relate to the catchment areas of Eurocommercial's shopping centres but these are thought to be typical of similar national catchment areas.

Total retail density: Total area of shopping centres, retail parks, agglomeration of boxes and other galleries/department stores with GLA greater than 5,000m². Includes hypermarkets.

Shopping centre only density: All shopping centres with GLA greater than 5,000m². Includes hypermarkets.

Year in review: Eurocommercial France

Rental growth

Overall rental growth for the year was 3.5%. Indexation was the main driver but, despite the difficult environment, rent increases from relettings and renewals have averaged 18% and thereby made a significant contribution to the overall figure. Turnover rent also slightly increased over the previous year.

Looking forward, further rental growth seems assured through indexation in 2013, while affordable occupancy cost ratios should allow for additional rental rises through lease renewals and relettings.

Retail sales

Although sales in Eurocommercial centres were down 3.2% for the year, the figure was –1.7% for the six months to June. A weak economy, overshadowed by the Presidential election, no doubt had some impact, as did other factors including continuing erosion of electrical sales and very poor weather at the outset of the summer.

Property market

Capitalisation rates and therefore values of the best shopping centres continue to be underpinned by strong investor demand from a broad selection of buyers. Sovereign funds and family offices have both made well publicised big ticket acquisitions in Paris but domestic institutions have also been active in Paris and the provinces. OPCI and SCPI collective non-quoted investment vehicles continue to attract private and institutional money and shopping centre transactions have therefore been plentiful.

Location remains fundamental in any property market and hypermarket-anchored centres continue to occupy the best out of town positions in France. There have been some notable exceptions but many of the more recent shopping centres have struggled to assert themselves in what is already a well supplied market. Poor fundamentals including location and choice of anchor stores have been to blame and, unsurprisingly, rents in some of those centres are under pressure and vacancies are rising.

The well established centres continue to attract the best retailers and looking forward we expect the weight of money to continue to favour such centres.

Valuations

The Eurocommercial portfolio in France has shown a slight increase in value of 1.6% over the past year and 0.5% since December 2011. Initial yields have remained broadly flat at 5.2% but part of the increase in value attributable to growth in rents has been neutralised by capital expenditure incurred on refurbishing Les Atlantes and Passage du Havre.

Net yields for the central Paris properties average 4.9% whilst provincial and suburban centres are valued at 5.4%.

101 rue Saint Lazare, Paris

Les Grands Hommes, Bordeaux

Acquisitions

In September 2012 Eurocommercial acquired Les Grands Hommes shopping centre in a prestigious retail district in central Bordeaux. The property, which is fully let to 16 retail tenants, was purchased for a total cost of €18 million, representing a net initial yield of 5%. The centre is believed to offer considerable growth potential through reorganisation and refurbishment.

In July 2012, Eurocommercial acquired the land opposite its Chasse Sud shopping centre south of Lyon for the construction of a 17,800m^2 retail park by national developers IGC. The acquisition is structured as a VEFA (forward purchase agreement) set at a 7% net yield which is expected to equate to a total cost of around €24 million. The park is already 70% pre-let to tenants including Decathlon, Boulanger, Bricomarché, Gemo and C&A and is expected to open by the end of 2013. Eurocommercial has also received all planning permits required to undertake a 4,000m^2 extension of its existing shopping centre gallery at Chasse Sud. At Saint Doulchard in Bourges works will commence in October for a 1,000m^2 extension which is fully pre-let. The project will incorporate a refurbishment of the existing centre and is forecast to cost €5.8 million, delivering a net return on cost of 7%.

Eurocommercial also acquired the 2,100m^2 building 101 rue Saint Lazare in Paris immediately adjoining the Passage du Havre in June 2012. The total cost of €12.2 million represents a net initial yield of around 4%, reflecting the extremely high reversionary potential, particularly because it can in due course be integrated into the gallery of the Passage du Havre.

Refurbishments

The rejuvenation of Les Atlantes in Tours has proved a big success and in a recent customer survey 95% of customers indicated their approval. A combination of increased advertising, online publicity and word of mouth has encouraged new clients and sales are rising following a period of stagnation.

Refurbishment of our centres lies at the heart of Eurocommercial's strategy in France and major works are scheduled over the next two years in four centres.

Marketing

Multi-channel retailing is being embraced by Eurocommercial in France and the principal focus is to establish a closer relationship with customers through a series of marketing initiatives.

Loyalty cards allow customers to earn free services, gifts and discounts while gift cards encourage customers to spend in Eurocommercial's centres. Hypermarket Drives are being rolled out by the more dynamic groups to allow customers to click and collect. Eurocommercial management is collaborating with the food anchors to incentivise shoppers to visit our centres independently from the weekly food shop.

Each of these initiatives is enabling the centres to build up a customer database to allow focused marketing via internet, smartphones and, indeed, more traditional methods. The programme of shopping centre renovation goes hand in hand with these marketing efforts and customer services are being upgraded in all of our centres. A vigilant and dynamic marketing team is ensuring that Eurocommercial centres provide customers with an enjoyable shopping experience.

Outlook

The Presidential election and its results show the prevailing mood in France to be distinctly hesitant. Shopping centre sales have, however, remained relatively stable, and high savings rates will continue to offer a cushion to rents should the economy deteriorate.

Proliferation of retail floorspace may prove a greater threat to our portfolio than the internet which still represents a small percentage of overall sales. Happily, in France the population continues to grow, which should help support future consumer spending.

Paris

Passage du Havre

The refurbishment, which has lasted 12 months, is virtually complete and the centre has been rebranded over the summer. Retailer demand for the Passage du Havre remains very strong.

The acquisition of 101 rue Saint Lazare adjoining the Passage du Havre will be of long term benefit.

Total lettable area	22,987m²
Retail/Gallery	14,771m²
Residential	2,293m²
Office	5,923m²
ECP Ownership	22,987m²
Value (€ million)	288.00
Occupancy	100%
Passing rent (€ million)	15.84
Rental growth	1.29%
Boutiques <300m² turnover/m² (€)	17,720
Turnover growth	–4.20%
Occupancy cost ratio	5.80%
Visitors 2011/12	12.6m
Major tenants	Fnac, Nature et Découvertes, Zara, Sephora

Paris

Passy Plaza

Recent arrivals Massimo Dutti and Lacoste are trading well. The Inno supermarket will open a click & collect Drive in the car park this autumn and further innovative merchandising initiatives are underway.

Total lettable area	8,113m²
ECP Ownership	8,113m²
Value (€ million)	131.30
Occupancy	100%
Passing rent (€ million)	7.55
Rental growth	4.38%
Boutiques <300m² turnover/m² (€)	7,755
Turnover growth	–2.60%
Occupancy cost ratio	12.20%
Visitors 2011/12	4.8m
Major tenants	Inno, H&M, La Grande Récré, Massimo Dutti

Paris

Rue de Rivoli

Both Stradivarius and Oysho report strong sales growth.

Total lettable area	3,035m²
Retail	1,065m²
Residential	1,970m²
ECP Ownership	3,035m²
Value (€ million)	51.90
Occupancy	100%
Passing rent (€ million)	2.55
Rental growth	15.71%
Turnover growth	12.80%
Major tenants	Stradivarius, Oysho

Portfolio
France

Tours (Indre-et-Loire)

Les Atlantes

The rejuvenation of Les Atlantes has proved a success and sales are up in the gallery, excluding the retail boxes which trade off the car park. The centre remains the leading retail destination in the region.

Total lettable area	39,290m²
Retail/Gallery	22,690m²
Hyper (Carrefour)	16,600m²
ECP Ownership	22,690m²
Value (€ million)	122.20
Occupancy	100%
Passing rent (€ million)	6.73
Rental growth	2.86%
Boutiques <300m² turnover/m² (€)	7,425
Turnover growth	–4.70%
Occupancy cost ratio	9.00%
Visitors 2011/12	5.9m
Major tenants	Go Sport, Flunch, Boulanger, H&M, Toys R Us, Sephora

Moisselles (Val d'Oise)

Plaine de France

A 900m² extension is virtually complete to accommodate a new H&M store of 1,300m² which should open in the autumn. Four different tenants have been relocated to create the necessary space.

Plans are also advancing with Leclerc to open a Drive facility with 12 collection points alongside the centre in early 2013.

Total lettable area	25,071m²
Retail/Gallery	10,071m²
Hyper (Leclerc)	15,000m²
ECP Ownership	10,071m²
Value (€ million)	72.80
Occupancy	97%
Passing rent (€ million)	4.36
Rental growth	2.61%
`Boutiques <300m² turnover/m² (€)	6,110
Turnover growth	–2.30%
Occupancy cost ratio	11.90%
Visitors 2011/12	4.5m
Major tenants	H&M, Mango, Zara Kids

Portfolio
France

Taverny (Val d'Oise)

Les Portes de Taverny

Access improvements to the A115 Autoroute are scheduled for the end of next year. A new Auchan Drive opened alongside the hypermarket in September 2012 and results are being closely monitored.

Total lettable area	30,532m^2
Retail/Gallery	5,660m^2
Hyper (Auchan)	16,200m^2
Other	8,672m^2
ECP Ownership	5,660m^2
Value (€ million)	56.50
Occupancy	100%
Passing rent (€ million)	3.23
Rental growth	3.56%
Boutiques <300m^2 turnover/m^2 (€)	9,055
Turnover growth	–3.40%
Occupancy cost ratio	9.50%
Visitors 2011/12	3.1m
Major tenants	H&M, Kiko

Hyères (Var)

Centr'Azur

Sales have held up well despite the centre showing its age. A comprehensive refurbishment will begin in autumn 2012.

Total lettable area	17,035m^2
Retail/Gallery	6,235m^2
Hyper (Géant)	10,800m^2
ECP Ownership	6,235m^2
Value (€ million)	47.40
Occupancy	96%
Passing rent (€ million)	2.79
Rental growth	1.23%
Boutiques <300m^2 turnover/m^2 (€)	6,780
Turnover growth	0.70%
Occupancy cost ratio	9.10%
Visitors 2011/12	2.9m
Major tenants	Sephora, IKKS

Refurbishment

Amiens (Somme)

Amiens Glisy

The negative sales progression is largely due to a vacant unit. Bonobo has opened recently and is trading well and recent lease renewals in the centre have resulted in strong rental growth.

Total lettable area	22,769m²
Retail/Gallery	6,279m²
Hyper (Géant)	16,000m²
Other	490m²
ECP Ownership	6,279m²
Value (€ million)	46.30
Occupancy	95%
Passing rent (€ million)	2.69
Rental growth	3.73%
Boutiques <300m² turnover/m² (€)	6,520
Turnover growth	–4.90%
Occupancy cost ratio	10.10%
Visitors 2011/12	3.2m
Major tenants	Flunch, Camaïeu, Nocibé

Chasse-sur-Rhône (Isère)

Chasse Sud

The new 17,800m² retail park on land adjoining Eurocommercial's existing shopping centre has been acquired on a VEFA contract and is expected to open mid-2013. All consents for a 4,000m² extension to the gallery have also been obtained.

Total lettable area	28,083m²
Retail/Gallery	1,529m²
Hyper (Géant)	13,783m²
Retail boxes	12,771m²
ECP Ownership	28,083m²
Value (€ million)	30.00
Occupancy	100%
Passing rent (€ million)	2.11
Visitors 2011/12	1.6m
Major tenants	Géant, Conforama

New retail park

Portfolio
France

Bourges (Cher)

Saint Doulchard

Extension and renovation works will commence in October 2012 and the arrival of five new national retailers is expected to have a positive impact.

Total lettable area	20,872m^2
Retail/Gallery	2,867m^2
Hyper (Géant)	16,047m^2
Retail boxes	1,958m^2
ECP Ownership	20,872m^2
Value (€ million)	36.00
Occupancy	100%
Passing rent (€ million)	2.45
Visitors 2011/12	2.2m
Major tenants	Géant, Flunch

Extension

Portfolio
France

Grenoble (Isère)

Les Trois Dauphins

Sales at both Fnac and C&A are being monitored pending a reorganisation of the retail space in the medium term.

Total lettable area	16,845m²
Retail/Gallery	8,600m²
Residential	4,700m²
Hotel/Office	3,545m²
ECP Ownership	16,845m²
Value (€ million)	35.70
Occupancy	100%
Passing rent (€ million)	2.41
Rental growth	4.00%
Major tenants	Fnac, C&A, Groupe Accor

Portfolio
France

Cormeilles (Val d'Oise)

Les Allées de Cormeilles

Five years after opening sales growth continues to be very strong. The Castorama anchor store continued to grow strongly in 2011 and the multi let building is also showing similarly healthy uplifts.

Total lettable area	20,294m^2
ECP Ownership	20,294m^2
Value (€ million)	40.60
Occupancy	100%
Passing rent (€ million)	2.53
Rental growth	5.33%
Turnover growth	6.90%
Occupancy cost ratio	3.50%
Major tenants	Castorama, Lidl, Kiabi, Etam

Italy

"Despite the uncertain economic climate, a new wave of international retailers is showing considerable interest in the Italian market, which is currently under-represented by foreign players. At the same time, many Italian retailers are also expanding outside of their home market. This increased cross border activity is providing us with plenty of opportunities to refresh our retail offer."

Pictured

Fabrizio Da Rin,
Senior Asset Manager

Valeria Di Nisio,
Property Director

Fabrizio Aquilina,
Senior Asset Manager

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

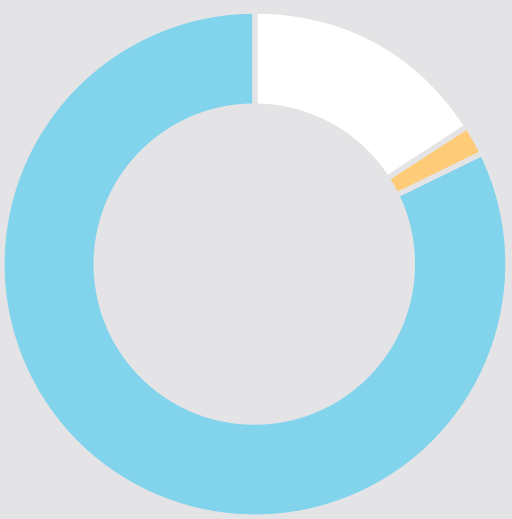
The retail market in Italy

Shopping centres are an established and important part of the retail offer in Northern Italy, largely due to the high car ownership and space constraints in historic city centres. The first wave of modern shopping centre development occurred only in the early 1990's and copied the French model of a hypermarket anchored centre with a gallery of shops, driven by the international expansion of the food operators. Since then, Coop have established themselves as the largest food operator in the country, followed by Conad and Esselunga. As in France, hypermarkets are starting to downsize their very large concepts so that an average store is now typically 7–8,000m^2.

Retail parks have only recently begun appearing in significant numbers. Factory outlets, however, which resonate with brand conscious Italians, are a more established part of the retail landscape, with some operators believing Italy is approaching saturation point.

Retail landscape
% of floor area

Shopping centres	16%
Retail parks	2%
City centre	82%



Source: Sincron Inova, ECP research

According to a recent CBRE study, Italy is the most popular European country in which retailers wish to expand in 2012, due to high consumer wealth and low density of shopping centres which means that international brands are currently under-represented. American brands, led by Hollister, Gap and Apple, are seeking good retail property in the country and are proving very popular with Italian consumers. Several shoe retailers are also recognising opportunities in the Italian retail market, including Deichmann, Clarks, Aldo, Camper and Ecco.

Many newcomers tend to start out with concessions or corners in department stores and shops which allow them to assess demand and understand logistical requirements before ultimately opening their own stores. Companies such as Fossil, Pandora, Desigual, I AM and SIX have all chosen this route.

Last but not least, Italian groups such as Coin, Piazza Italia and Scarpe & Scarpe are also continuing with their expansion plans.

Major retail groups

Food

Coop Italia
Conad
Esselunga
Carrefour
Auchan

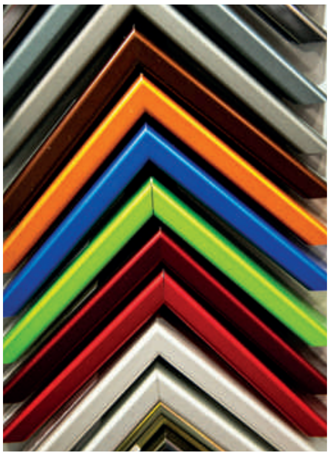
Electrical

Media Markt
Euronics
Expert
Comet
Unieuro

Fashion and shoes

Coin Group
Benetton
Inditex
Gruppo Miroglio
H&M

DIY



Leroy Merlin
Bricocenter
OBI
Brico Io

The retail market in Italy

Internet

Online retail sales as % of total retail goods sales*

1.1% → 2.9%

2010 2016

Italy has one of the lowest percentages of online sales in Europe at just 1.1% of total retail goods sold. However, from such a low base sales are expected to grow, particularly in the fashion sector, but are forecast to remain at half French and Swedish levels.

Online grocery sales as % of total grocery sales**

0.3%

The major food operators are only just starting to look at providing an online offer and Auchan is the first company to replicate its French model by opening click and collect Drives in select locations. The minimal percentage of grocery sales online, however, means that hypermarkets will remain the best anchor for suburban shopping centres.

* Source: Forrester Research Inc., Online Retail Forecast, 2011 to 2016 (Western Europe), February 2012, excludes services, travel, automotive, prescription drugs, video games and online gambling

** Source: Exane BNP Paribas

Planning

Municipalities, Provinces and Regions are all involved in retail planning in Italy, thereby making it a complex process. Both building permits and trading licences are required for the construction of any retail space, although the criteria for obtaining such permits is being relaxed as part of Prof. Monti's plan to stimulate economic growth. The Sunday trading initiative for all shops is particularly benefiting shopping centres because landlords can exert their influence on all stores opening – something which is impossible in a city centre.

Carosello, Milano

I Gigli, Firenze

Il Castello, Ferrara

Cremona Po, Cremona

Densities

The total retail density in Northern Italy is the lowest in the portfolio. Retail parks are not common and box retailers prefer to be located inside, or in the car park, of shopping centres. Some catchments have experienced new competition but in the current economic climate most projects are being postponed or abandoned.

Lease structure

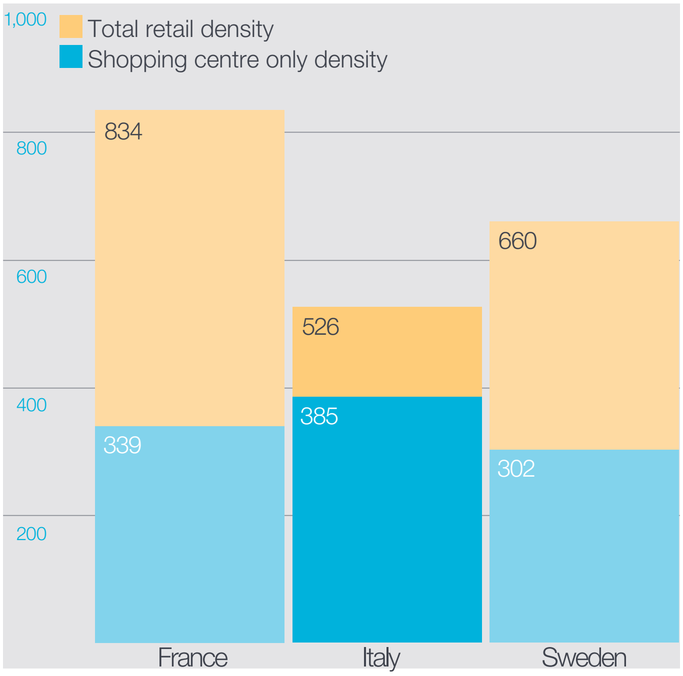
5–7 years

Almost all leases include a minimum guaranteed rent indexed annually to CPI plus a turnover rent provision. Entry premiums are still obtainable for the best centres. There are two types of leases in Italy. The more common Affitto d'Azienda (business) lease allows parties to freely negotiate terms and the duration is typically five to seven years (longer for anchor stores), usually with no tenant breaks. The older Locazione (commercial) lease normally ran for 12 years with an option for the tenant to break after six years. A rent review takes place at the end of the lease, although if a landlord wishes to terminate a Locazione lease, an indemnity must be paid.

