



**Eurocommercial
Properties N.V.**

European shopping centres



Annual Report 30 June 2008

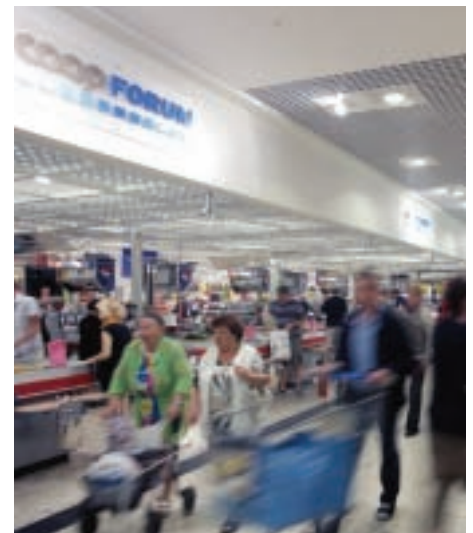
Contents

Company profile	01	Corporate governance	46
ECP at a glance	02	Organisation and risk	48
2008 full year results	03	Report of the Board of	
A year of continued growth	04	Supervisory Directors	51
Valuations	08	Ten year financial summary	53
ECP research and retail analysis	10		
France	12	Consolidated financial statements	54
Italy	24	Notes to the consolidated	
Sweden	34	financial statements	59
The Netherlands	45	Company financial statements	83
		Notes to the Company	
		financial statements	85
		Other information	90
		Directory	IBC

Company profile

Eurocommercial Properties was first listed on the Amsterdam Stock Exchange (NYSE Euronext) in 1991. Since then it has built up a focused portfolio of shopping centres, prime city shops and retail parks in France, Northern Italy and Sweden.

Net asset values, earnings and dividends have grown consistently since the Company's inception.

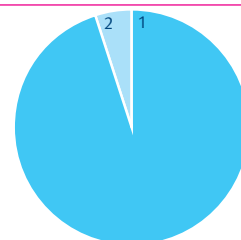


ECP at a glance

Focused portfolio

Sector*

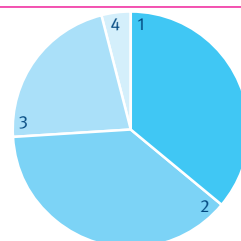
1	Retail	95%
2	Office	5%



*After the sale of the warehouse portfolio.

Location*

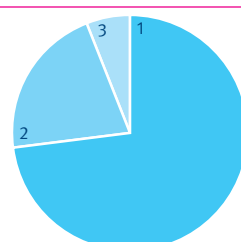
1	France (€853m)	36%
2	Italy (€917m)	38%
3	Sweden (€541m)	22%
4	Netherlands (€88m)	4%



*After the sale of the warehouse portfolio.

Retail type

1	Suburban centres	73%
2	City centre galleries & shops	21%
3	Retail parks	6%



Strong balance sheet

Property values	€2.4bn
Shareholders' equity	€1.3bn
Borrowings	€970m
Loan to property value	40%
Average loan term	> 9 years
Long term borrowings (> 5 years)	95%

Sustainable income

Occupancy cost ratio* Total	7.2%
Occupancy cost ratio France	7.0%
Occupancy cost ratio Italy	7.6%
Occupancy cost ratio Sweden	6.7%
Vacancy levels	< 1.0%
Rental arrears	< 0.5%

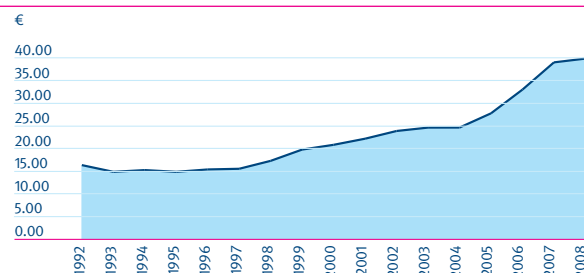
*Minimum guaranteed rent plus marketing contributions, service charges and property taxes divided by turnover including VAT.

2008 full year results

Adjusted net asset value

€39.83 +2.2%

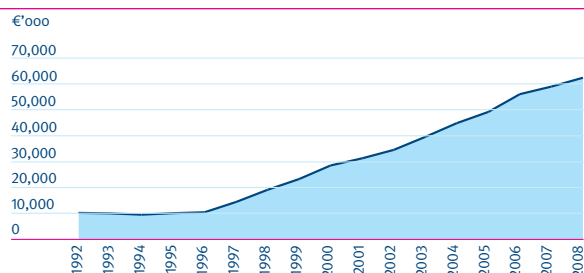
Adjusted net asset value rose by 2.2% to €39.83 per depositary receipt at 30 June 2008 from €38.99 per depositary receipt at 30 June 2007. These figures represent the underlying value of properties at 30 June 2008 and do not take into account the fair value of financial derivatives (interest rate swaps) or contingent capital gains tax liabilities if all properties were to be sold simultaneously. The IFRS net asset value at 30 June 2008 was €36.41 per depositary receipt compared with €35.21 at 30 June 2007.



Direct investment result

€62.4m +5.8%

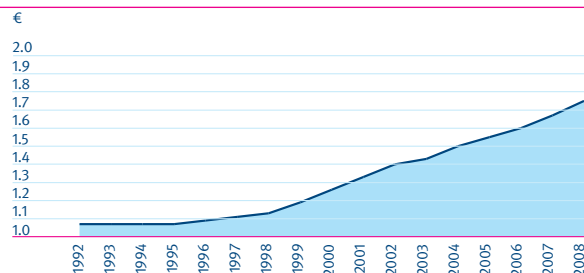
The direct investment result for the financial year ended 30 June 2008 rose 5.8% to €62.4 million from €59.0 million for the previous financial year. The direct investment result is defined as net property income less net interest expenses and Company expenses after taxation.



Dividend

€1.75 +4.8%

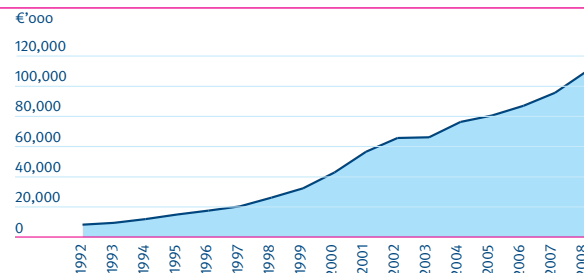
In accordance with ECP's dividend policy to pay out 100% of the direct investment result, the Board proposes increasing the Company's annual dividend to €1.75 per depositary receipt (10 ordinary shares) from €1.67 in 2007. Holders of depositary receipts will again be offered the option of taking new depositary receipts from the Company's share premium reserve, instead of the cash dividend payable on 28 November 2008.



Net rental income

€110.0m +14.8%

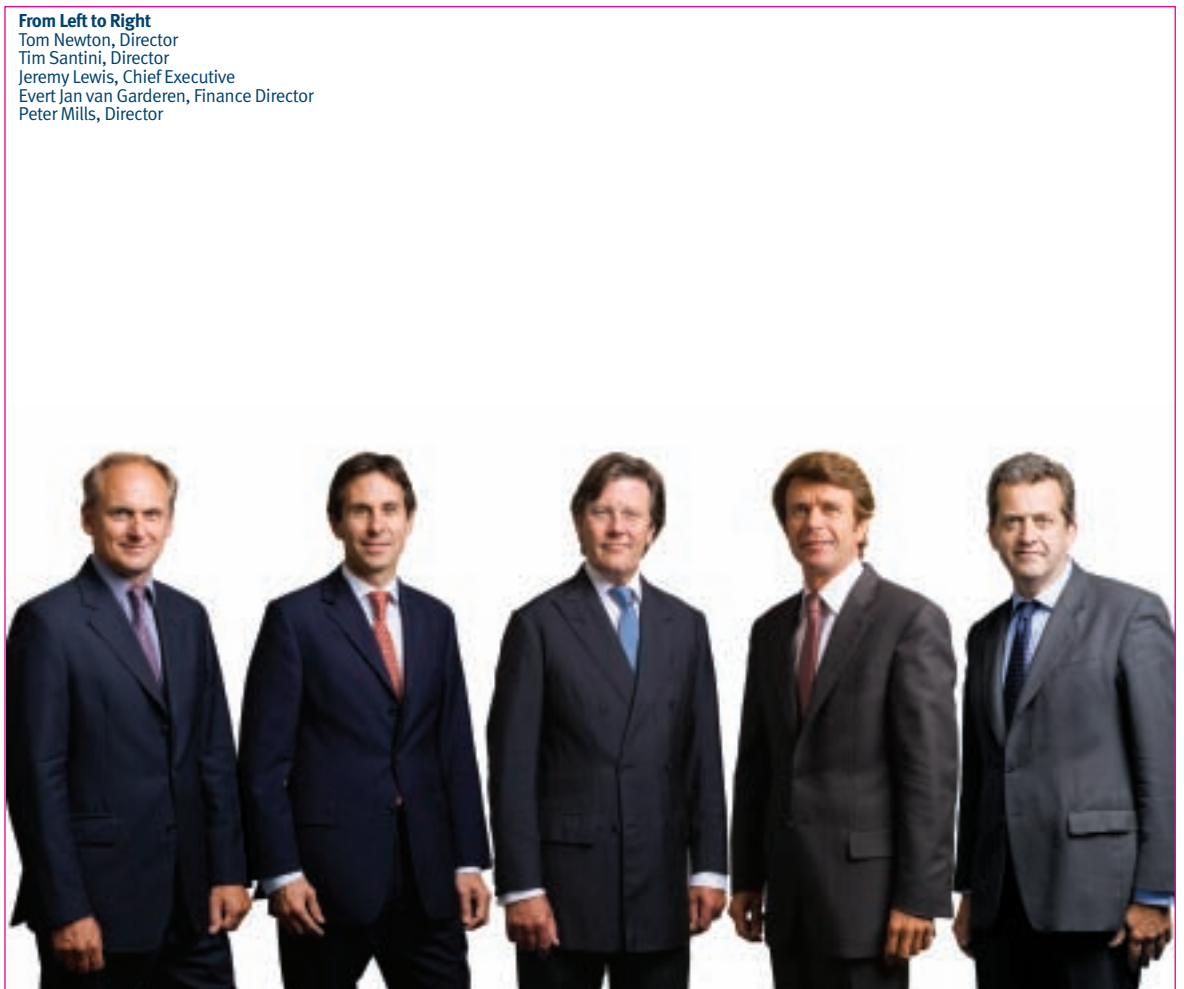
Rental income for the financial year ended 30 June 2008 was €128.7 million compared with €112.3 million for the previous financial year – an increase of 14.6%. When net service charges and direct and indirect property expenses (branch overheads) are deducted, net rental income rose by 14.8% to €110.0 million from €95.8 million in 2007.



