Eurocommercial Properties N.V.

European shopping centres

Annual Report
30 June 2007

One of Europe's most experienced owners of shopping centres, Eurocommercial Properties (ECP) focuses on France, Italy and Sweden – wealthy countries where indexed shop rents with a turnover related element provide market transparency and management efficiency.

Contents

Stable long term investments

ECP owns and operates shopping centres in selected European countries because they are stable investments, generally without the cyclical over supply problems of other property sectors.

The range of tenants and the rental link with turnover and inflation reduces income volatility but the centres require specialist management expertise to ensure their continued success. The ECP teams have been actively involved in international shopping centres for more than 20 years with a track record second to none.

Countries with deep transparent markets

ECP's 30 retail properties are in France, Northern Italy and Sweden – wealthy west European countries with deep, developed institutional property markets. They have a cultural compatibility and lease structures that reveal sales turnover figures every month so that the success of centres can be accurately measured and the retail mix adapted to market trends. France, Italy and Sweden are the countries in Western Europe with the highest percentage of turnover related leases.

Sound locations with growth potential

ECP's extensive database and experienced research teams allow it to assess the supply and demand characteristics of existing and planned centres, whether in city centres or suburban locations. It has systems to establish economic, demographic and competitive factors to predict and monitor spending levels.

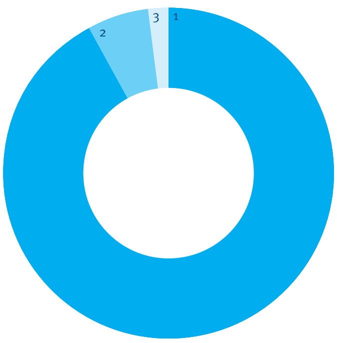
ECP's property development expertise enables successful extensions and improvements to centres to maximise income and investment returns. Occupancy levels continue at over 99%.

Robust balance sheet with controlled costs

ECP has a debt to net equity ratio of 64% and a loan to property value ratio of only 36%. Importantly today as market interest rates have risen, over 80% of ECP's debt is fixed at an overall interest rate of about 4.8% for an average term of eight years.

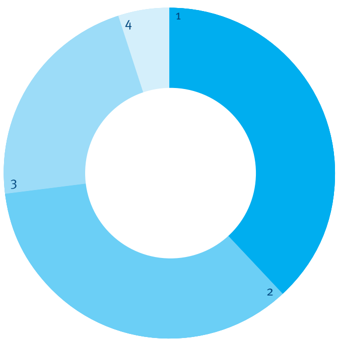
The Company actively manages interest rate derivatives to provide a balance between flexibility and income predictability.

Property sectors



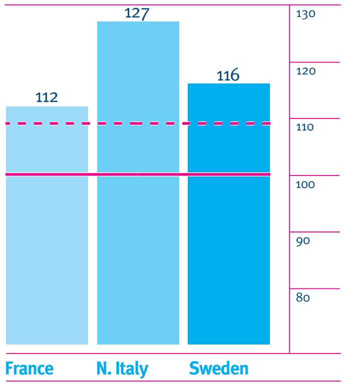
1	Retail	92%
2	Office	6%
3	Warehouse	2%

Country balance



1	Italy	38%
2	France	35%
3	Sweden	22%
4	Netherlands	5%

GDP per capita PPS



EU 15
EU 25
Source: Eurostat

Balance sheet 30 June 2007

	€m
Total assets	2,268
Property investments	2,197
Shareholders' equity	1,242
Borrowings	
Long term	684
Short term	114
Ratios	
Debt to equity	64%
Loan to property value	36%

2007 results compared with 30 June 2006

Adjusted net asset value

Adjusted net asset value rose by 18.2% to €38.99 per depositary receipt at 30 June 2007 from €32.98 per depositary receipt at 30 June 2006. These figures represent the underlying value of properties at 30 June 2007 and do not take into account the fair value of financial derivatives (interest rate swaps) or contingent capital gains tax liabilities if all properties were to be sold simultaneously.

The IFRS net asset value at 30 June 2007 was €35.21 per depositary receipt compared with €29.41 at 30 June 2006, an increase of 19.7%.

+18.2%

€38.99

Direct investment result

The direct investment result for the financial year ended 30 June 2007 rose 5.2% to €59.0 million from €56.1 million for the previous financial year. The direct investment result is defined as net property income less net interest expenses, company expenses and corporate income taxes.

+5.2%

€59m

Dividend

In accordance with ECP's dividend policy to pay out 100% of the direct investment result, the board proposes increasing the Company's annual dividend by 4.4% to €1.67 per depositary receipt (10 ordinary shares) from €1.60 in 2006. Holders of depositary receipts will again be offered the option of taking new depositary receipts from the Company's share premium reserve, instead of the cash dividend payable on 30 November 2007.

+4.4%

€1.67

Property investments

All Company properties were independently revalued at 30 June 2007 resulting in an increase of €219 million or 11% compared with June 2006.

ECP properties in France rose 17.9% over the year, in Italy 8.2%, in Sweden 8.6% and in The Netherlands 1.1% (office and warehouse only). The like for like (excluding acquisitions) valuation increase in Sweden at 30 June 2007 compared with 30 June 2006 was 11.4%. In France the like for like increase was 18.5%.

+11.0%

€2.2bn

Net property income

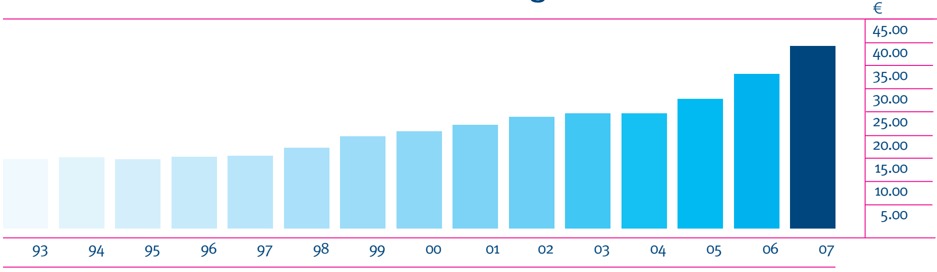
Rental income for the financial year ended 30 June 2007 was €112.3 million compared with €102.4 million for the previous financial year – an increase of 9.7%. When net service charges and direct and indirect property expenses (branch overheads) are deducted net property income rose by 9.9% to €95.8 million from €87.2 million in 2006.

+9.9%

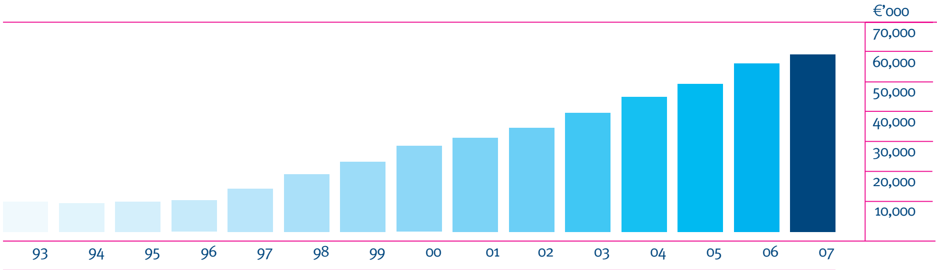
€95.8m

ECP has a continuous record of rising asset values and income since 1991.

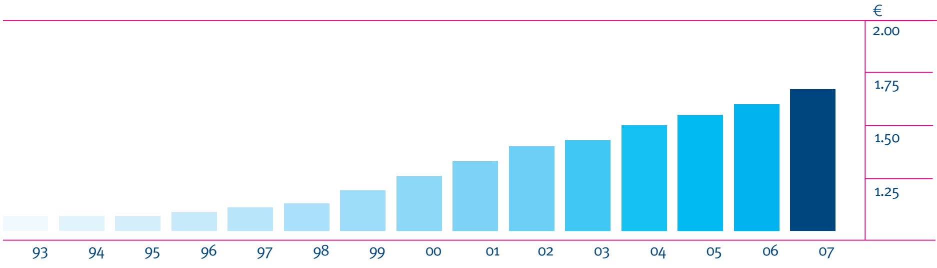
Adjusted net asset value



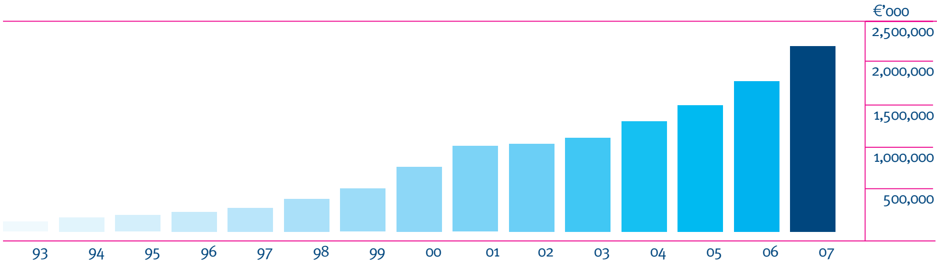
Direct investment result



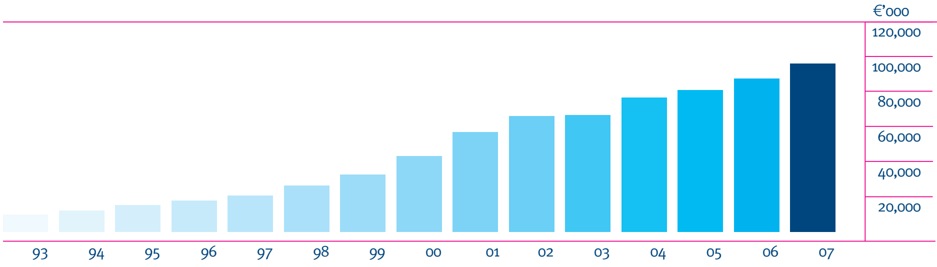
Dividend



Property investments



Net property income



2007 has been one of our best years yet. Property values have risen strongly, with higher rents and controlled costs allowing us to continue our unbroken record of increased income and dividend.

Management structure
The senior management team combines long experience of international property markets with prudent financial management and organisational depth. All major property decisions are discussed and reviewed by the team at weekly meetings, assisted by the Group Economist. This collegiate structure ensures consistent decision making and good oversight of international operations.

Jeremy Lewis, Chief Executive

Evert Jan van Garderen, Finance Director

Peter Mills, Director

Tom Newton, Director

Tim Santini, Director

Eurocommercial Properties is one of the leading owners of shopping centres in its chosen markets of France, Italy and Sweden, and is one of few quoted property companies to specialise in this important sector.

Our national teams in France, Italy, The Netherlands and Sweden have worked particularly hard this year to produce exceptional results. They now total 44 people and manage property assets with a value of €2.2 billion making them amongst the most efficient in the industry. We are delighted with their performance and very grateful for their hard work and sound judgement.

Results

2007 has been one of our best years yet. Property values have risen strongly, with higher rents and controlled costs allowing us to continue our unbroken record of increased income and dividend.

Our good results derive from well performing properties in strong national markets producing significant uplifts in valuations, reflecting continued yield compression and solid rental growth.

Overall, ECP rents have increased by 5.3% on a like for like basis (5.9% for the retail properties) and property values have risen by 11% over the year. Our dividend and net asset value (NAV) have, as a result, both risen; adjusted NAV by 18.2% and dividend by 4.4%.

ECP focuses on France, Northern Italy and Sweden, compatible wealthy Western European markets with which we have a cultural and economic affinity. This focus and experience has helped us to understand the tastes of our customers to the benefit of sales turnover in our centres and thus rents, which have on average risen at double the relevant national rate of inflation.

Investment policy

The strength of property markets has paradoxically made investment decisions particularly difficult this year. Prices for the very few good properties that have come to the market have often meant that income yields are now below medium term interest costs.

We maintain our view that it is only in the most exceptional circumstances that we should accept a dilution of earnings on the purchase of a property and this year have only purchased buildings at net yields of over 5.0%, above our average cost of borrowings of about 4.6%. Our target total return (IRR) is 8.0% per annum over three to five years.

We are increasingly focusing on our present markets and particularly on extensions to existing centres to improve their competitive position in their respective markets. Extensions will be carried out at about 20% of our properties by floor area in the next five years, depending on the progress of planning approvals, with an expenditure of over €300 million. A yield of around 7.0% should be achieved on these developments.

Shopping centres are not passive property investments, rather they are facilities for customers to enjoy; places in which they can feel secure, relaxed and valued. Constant attention to detail is necessary to achieve this desirable state of affairs including, most importantly, communicating with our customers directly and through surveys, questionnaires and focus groups.

Sales turnover and rental growth

The best measures of customer satisfaction are the amount of time and money customers spend in our centres, which is why we only invest in markets where monthly sales turnover numbers are routinely disclosed by the retailers. We do, of course, have to interpret these raw numbers against a background of national sales statistics, the activities of our competitors, changing tastes, demographics and road and other transport patterns, and even the weather.

Overall sales turnover in our centres, excluding hypermarkets, increased by 4.9% on a like for like same floor area basis. In France turnovers increased 4.2%, in Italy 3.6% and in Sweden 9.1% (5.2% including hypermarkets).

Because shop rents are indexed in our shopping centres, they will normally track underlying inflation and ECP therefore benefits from a share of rising sales turnover if it exceeds inflation, as has been the case in the vast majority of our shops this year. Like for like rental growth from our retail properties averaged 5.9% overall for the year to June 2007 compared with 3.4% in 2006. In France like for like rental growth in the Company's retail properties was 7.7%, in Italy 4.6% and in Sweden 5.5%.

Rent to turnover ratios, whether calculated on base rents alone or rents together with service charges, vary across the portfolio depending on the location of the centre and the type of tenants. Overall though we have struck a balance between maximising short term profitability and ensuring sustainability of income and future growth through the selection of the best possible retail tenants. Our total rent to turnover ratio, excluding hypermarkets, is 5.2% but if service charges are included the figure is 6.8%. Full details of these fundamentally important measures are set out on pages 8 and 9.

Financial markets

The last year has been one of good economic growth in Europe, which appears likely to continue, and the European Central Bank has accordingly raised interest rates to forestall excessive inflation.

One to ten year interest rates are now above prime property yields, reducing the attractiveness of gearing. ECP has always operated a conservative borrowing policy with debt limited to a maximum no greater than net equity. In fact we have never approached this level and today total borrowings represent only 64% of net equity or 36% of property assets.

As a precaution against higher interest rates, we have also fixed the interest costs of over 80% of our loans for an average period of eight years at an average of about 4.8%.

Outlook

Whilst solid economic growth is likely to continue in ECP's markets, and with it rising consumer expenditure and therefore shop rents, the next year will be a very interesting one in the capital markets.

Turmoil in financial markets is having an effect, particularly upon private equity groups having to refinance short money used for major acquisitions. Yields have stabilised for secondary properties unlikely to interest major fund management groups with mandates to invest significant sums of money urgently. Recent transactions of larger properties or portfolios of interest to these groups have continued to be at ever lower yields. One of the most recent large transactions was the sale of the major interest in the significant retail and office development in Place Vendôme/Rue Saint Honoré in Paris, at a net yield of 3.5%.

Quite where the balance will settle between weight of investment money pushing yields lower and a shortage of debt finance pulling them up remains to be seen. Our view is that for the moment an uneasy equilibrium will continue with a reduced likelihood of further yield compression leading to a plateau in property values. It is possible that tightening credit markets may force the sale of some larger properties creating buying opportunities for ECP. We look forward to the coming year with great interest in the expectation that growth in our rental income will continue the positive trend of recent years.

Valuations at 30 June 2007

Address	Net value 2006 € million	Net value 2007 € million	Increase	Net yield	Cost to date € million	Total return since purchase	Year of acquisition
France retail							
Amiens Glisy, Amiens (Somme)	36.00	42.30	17.50%	5.2%	15.94	300.48%	1995
Buchelay Retail Park (Yvelines)	6.68	7.51	12.43%	5.8%	6.74	17.68%	2006
Les Trois Dauphins, Grenoble (Isère)	30.00	34.50	15.00%	5.2%	23.73	73.57%	2003
Noyelles Godault Retail Park (Pas-de-Calais)	–	5.17	–	6.0%	5.23	–	2006
Centr'Azur, Hyères (Var)	35.12	43.41	23.60%	5.0%	16.87	273.01%	1993
Passage du Havre, Paris (includes 10 rue du Havre)	229.40	275.70	20.18%	4.2%	164.51	108.99%	2000
Passy Plaza, Paris	106.00	125.30	18.21%	4.5%	71.43	126.39%	1999
74 rue de Rivoli, 1-3 rue du Renard, Paris	16.90	17.80	5.33%	3.6%	10.60	107.28%	1998
Les Portes de Taverny, Taverny (Val d'Oise)	38.89	46.05	18.41%	5.2%	23.59	183.83%	1995
Les Atlantes, Tours (Indre et Loire)	93.00	113.84	22.41%	4.9%	47.20	269.43%	1992
Les Bois Rochefort (Val d'Oise)	–	18.22	–	–	18.22	–	2007
Tourville la Rivière (Seine-Maritime)	2.04	2.50	22.55%	6.1%	1.69	97.94%	2001

Address	Net value 2006 € million	Net value 2007 € million	Increase	Net yield	Cost to date € million	Total return since purchase	Year of acquisition
France warehouses							
Parisud, Sénart (Seine et Marne)	10.70	11.49	7.38%	6.8%	11.82	40.66%	2001
Rue des Béthunes, Pontoise (Val d'Oise)	17.00	18.64	9.65%	7.2%	18.02	57.43%	2001

Address	Net value 2006 € million	Net value 2007 € million	Increase	Net yield	Cost to date € million	Total return since purchase	Year of acquisition
Italy retail							
Curno, Bergamo (Lombardia)	89.74	98.65	9.93%	4.9%	33.72	315.85%	1994
Centro Lame, Bologna (Emilia Romagna)	34.62	37.86	9.36%	5.3%	28.83	52.77%	2003
Il Castello, Ferrara (Emilia Romagna)	86.35	91.80	6.31%	5.0%	63.10	84.98%	2001
I Gigli, Firenze (Toscana)	229.30	245.78	7.19%	4.9%	151.56	108.76%	1999
Centro Leonardo, Imola (Emilia Romagna)*	25.65	78.27	205.15%	5.0%	62.89	42.41%	1998
La Favorita, Mantova (Lombardia)	47.56	53.65	12.80%	5.3%	31.22	131.16%	1997
Carosello, Carugate, Milano (Lombardia)	192.10	212.79	10.77%	4.0%	94.91	210.40%	1997
Centroluna, Sarzana (Liguria)**	17.98	25.67	42.77%	5.9%	11.83	163.02%	1998

All ECP properties are independently valued at the 30 June balance date and at the end of December each year.

Valuations are always carried out according to accepted international standards as set out in the "Red Book" of the Royal Institution of Chartered Surveyors.

The instruction given to the valuers is to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. This figure is arrived at by capitalising the valuer's judgement of present and expected net rental income.

The selection by the valuers of the appropriate yield at which to capitalise income is the key judgement and the yield figures given in the table are the result of dividing expected net income by the valuation figure to which has been added a standardised market allowance for deemed purchaser's costs (usually transfer tax) in the particular country. The total allowance used this year amounted to €101 million being approximately 4.5% of gross valuations (6.2% in France, 4.0% in Italy, 3.0% in Sweden and 7.0% in The Netherlands).

Valuations are brought to account as a net amount after deduction of relevant national transfer taxes.