The vast majority of Eurocommercial's leases are the modern Affitto d'Azienda type, with the older Locazione being progressively replaced.

Eurocommercial shopping centre densities

m² per 1,000 inhabitants



Source: ECP research

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Total retail density: Total area of shopping centres, retail parks, agglomeration of boxes and other galleries/department stores with GLA greater than 5,000m². Includes hypermarkets.

Shopping centre only density: All shopping centres with GLA greater than 5,000m². Includes hypermarkets.

Year in review: Eurocommercial Italy

Rental growth

Like for like rental growth was +3.4% for the year, with three quarters of that figure attributable to indexation. The remainder was mostly due to new leases with a small contribution from increased turnover rent. There were 68 new leases signed during the year which produced an average uplift of 18%. One-third of these leases were signed with new entrants to the centres, strengthening the tenant mix. An example of this is the opening of Hollister this August at I Gigli in Firenze.

This level of rental growth is a sign of the quality of the portfolio. However, further growth beyond indexation will generally depend on turnover growth returning. A high level of occupancy (99.8%) has again been maintained in the portfolio and, perhaps surprisingly in this economic environment, tenant bankruptcies have been almost non-existent. This situation may change as a consequence of the wider economic downturn but we believe Eurocommercial's portfolio will be well placed to outperform the Italian average.

Retail sales

In a difficult trading environment turnover of the Italian portfolio was down only –0.6% for the 12 months to June but positive at 2.3% for the six months to June. Consumer confidence is low following austerity measures, although the permanent deregulation of trading hours brought about by the Monti government at the beginning of 2012 has permitted all centres to open every Sunday with positive results. In the 12 months to June 2012 just over 50% more Sunday openings were recorded in the Italian portfolio, contributing to a 4% increase in total trading days for the year. This deregulation has helped the more dominant shopping centres to win market share to the detriment of many town centres, weaker shopping centres and outlet centres. The latter have lost one of their principal competitive advantages, namely being the only retail destinations always open on Sundays.

In our portfolio anchor stores performed slightly better than smaller shops although this difference was largely due to a couple of star performances. The larger centres fared better, with I Gigli the standout at +11% boosted by the arrival of Apple in 2011, 550 extra car spaces as well as the Sunday trading.

Property market

The volume of retail investment transactions has dropped significantly in the first half of calendar 2012 owing to the lack of confidence in southern Europe and restricted debt markets. Unsurprisingly in this environment cross border investment has slowed markedly and domestic players therefore remain the most important buyers. An example of this is the conditional agreement signed by an Italian bank fund to purchase a portfolio of 15 Auchan anchored shopping centres across Italy from the French food retailer. This demonstrates that there is interest for what is perceived as prime or low risk property. Investors who would purchase today in Italy include the retail focused property companies, opportunity funds and domestic fund managers which, until this Auchan deal, had mostly been concentrating on smaller lot sizes. This risk aversion has fostered renewed interest in prime high street investments.

Cremona Po, Cremona


I Gigli retail park, Firenze

Eurocommercial continues to monitor the market and we believe current circumstances may produce some interesting opportunities. The performance fundamentals still support investment in the prime sector and it is encouraging to see some of Europe's major investor/developers actively looking at the country.

Valuations

With almost no comparable transactions to analyse, the three valuers concentrated on the performance of the individual assets but referenced the dip in investor sentiment and quiet debt market. As a result, values were down 2.4% overall for the year. Net initial yields rose to 6.1%. This rise in yields was mitigated by the rental growth in the portfolio.

Marketing

Intelligent marketing can play an important role in the increasingly multi-channel retail environment. The marketing strategy for each property is designed to support the centre's strategic goals, such as increasing market share in a particular area of the catchment or extending dwell time. The most appropriate execution of this strategy is then formulated with each shopping centre manager.

An increasing proportion of the centre's budget is dedicated to online marketing and social media. The challenge is to choose the appropriate marketing mix for the target audience and, whilst it is often not expensive to run Twitter feeds or Facebook pages, these reach a very small, albeit increasing, percentage of customers.

Final negotiations are underway to install digital information pods in some of the Italian centres. These will provide customers with information on events, in-store promotions and stores' new collections and can be time sensitive, for example hypermarket related in the morning, restaurant offers at lunchtime and multi-media/fashion in the afternoon.

Acquisitions and refurbishments

The Cremona Po shopping centre in Cremona was acquired in September 2011. We are currently in negotiations with the local authority to improve internal road circulation and purchase land for a large area of surface car parking. The latter will strengthen the link between the shopping centre and the adjoining retail park.

In June 2012 we opened the retail park adjacent to I Gigli in Firenze. This 4,660m^2 building is home to four fashion and shoe stores as well as a restaurant, complementing the offer from the shopping centre. The generous car parking for the retail park provides 550 new car spaces which is already benefitting the shopping centre. The refurbishment of the I Gigli gallery will begin in 2013.

Having recently completed the refurbishment of Il Castello in Ferrara, we are now close to starting a major refurbishment at I Portali in Modena. This investment of around €5 million will upgrade the piazzas, mall and toilets, increasing natural light significantly. The extension of our smallest centre in Centroluna in Sarzana has been put on hold as the return on cost is not attractive in the present economic climate. We intend to carry out a refurbishment instead.

Finally, in July 2012 we purchased a plot of land adjacent to Carosello in Milano to accommodate a possible future extension.

Outlook

Whilst many observers are focusing on second guessing the macroeconomic environment, we are concentrating on running our quality portfolio of centres by improving their services, retail offer and attractiveness.

To this end we are bringing the leasing function in-house, as has already been done in France and Sweden. This will help to keep us close to our retail tenants and foster a greater understanding of their businesses in this changing retail environment.

Through understanding the new ways consumers are able to browse, purchase and collect goods and also being clear about the retail proposition of each centre, we have the best chance of generating footfall and therefore spend in our portfolio. It is fundamental that the shopping centres offer an attractive environment in a convenient location for products to be seen, touched and tried and this explains Eurocommercial's focus on refurbishments and improving customer services.

Commentators talk of possible asset re-pricing in Italy and, whilst this may be true for secondary property, it is our opinion that if a truly prime centre did come to the market there would be considerable demand from both domestic and international buyers.

Carugate, Milano (Lombardia)

Carosello

Fronting Milan's ring road and located opposite both IKEA and Leroy Merlin, Carosello is Milan's leading shopping centre. There has been a hypermarket on this site since 1972 giving Carosello an unrivalled retail pedigree.

Total lettable area	52,842m²
Retail/Gallery	23,810m²
Hyper (Carrefour)	27,743m²
Other	1,289m²
ECP Ownership	52,842m²
Value (€ million)	281.40
Occupancy	100%
Passing rent (€ million)	17.99
Rental growth	5.05%
Boutiques <300m² turnover/m² (€)	8,380
Turnover growth	–1.60%
Occupancy cost ratio	6.90%
Visitors 2011/12	8.3m
Major tenants	Carrefour, Saturn, Oviesse, H&M, Zara, Apple, Hollister

Bergamo (Lombardia)

Curno

The first centre purchased by Eurocommercial in Italy, Curno remains a strong performer with an occupancy cost ratio of only 7.4% despite feeling the impact of new competition. Plans are afoot to strengthen the tenant mix.

Total lettable area	36,292m²
Retail/Gallery	15,597m²
Hyper (Auchan)	18,195m²
Other	2,500m²
ECP Ownership	18,097m²
Value (€ million)	96.20
Occupancy	100%
Passing rent (€ million)	6.78
Rental growth	2.80%
Boutiques <300m² turnover/m² (€)	8,230
Turnover growth	–11.10%
Occupancy cost ratio	7.40%
Visitors 2011/12	7.2m
Major tenants	Media World, Passatempo, Cisalfa, Brek

Ferrara (Emilia Romagna)

Il Castello

Il Castello is the leading centre in Ferrara, anchored by a successful Ipercoop hypermarket. A refurbishment was completed in 2012, improving public spaces, natural light and introducing new play areas for children.

Total lettable area	38,457m²
Retail/Gallery	17,850m²
Hyper (Ipercoop)	17,837m²
Other	2,770m²
ECP Ownership	20,620m²
Value (€ million)	101.20
Occupancy	100%
Passing rent (€ million)	7.03
Rental growth	4.96%
Boutiques <300m² turnover/m² (€)	6,380
Turnover growth	–3.30%
Occupancy cost ratio	9.40%
Visitors 2011/12	5.0m
Major tenants	Euronics, Oviesse, Cisalfa, H&M

Portfolio
Italy

Firenze (Toscana)

I Gigli

Visitor numbers rose 17% over the year as a result of additional car parking, more Sunday trading and the arrival of new brands such as Apple. Hollister opened in summer 2012 which we expect will further boost the centre's performance.

A small retail park opened in June 2012 alongside the centre, strengthening the retail offer in sectors under-represented inside the centre.

Total lettable area	82,787m²
Retail/Gallery	54,257m²
Hyper (Panorama)	12,727m²
Retail park	4,663m²
Cinema	11,140m²
ECP Ownership	61,316m²
Value (€ million)	256.10
Occupancy	100%
Passing rent (€ million)	15.57
Rental growth	2.15%
Boutiques <300m² turnover/m² (€)	8,475
Turnover growth	11.30%
Occupancy cost ratio	6.80%
Visitors 2011/12	16.1m
Major tenants	Leroy Merlin, Media World, Coin, Zara, Apple, Hollister

Imola (Emilia Romagna)

Centro Leonardo

As Imola's only shopping centre, Centro Leonardo continues to dominate its catchment. Zara recently entered the centre which has further strengthened the retail offer.

Total lettable area	33,026m²
Retail/Gallery	15,252m²
Hyper (Ipercoop)	17,774m²
ECP Ownership	15,252m²
Value (€ million)	72.30
Occupancy	100%
Passing rent (€ million)	4.86
Rental growth	3.76%
Boutiques <300m² turnover/m² (€)	5,890
Turnover growth	–5.30%
Occupancy cost ratio	9.80%
Visitors 2011/12	4.6m
Major tenants	Media World, Oviesse, Pittarello, Zara

Portfolio
Italy

Modena (Emilia Romagna)

I Portali

Located on the eastern edge of the city close to the ring road, I Portali was purchased in 2009 and will be refurbished shortly. The intention is to increase natural light significantly, lay a new floor and refurbish the piazzas.

Total lettable area	24,810m²
Retail/Gallery	7,940m²
Hyper (Ipercoop)	16,989m²
ECP Ownership	7,940m²
Value (€ million)	43.20
Occupancy	100%
Passing rent (€ million)	2.83
Rental growth	6.12%
Boutiques <300m² turnover/m² (€)	7,030
Turnover growth	–4.40%
Occupancy cost ratio	9.10%
Visitors 2011/12	3.7m
Major tenants	Oviesse, Bata

Refurbishment

Cremona (Lombardia)

Cremona Po

Eurocommercial's most recent acquisition in 2011, Cremona Po is the shopping centre closest to the city's urban centre and main population. Negotiations are advancing to amend the road access with the aim of improving circulation and access to the external retail park.

Total lettable area	42,938m²
Retail/Gallery	20,626m²
Hyper (Ipercoop)	14,500m²
Retail park	5,674m²
Other	2,138m²
ECP Ownership	28,438m²
Value (€ million)	80.60
Occupancy	100%
Passing rent (€ million)	6.06
Boutiques <300m² turnover/m² (€)	5,360
Turnover growth	–2.90%
Occupancy cost ratio	11.30%
Visitors 2011/12	4.7m
Major tenants	H&M, Oviesse, Expert, Sport Specialist, Pull & Bear, Stradivarius

Bologna (Emilia Romagna)

Centro Lame

One of Eurocommercial's smaller centres, Centro Lame is situated close to Bologna city centre. A steady performer whose urban location may be further strengthened if the click and collect shopping concept takes hold in Italy.

Total lettable area	16,610m²
Retail/Gallery	5,574m²
Hyper (Ipercoop)	11,036m²
ECP Ownership	5,574m²
Value (€ million)	38.10
Occupancy	100%
Passing rent (€ million)	2.66
Rental growth	2.35%
Boutiques <300m² turnover/m² (€)	5,285
Turnover growth	–7.80%
Occupancy cost ratio	13.00%
Visitors 2011/12	3.7m
Major tenants	Camaïeu, Camst, Benetton

Mantova (Lombardia)

La Favorita

Anchored by an Ipercoop hypermarket and located on the northern edge of the city, La Favorita is in the leading retail pole of the catchment. An external retail park (also owned by Eurocommercial), multiplex and DIY anchor complete the attraction.

Total lettable area	29,879m²
Retail/Gallery	7,400m²
Retail park	6,279m²
Hyper (Ipercoop)	11,000m²
Brico	2,700m²
Cinema	2,500m²
ECP Ownership	13,679m²
Value (€ million)	47.40
Occupancy	100%
Passing rent (€ million)	3.40
Rental growth	–1.79%
Boutiques <300m² turnover/m² (€)	5,490
Turnover growth	–6.80%
Occupancy cost ratio	8.50%
Visitors 2011/12	2.7m
Major tenants	Media World, Oviesse, Piazza Italia, Scarpe & Scarpe, Bernardi

Sarzana (Liguria)

Centroluna

Eurocommercial's smallest centre is home to one of the best performing hypermarkets in the portfolio. Following the decision to postpone an extension, the gallery will be refurbished in due course.

Total lettable area	15,128m²
Retail/Gallery	3,548m²
Hyper (Ipercoop)	11,580m²
ECP Ownership	3,548m²
Value (€ million)	25.40
Occupancy	98%
Passing rent (€ million)	1.82
Rental growth	1.77%
Boutiques <300m² turnover/m² (€)	6,095
Turnover growth	–3.10%
Occupancy cost ratio	10.50%
Visitors 2011/12	3.2m
Major tenants	Piazza Italia, Benetton

Sweden

"The leasing market in Sweden is sound with most retail chains still prepared to expand their portfolios when interesting new opportunities arise. While Scandinavian and German retailers have dominated the market in the past decade, there are now a number of new southern European and American retailers trying to enter the Swedish market, providing remerchandising opportunities for landlords and greater choice for customers."

Pictured

Martin Bjöörn,
Property Director

Fredrik Forsling,
Head of Leasing

1.	Burlöv Center Malmö (Skåne)	Shopping centre
2.	Ingelsta Shopping Norrköping (Östergötland)	Shopping centre and retail park
3.	Grand Samarkand Växjö (Småland)	Shopping centre
4.	421 Göteborg (Västergötland)	Shopping centre
5.	Elins Esplanad Skövde (Västergötland)	Shopping centre
6.	Bergvik Karlstad (Värmland)	Shopping centre
7.	Moraberg Södertälje (Södermanland)	Retail park
8.	Hälla Shopping Västerås (Västmanland)	Shopping centre
9.	Kronan Karlskrona (Blekinge)	City centre gallery
10.	Mellby Center Laholm (Halland)	Shopping centre

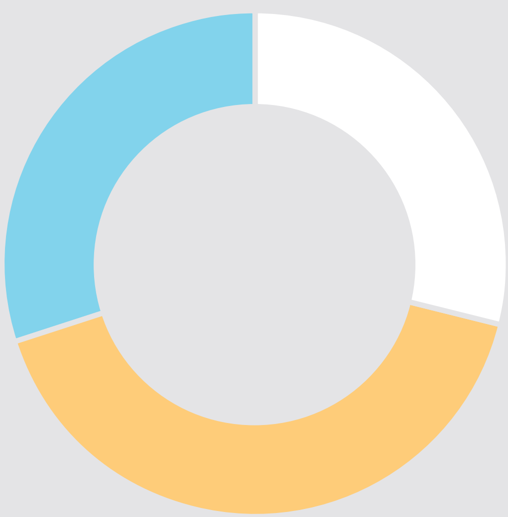
The retail market in Sweden

Shopping centres have been an important part of the Swedish retail landscape since the first municipal centres were built in the 1960's mainly to provide food, retail and community services (banks, pharmacies, libraries etc.) as cities suburbanised. Shopping centres continue to capture a relatively high share of total retail spend compared to other countries, with many city centres comprised of multi-level galleries, usually complemented by one dedicated out of town retail zone. Retail warehousing is also a well-established component of the retail landscape but is largely dedicated to "bulky goods" retailers in the electrical, sport and DIY sectors.

ICA is by far the leading food operator in Sweden, with 45% of the market with several brands, the largest being their hypermarket, Maxi. ICA is followed by Coop, Axfood and the fast growing Bergendahls. These food groups will often trade together in the same external retail zone, normally near to, but by preference not inside, shopping centres. Hypermarkets rarely reached the sizes seen in France, so downsizing of units has been limited and an average hypermarket in Sweden today has a lettable area of approximately 8–10,000m^2.

Retail landscape
% of floor area

Shopping centres	29%
Retail parks	41%
City centre	30%



Source: Köpcentrumkatalogen, ECP research

Swedish retailers dominate across most sectors including H&M, Lindex and Gina Tricot (fashion), Stadium (sport), Clas Ohlson, IKEA (household) and Elgiganten (electrical), although other Scandinavian retailers are important, particularly in fashion where Bestseller (Danish) and Varner Group (Norwegian) each bring several brands. Some German retailers are gaining more influence, including Media Markt (electrical), Bauhaus (DIY) and New Yorker (fashion). The major international groups such as Inditex, Apple and Abercrombie & Fitch are only just starting to build a presence.

Competition has been intensifying in the electrical sector over the past few years in Sweden with Media Markt and Elgiganten now the established market leaders, at the cost of some of the weaker brands such as OnOff which was forced into administration in 2011. The sport sector is also becoming increasingly crowded with new entrants from France (Decathlon) and Norway (XXL) challenging the dominant local players, Stadium and Intersport. Pharmacies were deregulated in 2009 which has resulted in a more diverse offering and greater choice for the customer but it is thought unlikely that the highly regulated alcohol sector (Systembolaget) – which is strongly supported by Swedish consumers – will move out of state control.

Major retail groups

Food

ICA
Coop
Axfood
Bergendahls
Lidl

Electrical

Elgiganten
Media Markt
Expert
Netonnet
Siba

Fashion and shoes

H&M
RNB
Varner Retail
Lindex
KappAhl

Sport

Stadium
Intersport
Team Sportia
XXL/Vildmark

The retail market in Sweden

Internet

Online retail sales as % of total retail goods sales*

3.2% → 5.7%

2010 2016

The online retail market in Sweden is relatively mature although a large proportion of online sales have simply replaced the formerly prevalent catalogue market dominated by retailers such as H&M and Clas Ohlson. Despite being early adopters of the internet, online retail sales are still a small part of the overall retail market. The largest online markets are electrical and fashion, with over half of book sales also now made online.