A year of continued growth

ECP has enjoyed another year of solid rental growth, averaging 4.8% overall. A significant lengthening of our funding base over the last year has ensured that interest costs are controlled resulting in the seventeenth successive year of earnings growth and an increase in dividend to €1.75 per depositary receipt.

From Left to Right
Tom Newton, Director
Tim Santini, Director
Jeremy Lewis, Chief Executive
Evert Jan van Garderen, Finance Director
Peter Mills, Director



Property values

Independent revaluations of ECP's properties have shown an increase in value of 1.6% since June 2007 and a reduction of 1.0% since December 2007, indicating that the market for prime retail property in ECP's countries has been remarkably resilient in the face of the international credit crisis and concerns over reductions in consumer spending. All of ECP's properties were independently valued at 30 June 2008 by major international firms in accordance with the standards set out in the "Red Book" of The Royal Institution of Chartered Surveyors.

Rental growth

Like for like rental growth in ECP's properties was 4.8% overall for the year to 30 June 2008. Retail properties, which account for 95% of the portfolio, showed a 5.0% growth rate. Within the retail sector growth in the Swedish properties was highest at 6.0%, followed by France (5.7%) and Italy (4.0%). Rental growth was 2.3% for offices and 3.7% for the warehouses.

Leasing markets remain sound for good retail properties in ECP's countries, with vacancy levels low and most major chains continuing their expansion plans, although more selectively than previously. Retailers are focusing on strong locations where reasonable rent to turnover ratios will ensure profitability. The Company's rental growth figures and minimal vacancies and arrears are a reflection of the fundamental soundness of ECP's prime centres and the benefits of relatively low occupancy costs. Entry premiums continue to be paid by new tenants in France and Italy and rent free periods remain minimal in Sweden.

The legal systems surrounding rent increases vary between France, Italy and Sweden, but all have in common the fundamental ingredients of a base rent, indexed annually to a measure of inflation (consumer price index (CPI) in Italy and Sweden and a mix of CPI, retail turnover and construction indices in France), together with an additional "top up" rent depending on the level of the tenant's sales turnover.

The system ensures that shop rents in these countries progress steadily over the years avoiding the volatility of the purely market systems prevailing in the UK, for example, where shop rents forced too high in the boom on "upward only" reviews are now unsustainable for retailers in the current depressed economic conditions.

The proportion of turnover paid in rent by retail tenants (occupancy cost ratio) in ECP's centres means that rents can rise at least in line with inflation without a significant impact on the retailer's profitability, even if reduced overall consumer expenditure impacts turnover levels. The occupancy cost ratio in France is 7.0%, in Italy is 7.6% and in Sweden is 6.7%.

Rental growth in ECP's retail properties over the next year is likely to continue even if market rents do not increase, not only because all rents are indexed to inflation, but also because a significant proportion of space is "reversionary", or below today's market levels. We expect, therefore, overall like for like rental growth in our centres next year to be around the same rate as 2007/8, providing of course that European economies do not enter a prolonged recession, which is not currently expected.

Sales turnover growth

ECP monitors the sales turnover in its centres very carefully, receiving updated figures each month from retail tenants.

The Company believes strongly in active management, ensuring that its centres adapt to changing consumer demand, and regular sales turnover information and research are indispensable tools in understanding consumer behaviour and the success of the centre.

The international credit crisis, very high oil prices and reduced consumer confidence have naturally all had an effect on sales turnover, and for the year to 30 June 2008 like for like sales in ECP's centres rose overall by only 0.6% (excluding the centres undergoing considerable building works for extensions) when compared with the year to 30 June 2007.

It is interesting that consumer caution is showing up in better sales growth in our local, in town shopping centres than in the out of town regional malls to which customers must travel further. It seems that consumers are, quite sensibly in these harder times, cutting back somewhat and foregoing large electrical items in particular.

Vacancy levels and rent arrears

At the end of June vacancy levels in ECP properties remain under 1.0% and rents more than three months in arrears are less than 0.5% of total rental income; no change on the position for the last five years. The current consumer spending slowdown will doubtless put increased pressure on less efficient highly geared retailers or those with outmoded concepts, but the combination of our close monitoring of sales turnovers and arrears enables us to anticipate and resolve any nascent problems.

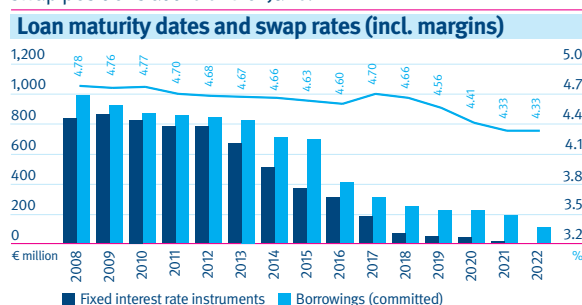
A year of continued growth

Funding

Banks and other financial institutions have drastically curtailed their lending, both to each other and to corporate borrowers so that margins have increased significantly for even the best risks and loan to value ratios are far more conservative than they were. Banks are also constrained by the collapse of the CDO markets so they can no longer sell on their loans, still less at a profit, as they have done in the past. Companies with CDO “programmes” are therefore finding it extremely difficult to refinance their securities at anything other than much higher rates.

ECP's conservative funding policies however anticipated current market conditions and the Company has steadily lengthened the term of its borrowings over the last year so that today the average term is more than nine years with interest costs, currently around 4.7% including margins, fixed for an average of almost seven years. ECP's borrowings are spread amongst ten major banks with whom it has long established relationships and all of which have taken the loans directly on their own books, without the need for securitisation. Our average total margin on borrowings is currently about 41 basis points and loans can be repaid at any time without penalty. The first date for any repayment of substance is 2014. The Company's loan to value ratio is 40% and interest cover is 2.6 times.

The following chart sets out the maturities of ECP's borrowings and fixed interest rate instruments. It also shows the expected interest cost to the Company, including margins, given the swap positions at the end of June.



Shopping centre extensions and refurbishments

The three ongoing extension projects in Milano, Skövde and Norrköping are all within budget and expected to be completed on time and be fully leased on opening. On average they will show a net return on cost of around 7.0% at a total cost of €142 million. Full details of these developments are set out in the relevant country reports. Refurbishments at Passy Plaza in Paris and Les Atlantes in Tours are planned to commence in 2009.

We are currently examining seven other extension projects of which those at Sarzana in Italy and Växjö, Västerås and Laholm in Sweden could, if we choose, commence in 2009 at a total cost of about €140 million, providing market conditions do not deteriorate seriously. We will not, however, commence any development unless the project is at least 70% pre-let, including all anchor stores.

The further extension proposals in Bergamo, Florence and Amiens with a potential cost of up to €150 million are unlikely to be granted planning consents before 2010 and can be initiated after then, at a time to suit the Company.

The net return on cost of 7.0% to be achieved on our current extensions is of course very attractive today but clearly economic and fiscal conditions can change and it is important therefore for the Company to retain complete flexibility in its future plans. A pipeline that appeared so attractive two years ago could easily turn into a liability if management has not paid close attention to changed market circumstances.

At the date of this report the Company is not committed to any projects other than those currently under construction.

Property market conditions

Demand from investors is now generally lower than it was a year ago due to the scarcity and expense of debt finance for those who have relied upon high gearing. However many buyers do not have to borrow – the German open ended funds and sovereign funds for example. In these inflationary times there are also significant attractions for pension funds and others for whom indexed rents provide an effective hedge against inflation. Supply though depends very much on the property sector and location. Speculative development has been relatively low in the retail sector in France, Italy and Sweden but inevitably there are some examples of over optimistic, badly sited projects with problems that were ignored when they were funded in the boom. These poorly planned projects are now difficult or impossible to sell.

Two major shopping centre transactions on the other hand, La Maquinista in Barcelona and the Scandinavian Steen and Strøm portfolio, which together account for over €3 billion, demonstrate that there remains a strong market for good quality centres and dominant portfolios. In both cases the buyers were substantial retail property companies who realise that there are very few opportunities to acquire good centres, most of which are firmly held by well-financed specialist companies or institutions.

The real net yields at which these properties sold are difficult to define, particularly in the case of Steen and Strøm which comprised property management and development operations as well as property ownership. The La Maquinista transaction, however, is of particular interest as it is one of the very few prime shopping centres to have been sold recently in Western Europe. Though clearly a high quality property in a very strong city, the centre is believed to have been sold at a net yield of around 5.4% – about 60 to 70 basis points higher than it is thought it could have been sold for a year earlier. The question is how much of the higher yield was attributed to the particular problems of the Spanish property market. A reasonable estimate is that this factor could account for perhaps 40 to 50 basis points so that the “normalised” yield could be taken to be just under 5.0% which reflects a general yield rise for prime shopping centres of around 20 basis points since December 2007. This increase is in line with the June 2008 revaluations not only for ECP but also for other major specialist European property companies.