The following firms conducted the valuations at 30 June 2007:

France	ICADE Expertise, Knight Frank, Retail Consulting Group
Italy	CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle, Savills
Sweden	Cushman & Wakefield, DTZ
The Netherlands	Boer Hartog Hooft

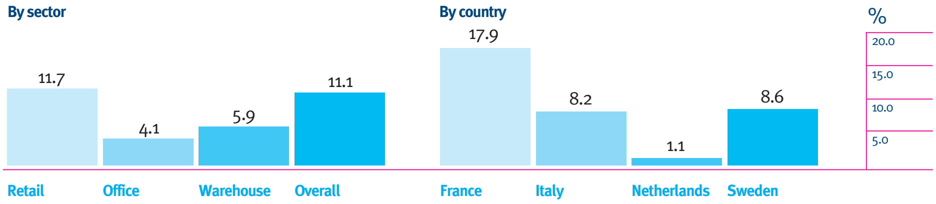
Valuations at 30 June 2007

Address	Net value 2006 € million	Net value 2007 € million	Increase	Net yield	Cost to date € million	Total return since purchase	Year of acquisition
Sweden retail							
421, Göteborg (Bohuslän)	–	87.62	–	5.0%	87.91	–	2007
Kronan, Karlskrona (Blekinge)	–	14.44	–	5.1%	14.32	–	2007
Bergvik, Karlstad (Värmland)	46.82	52.26	11.62%	4.8%	36.84	56.38%	2005
Mellby Centre, Laholm (Halland)	16.06	17.62	9.71%	5.2%	12.82	61.83%	2003
Burlöv Centre, Malmö (Skåne)	104.67	121.09	15.69%	5.0%	74.89	93.79%	2001
MaxiHuset, Norrköping (Östergötland)	36.86	43.69	18.53%	4.6%	29.18	72.75%	2003
MaxiHuset, Skövde (Västergötland)	33.54	37.85	12.85%	4.9%	27.17	60.71%	2003
Moraberg, Södertälje (Södermanland)	39.72	43.44	9.37%	5.3%	37.40	23.67%	2006
Hälla Shopping Centre, Västerås (Västmanland)***	22.51	30.78	36.74%	5.2%	21.06	72.44%	2002
Samarkand, Växjö (Småland)	36.07	39.25	8.82%	5.2%	27.81	69.29%	2003

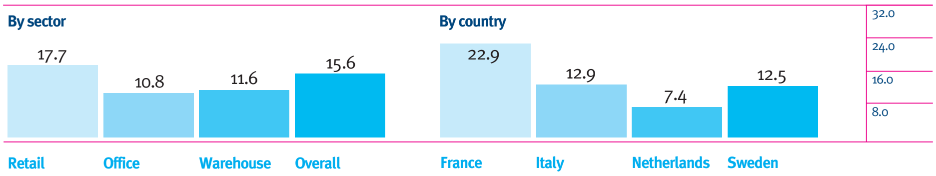
Address	Net value 2006 € million	Net value 2007 € million	Increase	Net yield	Cost to date € million	Total return since purchase	Year of acquisition
The Netherlands office							
Kingsfordweg 1, Amsterdam Sloterdijk (Noord-Holland)	87.00	87.50	0.57%	7.0%	84.94	62.49%	1998
The Netherlands warehouses							
Horsterweg 20, Maastricht-Airport (Limburg)	4.27	4.38	2.58%	6.7%	4.26	98.10%	1996
Galvanibaan 5, Nieuwegein (Utrecht)	4.02	4.23	5.22%	7.2%	3.31	160.17%	1994
Standaardruiter 8, Veenendaal (Utrecht)	3.64	3.81	4.67%	7.4%	2.77	203.92%	1991
Koeweistraat 10, Waardenburg (Gelderland)	2.12	2.21	4.25%	7.6%	1.67	150.07%	1995

* Includes extension
** Includes effect of headlease purchase
*** Includes acquisitions

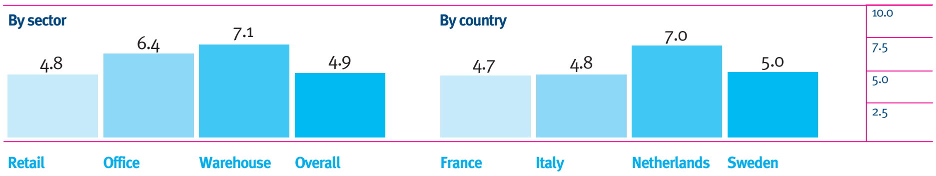
Value growth (% 2006/7)



Total return (% 2006/7)



Yields (% 2006/7)



ECP retail statistics

Retail turnover growth

Turnover growth, excluding hypermarkets, averaged 4.9% overall for the year. ECP French centres achieved 4.2%, the Italian 3.6% and those in Sweden 9.1%. This compares positively against the relevant consumer price indexes and national retail sales figures.

Retail rental growth

Like for like (same floor area) rental growth, including indexation and variable rent, in the Company's retail properties (92% of the portfolio) was 5.9% overall; 7.7% in France, partly due to rents increasing as a result of 7.1% indexation, 4.6% in Italy and 5.5% in Sweden.

Rent to turnover and occupancy cost ratios

ECP monitors regularly the turnover performance of its tenants and the costs they bear to trade in its shopping centres. The rent to turnover ratio represents the relationship between minimum guaranteed rent (MGR) and turnover including VAT, while the occupancy cost ratio also takes into account turnover rent, charges, marketing contributions and property taxes on top of the MGR. Low occupancy costs typically mean that rents are affordable to tenants, thus making them more sustainable in the event of a market turndown. It also shows that ECP prefers to secure the best tenants in its centres, even if that sometimes means sacrificing the highest rents.

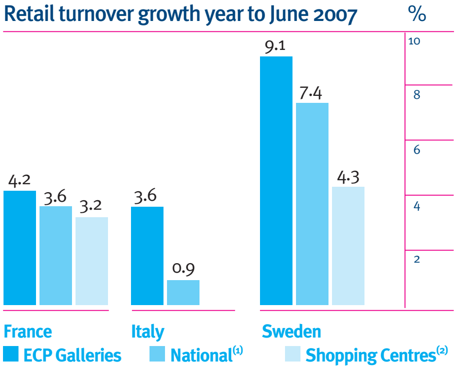
Occupancy

Occupancy levels remain at over 99%.

Turnover and rent per square metre

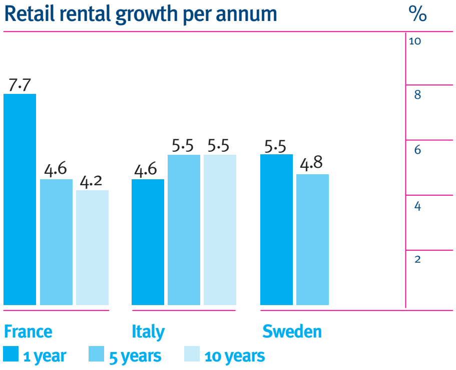
The charts below show turnover and rent per square metre in the smaller shops under 300m² in ECP's centres. For France the figures are broken out specifically for Paris to take into account the considerably higher turnovers and rents achieved in the capital city compared to provincial areas.

Retail turnover growth year to June 2007 %

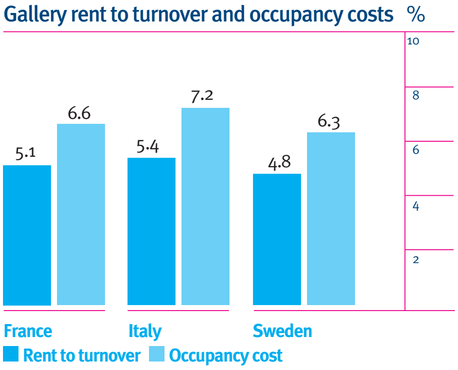


(1) National Statistical Offices (non food retail sales)
(2) France: CNCC, Sweden: Köpcentrum Barometern

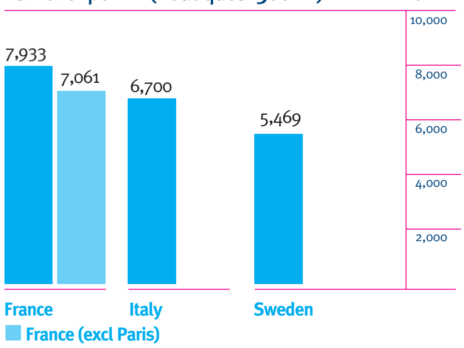
Retail rental growth per annum %



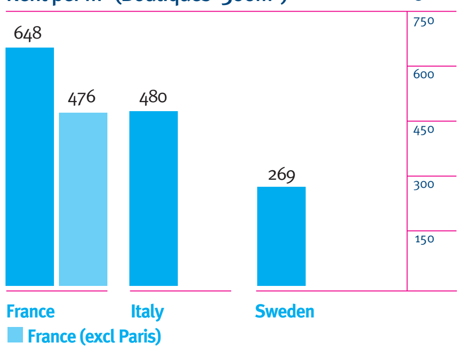
Gallery rent to turnover and occupancy costs %



Turnover per m² (Boutiques <300m²) €



Rent per m² (Boutiques <300m²) €



Potential rental reversions

The chart shows the theoretical rent increase if all tenants paid today's market rents.

Unexpired retail lease terms

When leases expire ECP takes the opportunity to negotiate fair market rents and remerchandise, when appropriate. National legislation gives differing rights to tenants and landlords with France being the most "tenant friendly".

Economic and demographic research

Generating appropriate research is essential to understanding the viability of new investment opportunities, assessing the impact of demographic and competition changes in existing catchments or reviewing the feasibility of extensions. ECP has extensive databases of local, regional, national and European statistics and maintains regular contact with statistical offices and research houses to keep this data up to date. Catchment analysis is carried out by the Group Economist, often in conjunction with appropriate independent research institutes.

The economic viability of a shopping centre depends on both demand and supply factors.

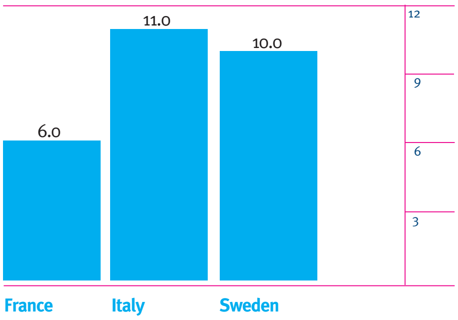
On the demand side, research covers isochrones (population within 10, 20 and 30 minutes drive of the retail property), population dynamics (current levels, short and long term growth), age, education and gender profiles, lifestyles, unemployment rate, disposable income, spending and share of spending, impact of non-resident population (tourism, office workers, students), local/regional economic structure and drivers of economic growth.

On the supply side, research covers current competition (shopping centres, retail parks, department stores, food sector), future competition and quality of existing competition.

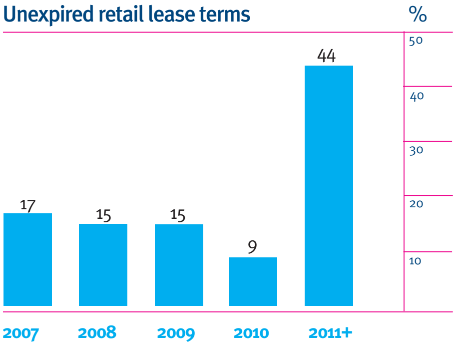
The interaction between supply and demand allows the Company to calculate retail densities that relate square metres of retail space with populations in a particular catchment. High densities indicate that the catchment is oversupplied with retail space which is usually a worrying sign. ECP uses a broad definition of density which includes not only shopping centres but also retail parks and department stores, which the Company finds to be a much more accurate portrayal of the retail environment. The supply and demand analysis is complemented with a detailed study of the shopping centre, reviewing rental levels, turnover levels and turnover growth, rent to turnover ratios, productivity, anchors, access, visibility, parking, local tastes and cultural understanding of the local customers.

All this information allows the property team to carefully assess each property decision and make informed choices about its suitability and long term potential for the Company.

Potential rental reversions %



Unexpired retail lease terms %



Largest tenants

		Rent €m	% income
1	Netherlands Government	7.0	6.3
2	ICA Maxi	4.9	4.5
3	Carrefour	4.7	4.3
4	Coop Forum	3.3	3.0
5	H&M	3.2	3.0
6	Fnac	3.0	2.7
7	Vis Pathé	1.9	1.7
8	MediaMarkt	1.8	1.6
9	Groupe Casino	1.7	1.5
10	Zara	1.6	1.4
	TOTAL	**33.1**	**30.0**

ECP is increasingly focusing its attention on extensions and refurbishments of existing properties in order to generate maximum returns at a time when yields have been driven to historical lows. Experienced teams have been established in the local offices, allowing the Company to deliver optimal returns on these developments.

Three major projects are currently underway in Italy and Sweden – Carosello in Carugate, Milano and the two MaxiHusets in Skövde and Norrköping. All centres are being extended and refurbished at a total cost of approximately €130 million. The projects are expected to generate a return on cost of around 7.0%.

A major redevelopment project at Samarkand in Växjö is now also under serious consideration due to the fact that Coop have decided not to renew their lease when it expires in December 2008. This provides a significant opportunity for ECP to use the 12,000m² to re-develop the existing retail park into a full-service gallery, leveraging off the existing ICA Maxi as the hypermarket anchor. Discussions have taken place with existing and potential new tenants with initial feedback indicating that the project would be well received.

Several further extensions in France, Italy and Sweden have reached the initial planning stages. ECP is taking all the necessary steps to move the projects forward, initiating contact with the authorities and planners, although consents and licences can take several years to secure.

Carosello, Carugate, Milano

ECP purchased Carosello in 1997 and after ten years of very strong returns is undergoing an extension and refurbishment. The project includes the more than doubling of the gallery to 24,000m², a refurbishment of the existing centre including a new foodcourt, children's roof garden and a new logo to help communicate the changes to the catchment. The extension will also include a 15,000m² sloping grass roof as part of ECP's commitment to lower energy use.

Work has started on site and the main retail areas are targeted for completion in November 2008 while the foodcourt will be finished in May 2009. This two phase completion will minimise disruption to the centre which will trade throughout the works.

The estimated project cost is €70 million with a forecast return of 7.0%. Completion of the extension coincides with lease expiries of the existing gallery enabling a complete re-merchandising. Terms have been agreed with all of the non-food anchor stores and the leasing of the remainder is on schedule.

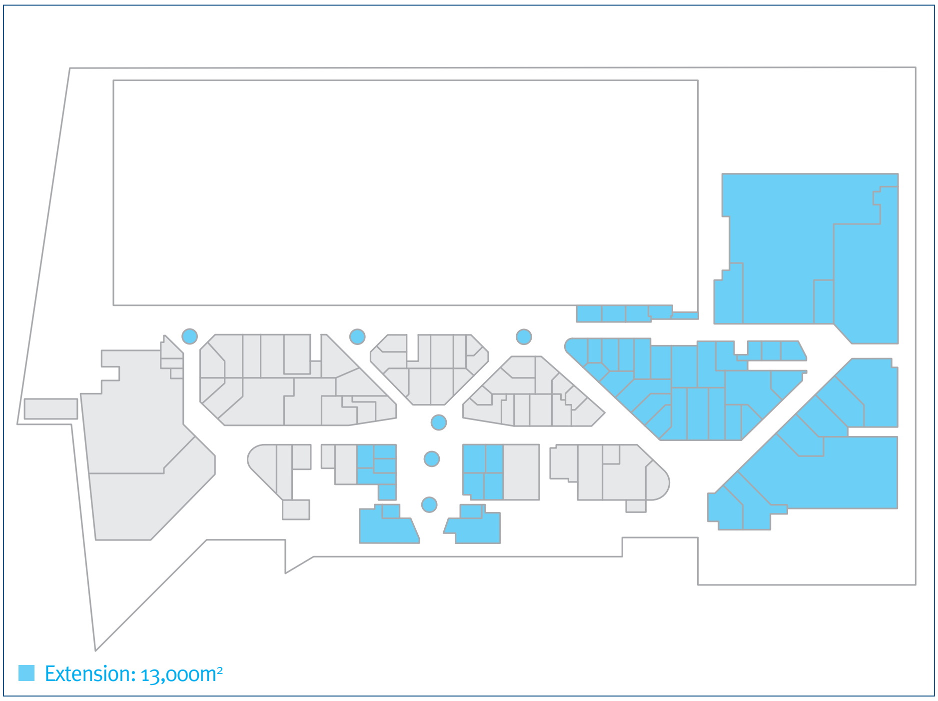
MaxiHuset, Skövde

Construction started in August 2007 on a 10,000m² extension over 80% pre-let to major tenants, including H&M, Cubus, MQ, Gina Tricot, Apoteket as well as ICA, who will add an additional 2,500m² to their existing 7,500m² hypermarket. ICA have entered into a new 15 year lease with a turnover clause provision. The SEK 300 million project will include the complete refurbishment of the existing 9,000m² gallery and the construction of a new underground car park.

MaxiHuset, Norrköping

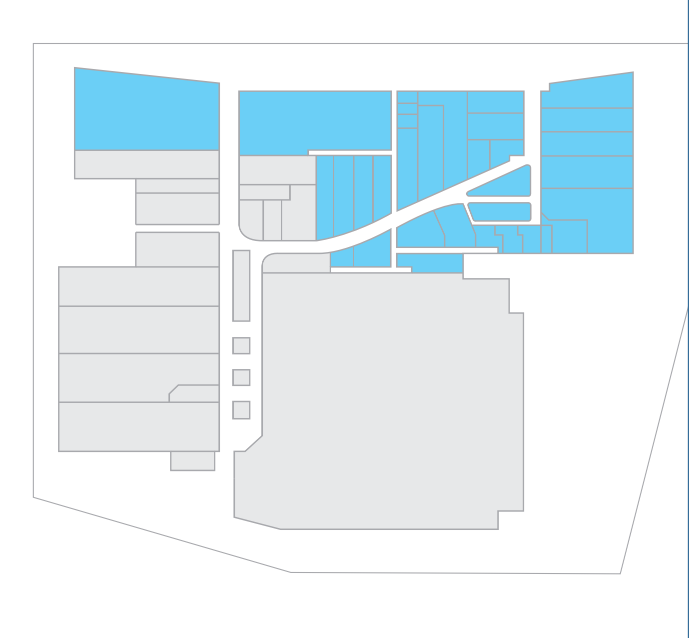
The SEK 300 million refurbishment including an 8,000m² expansion is programmed to commence construction during Autumn 2007. The extension is over 70% pre-let including new flagship stores for Stadium and Intersport, let on long leases, together with important additions in the fashion and household sectors including MQ, Brothers, Sisters, Duka and Hemtex. The shopping centre will be further strengthened by its integration with the adjoining 15,000m² Bronsen retail park recently acquired by ECP.