Online grocery sales as % of total grocery sales**

0.9%

Less than 1% of food sales are conducted online in Sweden with the very high additional costs of delivery and staff being the prohibitive factors. The hypermarkets therefore maintain their strength as the core anchors for suburban shopping centres.

* Source: Forrester Research Inc., Online Retail Forecast, 2011 to 2016 (Western Europe), February 2012, excludes services, travel, automotive, prescription drugs, video games and online gambling

** Source: Exane BNP Paribas

Planning

There is no national or regional planning framework in Sweden and planning control remains with the local municipalities whose typical policy is to approve retail in one out of town zone only, while trying to protect the interests of the city centre. Planning consent for retail boxes has been far more liberal than for traditional shopping centres, although extensions of existing centres have been possible subject to providing satisfactory parking and access. Eurocommercial has managed to carry out five extensions at a cost of around €134 million since 2006. Once retail zoning is approved, development requires a standard building permit in Sweden, but no additional retail licences as in France and Italy.

Grand Samarkand, Växjö

Mellby Center, Laholm

Kronan, Karlskrona

Ingelsta Shopping, Norrköping

Densities

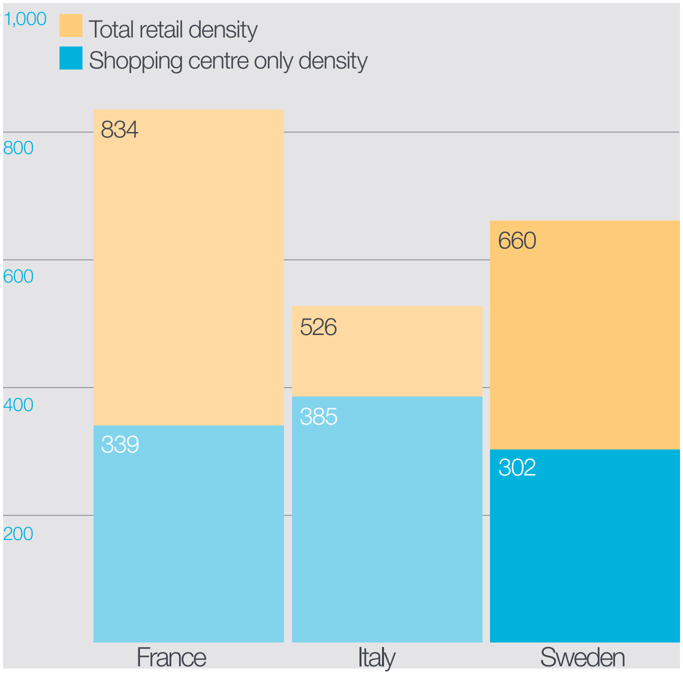
As a large proportion of high street retail in Sweden is located in covered galleries, the majority of city centre floor space is accounted for in the total retail density figure in the chart below. This differs from France and Italy where most city centre retail is represented by stand-alone shops on the high street and is therefore excluded from density calculations.

Lease structure

3–5 years

Leases typically run for three to five years for shops, five to 10 years for large anchors and up to 15 years for hypermarkets. Most leases contain a base rent, indexed annually in January, normally to 100% of CPI, and also include a turnover rent provision. Leases are normally negotiated to market rent at the end of a lease term and entry and exit premiums are scarce. Although gross leases were historically used in Sweden, Eurocommercial has updated its leases to European standards and now recovers 85% of operating costs through normal service charge arrangements. Insurance, property administration and structural repairs are not recoverable.

Eurocommercial shopping centre densities
m² per 1,000 inhabitants



Source: ECP research

All density figures, expressed per 1,000 inhabitants, represent around 80–90% of total visitors to any particular centre and are obtained from Eurocommercial customer surveys. The figures relate to the catchment areas of Eurocommercial's shopping centres but these are thought to be typical of similar national catchment areas.

Total retail density: Total area of shopping centres, retail parks, agglomeration of boxes and other galleries/department stores with GLA greater than 5,000m². Includes hypermarkets.

Shopping centre only density: All shopping centres with GLA greater than 5,000m². Includes hypermarkets.

Year in review: Eurocommercial Sweden

Rental growth
Rental growth was 1.7% over the year with 54 lettings and renewals completed at an average uplift of 6% on those transactions. Despite positive rental indexation in the portfolio of 2.1%, rental growth was reduced by slightly lower turnover rent and, in particular, the negative impact of two vacant former OnOff (electrical) units at Burlöv Center in Malmö and Hälla Shopping in Västerås following their corporate failure.

Retail sales
Despite a sound economy and stable employment, turnover growth was negative at –1.4% over the year as cautious Swedish consumers continued to maintain historically high savings ratios. The five owned hypermarkets increased in sales by 1.5% but this was more than offset by weaker turnover in the galleries of –3.2%. Trading has improved over the last 6 months with overall turnover up 1%. The drivers have been the five owned hypermarkets (up 4%) and the centres in Göteborg, Växjö, Skövde and Norrköping (up 6.6%, 5.8%, 5.2% and 3.2% respectively).

Property market
The retail investment market has remained active at the prime end with demand coming predominantly from foreign based investors, particularly for retail parks and shopping centres with lot sizes below €75 million. Their interest is partly defensive, attracted by a stable economy outside the euro area. The secondary investment market remains weak with several recent sales not going through. The most notable transaction during the year was the sale of three inner Stockholm galleries by RBS to the major Swedish pension fund AMF at a price of approximately €450 million, producing a net yield understood to be below 4.75%.

Valuations
The value of Eurocommercial's Swedish portfolio increased by 2.5% over the last 12 months and by 0.4% since the last reported external valuation in December 2011. The average net yield on the portfolio currently stands at 5.6%, a reduction of 10 bps over the 12 months. The yield range is between 5.4% (Bergvik) and 6.7% (Hälla Shopping).

Scandinavian Shopping Centre of the Year Award


Eurostop, Halmstad

Acquisition and divestment

In August 2012 Eurocommercial completed the acquisition of Eurostop, outside Halmstad – a city of over 90,000 people located between Malmö and Göteborg on the E6/E20 motorway. The acquisition comprises two separate purchases – a 10,800m² Coop hypermarket and the 13,600m² adjoining gallery consisting of 31 retail tenants including Willy's, H&M, KappAhl, Lindex and Systembolaget. Included in the purchase of the gallery is a 4,160m² hotel and ancillary offices and storage. By bringing the two parts of the shopping centre on the large 126,000m² site under a single ownership and control, Eurocommercial intends to carry out a refurbishment and significant extension of up to 20,000m², subject to planning consents. Discussions are already underway with the municipality as well as with existing and prospective tenants. The total cost of the acquisition is approximately €64 million, representing a net initial yield of around 6%. If it goes ahead, it is thought that the extension could raise the overall yield of the centre to over 7%.

In September 2012 Eurocommercial sold the 42,178m² Burlöv Center in Malmö for its December 2011 valuation of SEK 1,158 million, representing a net initial yield of 5.5%. Eurocommercial took the decision to sell the centre after completing a major extension and refurbishment in 2006 and carrying out further substantial remerchandising over recent years. Some of the proceeds from the sale have already been reinvested in the Eurostop acquisition.

Extensions and refurbishments

The €1.5 million refurbishment of Kronan, Karlskrona was completed at the end of April and included new flooring, lighting and signage and newly configured retail units for Stadium, Nilsson and McDonalds. Following the works, Kronan has re-established itself as the dominant gallery in the city.

In May, the enlarged Elgiganten store opened adjoining Ingelsta Shopping, Norrköping following a €5 million project which saw Sweden's market leading electrical store take a new 4,500m² megastore on a 15 year lease. The retail park, which also contains a 6,300m² DIY store let to K-Rauta (part of Kesco), has considerable frontage to the E4 motorway and is now better integrated with Ingelsta Shopping, thereby strengthening the overall retail zone.

Grand Samarkand in Växjö, which was extended and refurbished in 2011, won both Sweden's and Scandinavia's Shopping Centre of the Year award for 2011. The centre continues to trade very well with turnover up 8% over the last three months to June 2012.

Marketing

As the portfolio has steadily been upgraded and modernised, so too have the marketing efforts. All shopping centres have comprehensive websites or mobile apps and most are integrated with social media sites which are increasingly being used to drive marketing campaigns. Several of the larger centres now offer gift cards which are proving to be extremely popular, particularly in the run up to Christmas. They help to generate additional sales for the centre, attract new customers and are also a useful tool when providing prizes for in-mall competitions. More attention is also being given to improving the customer's experience once in the centre by offering children's crèches and providing value-added services such as personal shoppers.

Outlook

Rental growth will again be moderate in 2013 with lower inflation and therefore reduced indexation which is expected to be no higher than 1%. Tenants are also being more cautious in their expansion plans but remain committed to retaining their units in better centres and we therefore do not anticipate much variation to our current vacancy levels and arrears which are historically low at 0.9% and 0.16% respectively.

There is still plenty of evidence of unsatisfied foreign buying demand which should be more than sufficient to keep yields at or around their current levels.

Acquisition
Sweden

Halmstad (Halland)

Eurostop

The two parts of the Eurostop shopping centre, comprising a Coop Forum hypermarket and adjoining retail gallery, were acquired in August 2012. Now that the property is owned and controlled solely by Eurocommercial, the intention is to carry out a refurbishment and significant extension of up to 20,000m², subject to planning consents.

Total lettable area	31,129m²
Retail/Gallery	13,643m²
Hyper (Coop Forum)	10,810m²
Hotel/Office	5,346m²
Other	1,330m²
ECP Ownership	31,129m²
Value (€ million)	64.00
Occupancy	99%
Major tenants	Coop Forum, Willy's, H&M, Lindex, KappAhl, Systembolaget


LINDEX
WILLYS


ENTRÉ 1

Portfolio
Sweden

Malmö (Skåne)

Burlöv Center

Burlöv Center has recently celebrated its 40th anniversary and was fully refurbished and extended in 2006. Coop has announced the closure of its competing hypermarket nearby at Stora Bernstorp and will invest in its unit at Burlöv to the expected benefit of the centre.

Eurocommercial sold Burlöv Center on 17 September 2012. The sale will complete on 15 November 2012.

Total lettable area	42,178m²
Retail/Gallery	28,315m²
Hyper (Coop Forum)	13,863m²
ECP Ownership	42,178m²
Value (€ million)	131.89
Occupancy	98%
Passing rent (€ million)	7.91
Rental growth	–0.29%
Boutiques <300m² turnover/m² (€)	5,345
Turnover growth	–1.40%
Occupancy cost ratio	8.30%
Visitors 2011/12	3.5m
Major tenants	Coop Forum, H&M, KappAhl, Lindex, Stadium, Systembolaget, Clas Ohlson, Cassels

Portfolio
Sweden

Norrköping (Östergötland)

Ingelsta Shopping

Discussions are taking place with the municipality about a new access from Stockholmsvägen, the main route into the city, which will improve and balance traffic flow around the property. Elgiganten recently opened their new 4,500m^2 megastore in the adjoining owned retail park which has strengthened the retail zone.

Total lettable area	37,602m^2
Retail/Gallery	15,626m^2
Retail park	12,395m^2
Hyper (ICA Maxi)	9,581m^2
ECP Ownership	37,602m^2
Value (€ million)	112.17
Occupancy	100%
Passing rent (€ million)	6.60
Rental growth	4.86%
Boutiques <300m^2 turnover/m^2 (€)	4,625
Turnover growth	0.10%
Occupancy cost ratio	8.00%
Visitors 2011/12	2.7m
Major tenants	ICA Maxi, H&M, KappAhl, Stadium, Lindex, Intersport, Gina Tricot, Elgiganten, K-rauta

Växjö (Småland)

Grand Samarkand

Grand Samarkand is the only external shopping centre in Växjö and was redeveloped and extended in 2011 following which the property was voted Shopping Centre of the Year for both Sweden and Scandinavia. The first year of trading has been exceptionally strong with several tenants already paying turnover rent.

Total lettable area	34,480m²
Retail/Gallery	18,579m²
Retail park	3,614m²
Hyper (ICA Maxi)	10,632m²
Offices	1,655m²
ECP Ownership	23,848m²
Value (€ million)	96.55
Occupancy	100%
Passing rent (€ million)	5.52
Rental growth	6.25%
Boutiques <300m² turnover/m² (€)	4,870
Turnover growth	9.30%
Occupancy cost ratio	8.00%
Visitors 2011/12	3.0m
Major tenants	H&M, Stadium, New Yorker, Lindex, KappAhl, Gina Tricot, Esprit, Deichmann, Systembolaget

Portfolio
Sweden

Göteborg (Västergötland)

421

Högsbo/Sisjön, where 421 is located, is the dominant retail box zone to the south of Göteborg, Sweden's second largest city. The property has two strong anchors, an ICA Maxi hypermarket and Media Markt electrical store.

Total lettable area	33,422m²
Retail/Gallery	18,522m²
Hyper (ICA Maxi)	11,783m²
Offices	3,117m²
ECP Ownership	33,422m²
Value (€ million)	84.70
Occupancy	100%
Passing rent (€ million)	5.18
Rental growth	2.10%
Turnover growth	2.80%
Occupancy cost ratio	10.20%
Visitors 2011/12	3.1m
Major tenants	ICA Maxi, Media Markt, H&M, KappAhl, Lindex, Dressmann, Intersport, Hemtex

Skövde (Västergötland)

Elins Esplanad

Located just to the north of the city, Elins Esplanad is the only external shopping centre in the catchment. Extended by 10,000m² and refurbished in 2008, turnover continues to grow steadily helped by a very successful opening of a new Stadium sports store towards the end of 2011.

Total lettable area	28,783m²
Retail/Gallery	17,994m²
Hyper (ICA Maxi)	10,039m²
Office	750m²
ECP Ownership	28,783m²
Value (€ million)	76.15
Occupancy	100%
Passing rent (€ million)	4.82
Rental growth	2.30%
Boutiques <300m² turnover/m² (€)	6,475
Turnover growth	2.10%
Occupancy cost ratio	7.30%
Visitors 2011/12	3.8m
Major tenants	ICA Maxi, KappAhl, Lindex, Elgiganten, Stadium, Clas Ohlson, H&M

Karlstad (Värmland)

Bergvik

Bergvik is the dominant external shopping centre in the region, still securing above average rental growth. Discussions continue with the municipality about a possible extension to the gallery for which there is very strong tenant demand.

Total lettable area	48,382m²
Retail/Gallery	13,754m²
Hypers (ICA, Coop)	30,000m²
Retail boxes	4,400m²
Offices	228m²
ECP Ownership	13,982m²
Value (€ million)	74.44
Occupancy	100%
Passing rent (€ million)	4.32
Rental growth	3.18%
Boutiques <300m² turnover/m² (€)	6,700
Turnover growth	–6.00%
Occupancy cost ratio	8.30%
Visitors 2011/12	7.4m
Major tenants	H&M, Stadium, Intersport, Lindex, KappAhl, JC

Portfolio
Sweden

Södertälje (Södermanland)

Moraberg

Stadium took a new 1,600m² unit this year while Jysk has expanded its store by 500m². This has strengthened the tenant mix and retail offer in an important retail park with frontage to the country's busiest motorway to the south of Stockholm.

Total lettable area	19,043m²
ECP Ownership	19,043m²
Value (€ million)	49.47
Occupancy	100%
Passing rent (€ million)	2.98
Rental growth	4.52%
Visitors 2011/12	1.6m
Major tenants	Elgiganten, Rusta, Jysk, Plantagen, Intersport, Jula, Stadium

Portfolio
Sweden

Västerås (Västmanland)

Hälla Shopping

Hälla Shopping forms part of an important retail zone at the eastern entrance to the city from Stockholm. Turnover in the gallery has suffered over the last 18 months following the relocation of IKEA and the opening of a 35,000m² competing shopping centre on the west side of the city. Hälla remains fully let, however, with the exception of one external unit which was formerly occupied by OnOff – the electrical retailer which was forced into administration in 2011.

Total lettable area	20,152m²
Retail/Gallery	8,152m²
Hyper (ICA Maxi)	10,000m²
Other retail	2,000m²
ECP Ownership	10,152m²
Value (€ million)	24.28
Occupancy	89%
Passing rent (€ million)	1.65
Rental growth	–17.84%
Boutiques <300m² turnover/m² (€)	5,065
Turnover growth	–34.70%
Occupancy cost ratio	12.50%
Visitors 2011/12	5.0m
Major tenants	H&M, Stadium, KappAhl, Lindex, JC

Portfolio
Sweden

Karlskrona (Blekinge)

Kronan

The €1.5 million internal refurbishment of Kronan was completed at the end of April 2012. The main anchor, Stadium, has taken a new lease on an extended unit of 1,430m^2 and Nilsson recently opened a flagship shoe store.

Total lettable area	7,052m^2
Retail/Gallery	5,878m^2
Offices	1,174m^2
ECP Ownership	7,052m^2
Value (€ million)	20.75
Occupancy	98%
Passing rent (€ million)	1.47
Rental growth	–4.87%
Boutiques <300m^2 turnover/m^2 (€)	3,900
Turnover growth	–8.90%
Occupancy cost ratio	9.30%
Visitors 2011/12	1.3m
Major tenants	Stadium, KappAhl, Gina Tricot, MQ, Brothers, Sisters, Nilsson, Esprit

Laholm (Halland)

Mellby Center

The refurbishment of Mellby Center was completed on time and budget in November 2011. The main tenant, ICA Maxi, has also recently renovated its hypermarket and extended its lease.

Total lettable area	11,550m²
Retail/Gallery	3,315m²
Hyper (ICA Maxi)	8,235m²
ECP Ownership	11,550m²
Value (€ million)	19.49
Occupancy	100%
Passing rent (€ million)	1.44
Rental growth	3.06%
Boutiques <300m² turnover/m² (€)	3,830
Turnover growth	1.10%
Occupancy cost ratio	6.60%
Visitors 2011/12	0.9m
Major tenants	ICA Maxi, KappAhl, Lindex, Dressmann

Corporate responsibility

Eurocommercial is committed to minimising any negative impact of its business activities on the environment where it can. The Company takes the opportunity as part of its ongoing extension and refurbishment programme to make upgrades to plant and machinery and improve the biodiversity of the sites. The upcoming projects at the Saint Doulchard and Chasse Sud centres in France will focus particularly on modernising machinery and increasing planting in the car parks.

Eurocommercial's shopping centres play a key role in bringing together local communities not only to shop but also for entertainment, education and charitable support.

Below are some examples of the ways in which our shopping centres strive to improve their surrounding environments and support their local communities.

Passage du Havre, Paris

Une Oasis de Shopping

The Passage du Havre has undergone a major refurbishment over the past year, with the aim of creating an oasis of calm in busy central Paris. "Green walls" of live plants have been installed around the central piazza and the existing small garden has been extended to include a new outdoor café where visitors can sit and relax. The centre has been rebranded to help communicate these features to visitors.

Carosello, Milano

1,000 auguri – a impatto zero

Carosello held an eco-friendly Christmas campaign in 2011. All decorations were made from recycled materials, and the Christmas lights in the gallery and on the tree used low energy bulbs. Customers were also invited to pedal on exercise bikes to generate electricity to power the lights. As well as being environmentally friendly, the celebrations also offered an opportunity to educate visitors on important green issues.

421, Göteborg

Get motivated

As part of an ongoing commitment to promote health and fitness among children, 421 held several events over the year to encourage families to get involved in sport. The centre partnered with local sports clubs and tenants to educate and entertain customers on the topic.