Some reasonably good retail parks have sold in Sweden at yields between 5.25% and 6.0%, but the 70,000m² Kista centre in Northern Stockholm failed to sell at the high price asked by its insurance company owners because potential buyers were concerned that after recent increases, rental growth prospects were poor in the face of an expected significant increase in supply of retail space in the vicinity. In addition, the lot size of more than €400 million reduced the number of potential buyers. More attention is clearly now being paid to researching catchments and other fundamentals than was perhaps the case 18 months ago. No prime retail properties have been offered in the French market but a large retail park and a medium sized shopping centre in central and northern Italy are currently on the market and we will therefore have a better idea of market yields in the region in the autumn.

Investment strategy and outlook

High oil and commodity prices have pushed inflation upwards and rising interest rates as a result of Central Bank policies to combat inflation, together with credit shortages, have slowed corporate profit growth and consumer spending. The relatively low level of household debt and high savings ratios in ECP's markets however means that consumer spending is slowing rather than declining significantly in absolute terms, as demonstrated in ECP's turnover numbers for the year to June.

We suspect that spending is unlikely to improve much for some months at least, though, and may even slow further if we see a marked rise in unemployment. The recent large reduction in crude oil prices should relieve the gloom somewhat. Our economic models have been built on various hypotheses but we think it is most likely that base interest rates in the Eurozone should not rise above current levels, although high banking margins will continue to make debt significantly more expensive and scarce than it was last year. Slowing economic growth should keep inflation under 4.0% on average for 2008 but GDP growth is likely to be very weak for the coming year.

We conclude, therefore, that whilst the outlook is relatively bleak at the moment, it is by no means catastrophic and the cushion provided by low rent to turnover ratios in our centres should ensure that growth in the Company's rental income is not adversely affected and indeed is expected to continue to grow next year even if largely through indexation.

We will be very cautious in any purchases and will only consider quite exceptional retail properties; exceptional because of their competitive and geographic positions, their pricing and above all their potential for rental growth even in a poor economic climate. We will require a minimum total return (IRR), on conservative assumptions, of 8%–10% per annum over three to five years.

We will concentrate mostly on extending our existing properties, the funding of which will be partly provided by the sale of the warehouse portfolio. There is little difference between the yield available from these extensions and that given up from the warehouses.

We believe that our most important task is to continue our record of steadily rising earnings and dividends and our policies will be shaped with this as our paramount objective.

Valuations

All ECP properties were independently valued at 30 June 2008.

Valuations are always carried out by major international firms according to the standards set out in the “Red Book” of The Royal Institution of Chartered Surveyors. The valuers are instructed to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. Valuers of properties are rotated every three years.

The following firms conducted the valuations at 30 June 2008:

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

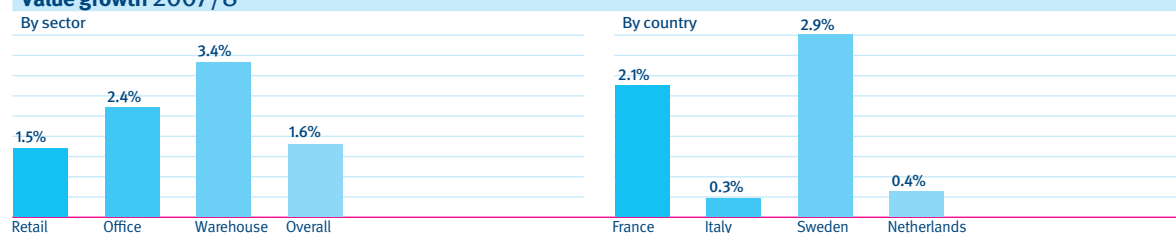
The net yield figures provided in the table opposite are the result of dividing current net income by the valuation figure, to which has been added a standardised market allowance

for deemed purchaser's costs (usually notional transfer taxes) in the particular country. The objective is to replicate the calculations of a professional institutional investor. The total allowance this year amounted to €111 million, or approximately 4.4% of gross valuations (6.2% in France, 4.0% in Italy, 3.0% in Sweden and 7.0% in The Netherlands).

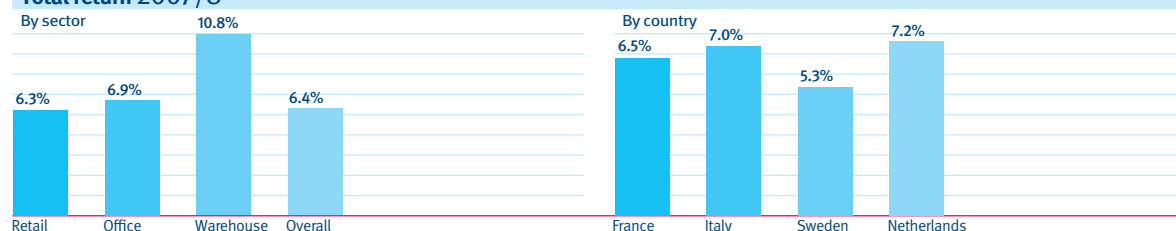
The values of ECP's properties increased by 1.6% over June 2007 and decreased by 1.0% when compared with the figures for December 2007. In France values rose by 2.1% over the year to 30 June 2008, in Italy by 0.3%, in Sweden by 2.9% and in The Netherlands by 0.4% (office and warehouses only).

The average net initial income yield at 30 June 2008 was 5.0% overall (2007: 4.9%), 4.9% for France (2007: 4.7%), 5.0% for Italy (2007: 4.8%), 4.9% for Sweden (2007: 5.0%) and 7.0% for The Netherlands (2007: 7.0%). However, if projects are excluded the overall net yield was 5.1%, with the Italian yield at 5.1% and the Swedish yield at 5.2%.

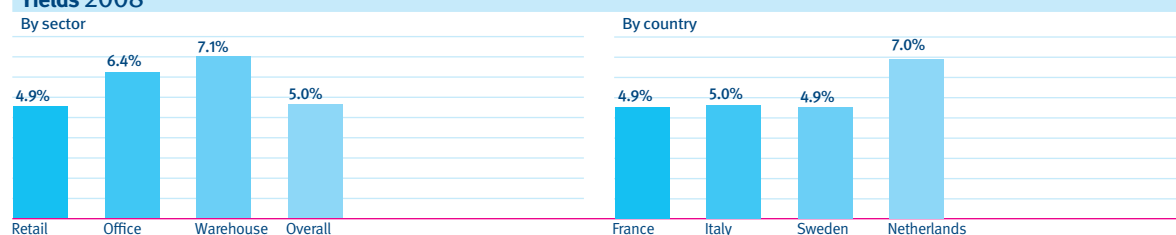
Value growth 2007/8



Total return 2007/8



Yields 2008



Address	Net value 2008 € million	Net value 2007 € million	Change June 2008/ June 2007	Net yield including purchase costs	Cost to date € million	Year of acquisition
France retail						
Amiens Glisy, Amiens	41.36	42.30	-2.2%	5.5%	15.94	1995
Centre St. Doulchard, Bourges	42.00	—	—	5.1%	45.51	2007
Buchelay Retail Park	8.04	7.51	7.1%	5.7%	6.74	2006
Centre Chasse Sud, Chasse-sur-Rhône	33.50	—	—	5.3%	33.29	2007
Les Allées de Cormeilles, Cormeilles	38.36	—	—	5.8%	44.15	2007
Les Trois Dauphins, Grenoble	35.10	34.50	1.7%	5.5%	23.91	2003
Centr'Azur, Hyères	46.89	43.41	8.0%	4.9%	16.86	1993
Noyelles Godault Retail Park	5.46	5.17	5.6%	6.0%	5.29	2006
Passage du Havre, Paris	276.20	275.70	0.2%	4.5%	164.97	2000
Passy Plaza, Paris	126.60	125.30	1.0%	4.8%	71.61	1999
74 rue de Rivoli, Paris	28.70	17.80	61.2%	2.3%	10.70	1998
Les Portes de Taverny, Taverny	49.93	46.05	8.4%	5.3%	24.09	1995
Les Atlantes, Tours	121.28	113.84	6.5%	4.9%	47.47	1992
France warehouses						
Rue des Béthunes, Pontoise (SOLD 09/2008: €19.90m)	19.90	18.64	6.8%	7.2%	18.23	2001
Parisud, Sénart (SOLD 09/2008: €11.80m)	11.80	11.49	2.7%	6.8%	11.78	2001
Italy retail						
Curno, Bergamo	102.79	98.65	4.2%	4.9%	33.83	1994
Centro Lame, Bologna	38.35	37.86	1.3%	5.0%	28.94	2003
Il Castello, Ferrara	94.05	91.80	2.5%	5.3%	63.13	2001
I Gigli, Firenze	251.17	245.78	2.2%	4.9%	153.21	1999
I Gigli Extension Land, Firenze	29.16	—	—	—	29.16	2007
Centro Leonardo, Imola	77.60	78.27	-0.9%	5.3%	63.67	1998
La Favorita, Mantova	56.59	53.65*	5.5%	5.3%	33.30	1997
Carosello, Carugate, Milano	240.77	212.79*	13.1%	5.0%	129.85	1997
Centroluna, Sarzana	26.92	25.67	4.9%	5.6%	12.74	1998
Sweden retail**						
421, Göteborg	84.22	87.62	-3.9%	5.1%	87.81	2007
Kronan, Karlskrona	15.94	14.44	10.4%	4.9%	14.37	2007
Bergvik, Karlstad	53.85	52.26	3.0%	5.1%	37.05	2005
Mellby Center, Laholm	16.89	17.62	-4.1%	5.2%	13.07	2003
Burlöv Center, Malmö	121.96	121.09	0.7%	5.1%	74.84	2001
MaxiHuset, Norrköping	55.43	43.69*	26.9%	3.5%	38.85	2003
Bronsen Retail Park, Norrköping	18.58	—	—	5.6%	18.92	2007
Elins Esplanad, Skövde	59.02	37.85*	55.9%	4.7%	46.99	2003
Moraberg, Södertälje	43.00	43.44	-1.0%	5.5%	37.95	2006
Hälla Shopping, Västerås	32.12	30.78	4.4%	5.3%	21.17	2002
Samarkand, Växjö	40.44	39.25	3.0%	4.8%	28.58	2003
The Netherlands office						
Kingsfordweg 1, Amsterdam Sloterdijk	87.80	87.50	0.3%	7.0%	84.94	1998
The Netherlands warehouses						
Horsterweg 20, Maastricht-Airport (SOLD 08/2008: €4.43m)	4.43	4.38	1.1%	6.6%	4.17	1996
Galvanibaas 5, Nieuwegein (SOLD 08/2008: €4.22m)	4.22	4.23	-0.2%	7.3%	3.32	1994
Standaardruiter 8, Veenendaal	3.97	3.81	4.2%	7.5%	2.91	1991
Koeweistraat 10, Waardenburg (SOLD 08/2008: €2.21m)	2.21	2.21	—	7.6%	1.68	1995

*To these values should be added development costs during the period of €2.1 million for La Favorita, €34.9 million for Carosello, €9.7 million for MaxiHuset and €19.8 million for Elins Esplanad.