Carosello, Carugate, Milano



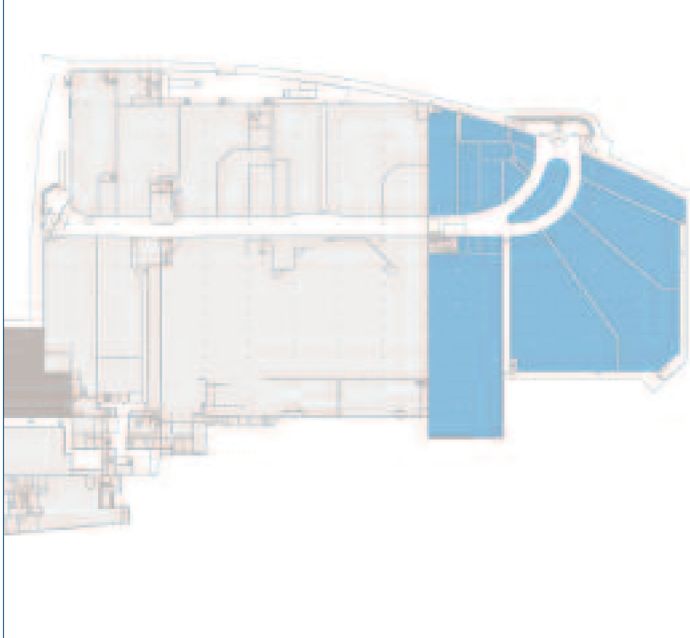
Centre	Extension potential	Timescale	Approximate cost
Confirmed projects			
Carosello, Carugate	13,000m²	2007–9	€70 million
MaxiHuset, Norrköping	8,000m²	2007–9	€30 million
MaxiHuset, Skövde	10,000m²	2007–9	€30 million
TOTAL	**31,000m²**		**€130 million**
Proposed projects (subject to planning approvals)			
Amiens Glisy, Amiens	6,000m²		€30 million
Centroluna, Sarzana	8,000m²		€40 million
Curno, Bergamo	8,000m²		€40 million
Hälla, Västerås	20,000m²		€60 million
I Gigli, Firenze	9,000m²		€60 million
Les Atlantes, Tours	10,000m²		€50 million
Mellby, Laholm	4,000m²		€10 million
Samarkand, Växjö	12,000m²		€30 million
TOTAL	**77,000m²**		**€320 million**

MaxiHuset, Norrköping



Extension: 8,000m²

MaxiHuset, Skövde

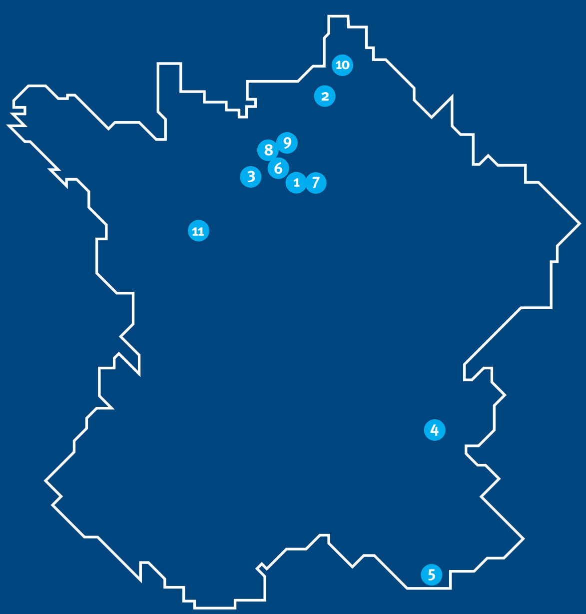


Extension: 10,000m²

France

ECP owns 12 retail properties and two warehouses in France, representing 35% of total property assets, or €762 million in value. 56% of the French portfolio by value is located in central Paris.

Overview



Properties

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Economic snapshot

Population (2006, million)	63.4
GDP 2007E	+2.0%
Inflation 2007E	+1.5%
GDP per capita (€ PPS)	24,213
Disposable income per capita (€ PPCS)	15,271
Unemployment rate (June 2007)	8.0%

Source: Eurostat, The Economist

One year performance

Property total return

+22.9%

Retail rental growth

+7.7%

Valuation increase

+17.9%

Gallery turnover growth

+4.2%

As the year progresses France is asking itself whether the arrival of Nicolas Sarkozy as President will spur economic renewal or increase tensions with those parties that have resisted reform. Described by a respected French news magazine as a "martian" compared to predecessors, positive early signs indicate that Sarkozy's combination of energy and pedagogy could permeate the system to unblock some of the country's structural rigidities.

Property market

The property market has appeared largely indifferent to election politics with both investment and occupational markets benefiting from a benign combination of liquidity and good occupational demand. This process has culminated in high profile sales at sub 4.0% yields of both office and retail property at the very best Parisian addresses. Open market sales of good quality shopping centres have, however, been few and far between but a recent sale in the provinces appears to have been at a yield of about 4.25%.

The strength of the investment market is, not surprisingly, lending support to the development industry which is responding with new projects – largely town centre renewal schemes favoured by local authorities, with "cultural" and variety stores the principal anchors.

There are also projects to extend existing centres and retail warehouse "parks". Most form extensions of existing zones but developers are also working with local authorities to consolidate and tidy up outmoded strip development. CNCC (Conseil National des Centres Commerciaux) statistics point to a net increase in retail stock of about 1.5% per annum of current total retail stock over the next five years. This compares with projected population increases of 0.5% per annum over the same period and average national sales increases of about 2.0% per annum.

Centre performance

The value of ECP properties in France rose 17.9% at 30 June 2007 compared with 30 June 2006. The like for like (excluding acquisitions) increase was 18.5%.

Turnover growth in ECP's centres has maintained its positive momentum at 4.2% year on year with all centres outperforming both national and CNCC indices. 41 renewals and relettings have been concluded resulting in an average increase in rents of 14%. This figure is over and above the INSEE cost and construction increase of 7.1% applied in January 2007.

Acquisitions and extensions

Two additions to the portfolio in France have been concluded during the year. In October 2006 ECP acquired a 2,800m² property leased to King Jouet on the Noyelles Godault retail park near Lille in Northern France. Noyelles Godault is perhaps the strongest retail zone in Northern France and is anchored by Auchan and Alinéa with Ikea also due to open shortly.

In May 2007, ECP signed the forward purchase contract to acquire a retail park of 20,000m² at Les Bois Rochefort, to the west of Paris.

The project is preleased and is due to open to the public early in 2008. Castorama is the anchor store with 10,000m² and the 12 remaining units are also prelet. The total price for the project, which is being acquired in stage payments (VEFA as it is known in France), is €44 million to reflect a net yield of 5.4% based on modest rents.

Marketing

Considerable efforts have been made this year to further improve marketing in France, with greater input from ECP managers.

Marketing budgets have been increased, most notably at Passy, where a greater awareness of merchandising changes is at the core of the strategy, but also at Taverny where centre communication is now aligned to that of the hypermarket anchor. Increased sponsorship of local sports clubs has been particularly successful at Les Atlantes in Tours.

1 **Passage du Havre**

Paris (includes 10 rue du Havre)

The Passage du Havre continues to flourish and has benefited from the positive trading environment in the "Grands Magasins" sector of nearby Boulevard Haussmann. The price cutting which has beset the hypermarket sector has been noticeably absent with the locality offering exposure to both tourism and the financial sector. Boutique turnover growth of 5.8% has outpaced anchor store Fnac, with secondary anchors Sephora and Nature et Découvertes both performing particularly well. Changes to the merchandising mix have been limited to the arrival of Starbucks and the rebranding of existing stores as Watch Me and Celio Club respectively. The majority of boutique leases are now due for renewal and during the year ten shops have agreed to new leases at an average uplift of 18.7%. Negotiations with the remaining tenants are under way.

1

1

Total lettable area	20,447m²
Retail/Gallery	13,839m²
Residential	2,337m²
Office	4,271m²
ECP ownership	20,447m²
Value (€ million)	275.70
Occupancy	100%
Renewal profile 2007–2009	56%
Rental income (€ million)	13.45
Rental growth	8.75%
Boutiques <300m² turnover/m² (€)	15,284
Turnover growth	3.84%
Rent to turnover ratio	3.80%
Occupancy cost ratio	4.60%
Visitors 2006/7 (million)	12.11
Major tenants: Fnac, Nature et Découvertes, H&M	


fnac

2 Amiens Glisy

Amiens (Somme)

ECP's best performing French asset over a ten-year term, Amiens Glisy continues to trade well with turnovers up 4.3% over the year.

The fashion sector has been the main driver (+8.5%) due to strong performances from the mid market French fashion chains that dominate the centre.

No less then seven retailers have refitted their units in recent months.

Initial discussions are being held with the local authorities and partners on site with a view to extending the centre which continues to benefit from recent infrastructure improvements.

2

2

Total lettable area	22,769m²
Retail/Gallery	6,279m²
Hyper (Géant)	16,000m²
Other	490m²
ECP ownership	6,279m²
Value (€ million)	42.30
Occupancy	100%
Renewal profile 2007–2009	52%
Rental income (€ million)	2.39
Rental growth	6.68%
Boutiques <300m² turnover/m² (€)	6,452
Turnover growth	4.30%
Rent to turnover ratio	6.30%
Occupancy cost ratio	8.35%
Visitors 2006/7 (million)	3.96
Major tenants: Flunch, Camaieu, Nocibé	

3 Buchelay Retail Park

(Yvelines)

Located in close proximity to the Autoroute de Normandie on the western fringes of Paris, Buchelay is a strong retail zone where the principal anchors are Leroy Merlin and Decathlon with an Auchan hypermarket also close by.

The Buchelay retail warehouse has a total lettable area of 3,800m² and is let to three low cost fashion and shoe retailers – Bata, Tati and MIM – at an average rent of €118/m².

4 Les Trois Dauphins

Grenoble (Isère)

The Fnac lease at Les Trois Dauphins is due for renewal and discussions are being held both with occupiers and the City of Grenoble in order to enhance the value of the property. Active consideration is being given to improving the building's use of its considerable street frontage to both Place Felix Poulat and Rue de Belgrade.

3

4

3

Total lettable area	3,800m²
ECP ownership	3,800m²
Value (€ million)	7.51
Occupancy	100%
Renewal profile 2007–2009	0%
Rental income (€ million)	0.45
Rental growth	7.00%
Major tenants: Bata, Tati, MIM	

4

Total lettable area	16,845m²
Retail/Gallery	8,600m²
Residential	4,700m²
Hotel/Office	3,545m²
ECP ownership	16,845m²
Value (€ million)	34.50
Occupancy	100%
Renewal profile 2007–2009	25%
Rental income (€ million)	2.19
Rental growth	5.71%
Major tenants: Fnac, C&A, Group Accor	

5 Centr'Azur
Hyères (Var)

Turnover growth of 4.0% this year continues to be driven by the Health and Beauty sector in which the merchandising mix is purposefully overweight to reflect the age bias of the local seaside community. The lease renewal and reletting programme has seen seven new leases signed this year at an average rental increase of 21%.

6 Passy Plaza
Paris

A new management structure at the centre has resulted in turnover growth of 4.4%. A particularly strong final quarter was perhaps linked to the presidential election result. The 16eme arrondissement is one of the wealthiest in Paris.

Inno, Geox, H&M and La Grande Récrée have all performed strongly and the arrival of Starbucks has radically improved the ambiance in the centre.

It is intended to build on this resurgence with a light refurbishment to the centre over the next 12 months.

5

6

5

Total lettable area	17,043m²
Retail/Gallery	6,243m²
Hyper (Géant)	10,800m²
ECP ownership	6,243m²
Value (€ million)	43.41
Occupancy	100%
Renewal profile 2007–2009	36%
Rental income (€ million)	2.34
Rental growth	8.62%
Boutiques <300m² turnover/m² (€)	7,188
Turnover growth	4.00%
Rent to turnover ratio	5.50%
Occupancy cost ratio	8.00%
Visitors 2006/7 (million)	3.17
Major tenants: Casino Cafétéria, Okaidi	

6

Total lettable area	8,077m²
ECP ownership	8,077m²
Value (€ million)	125.30
Occupancy	100%
Renewal profile 2007–2009	50%
Rental income (€ million)	6.35
Rental growth	5.21%
Boutiques <300m² turnover/m² (€)	8,587
Turnover growth	4.40%
Rent to turnover ratio	8.70%
Occupancy cost ratio	10.50%
Visitors 2006/7 (million)	5.00
Major tenants: Inno, H&M, La Grande Récrée	

7 **74 Rue de Rivoli**

1-3 rue de Renard, Paris

The building has frontage to both the Rue de Rivoli and Rue du Renard, putting it in an outstanding position in central Paris.

One-third of the lettable area is accommodation on ground and first floor levels with basement storage which is currently let at an average retail rent of €623/m^2 – well below current market levels. Agreements have now been signed to obtain vacant possession of nearly half of this space with a view to reletting at much higher rents.

7

7

Total lettable area	3,023m^2
Retail/Office	908m^2
Residential	2,115m^2
ECP ownership	3,023m^2
Value (€ million)	17.80
Occupancy	96%
Renewal profile 2007–2009	All retail
Rental income (€ million)	0.83
Rental growth	2.81%

8 Les Bois Rochefort Retail Park
(Val d'Oise)

ECP has acquired the land and is funding the construction of this major new retail warehouse development and building works are now underway.

Les Bois Rochefort Retail Park is situated in the commune of Cormeilles-en-Parisis, an attractive residential area to the west of Paris. The immediate catchment area extends to around 225,000 people and includes the neighbouring communes of Sartrouville and Houilles.

The "Parc Commercial" is scheduled to commence trading in early 2008 and is being built to the highest environmental standards in compliance with the "Haute Qualité Environnementale" label. This will include a photovoltaic roof.

The property occupies a site of almost eight hectares and will have a total GLA of 20,000m² and 700 car spaces. It is pre-leased to Castorama for 10,800m² and 12 other national retailers for the balance. The Castorama lease is for nine years and the rent is €108/m² whilst rents for the remaining units average €125/m².

8

9 Les Portes de Taverny
Taverny (Val d'Oise)

Turnover growth has picked up after a quiet period following the refurbishment works and the introduction of many new retailers.

The centre serves a wealthy growing neighbourhood to the north west of Paris and exhibits very strong sales densities.

A surrender of the lease to the underperforming cafeteria has been agreed and, depending on CDEC planning consent, this will be replaced either by a food court or further fashion retailers.

In the meantime, discussions are continuing with local authorities to improve access into the centre, which would in turn allow for an increase in the size of the car park.

9

9

Total lettable area	30,354m²
Retail/Gallery	5,482m²
Hyper (Auchan)	16,200m²
Other	8,672m²
ECP ownership	5,482m²
Value (€ million)	46.05
Occupancy	100%
Renewal profile 2007–2009	22%
Rental income (€ million)	2.63
Rental growth	7.82%
Boutiques <300m² turnover/m² (€)	8,758
Turnover growth	3.60%
Rent to turnover ratio	6.30%
Occupancy cost ratio	8.40%
Visitors 2006/7 (million)	3.53
Major tenants: Paul, Krys, Promod	

10 Noyelles Godault Retail Park
(Pas-de-Calais)

Located at the junction of the motorways outside Lille, Noyelles Godault is one of the strongest retail zones in northern France. Anchors include Auchan, Alinéa, Castorama and Decathlon.

The 2,800m² unit acquired by ECP during the year is leased to King Jouet at a rent of €118/m². The total cost for the property, once the SIIC exit tax has been paid over the next four years, will amount to €5.2 million, reflecting a net yield of 6.3%.

10

10

Total lettable area	2,800m²
ECP ownership	2,800m²
Value (€ million)	5.17
Occupancy	100%
Renewal profile 2007–2009	0%
Rental income (€ million)	0.33
Major tenants: King Jouet	

11 **Les Atlantes**
Tours (Indre et Loire)

The opening of H&M in September 2006 has not only produced a significant boost to fashion turnover but has also seen Toys R Us maintain the same level of sales on a store two-thirds its original size.

Notwithstanding good sales growth the centre is now due for a refurbishment and a project is being prepared to coincide with the future opening of Ikea on land opposite the centre, scheduled for late 2008. In the meantime discussions continue with the relevant authorities with a view to obtaining permission to carry out an extension of the centre in due course.

11

11

Total lettable area	39,347m²
Retail/Gallery	22,747m²
Hyper (Carrefour)	16,600m²
ECP ownership	22,747m²
Value (€ million)	113.84
Occupancy	100%
Renewal profile 2007–2009	36%
Rental income (€ million)	6.04
Rental growth	8.67%
Boutiques <300m² turnover/m² (€)	6,392
Turnover growth	5.30%
Rent to turnover ratio	5.20%
Occupancy cost ratio	7.11%
Visitors 2006/7 (million)	6.81

Major tenants:
Go Sport, Flunch, Saturn, H&M, Toys R Us


Histoire d'Or
Quick


Italy

ECP has acquired eight shopping centres in Italy since 1994. It is the Company's largest market accounting for 38% of assets, or €844 million in value.

Overview

Properties

Economic snapshot

Population (2006, million)	59.1
GDP 2007E	+2.0%
Inflation 2007E	+1.9%
GDP per capita (€ PPS)	27,624
Disposable income per capita, Northern Italy (€ PPCS)	16,539
Unemployment rate, Northern Italy (Q1 2007)	6.2%

Source: Eurostat, The Economist

One year performance

Property total return

+12.9%

Retail rental growth

+4.6%

Valuation increase

+8.2%

Gallery turnover growth

+3.6%

The Italian economy has surprised on the upside in the last 12 months. Better than expected GDP growth and a low level of household debt have combined to shield the consumer from the knock-on effect of higher interest rates. This has been reflected in continued turnover growth in the Company's shopping centres.

Property market

As with most European property investment markets, the Italian retail sector is still characterised by demand far outstripping supply. In addition, Italy has only been accepted as a core investment market since the advent of the euro in 2002 and as such many investors have been looking to redress an underweighting in their portfolios. This attention has fuelled the price surge, reducing the net initial yields that investors are prepared to accept for the best shopping centres to 4.5%–4.75%, the same levels as prime office yields.

Rising financing costs and the increased supply of shopping centres in some catchments has so far failed to stem the appetite for prime retail property. However, the top of the market cycle feels very close and may have peaked for secondary property.

As the debate begins over the future direction of property yields, more attention will be paid to property fundamentals, particularly the quality of the retail offer, rental levels and spending power in the catchment – all precursors to future rental growth.

Centre performance

Turnover growth in ECP's centres continues to exceed national levels. On a year on year basis sales in the galleries were up 3.6%.

Rental growth has been driven by indexation but also lease renewals. The overall rental growth for the Italian portfolio was 4.6%. For the 57 leases renewed in 2006/7 (11% of total) an average rental uplift of 26% was achieved. In addition, in those cases where a change of tenant was made an entry premium was paid in the majority of cases. Arrears are almost non-existent and occupancy in the portfolio stands at over 99%.

Acquisitions and extensions

The emphasis in Italy has been on extensions and refurbishments rather than chasing down property yields on new acquisitions. Whilst the Company has monitored the investment market closely and has bid for acquisitions, no potential purchase has yet been sufficiently tempting to increase the Italian holding beyond the current level of 38% of the retail portfolio.

In the 2006/7 financial year the extension of Centro Leonardo in Imola was completed and that at Carosello, Milano begun. In addition, several other projects to improve the centres are at various stages. Whether a major extension such as those at Imola or Carosello, or a refurbishment (such as the one which started in July 2007 at La Favorita, Mantova) or a more modest improvement (for example the new food court completed in November 2006 at Il Castello, Ferrara), the common objective is maximising the attractiveness of the centres. This should pave the way for future turnover growth which in turn generates sustainable rental growth.

Apart from the long term benefits of improving the portfolio through extensions, which can be both a defensive and opportunistic move, these provide a return on cost significantly in excess of market investment returns. The Imola project included the early termination of a headlease, a major refurbishment to the existing gallery and a re-branding of the centre. The return on the total cost of €47 million was in excess of 6.5%. ECP was responsible for the leasing and the commercial layout of the centre whilst the vendor secured the planning consents and was responsible for construction.

The other major event of note was the start of works on the Carosello extension in June 2007. To minimise disruption, the extension of approximately 12,750m² is scheduled to complete in two phases, the major extension in November 2008 and the new food court in May 2009.

Work continues on progressing other extensions, particularly at Sarzana, through close discussion with specialist consultants and, of course, local and regional government.

Marketing

Marketing initiatives have been significantly boosted by the appointment of a dedicated marketing director who oversees the on-site centre managers' marketing and promotional activities.

This role includes working closely with the property team and external advertising and media agencies to identify a marketing strategy for each centre, new customer services and carrying out the essential customer research to fuel good decisions. Greater attention is being paid to refreshing centre branding and re-launch campaigns following extensions and refurbishments.

In the past 12 months over 100 major events have been staged in ECP's eight centres, such as the month long campaign to celebrate the ten year anniversary of I Gigli.

1 **Centro Leonardo**
Imola (Emilia Romagna)

The new Centro Leonardo opened in November 2006 offering the catchment of 142,000 people an entirely new retail destination. The project comprised an extension of the gallery GLA from 6,000m² to 15,300m², a full refurbishment of the existing centre and 700 new covered car spaces.

To assist the leasing, a shop by shop analysis of the existing retail offer was commissioned and this, together with customer surveys, identified a shortage of national and international brands in the catchment which was resulting in a leak of retail spending to Ravenna and Bologna. To redress this, the leasing campaign focused on securing leading anchor stores in each sector, namely Media World, Oviesse and Pittarello, and a depth of fashion offer which was missing in the city.