Energy consumption

In accordance with the European Public Real Estate Association's (EPRA) guidelines, Eurocommercial is reporting the energy consumption of its shopping centres.

Impact area		EPRA sustainability performance measures	Units of measurement	France	Italy	Sweden	Total
Energy	3.1	Total energy consumption from electricity [GRI: EN4]	kWh	7,709,959	27,451,351	47,256,545	82,417,855
		of which exclusively sub-metered to tenants		*2,195,527*	*5,799,838*	*31,116,131*	*39,111,496*
	3.2	Total energy consumption from district heating and cooling [GRI: EN4]		0	1,050,869	13,311,139	14,362,008
	3.3	Total energy consumption from fuels [GRI: EN3]		665,259	17,399,702	0	18,064,961
Greenhouse gas emissions	3.5	Total direct GHG emissions [GRI: EN16 – GHG Protocol Scope 1]	kg CO_2e	126,822	3,222,599	0	3,349,420
	3.6	Total indirect GHG emissions [GRI: EN16 – GHG Protocol Scope 2]		559,219	10,876,427	2,333,170	13,768,816
	3.6	Total indirect GHG emissions [GRI: EN16 – GHG Protocol Scope 3]		222,648	2,851,548	1,521,579	4,595,775
Water	3.8	Total water withdrawal [GRI: EN8 partial]	cubic metres (m^3)	273,716	243,776	66,497	583,989
		of which exclusively sub-metered to tenants		*252,741*	*3,117*	*0*	*255,858*
Waste	3.10	Total weight of waste [GRI: EN22]	metric tonnes	1,327	0	1,422	2,749
		Total weight of waste – recycled [GRI: EN22]		289	0	615	904
		Total weight of waste – incineration with energy recovery [GRI: EN22]		0	0	807	807
		Total weight of waste – incineration with no energy recovery [GRI: EN22]		1,039	0	0	1,039
	3.11	Percentage of waste by disposal route – recycled	proportion by weight (%)	22%	0%	43%	33%
		Percentage of waste by disposal route – incineration with energy recovery		0%	0%	57%	29%
		Percentage of waste by disposal route – incineration with no energy recovery		78%	0%	0%	38%

Impact area		EPRA sustainability performance measures	Intensity indicator	France	Italy	Sweden	Total
Energy	3.4	Building energy intensity [GRI-CRESS: CRE1]	$kWh/m^2/year$	266	523	525	393
Greenhouse gas emissions	3.7	Greenhouse gas intensity from building energy [GRI-CRESS: CRE3]	kg $CO_2e/m^2/year$	30	184	42	110
Water	3.9	Building water intensity [GRI-CRESS: CRE2]	$m^3/m^2/year$	1.06	3.14	1.19	2.10

The information provided is for the calendar year 2011. The emission factors are based upon the Department for Environment, Food and Rural Affairs (DEFRA) guidance and are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices. Jones Lang LaSalle assisted Eurocommercial in preparing this data in line with the reporting guidelines.

The coverage of data disclosed for all energy, greenhouse gas and water performance measures is for 31 out of 31 properties, for which the landlord has control, and 14 out of 31 properties for waste. The reported data contains the total landlord obtained energy and water consumed in the Company's properties.

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

Corporate governance

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

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 to specify the items to be considered. The secretary appointed for the meeting will take minutes of the proceedings at the meeting. The minutes will be signed by the Chairman of the meeting and by the secretary. In principle, the minutes will be published on the Company's website within three months after the meeting and copies of such minutes are available free of charge on request.

Supervisory Board

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

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

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

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

In the year under review no business transactions took place in which conflicts of interest could have played a role. Any business transactions between the Company and the members of the Boards will be 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 (67), a Chartered Surveyor, has more than 45 years international experience in commercial property and the running of quoted property investment vehicles.

Evert Jan van Garderen, Finance Director
Evert Jan van Garderen (50), 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 (53) 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 (54) joined Eurocommercial in 1992. Since then he has been involved in the acquisition programme in France and Italy and has responsibility for all French operations. Tom has a degree in modern languages from Durham University and is a Chartered Surveyor.

Tim Santini, Director
Tim Santini (46) joined Eurocommercial in 1994 and is responsible for the Italian activities of the Company. Prior to joining Eurocommercial he was with a major international property consultant in London working on projects in the UK and continental Europe. Tim read modern languages at UEA and is a Chartered Surveyor.

Hostile takeover defence

The mechanism for protecting the Company against hostile takeovers comprises the 100 priority shares which have been issued and are held by the Stichting Prioriteitsaandelen Eurocommercial Properties. The Board of Trustees of this foundation (stichting) currently comprises the Chairman of the Board of Management and an independent member. The determination of the number of Managing Directors and Supervisory Directors of the Company and 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 2013, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares up to a maximum of 50% of the issued share capital and the terms of issue, including the power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares.

External auditor

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

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

Corporate governance best practice

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

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

On 10 December 2008 the Monitoring Committee Corporate Governance Code published its report including amendments to the Dutch Corporate Governance Code. The Company has obtained external advice about the implications of this amended Code on the corporate governance structure of the Company. This advice has been discussed in a dedicated extraordinary meeting with the Supervisory Board and the Board of Management held in April 2009. Following the advice and the meeting, various changes and additions have been made to the Company's codes, rules and regulations in order to comply with the amended Code. These documents have been posted on the Company's website.

The only principles and best practice provisions of the amended Code with which the Company does not fully comply or which require an explanation are:

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

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

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

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

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

Provision IV.3.13 of the Code
The Company has not implemented an outline policy on one-to-one contact with its shareholders, but will monitor how this best practice rule is applied by the sector in the near future. The Company is of the opinion that the current applicable law is clear and provides sufficient guidance about what is and what is not allowed in respect of price sensitive information.

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

Corporate responsibility

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

The Company is committed at both the corporate and operational level to minimising the impact of its business activities on the environment. Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all of the Swedish centres while in France and Italy photovoltaic panels have been, or are being considered for, installation on a number of properties as part of ongoing maintenance and upgrade works. Several centres now have facilities to collect rainwater to use for irrigation and waste facilities. The newly extended Carosello centre in Italy has a 16,000m^2 grass roof which not only insulates the gallery and regulates the mall temperature thus reducing the need for air-conditioning, but also adds to the biodiversity of the area.

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

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

The Company employed an average of 62 full-time equivalent persons during the financial year, of which 14 are based in the Netherlands, 11 in the UK, 19 in France, 11 in Italy and 7 in Sweden. 51% of employees are male and 49% are female. Of the workforce, six are under the age of 30, 50 are between the ages of 30 and 50 and six are over the age of 50.

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

Organisation

Eurocommercial has had offices in Amsterdam and London since inception, but the Company's focus on France, Italy and Sweden has necessitated the opening of offices in Paris, Milan and Stockholm.

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

The Management Board and regional Directors keep the Supervisory Board of the Company fully informed of operations through formal managing 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 entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2000 a stock option plan has been in place for Managing Directors, regional Directors and certain staff of the Company. Under this scheme options may be granted from time to time, but these can only be exercised after three years have lapsed since the date of granting, provided certain targets are met. 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 Supervisory Board on page 81.

Internal risk management and control systems

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

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

The Company has appropriate internal risk management and control systems. Key elements of the internal control systems are a management structure designed to enable effective and collegiate decision-making, monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancy, arrears and doubtful debtors and weekly meetings between the Board of Management and regional Directors to review each country's performance against budgets and long term financial plans. Detailed procedures and responsibilities for the various country teams as well as for the segregation of duties and authorisation structures have been implemented and maintained. Strict procedures are also observed for the periodic drawing up of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to directly identify developments in the value of investments and in income and expenses. For this purpose use is made of electronic data processing within automated, integrated central information systems. There is a back up and recovery plan in place so that data can be restored.

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

Risk management policies

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

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

All major corporate, property and financial decisions are discussed and reviewed at regular meetings of the Board of Management together with senior management comprising the Chief Executive, the Finance Director and the finance team, the heads of the French, Italian and Swedish businesses, their deputies, the Group Economist 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 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, Northern 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 4.0% of total portfolio rent).

Timing of investments and divestments

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

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

Operational risk

Asset selection

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

Tenant selection and credit risk

The creditworthiness of tenants is researched thoroughly, and bank guarantees or deposits are always required in France and Italy but not in Sweden where this is not market practice. Property performance is reviewed by analysing monthly turnover 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. Partly due to the credit crises, governments in Europe are short of monies and are seeking to increase tax revenues. It is difficult to assess whether the Company will have to pay more taxes 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 about 18 major financial institutions for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. The counterparty risk associated with these transactions is limited to the cost of replacing these agreements at the current market rate should an event of default occur. The Company, however, considers the risk of incurring losses as a result of default remote.

Interest rate risk

As the Company's policy is to have long term investments, the borrowings used for funding them are also long term (five years but preferably for ten years or more). The Company uses interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 3.7% excluding margins and only 17% 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 €1.60 million, or 2.01% of 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, the Company has at its disposal in some cases 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 risk related to the fluctuation of the fair value of future cash flows of financial instruments because of changes in market prices is provided in note 18 (derivative financial instruments) of the consolidated financial statements.

Currency risk

The only significant foreign currency exposure for the Company is its exposure to the Swedish property markets. However, due to SEK loan facilities with major banks and currency swaps (if applicable), a hedging of the foreign currency is achieved up to 46%. The remaining exposure is relatively limited compared to the total size of the portfolio and will in principle not be hedged. Net SEK income may also be hedged from time to time by using defensive currency derivatives. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.4% of reported net asset value and in a decrease of only 1.3% of reported direct investment result.

Reporting risk

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

Compliance risk

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

In control statement

Pursuant to the Netherlands Act on Financial Supervision and the Decree on the Supervision of the Conduct of Financial Undertakings (Besluit gedragstoezicht financiële ondernemingen), the Company states that it has a description of the organisation of its business operations (Administrative Organisation and Internal Control) which meets the specifications as laid down in the Act and the Decree. During the financial year 2011/2012 the Company has evaluated various aspects of the Company's Administrative Organisation and Internal Control and found nothing to indicate that the description of the structure of the Company's Administrative Organisation and Internal Control does not meet the requirements as included in the Decree and related legislation. Also, there have been no indications during the financial year 2011/2012 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Company therefore states with a reasonable level of assurance that the organisation of its business operations functioned effectively and in accordance with the description. It is not expected that during the current financial year a major change will be made to the design of the Company's Administrative Organisation and Internal Control.

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

The Board of Management believes that the design of the internal controls for financial reporting provide a reasonable level of assurance (i) to prevent material inaccuracies in the financial statements of the Company for the financial year 2011/2012, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2011/2012 and there are no indications that this will not continue to be so in the current financial year.

Insurance

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

Permit

The Company has been granted a permit under the Netherlands Act on Financial Supervision by the Netherlands Authority for the Financial Markets on 7 July 2006.

Taxation

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

International Financial Reporting Standards (IFRS)

In accordance with the European and national rules and regulations the Company has drawn up its financial statements for the financial year ending 30 June 2012 based on IFRS.

The IFRS result after taxation (total investment result) for the financial year ended 30 June 2012 decreased to a loss of €12.1 million compared with a profit of €201.3 million for the financial year ended 30 June 2011. The IFRS result after taxation includes contributions from unrealised movements in property values as well as contingent nominal capital gains taxes and also includes fair value movements in derivatives.

However, the Company has also chosen to continue presenting next to the IFRS result, the direct investment result and the indirect investment result, which it believes is an important distinction as the direct investment result represents in the view of the Board the continuing underlying earnings better than the IFRS result figure, which includes unrealised "capital" movements. These results are included in a statement which does not form part of the IFRS statements.

The IFRS net asset value is net of contingent nominal capital gains taxes and the fair value of derivatives. The IFRS net asset value at 30 June 2012 was €31.75 per depositary receipt compared with €33.57 at 30 June 2011. The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €63.9 million when calculating net asset value. Under current circumstances in the only two markets where CGT would be payable by the Company, Italy and Sweden, the majority of larger property transactions are made through the sale of the owning corporate entity and purchasers accept a major part of the potential CGT liability.

As at 30 June 2012 the CGT is only related to the Swedish property portfolio.

Amsterdam, 19 September 2012

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 2012 give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the management report of the Board of Management includes a fair review of the development and performance of the business during the financial year and the position of the Group at the balance sheet date, together with a description of the principal risks associated with the Group.

Amsterdam, 19 September 2012

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

Report of the Board of Supervisory Directors

To the General Meeting of Shareholders

Financial statements

We are pleased to present the Annual Report of Eurocommercial Properties N.V. for the financial year ending 30 June 2012, as drawn up by the Board of Management. The auditors, Ernst & Young, have examined the financial statements and will issue an unqualified report thereon. We recommend that you adopt the financial statements.

Dividend proposal

We support the proposal of the Board of Management to distribute a cash dividend of €1.92 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2012. We also support the offer, at the option of the holders of depositary receipts, of a scrip issue to be charged to the share premium reserve as an alternative to the cash dividend.

Activities

During the year under review there were four meetings of the Supervisory Board which were also attended by the members of the Board of Management. All five Supervisory Directors attended each meeting. In addition to those meetings there was regular contact between the Supervisory Board members and the members of the Board of Management. During the year the Chairman of the Supervisory Board attended several meetings of the senior management team to observe the in-depth detailed property management and investment discussions.

Amongst the topics discussed 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, but also the Company's bank loans and bank covenants were discussed in great detail and monitored during the year. The Supervisory Board fully supported the investment and funding policy of the Board of Management, in particular the entering into new bank loans for an amount of around €180 million and entering into various (forward starting) interest rate swaps for hedging purposes. Furthermore, the contents of press releases, the annual report, the interim report and the quarterly reports were discussed. In January 2012 a detailed meeting was held to discuss the strategy of the Company and to establish whether the current strategy needed any amendments. On the basis of various reports, notes and papers, the sector and country allocation together with funding were discussed, but also the impact of e-commerce in the Company's markets was tabled. The Supervisory Board was happy with the strategy developed by the Board of Management over the past years and obtained good insight into the Company's strengths and weaknesses. Furthermore, the Supervisory Board supported the continuation of this strategy for the next years.

The Supervisory Board is kept informed of activities and financial performance through monthly management accounts with detailed analysis of rental income, Company expenses and investment developments. The Supervisory Board also met in the absence of the Board of Management to discuss its own functioning and that of the Board of Management. In addition, the profile of members of the Supervisory Board was discussed and a proposal to adapt the profile has been made, to be discussed at the forthcoming Annual General Meeting to be held on 6 November 2012. None of the members of the Supervisory Board was frequently absent. There have been no matters of conflict of interests.

Corporate governance

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

The Supervisory Board as a whole also functions as the Audit Committee and had two meetings with the auditors of the Company as well as one meeting with the auditors of the Company in the absence of the Board of Management. The Audit Committee reviewed the need for an internal audit function and concluded again that this is not necessary due to the size of the Company. The Supervisory Board as a whole also functions as the Remuneration Committee. Remuneration was discussed in two meetings on the basis of an updated external benchmark report and the draft updated remuneration report. The final 2011/2012 remuneration report will be posted on the website of the Company when the Annual Report is published. The Supervisory Board as a whole also functions as the Selection and Appointment Committee, which discussed in two meetings the future composition of the Supervisory Board. At the forthcoming Annual General Meeting to be held in November 2012, there will be two reappointments on the agenda.

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, to the Annual General Meeting of Shareholders based on recommendations of the Board of Management. The Supervisory Board recommends decisions on all aspects of the remuneration of the members of the Board of Management, within the scope of the remuneration policy, to the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders is invited to approve both the remuneration policy and the remuneration of the members of the Board of Management.

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

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

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

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for executives and members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. There is no minimum guaranteed bonus and variable cash bonuses are capped. There are also claw back possibilities for the Company. Only one member of the Board of Management has joined a pension scheme. This scheme is a defined contribution scheme with current annual premiums being capped.

Report of the Board of Supervisory Directors
continued

Supervisory Directors only receive a fixed fee.

The remuneration policy for Supervisory Directors and Managing Directors has been continued during the year under review. Following a benchmark study it is proposed for the next financial year to increase the remuneration of the Supervisory Directors by €2,000 to €34,000 for each member and to €44,000 for the Chairman and to increase the base salaries of the members of the Board of Management to £465,000 for Mr J.P. Lewis and to €381,000 for Mr E.J. van Garderen. The Annual General Meeting of Shareholders is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

Profile and composition of the Supervisory Board

All members of the Supervisory Board are independent. 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 2012 the Supervisory Board was composed as follows:

1. Mr W.G. van Hassel (65), Chairman, of Dutch nationality, member of the Supervisory Board since 1997, was reappointed in 2010 for a period of four years. He is a former partner and chairman of a major Dutch law firm and former Dean of The Dutch Bar Association. He is a member of the following supervisory boards:

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

2. Mr H.W. Bolland (66), of British nationality, member of the Supervisory Board since 1998, was reappointed in 2008 for a period of four years. He was Vice Chairman of Schroder Investment Management Limited of London. He is a member of the following boards:

Fidelity Asian Values plc
JPMorgan Indian Investment Trust plc

3. Mr P.W. Haasbroek (64), of Dutch nationality, was appointed as a member of the Supervisory Board in 2008 for a period of four years. He is a former Director Real Estate Europe of PGGM, the manager of the Dutch pension fund for the healthcare sector. He worked for more than 25 years in the international property investment markets until he retired in 2007.

4. Mr J.C. Pollock (72), of British nationality, member of the Supervisory Board since 2005, was reappointed in 2009 for a period of four years. He is a former partner of Ernst & Young and worked for many years as a certified public accountant in the international practice. He was the auditor of the Company until 1999.

5. Mr A.E. Teeuw (66), of Dutch nationality, member of the Supervisory Board since 2006, was reappointed in 2010 for a period of four years. He is a former Chief Executive Officer of the listed financial institution Binck Bank N.V. of Amsterdam and a former Managing Director of Barclays Bank plc. Mr Teeuw worked for more than 30 years as an international banker until he retired at the end of 2005. He is a member of the following supervisory boards:

RDC Group B.V. (Chairman)
HiQ Invest B.V.

At the Annual General Meeting of Shareholders held on 3 November 2010, Mr W.G. van Hassel and Mr A.E. Teeuw were reappointed for a period of four years. At the forthcoming Annual General Meeting of Shareholders to be held on 6 November 2012, the reappointments of Mr H.W. Bolland and Mr P.W. Haasbroek will be on the agenda.