**Includes currency effect.

ECP research and retail analysis

ECP dedicates considerable resources to analysing performance statistics of its retail properties, as well as continually reviewing external real estate, retail and economic information. No significant decisions in relation to property investment, development and merchandising mix are made without extensive research into the economics, competition, catchments and consumer preferences of the area in which the property is based. ECP has extensive databases of local, regional, national and international statistical information and maintains regular contact with statistical offices, research houses and property brokers to ensure this data is kept up to date.

Rent to turnover ratios

ECP monitors its tenants' turnover on a monthly basis together with the relationship between turnover and rental levels. With over 1,000 shops, ECP is well aware of industry norms across the various sectors and can therefore readily identify and respond to anomalies.

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 marketing contributions, service charges and property taxes on top of the MGR.

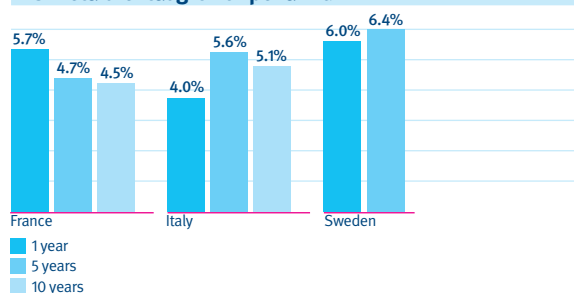
Indexation

All of ECP's leases are indexed and the Company therefore benefits from annual uplifts in rents. In France, up until now, indexation has been based on the construction cost index which has generated combined growth in rents over the past two years of over 12%. A new system is currently under review which uses a combination of building cost, retail sales and CPI but the leases will nonetheless still benefit from annual uplifts. In Italy and Sweden indexation is linked to the consumer price index.

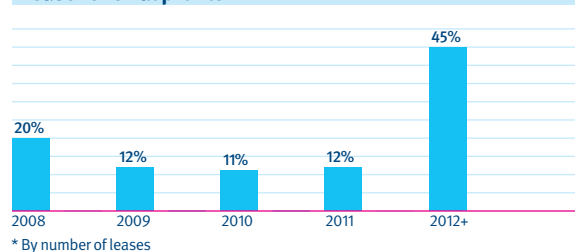
ECP retail turnover growth 2008/2007 by sector

	All sectors (excl. hypers)	Fashion and shoes	Gifts and jewellery	Health and beauty	Electrical	Home goods
Total	0.6%	0.3%	1.4%	4.0%	-2.2%	-0.5%
France	-0.3%	-1.8%	4.1%	3.8%	-3.3%	15.4%
Italy	0.0%	0.3%	-3.1%	2.2%	-0.9%	-5.6%
Sweden	3.7%	3.0%	1.0%	11.0%	0.9%	-4.5%

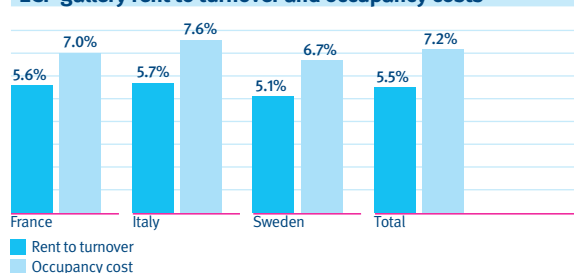
ECP retail rental growth per annum



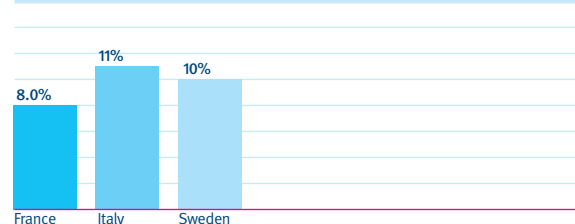
Lease renewal profile*



ECP gallery rent to turnover and occupancy costs



Potential rental reversions



Turnover rent

ECP incorporates turnover clauses into the vast majority of its leases. A tenant will always pay MGR which is indexed to inflation. If the pre-agreed percentage of turnover at the end of the year exceeds the MGR, ECP receives the additional income.

Although the extra income is beneficial, it contributes relatively little (2.1%) to ECP's rental income. The real advantage of the turnover rent is that retailers must disclose their turnover every month, thus enabling ECP to effectively monitor performance.

Rental reversions and unexpired retail lease terms

In France rent reviews are only possible every 10–12 years, with the tenant having strong legal rights to remain in the property if he wishes. Swedish and modern Italian shop leases can be freely negotiated, with terms and rent reviews usually every three to five years. Base rent uplifts in France can therefore appear higher than they really are because of their relative infrequency. One must also factor in the cost (usually one year's turnover) of gaining possession, even at the end of a lease.

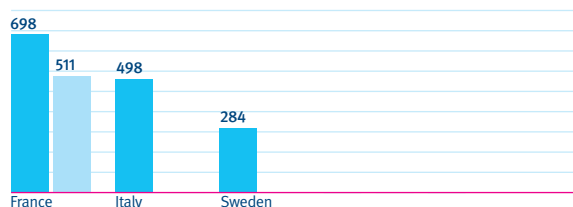
The theoretical rent increase if all tenants paid today's market rents would be 8.0% in France, 11% in Italy and 10% in Sweden.

Rent and turnover per square metre

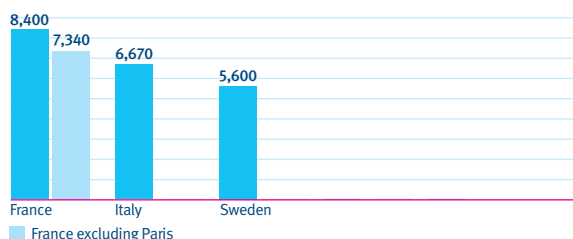
Rents per square metre in ECP's centres average €511/m² in France (excluding Paris), €498/m² in Italy and €284/m² in Sweden. The average shop size in Sweden is much larger than in France and Italy which accounts for the relatively lower rental level per square metre. A standard boutique in Sweden is approximately 500m² compared with 130m² in France and Italy. Conversely in central Paris, demand is such that much higher rents can be commanded, at an average of €1,600/m² for ECP's city centre properties.

For the same reasons, the turnover per square metre in ECP's Swedish properties is somewhat lower than in France and Italy due to the larger shop size. The highest turnovers are found in Paris.

ECP rent €/m² (Boutiques <300m²)



ECP turnover €/m² (Boutiques <300m²)



Vacancies and rental arrears

ECP has a vacancy ratio of less than 1.0% and rental arrears (more than three months) of less than 0.5% of total rental income at 30 June 2008. These statistics are monitored extremely closely and have remained largely unchanged over the last five years. Careful attention to the tenants and retail sectors, together with reasonable rent to turnover ratios, leads ECP to believe that arrears and vacancies should not increase markedly in the immediate future, notwithstanding the current economic slowdown.

Top ten tenants

Major hypermarket operators make up four of ECP's top ten tenants. In addition to the five hypermarkets ECP owns in Sweden and the one in Italy, the Company also acquired two new Géant Casino hypermarkets this year in France, further stabilising the income flow for the group.

Largest tenants		Rent €m	% income
1	Netherlands Government	7.1	6.3
2	Carrefour	4.8	4.3
3	ICA Sverige AB	4.7	4.1
4	Groupe Casino	4.1	3.6
5	H&M	3.5	3.1
6	PPR	3.3	2.9
7	Coop Sverige AB	3.2	2.9
8	Vis Pathé	1.9	1.7
9	MediaMarkt	1.9	1.6
10	Inditex	1.7	1.5
Total		36.2	32.0

Note: All figures exclude Carosello, Carugate, Milano.

France

“In addition to the successful opening of the Les Allées de Corneilles retail park this year, we renewed 33 leases producing an average uplift in rent of 15%. Of particular significance is the new letting to H&M at Les Portes de Taverny.”