ECP acquired the extension on a turn-key basis but was responsible for the tenant selection, layout and design of the interiors. The total project cost was €47 million and generated a return of 6.5%.

To enhance what is essentially a new centre in all but name, the centre's logo was refreshed and ECP's marketing director and the on-site team identified a marketing strategy to widen the customer base – the first results of which indicate performance in line with expectations.

1

1

Total lettable area	31,500m²
Retail/Gallery	15,300m²
Hyper (Ipercoop)	16,200m²
ECP ownership	15,300m²
Value (€ million)	78.27
Occupancy	100%
Renewal profile 2007–2009	0%
Rental income (€ million)	4.43
Rental growth*	242.66%
Visitors 2006/7 (million)	3.93
Major tenants: Media World, Oviesse, Pittarello	

* includes extension


oviesse

2 **Curno**
Bergamo (Lombardia)

The centre continues to perform well with turnover growth of +3.6% despite increased competition which has reduced footfall slightly but still stands at 6.5 million. The best performing sectors were Restaurant and Services which are good indicators of customer loyalty and longer dwell times in the centre.

Curno's rent to turnover is at a very low 4.7% (or 5.9% occupancy cost ratio) indicating affordable rents and scope for good rental growth at the next expiry. Only three leases were renewed during the year but this produced, on average, a 53% uplift.

2

2

Total lettable area	35,348m²
Retail/Gallery	15,603m²
Hyper (Auchan)	17,245m²
Other	2,500m²
ECP ownership	18,103m²
Value (€ million)	98.65
Occupancy	100%
Renewal profile 2007–2009	12%
Rental income (€ million)	5.48
Rental growth	3.57%
Boutiques <300m² turnover/m² (€)	8,793
Turnover growth	3.60%
Rent to turnover ratio	4.70%
Occupancy cost ratio	5.90%
Visitors 2006/7 (million)	6.49
Major tenants: Media World, Passatempo, Cisalfa, Brek	

3 I Gigli

Firenze (Toscana)

I Gigli is ECP's largest centre in Italy with a gallery of 45,000m² and 120 shops and is one of the top performing centres in the country. The Company also owns a multiplex cinema opposite the centre.

The centre had nearly 14 million visitors in 2006 and saw turnover growth of 4.4% despite the opening of an important factory outlet centre to the north of Florence. 11 leases were renewed in the year with an average rental uplift of +31%.

A refurbishment is planned for 2008/9 as this centre is now ten years old and will face some new competition in the next 12 months. A priority will be to significantly increase the car parking provision. In addition the Company is exploring the possibility of an extension to the centre.

4 Centro Lame

Bologna (Emilia Romagna)

Centro Lame is a smaller centre located in a densely populated area of Bologna from which the centre takes its name. The gallery has been refurbished internally and the exterior will follow as soon as the necessary consents are received. A competing centre and supermarket have caused turnover growth to slow but the excellent location in a catchment of 305,000 should facilitate continued growth. In 2008 25 leases expire so this opportunity will be used to reassess the retail mix for this gallery.

3

4

3

Total lettable area	79,177m²
Retail/Gallery	44,962m²
Hyper (Panorama)	23,000m²
Cinema	11,215m²
ECP ownership	56,177m²
Value (€ million)	245.78
Occupancy	100%
Renewal profile 2007–2009	30%
Rental income (€ million)	12.84
Rental growth	2.78%
Boutiques <300m² turnover/m² (€)	6,682
Turnover growth	4.40%
Rent to turnover ratio	4.30%
Occupancy cost ratio	6.40%
Visitors 2006/7 (million)	13.83

Major tenants:
Leroy Merlin, Media World, Coin, Zara, Vis Pathé

4

Total lettable area	16,560m²
Retail/Gallery	5,524m²
Hyper (Ipercoop)	11,036m²
ECP ownership	5,524m²
Value (€ million)	37.86
Occupancy	100%
Renewal profile 2007–2009	71%
Rental income (€ million)	2.12
Rental growth	2.25%
Boutiques <300m² turnover/m² (€)	6,056
Turnover growth	1.20%
Rent to turnover ratio	7.90%
Occupancy cost ratio	10.70%
Visitors 2006/7 (million)	3.93

Major tenants:
Bata, Camst, Benetton

5 Il Castello

Ferrara (Emilia Romagna)

Year on year turnover growth has accelerated from +2% in the 12 months to June 2006 to +5% in the 12 months to June 2007. This growth has come about through tenant changes, new shop fit-outs and minor improvements to the centre such as a new food court which opened in November 2006.

10 leases expired during the year resulting in four tenant changes. The rental uplift on these re-lettings was +32%.

5

5

Total lettable area	35,938m²
Retail/Gallery	18,188m²
Hyper (Ipercoop)	15,350m²
Other	2,400m²
ECP ownership	17,767m²
Value (€ million)	91.80
Occupancy	95%
Renewal profile 2007–2009	22%
Rental income (€ million)	5.00
Rental growth	3.78%
Boutiques <300m² turnover/m² (€)	6,331
Turnover growth	5.00%
Rent to turnover ratio	6.60%
Occupancy cost ratio	8.10%
Visitors 2006/7 (million)	5.65
Major tenants: Euronics, Oviesse, Cisalfa	

6 Centroluna

Sarzana (Liguria)

Centroluna is a strong "neighbourhood plus" shopping centre. ECP has had a "headlease" interest in this property since purchase in 1998. This meant that the Company held a single lease with Coop Liguria (the hypermarket operator) for the whole gallery. Coop in turn sub-let the gallery to the tenants at a higher rent.

In April 2007 ECP agreed an early termination of the headlease and began to actively manage the gallery in anticipation of the arrival of a competing centre later in 2007. 19 leases were renewed (53% of total) to produce a rental uplift of 14.6% on the passing rent, however an effective 95% uplift to ECP over the headlease rent.

Turnover growth at the centre has been the highest in the portfolio at 9.5% and the rent to turnover stands at 7.7% (or 9.1% for occupancy cost ratio).

The Company has begun exploring the possibility of an extension to the centre.

7 La Favorita

Mantova (Lombardia)

La Favorita shopping centre has returned to strong growth (+6.6%) after digesting the arrival of a competing centre in 2005. Several changes have been made to strengthen the retail offer, most notably the arrival of Mondadori (multimedia), Cisalfa (sports) and Piazza Italia (fashion).

The retail park opposite the centre (also owned by ECP) has seen good growth of +7.7% and this, combined with the new sports and concert venue next door, has reinforced La Favorita as the leading retail and entertainment destination in the city. Finally a refurbishment of the gallery is under way and this should further support the centre's performance.

6

7

6

Total lettable area	15,176m²
Retail/Gallery	3,596m²
Hyper (Ipercoop)	11,580m²
ECP ownership	3,596m²
Value (€ million)	25.67
Occupancy	100%
Renewal profile 2007–2009	11%
Rental income (€ million)	1.59
Rental growth	95.27%
Boutiques <300m² turnover/m² (€)	6,199
Turnover growth	9.50%
Rent to turnover ratio	7.70%
Occupancy cost ratio	9.10%
Major tenants: Piazza Italia, Benetton	

7

Total lettable area	33,079m²
Retail/Gallery	7,400m²
Retail Park	6,279m²
Hyper (Ipercoop)	11,000m²
Brico	5,700m²
Cinema	2,700m²
ECP ownership	13,679m²
Value (€ million)	53.65
Occupancy	100%
Renewal profile 2007–2009	48%
Rental income (€ million)	3.18
Rental growth	2.67%
Boutiques <300m² turnover/m² (€)	5,500
Turnover growth	7.13%
Rent to turnover ratio	6.29%
Occupancy cost ratio	7.50%
Visitors 2006/7 (million)	2.49
Major tenants: Media World, UPIM, Piazza Italia, Scarpe & Scarpe, Bernardi	

8 Carosello

Carugate, Milano (Lombardia)

ECP purchased the entire centre (hypermarket and gallery) upon completion in 1997 and after ten years of very strong returns Carosello is now undergoing an extension and refurbishment. The project includes the more than doubling of the gallery to 24,000m², a refurbishment of the existing centre including a new foodcourt, children's roof garden and a new logo to help communicate the changes to the catchment.

The extension will also include a 15,000m² sloping grass roof as part of ECP's commitment to lower energy use.

ECP has purchased the land, secured planning consents, assembled the design team and is now on-site with a target completion date of November 2008 for the main retail areas and May 2009 for the foodcourt. This two phase completion will minimise disruption to the centre which will trade throughout the works.

The estimated project cost is €70 million with a forecast return of 7.0%. Completion of the extension coincides with lease expiries of the existing gallery enabling a complete re-merchandising. Terms have been agreed with all of the non-food anchor stores and the leasing of the remainder is on schedule.

The centre has been under pressure from four new competitors in the last three years and this project is intended to re-establish its position and capitalise on the excellent location opposite Ikea and Castorama with direct access from Milan's eastern ring road into the centre's car park.

8

8

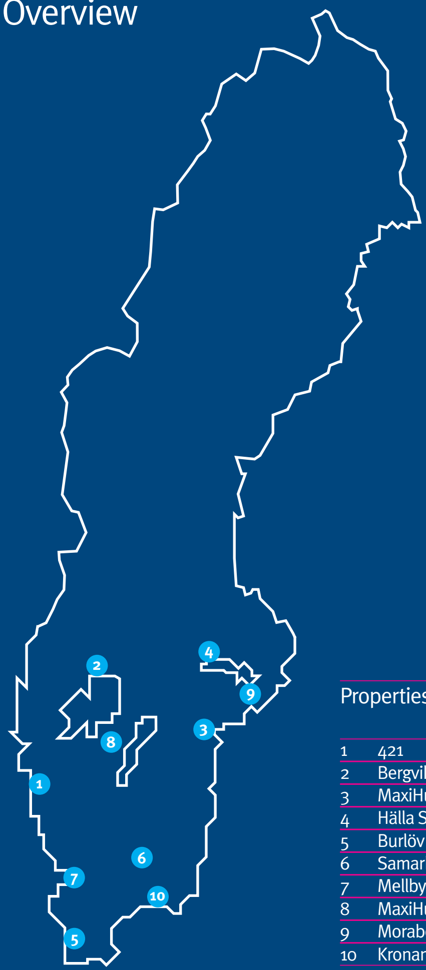
Total lettable area	42,072m²
Retail/Gallery	11,005m²
Hyper (Carrefour)	29,947m²
Other	1,120m²
ECP ownership	42,072m²
Value (€ million)	212.79
Occupancy	100%
Renewal profile 2007–2009	38%
Rental income (€ million)	9.52
Rental growth	1.12%
Boutiques <300m² turnover/m² (€)	7,692
Turnover growth	–2.90%
Rent to turnover ratio	6.60%
Occupancy cost ratio	8.70%
Visitors 2006/7 (million)	5.77
Major tenants: Carrefour, Oviesse, Autogrill, Zara	


FUTURO

Sweden

Having entered the Swedish market in 2001, ECP has built up a portfolio of ten properties valued at €488 million, or 22% of the Company's total property assets.

Overview



Properties

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Economic snapshot

Population (2006, million)	9.1
GDP 2007E	+3.5%
Inflation 2007E	+2.1%
GDP per capita (€ PPS)	25,193
Disposable income per capita (€ PPCS)	12,512
Unemployment rate (June 2007)	4.9%

Source: Eurostat, The Economist

One year performance

Property total return

+12.5%

Retail rental growth

+5.5%

Valuation increase

+8.6%

Gallery turnover growth

+9.1%

A robust economy in Sweden has resulted in increasing levels of consumer spending and hence healthy turnover growth in ECP's centres. GDP growth continues to outperform the euro zone average and the labour market is steadily improving. The new centre-right government has begun to privatise state-owned assets, including property.

Property market

The investment market remains very strong for most retail property. Yields have reduced by around 50 basis points over the year, although they are now showing signs of stabilising in the region of 5.0% for provincial shopping centres and retail parks. Considerably lower yields have been achieved in Stockholm as evidenced by the sale of Sturegallerian, and more recently the sale by Stockholm Stadshus of CentrumKompaniet, a portfolio which included some prime city centre shopping centres and a major development project. Whilst there was interest from local investors for these properties, the keenest demand came from foreign investors who were the eventual purchasers. Whether yields fall further depends on the appetite of several unquoted funds who have raised institutional money but are not yet fully invested.

The value of ECP properties in Sweden rose 8.6% at 30 June 2007 compared with 30 June 2006. The like for like (excluding acquisitions) valuation increase was 11.4%.

Centre performance

ECP's centres enjoyed another strong year with turnover growth, excluding the six hypermarkets, of 9.1% with Burlöv again the outperformer at +23%. Including the hypermarkets turnovers increased by 5.2%. Strong tenant demand across all sectors has helped like for like rental growth of 5.5% over the period, well above inflation which is increasing but still low at around 2.1%. Cost recovery improved due to more comprehensive service charge arrangements contained in the Company's standard lease which is being steadily introduced.

Acquisitions and extensions

In this competitive market ECP has concentrated on "off market" situations and has successfully made four further acquisitions over the last six months at yields of 5.0% or above in important provincial cities.

"421" is ECP's first acquisition in Göteborg, Sweden's second largest city. The property opened for trading in October 2006 and is anchored by an ICA Maxi hypermarket and MediaMarkt, Europe's largest electrical retailer who have only recently entered the Swedish market. The other tenants are all major chains in their respective sectors and include H&M, KappAhl, Lindex, Skopunkten and Intersport. The property was acquired for SEK 811 million (€88 million) which produces a net initial yield of around 5.0% off average rents of SEK 1,300/m^2.

Another first for ECP was the acquisition of the Kronan shopping centre in Karlskrona – ECP's first city centre gallery in Sweden. The property has a total lettable area of 7,055m^2 and is mainly let to tenants in the fashion and sport sectors. Kronan was acquired for SEK 131 million (€14 million) giving a net initial yield of 5.4% off an average base rent of SEK 1,557/m^2.

Two further retail properties were acquired on sites immediately adjoining ECP's shopping centres in Norrköping and Västerås. A prime retail warehouse of 2,000m^2 was acquired in Västerås opposite Ikea and the Company's existing Hälla shopping centre. The property has a very prominent frontage to the E18 motorway and is let to the major electrical retailer OnOff until 2010 at a rent of SEK 1,350/m^2. The purchase cost of SEK 44 million (€4.8 million) shows an initial yield of 5.5%.

The 15,000m^2 Bronsen retail park in Norrköping was acquired for SEK 175 million (€19 million), producing an initial yield of 5.75%. The property is leased to major box retailers including El Giganten, K-rauta, Sportex, Expert and Skopunkten at a very low overall rent of SEK 800/m^2 and has the benefit of an unrestricted retail planning use, including fashion. The property will be integrated into the adjoining MaxiHuset shopping centre which will shortly be refurbished and extended.

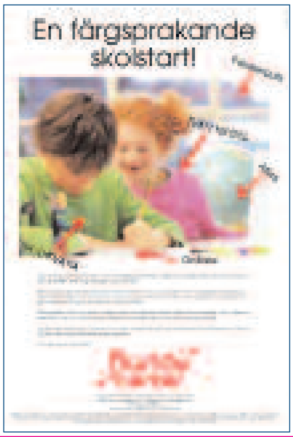
The Company has also continued to focus on its active extension programme following the successful completion of the refurbishment and extension of Burlöv Centre (6,000m^2) in June 2006. The extensions of the MaxiHuset shopping centres in Skövde and Norrköping (10,000m^2 and 8,000m^2 respectively) are due to commence construction during Autumn 2007. The extension of Mellby Centre and the refurbishment of Samarkand, Växjö are now also under serious consideration. Extensions have the benefit of strengthening the position of a shopping centre in its catchment and can produce returns well above comparable investment yields available in the market. The combined return on cost (€60 million) of the two MaxiHuset extensions will be around 7.0%.

Marketing

A total repositioning and rebranding of Burlöv Centre was undertaken during the year following the refurbishment and extension of the centre in 2006. A new logo, communication strategy and graphical profile were introduced which included the use of television advertising for the first time. The campaign has been well received in the Skåne region, with the gallery turnover increasing 50% between 2005 and 2007.

Similar rebrandings will be carried out in Norrköping and Skövde next year to coincide with the relaunch of the centres after their refurbishment and expansion.

Burlöv center



1 421

Göteborg (Bohuslän)

"421" is ECP's first acquisition in Göteborg and is a newly developed retail centre of 33,000m² located in the Högsbo-Sisjön area which has become the most important decentralised retail location in southern Göteborg. The primary catchment of the centre has a population of 105,000 inhabitants. The broader catchment, which includes central and southern Göteborg suburbs together with the municipality of Mölndal, totals 485,000 people. The property is anchored by an 11,700m² ICA Maxi hypermarket on a 15 year lease and a 5,750m² MediaMarkt, Europe's largest electrical retailer. MediaMarkt have only recently entered the Swedish market, with this being their second store to open in the country.

"421" is let to 13 tenants and has attracted the major chains in the fashion, household and sport sectors including H&M, KappAhl, Lindex, Skopunkten, Dressman, Cubus, Intersport, Bolagret, Hemtex and Barnens Hus. With the exception of the hypermarket, the shops are let for an average term of over seven years. The property opened for trading in October 2006 and has parking for 1,300 spaces.

1

1

Total lettable area	33,048m²
Retail/Gallery	19,258m²
Hyper (ICA Maxi)	11,680m²
Offices	2,110m²
ECP ownership	33,048m²
Value (€ million)	87.62
Occupancy (retail)	100%
Renewal profile 2007–2009	0%
Rental income (€ million)	4.58

Major tenants:
ICA Maxi, MediaMarkt, H&M, KappAhl, Lindex, Dressman, Intersport, Hemtex


LINDEX
DRESSMANN
H&M

2 Bergvik

Karlstad (Värmland)

Bergvik remains one of the most important retail destinations outside Stockholm with an annual turnover in excess of SEK 2 billion and over seven million visitors annually. Its already dominant position will be further enforced with the imminent opening of Ikea on an adjoining site. 80% of the leases will shortly be renewed and this is likely to result in an average overall increase in base rent of up to 30% on those units. Although further retail expansion is difficult due to site constraints, a new parking deck will shortly be built.

2

2

Total lettable area	48,150m²
Retail/Gallery	13,750m²
Hypers (ICA, Coop)	30,000m²
Retail Boxes	4,400m²
ECP ownership	13,750m²
Value (€ million)	52.26
Occupancy	100%
Renewal profile 2007–2009	90%
Rental income (€ million)	2.94
Rental growth	18.84%
Boutiques <300m² turnover/m² (€)	6,446
Gallery turnover growth	3.00%
Gallery rent to turnover ratio	4.60%
Gallery occupancy cost ratio	6.30%
Visitors 2006/7 (million)	7.85
Major tenants: H&M, Stadium, Intersport, Lindex, KappAhl, JC	

3 MaxiHuset
Norrköping (Östergötland)

The SEK 300 million refurbishment including an 8,000m² expansion is programmed to commence in Autumn 2007. The extension is over 70% pre-let including new flagship stores for Stadium and Intersport, let on long leases, together with important additions in the fashion and household sectors including MQ, Brothers, Sisters, Duka and Hemtex.

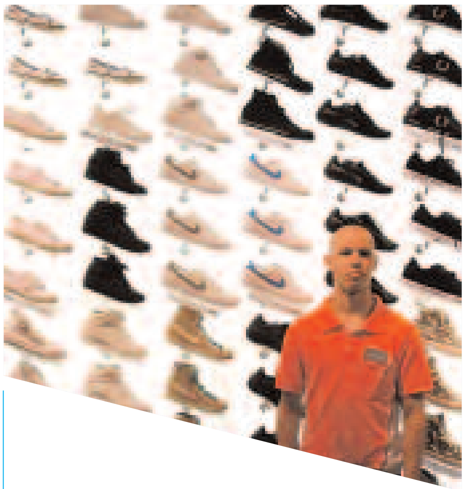
Bronsen Retail Park
Norrköping (Östergötland)

The 15,000m² Bronsen Retail Park was recently acquired by ECP and adjoins the existing MaxiHuset shopping centre. The park will be integrated into the main centre complex following its extension and refurbishment. 70% of the rent comes from El Giganten and K-rauta for an average unexpired term of nine years.