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:

2013: Mr J.C. Pollock

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

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

Staff

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

Amsterdam, 19 September 2012

Board of Supervisory Directors

W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

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Ten year financial summary*

Key financial information (consolidated)

For the financial year ended	30-06-03 €'000	30-06-04 €'000	30-06-05 €'000	30-06-06 €'000	30-06-07 €'000	30-06-08 €'000	30-06-09 €'000	30-06-10 €'000	30-06-11 €'000	30-06-12 €'000
	Neth GAAP	Neth GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Profit and loss account										
Net property income	66,341	76,527	80,784	87,215	95,830	110,033	114,380	120,472	131,116	139,353
Net financing expenses	(20,519)	(23,154)	(24,631)	(23,477)	(28,944)	(38,117)	(40,822)	(41,862)	(44,501)	(48,900)
Company expenses	(5,940)	(6,986)	(6,738)	(7,671)	(8,243)	(9,114)	(8,510)	(8,611)	(9,789)	(10,707)
Direct investment result	39,563	44,872	49,340	56,087	58,653	62,802	65,048	69,999	76,826	79,515
Indirect investment result	13,704	17,666	64,613	177,840	200,819	47,484	(245,753)	23,741	124,451	(91,633)
Result after taxation	53,267	62,538	113,953	233,927	259,472	110,286	(180,705)	93,740	201,277	(12,118)
Balance sheet										
Total assets	1,254,015	1,416,811	1,597,042	1,891,430	2,267,934	2,528,936	2,172,037	2,505,718	2,671,251	2,842,953
Property investments	1,110,356	1,306,304	1,498,081	1,782,338	2,197,070	2,446,615	2,136,750	2,359,574	2,522,054	2,690,467
Cash and deposits	122,293	84,070	73,011	76,581	18,044	13,796	7,827	116,218	112,976	120,954
Borrowings	507,567	590,367	566,191	643,537	798,302	970,249	913,186	1,017,841	1,107,964	1,252,744
Shareholders' equity	659,224	707,424	828,144	1,037,679	1,242,118	1,300,981	1,033,080	1,214,323	1,370,150	1,300,147
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	29,263,103	30,540,500	34,462,476	35,277,619	35,277,619	35,727,332	35,840,442	40,304,266	40,813,650	40,953,515
Average number of depositary receipts representing shares in issue	28,977,543	29,937,616	31,589,214	34,938,162	35,277,619	35,554,261	35,797,301	38,543,725	40,602,632	40,895,429
Per depositary receipt (€)										
Net asset value	22.53	23.16	24.03	29.41	35.21	36.41	28.82	30.13	33.57	31.75
Direct investment result	1.37	1.50	1.56	1.61	1.66	1.77	1.82	1.82	1.89	1.94
Indirect investment result	0.47	0.59	2.05	5.09	5.69	1.34	(6.87)	0.61	3.07	(2.24)
Dividend	1.43	1.50	1.55	1.60	1.67	1.75	1.78	1.82	1.88	1.92
Property information										
Sector spread (%)										
Retail	85	88	90	91	92	93	100	100	100	100
Office	11	9	7	7	6	5	0	0	0	0
Warehouse	4	3	3	2	2	2	0	0	0	0
	100	100	100	100	100	100	100	100	100	100
Stock market										
Closing price at the end of June on NYSE Euronext Amsterdam (€: depositary receipts)	21.55	24.95	30.10	29.96	38.32	30.27	21.95	26.25	34.30	27.25
Market cap	630,620	761,985	1,037,321	1,056,917	1,351,838	1,081,466	786,698	1,057,987	1,399,908	1,115,983

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

Note

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange). 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	2011/2012 €'000	2010/2011 €'000
Rental income	4	163,030	153,513
Service charges income	4	27,428	26,115
Service charges expenses		(29,561)	(29,273)
Property expenses	5	(21,544)	(19,239)
Net property income	2	139,353	131,116
Interest income	7	2,155	426
Interest expenses	7	(51,055)	(44,927)
Net financing expenses	7	(48,900)	(44,501)
Company expenses	8	(10,707)	(9,789)
Direct investment result before taxation		79,746	76,826
Current tax	11	(231)	0
Direct investment result		79,515	76,826
Disposal of investment properties		0	1,709
Investment revaluation	6	5,138	86,002
Fair value movement derivative financial instruments	7	(93,109)	49,495
Investment and company expenses	8/10	(2,115)	(3,662)
Indirect investment result before taxation		(90,086)	133,544
Deferred tax	11	(1,547)	(9,093)
Indirect investment result		(91,633)	124,451
Total investment result		(12,118)	201,277
Per depositary receipt (€)**			
Direct investment result		1.94	1.89
Indirect investment result		(2.24)	3.07
Total investment result		(0.30)	4.96

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

**The average number of depositary receipts on issue over the year was 40,895,429 compared with 40,602,632 for the previous financial year.

Alongside the consolidated profit and loss account, the Company presents results as direct and indirect investment results, enabling a better understanding of results. The direct investment result consists of net property income, net financing expenses, company expenses and current tax. The indirect investment result consists of the investment revaluation, the fair value movement of derivative financial instruments, investment expenses, the unrealised movement in the provision for pensions and deferred tax.

Statement of adjusted net equity*

	30-06-12 €'000	30-06-11 €'000
IFRS net equity per balance sheet	1,300,147	1,370,150
Derivative financial instruments	148,616	54,443
Deferred tax liabilities	63,864	59,035
Deferred tax assets	(751)	0
Adjusted net equity	1,511,876	1,483,628
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	40,953,515	40,813,650
Net asset value – € per depositary receipt (IFRS)	31.75	33.57
Adjusted net asset value – € per depositary receipt	36.92	36.35
Stock market prices – € per depositary receipt	27.25	34.30

EPRA performance measures*

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

	Total (€'000)		Per depositary receipt (€)	
	30-06-2012	30-06-2011	30-06-2012	30-06-2011
EPRA earnings**	79,515	76,826	1.94	1.89
EPRA NAV***	1,511,876	1,483,628	35.60	35.43
EPRA NNNAV***	1,338,430	1,391,558	31.52	32.87
EPRA net initial yield (%)	5.7%	5.6%		

Reconciliation NAV, EPRA NAV and EPRA NNNAV*

	Total (€'000)		Per depositary receipt (€)	
	30-06-2012	30-06-2011	30-06-2012	30-06-2011
Equity balance sheet	1,300,147	1,370,150	31.75	33.57
Derivative financial instruments	148,616	54,443		
Deferred tax liabilities	63,864	59,035		
Deferred tax assets	(751)	59,035		
EPRA NAV***	1,511,876	1,483,628	35.60	35.05
Derivative financial instruments	(148,616)	(54,443)		
Deferred tax liabilities	(19,159)	(37,593)		
Deferred tax assets	751	0		
Fair value borrowings****	(6,422)	(34)		
EPRA NNNAV***	1,338,430	1,391,558	31.52	32.87

*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 40,895,429, compared with 40,602,632 for the previous financial year.

*** The diluted number of depositary receipts on issue at 30 June 2012 was 42,469,310, compared with 42,329,445 at 30 June 2011.

**** The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on the Bloomberg swap curve.

Consolidated profit and loss account

	Note	2011/2012 €'000	2010/2011 €'000
Rental income	4	163,030	153,513
Service charges income	4	27,428	26,115
Service charges expenses		(29,561)	(29,273)
Property expenses	5	(21,544)	(19,239)
Net property income	2	139,353	131,116
Disposal of investment properties		0	1,709
Investment revaluation	6	5,138	86,002
Interest income	7	2,155	426
Interest expenses	7	(51,055)	(44,927)
Fair value movement derivative financial instruments	7	(93,109)	49,495
Net financing cost	7	(142,009)	4,994
Company expenses	8	(11,694)	(9,493)
Investment expenses	10	(1,128)	(3,958)
Result before taxation		(10,340)	210,370
Current tax	11	(231)	0
Deferred tax	11	(1,547)	(9,093)
Total tax	11	(1,778)	(9,093)
Result after taxation		(12,118)	201,277
Per depositary receipt (€)			
Result after taxation	25	(0.30)	4.96
Diluted result after taxation	25	(0.30)	4.81

Consolidated balance sheet

	Note	30-06-12 €'000	30-06-11 €'000
Property investments	12	2,558,581	2,515,854
Property investments under development	12	0	6,200
Tangible fixed assets	13	836	1,194
Receivables	14	786	897
Derivative financial instruments	18	6	5,933
Deferred tax assets	19	751	0
Total non-current assets		2,560,960	2,530,078
Receivables	14	29,153	28,197
Cash and deposits	15	120,954	112,976
Total current assets		150,107	141,173
Property investments held for sale	12	131,886	0
Total assets		2,842,953	2,671,251
Creditors	16	65,696	62,514
Borrowings	17	103,603	71,724
Total current liabilities		169,299	134,238
Creditors	16	9,982	10,398
Borrowings	17	1,149,141	1,036,240
Derivative financial instruments	18	148,622	60,376
Deferred tax liabilities	19	63,864	59,035
Provision for pensions	20	1,898	814
Total non-current liabilities		1,373,507	1,166,863
Total liabilities		1,542,806	1,301,101
Net assets		1,300,147	1,370,150
Equity Eurocommercial Properties shareholders			
Issued share capital	21	204,983	204,283
Share premium reserve	22	396,385	395,990
Other reserves	23	710,897	568,600
Undistributed income		(12,118)	201,277
Net assets		1,300,147	1,370,150
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back		40,953,515	40,813,650
Net asset value – € per depositary receipt		31.75	33.57

Consolidated cash flow statement

	Note	2011/2012 €'000	2010/2011 €'000
Cash flow from operating activities			
Result after taxation		(12,118)	201,277
Adjustments:			
Decrease/increase in receivables		3,654	(163)
Decrease/increase in creditors		(15,862)	11,792
Interest income		(2,155)	(426)
Interest expenses		51,055	44,927
Movement stock options	22	1,106	873
Investment revaluation	6	(6,527)	(88,514)
Property sale result		0	(1,709)
Derivative financial instruments		93,109	(49,495)
Deferred tax	11	1,547	9,093
Other movements		402	(1,618)
		114,211	126,037
Cash flow from operations			
Derivative financial instruments		0	(572)
Borrowing costs		(1,383)	(952)
Interest paid		(50,526)	(45,717)
Interest received		1,661	285
		63,963	79,081
Cash flow from investing activities			
Property acquisitions	12	(58,944)	0
Capital expenditure	12	(29,360)	(62,957)
Property sale		0	8,368
Additions to tangible fixed assets	13	(282)	(338)
		(88,586)	(54,927)
Cash flow from financing activities			
Borrowings added	17	299,652	154,910
Repayment of borrowings	17	(199,982)	(127,840)
Dividends paid	22/23	(72,008)	(58,006)
Stock options exercised	23	0	2,136
Increase in non-current creditors		519	693
		28,181	(28,107)
Net cash flow		3,558	(3,953)
Currency differences on cash and deposits		4,420	711
Increase/decrease in cash and deposits		7,978	(3,242)
Cash and deposits at beginning of year		112,976	116,218
Cash and deposits at end of year		120,954	112,976

Consolidated statement of comprehensive income

	30-06-12 €'000	30-06-11 €'000
Result after taxation	(12,118)	201,277
Foreign currency translation differences	13,017	9,547
Total other comprehensive income	13,017	9,547
Total comprehensive income	899	210,824

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2012 and in the previous financial year were:

	Issued share capital €'000	Issued share capital €'000	Share premium reserve €'000	Share premium reserve €'000	Other reserves €'000	Other reserves €'000	Undistributed income €'000	Undistributed income €'000	Total €'000	Total €'000
30-06-11/30-06-10	204,283	202,167	395,990	399,905	568,600	518,511	201,277	93,740	1,370,150	1,214,323
Result after taxation							(12,118)	201,277	(12,118)	201,277
Other comprehensive income					13,017	9,547			13,017	9,547
Total comprehensive income					13,017	9,547	(12,118)	201,277	899	210,824
Issued shares	700	2,116	(700)	(2,116)					0	0
Result previous financial year					129,280	35,751	(129,280)	(35,751)	0	0
Dividends paid			(11)	(17)			(71,997)	(57,989)	(72,008)	(58,006)
Stock options exercised						2,136			0	2,136
Stock options granted			1,106	873					1,106	873
Stock options not vested				(2,655)		2,655			0	0
30-06-12/30-06-11	204,983	204,283	396,385	395,990	710,897	568,600	(12,118)	201,277	1,300,147	1,370,150

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 2011 and ending 30 June 2012 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 30 June 2012.

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 2012. 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 or after 1 July 2011 are adopted as such by the Group. Additional disclosure on new standards, amendments and interpretations and the relating effect on the financial statements, if significant and applicable to the Company, have been disclosed in note 1.

(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, derivative financial instruments and non-current creditors. Borrowings are stated at amortised costs.

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 on-going 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.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with Article 2:402 of the Netherlands Civil Code.

In the unlikely event that discrepancies appear between the English and Dutch versions of the financial statements in this report, the English version takes precedence.

(c) Change in accounting policies and reclassifications

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC Interpretations applicable as of 1 July 2011:

- IAS 24 Related Party Disclosures (revised), effective 1 January 2011
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement, effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010
- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets, effective 1 July 2011

The amendments and interpretations did not have any impact on the Company's financial position or performance.

In May 2010, the IASB issued a third omnibus of improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The improvements resulting from Improvements to IFRS to the standards and interpretations did not have any impact on the accounting policies, financial position or the performance of the Company.

New and amended standards and Interpretations, effective for financial years starting after 1 July 2011 or later.

1. Principal accounting policies (continued)

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

- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, effective 1 January 2013
- IFRS 9 Financial Instruments, effective 1 January 2015
- IFRS 10 Consolidated Financial Statements, effective 1 January 2013
- IFRS 11 Joint Arrangements, effective 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2013
- IFRS 13 Fair Value Measurement, effective 1 January 2013
- IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income, effective 1 July 2012
- IAS 12 Income Taxes – Recovery of Tax Assets, effective 1 January 2012
- IAS 19 Employee Benefits (amended), effective 1 January 2013
- IAS 27 Separate Financial Statements, effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures, effective 1 January 2013
- IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities, effective 1 January 2014
- Annual Improvements to IFRS (Issued May 2012), effective 1 January 2013

The Company is currently analysing the impact of the new standards and amendments on its financial position or performance.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

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

Holgura B.V., Amsterdam	ECP Karlskrona AB, Stockholm
Sentinel Holdings B.V., Amsterdam	ECP Moraberg Holding AB, Stockholm
Eurocommercial Properties Ltd., London	ECP Moraberg KB, Stockholm
Eurocommercial Properties Caumartin S.N.C., Paris	Eurocommercial Properties Sweden AB, Stockholm
Eurocommercial Properties France S.A.S., Paris	Goldcup 7901 AB, Stockholm
Eurocommercial Properties Taverny S.N.C., Paris	Goldcup 7902 AB, Stockholm
Betulla S.r.l., Milan	Hälla Shopping Fastighets AB, Stockholm
Eurocommercial Properties Italia S.r.l., Milan	KB Degeln 1, Stockholm
Aktiebolaget Laholm Mellby 2:219, Stockholm	Kronan Fastigheter i Karlskrona AB, Stockholm
Aktiebolaget Norrköping Silvret 1, Stockholm	Lagergatan i Växjö, AB, Stockholm
Aktiebolaget Skövde K-mannen 2, Stockholm	Premi Fastighets AB, Stockholm
Bergvik Köpet 3 KB, Stockholm	Samarkandfastigheter AB, Stockholm
Burlöv Centre Fastighets AB, Stockholm	Sar Degeln AB, Stockholm
ECP Hälla Köpmannen 4 AB, Stockholm	Ugglum Fastigheter AB, Stockholm
ECP Högsbo AB, Stockholm	

(ii) Transactions eliminated on consolidation

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

1. Principal accounting policies (continued)

Foreign currency translations

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

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

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. 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 update of the previous comprehensive valuation report. In arriving at their estimates of market valuations the independent experts have used their market knowledge and professional judgement as well as historical transactional comparables. At 30 September and 31 March the fair value is based on an internal review of the experts' valuations to take into account any material change to the property. If an existing property investment is renovated and/or extended for continued future use as a property investment, it is also measured at fair value.

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

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

Property investments held for sale

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

Fixed assets

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

Share capital

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

1. Principal accounting policies (continued)

Borrowings

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

Non-current creditors

Non-current creditors are stated at fair value.

Derivative financial instruments

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

Derivative financial instruments are recognised initially at trade date at fair value (cost price). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on measurement to fair value is recognised in profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. Derivative financial instruments concern mostly derivative interest rate swap contracts and some currency swaps. A valuation technique is used to determine the fair value of the derivatives with inputs that are directly or indirectly observable market data. The fair value of the derivatives are estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument. The fair value of the interest rate swaps and the currency swaps correspond without significant discrepancies to the official confirmations received from the counterparties. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

Provisions

A provision is recognised in the balance sheet when a legal or constructive obligation would exist, as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company has various defined contribution pension plans and only one defined benefit pension plan for a limited number of employees. The net receivable or liability in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of the plan assets is deducted. The defined benefit obligation is calculated annually by an independent external actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised in the profit and loss account. The majority of the Company's employees are members of a defined contribution scheme for which the annual premiums are an expense of the period.

Other assets and liabilities

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

Rental income

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

Service charges income and service charges expenses

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

Direct and indirect property expenses

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 and other outgoings when a lease is concluded, are recognised over the term of the lease on a straight-line basis as indirect property expenses. Property expenses also include expenses associated with non-Netherlands property holding companies and its staff and offices and some local taxes, accounting, audit and advisory fees, which are charged to the relevant buildings rather than the general expense pool. These expenses at a Group level are referred to as indirect property expenses.

Net financing income/cost

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

Company expenses and investment expenses

Company expenses comprise general overhead 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 that part of staff bonuses linked to property value performance are recognised as investment expenses.

1. Principal accounting policies (continued)

Stock options granted to employees

Since 2000 a stock option plan has been in place for Managing Directors and certain staff of the Company. The cost of stock options granted under this plan 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 per cent of French tax-exempt income and of at least 50 per cent of tax-exempt capital gains to shareholders.