Pascal Le Goueff, Property Director, France

2007/8 Performance

+6.5%

Property total return

+5.7%

Retail rental growth

+2.1%

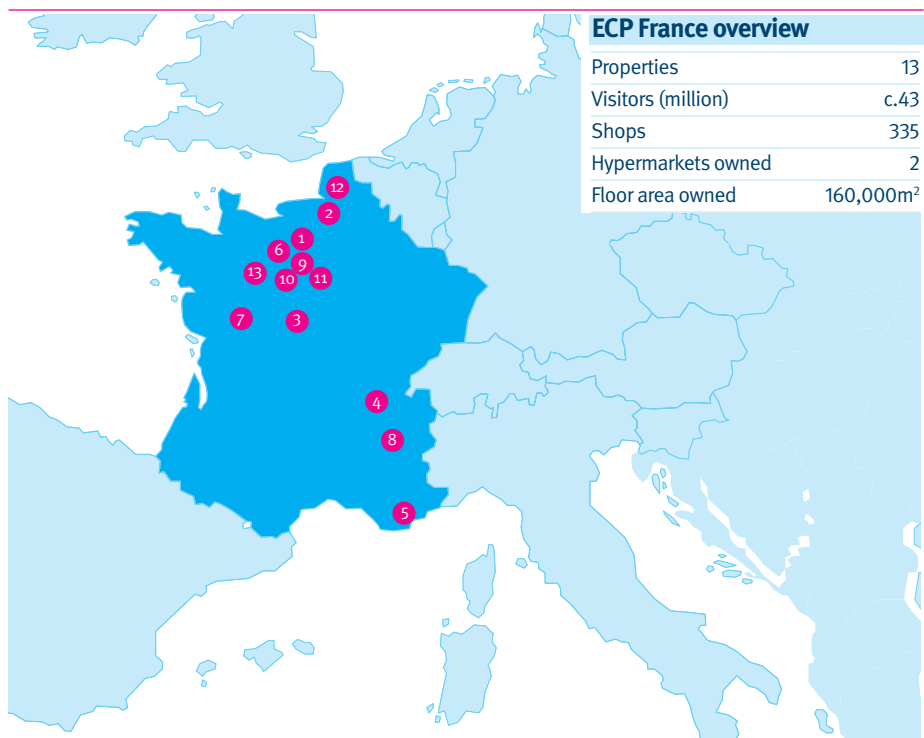
Valuation increase

-0.3%

Gallery turnover growth

Properties

1	Corneilles	Les Allées de Corneilles	Retail Park	p16
2	Amiens (Somme)	Amiens Glisy	Suburban Centre	p18
3	Bourges (Cher)	St. Doulchard	Suburban Centre	p18
4	Chasse-sur-Rhône (Isère)	Chasse Sud	Suburban Centre	p19
5	Hyères (Var)	Centr'Azur	Suburban Centre	p19
6	Taverny (Val d'Oise)	Les Portes de Taverny	Suburban Centre	p20
7	Tours (Indre-et-Loire)	Les Atlantes	Suburban Centre	p20
8	Grenoble (Isère)	Les Trois Dauphins	City Centre Shops	p21
9	Paris	Passage du Havre	City Centre Gallery	p21
10	Paris	Passy Plaza	City Centre Gallery	p22
11	Paris	74 Rue de Rivoli	City Centre Shops	p22
12	Pas-de-Calais	Noyelles Godault	Retail Park	p23
13	Yvelines	Buchelay	Retail Park	p23



“Cette année a été marquée par l’ouverture très prometteuse des Allées de Corneilles, ainsi que par la relocation d’un local situé aux portes de Taverny, à l’enseigne suédoise H&M. Nous avons également renouvelé 33 baux, générant une augmentation du loyer minimum garanti de 15% en moyenne.”

Pascal Le Goueff, Property Director, France



Property portfolio France

Despite a stable unemployment rate in France, increasing worries over purchasing power and falling consumer confidence have slowed spending in the first half of 2008. Some peripheral centres have been offered but the investment market for prime retail properties remains tight.

Rental growth

Rental growth of 5.7% in the retail portfolio is the sum of an increase in minimum guaranteed rents (MGR) of 6.5% offset by a decrease in variable rents of 19.5%. The decline of variable rent is mostly due to the electrical anchor tenant at the Passage du Havre. Of the 6.5% growth in MGR, 5.05% is attributed to indexation and the remaining 1.45% due to lease renewals and re-lettings, details of which can be found later in this report. In these tougher market conditions, weaker retailers may be less determined in lease renewal negotiations and perhaps more willing to vacate their units, thus speeding up the rate of remerchandising in some centres next year.

Turnover growth

The spending slowdown has led to turnover growth in ECP's French centres being negative in the year to June 2008. The main contributor is the electrical/cultural sector, where price deflation and increasing internet sales have reduced shop turnover. If the sector is excluded, ECP centres show an overall increase of 1.5% over the year.

Property market conditions

The Loi de Modernisation de l'Économie (LME) forms part of a raft of recent government proposals. Two of its initiatives have a direct bearing on the shopping centre industry.

Firstly, the LME proposes that the previous limit of 300m² for the creation of any new retail sales area should now be increased to 1,000m². This is likely to result in more hard discount neighbourhood stores, not only from German retailers but also from strong indigenous groups. Whether the measure will reduce the price of foodstuffs or other goods, therefore, will remain to be seen.

The law will probably increase even further the power of the local Town Halls who will now have discretion to grant the necessary building consents.

Also included in the LME is a clause that will provide for a new indexation system for retail leases following a series of strong increases in the cost of construction index which has seen rents rise by over 12% in the past two years. Henceforth increases will be based on the Indices des Loyers Commerciaux (ILC) or index of commercial rents. This index will be derived from the retail price index, retail turnover index and the construction index.

Valuations

ECP valuations in France are up by 2.1% compared to June 2007 with a marginal decline of 1.0% compared to December 2007.

The rental growth achieved during the year is reflected in property values and the low rent to turnover ratios have allowed valuers to take an optimistic view of inherent income security and rental growth. Thus central Paris properties, which account for 51% of the French retail portfolio and include the highly reversionary Rue de Rivoli property, are valued on a net yield of 4.4%. The remaining centres situated in suburban Paris and the provinces are valued at a net yield of 5.2%.

Sale of warehouses

ECP has entered into a contract to sell its two French warehouse properties at Rue des Béthunes in Pontoise and Parisud in Sénart. Completion is scheduled for September and the net proceeds of €31.7 million represent an increase of 3.0% over the December 2007 book values.

Outlook

Despite the fact that shopping centres in France remain tightly held by a limited number of institutional specialists, it seems unlikely that the market will be spared some slight adjustment in yields given the current uncertainty in capital markets, a weaker economy and potentially lower rental growth.

Income security will, however, be the key and it is likely that those properties with uncertain trading histories and high rent to turnover ratios will be penalised most. ECP does not foresee many well managed shopping centres coming onto the market but it is likely that specialist operators could sell some peripheral assets.

Marketing

The marketing of ECP's French centres is handled by the individual centre managers, with specific advertising campaigns and relevant communication channels determined in conjunction with local advertising firms. All employed directly by ECP, the centre managers get together several times a year to discuss their marketing plans, share ideas and see where costs can be saved through central purchasing agreements. Greater emphasis is now being placed on centralising efforts and leveraging economies of scale among ECP's 32 retail properties. Alternative mediums such as sponsoring local sports teams and associations have also proved to be successful ways of increasing the recognition of the centres while supporting the local community.

A comprehensive marketing campaign will be launched in September for the opening of Les Allées de Corneilles, a newly-built retail park just west of Paris. The large catchment of the park means that direct marketing is favoured over radio and television advertising. One million information flyers will be posted to nearby homes, and extensive signage and advertising boards have been erected on the four main roads leading to the park to ensure maximum visibility. Early indications of turnover show that trading at the park has been very good as a result.

ECP France has been overhauling its centres' websites over the past 12 months. The aim was to improve navigation and content to ensure that the site reflects the quality and style of the individual centres, while also enabling the centres to gather information on their visitors. The new Passy Plaza site went live in January 2008 and the Passage du Havre site launched in September 2008. The other sites will follow during the course of the year, including a new site for the Les Allées de Corneilles retail park.



Property portfolio France

Cormeilles (Val d'Oise) Les Allées de Cormeilles



ECP entered into a contract in May 2007 to acquire Les Allées de Cormeilles and the project was delivered and commenced trading in June 2008.

The retail park consists of a Castorama DIY store and external garden centre with a total covered area of 10,626m² which is leased for a fixed term of nine years at a rent of €108/m², subject to annual indexation. The Castorama store includes a number of ecological features including a photovoltaic roof which correspond to the "HQE" or Haute Qualité Environnementale label.

With Castorama forming the anchor to the property, the second building has a GLA of 9,150m² and is located across the car park. Tenants include 11 national retailers, amongst them Kiabi, the market leader in discount fashion, Besson and Bata who occupy a similar position in shoes, and other leading retailers Aubert and Casa.

Average rents in the multi-let building are €130/m², which is a similar level to the Company's other Paris region retail park at Buchelay.

The valuation of Les Allées de Cormeilles at June 2008 reflects a markdown of 40 basis points compared to the cost price. Valuers are cautious in the absence of a trading track record. Nevertheless, early feedback on sales at the centre is very positive and if the trend continues the valuation yield may prove conservative.

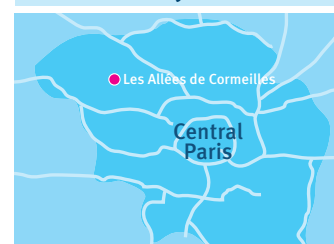
Total lettable area	19,796m ²
ECP ownership	19,796m ²
Value (€ million)	38.36
Occupancy	99%
Renewal profile 2008–2010	0%
Rental income (€ million)	2.36
Major tenants:	
	Castorama, Kiabi, Besson, Casa



Photovoltaic roof panels



Location summary



Catchment population	246,000
Disposable income (EU15=100)	147
Conurbation area	

Situated in the Val d'Oise in the Paris region, the municipality of Cormeilles-en-Parisis is a wealthy suburb of 20,000 inhabitants, 15 minutes by suburban rail to the Gare Saint-Lazare and Central Paris.

The total primary catchment of 246,000 includes the neighbouring residential suburbs of Sartrouville, Bezons and Maisons Lafitte, all of which have direct travel links to La Défense. Retail densities (the ratio of retail space per inhabitant) in Cormeilles-en-Parisis are well below the national average.



Les Allées de Cormeilles opened in June 2008. Early feedback on sales at the park is very positive.



Property portfolio France

Amiens (Somme)

Amiens Glisy

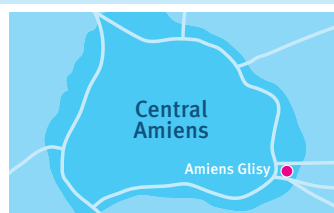
Sales growth of 2.5% testifies to a steady year. There have been no major changes to the tenancy line up and many lease renewal negotiations are in progress. Discussions regarding an extension to the property are still ongoing with the co-owners.