4 Hälla Shopping
Västerås (Västmanland)

Hälla has performed very well since it opened in 2002. Although it remains the most important external retail destination in Västerås with a strong adjoining ICA Maxi hypermarket and Ikea, ICA recently opened a second hypermarket on the other side of the city which has dampened previous rates of turnover growth. A city the size of Västerås warrants a larger out of town shopping centre than Hälla Shopping and therefore ECP has recently acquired surrounding property which could accommodate future expansion.

3



3

Total lettable area	16,580m²
Retail/Gallery	7,000m²
Hyper(ICA Maxi)	9,580m²
ECP ownership	16,580m²
Value (€ million)	43.69
Occupancy	100%
Renewal profile 2007–2009	24%
Rental income (€ million)	2.34
Rental growth	3.75%
Boutiques <300m² turnover/m² (€)	4,011
Gallery turnover growth	3.70%
Gallery rent to turnover ratio	4.10%
Gallery occupancy cost ratio	5.80%
Visitors 2006/7 (million)	2.41

Major tenants:
ICA Maxi, H&M, KappAhl, Stadium, Lindex, JC

Total lettable area	15,000m²
ECP ownership	15,000m²
Cost (€ million)	19.00
Occupancy	100%
Rental income (€ million)	1.23

Major tenants:
El Giganten, K-rauta, Sportex, Expert, Skopunkten

4

Total lettable area	20,740m²
Retail/Gallery	8,000m²
Hyper(ICA Maxi)	10,000m²
Other Retail	2,740m²
ECP ownership	10,740m²
Value (€ million)	30.78
Occupancy	100%
Renewal profile 2007–2009	60%
Rental income (€ million)	1.49
Rental growth	1.58%
Boutiques <300m² turnover/m² (€)	5,953
Gallery turnover growth	1.90%
Gallery rent to turnover ratio	5.10%
Gallery occupancy cost ratio	6.60%
Visitors 2006/7 (million)	1.15

Major tenants:
H&M, Stadium, KappAhl, Lindex, Team Sportia, JC, OnOff, Dala Hemma

5 Burlöv Centre

Malmö (Skåne)

The refurbished and expanded Burlöv Centre was relaunched in June 2006 and has resulted in turnover growth of 11.8% over the last year with the boutiques up 23%. The 6,000m² extension has provided sufficient new retail space for Burlöv to be remerchandised, in particular strengthening its fashion and household retail offer to withstand expected further retail competition in the Malmö region.

5

5

Total lettable area	41,350m²
Retail/Gallery	22,000m²
Hyper (Coop Forum)	19,350m²
ECP ownership	41,350m²
Value (€ million)	121.09
Occupancy	100%
Renewal profile 2007–2009	10%
Rental income (€ million)	6.83
Rental growth	2.16%
Boutiques <300m² turnover/m² (€)	5,727
Gallery turnover growth	22.90%
Gallery rent to turnover ratio	5.60%
Gallery occupancy cost ratio	7.00%
Visitors 2006/7 (million)	4.04

Major tenants:
Coop Forum, H&M, KappAhl, Lindex, Stadium, Systembolaget, JC, Cubus, OnOff, Cervera

6 Samarkand

Växjö (Småland)

Samarkand remains the most important external retail destination in Växjö. ECP's tenants in the non-food sector have performed consistently well, with Stadium, Intersport and OnOff recently committing to new long term tenancies. The 12,000m² Coop hypermarket has, however, suffered due to new hypermarket competition and they vacated the property in August 2007, with their lease expiring in December 2008. This provides an opportunity to create a full range shopping centre, linking into the adjoining ICA Maxi hypermarket. Initial plans are being investigated and discussed with existing and prospective new tenants.

6

6

Total lettable area	37,000m²
Retail Park	14,400m²
Hypers (ICA, Coop)	22,600m²
ECP ownership	24,530m²
Value (€ million)	39.25
Occupancy	100%
Renewal profile 2007–2009	40%
Rental income (€ million)	2.69
Rental growth	4.08%
Gallery turnover growth	3.90%
Gallery rent to turnover ratio	3.10%
Gallery occupancy cost ratio	4.20%

Major tenants:
Coop Forum, H&M, KappAhl, Stadium, Systembolaget, OnOff, Intersport

7 Mellby Centre

Laholm (Halland)

Although Mellby remains a relatively small shopping centre it has an important ICA Maxi hypermarket and is located next to the E4 motorway in a busy coastal holiday destination providing additional summer peak trading. ECP is therefore currently investigating an expansion of 4,000m² to provide a broader retail mix.

7

7

Total lettable area	11,420m²
Retail/Gallery	3,185m²
Hyper (ICA Maxi)	8,235m²
ECP ownership	11,420m²
Value (€ million)	17.62
Occupancy	100%
Renewal profile 2007–2009	56%
Rental income (€ million)	1.21
Rental growth	1.15%
Boutiques <300m² turnover/m² (€)	4,021
Gallery turnover growth	3.60%
Gallery rent to turnover ratio	4.60%
Gallery occupancy cost ratio	6.10%
Visitors 2006/7 (million)	2.13

Major tenants:
ICA Maxi, KappAhl, Lindex, Dressman

8 MaxiHuset

Skövde (Västergötland)

Construction started in August 2007 on a 10,000m² extension 80% pre-let to major tenants H&M, Cubus, MQ, Gina Tricot, Apoteket as well as ICA, who will add an additional 2,500m² to their existing 7,500m² hypermarket. ICA have entered into a new 15 year lease with a turnover clause provision. The SEK 300 million project will include the complete refurbishment of the existing 9,000m² gallery and the construction of a new underground car park.

8

8

Total lettable area	17,445m²
Retail/Gallery	9,195m²
Hyper (ICA Maxi)	7,500m²
Offices	750m²
ECP ownership	17,445m²
Value (€ million)	37.85
Occupancy	100%
Renewal profile 2007–2009	56%
Rental income (€ million)	2.01
Rental growth	0.97%
Boutiques <300m² turnover/m² (€)	4,021
Gallery turnover growth	5.30%
Gallery rent to turnover ratio	4.60%
Gallery occupancy cost ratio	6.30%
Visitors 2006/7 (million)	1.60

Major tenants:
ICA Maxi, KappAhl, Lindex, Siba, Sportex, El Giganten, Cervera

9 Moraberg

Södertälje (Södermanland)

Moraberg retail park adjoins the E4 motorway south of Stockholm and is let to Sweden's major box retailers in the bulky goods sector. Although the property is let on long term leases, an opportunity exists to replace Silvan, a DIY retailer who has vacated but has a lease until 2013 at a low rent. ECP is currently investigating several possible replacements and is also working with an existing tenant, El Giganten, who would like a larger store.

9

9

Total lettable area	19,040m²
ECP ownership	19,040m²
Value (€ million)	43.44
Occupancy	100%
Renewal profile 2007–2009	0%
Rental income (€ million)	2.48
Rental growth	1.82%

Major tenants:
OnOff, Siba, El Giganten, Rusta, Jysk, Plantagen, Intersport

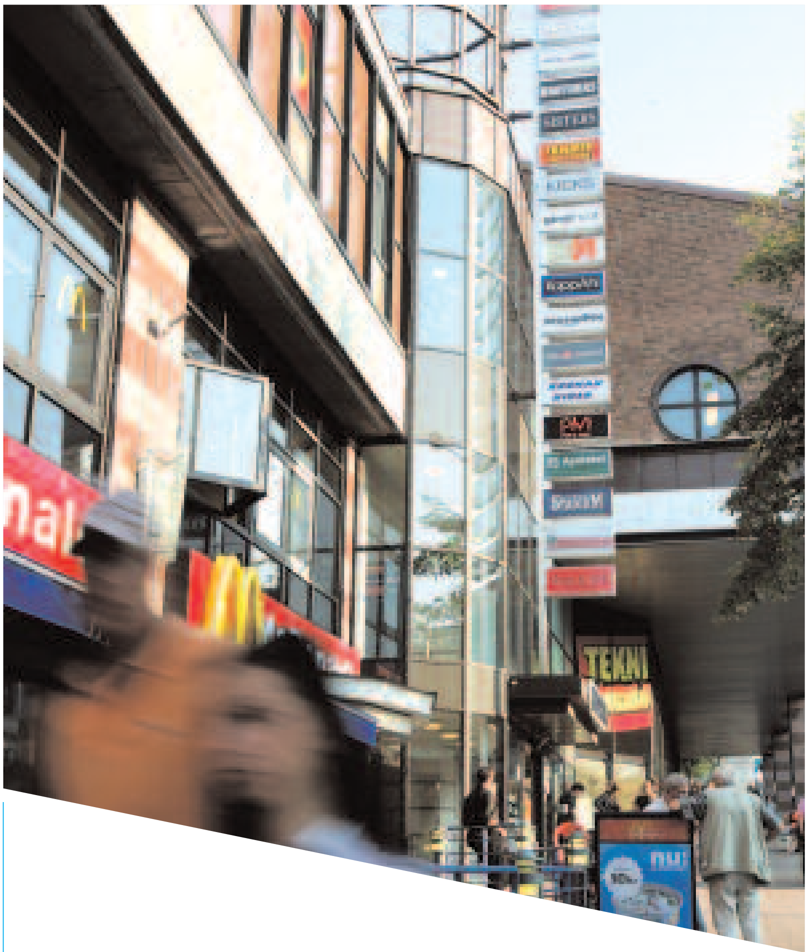
10 Kronan

Karlskrona (Blekinge)

Kronan shopping centre is a city centre gallery located in the prime retail pitch of Karlskrona. The property has a total lettable area of 7,055m², including 5,883m² of retail, and is let to 19 tenants including sports retailer Stadium and fashion retailers, KappAhl, Gina Tricot, MQ, Brothers, Sisters and Jack & Jones.

There are several immediate rental reversions arising from ongoing lease renegotiations and other opportunities exist to improve cost recovery which should result in an early increase in net operating income improving the acquisition yield of 5.4%. The merchandising will be strengthened by introducing further national fashion chains. Pedestrian flow through the centre will also increase once a new rear entrance has been built linking the property to the main public transport terminals and parks which are being developed by the municipality behind the property.

10



10

Total lettable area	7,055m²
Retail/Gallery	5,883m²
Offices	1,172m²
ECP ownership	7,055m²
Value (€ million)	14.44
Occupancy	100%
Renewal profile 2007–2009	65%
Rental income (€ million)	0.86
Gallery turnover growth	7.00%
Gallery rent to turnover ratio	5.30%
Gallery occupancy cost ratio	6.40%
Visitors 2006/7 (million)	1.80

Major tenants:
Stadium, KappAhl, Gina Tricot, MQ, Brothers, Sisters, Jack & Jones


SISTERS
KappAhl

The Amsterdam office market is gradually improving although high vacancy levels persist in most submarkets except Amsterdam South. It therefore remains a tenant's market with generous incentives removing any prospects of real rental growth in the short term. Conversely, the investment market has been very strong and competitive on the rare occasions where modern buildings have been offered, let to good covenants on leases of at least ten years duration.

Kingsfordweg 1
Amsterdam

Total lettable area	39,475m²
ECP ownership	39,475m²
Value (€ million)	87.50
Occupancy	100%
Renewal profile	Lease expires in August 2009
Rental income (€ million)	7.05
Rental growth	1.40%
Tenant: Government of The Netherlands	

ECP owns two modern logistics properties in the Ile de France, Paris region and four warehouses across The Netherlands. During the year the 14,900m² unit at Pontoise was relet at a rent of €50/m² and a new six year lease signed with Staci, a well established logistics company.

Netherlands

Galvanibaan 5
Nieuwegein (Utrecht)

Total lettable area	5,446m²
ECP ownership	5,446m²
Value (€ million)	4.23
Occupancy	100%
Renewal profile	Lease expires in June 2009
Rental income (€ million)	0.39
Rental growth	1.70%

Tenant:
Koninklijke Fabriek Inventum

Koeweistraat 10
Waardenburg (Gelderland)

Total lettable area	2,900m²
ECP ownership	2,900m²
Value (€ million)	2.21
Occupancy	100%
Renewal profile	Lease expires in February 2009
Rental income (€ million)	0.21
Rental growth	1.10%

Tenant:
Koninklijke Olland Groep

Horsterweg 20
Maastricht-Airport (Limburg)

Total lettable area	8,760m²
ECP ownership	8,760m²
Value (€ million)	4.38
Occupancy	100%
Renewal profile	Lease expires in December 2010
Rental income (€ million)	0.35
Rental growth	1.30%

Tenant:
Eagle Global Logistics (Holland)

Standaardruiter 8
Veenendaal (Utrecht)

Total lettable area	7,170m²
ECP ownership	7,170m²
Value (€ million)	3.81
Occupancy	100%
Renewal profile	Lease expires in February 2009
Rental income (€ million)	0.35
Rental growth	0.90%

Tenant:
Boxal Netherlands

France

Rue des Béthunes
Pontoise (Val d'Oise)

Total lettable area	28,599m²
ECP ownership	28,599m²
Value (€ million)	18.64
Occupancy	100%
Rental income (€ million)	1.43

Major tenants:
Staci, Lancel

Parisud
Sénart (Seine et Marne)

Total lettable area	20,097m²
ECP ownership	20,097m²
Value (€ million)	11.49
Occupancy	100%
Rental income (€ million)	0.83
Rental growth	3.00%

Major tenants:
La Grande Récrée

Jeremy Lewis Chief Executive
The founding Director of the Company in 1991, Mr Lewis (62), by profession a chartered surveyor, has had more than 30 years international experience in the running of quoted property investment vehicles.

Evert Jan van Garderen Finance Director
Evert Jan van Garderen (45), a Netherlands national and graduate of Erasmus University Rotterdam, joined the Company in 1994. He is a qualified lawyer and chartered accountant.

Peter Mills Director
Peter Mills (48) joined ECP in 1993 and is the Director responsible for the Company's property investment in The Netherlands and Sweden. Prior to joining the Company, he worked for major international property consultants covering the UK and European retail markets in France and Italy. Peter Mills is a chartered surveyor having previously read Land Economy at Cambridge University.

Tom Newton Director
Having acquired experience in the property markets of UK, Australia and France, Tom Newton (49) joined ECP in 1992. Since then he has been involved in the acquisition programme in France and Italy and now has responsibility for the portfolio in France. Tom Newton has a degree in modern languages from Durham University and is a chartered surveyor.

Tim Santini Director
Tim Santini (41) joined ECP in 1994 and is the Director responsible for the Italian activities of the Company. Prior to joining ECP he was with the retail team of a major international property consultant in London working on projects in the United Kingdom and continental Europe. Tim speaks French and Italian and is a chartered surveyor.

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 the profit appropriation. It has powers regarding 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 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 execution of internal risk and 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 period of maximum four years. Any proposal for appointment or reappointment to the General Meeting of Shareholders shall be properly explained. In the case of a reappointment, account will be taken of the candidate's performance and functioning as a Supervisory Director. The rules and regulations of the Supervisory Board stipulate that the maximum term of office is 12 years, unless there are weighty reasons (for which explanations must be expressly given) to justify a longer term. A resolution by the General Meeting of Shareholders to dismiss or suspend can be passed with a simple majority of the votes cast, representing more than half of the issued capital.

The Supervisory Board has decided to also function as the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee, as the Supervisory Board consists only of five members.

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 and 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 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 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 has been updated recently. The report is posted on the Company's website. A resolution by the General Meeting of Shareholders to dismiss or suspend 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.

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 November 2009, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares 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.

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 disinvestments 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 (re)financing 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 in 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, vacancy and doubtful debtors and weekly meetings between the Board of Management and area directors to review each country's performance against budget 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.

Because of 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.

External auditor
The external auditor is appointed by the General Meeting of Shareholders. The external auditor will attend 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 will be 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 have discussed in detail the effect of the Code on the corporate governance structure of the Company. Various codes and rules and regulations for the Company and its subsidiaries were prepared and adopted.

The Company complies with all but five 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 and rules and regulations have been posted on the website of the Company.

The only practice provisions with which the Company does not fully comply or which require an explanation are:

Provision III.4.3 of the Code
Due to its size the Company has not appointed a company secretary.

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.1.7 of the Code
The present system for casting votes has worked in a completely satisfactory way since the inception of the Company and we believe that there is no benefit to it, its shareholders and holders of depositary receipts to change this.

Provision IV.3.1 of the Code
No arrangements have been made to follow analysts' and shareholders' meetings in real time by means of webcasting or telephone for reasons of costs.

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

Organisation
ECP has had offices in Amsterdam and London since inception, but the Company's increased focus on France, Italy and Sweden, has led to the opening of additional 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 The Netherlands and Scandinavia.

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 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 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. The remuneration policy is set out in the Remuneration report posted on the Company's website. A summary of the Remuneration report is included in the report of the Board of Supervisory Directors on page 59.

Risk management policies
The Company has a long term investment horizon, especially for retail properties, and 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 abovementioned controls.

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

All major property decisions are discussed and reviewed at weekly meetings of the Property Committee attended by the Chief Executive, the heads of the French, Italian and Swedish businesses, their deputies and the Group Economist. The group reviews the item – be it an acquisition, development project, property management, leasing, extension/refurbishment or divestment – 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 the Property Committee.

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

There are five main areas of risks that the Company has identified: strategic risk, operational risk, financial risk, reporting risk and compliance risk.

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.

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, development 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 and doubtful debtors are also regularly reviewed to assist in decision making.

Operational risk
Asset and tenant selection
The Company seeks to minimise risks by investing with a prudent yield allowance, based on rents that can survive a downturn in consumer spending and 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 advisors and accountants.

The creditworthiness of tenants is also researched thoroughly, and bank guarantees or deposits are typically obtained. 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.

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 issues within each property.

Financial risk
Credit risk
The Company minimises the risks related to the possible defaults of its counterparties by dealing with a large number of 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. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt. The credit risk has also been reduced by investing in mature markets and by choosing major tenants also on the basis of their financial strength. Moreover, the Company mitigates the potential negative effects of a possible default by tenants by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period.

Interest rate risk
As the Company's policy is to have long term investments, the borrowings used for funding them also have a long term (preferably for ten years or more). The Company uses interest rate swaps and other financial instruments to manage its interest rate risk. It is the policy of the Company to operate a defensive interest rate hedging policy to protect the Company against increase of interest rates. The Company is hedged at an average interest rate of 4.8% and only 17.2% of the current 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 €1.37 million or 2.3% 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 flexible long term borrowings (which allow no penalty repayments and re-drawing of funds up to agreed amounts) and short term committed lines. During this financial year the Company (re)negotiated four loans with Italian banks and one loan with a Swedish bank to increase its long term exposure (for further details please refer to Note 17 of the Consolidated financial statements).

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 Company has increased its exposure to the Swedish property markets over the year, therefore increasing its exposure to the Swedish Krona, the only significant foreign currency exposure for the Company. However, due to SEK loan facilities with major banks, a hedging of the foreign currency is achieved up to 50%. 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% would result, for example, in a decrease of shareholders equity of only 1% of reported net asset value.

Reporting risk

The Company draws up an annual budget by country and individual asset, which is compared on a monthly basis with actual results. 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 external auditor is appointed at the Annual General Meeting of shareholders.

Compliance risk

At the corporate level the Company complies with the Netherlands Tabaksblat Corporate Governance Code and the Netherlands Act on Financial Supervision. 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 *(Wet financieel toezicht)* 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 2006/2007 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, no observations were made that during the financial year 2006/2007 the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description.

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 to prevent material inaccuracies in the financial statements of the Company for the financial year 2006/2007, as included in this Annual Report, 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. Its insurance programme has been benchmarked against its peer groups.

Permit

The Company was 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 considerable 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 2007 based on IFRS.