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

Tax on profit and loss for a year comprises current tax and deferred tax and is calculated on results before taxes, taking into account any tax-exempt components of profit and non-deductible costs.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the book value of assets and liabilities and their fiscal book value for tax purposes, taking into account the applicable taxation rate, any fiscal facilities available and recoverable tax losses which can probably be utilised. Deferred tax recognised in the profit and loss account is the movement in deferred tax liabilities and deferred tax assets, if any, during the period. Deferred tax assets and liabilities are netted if there is a legal enforcable 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 differences affecting cash items are shown separately in the cash flow statement. Cash and deposits include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Segment information

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

2. Segment information

	France		Italy		Sweden		The Netherlands		Total	
	11/12 €'000	10/11 €'000	11/12 €'000	10/11 €'000	11/12 €'000	10/11 €'000	11/12 €'000	10/11 €'000	11/12 €'000	10/11 €'000
Rental income	53,682	53,712	69,174	62,243	40,174	37,558	0	0	163,030	153,513
Service charges income	6,509	6,582	7,059	5,711	13,860	13,822	0	0	27,428	26,115
Service charges expenses	(7,592)	(7,896)	(7,059)	(5,711)	(14,910)	(15,666)	0	0	(29,561)	(29,273)
Property expenses	(6,440)	(5,525)	(9,591)	(8,958)	(5,513)	(4,756)	0	0	(21,544)	(19,239)
Net property income	46,159	46,873	59,583	53,285	33,611	30,958	0	0	139,353	131,116
Disposal of investment properties	0	1,041	0	0	0	668	0	0	0	1,709
Investment revaluation	13,105	52,726	(25,026)	13,914	17,133	19,213	(74)	149	5,138	86,002
Segment result	59,264	100,640	34,557	67,199	50,744	50,839	(74)	149	144,491	218,827
Net financing cost									(142,009)	4,994
Company expenses									(11,694)	(9,493)
Investment expenses									(1,128)	(3,958)
Result before taxation									(10,340)	210,370
Current tax									(231)	0
Deferred tax									(1,547)	(9,093)
Result after taxation									(12,118)	201,277
Property investments	958,700	920,200	1,041,900	962,800	557,981	632,854	0	0	2,558,581	2,515,854
Property investments under development	0	0	0	6,200	0	0	0	0	0	6,200
Tangible fixed assets	345	276	89	93	28	42	374	783	836	1,194
Receivables	21,456	20,406	5,971	5,077	1,344	2,987	1,168	624	29,939	29,094
Derivative financial instruments	0	0	6	5,698	0	232	0	3	6	5,933
Deferred tax assets	0	0	751	0	0	0	0	0	751	0
Cash and deposits	3,848	2,224	519	1,620	12,403	13,463	104,184	95,669	120,954	112,976
Property investments held for sale	0	0	0	0	131,886	0	0	0	131,886	0
Total assets	984,349	943,106	1,049,236	981,488	703,642	649,578	105,726	97,079	2,842,953	2,671,251
Creditors	25,777	24,538	20,420	14,214	17,535	20,114	1,964	3,648	65,696	62,514
Non-current creditors	7,660	7,877	2,310	2,515	12	6	0	0	9,982	10,398
Borrowings	354,450	309,365	581,212	518,744	317,082	279,855	0	0	1,252,744	1,107,964
Derivative financial instruments	29,242	16,135	97,731	36,706	21,649	0	0	7,535	148,622	60,376
Deferred tax liabilities	0	0	0	638	63,864	58,397	0	0	63,864	59,035
Provision for pensions	0	0	0	0	0	0	1,898	814	1,898	814
Total liabilities	417,129	357,915	701,673	572,817	420,142	358,372	3,862	11,997	1,542,806	1,301,101
Acquisitions, divestments and capital expenditure (including capitalised interest)	25,582	4,572	98,272	19,894	10,521	29,969	0	0	134,375	54,435

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 2012 SEK 10 was €1.1399 (30 June 2011: €1.0900) and GBP 1 was €1.23946 (30 June 2011: €1.10797).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	30-06-12 €'000	30-06-11 €'000
Gross lease payments collected/accrued	162,164	152,430
Amortisation of capitalised entry fees	866	1,083
	163,030	153,513

4. Rental income and service charges income (continued)

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 as well as service charge arrangements. In general the rent is indexed during 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 entry fees not yet amortised are €1.4 million as per 30 June 2012 (30 June 2011: €1.8 million).

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

	30-06-12 €'000	30-06-11 €'000
– less than one year	132,148	122,911
– one to five years	322,470	308,815
– five years or more	130,057	124,140
	584,675	555,866

Approximately 1.3 per cent of the rental income for the year ended 30 June 2012 is turnover rent (2010/2011: 1.4 per cent).

Service charges income of €27.4 million (2010/2011: €26.1 million) represents income receivable from tenants for the services of utilities, caretakers, etc. when the Group acts as principal.

5. Property expenses

Property expenses in the current financial year were:

	30-06-12 €'000	30-06-11 €'000
Direct property expenses		
Bad debts	433	405
Centre marketing expenses	2,374	1,874
Insurance premiums	501	475
Managing agent fees	1,808	1,614
Property taxes	1,657	1,246
Repair and maintenance	1,485	1,222
Shortfall service charges	378	347
	8,636	7,183
Indirect property expenses		
Accounting fees	428	476
Audit fees	267	233
Depreciation fixed assets	85	103
Dispossession indemnities	583	460
Italian local tax (IRAP)	1,452	1,235
Legal and other advisory fees	1,339	1,297
Letting fees and relocation expenses	1,657	1,750
Local office and accommodation expenses	973	885
Pension contributions	87	70
Salaries, wages and bonuses	3,287	2,690
Social security charges	1,250	1,121
Stock options granted (IFRS 2)	186	127
Travelling expenses	567	475
Other local taxes	578	487
Other expenses	169	647
	12,908	12,056
	21,544	19,239

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. Both office leases in Milan and Stockholm were cancelled without cost and new leases were signed which expire in February 2018 and September 2017 respectively. The depreciation amount is €34,000 (2010/2011: €58,000) for the Milan office, €32,000 (2010/2011: €23,000) for the Paris office and €19,000 (2010/2011: €22,000) for the Stockholm office.

6. Investment revaluation

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

	30-06-12 €'000	30-06-11 €'000
Revaluation of property investments	7,011	89,521
Revaluation of property investments under development	(2,922)	(1,007)
Revaluation of property investments held for sale	2,438	0
Elimination of letting fees	(1,952)	(1,668)
Fair value movement long term creditors	201	(57)
Other movements	362	(787)
	5,138	86,002

Other movements relate to valuation adjustments of other assets and liabilities. The positive movement of €362,000 (2010/2011: €787,000 negative mainly due to currency exchange rate fluctuations) includes a positive realised amount of €3,183,000 (2010/2011: €572,000 negative) and a negative unrealised amount of €2,821,000 (2010/2011: €215,000 negative), mainly due to currency exchange rate fluctuations.

7. Net financing costs

Net financing costs in the current financial year comprised:

	30-06-12 €'000	30-06-11 €'000
Interest income	2,155	426
Gross interest expense	(52,696)	(46,975)
Capitalised interest	1,641	2,048
Unrealised fair value movement derivative financial instruments	(93,109)	49,895
Realised fair value movement interest rate swaps	0	(400)
	(142,009)	4,994

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method. The interest payable to finance the extension/acquisition of an asset is capitalised until completion/acquisition date and is reported as capitalised interest. The interest rate used for capitalised interest during this financial year was 4.7 per cent (2010/2011: 4.5 per cent in Sweden and 4.8 per cent in Italy).

8. Company expenses

Company expenses in the current financial year comprised:

	30-06-12 €'000	30-06-11 €'000
Audit fees	255	203
Depreciation fixed assets	538	427
Directors' fees	1,276	1,260
Legal and other advisory fees	1,096	913
Marketing expenses	498	316
Office and accommodation expenses	1,293	1,309
Pension – unrealised movement in the provision for pensions*	987	(296)
Pension contributions	727	459
Salaries, wages and bonuses	2,784	2,787
Social security charges	357	372
Statutory costs	564	596
Stock options granted (IFRS 2)	367	309
Travelling expenses	524	449
Other expenses	428	389
	11,694	9,493

* This item is part of 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 2013 and March 2018 respectively. The depreciation amount is €504,000 (2010/2011: €373,000) for the Amsterdam office and €34,000 (2010/2011: €54,000) for the London office.

9. Personnel costs

Total personnel costs in the current financial year comprised:

	30-06-12 €'000	30-06-11 €'000
Salaries and wages	6,479	5,603
Social security charges and taxes	1,701	1,796
Pension – unrealised movement in the provision for pensions	987	(296)
Pension contributions	851	567
Bonuses	793	3,046
	10,811	10,716

Total personnel costs are partly presented under indirect property expenses (€4,624,000 (2010/2011: €3,881,000), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€6,131,000 (2010/2011: €4,422,000) and partly under investment expenses (€56,000 (2010/2011: €2,413,000). The bonuses paid to senior executives are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. The Group employed an average of 62 full-time equivalent persons during the financial year (2010/2011: 55) of which 14 are based in the Netherlands, 11 in the UK, 19 in France, 11 in Italy and seven in Sweden. 51 per cent of employees are male and 49 per cent are female. Of the total workforce, six are under the age of 30, 50 are between the ages of 30 and 50 and six are over the age of 50. The Group staff (members of the Board of Management excluded) holds 13,407 depositary receipts and 292,537 ordinary registered shares in total, representing 0.1 per cent of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprised:

	30-06-12 €'000	30-06-11 €'000
Aborted acquisition costs	137	739
Bonuses linked to NAV growth	42	2,177
Social security charges and taxes	14	236
Stock options granted (IFRS 2)	553	437
Property valuation fees	382	369
	1,128	3,958

11. Taxation

Total tax in the current financial year comprised:

	30-06-12 €'000	30-06-11 €'000
Current tax Italy	199	0
Current tax United Kingdom	32	0
Current tax	231	0
Deferred tax on unrealised value movements investment property Italy and Sweden	(1,659)	16,889
Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden	5,041	(6,415)
Benefit of tax losses recognised	(1,835)	(1,381)
Deferred tax	1,547	9,093
Total tax	1,778	9,093

11. Taxation (continued)

Reconciliation of the relationship between total tax and result before taxation:

	30-06-12 €'000	30-06-11 €'000
Tax exempt income (including effect of FBI and SIIC)	44,097	109,119
Profit before tax attributable to Swedish tax rate of 26.3%	7,968	30,428
Result before tax attributable to Italian tax rate of 27.5%/31.4%	(62,516)	70,823
Profit before tax attributable to UK tax rate of 25.5%	111	0
Result before taxation	(10,340)	210,370

Tax on result before tax attributable to Italian taxable subsidiaries at a tax rate of 27.5%/31.4%	(17,192)	19,476
Tax on result before tax attributable to Swedish taxable subsidiaries at a tax rate of 26.3%	2,095	8,003
Tax on result before tax attributable to UK taxable subsidiary at a tax rate of 25.5%	28	0
Non recognised tax assets Italy	14,746	(19,230)
Non-taxable income/expense Italy and Sweden	2,101	884
Total tax	1,778	9,093

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

In Italy and Sweden the properties are held by taxable entities. In Italy the nominal tax rate is 31.40 per cent or 27.50 per cent depending on the type of property and in Sweden the nominal tax rate is 26.30 per cent. The nominal tax rate for the subsidiary in the United Kingdom is 25.5 per cent.

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

Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data, including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies, etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2012.

Property investments held for sale

The book value of property investments held for sale is stated at its expected sale proceeds, representing fair value.

The total purchasers' costs including registration tax, which costs are excluded from the fair value of the property investments and property investments under development, for the financial year ended 30 June 2012 were as follows:

				30-06-12				30-06-11
	France	Italy	Sweden	Total	France	Italy	Sweden	Total
Purchasers' costs (%)	6.1	4.0	1.0	4.0	5.6	4.0	1.0	3.8
Purchasers' costs (€'000)	58,150	41,600	5,580	105,330	54,314	38,760	6,329	99,403

The valuation standards used by the external independent valuers require that valuers draw the attention to uncertain circumstances, if these could have a material effect on the valuation, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation. Due to the turmoil in the financial markets and the limited number of property transactions, some valuation reports as per 30 June 2012 contain an uncertainty paragraph setting out these circumstances.

Vacancies in the property portfolio represent less than one per cent of rental income (as per 30 June 2011 also less than one per cent).

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

The current property portfolio is:

	30-06-12 Book value €'000	30-06-11 Book value €'000	30-06-12 Costs to date €'000	30-06-11 Costs to date €'000
France				
Amiens Glisy, Amiens*	46,300	43,800	16,067	16,050
Saint Doulchard, Bourges*	36,000	36,700	43,820	42,873
Chasse Sud, Chasse-sur-Rhône*	30,000	29,900	32,816	32,027
Les Allées de Cormeilles, Cormeilles*	40,600	40,200	44,840	44,896
Les Trois Dauphins, Grenoble*	35,700	34,800	25,197	24,654
Centr'Azur, Hyères*	47,400	45,900	18,331	17,846
Plaine de France, Moisselles*	72,800	70,000	61,422	60,319
Passage du Havre, Paris* **	288,000	270,500	186,159	166,398
Passy Plaza, Paris*	131,300	127,700	74,172	73,696
74 rue de Rivoli, Paris	51,900	50,000	20,989	21,025
Les Portes de Taverny, Taverny*	56,500	53,700	24,679	24,513
Les Atlantes, Tours*	122,200	117,000	53,948	52,561
	958,700	920,200	602,440	576,858
Italy				
Curno, Bergamo*	96,200	100,500	34,351	34,199
Centro Lame, Bologna*	38,100	41,000	29,564	29,585
Cremona Po, Cremona* ***	80,600	0	82,479	0
Il Castello, Ferrara*	101,200	105,000	84,506	82,094
I Gigli, Firenze*	256,100	248,800	207,154	195,441
Centro Leonardo, Imola*	72,300	74,200	65,035	64,689
La Favorita, Mantova*	47,400	48,500	33,824	33,850
Carosello, Carugate, Milano*	281,400	279,500	180,464	180,235
I Portali, Modena	43,200	44,900	41,742	41,398
Centroluna, Sarzana*	25,400	26,600	14,218	13,574
	1,041,900	969,000	773,337	675,065
Sweden				
421, Göteborg*	84,695	79,897	88,477	88,048
Kronan, Karlskrona*	20,746	18,094	16,148	14,667
Bergvik, Karlstad*	74,435	65,618	37,699	37,310
Mellby Center, Laholm*	19,492	17,985	15,626	14,964
Burlöv Center, Malmö* ****	131,886	123,606	76,127	76,082
Ingelsta Shopping, Norrköping*	112,166	96,901	92,148	87,133
Elins Esplanad, Skövde*	76,145	71,722	58,076	57,911
Moraberg, Södertälje	49,472	45,889	38,519	38,306
Hälla Shopping, Västerås*	24,280	29,539	21,057	21,139
Grand Samarkand, Växjö*	96,550	83,603	77,472	75,267
	689,867	632,854	521,349	510,827
	2,690,467	2,522,054	1,897,126	1,762,750
Less property investment held for sale	(131,886)	0	(76,127)	0
Property investments	2,558,581	2,522,054	1,820,999	1,762,750

*These properties carry mortgage debt up to €1,198 million at 30 June 2012 (30 June 2011: €1,058 million).

**The adjoining building acquired at the end of June 2012 is booked at acquisition price less property transfer tax paid and included in the overall book value of Passage du Havre.

***This shopping centre was acquired via the acquisition of all shares in Betulla S.r.l. in September 2011.

****Property investment held for sale.

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

Changes in property investments and property investments held for sale for the financial year ended 30 June 2012 were as follows:

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	2,515,854	2,356,074
Acquisitions	94,713	0
Capital expenditure – general	7,121	5,986
Capital expenditure – extensions and refurbishments	19,817	48,570
Capitalised interest	150	704
Capitalised letting fees	1,952	1,668
Elimination of capitalised letting fees	(1,952)	(1,668)
Reallocation from property investments under development	13,900	0
Revaluation of property investments	7,011	89,521
Revaluation of property investments held for sale	2,438	0
Book value divestment property	0	(6,200)
Exchange rate movement	29,463	21,199
Book value at end of year	2,690,467	2,515,854

Changes in property investments under development for the financial year ended 30 June 2012 were as follows:

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	6,200	3,500
Capital expenditure	9,131	2,363
Capitalised interest	1,491	1,344
Revaluation property investments under development	(2,922)	(1,007)
Reallocation to property investments	(13,900)	0
Book value at end of year	0	6,200

The following assumptions were applied by the valuers as per 30 June 2012:[1]

	France			Italy			Sweden		
	min	average	max	min	average	max	min	average	max
Passing rent per m² (€)		335			316			196	
Estimated rent value per m² (€)		348			298			206	
Net initial yield (%)		5.2			6.1			5.5	
Reversionary yield (%)		5.4			6.1			5.8	
Inflation rate (%)*	1.5		1.5	2.0		2.3	2.0		2.0
Long term growth in rental value (%)*	1.5		3.0	2.0		2.3	2.0		2.0

*When DCF method is used.

A sensitivity analysis of the valuations is made by the valuers based on the assumptions listed below[1].

	France €'000	Italy €'000	Sweden €'000	Total €'000
Increase in the average net initial yield by 25 bps	(41,460)	(33,950)	(27,870)	(103,280)
Increase in the average net initial yield by 50 bps	(79,800)	(65,240)	(54,120)	(199,160)
Decrease in the average net initial yield by 25 bps	46,040	36,430	30,820	113,290
Decrease in the average net initial yield by 50 bps	96,430	79,390	64,640	240,460
Increase in the estimated rental value of 5 per cent	34,280	21,750	30,750	86,780
Increase in the estimated rental value of 10 per cent	68,574	43,540	61,730	173,844
Decrease in the estimated rental value of 5 per cent	(38,820)	(21,760)	(30,750)	(91,330)
Decrease in the estimated rental value of 10 per cent	(78,340)	(43,200)	(61,730)	(183,270)

[1]The comparative figures for previous financial year are not available.

13. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam and the Group offices at 4 Carlton Gardens, London, Via del Vecchio Politecnico 3, Milan, 107, rue Saint Lazare, Paris and Norrlandsgatan 22, 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:

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	1,194	1,364
Additions	341	368
Depreciation	(623)	(530)
Disposals	(76)	(8)
Book value at end of year	836	1,194
Cost at end of year	2,854	3,280
Accumulated depreciation	(2,018)	(2,086)
Book value at end of year	836	1,194

During the financial year ended 30 June 2012 tangible fixed assets with a total cost price of €767,000 were disposed of or out of use (30 June 2011: disposals €1,060,000).

14. Receivables

	30-06-12 €'000	30-06-11 €'000
Funds held by managing agents	1,434	1,484
Prepayments on purchased property/extensions	6,066	2,079
Provision for bad debts	(1,215)	(1,026)
Rents receivable	16,320	18,636
Trademark licence	767	881
VAT receivable	1,717	2,513
Other receivables and prepayments	4,850	4,527
	29,939	29,094

Receivables at 30 June 2012 include an amount of €0.8 million (30 June 2011: €0.9 million) which is due after one year.

15. Cash and deposits

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

	30-06-12 €'000	30-06-11 €'000
Bank balances	57,912	19,366
Deposits	63,042	93,610
	120,954	112,976

16. Creditors

	30-06-12 €'000	30-06-11 €'000
(i) Current liabilities		
Interest payable	9,881	8,496
Local and property tax payable	878	2,651
Payable on purchased property/extensions	18,160	7,456
Rent received in advance	20,845	21,342
VAT payable	1,310	1,485
Other creditors and accruals	14,622	21,084
	65,696	62,514
(ii) Non-current liabilities		
Tenant rental deposits	8,546	8,611
Entry fees	1,436	1,787
	9,982	10,398

17. Borrowings

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	1,107,964	1,071,841
Drawdown of funds	332,765	154,910
Repayments	(199,982)	(127,840)
Exchange rate movement	12,738	9,398
Movement prepaid borrowing costs	(741)	(345)
Book value at end of year	1,252,744	1,107,964

91 per cent of the borrowings are at a floating interest rate, rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 9 per cent of the borrowings are at a fixed interest rate and the interest rate risk is managed by fixing the interest to maturity at the drawdown date.

	Borrowings €'000	Borrowing cost €'000	30-06-12 €'000	30-06-12 %	30-06-11 €'000	30-06-11 %
Borrowings with floating interest rate	1,145,623	(3,101)	1,142,522	91	1,044,496	94
Borrowings with fixed interest rate	111,027	(805)	110,222	9	63,468	6
Total borrowings	1,256,650	(3,906)	1,252,744	100	1,107,964	100

	30-06-12				30-06-11
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Current borrowings	48,830	54,773	103,603	2.3	71,724
Non-current borrowings					
One to two years	119,465	0	119,465		29,314
Two to five years	554,345	0	554,345		475,857
Five to ten years	393,237	0	393,237		365,567
More than ten years	86,000	0	86,000		168,667
Total non-current borrowings	1,153,047	0	1,153,047	4.8	1,039,405
Borrowing costs	(3,906)	0	(3,906)		(3,165)
Total borrowings	1,197,971	54,773	1,252,744	4.5	1,107,964

17. Borrowings (continued)

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Average interest rate in % at 30 June	Interest maturity in years	Average maturity of borrowings in years
2011/2012						
Euro	847,025	92,247	939,272	4.5	8.3	6.7
Swedish krona	199,255	118,123	317,378	4.6	6.0	3.8
Borrowing costs	(3,906)	0	(3,906)			
	1,042,374	210,370	1,252,744	4.5	7.9	6.0
2010/2011						
Euro	786,313	44,961	831,274	4.3	9.4	7.9
Swedish krona	223,232	56,623	279,855	4.6	5.4	4.6
Borrowing costs	(3,165)	0	(3,165)			
	1,006,380	101,584	1,107,964	4.4	8.5	7.0

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

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

The borrowings are all directly from major banks with average committed unexpired terms of six years. Borrowings of €1,198 million are secured on property (30 June 2011: €1,058 million). The average interest rate during the financial year ended 30 June 2012 on non-current borrowings including hedges was 4.8 per cent (2010/2011: 4.7 per cent). The average interest rate is calculated as the weighted average interest rate over the remaining principals until the respective interest maturity dates. There have been no defaults during the financial year in respect of any of the borrowings at 30 June 2012.