Total lettable area	22,769m ²
Retail/Gallery	6,279m ²
Hyper (Géant)	16,000m ²
Other	490m ²
ECP ownership	6,279m ²
Value (€ million)	41.36
Occupancy	100%
Renewal profile 2008–2010	52%
Rental income (€ million)	2.44
Rental growth	2.51%
Boutiques <300m ² turnover/m ² (€)	6,510
Turnover growth	2.51%
Rent to turnover ratio	6.56%
Occupancy cost ratio	8.57%
Visitors 2007/8	3.85m
Major tenants:	
	Flunch, Camaieu, Nocibé

Location summary

Catchment population	261,000
Disposable income (EU15=100)	90
Conurbation area	■

The centre is situated alongside the ring road to the east of Amiens city centre.



Bourges (Cher)

St. Doulchard

Centre Commercial St. Doulchard, which was acquired by the Company in November 2007, is a well established suburban centre. Neighbouring retailers include Leroy Merlin and Decathlon.

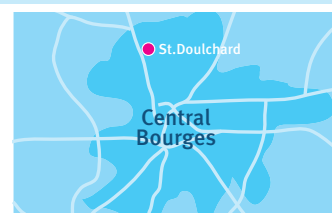
The centre consists of a Géant Casino hypermarket and a small gallery where tenants include Flunch and Nocibé. ECP owns the hypermarket, the gallery and the car park including a petrol station. The gallery rents, which average €200/m², are considered highly reversionary. The ownership of both the hypermarket and the car park allows ECP long-term freedom of management.

Total lettable area	19,448m ²
Retail/Gallery	3,668m ²
Hyper (Géant)	15,780m ²
ECP ownership	19,448m ²
Value (€ million)	42.00
Occupancy	100%
Renewal profile 2008–2010	59%
Rental income (€ million)	2.31
Visitors 2007/8	3.50m
Major tenants:	
	Géant, Flunch

Location summary

Catchment population	190,000
Disposable income (EU15=100)	103
Conurbation area	■

Situated on the northern periphery of the city of Bourges.



Chasse-sur-Rhône (Isère)

Chasse Sud

In November 2007 ECP acquired the Géant Casino hypermarket with its petrol station, a service gallery of 1,500m² and the car park of 870 spaces together with neighbouring units of 7,000m² leased to Conforama, Gemo and others.

Ownership of the hypermarket, car park and the neighbouring units provides ECP with freedom of management and considerable long-term development potential.

Total lettable area	22,500m ²
Retail/Gallery	1,500m ²
Hyper (Géant)	14,000m ²
Retail Boxes	7,000m ²
ECP ownership	22,500m ²
Value (€ million)	33.50
Occupancy	100%
Renewal profile 2008–2010	53%
Rental income (€ million)	1.97

Major tenants:
Géant, Conforama

Location summary

Catchment population	150,000
Disposable income (EU15=100)	118
Conurbation area	■

Chasse Sud is a prominent retail zone situated to the south of Lyon with very good visibility to the A15 autoroute.

**Hyères (Var)**

Centr'Azur

Centr'Azur has a large health and beauty sector which, year on year, has performed very well. This year the sector was up 10%, contributing to an overall turnover increase of 2.6%. Two restaurants will be converted to retail stores, with further improvements to merchandising likely to result.

Seven leases have been renewed this year at an average uplift of 16%.

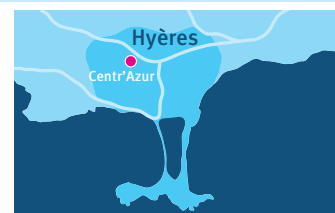
Total lettable area	17,043m ²
Retail/Gallery	6,243m ²
Hyper (Géant)	10,800m ²
ECP ownership	6,243m ²
Value (€ million)	46.89
Occupancy	100%
Renewal profile 2008–2010	22%
Rental income (€ million)	2.47
Rental growth	5.93%
Boutiques <300m ² turnover/m ² (€)	7,353
Turnover growth	2.58%
Rent to turnover ratio	5.79%
Occupancy cost ratio	8.08%
Visitors 2007/8	2.80m

Major tenants:
Camaieu, Okaidi

Location summary

Catchment population	256,000
Disposable income (EU15=100)	102
Conurbation area	■

Situated alongside the busy coastal road A570 between Hyères town centre and the beaches to the south.



Property portfolio France

Taverny (Val d'Oise)

Les Portes de Taverny

Les Portes de Taverny has produced a turnover increase of 2.3% in the boutiques. The re-letting of the former cafeteria of 950m² to H&M should provide a significant boost to sales in the centre and the arrival of a Pomme de Pain Café in the central piazza will improve the restaurant offer.

Total lettable area	30,476m ²
Retail/Gallery	5,604m ²
Hyper (Auchan)	16,200m ²
Other	8,672m ²
ECP ownership	5,604m ²
Value (€ million)	49.93
Occupancy	100%
Renewal profile 2008–2010	16%
Rental income (€ million)	2.88
Rental growth	10.02%
Boutiques <300m ² turnover/m ² (€)	9,083
Turnover growth	0.79%
Rent to turnover ratio	6.26%
Occupancy cost ratio	8.14%
Visitors 2007/8	3.40m

Major tenants:
H&M, Paul, Kry, Promod

Location summary

Catchment population	360,000
Disposable income (EU15=100)	122
Conurbation area	■

Situated alongside the A115 autoroute in the north western suburbs of Paris.



Tours (Indre-et-Loire)

Les Atlantes

A planning application is to be submitted shortly with three objectives: to allow for a refurbishment of the interior, to provide new entrances that comply with new fire regulations and to allow for an increase in the restaurant offer of the shopping centre.

In a tough competitive environment, sales performance at Les Atlantes has been steady this year. H&M continues to progress, although partially at the expense of other fashion retailers. However, it is anticipated that the opening of a new IKEA store opposite the centre in October 2009 will extend the catchment area of Les Atlantes.

12 leases have been renewed this year at an average uplift of 15%.

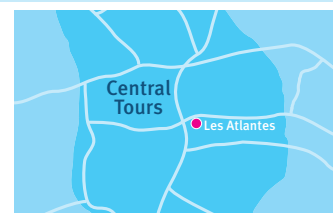
Total lettable area	39,347m ²
Retail/Gallery	22,747m ²
Hyper (Carrefour)	16,600m ²
ECP ownership	22,747m ²
Value (€ million)	121.28
Occupancy	100%
Renewal profile 2008–2010	20%
Rental income (€ million)	6.38
Rental growth	6.36%
Boutiques <300m ² turnover/m ² (€)	6,800
Turnover growth	0.26%
Rent to turnover ratio	5.78%
Occupancy cost ratio	7.42%
Visitors 2007/8	6.40m

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

Location summary

Catchment population	380,000
Disposable income (EU15=100)	113
Conurbation area	■

Situated direct to the east of Tours city centre alongside the A10 (Paris – Bordeaux) autoroute.



Grenoble (Isère)

Les Trois Dauphins

The Company is in negotiations to renew the lower ground floor lease to Fnac, and is also exploring an extension to the IBIS hotel which is situated on the upper levels of the property. A new six year lease has been signed with a government tenant on 750m² of office accommodation.

Total lettable area	16,845m ²
Retail/Gallery	8,600m ²
Residential	4,700m ²
Hotel/Office	3,545m ²
ECP ownership	16,845m ²
Value (€ million)	35.10
Occupancy	100%
Renewal profile 2008–2010	50%
Rental income (€ million)	2.30
Rental growth	4.83%

Major tenants:
Fnac, C&A, Group Accor

Location summary

Catchment population	400,000
Disposable income (EU15=100)	113
Conurbation area	■

The property forms a prime island in the city centre of Grenoble next to Galeries Lafayette.



Paris

Passage du Havre

The Passage du Havre had another good year with turnover in the boutiques up 2.6%, notwithstanding a negative performance from the anchor. Merchandising is unchanged but negotiations to renew the Sephora lease have permitted ECP to reconfigure the escalators at the Rue Caumartin entrance, greatly improving visibility of shops within the centre. Seven leases have been renewed in the centre this year at an average uplift of 15%.

Total lettable area	20,447m ²
Retail/Gallery	13,839m ²
Residential	2,337m ²
Office	4,271m ²
ECP ownership	20,447m ²
Value (€ million)	276.20
Occupancy	100%
Renewal profile 2008–2010	33%
Rental income (€ million)	13.72
Rental growth	5.20%
Boutiques <300m ² turnover/m ² (€)	16,272
Turnover growth	-1.45%
Rent to turnover ratio	4.19%
Occupancy cost ratio	4.97%
Visitors 2007/8	14.60m

Major tenants:
Fnac, Nature et Découvertes, H&M

Location summary

Catchment population	675,000
Disposable income (EU15=100)	154
Conurbation area	■

The Passage du Havre is in the centre of Paris in close proximity to Galeries Lafayette and Printemps.



Property portfolio France

Paris

Passy Plaza

A good performance from the Inno supermarket has been offset by a weak fashion sector. Zara Home has however made a promising start and lettings to L'Occitane and Un Jour Ailleurs will maintain momentum. A major refurbishment of Passy Plaza is scheduled to commence in February 2009.

Three units, including that of the supermarket Inno, have been renewed this year at an average uplift of 8.4%.

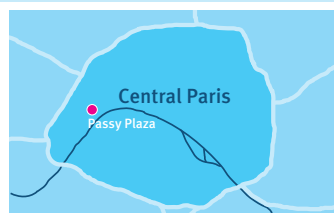
Total lettable area	8,077m ²
ECP ownership	8,077m ²
Value (€ million)	126.60
Occupancy	100%
Renewal profile 2008–2010	33%
Rental income (€ million)	6.74
Rental growth	6.14%
Boutiques <300m ² turnover/m ² (€)	9,965
Turnover growth	–0.60%
Rent to turnover ratio	9.39%
Occupancy cost ratio	11.35%
Visitors 2007/8	5.50m

Major tenants:
Inno, H&M, La Grande Récré

Location summary

Catchment population	160,000
Disposable income (EU15=100)	289
Conurbation area	■

Passy Plaza is an upmarket neighbourhood shopping centre situated in the wealthy 16^{ème} arrondissement of Paris.