The IFRS Profit after Taxation (Total Investment Result) for the financial year ended 30 June 2007 increased by 11% to €259.5 million compared with €233.9 million for the financial year ended 30 June 2006. The IFRS Profit after Taxation includes contributions from unrealised increases in property values less 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 profit, 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 profit figure, which includes unrealised "capital" movements.

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 2007 was €35.21 per depositary receipt compared with €29.41 at 30 June 2006. The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €150.9 million when calculating net asset value. Under current circumstances in the only two markets where CGT would be payable by ECP, Italy and Sweden, the majority of larger property transactions are made through the sale of the owning corporate entity and purchasers accept all or a major part of the potential CGT liability.

Amsterdam, 28 August 2007

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

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 2007, as drawn up by the Board of Management. The auditors, Ernst & Young, have examined the financial statements and have issued an unqualified report thereon. We recommend that you adopt the financial statements.

Dividend proposal
We support the proposal of the Board of Management to distribute a cash dividend of €1.67 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2007. 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 attended by the members of the Board of Management. In addition to those meetings there was regular contact between the Supervisory Board members and the members of the Board of Management with particular reference to the Company's ongoing property acquisition strategy. 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 and systems and corporate governance. Furthermore, the contents of press releases, the Annual Report, the Interim Report and the Quarterly Reports were discussed. 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. 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 (the Tabaksblat 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 we report about 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 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 Supervisory Board also functions as the Selection and Appointment Committee.

Summary Remuneration report
The purpose of our 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 bonus guaranteed. 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.

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 the Annual General Meeting of Shareholders held on 7 November 2006 adopted the resolution to increase the remuneration for the Supervisory Directors by €2,500 to €25,000 for each member and by €5,000 to €35,000 for the Chairman for the financial year 2006/2007.

Profile and composition of the Supervisory Board
All members of the Supervisory Board are independent. The profile and role and responsibility 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 website of the Company.

During the year under review the Supervisory Board was composed as follows:

Mr W.G. van Hassel (60), Chairman, of Dutch nationality, member of the Supervisory Board since 1997, was reappointed in 2006 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:

Holding AVR-Bedrijven N.V.
Ahoy Rotterdam N.V. (Chairman)
Stichting Woningbedrijf Rotterdam
Bakkenist & Emmens N.V. (Chairman)

Mr H.W. Bolland (61), of British nationality, member of the Supervisory Board since 1998, was reappointed in 2004 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:

Alliance Trust plc
Fidelity Asian Values plc
JP Morgan Fleming Indian Investment Trust plc

Mr J.H. Goris (75), of Dutch nationality, member of the Supervisory Board since 1996, was reappointed in 2006 for a period of one year. He is a former member of the Executive Board of Philips N.V. and a former professor in corporate finance of the University of Tilburg, The Netherlands. He is a member of the following (supervisory) boards:

Adelphi Capital Fund plc
Koninklijke Nederlandse Springstoffen Fabriek N.V.
Van Straten Bouw N.V.

Mr J.C. Pollock (67), of British nationality, member of the Supervisory Board since 2005, was appointed in 2005 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.

Mr A.E. Teeuw (61), of Dutch nationality, member of the Supervisory Board since 2006, who was appointed in 2006 for a period of four years. He is a former Chief Executive Officer of the listed financial institution Binck N.V. of Amsterdam and a former Managing Director of Barclays Bank plc. Mr Teeuw worked for more than 30 years as a banker in the international practice until he retired at the end of 2005. He is a member of the following supervisory boards:

RDC Datacentrum B.V. (Chairman)
HiQ Invest

Appointments
At the Annual General Meeting of Shareholders held on 7 November 2006, Mr A.E. Teeuw was appointed as member of the Supervisory Board for a period of four years.

At the forthcoming Annual General Meeting of Shareholders to be held on 6 November 2007, Mr J.H. Goris will retire as he has reached the age limit of 75.

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:

2008: Mr H.W. Bolland
2009: Mr J.C. Pollock
2010: Mr W.G. van Hassel, 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, 28 August 2007

Board of Supervisory Directors
W.G. van Hassel, Chairman
H.W. Bolland
J.H.Goris
J.C. Pollock
A.E. Teeuw

L to R: W.G. van Hassel, J.C. Pollock, A.E. Teeuw, J.H. Goris, H.W. Bolland.

Key financial information (consolidated)

For the financial year ended	30/06/1998 €'000	30/06/1999 €'000	30/06/2000 €'000	30/06/2001 €'000	30/06/2002 €'000	30/06/2003 €'000	30/06/2004 €'000	30/06/2005 €'000	30/06/2006 €'000	30/06/2007 €'000
	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	IFRS	IFRS	**IFRS**
Profit and loss account										
Net property income	26,394	32,541	43,062	56,775	65,882	66,341	76,527	80,784	87,215	**95,830**
Net interest expense	(4,058)	(5,565)	(9,489)	(19,227)	(23,986)	(20,519)	(23,154)	(24,631)	(23,477)	**(28,944)**
Company expenses	(3,205)	(3,686)	(5,033)	(6,247)	(6,961)	(5,940)	(6,986)	(6,874)	(7,685)	**(7,889)**
Direct investment result	19,128	23,281	28,540	31,284	34,542	39,563	44,872	49,204	56,073	**58,997**
Indirect investment result	34,495	35,106	44,637	26,576	40,162	13,704	17,666	64,749	177,854	**200,475**
Profit after taxation	53,623	58,387	73,177	57,860	74,704	53,267	62,538	113,953	233,927	**259,472**
Balance sheet before income appropriation										
Total assets	462,122	532,314	784,796	1,060,959	1,216,662	1,254,015	1,416,811	1,597,042	1,891,430	**2,267,934**
Property investments	387,235	509,552	766,677	1,013,753	1,041,545	1,110,356	1,306,304	1,498,081	1,782,338	**2,197,070**
Cash and deposits	57,336	8,802	1,949	22,016	156,628	122,293	84,070	73,011	76,581	**18,044**
Borrowings	121,892	131,397	269,369	463,729	512,004	507,567	590,367	566,191	643,537	**798,302**
Shareholders' equity	322,209	371,166	456,684	533,088	631,277	659,224	707,424	828,144	1,037,679	**1,242,118**
Number of depositary receipts representing shares in issue at balance sheet date	18,876,549	19,575,700	23,038,762	25,544,853	28,572,841	29,263,103	30,540,500	34,462,476	35,277,619	**35,277,619**
Average number of depositary receipts representing shares in issue	17,072,268	19,284,547	21,853,009	24,943,097	26,073,611	28,977,543	29,937,616	31,589,214	34,938,162	**35,277,619**
Per depositary receipt (€)										
Net asset value	17.07	18.96	19.82	20.87	22.09	22.53	23.16	24.03	29.41	**35.21**
Direct investment result	1.12	1.21	1.31	1.25	1.32	1.37	1.50	1.56	1.60	**1.67**
Indirect investment result	2.02	1.82	2.04	1.07	1.54	0.47	0.59	2.05	5.10	**5.69**
Dividend	1.13	1.19	1.26	1.33	1.40	1.43	1.50	1.55	1.60	**1.67**
Property information										
Sector spread (%)										
Retail	65	62	74	77	84	85	88	90	91	**92**
Office	30	34	23	19	12	11	9	7	7	**6**
Warehouse	5	4	3	4	4	4	3	3	2	**2**
	100	100	100	100	100	100	100	100	100	**100**
Stock market prices										
Last sale at the end of June on Euronext Amsterdam (€; depositary receipts)	18.38	20.40	18.40	18.85	19.10	21.55	24.95	30.10	29.96	**38.32**

Note

The Company's shares are listed in the form of bearer depositary receipts on Eurolist by Euronext Amsterdam (the Amsterdam Stock Exchange) and Eurolist by Euronext Paris (the Paris 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.

	Note	2006/2007 €'000	2005/2006 €'000
Rental income	4	112,265	102,360
Service charges income	4	15,354	13,049
Service charges expenses		(17,658)	(15,725)
Property expenses	5	(14,131)	(12,469)
Net property income	2	95,830	87,215
Investment revaluation	6	217,439	193,715
Interest income	7	652	599
Interest expenses	7	(29,596)	(24,076)
Foreign currency result	7	0	48
Fair value movement derivative financial instruments	7	26,564	42,077
Net financing income/cost	7	(2,380)	18,648
Company expenses	8	(7,889)	(7,685)
Investment expenses	10	(4,829)	(2,919)
Profit before taxation		298,171	288,974
Corporate income tax	11	0	(28)
Deferred tax	11	(38,699)	(55,019)
Profit after taxation		259,472	233,927
Per depositary receipt (€)			
Profit after taxation	24	7.36	6.70
Diluted profit after taxation	24	7.22	6.56

	2006/2007 €'000	2005/2006 €'000
Rental income	112,265	102,360
Service charges income	15,354	13,049
Service charges expenses	(17,658)	(15,725)
Property expenses	(14,131)	(12,469)
Net property income	95,830	87,215
Interest income	652	599
Interest expenses	(29,596)	(24,076)
Foreign currency result	0	48
Net financing expenses	(28,944)	(23,429)
Company expenses	(7,889)	(7,685)
Direct investment result before taxation	58,997	56,101
Corporate income tax	0	(28)
Direct investment result	58,997	56,073
Investment revaluation	217,439	193,715
Fair value movement derivative financial instruments	26,564	42,077
Investment expenses	(4,829)	(2,919)
Indirect investment result before taxation	239,174	232,873
Deferred tax	(38,699)	(55,019)
Indirect investment result	200,475	177,854
Total investment result	259,472	233,927
Per depositary receipt (€)		
Direct investment result	1.67	1.60
Indirect investment result	5.69	5.10
Total investment result	7.36	6.70

	Note	30-06-07 €'000	30-06-06 €'000
Property investments	12	2,178,849	1,782,338
Property investments under development	12	18,221	0
Tangible fixed assets	13	941	788
Receivables	14	2,324	1,767
Derivative financial instruments	18	18,919	4,677
Total non-current assets		2,219,254	1,789,570
Receivables	14	30,636	25,279
Cash and deposits	15	18,044	76,581
Total current assets		48,680	101,860
Total assets		2,267,934	1,891,430
Corporate tax payable		8,106	8,183
Creditors	16	49,151	39,674
Borrowings	17	114,195	71,030
Total current liabilities		171,452	118,887
Creditors	16	17,942	31,255
Borrowings	17	684,107	572,507
Derivative financial instruments	18	1,221	13,421
Deferred tax liabilities	19	150,952	117,207
Provision for pensions	20	142	474
Total non-current liabilities		854,364	734,864
Total liabilities		1,025,816	853,751
Net assets		1,242,118	1,037,679
Equity Eurocommercial Properties shareholders			
Issued share capital	21	176,388	176,388
Share premium reserve	22	324,392	327,196
Other reserves	23	481,866	300,168
Undistributed income		259,472	233,927
		1,242,118	1,037,679
Number of depositary receipts representing shares in issue	21	35,277,619	35,277,619
Net asset value – € per depositary receipt		35.21	29.41

	Note	2006/2007 €'000	2005/2006 €'000
Cash flow from operating activities			
Profit after taxation		259,472	233,927
Adjustments:			
Movement stock options	22	316	316
Investment revaluation	6	(221,072)	(193,448)
Derivative financial instruments	18	(26,564)	(42,077)
Deferred tax	19	38,699	55,019
Other movements		1,638	1,097
		52,489	54,834
Cash flow from operations			
Increase in receivables		(12,890)	(2,831)
Increase in creditors		30,177	31,172
Capital gains tax		(12,785)	(20,007)
Derivative financial instruments	7	94	(3,694)
Interest paid		(27,984)	(24,998)
Interest received		653	559
		29,754	35,035
Cash flow from investment activities			
Property acquisitions	12	(164,641)	(39,330)
Capital expenditure	12	(23,509)	(40,341)
Additions to tangible fixed assets	13	(438)	(212)
		(188,588)	(79,883)
Cash flow from finance activities			
Proceeds issued shares	21	0	143
Borrowings added	17	408,798	297,451
Repayment of borrowings	17	(253,034)	(222,160)
Dividends paid		(32,031)	(28,446)
Depositary receipts bought back		(23,279)	0
Increase in non-current creditors		48	1,654
		100,502	48,642
Net cash flow		(58,332)	3,794
Currency differences on cash and deposits		(205)	(224)
Decrease/increase in cash and deposits	15	(58,537)	3,570
Cash and deposits at beginning of year	15	76,581	73,011
Cash and deposits at end of year	15	18,044	76,581

The movements in shareholders' equity in the financial year ended 30 June 2007 were:

	Note	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2006		176,388	327,196	300,168	233,927	1,037,679
Profit previous financial year	23			201,957	(201,957)	0
Profit for the period					259,472	259,472
Dividends paid			(61)		(31,970)	(32,031)
Depositary receipts bought back			(3,059)	(20,220)		(23,279)
Stock options granted	22		316			316
Foreign currency translation differences				(39)		(39)
30-06-2007		**176,388**	**324,392**	**481,866**	**259,472**	**1,242,118**

The movements in shareholders' equity in the previous financial year ended 30 June 2006 were:

	Note	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2005 reported		172,312	330,666	258,680	128,777	890,435
IFRS adjustments			213	(47,680)	(14,824)	(62,291)
30-06-2005 amended		172,312	330,879	211,000	113,953	828,144
Issued shares	21	4,076	(3,933)			143
Profit previous financial year	23			85,573	(85,573)	0
Profit for the period					233,927	233,927
Dividends paid			(66)		(28,380)	(28,446)
Stock options granted	22		316			316
Foreign currency translation differences				3,595		3,595
30-06-2006		176,388	327,196	300,168	233,927	1,037,679

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 2006 and ending 30 June 2007 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 (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission as per 30 June 2007.

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 2007 or later. The Group has decided not to adopt immediately such standards, amendments and interpretations.

(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 that the following assets and liabilities are stated at fair value: property investments, 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 ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revisions affect only that period, or in the year of the revisions and future periods if the revisions affect both current and future periods.

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.

(c) 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 presently are 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:

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

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 directly to a separate component of equity (currency translation reserve). On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the profit and loss account.

1. Principal accounting policies (continued)

Property investments
Property investments are stated at fair value. It is the Company's policy that all property investments 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. At 31 December the independent experts draw up an update of the previous comprehensive valuation report. 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. Property investments held under finance leases and leased to tenants under operational leases are stated at fair value.

Movements in the fair value of property investments 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 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 since these are stated at fair value in accordance with IAS 40.

Property investments 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. The cost of financing the renovation or extension of property investments 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.

Property investments under development
Property investments under development are valued at cost including capitalised interest less any cumulative impairment losses until such time when the construction or development is completed, at which time they are reclassified and subsequently independently valued as property investments. The difference between the fair value at that time and the book value is recognised in the profit and loss account.

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

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

Borrowings
All borrowings are at a floating interest rate, rolled over for a period of generally three months. Interest rate risk is managed by using interest rate swaps and other derivative financial instruments. Therefore, the fair value of borrowings is considered to be reflected by the nominal value. 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 present value.

Derivative financial instruments
The Company and its subsidiaries use derivative financial instruments to hedge (part of) its 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, the value changes are recognised immediately in the profit and loss account, unless hedge accounting applies, in which case the value changes are accounted for directly in the equity. The Company implements its derivative hedging at a consolidated corporate level; therefore the detailed requirements of a formal hedge accounting procedure are not applied.

Derivative financial instruments are recognised initially at cost (fair value). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on remeasurement 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. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

Deferred tax liabilities
Deferred tax liabilities represent the nominal value of contingent liabilities to taxation arising from differences between the property appraisals and book values for tax purposes and other taxable temporary differences, taking into account recoverable tax losses of which it is probable that these can be utilised, provided there is a legal enforceable right to offset, settlement dates are similar and tax is levied by the same tax authority on the same taxable entity.

Provisions
A provision is recognised in the balance sheet when a legal or actual 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 independent external actuaries 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.

1. Principal accounting policies (continued)

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 corporate 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, foreign exchange gains and losses on foreign currency transactions 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.

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.

Corporate income 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, notable a listing at Euronext Paris 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.

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

Corporate income 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.

Direct investment result and indirect investment result
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 corporate income tax. The indirect investment result consists of the investment revaluation, the fair value movement of derivative financial instruments, investment expenses and deferred tax. This presentation is not obligatory under IFRS.

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.

Segmented information
Segmented information is primarily presented by country (France, Italy, Sweden and The Netherlands) and secondarily by property sector (retail, office, warehouse).

2. Segment information

	France		Italy		Sweden		The Netherlands		Total	
	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000
Rental income	38,819	36,235	43,414	39,944	22,231	18,511	7,801	7,670	112,265	102,360
Service charge income	4,559	4,560	3,350	2,757	6,839	5,337	606	395	15,354	13,049
Service charge expenses	(5,520)	(5,705)	(3,350)	(2,757)	(8,182)	(6,868)	(606)	(395)	(17,658)	(15,725)
Property expenses	(4,311)	(4,192)	(6,024)	(5,347)	(2,787)	(2,048)	(1,009)	(882)	(14,131)	(12,469)
Net property income	33,547	30,898	37,390	34,597	18,101	14,932	6,792	6,788	95,830	87,215
Investment revaluation	114,640	81,904	63,401	77,777	38,440	34,077	958	(43)	217,439	193,715
Segment result	148,187	112,802	100,791	112,374	56,541	49,009	7,750	6,745	313,269	280,930
Net financing income/cost									(2,380)	18,648
Company expenses									(7,889)	(7,685)
Investment expenses									(4,829)	(2,919)
Profit before taxation									298,171	288,974
Corporate income tax									0	(28)
Deferred tax									(38,699)	(55,019)
Profit after taxation									259,472	233,927
Property investments	762,431	621,730	844,470	723,300	488,039	336,258	102,130	101,050	2,197,070	1,782,338
Tangible fixed assets	222	143	413	392	76	7	230	246	941	788
Receivables	19,436	12,548	8,774	9,415	2,614	4,007	2,136	1,076	32,960	27,046
Derivative financial instruments	1,317	152	11,261	2,118	6,341	2,407	0	0	18,919	4,677
Cash and deposits	402	876	230	435	5,496	5,825	11,916	69,445	18,044	76,581
Total assets	783,808	635,449	865,148	735,660	502,566	348,504	116,412	171,817	2,267,934	1,891,430
Corporate tax payable	8,106	8,183	0	0	0	0	0	0	8,106	8,183
Creditors	11,970	14,662	14,613	10,161	14,149	12,283	8,419	2,568	49,151	39,674
Non-current creditors	14,515	22,076	3,426	9,177	1	2	0	0	17,942	31,255
Borrowings	149,817	150,000	403,565	337,086	244,920	156,451	0	0	798,302	643,537
Derivative financial instruments	402	6,627	819	6,164	0	630	0	0	1,221	13,421
Deferred tax liabilities	0	0	87,861	67,458	63,091	49,749	0	0	150,952	117,207
Provision for pensions	0	0	0	0	0	0	142	474	142	474
Total liabilities	184,810	201,548	510,284	430,046	322,161	219,115	8,561	3,042	1,025,816	853,751
Acquisitions and capital expenditure (including capitalised interest)	25,071	12,914	57,548	18,041	113,236	49,966	(4)	0	195,851	80,921

2. Segment information (continued)

	Retail		Offices		Warehouses		Total	
	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000	06/07 €'000	05/06 €'000
Rental income	100,003	90,437	8,824	8,644	3,438	3,279	112,265	102,360
Service charge income	14,247	12,128	606	396	501	525	15,354	13,049
Service charge expenses	(16,442)	(14,715)	(606)	(396)	(610)	(614)	(17,658)	(15,725)
Property expenses	(13,012)	(11,485)	(772)	(733)	(347)	(251)	(14,131)	(12,469)
Net property income	84,796	76,365	8,052	7,911	2,982	2,939	95,830	87,215
Investment revaluation	210,085	188,912	4,883	4,120	2,471	683	217,439	193,715
Segment result	294,881	265,277	12,935	12,031	5,453	3,622	313,269	280,930
Net financing income/cost							(2,380)	18,648
Company expenses							(7,889)	(7,685)
Investment expenses							(4,829)	(2,919)
Profit before taxation							298,171	288,974
Corporate income tax							0	(28)
Deferred tax							(38,699)	(55,019)
Profit after taxation							259,472	233,927
Property investments	2,028,310	1,621,588	124,000	119,000	44,760	41,750	2,197,070	1,782,338
Other assets	49,632	25,435	1,670	628	45	114	51,347	26,177
Segment assets	2,077,942	1,647,023	125,670	119,628	44,805	41,864	2,248,417	1,808,515
Unallocated assets							19,517	82,915
Total assets							2,267,934	1,891,430
Current liabilities	48,209	45,023	4,004	2,816	202	18	52,415	47,857
Non-current liabilities	19,010	30,825	0	0	153	430	19,163	31,255
Segment liabilities	67,219	75,848	4,004	2,816	355	448	71,578	79,112
Unallocated liabilities							954,238	774,639
Total liabilities							1,025,816	853,751
Acquisitions and capital expenditure (including capitalised interest)	195,224	80,921	117	0	510	0	195,851	80,921

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 2007 SEK 10 was €1.08079 (30 June 2006: €1.08240) and GBP 1 was €1.48368 (30 June 2006: €1.44488).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	30-06-07 €'000	30-06-06 €'000
Gross lease payments collected/accrued	**111,345**	101,299
Amortisation of capitalised entry fees	**920**	1,061
	112,265	102,360

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 implies that if the agreed percentage of turnover from the shop exceeds the indexed base rent, the tenant will pay the difference to the landlord. The future aggregate minimum rent (turnover rent not included) receivable under non-cancellable operating leases is approximately amounting to:

	30-06-07 €'000,000	30-06-06 €'000,000
– less than one year	**92**	77
– one to five years	**244**	214
– five years or more	**32**	27
– total	**368**	318

Approximately 2.5 per cent of the rental income for the year ended 30 June 2007 is turnover rent (2005/2006: 3 per cent).