At 30 June 2012 the Group has at its disposal undrawn borrowing facilities for a total amount of €26 million (30 June 2011: €30 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes.

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

18. Financial instruments

Financial risks

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

Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of the Group's counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks have a credit rating of A– (36 per cent), A (12 per cent), A+ (26 per cent), AA- (25 per cent) and BBB (1 per cent) according to Fitch; and A3 (36 per cent), A2 (25 per cent), Aa3 (25 per cent), Aa2 (10 per cent), A1 (3 per cent) and Baa3 (1 per cent) according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the basis of their financial strength.

The carrying amounts of the financial assets represent the maximum credit risk. The combined carrying amount on the reporting date was made up as follows:

Carrying amount of financial assets	Note	30-06-12 €'000	30-06-11 €'000
Receivables	14	29,939	29,094
Derivative financial instruments		6	5,933
Cash and deposits	15	120,954	112,976
		150,899	148,003

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

Rents receivable	30-06-12 €'000	30-06-11 €'000
Overdue by 0–90 days	14,128	17,019
Overdue by 90–120 days	33	47
Overdue by more than 120 days	2,159	1,570
	16,320	18,636

18. Financial instruments (continued)

Movements in the provision for bad debts in the current financial year were:

Provision for bad debts	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	1,026	1,069
Added	472	484
Released	(283)	(527)
Book value at end of year	1,215	1,026

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €8.5 million (2011: €8.6 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 92 per cent of borrowings are long term with 38 per cent of borrowings with a remaining term of more than five years. The Group aims to enter into long term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was six years. Group borrowings will not exceed the adjusted net equity of the Company, so that the debt to equity ratio is less than one, which further mitigates risk. The ratios to which the Group has committed itself are monitored at regular intervals. Apart from these obligations and commitments, The Netherlands fiscal investment institution status of the Company imposes financial limits.

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

				30-06-12				30-06-11
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*	1,153,047	0	673,810	479,237	1,039,405	0	505,171	534,234
Current borrowings	103,603	103,603	0	0	71,724	71,724	0	0
Interest derivative financial instruments	219,320	23,442	88,916	106,962	196,613	22,944	90,533	83,136
Interest on borrowings	170,514	29,597	93,561	47,356	163,827	25,774	87,037	51,016
Non-current liabilities	9,982	1,857	4,804	3,321	9,846	2,329	2,658	4,859
Other creditors	57,251	55,815	1,430	6	55,805	54,018	1,787	0
	1,713,717	214,314	862,521	636,882	1,537,220	176,789	687,186	673,245

*Non-current borrowings including amortisation.

Foreign currency risk

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

SEK borrowings amount to €317.4 million (30 June 2011: €279.9 million). The total property investments in Sweden are €689.9 million (30 June 2011: €632.8 million) so 46 per cent of this SEK exposure is hedged through these borrowings at 30 June 2012 (30 June 2011: 44 per cent). The remaining exposure is relatively limited compared to the total size of the portfolio and will, in principle, not be hedged. A weakening of this currency by 5 per cent would result, for example, in a decrease of shareholders' equity of only 1.4 per cent of reported net asset value and in a decrease of only 1.3 per cent of reported direct investment result.

The Group also has a small foreign currency exposure of approximately £5 million to the British pound as a result of company expenses relating to the London office and staff.

Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivatives to protect the Company against increases in interest rates. The Company intends to hedge the majority of its loans outstanding for the medium to long term (five to 15 years). The fair value (mark to market) of the current interest rate hedge instruments as at 30 June 2012 is a negative value of €148.6 million (30 June 2011: negative €54.4 million).

The interest rate hedge instruments as at 30 June 2012 have a weighted average maturity of eight years and the Company is hedged at an average interest rate of 3.7 per cent excluding margins (30 June 2011: 3.9 per cent). Only 17 per cent (30 June 2011: 9 per cent) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of 1 per cent would therefore only have a limited negative impact of an additional annual interest expense of €1.60 million (30 June 2011: €1.02 million) or 2.01 per cent (30 June 2011: 1.32 per cent) of reported direct investment result.

If at 30 June 2012 the euro interest curve and the Swedish interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholder's equity by €36.8 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the shareholder's equity by €38.5 million. Both calculations assume that all other variables were held constant.

18. Financial instruments (continued)

Maturity profile Derivative financial instruments	30-06-12 Notional amount €'000	30-06-12 Fair value €'000	30-06-11 Notional amount €'000	30-06-11 Fair value €'000
Up to one year	10,000	(2,289)	0	(884)
From one year to two years	24,399	(7,714)	42,700	(3,169)
From two years to five years	236,042	(34,854)	149,000	(18,723)
From five years to ten years	584,814	(80,030)	663,532	(33,979)
Over ten years	80,000	(23,682)	90,000	2,309
	935,255	(148,569)	945,232	(54,446)
FX forward contracts	1,596	(47)	886	3
	936,851	(148,616)	946,118	(54,443)

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure and FX forward contracts to partly hedge the Company's exposure to the Swedish krona net rental cash flows.

In addition to the notional amounts of the derivative financial instruments presented in the table above, the financial instruments portfolio as per the balance sheet date included forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €290 million (2011: €276 million), forward starting interest rate swaps for a notional amount of €48 million (2011: €61 million), interest rate caps for a notional amount of €70 million (2011: €35 million), basis interest rate swaps swapping 3 months Euribor for 1 month Euribor for a notional amount of €230 million (2011: €270 million), swaptions for a notional amount of €20 million (2011: €0 million) and forward starting currency collars for a notional amount of €4 million (2011: €3 million). Although the notional amounts of the aforesaid financial instruments are not included in the table above, the fair value of these financial instruments is reported in the table above.

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

Derivative financial instruments	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	(54,443)	(103,677)
Unrealised fair value movement interest rate swaps	(93,106)	49,988
Unrealised fair value movement FX forward contracts	(3)	(93)
Exchange rate movement	(1,064)	(833)
Prepayments on instruments	0	172
Book value at end of year	(148,616)	(54,443)

Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2012) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date, together with an ageing analysis according to interest rate revision dates.

				30-06-12				30-06-11
	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 (%)	2.00	4.03	3.26	1.02	2.32	4.3	3.85	1.58
Up to one year (€'000)	101,267	2,337	10,000	10,000	70,437	1,286	0	0
From one year to two years (€'000)	117,129	2,337	24,399	24,399	27,989	1,325	42,700	42,700
From two years to five years (€'000)	547,336	7,010	236,042	236,042	471,523	4,334	149,000	149,000
From five years to ten years (€'000)	293,891	99,343	584,814	584,814	308,200	57,368	663,532	663,532
Over ten years (€'000)	86,000	0	80,000	80,000	168,667	0	90,000	90,000
	1,145,623	111,027	935,255	935,255	1,046,816	64,313	945,232	945,232

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2012) 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	25,122	4,476	34,140	(10,698)	53,040
From one year to two years	23,744	4,476	35,114	(11,058)	52,276
From two years to five years	51,914	13,427	95,754	(30,895)	130,200
From five years to ten years	28,148	11,326	77,391	(23,896)	92,969
Over ten years	7,882	0	67,172	(13,705)	61,349
	136,810	33,705	309,571	(90,252)	389,834

18. Financial instruments (continued)

Fair value of financial instruments

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

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

	Note	Categories in accordance with IAS 39	30-06-12 €'000 Carrying amount	30-06-12 €'000 Fair value	30-06-11 €'000 Carrying amount	30-06-11 €'000 Fair value
Receivables	14	B	29,939	29,939	29,094	29,094
Derivative financial instruments (assets)		A	6	6	5,933	5,933
Cash and deposits	15	B	120,954	120,954	112,976	112,976
			150,899	150,899	148,003	148,003
Creditors	16	D	75,678	75,678	72,912	72,912
Borrowings	17	D	1,252,744	1,259,166	1,107,964	1,107,998
Derivative financial instruments (liabilities)		A	148,622	148,622	60,376	60,376
			1,477,044	1,483,466	1,241,252	1,241,286

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, a model was used assuming that those borrowings are at a floating rate and have interest rate swaps at the fixed coupon level. All other balance sheet items are short term and are therefore not adjusted to their fair value.

Fair value hierarchy

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

	Level 1 30-06-12 €'000	Level 1 30-06-11 €'000	Level 2 30-06-12 €'000	Level 2 30-06-11 €'000	Level 3 30-06-12 €'000	Level 3 30-06-11 €'000	Total fair value 30-06-12 €'000	Total fair value 30-06-11 €'000
Derivative financial instruments	0	0	(148,616)	(54,443)	0	0	(148,616)	(54,443)

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

19. Deferred tax assets and liabilities

Deferred tax assets of €0.8 million relate to the Italian carried forward tax losses, which can be compensated by future taxable profits. The applicable tax rate for the calculation of the deferred tax asset is 27.50 per cent.

Deferred tax liabilities are attributable to the following items:

	30-06-11 €'000	Recognised in profit and loss account €'000	Exchange rate movement €'000	30-06-12 €'000
Investment property	(77,586)	908	(2,816)	(79,494)
Derivative financial instruments	10,449	(5,041)	285	5,693
Tax value of loss carry-forwards recognised	8,102	1,835	0	9,937
Total deferred tax liabilities	(59,035)	(2,298)	(2,531)	(63,864)
Deferred tax assets	0	751	0	751
	(59,035)	(1,547)	(2,531)	(63,113)

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

	30-06-10 €'000	Recognised in profit and loss account €'000	Exchange rate movement €'000	30-06-11 €'000
Investment property	(58,764)	(16,889)	(1,933)	(77,586)
Derivative financial instruments	3,814	6,415	220	10,449
Tax value of loss carry-forwards recognised	6,721	1,381	0	8,102
	(48,229)	(9,093)	(1,713)	(59,035)

As at 30 June 2012 the total amount of deferred tax liabilities of €63.9 million is related to Sweden (30 June 2011: €58.4 million for Sweden).

The total unrecognised losses carried forward of the Italian subsidiaries are €57 million as at 30 June 2012.

20. Provision for pensions

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

Movements in the fair value of assets were as follows:

	30-06-12 €'000	30-06-11 €'000
Fair value of assets at beginning of year	3,487	2,896
Expected return on assets	307	204
Actuarial gain/(loss)	(476)	340
Contributions paid by employer	367	324
Benefits paid	(10)	(4)
Exchange rate movement	414	(273)
Fair value of assets at end of year	4,089	3,487

The fair value of assets as per 30 June 2010 was €2,896,000 and as per 30 June 2009 was €2,623,000.

Movements in the present value of the defined benefit obligation were as follows:

	30-06-12 €'000	30-06-11 €'000
Defined benefit obligation at beginning of year	4,301	4,123
Current service costs	326	252
Interest costs	274	205
Actuarial loss	585	114
Benefits paid	(10)	(4)
Exchange rate movement	511	(389)
Defined benefit obligation at end of year	5,987	4,301

The defined benefit obligation as per 30 June 2010 was €4,123,000 and as per 30 June 2009 was €2,468,000.

Defined benefit obligation – amounts recognised in the balance sheet:

	30-06-12 €'000	30-06-11 €'000
Present value of the defined benefit obligation	(5,987)	(4,301)
Fair value of plan assets	4,089	3,487
Surplus/(deficit)	(1,898)	(814)

Amounts recognised in the profit and loss account:

	30-06-12 €'000	30-06-11 €'000
Current service cost	(326)	(252)
Interest costs	(274)	(205)
Expected return on assets	307	204
Actuarial (loss)/gain	(1,061)	226
	(1,354)	(27)

Major assumptions used by the actuary:

	30-06-12 %	30-06-11 %
Pensionable salary growth	n.a.	5.2
Earnings cap growth	3.0	3.7
Pension revaluation	2.2	3.2
Pension escalation	3.0	3.7
Discount rate	4.3	5.5
Inflation assumption	3.0	3.7

20. Provision for pensions (continued)

Assets and expected rate of return:

	Expected rate of return 2011/2012 %	Value at 30-06-12 €'000	Expected rate of return 2010/2011 %	Value at 30-06-11 €'000
Equities	8.0	3,075	8.0	2,748
Bonds	4.5	678	5.0	446
Property	6.25	209	6.5	14
Cash	3.5	127	3.5	279
Total market value of assets		4,089		3,487

Pension benefit obligations and the related effects on operations are calculated using actuarial models. As the scheme's assets are valued at fair (i.e. market) value, the financial assumptions are based on market expectations at the end of the accounting period. Although there is always a margin of discretion in the interpretation of market expectations, this margin is rather limited and at the date of publication of these financial statements the Company is not aware of any reason why the true figures could differ significantly from the enclosed projections. The discount rate to calculate the future benefit payments is based on long term (over 15 years) AA corporate bond yields. The calculations have been performed by a qualified and independent actuary. The total expense for the defined contributions plan for the current financial year is €532,000. It is expected that the contributions to be paid by the employer under the Company's defined benefit plan for the next financial year will be slightly higher than the current financial year.

21. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 409,965,048 shares are issued and fully paid as at 30 June 2012 and of which 430,000 were bought back as at 30 June 2012.
- 100 authorised priority shares of €0.50 par value, which are entirely issued and fully paid.

The weighted average of the number of shares in issue in the current financial year is 408,954,288.

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.

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	204,283	202,167
Issued bonus shares	700	2,116
Book value at end of year	204,983	204,283

The number of shares on issue increased on 30 November 2011 as a result of the issue of 139,865 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 6.17 per cent of the issued share capital (last year 21 per cent) opted for the bonus depositary receipts at an issue price of €33.84 from the Company's share premium reserve, instead of a cash dividend of €1.88 per depositary receipt for the financial year ended 30 June 2011.

	2011/2012		2010/2011	
	No. of depositary receipts	No. of shares	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	40,856,640	408,566,398	40,433,451	404,334,508
Shares issued (DRs) under the stock dividend plan	139,865	1,398,650	423,189	4,231,890
Number of shares (DRs) on issue at end of year	40,996,505	409,965,048	40,856,640	408,566,398
Priority shares	10	100	10	100
Treasury shares (DRs)	(43,000)	(430,000)	(43,000)	(430,000)
Number of shares (DRs) after deduction of shares (DRs) bought back	40,953,515	409,535,148	40,813,650	408,136,498

Since 2000 the Company has operated a long term incentive scheme for (some) Group employees and members of the Board of Management through its Stock Option Plan (SOP).

Each option under the SOP confers to the right to one depositary receipt representing ten ordinary shares of €0.50 par value. The vesting date of the options is three years after the grant date and options can only be exercised up to seven years after the vesting date. Vesting is subject to performance targets linked to a minimal growth of the dividend per share and the net asset value per share over the three year period between grant date and vesting date. Vesting is also subject to employment at the vesting date. The method of settlement of the options is in equity.

The Company has bought back the 43,000 depositary receipts to cover future possible exercises of the stock options granted under the SOP 2004. The Company has not bought back depositary receipts to cover future possible exercises of the options granted to staff under the SOP 2007 and SOP 2010.

21. Issued share capital (continued)

Stock option plan (SOP)	SOP 2004	SOP 2007	SOP 2010	Total
Grant date	08-11-04	12-11-07	08-11-10	
Vesting date	08-11-07	12-11-10	08-11-13	
Expiry date	08-11-14	12-11-17	08-11-20	
Exercise price	€24.82	€37.28	€32.45	
Fair value per option	€1.56	€4.10	€4.01	
Options granted	676,000	716,000	825,000	
Options vested	676,000	647,795	0	
Options exercised	(633,000)	0	0	
Exercisable options at end of year	43,000	647,795	0	690,795
Outstanding options at end of year	43,000	647,795	825,000	1,515,795

During the year no options have been exercised, forfeited, vested or granted. The outstanding options as per 30 June 2012 are 1,515,795 (30 June 2011: 1,515,795). As at 30 June 2012 the outstanding options represent 3.7 per cent of the issued share capital (30 June 2011: 3.7 per cent).

22. Share premium reserve

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	395,990	399,905
Stock options granted	1,106	(1,782)
Release for issued bonus shares	(700)	(2,116)
Cost for dividends paid	(11)	(17)
Book value at end of year	396,385	395,990

For Dutch tax purposes the share premium reserve is also regarded as paid-up capital.

23. Other reserves

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	568,600	518,511
Profit previous financial year	129,280	93,740
Dividends paid	0	(57,989)
Stock options exercised	0	4,791
Foreign currency translation differences	13,017	9,547
Book value at end of year	710,897	568,600

24. Earnings per depositary receipt

Basic earnings per depositary receipt

The calculation of basic earnings per depositary receipt of negative €0.30 at 30 June 2012 was based on the result attributable to holders of depositary receipts of negative €12.1 million (30 June 2011: positive €201.3 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2012 of 40,895,429 (30 June 2011: 40,602,632), as calculated below.

Result attributable to holders of depositary receipts:

	30-06-12 €'000	30-06-11 €'000
Result for the year	(12,118)	201,277

	30-06-12	30-06-11
Weighted average number depositary receipts at beginning of year	40,813,650	40,304,266
Effect of depositary receipts issued (stock dividend)	81,779	246,957
Effect of depositary receipts issued (staff options exercised)	0	51,409
Weighted average number of depositary receipts	40,895,429	40,602,632

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of negative €0.30 at 30 June 2012 was based on the result attributable to holders of depositary receipts of negative €12.1 million (30 June 2011: positive €201.3 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2012 of 42,411,224 (30 June 2011: 41,875,239), as calculated below.

Result attributable to holders of depositary receipts (diluted):

	30-06-12 €'000	30-06-11 €'000
Result for the year	(12,118)	201,277

	30-06-12	30-06-11
Weighted average number of depositary receipts	40,895,429	40,602,632
Effect of issued options on depositary receipts	1,515,795	1,272,607
Weighted average number of depositary receipts (diluted)	42,411,224	41,875,239

25. Commitments not included in the balance sheet

As at 30 June 2012 bank guarantees have been issued for a total amount of €0.4 million. As at 30 June 2012 the Group has no off balance sheet investment commitments.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €0.7 million for the financial year 2012/2013, approximately €2.6 million for the four year period thereafter and €0.7 million for the period longer than five years.

26. Capital management

The primary objective of the Company's capital management is to ensure that capital is available for the long term. No changes have been made to these objectives, policies or processes during the year ended 30 June 2012. The Company monitors capital primarily using a loan to value ratio and a debt to equity ratio. The loan to value ratio is calculated as the amount of outstanding (net) borrowings divided by the latest market value of the property investments, the property investments under development and property investments held for sale. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity. Equity means the adjusted net equity calculated as the sum of the net equity increased by the book values of the deferred tax liabilities and the derivative financial instruments. The interest coverage ratio is defined as the net property income less company expenses divided by interest expenses less interest income.