1–3 rue de Renard (Paris)

74 Rue de Rivoli

The substantial increase in the value of the property is due to the signature of two new conditional lease contracts with international retailers at market rents. It is anticipated that the necessary construction works will be carried out in early 2009 when the new leases can commence.

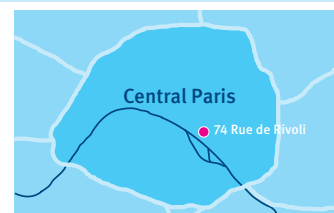
The upper residential floors remain fully let and will not be affected by the changes at street level.

Total lettable area	3,023m ²
Retail/Office	908m ²
Residential	2,115m ²
ECP ownership	3,023m ²
Value (€ million)	28.70
Renewal profile 2008–2010	All retail
Rental income (€ million)	0.85
Rental growth	1.38%

Location summary

Conurbation area ■

The property occupies a prime corner position on the popular Rue de Rivoli opposite the Hotel de Ville and close to the BHV department store.



Pas-de-Calais

Noyelles Godault

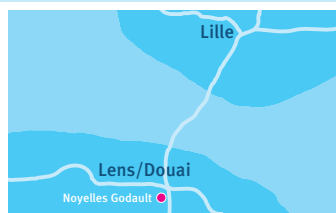
The property, which is leased in its entirety to King Jouet, consists of two contiguous units each of 1,400m² with shared surface parking. Other anchors in the zone include Auchan, IKEA, Castorama and Decathlon.

Total lettable area	2,800m ²
ECP ownership	2,800m ²
Value (€ million)	5.46
Occupancy	100%
Renewal profile 2008–2010	0%
Rental income (€ million)	0.35
Rental growth	5.05%
Major tenant:	King Jouet

Location summary

Conurbation area

Noyelles Godault is the dominant out of town retail zone in the Pas-de-Calais.



Yvelines

Buchelay

ECP has long leases with three low cost fashion and shoe retailers, Bata, Tati and MIM, at an average rent of €124/m².

Total lettable area	3,800m ²
ECP ownership	3,800m ²
Value (€ million)	8.04
Occupancy	100%
Renewal profile 2008–2010	0%
Rental income (€ million)	0.47
Rental growth	4.44%
Major tenants:	Bata, Tati, MIM

Location summary

Catchment population	200,000
Disposable income (EU15=100)	122
Conurbation area	

Buchelay is a strong retail zone on the western outskirts of Paris.



Italy

“With 71 relettings completed during the financial year and many new leases signed for the Carosello extension, we see that interest from domestic and international retailers for prime properties in Italy remains strong, with no requests for lower rents.”

Valeria Di Nisio, Property Director, Italy

2007/8 Performance

+7.0%

Property total return

+4.0%

Retail rental growth

+0.3%

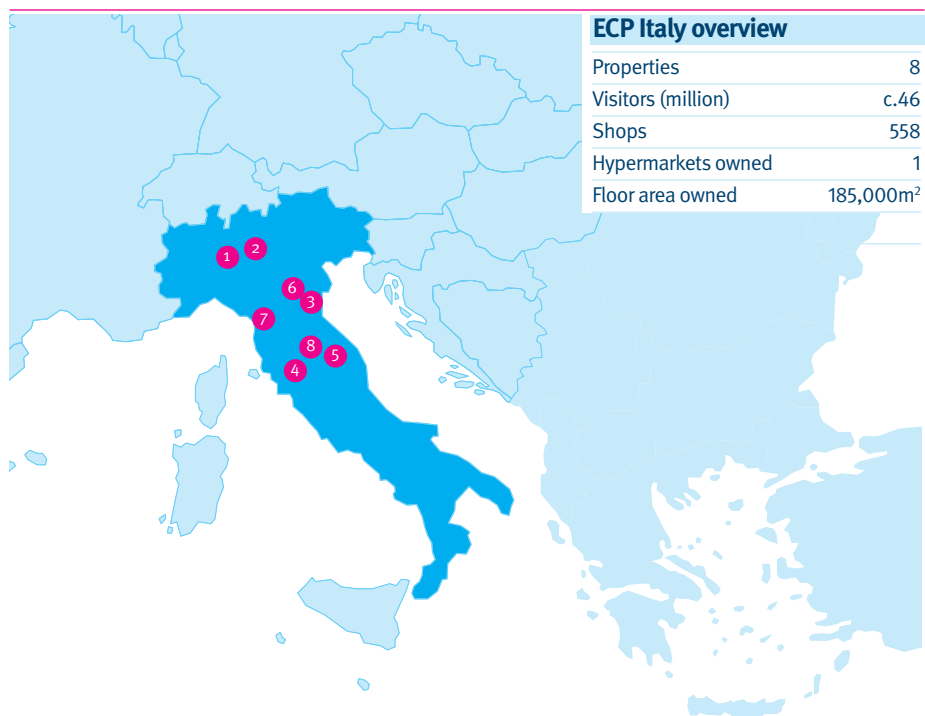
Valuation increase

+0.0%

Gallery turnover growth

Properties

1	Carugate, Milano (Lombardia)	Carosello	Suburban Centre	p28
2	Bergamo (Lombardia)	Curno	Suburban Centre	p30
3	Ferrara (Emilia Romagna)	Il Castello	Suburban Centre	p30
4	Firenze (Toscana)	I Gigli	Suburban Centre	p31
5	Imola (Emilia Romagna)	Centro Leonardo	Suburban Centre	p31
6	Mantova (Lombardia)	La Favorita	Suburban Centre and Retail Park	p32
7	Sarzana (Liguria)	Centroluna	Suburban Centre	p32
8	Bologna (Emilia Romagna)	Centro Lama	Suburban Centre	p33



“Dal completamento di 71 ricommercializzazioni quest’anno e dalla negoziazione di molti nuovi contratti per l’ampliamento di Carosello, non sono emerse richieste di riduzione dei canoni, permettendoci di constatare che l’interesse da parte di operatori nazionali ed internazionali per centri commerciali italiani di prim’ordine rimane molto forte.”

Valeria Di Nisio, Property Director, Italy



Property portfolio Italy

ECP's portfolio of eight Northern Italian shopping centres have again delivered good rental growth of 4.0%. An uncertain economic environment has made shoppers more discerning about where they shop, and retailers more careful in their expansion. Both are favouring existing prime shopping destinations with proven track records.

During the year ECP has once again concentrated on enhancing its own portfolio through improvements, extensions and refurbishments. Now more than ever both investors and valuers are focusing on property and retailing fundamentals which will ultimately favour those properties judged as prime by the retailers.

Rental growth

Overall rental growth on the year was 4.0%, attributable partly to indexation (2.2%) and lease renewals (1.8%). 71 leases were renewed in the past 12 months, resulting in a 24% uplift on the passing rent. Rental growth varied between the centres, but Centro Lame was the top performer achieving an overall increase of 7.7%.

Following these renewals the centres are now trading at an occupancy cost ratio of 7.6%, believed to be among the lowest in Italy, indicating sustainable rents which ECP estimates are still some 11% below market value.

Turnover growth

Turnover growth in the portfolio was flat, excluding Carosello which has been affected during the year by building works and shop closures as tenants are relocated to accommodate the construction works for the extension and refurbishment.

La Favorita in Mantova was refurbished in November 2007 following the arrival of a competitor and this has helped return the centre to growth at 3.3% year on year. Elsewhere, and perhaps unsurprisingly with high fuel costs, galleries closer to town centres such as Centro Lame in Bologna have performed slightly better.

The supermarket and electrical sectors are under the most pressure in Italy as competition from discounters and neighbourhood supermarkets attack the former and price deflation the latter. The food sector is feeling the effect of strong price inflation (6.5%) whereas non-food inflation at 1.8%, which is relevant to ECP's galleries, is running below the average headline rate of 4.0%, indicating that higher energy costs (16%) are the main source of the problem. Fuel and food are unavoidable expenditure items for the consumer and as such non-food sales are likely to remain under pressure despite the price deflation in real terms.

However, the lack of a housing bubble, low household debt and the fact that unemployment in Northern Italy of 4.0% is

amongst the lowest levels in Europe, means that the area is better positioned than others to weather the current economic downturn.

Property market conditions

The Italian retail investment market began to slow down towards the end of 2007 resulting in a significant reduction in investment transactions, with agents reporting 30–50% fewer sales in the first half of 2008 compared with the same period in 2007. The last near prime retail transaction in Northern Italy was a small supermarket anchored gallery which sold at a net yield of 5.0% at the end of 2007.

ECP expects that vendors will have to start accepting lower offers for secondary properties. However, the prime sector is in a better position as yields for these properties did not drop so sharply during the boom. Investors will also now have to concentrate more on property fundamentals such as rent and turnover levels which will favour the prime sector.

A number of retail properties of mixed quality are currently being marketed in Italy which should provide clarification on the state of the market and expectations for future valuations.

Valuations

The June valuations were almost unchanged over the 12 months at +0.3%, however they were down 1.3% since December 2007. In the absence of comparable evidence, it was interesting to note the uniformity in the valuers' opinions as testament to the state of the market for prime properties.

Net yields rose slightly from those at December, however the impact was minimised by the increase in rental income of 8.6% (affected most strongly by the new lettings on the Carosello extension). The valuers were on the whole fairly conservative in their expectations for inflation which is now running just above 4.0%. This is relevant as all rents are linked to the retail price index.

Extensions and refurbishments

In addition to the refurbishment and extension at Carosello, which is covered in further detail on page 28, a refurbishment has been completed at Mantova and preparations for a refurbishment at Ferrara have begun. A planning application has been submitted to extend Centroluna in Sarzana and land has been bought adjacent to I Gigli to extend the retail offering in time. The goal remains that of constantly upgrading all properties.