Service charges income 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:

	30-06-07 €'000	30-06-06 €'000
Direct property expenses		
Bad debts	91	184
Centre marketing expenses	883	729
Insurance premiums	741	771
Managing agent fees	1,480	1,376
Property taxes	1,282	1,041
Repair and maintenance	1,253	959
Shortfall service charges	164	182
	5,894	5,242
Indirect property expenses		
Accounting fees	342	269
Audit fees	294	235
Depreciation fixed assets	111	119
Dispossession indemnities	367	593
Italian local tax (IRAP)	862	711
Legal and other advisory fees	1,032	725
Letting fees and relocation expenses	1,404	1,427
Local office and accommodation expenses	942	819
Pension contributions	11	8
Salaries, wages and bonuses	1,573	1,250
Social security charges	630	510
Stock options granted (IFRS 2)	66	66
Travelling expenses	210	158
Other local taxes	182	163
Other expenses	211	174
	8,237	7,227
	14,131	12,469

Indirect property expenses include the expenses of the Milan office, the Paris office and the Stockholm office. Local office and accommodation expenses include rent paid under operating leases for the Company's Group offices in Milan and Stockholm. These leases are standard lease contracts with no contingent rents and sublease payments and are expiring in May 2009 and September 2009 respectively. The depreciation amount is related for €66,000 (2005/2006: €76,000) to the Milan office, €39,000 (2005/2006: €43,000) to the Paris office and €6,000 (2005/2006: €0) to the Stockholm office.

6. Investment revaluation

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

	30-06-07 €'000	30-06-06 €'000
Revaluation of property investments	221,072	197,225
Elimination of capitalised letting fees	(2,001)	(2,513)
Movement non-current creditors	(1,534)	(843)
Other movements	(98)	(154)
Investment revaluation	217,439	193,715

Other movements relate to valuation adjustments of other assets and liabilities. The negative movement of €98,000 (2005/2006: €154,000) includes a negative realised amount of €237,000 (2005/2006: €287,000) and a positive unrealised amount of €139,000 (2005/2006: €133,000).

7. Net financing income/costs

Net financing income/cost in the current financial year comprised:

	30-06-07 €'000	30-06-06 €'000
Interest income	652	599
Gross interest expense	(29,989)	(24,404)
Capitalised interest	393	328
Foreign currency result	0	48
Unrealised fair value movement interest rate swaps	26,470	45,771
Realised fair value movement interest rate swaps	94	(3,694)
	(2,380)	18,648

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 are capitalised until completion/acquisition date and are reported as capitalised interest. The interest rate used for capitalised interest during this financial year was 4.8 per cent (2005/2006: 4.55 per cent).

8. Company expenses

Company expenses in the current financial year comprise:

	30-06-07 €'000	30-06-06 €'000
Audit fees	206	169
Depreciation fixed assets	174	159
Directors' fees	1,040	1,168
Legal and other advisory fees	909	931
Office and accommodation expenses	1,021	792
Pension contributions	98	423
Salaries, wages and bonuses	2,354	2,071
Social security charges	319	298
Statutory costs	590	528
Stock options granted (IFRS 2)	250	250
Travelling expenses	593	558
Other expenses	335	338
	7,889	7,685

Office and accommodation expenses include the expenses of the Amsterdam office and the London office 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 are expiring February 2011 and March 2010 respectively. The depreciation amount is related for €137,000 (2005/2006: €120,000) to the Amsterdam office and €37,000 (2005/2006: €39,000) to the London office.

9. Personnel costs

Total personnel costs in the current year comprise:

	30-06-07 €'000	30-06-06 €'000
Salaries and wages	4,099	3,695
Social security charges and taxes	1,353	1,158
Pension contributions	150	479
Bonuses	3,487	2,528
	9,089	7,860

Total personnel costs are partly presented under indirect property expenses (€2,214,000 (2005/2006: €1,768,000), partly under Company expenses (remuneration of the members of the Board of Management inclusive) (€3,686,000 (2005/2006: €3,859,000) and partly under investment expenses (€3,189,000 (2005/2006: €2,233,000). 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 44 full-time equivalent persons during the financial year (2006: 38) of which 32 are working outside The Netherlands. The Group staff (holdings of the member of the Board of Management excluded) holds 6,451 depositary receipts and 415,062 ordinary registered shares, in total representing 0.14 per cent of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprise:

	30-06-07 €'000	30-06-06 €'000
Aborted acquisition costs	1,187	376
Bonuses linked to NAV growth	2,853	2,002
Social security charges and taxes	336	231
Property valuation fees	453	310
	4,829	2,919

11. Taxation

Recognised in the profit and loss account:

	30-06-07 €'000	30-06-06 €'000
Corporate income tax	0	28
Effect of unrealised value movements investment property and derivative financial instruments	39,243	55,794
Benefit of tax losses recognised	(544)	(775)
Deferred tax	38,699	55,019
Total taxation amount recognised in the profit and loss account	38,699	55,047

Reconciliation of effective tax rate:

	30-06-07 €'000	30-06-06 €'000
Profit before taxation	298,171	288,974
Tax exempt income (incl. effect of FBI and SIIC)	(156,617)	(130,103)
Taxable profit	141,554	158,871
Total taxation amount recognised in the profit and loss account	38,699	55,047

The average weighted tax rate was 27.3 per cent (2005/2006: 34.6 per cent).

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 37.25 per cent or 33.0 per cent depending on the type of property and in Sweden the nominal tax rate is 28 per cent. The taxable net property income in these countries is reduced by depreciation and interest expense.

12. Property investments and property investments under development

Property investments
The book value of each property is its full cost of acquisition until revalued, and thereafter revaluation plus subsequent improvements or net proceeds in case of a sale. 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 with the exception of Kingsfordweg 1, Amsterdam (perpetual ground lease). All properties were revalued at 30 June 2007. The yields described in the Board of Management report reflect market practice and are derived by dividing property net rent by the gross valuation (net valuation figure plus purchaser's costs including transfer duties) expressed as a percentage.

Property investments under development
The book value of each property is stated at cost until construction or development is complete, at which time it is reclassified and subsequently independently valued as a property investment.

The current property portfolio is:

	30-06-07 Book value €'000	30-06-06 Book value €'000	30-06-07 Costs to date €'000	30-06-06 Costs to date** €'000
RETAIL				
France				
Centre Commercial Amiens Glisy, Amiens	42,300	36,000	15,941	15,957
73 Le Chemin d'Apermont, Buchelay	7,510	6,680	6,736	6,713
Noyelles Godault Retail Park	5,170	0	5,231	0
Les Trois Dauphins, Grenoble	34,500	30,000	23,730	23,628
Centr'Azur, Hyères	43,410	35,120	16,873	16,898
Centre les Portes de Taverny, Paris	46,050	38,890	23,592	23,940
*Passage du Havre, Paris	239,200	197,400	135,734	135,500
*Passy Plaza, Paris	125,300	106,000	71,433	70,924
*74 rue de Rivoli, 1-3 rue de Renard, Paris	17,800	16,900	10,600	10,471
*Centre les Atlantes, Tours	113,840	93,000	47,204	46,827
Les Bois Rochefort, Cormeilles***	18,221	0	18,221	0
Tourville la Rivière	2,500	2,040	1,689	1,685
	695,801	562,030	376,984	352,543
Italy				
*Curno, Bergamo	98,650	89,740	33,716	33,627
*Centro Lame, Bologna	37,860	34,620	28,834	28,465
*Il Castello, Ferrara	91,800	86,350	63,096	62,554
*I Gigli, Florence	245,780	229,300	151,563	149,166
*Centro Leonardo, Imola	78,270	25,650	62,885	18,287
*La Favorita, Mantova	53,650	47,560	31,222	30,652
*Centro Carosello, Milan	212,790	192,100	94,911	87,714
*Centroluna, Sarzana	25,670	17,980	11,831	10,044
	844,470	723,300	478,058	420,509

12. Property investments and property investments under development (continued)

	30-06-07 Book value €'000	30-06-06 Book value €'000	30-06-07 Costs to date €'000	30-06-06 Costs to date** €'000
Sweden				
421, Göteborg	87,618	0	87,908	0
Kronan, Karlskrona	14,442	0	14,315	0
*Bergvik, Karlstad	52,257	46,824	36,839	36,839
*Mellby Centre, Laholm	17,617	16,063	12,821	12,782
*Burlöv Centre, Malmö	121,092	104,668	74,893	73,210
*MaxiHuset, Norrköping	43,692	36,856	29,182	27,852
*MaxiHuset, Skövde	37,854	33,543	27,167	25,558
*Moraberg, Södertälje	43,442	39,724	37,397	37,330
*Hälla Shopping Centre, Väshterås	30,775	22,514	21,063	14,913
*Samarkand, Växjö	39,250	36,066	27,812	27,677
	488,039	336,258	369,397	256,161
	2,028,310	1,621,588	1,224,439	1,029,213
OFFICE				
France				
*Passage du Havre, Paris****	36,500	32,000	28,778	28,683
The Netherlands				
*Kingsfordweg 1, Amsterdam	87,500	87,000	84,934	84,913
	124,000	119,000	113,712	113,596
WAREHOUSE				
France				
Rue des Béthunes, Saint-Ouen L'Aumone	18,640	17,000	18,016	17,431
Parisud, Sénart	11,490	10,700	11,817	11,867
	30,130	27,700	29,833	29,298
The Netherlands				
Horsterweg 20, Maastricht-Airport	4,380	4,270	4,258	4,283
Galvanibaan 5, Nieuwegein	4,230	4,020	3,308	3,308
Standaardruiter 8, Veenendaal	3,810	3,640	2,777	2,777
Koeweistraat 10, Waardenburg	2,210	2,120	1,673	1,673
	14,630	14,050	12,016	12,041
	44,760	41,750	41,849	41,339
	2,197,070	1,782,338	1,380,000	1,184,148

*These properties carry mortgage debt up to €688 million at 30 June 2007 (30 June 2006: €580 million).
**The costs to date amounts as per 30 June 2006 have been amended to make these comparable with the presentation of the costs to date amounts as per 30 June 2007.
***This property is under construction and recorded at cost as a property investment under development.
****Part of the retail complex.

12. Property investments and property investments under development (continued)

Changes in property investments for the financial year ended 30 June 2007 were as follows:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	1,782,338	1,498,081
Acquisitions	153,551	43,094
Capital expenditure	21,685	37,499
Capitalised interest	393	328
Capitalised letting fees	2,001	2,513
Elimination of capitalised letting fees	(2,001)	(2,513)
Revaluation of property investments	221,072	197,225
Exchange rate movement	(190)	6,111
Book value at end of year	2,178,849	1,782,338

Changes in property investments under development for the financial year ended 30 June 2007 were as follows:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	0	0
Acquisitions	16,790	0
Capital expenditure	1,431	0
Book value at end of year	18,221	0

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:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	788	859
Additions	438	212
Depreciation	(285)	(283)
Book value at end of year	941	788
Cost at end of year	1,986	1,700
Accumulated depreciation	(1,045)	(912)
Book value at end of year	941	788

During the financial year ended 30 June 2007 tangible fixed assets with a total cost price of €152,000 were disposed of.

14. Receivables

	30-06-07 €'000	30-06-06 €'000
Funds held by managing agents	831	183
Prepayments for extensions and acquisitions	3,218	5,700
Rents receivable	17,254	12,965
Trademark licence	1,871	2,138
VAT receivable	8,117	3,568
Other receivables and prepayments	1,669	2,492
	32,960	27,046

Receivables at 30 June 2007 include an amount of €2.3 million (30 June 2006: €1.8 million) which is due after one year.

15. Cash and deposits

Cash and deposits consist primarily of time deposits, with small amounts held as bank balances and other liquid assets.

	30-06-07 €'000	30-06-06 €'000
Bank balances	6,081	9,581
Deposits	11,963	67,000
Total	18,044	76,581

16. Creditors

(i) Current liabilities

	30-06-07 €'000	30-06-06 €'000
Accruals and deferrals	5,540	7,749
Creditors	12,071	5,308
Interest payable	4,922	3,829
Local and property tax payable	147	424
Payable on purchased property	8,073	6,300
Rent received in advance	18,337	16,001
VAT payable	61	63
	49,151	39,674

(ii) Non-current liabilities

Corporate tax payable	8,072	14,853
Purchase price land	0	6,626
Tenant rental deposits	7,153	6,891
Entry fees	2,717	2,885
	17,942	31,255

The corporate tax payable relates to French capital gains tax at the concessionary reduced rate of 16.5 per cent payable in two remaining annual instalments in December 2007 and 2008. This so called exit tax is payable as a result of the application for the tax exempt status of the Company in France as per 1 July 2005 and is discounted.

17. Borrowings

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	643,537	566,191
Drawdown of funds	408,798	297,451
Repayments	(253,034)	(222,160)
Exchange rate movements	(757)	1,796
Movement prepaid borrowing costs	(242)	259
Book value at end of year	798,302	643,537

17. Borrowings (continued)

Borrowings maturity profile	Secured €'000 30-06-07	Unsecured €'000 30-06-07	Total borrowings €'000 30-06-07	Average interest rate % 30-06-07	Total borrowings €'000 30-06-06
Current borrowings	29,423	84,772	114,195	4.0	71,030
Non-current borrowings					
One to two years	8,638	26,000	34,638		8,683
Two to five years	34,968	0	34,968		37,478
More than five years	614,501	0	614,501		526,346
Total non-current borrowings	658,107	26,000	684,107	4.6	572,507
Total borrowings	687,530	110,772	798,302	4.6	643,537

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Weighted average interest rate %	Interest maturity in years	Weighted average maturity of borrowings in years
2006/2007						
Euro	438,094	115,288	553,382	4.8	8.8	9.1
Swedish krona	120,293	124,627	244,920	4.0	7.0	4.0
Total	558,387	239,915	798,302	4.6	8.3	7.6
2005/2006						
Euro	428,335	57,605	485,940	4.6	7.4	9.4
Swedish krona	89,081	68,516	157,597	4.2	5.9	7.8
Total	517,416	126,121	643,537	4.5	7.0	9.0

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

The borrowings are all directly from major banks with average committed unexpired terms of almost eight years. Borrowings of €688 million are secured on property (30 June 2006: €580 million). The average interest rate on borrowings with remaining periods to maturity of more than one year including hedges is currently 4.6 per cent (30 June 2006: 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.

At 30 June 2007 the Company has at its disposal undrawn borrowing facilities for a total amount of €85 million (30 June 2006: €78 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursements schemes.

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. 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 risk related to the possible defaults of its counterparties is minimised by dealing with a large number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. 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 base of their financial strength.

Liquidity risk
In order to reduce liquidity risk the repayment dates of borrowings are well spread over time and more than 80 per cent of borrowings are long term with just over 75 per cent of borrowings have a remaining term of more than five years. Group borrowing will not exceed the net equity of the Company, so that the debt/equity ratio is less than one, which restriction on leverage mitigates the risk further.

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 €244.9 million (30 June 2006: €157.6 million). The total property investments in Sweden are €488 million so 50 per cent of this SEK exposure is hedged at 30 June 2007 (30 June 2006: 47 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 per cent of reported net asset value.

18. Financial instruments (continued)

Interest rate risk
It is the policy of the Company to operate a defensive interest rate hedging policy by using derivates to protect the Company against increase of interest rates. The Company intends to hedge the majority of its loans outstanding for the medium to long term (5 to 15 years). The fair value (mark to market) of the current interest rate hedge instruments as at 30 June 2007 is a positive value of €17.7 million (30 June 2006: negative value of €8.7 million).

The interest rate hedge instruments as at 30 June 2007 have a similar average period as the loan facilities and the Company is hedged at an average interest rate of 4.8 per cent (30 June 2006: 4.8 per cent). Only 17.2 per cent (30 June 2006: 19.6 per cent) of the total borrowings is at a floating rate. An increase in interest rates of 1 per cent would therefore only have a limited negative impact of an additional annual interest expense of €1.37 million (30 June 2006: €1.26 million) or 2.3 per cent (30 June 2006: 2.2 per cent) of reported direct investment result.

Interest rate swaps as at 30 June 2007	Notional amount €'000	Fair value €'000
Up to one year	**0**	**0**
From one year to five years	**29,182**	**210**
From five years to ten years	**467,695**	**11,453**
Over ten years	**165,321**	**6,035**
Total	**662,198**	**17,698**

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure. The Company accounts for the purchase/sale of an interest rate swap at its transaction date.

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	**(8,744)**	(54,504)
Unrealised fair value movement interest rate swaps	**26,470**	45,771
Exchange rate movement	**(28)**	(11)
Book value at end of year	**17,698**	(8,744)

As at 30 June 2007 the positive fair value balance of the derivative financial instruments is composed of instruments having a positive fair value of €18.9 million (30 June 2006: €4.7 million) and instruments having a negative fair value of €1.2 million (30 June 2006: €13.4 million).

19. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	Balance 01-07-06 €'000	Recognised in profit and loss account	Capital gains tax payable*	Exchange rate movement	Balance 30-06-07 €'000
Investment property	121,265	33,096	(4,755)	0	**149,606**
Derivative financial instruments	(918)	6,147	0	(199)	**5,030**
Tax value of loss carry-forwards recognised	(3,140)	(544)	0	0	**(3,684)**
Deferred tax liabilities	117,207	38,699	(4,755)	(199)	**150,952**

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

	Balance 01-07-05 €'000	Recognised in profit and loss account	Capital gains tax payable**	Exchange rate movement	Balance 30-06-06 €'000
Investment property	87,511	44,947	(12,020)	827	121,265
Derivative financial instruments	(11,759)	10,847	–	(6)	(918)
Tax value of loss carry-forwards recognised	(2,365)	(775)	–	–	(3,140)
Deferred tax liabilities	73,387	55,019	(12,020)	821	117,207

*2007: Relates to the payment of Italian capital gains tax at the concessionary reduced rate of 19 per cent. As a result of this concession the tax book values of the majority of the Italian property portfolio have been stepped up to 75 per cent of market values as per 1 July 2006.
**2006: Mainly relates to the payment of Netherlands capital gains tax due to the transfer of the Kingsfordweg 1 office building from its corporate structure to the nil rate corporate income tax regime of the Company in The Netherlands.