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

- Loan to value: The maximum loan to property value can range between 50 per cent and 75 per cent.
- Net debt to adjusted equity ratio: The net debt will not exceed adjusted equity.
- Interest coverage ratio (ICR): The minimum ICR can range between 1.5x and 2.0x. The current ICR is 2.6x.

26. Capital management (continued)

During the period the Company complied with its banking covenants.

Loan to value	30-06-12 €'000	30-06-11 €'000
Borrowings	1,252,744	1,107,964
Cash and deposits	120,954	112,976
Net borrowings	1,131,790	994,988
Property investments	2,690,467	2,522,054
Loan to value	42%	39%
Debt to equity ratio		
Net borrowings	1,131,790	994,988
Shareholders' equity	1,300,147	1,370,150
Derivative financial instruments	148,616	54,443
Deferred tax assets and liabilities	63,113	59,035
Adjusted net equity	1,511,876	1,483,628
Debt to equity ratio	0.75	0.67

27. Related parties

Introduction

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

Remuneration

The Directors' fees recognised in the Company expenses include an amount of €170,000 (2010/2011: €160,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-12 €'000	30-06-11 €'000
W.G. van Hassel	42	40
H.W. Bolland	32	30
P.W. Haasbroek	32	30
J.C. Pollock	32	30
A.E. Teeuw	32	30

The Directors' fees also include salaries, bonuses, pension premiums and social security charges for the members of the Board of Management. The total remuneration for the members of the Board of Management can be specified as follows:

	J.P. Lewis		E.J. van Garderen	
	30-06-12 €'000	30-06-11 €'000	30-06-12 €'000	30-06-11 €'000
Salary	498	467	369	351
Bonus	73	464	49	326
Pension premiums	0	0	37	37
Social security charges	72	74	8	5
Stock options granted (IFRS 2)	141	113	100	81

The bonuses paid to members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per depositary receipt.

Stock options

During the year no options have been exercised, forfeited, vested or granted. The outstanding options for the Board of Management as per 30 June 2012 are 339,375 (30 June 2011: 339,375). At the end of the year J.P. Lewis has 198,750 options and E.J. van Garderen has 140,625 options. As at 30 June 2012 the outstanding options held by the Board of Management represent 0.83 per cent of the issued share capital (30 June 2011: 0.83 per cent).

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

22 per cent (€241,000) of the amount charged to the profit and loss account (€1,106,000) as stock options granted (IFRS 2) is related to the stock options granted to the members of the Board of Management.

27. Related parties (continued)

Shareholdings

Mr J.P. Lewis and entities associated with him hold 905,333 depositary receipts in total, representing 2.22 per cent of the issued share capital of the Company. Mr E.J. van Garderen holds 26,000 depositary receipts in total, representing 0.06 per cent of the issued share capital of the Company. Mr W.G. van Hassel indirectly holds 3,355 depositary receipts representing 0.008 per cent of the issued share capital of the Company. Mr A.E. Teeuw holds 7,000 depositary receipts representing 0.017 per cent of the issued share capital of the Company. None of the other members of the Board of Supervisory Directors has any holdings in the Company.

Loans

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

28. Accounting estimates and judgements

The Board of Management discussed with the Supervisory Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting estimates and assumptions

Accounting estimates and assumptions discussed in this section are considered to be the most critical to an understanding of the financial statements because they inherently involve significant judgements and uncertainties. For all of these estimates, management cautions that future events may not develop exactly as forecast, and the best estimates routinely require adjustment.

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 investment property accounting policy notes (see note 1). 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.

29. Post balance sheet events

In July 2012 the Group signed a contract to acquire Les Grands Hommes shopping centre in central Bordeaux for a total cost of €18 million.

In July 2012 the Group acquired additional land at Chasse Sud shopping centre for the construction of a 17,800m² retail park. The acquisition was structured as a VEFA (forward purchase agreement), which is expected to equate a total cost of around €24 million. An amount of around €6 million is already reported as prepayments on purchased properties/extensions (see note 14 receivables of the consolidated financial statements).

In July 2012 a plot of land adjoining Carosello in Milano was acquired for a total cost of €5 million.

In August 2012 the Group acquired the shopping centre Eurostop, Halmstad in Sweden at an acquisition price of SEK 560 million.

On 17 September 2012 the Group sold Burlöv Center, Malmö in Sweden for a property price equating to the December 2011 valuation of SEK 1,158 million. Completion will take place on 15 November 2012.

Company balance sheet
(before income appropriation)

	Note	30-06-12 €'000	30-06-11 €'000
Investments in subsidiaries	3	921,306	951,804
Due from subsidiaries	4	277,686	325,736
Tangible fixed assets	5	580	898
Derivative financial instruments		0	3
Total non-current assets		1,199,572	1,278,441
Receivables	6	1,051	712
Cash and deposits	7	103,930	96,510
Total current assets		104,981	97,222
Total assets		1,304,553	1,375,663
Creditors		2,508	4,699
Borrowings	8	0	0
Total current liabilities		2,508	4,699
Provision for pensions	9	1,898	814
Total liabilities		4,406	5,513
Net assets		1,300,147	1,370,150
Shareholders' equity	10		
Issued share capital		204,983	204,283
Share premium reserve		396,385	395,990
Legal revaluation reserve		655,000	686,569
Currency translation reserve		16,739	6,840
Retained profit reserve		39,158	(124,809)
Undistributed income		(12,118)	201,277
		1,300,147	1,370,150

Company profit and loss account

	2011/2012 €'000	2010/2011 €'000
Company profit after taxation	22,803	22,872
Result from subsidiaries after taxation	(34,921)	178,405
Result after taxation	(12,118)	201,277

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 corporate accounts 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 corporate accounts with the consolidated accounts, 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 accounts also apply to the Company financial statements. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 30 June 2012.

When preparing its financial statements the Company also applied the rules for the contents of the financial statements of investment institutions pursuant to the Netherlands Act on Financial Supervision.

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.

3. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2012 were as follows:

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	951,804	769,310
Investments	1,070	0
Exchange rate movement	3,353	4,089
Result from subsidiaries	(34,921)	178,405
Book value at end of year	921,306	951,804
Cost at end of year	266,305	265,235
Exchange rate movement	(2,311)	(5,664)
Cumulative result from subsidiaries	657,312	692,233
Book value at end of year	921,306	951,804

4. Due from subsidiaries

The balance at 30 June 2012 principally represents funds advanced to Eurocommercial Properties Caumartin S.N.C., Eurocommercial Properties France S.A.S., Aktiebolaget Norrköping Silvret 1, Premi Fastighets AB, KB Degeln 1, Kronan Fastigheter i Karlskrona AB, ECP Högsbo AB, ECP Karlskrona AB, ECP Moraberg KB, Eurocommercial Properties Sweden AB, Hälla Shopping Fastighets AB, Samarkandfastigheter AB, Lagergatan i Växjö AB and Ugglum Fastigheter AB.

These advances were made under long term loan facilities and the average interest rate of these advances is 5.5 per cent (30 June 2011: 5.5 per cent).

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:

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	898	1,072
Additions	276	228
Depreciation	(537)	(402)
Disposals	(57)	0
Book value at end of year	580	898
Cost at end of year	1,875	2,257
Accumulated depreciation	(1,295)	(1,359)
Book value at end of year	580	898

During the financial year ended 30 June 2012 tangible fixed assets with a total cost price of €658,000 were disposed of or out of use (30 June 2011: disposals €614,000).

6. Receivables

	30-06-12 €'000	30-06-11 €'000
Interest receivable from banks	634	141
Prepayments	380	453
VAT receivable	37	118
	1,051	712

7. Cash and deposits

Cash and deposits of €104 million consist of time deposits and amounts held as bank balances and other liquid assets. All bank balances and deposits are freely available.

8. Borrowings

	30-06-12 €'000	30-06-11 €'000
Book value at beginning of year	0	19,927
Drawdown of funds	63,000	0
Repayments	(63,000)	(20,664)
Exchange rate movement	0	718
Movement borrowing costs	0	19
Book value at end of year	0	0

9. Provisions for pensions

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

10. Shareholders' equity

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

	Issued share capital €'000	Share premium reserve €'000	Legal revaluation reserve €'000	Currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2011	204,283	395,990	686,569	6,840	(124,809)	201,277	1,370,150
Issued shares	700	(700)					0
Profit previous financial year					129,280	(129,280)	0
Result for the year						(12,118)	(12,118)
Dividends paid		(11)				(71,997)	(72,008)
Stock options granted		1,106					1,106
Foreign currency translation differences				9,899	3,118		13,017
Release from legal reserve			(31,569)		31,569		0
30-06-2012	204,983	396,385	655,000	16,739	39,158	(12,118)	1,300,147

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

	Issued share capital €'000	Share premium reserve €'000	Legal revaluation reserve €'000	Currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2010	202,167	399,905	504,075	1,197	13,239	93,740	1,214,323
Issued shares	2,116	(2,116)					0
Profit previous financial year					35,751	(35,751)	0
Profit for the year						201,277	201,277
Dividends paid		(17)				(57,989)	(58,006)
Stock options exercised					2,136		(519)
Stock options granted		873					873
Stock options not vested		(2,655)			2,655		2,655
Foreign currency translation differences				5,643	3,904		9,547
Addition to legal reserve			182,494		(182,494)		0
30-06-2011	204,283	395,990	686,569	6,840	(124,809)	201,277	1,370,150

Notes to the Company financial statements
continued

10. Shareholders' equity (continued)

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 revaluation reserve 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 €672 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 6.17 per cent of the issued share capital (last year 21 per cent) opted for 139,865 bonus depositary receipts at an issue price of €33.84 from the Company's share premium reserve, instead of a cash dividend of €1.88 per depositary receipt for the financial year ended 30 June 2011. Accordingly, an amount of €72 million of the undistributed income was taken to fund the cash dividend paid on 30 November 2011.

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

11. Audit fee

The fee for professional audit services and other services rendered by Ernst & Young Accountants LLP of Amsterdam, The Netherlands for the financial year ended 30 June 2012 is €200,000 (2010/2011: €200,000). The services rendered by the external audit firm during 2011/2012 and 2010/2011 are only related to the audit of the financial statements.

12. Expense ratio

Pursuant to the Netherlands Act on Financial Supervision it is required to report the expense ratio of the Company. This ratio is calculated as the total costs, which include property expenses, net service charge expenses, company expenses, investment expenses and current tax, divided by the weighted average net asset value of the last five quarters. Over the financial year 2011/2012 this expense ratio amounted to 2.80 per cent (2010/2011: 2.76 per cent).

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13. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of IntesaSanpaolo S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €196 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.3 million.

The Company has entered into guarantees in favour of UniCredit Banca d'Impresa S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €165 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.03million.

The Company has entered into a guarantee in favour of Monte Dei Paschi Di Siena S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €20 million.

The Company has entered into a guarantee in favour of ABN Amro Bank N.V. . for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €50 million.

The Company has entered into a guarantee in favour of CentroBanca S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €56 million.

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

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

The Company has entered into guarantees in favour of Deutsche Hypothekenbank AG for debts incurred by Eurocommercial Properties Taverny S.N.C. and Eurocommercial Properties France S.A.S. to an amount of €111 million.

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB, French Branch, for debts incurred by Eurocommercial Properties France S.A.S. to an amount of €96 million.

The Company has entered into guarantees in favour of Nordea AB for debts incurred by Aktiebolaget Laholm Mellby 2:129, Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde K-mannen 2, Hälla Shopping Fastighets AB, Burlöv Centre Fastighets AB, Bergvik Köpet 3 KB, and ECP Högsbo AB to an amount of SEK 1,909 million.

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

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

The Company has entered into guarantees in favour of credit institutions for interest rate swap contracts hedging the exposure of subsidiaries to interest rate movements over a total notional amount of €1,046 million (see also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 19 September 2012

Board of Management

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

Board of Supervisory Directors

W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

Post balance sheet events

A list of the post balance sheet events is provided in note 29 of the consolidated financial statements.

Priority shares

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

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

For the period to 30 June 2013, 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 2012 comprised:

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

Provisions in the Articles of Association concerning the appropriation of income

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

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

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

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

Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders to be held at the Amstel Inter Continental Hotel, Prof. Tulpplein 1, Amsterdam on 6 November 2012 at 14.00 hours to distribute a cash dividend of €1.92 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2012 (30 June 2011: €1.88 per depositary receipt). Subject to its fiscal and other limitations, the Company will offer holders of depositary receipts the option of taking new depositary receipts from the Company's share premium reserve, instead of a cash dividend. The percentage of such scrip issue will be announced on 2 November 2012. The distribution will be payable as from 30 November 2012. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15 per cent for The Netherlands and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2012/2013. Holders of depositary receipts are given the opportunity to make their choice known up to and including 22 November 2012. If notification is not received by that date a cash dividend only will be payable. The part of the profit not distributed in cash will be added to shareholders' equity.

Financial calendar

2 November 2012	Announcement of scrip issue price
6 November 2012 at 14:00	Annual General Meeting of Shareholders
8 November 2012	Ex-dividend date
9 November 2012	Announcement of first quarter results 2012/2013
30 November 2012	Dividend payment date
8 February 2013	Announcement of half year results 2012/2013
10 May 2013	Announcement of third quarter results 2012/2013
30 August 2013	Announcement of annual results 2012/2013
5 November 2013	Annual General Meeting of Shareholders

Statements pursuant to the Netherlands Act on Financial Supervision

The Netherlands Authority for the Financial Markets granted a permit to the Company on 7 July 2006, a copy of which is available at the Company's office and is also available at the Company's website: www.eurocommercialproperties.com.

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

Holders of depositary receipts/ordinary shares with a holding of 5 per cent 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 5 per cent in the Company. According to the latest notifications these interests were as follows:

Stichting Administratiekantoor Eurocommercial Properties (99.84 per cent), the Government of Singapore (12.75 per cent), Norges Bank (7.38 per cent) and Cohen & Steers Capital Management Corporation (5.08 per cent).

The dates of the aforesaid notifications were 1 November 2006, 1 November 2006, 31 December 2011 and 3 May 2012.

Stock market prices and turnover 2011/2012

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

		High	Low	Average
Closing price 30 June 2012 (€; depositary receipts)	27.25	35.71	22.66	27.79
Average daily turnover (in depositary receipts)	128.083			
Average daily turnover (€'1,000,000)	3.6			
Total turnover over the past 12 months (€'1,000,000)	931.6			
Market capitalisation (€'1,000,000)	1,116.0			
Total turnover divided by market capitalisation	83%			

Source: NYSE Euronext, Global Property Research

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

ISIN – Code: NL 0000288876

Stock market prices are followed by:

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

Valuers

The following independent firms have valued the Company's properties at 30 June 2012:

France: Cushman & Wakefield, Knight Frank, Retail Consulting Group
Italy: CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle
Sweden: Cushman & Wakefield, DTZ

Other information
continued

Independent Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements of Eurocommercial Properties N.V., Amsterdam, for the financial year ended 30 June 2012 (as set out on pages 86 to 119). The financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated profit and loss account for the financial year ended 30 June 2012, the consolidated balance sheet as at 30 June 2012, the consolidated cash flow statement, the consolidated statement of comprehensive income and the consolidated statement of changes in shareholders' equity for the financial year ended 30 June 2012, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 30 June 2012, the Company profit and loss account for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

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

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

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2012, and of its result and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision.

Opinion with respect to the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2012, and of its result for the financial year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision.

Report on other legal and regulatory requirements

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

Amsterdam, 19 September 2012

Ernst & Young Accountants LLP

Signed by M.A. van Loo

Glossary

Adjusted net asset value:	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). Adjusted NAV per depositary receipt is calculated using the number of DRs (basic) outstanding at the balance sheet date.
Boutique:	Retail unit less than 300m².
CPI:	Consumer price index.
Densities:	All density figures, expressed per 1,000 inhabitants, represent around 80–90 per cent of total visitors to any particular centre and are obtained from Eurocommercial customer surveys. The figures only relate to the catchment areas of Eurocommercial's shopping centres but these are thought to be typical of similar national catchment areas. **Total retail density:** Total area of shopping centres, retail parks, agglomeration of boxes and other galleries/department stores with GLA greater than 5,000m². Includes hypermarkets. **Shopping centre only density:** All shopping centres with GLA greater than 5,000m². Includes hypermarkets.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on NYSE Euronext Amsterdam.
Direct investment result:	Net property income less net interest expenses and company expenses after taxation. Direct investment result per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year.
Drive:	A drive-through collection point for hypermarket goods ordered online.
Entry premium:	One-off payment by a tenant, in addition to the MGR, to secure a lease on a particularly desirable retail unit.
EPRA:	European Public Real Estate Association.
EPRA earnings:	Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year.
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.
EPRA NNNAV:	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes. EPRA NNNAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
ERV:	The estimated rental value of the whole portfolio if all space was let at current market levels at the balance sheet date.
FBI:	Fiscale Beleggingsinstelling (Dutch fiscal investment institution). As a result of being an FBI all of Eurocommercial's income, whatever its source, is tax free at the corporate level if it is distributed to shareholders in the form of a dividend.
Gallery:	All retail units in a shopping centre excluding the hypermarket.
Gross/Total lettable area (GLA):	Total area of a property that can be leased to a tenant, including storage area.
ICC:	Indice du Coût de la Construction. Cost of construction index still used for some French retail leases although the majority have adopted the new ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50 per cent from the consumer price index, 25% from the cost of construction index and 25 per cent from the retail sales index.
Interest cover ratio (ICR):	Net property income less company expenses divided by interest expenses less interest income.
Like for like:	Compares the gross rental income and/or the gross sales turnover of units which existed for the whole of the current and prior year period, i.e. excluding acquisitions, divestments and extensions. Entry premiums are not included in the like for like rental growth figures.
Minimum guaranteed rent (MGR):	Contracted annual rent paid by a tenant, excluding indexation, turnover rent and entry premiums. Also referred to as base rent.
Medium Surface/Moyenne Surface/Media Superficie (MS):	A major unit occupying a large space within a shopping centre or retail park which serves as a draw to other retailers and customers. The total lettable area is usually greater than 600m².
Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity. This is the definition used in debt covenants.
Net (initial) yield:	See EPRA net initial yield.
Net loan to value:	Total borrowings net of cash expressed as a percentage of the total value of property investments, property investments under development and property investments held for sale.
Net return on cost:	Net rental income generated by an extension/development as a proportion of the total cost of the development including financing costs.
Net rental income:	Gross rental income for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and real estate management costs and other vacant property costs.
Occupancy cost ratio (OCR):	Rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT.
Passing rent:	The annualised rental income at 30 June 2012 including 2011 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.
Sales area:	Gross/total lettable area excluding storage area.

Glossary
continued

Sales turnover:	Sales income, including VAT, of retail tenants.
Scrip dividend:	Dividend received in the form of shares.
SIIC:	Société d'investissements immobiliers cotée. French tax-exempt regime available to listed property companies with assets in France.
Turnover rent:	Any element of rent received or to be received related to a tenant's sales turnover.
Vacancy:	The ERV of vacant space expressed as a percentage of the total rental income of the whole portfolio.

In the unlikely event that discrepancies appear between the English and Dutch versions of this report, the English report takes precedence

Directory

Supervisory Board
W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

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

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

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

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

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

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

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