The increase related to investment property for the year is derived from an increase in market value of the investment properties and a decrease of the fiscal value of the buildings in Italy and Sweden due to the standard fiscal depreciation. As at 30 June 2007 the total amount of deferred tax liabilities of €151 million is related to Italy for an amount of €87.9 million, whereas an amount of €63.1 million is related to Sweden.

There are no unrecognised deferred tax assets.

20. Provision for pensions

Movements in the provision were as follows:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	474	472
Current service costs	249	224
Contributions paid by the employer	(297)	(293)
Past service costs	0	0
Other finance income	(24)	(19)
Actuarial loss	(272)	78
Exchange rate movement	12	12
Book value at end of year	142	474

Amounts recognised under Company expenses in the profit and loss account in respect of the defined benefit plan are as follows:

	30-06-07 €'000	30-06-06 €'000
Current service costs	249	224
Past service costs	0	0
Other finance income	(24)	(19)
Actuarial loss	(272)	78
Other plan costs	0	24
	(47)	307

Major assumptions used by the actuary:

	30-06-07	30-06-06
Pensionable salary growth	4.9%	4.5%
Earnings cap growth	3.4%	3.0%
Pension revaluation	3.4%	3.0%
Pension escalation	3.4%	3.0%
Discount rate	5.8%	5.25%
Inflation assumption	3.4%	3.0%

Assets and expected rate of return:

	Expected rate of return 2007/2008 %	Value at 30-06-07 €'000	Expected rate of return 2006/2007 %	Value at 30-06-06 €'000
Equities	7.75	2,316	7.75	1,783
Bonds	5.0	180	5.0	95
Property	7.0	16	7.0	10
Cash	4.5	135	4.5	113
Total market value of assets		2,647		2,001
Present value scheme liabilities		(2,789)		(2,475)
Deficit in the scheme		(142)		(474)

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 time of publication the Company is not aware of any reason why the true figures could differ significantly from the enclosed projections. The discount rate used for determining the fair value of the scheme assets is based on long term (over 15 years) AA corporate bond yield. The calculations have been performed by a qualified and independent actuary. 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 at similar levels as for the financial year 2006/2007.

21. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 352,776,088 shares are issued and fully paid as at 30 June 2007
- 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 352,776,088.

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.

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	**176,388**	172,312
Issued shares exercised stock options	**0**	38
Issued bonus shares	**0**	4,038
Book value at end of year	**176,388**	176,388

As at 30 June 2007 676,000 staff stock options were outstanding, representing 2 per cent of the current issued share capital. The options each confer the right to one depositary receipt representing ten ordinary shares of €0.50 par value and were all granted on 8 November 2004 at an exercise price of €24.82. The options can only be exercised after three years have lapsed since the date of granting. Thereafter, the options can be exercised during a period of seven years. Having regard to the market prices of depositary receipts, the exercise price of €24.82 and the first possible date for exercise, the value of the outstanding options at the date of granting was assessed at €1,115,000 using the appropriate formula to calculate options values.

The Company has not bought back depositary receipts to cover future possible exercises of options granted to staff. It is the intention to issue new depositary receipts if and when options are exercised.

22. Share premium reserve

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	**327,196**	330,879
Stock options granted	**316**	316
Issued shares exercised stock options	**0**	105
Release for issued bonus shares	**0**	(4,038)
Depositary receipts bought back	**(3,059)**	0
Dividends paid	**(61)**	(66)
Book value at end of year	**324,392**	327,196

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

23. Other reserves

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	**300,168**	211,000
Profit previous financial year	**201,957**	85,573
Depositary receipts bought back	**(20,220)**	0
Foreign currency translation differences	**(39)**	3,595
Book value at end of year	**481,866**	300,168

24. Earnings per depositary receipt

Basic earnings per depositary receipt
The calculation of basic earnings per depositary receipt at 30 June 2007 was based on the profit attributable to holders of depositary receipts of €259.5 million (30 June 2006: €233.9 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2007 of 35,277,619 (30 June 2006: 34,938,162), calculated as follows:

Profit attributable to holders of depositary receipts:

	30-06-07 €'000	30-06-06 €'000
Profit for the year	259,472	233,927

Weighted average number of depositary receipts:

	30-06-07 €'000	30-06-06 €'000
Issued depositary receipts at beginning of year	35,277,619	34,462,476
Effect of depositary receipts issued in November 2005 (stock dividend and staff stock options exercised)	–	475,686
Weighted average number of depositary receipts at end of year	35,277,619	34,938,162

Diluted earnings per depositary receipts
The calculation of diluted earnings per depositary receipt at 30 June 2007 was based on profit attributable to holders of depositary receipts of €259.5 million (30 June 2006: €233.9 million) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2007 of 35,956,246 (30 June 2006: 35,649,226), calculated as follows:

Profit attributable to holders of depositary receipts (diluted):

	30-06-07 €'000	30-06-06 €'000
Profit for the year	259,472	233,927

Weighted average number of depositary receipts (diluted):

	30-06-07 €'000	30-06-06 €'000
Weighted average number of depositary receipts at end of year	35,277,619	34,938,162
Effect of issued options on depositary receipts	678,627	711,064
Weighted average number of depositary receipts (diluted) at end of year	35,956,246	35,649,226

25. Commitments not included in the balance sheet

As at 30 June 2007 bank guarantees have been issued for a total amount of €3.54 million. Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements for a total notional amount of €662 million (See also note 18 to the consolidated financial statements and note 11 to the Company financial statements).

As at 30 June 2007 the Group's off balance sheet investment commitments approximates €88.5 million and is mainly related to the €41 million building contract for the extension of Centro Carosello at Carugate, Milan, Italy, the €44 million development of the 20,000m² retail park in western Paris, France and the price of €19 million for the acquisition of the 15,000m² retail park in Norrköping, Sweden.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €494,000 for the financial year 2007/2008 and approximately €931,000 for the four year period thereafter.

26. Related parties

Introduction
The Group has related party relationships with its subsidiaries and with its Supervisory Board and Board of Management.

Remuneration
The Directors' fees recognised in the Company expenses include an amount of €124,600 (2005/2006: €101,300) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-07 €'000	30-06-06 €'000
W.G. van Hassel	35.0	30.0
H.Th.M. Bevers	–	11.3
H.W. Bolland	25.0	22.5
J.H. Goris	25.0	22.5
J.C. Pollock	25.0	15.0
A.E. Teeuw	14.6	–

The Directors' fees also include an amount of €1,863,000 (2005/2006: €1,650,000) in respect of gross remuneration, including social security charges, for the members of the Board of Management to be specified as follows:

	J.P. Lewis		E.J. van Garderen	
	30-06-07 €'000	30-06-06 €'000	30-06-07 €'000	30-06-06 €'000
Salary	488	482	318	318
Bonus	526	433	356	250
Pension premiums	0	7	41	41
Social security charges	127	114	7	5

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 share.

Stock options
The members of the Board of Management hold the following stock options, which were granted on 8 November 2004 at an exercise price of €24.82.

J.P. Lewis	120,000
E.J. van Garderen	100,000

31 per cent of the amount charged to the profit and loss account as stock options granted (IFRS 2) is related to the stock options granted to the members of the Board of Management.

Shareholdings
After the increase of the holding by 34,081 depositary receipts on 24 November 2006 due to stock dividend and after the sale of 84,774 depositary receipts during the period 15 February to 20 February 2007 at an average price of €43.33 and the sale of 30,000 depositary receipts on 17 May 2007 at an average price of €41.27, Mr Lewis and entities associated with him hold 771,321 depositary receipts, in total representing 2.19 per cent of the issued share capital of the Company. After the sale of 15,000 depositary receipts on 14 February 2007 at an average price of €43.03, Mr van Garderen holds 15,000 depositary receipts, in total representing 0.043 per cent of the issued share capital of the Company. Mr van Hassel indirectly holds 1,789 depositary receipts representing 0.005 per cent of the issued share capital of the Company. Mr Teeuw holds 4,000 depositary receipts representing 0.011 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.

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

27. 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 policy notes (see note 1).

	Note	30-06-07 €'000	30-06-06 €'000
Property investments	3	102,130	101,050
Investments in subsidiaries	4	830,684	617,171
Due from subsidiaries	5	390,316	279,917
Tangible fixed assets	7	323	283
Total non-current assets		1,323,453	998,421
Receivables		2,048	1,764
Cash and deposits	6	12,579	69,390
Total current assets		14,627	71,154
Total assets		1,338,080	1,069,575
Creditors		9,432	7,738
Due to subsidiaries		0	196
Borrowings	8	86,388	23,488
Total current liabilities		95,820	31,422
Provision for pensions		142	474
Total liabilities		95,962	31,896
Net equity		1,242,118	1,037,679
Shareholders' equity	9		
Issued share capital		176,388	176,388
Share premium reserve		324,392	327,196
Legal revaluation reserve		569,424	331,924
Currency translation reserve		2,011	2,050
Retained profit reserve		(89,569)	(33,806)
Undistributed income		259,472	233,927
		1,242,118	1,037,679

	30-06-07 €'000	30-06-06 €'000
Company profit after taxation	22,124	17,923
Result from subsidiaries after taxation	237,348	216,004
Profit after taxation	259,472	233,927

1. General

The description of the Company's activities and structure, as included in the notes to the consolidated financial statements, also applies to the Company financial statements. The 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 of the Company. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Commission.

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 principles

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 an equity basis. For determining the equity value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

3. Property investments

Changes in property investments for the financial year ended 30 June 2007 were as follows:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	101,050	13,620
Acquisitions	0	87,200
Capital expenditure	50	0
Revaluation	1,030	230
Book value at end of year	102,130	101,050

4. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2007 were as follows:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	617,171	414,247
Dividends from subsidiaries	0	(13,080)
Investments	1,694	0
Divestments	(24,998)	0
Foreign currency translation differences	(531)	0
Result from subsidiaries	237,348	216,004
Book value at end of year	830,684	617,171
Cost at end of year	264,085	287,389
Foreign currency translation differences	(531)	0
Cumulative result from subsidiaries	567,130	329,782
Book value at end of year	830,684	617,171

5. Due from subsidiaries

The balance at 30 June 2007 principally represents funds advanced to Sentinel Holdings B.V., Eurocommercial Properties Caumartin S.N.C., Eurocommercial Properties France S.A.S., Eurocommercial Properties Taverny S.N.C., Bergvik Köpet 3 K.B., K.B. Degeln 1, ECP Högsbo A.B., ECP Karlskrona A.B., ECP Moraberg K.B., Eurocommercial Properties Sweden A.B., Hälla Shopping Fastighets A.B., Kronan Fastigheter i Karlskrona A.B. and Premi Fastighets A.B.

Most of these advances were made under long term loan facilities.

6. Cash and deposits

Cash and deposits consist primarily of time deposits, with small amounts held as bank balances and other liquid assets.

7. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam and for the office at 107, rue Saint Lazare, Paris. 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:

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	283	182
Additions	230	254
Depreciation	(190)	(153)
Book value at end of year	323	283
Cost at end of year	900	787
Accumulated depreciation	(577)	(504)
Book value at end of year	323	283

During the financial year ended 30 June 2007 tangible fixed assets with a total cost price of €117,000 were disposed of.

8. Borrowings

	30-06-07 €'000	30-06-06 €'000
Book value at beginning of year	23,488	19,627
Drawdown of funds	120,568	26,082
Repayments	(57,503)	(22,873)
Exchange rate movements	(165)	652
Book value at end of year	86,388	23,488

9. 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
30-06-2006	176,388	327,196	331,924	2,050	(33,806)	233,927	1,037,679
Profit previous financial year					201,957	(201,957)	0
Profit for the period						259,472	259,472
Dividends paid		(61)				(31,970)	(32,031)
Depositary receipts bought back		(3,059)			(20,220)		(23,279)
Stock options granted		316					316
Foreign currency translation differences				(39)			(39)
Addition to legal reserve			237,500		(237,500)		0
30-06-2007	**176,388**	**324,392**	**569,424**	**2,011**	**(89,569)**	**259,472**	**1,242,118**

9. Shareholders' equity (continued)

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	Other reserves €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2005 reported	172,312	330,666			258,680		128,777	890,435
IFRS adjustments		213			(47,680)		(14,824)	(62,291)
Netherlands Civil Code adjustments			128,752	(1,545)	(211,000)	83,793		0
30-06-2005 amended	172,312	330,879	128,752	(1,545)	–	83,793	113,953	828,144
Issued shares	4,076	(3,933)						143
Profit previous financial year						85,573	(85,573)	0
Profit for the period							233,927	233,927
Dividends paid		(66)					(28,380)	(28,446)
Stock options granted		316						316
Foreign currency translation differences				3,595				3,595
Addition to legal reserve			203,172			(203,172)		0
30-06-2006	176,388	327,196	331,924	2,050	–	(33,806)	233,927	1,037,679

Reference is also made to the consolidated financial statements and the notes thereto for movements in 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 (including quasi equity loans) that hedge the Company's net investment in a foreign subsidiary. The amounts recognised by these reserves amount to €571 million and are not freely distributable. For dividend distribution however, both the retained profit reserve, the share premium reserve and the undistributed income are available.

Holders of depositary receipts representing 43 per cent of the issued share capital (last year 47 per cent) opted for 611,839 bonus depositary receipts at an issue price of €40 from the Company's share premium reserve, instead of a cash dividend of €1.60 per depositary receipt for the financial year ended 30 June 2006. Accordingly, an amount of €24.1 million of the 2005/2006 direct investment result and an amount of €177.9 million of the 2005/2006 indirect investment result were taken to the retained profit reserve.

9. Shareholders' equity (continued)

The number of shares on issue did not increase during the financial year. Although 611,839 bonus depositary receipts were issued under the stock dividend plan on 30 November 2006, the same number of depositary receipts, each depositary receipt representing ten ordinary shares with a nominal value of €0.50 each, was bought back on the Euronext Amsterdam market by the Company under the following transactions:

Date	Number of depositary receipts	Weighted average price per depositary receipt (€)
10 November 2006	7,393	37.116
13 November 2006	9,694	36.855
14 November 2006	9,207	36.209
15 November 2006	6,600	36.810
16 November 2006	8,689	37.064
17 November 2006	9,917	37.077
20 November 2006	9,346	37.022
21 November 2006	103,877	37.492
22 November 2006	8,060	37.714
23 November 2006	10,000	37.968
24 November 2006	129,000	37.952
27 November 2006	12,000	37.228
28 November 2006	6,184	36.431
29 November 2006	11,848	36.904
30 November 2006	11,885	36.466
1 December 2006	11,578	36.038
4 December 2006	11,722	36.786
5 December 2006	9,600	36.935
6 December 2006	13,790	37.031
7 December 2006	12,000	36.870
8 December 2006	12,610	37.323
11 December 2006	7,121	37.535
12 December 2006	5,376	38.392
13 December 2006	172,000	39.366
14 December 2006	2,342	39.226

10. 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 corporate income tax, divided by the weighted average net asset value of the last five quarters. Over the financial year 2006/2007 this expense ratio amounted to 2.65 per cent (2005/2006: 2.86 per cent).

11. 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 €228.3 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €3.1 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 €89.3 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.03 million.

The Company has entered into a guarantee in favour of Banca Antoniana Popolare Veneta S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €38 million.

The Company has entered into a guarantee in favour of Banca di Imola S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €6 million and for guarantees issued for Eurocommercial Properties Italia S.r.l to an amount of €0.7 million.

The Company has entered into guarantees in favour of ING Bank N.V., Milan Branch, for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €80 million.

The Company has entered into a guarantee in favour of ING Bank N.V. and ING Vastgoed Financiering N.V. 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 Nordea A.B. for debts incurred by Aktiebolaget Laholm Mellby 2:129, Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde K-mannen 2, Hälla Shopping Fastighets A.B. and Samarkandfastigheter A.B. to an amount of SEK 592.5 million and for debts incurred by Burlöv Centre Fastighets A.B., Bergvik Köpet 3 K.B. and ECP Moraberg K.B. to an amount of SEK 890 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 €662 million. (See also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 28 August 2007

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

Board of Supervisory Directors
W.G. van Hassel, Chairman
H.W. Bolland
J.H. Goris
J.C. Pollock
A.E. Teeuw

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 November 2009, 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 2007 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 2007 at 11.00 hours to distribute a cash dividend of €1.67 per depositary receipt (10 ordinary shares) for the financial year ended 30 June 2007 (30 June 2006: €1.60 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 2007. The distribution will be payable as from 30 November 2007. 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 2007/2008. Holders of depositary receipts are given the opportunity to make their choice known until and including 22 November 2007. 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 2007	Announcement of scrip issue price
6 November 2007	Annual General Meeting of Shareholders
8 November 2007	Ex-dividend date
9 November 2007	Announcement of first quarter results 2007/2008
30 November 2007	Dividend payment date
8 February 2008	Announcement of half year results 2007/2008
16 May 2008	Announcement of third quarter results 2007/2008
29 August 2008	Announcement of annual results 2007/2008
4 November 2008	Annual General Meeting of Shareholders

Statements pursuant to the General Listing Rules *(Fondsenreglement)* Euronext Amsterdam Stock Market
The members of the Board of Stichting Administratiekantoor Eurocommercial Properties and the Company are together of the opinion that Stichting Administratiekantoor Eurocommercial Properties is independent from the Company as referred to in Annex X of the Listing Rules of Euronext Amsterdam N.V..

The members of the Board of Stichting Prioriteitsaandelen Eurocommercial Properties and the Company are together of the opinion that Stichting Prioriteitsaandelen Eurocommercial Properties is independent from the Company as referred to in Annex X of the Listing Rules of Euronext Amsterdam N.V..

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 three 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), Stichting Pensioenfonds PGGM (15.21 per cent).

The date of the aforesaid notifications was 1 November 2006.

Stock market prices and turnover 2006/2007
The Company is listed on Euronext Amsterdam (the Amsterdam Stock Exchange) and on Euronext Paris (the Paris Stock Exchange) and is admitted to the Next 150 index and the NextPrime market segment.

	High	Low	Average
Closing price 30 June 2007 (€; depositary receipts) 38.32	46.78	29.65	38.51
Average daily turnover (in depositary receipts)	88,638		
Average daily turnover (€ '000,000)	3.41		
Total turnover over the past 12 months (€ '000,000)	896.9		
Market capitalisation (€ '000,000)	1,352		
Total turnover divided by market capitalisation	66%		

Liquidity providers: ABN AMRO Bank
Amsterdams Effectenkantoor
Kempen & Co

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

Depositary receipts listed on Euronext Paris are registered under code: NSCFR0ECMPP3

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 2007

France	ICADE Expertise, Knight Frank, Retail Consulting Group
Italy	CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle, Savills
Sweden	Cushman & Wakefield, DTZ
The Netherlands	Boer Hartog Hooft

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

Report on the financial statements

We have audited the financial statements of Eurocommercial Properties N.V., Amsterdam, for the financial year ended 30 June 2007 (as set out on pages 62 to 92). These financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 30 June 2007, the profit and loss account, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 30 June 2007, 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 Netherlands 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 Netherlands Civil Code and the Act on Financial Supervision. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Netherlands law. This law 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 judgment, 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 the Company as at 30 June 2007 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 also comply with Part 9 of Book 2 of the Netherlands 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 the Company as at 30 June 2007 and of its result for the financial year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Act on Financial Supervision.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 10 September 2007

for Ernst & Young Accountants

Signed by M.A. van Loo

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

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

Directors
J.P.C. Mills
T.R. Newton
T.G.M. Santini

J.M. Camacho-Cabiscol, Economist
M. Bjöörn
V. Di Nisio
P.H. Le Goueff

Investor Relations
K.E. Spiro

Administration
M.V. Alvares, Senior Group Manager
R. Fraticelli, Finance Director Italy
J.M. Veldhuis, Group Controller

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.

Annual Report 30 June 2007

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Cover photograph:
Passage du Havre,
Paris