Marketing

ECP Italia's marketing manager is responsible for overseeing the marketing strategies of all the Italian centres. As well as devising strategies with the local centres and their agencies, he also carefully monitors the results of each campaign and assesses the possibility for applying winning strategies in other centres.

Marketing is funded primarily by the tenants although ECP also makes direct contributions. Just under €5 million of tenant contributions (12% of net property income) was spent on marketing in Italy during the last financial year. Of the total budget, 66% is allocated to communications (advertising, posters, television, internal decorations, flyers, etc.) and the rest is spent on events (animations, contests, prize draws, shows, etc.). ECP has spent a further €2 million over the past three years on enhancing the centres with features such as crèches, kids' play areas, Christmas decorations and so on.

The economic issues in Italy that have impacted consumer confidence in recent months have spurred ECP's shopping centre managers and marketing team to develop new ideas to increase footfall and improve customer loyalty in its centres.

ECP's centres have won numerous prizes for their customer service and marketing at the annual CNCC awards (Italian Association of Shopping Centres affiliated with the ICSC). One of the events that proved particularly effective during the year was "Magic Sundays" at Curno which was created to entice more people to shop on Sundays. Upon spending money in the centre, customers were able to win vouchers to spend in the centre. Participation was high and Sunday visitor numbers increased 4.0% on the previous year.

As well as sharing ideas within Italy, the marketing director also manages ECP's "In Plaza" magazine – a quarterly internal publication which allows all centre managers in France, Italy and Sweden to share their experiences and successful marketing programmes.



Property portfolio Italy

Carugate, Milano (Lombardia) Carosello



ECP bought Carosello in 1997 and owns the entire shopping centre, which today comprises a Carrefour hypermarket with a sales area of 15,000m² and a gallery of 11,000m².

Despite being located in a strong retail zone with IKEA, Castorama and Decathlon all nearby, the Carosello gallery was relatively small and did not provide a full retail offer. This, together with increasing competition on the eastern side of Milan, led to the decision to substantially extend and refurbish the centre to capitalise on its full prime location.

The project comprises a 12,000m² extension to the gallery, early renewal of leases in the existing centre, refurbishment and re-merchandising of the existing centre, a large new food court, a new logo for the centre and a total of 4,000 car spaces of which 1,144 are covered.

The project includes several innovative design features such as a 16,000m²

sloping grass roof, 63 dramatic sky lights to utilise natural daylight and reduce electricity consumption and very tall shop fronts to offer a striking retail environment. The centre is currently being reviewed for LEED certification.

Construction is on schedule and the opening is expected in early November. The total cost of the project is approximately €82 million.

Leasing is well advanced with 95% of the extension by income now signed. The new centre will have 115 units and be anchored by Saturn (Media Markt), H&M, Zara and Oviessie, who are now fitting out their stores.

The valuation of the centre at 30 June 2008 showed a net yield of 5.0% (current net income divided by gross value). Carosello will be fully income producing in 2009 once the new food court is completed at which time the yield on the extension and refurbishment cost will be over 7.0%.

Total lettable area	52,430m ²
Retail/Gallery	23,600m ²
Hyper (Carrefour)	27,710m ²
Other	1,120m ²

ECP ownership	52,430m ²
---------------	----------------------

Value (€ million)	240.77
-------------------	--------

Major tenants:
Carrefour, Oviessie, Saturn, H&M, Zara

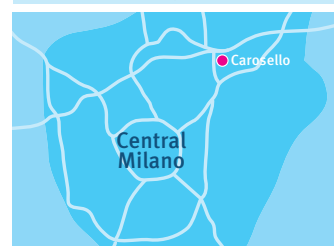
June 2007



July 2008



Location summary



Catchment population	753,000
Disposable income (EU15=100)	128
Conurbation area	

Carosello is located at the junction of the Turin-Milan-Venice motorway and Milan's eastern ring road, from which it is clearly visible.



The project includes several innovative design features including a grass roof, 63 dramatic sky lights and very tall shop fronts.



Property portfolio Italy

Bergamo (Lombardia)

Curno

Curno is ECP's best performing centre in Italy on a measure of both turnover/m² and rental levels, which are now in excess of €600/m² for shops less than 300m². Despite this, the occupancy cost ratio remains at a very low 6.1%, indicating very good rental growth prospects.

Three leases were renewed in the year producing a rental uplift of 46%, although sales were flat, partly as a result of increased competition in the area. An extension is now being considered to further build on the centre's success.

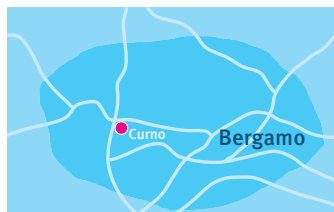
Total lettable area	35,348m ²
Retail/Gallery	15,603m ²
Hyper (Auchan)	17,245m ²
Other	2,500m ²
ECP ownership	18,103m ²
Value (€ million)	102.79
Occupancy	100%
Renewal profile 2008–2010	15%
Rental income (€ million)	5.69
Rental growth	3.74%
Boutiques <300m ² turnover/m ² (€)	8,830
Turnover growth	–0.06%
Rent to turnover ratio	4.81%
Occupancy cost ratio	6.00%
Visitors 2007/8	6.91m

Major tenants:
Media World, Passatempo, Cisolfa, Brek

Location summary

Catchment population	431,000
Disposable income (EU15=100)	100
Conurbation area	■

Located to the west of the city of Bergamo close to the A4 motorway in the south and the wealthy towns and villages to the north.



Ferrara (Emilia Romagna)

Il Castello

Il Castello is the leading centre in Ferrara, situated close to the city centre with the widest retail offer. The retail mix is due to be strengthened shortly with the opening of new fashion and household stores.

Following the refurbishment and extension of the foodcourt in 2006, the centre itself will be refurbished in 2008/9, focussing on the entrances, lighting and public spaces. 21 leases were renewed in the year showing a rental uplift of 11%. As part of their lease conditions, all 21 will also refit their stores.

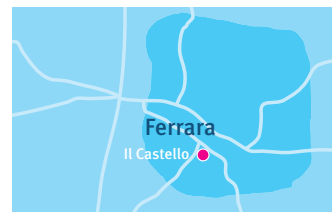
Total lettable area	35,938m ²
Retail/Gallery	18,188m ²
Hyper (Ipercoop)	15,350m ²
Other	2,400m ²
ECP ownership	17,767m ²
Value (€ million)	94.05
Occupancy	100%
Renewal profile 2008–2010	30%
Rental income (€ million)	5.35
Rental growth	5.41%
Boutiques <300m ² turnover/m ² (€)	6,280
Turnover growth	1.82%
Rent to turnover ratio	6.66%
Occupancy cost ratio	8.14%
Visitors 2007/8	5.61m

Major tenants:
Euronics, Oviessse, Cisolfa

Location summary

Catchment population	316,000
Disposable income (EU15=100)	108
Conurbation area	■

Il Castello is situated on the southern edge of the city. It also lies on the city's inner ring road.



Firenze (Toscana)


I Gigli

I Gigli is one of the largest centres in Italy and consistently a strong performer, with rental growth of 37% achieved on the 22 relettings this year. The centre has particularly strong anchors with all sectors well represented by leading national and international retailers. With 13.7 million annual visitors and increased competition expected soon, ECP is keen to enhance the centre through a refurbishment and extension. Land adjacent to the centre was purchased in the year to extend the retail offer in time.

Total lettable area	79,193m ²
Retail/Gallery	44,978m ²
Hyper (Panorama)	21,115m ²
Cinema	11,215m ²
Other	1,885m ²
ECP ownership	56,193m ²
Value (€ million)	251.17
Occupancy	100%
Renewal profile 2008–2010	37%
Rental income (€ million)	13.58
Rental growth	5.16%
Boutiques <300m ² turnover/m ² (€)	6,800
Turnover growth	-1.63%
Rent to turnover ratio	4.96%
Occupancy cost ratio	7.51%
Visitors 2007/8	13.69m

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

Location summary

Catchment population	934,000
Disposable income (EU15=100)	115
Conurbation area	

Typical of a true regional centre, I Gigli lies between the cities of Prato to the west and Firenze to the east. It is also visible from the A11 motorway.



Imola (Emilia Romagna)

Centro Leonardo


Following a full refurbishment and major extension, which was completed in November 2006, the centre has settled down well with an occupancy cost ratio of 9.2%. Whilst the catchment has only been increased slightly as a result of the larger gallery, the penetration in the existing catchment has increased significantly, effectively confirming Leonardo as the shopping destination for Imola.

Planning consent has recently been secured to convert 2,000m² of first floor space into retail use and options are currently being considered.

Total lettable area	31,500m ²
Retail/Gallery	15,300m ²
Hyper (Ipercoop)	16,200m ²
ECP ownership	15,300m ²
Value (€ million)	77.60
Occupancy	100%
Renewal profile 2008–2010	0%
Rental income (€ million)	4.45
Rental growth	0.34%
Boutiques <300m ² turnover/m ² (€)	5,490
Rent to turnover ratio	7.50%
Occupancy cost ratio	9.20%
Visitors 2007/8	4.57m

Major tenants:
Media World, Oviessse, Pittarello

Location summary

Catchment population	142,000
Disposable income (EU15=100)	123
Conurbation area	

Centro Leonardo is located on Imola's inner ring road, within walking distance of the city centre and surrounded by housing.



Property portfolio Italy

Mantova (Lombardia)

La Favorita

La Favorita had a second year of solid turnover growth (+3.3%), fuelled by the refurbishment which was completed in November 2007. The project included improved lighting with new shop surrounds and entrances.

Mantova is a very competitive market with three similar sized shopping centres and the retail park opposite (anchored by Media World), which is also owned by ECP, is important to the centre's performance. 12 leases were renewed in the year producing a rental uplift of 9%. A further 26% of leases will be up for renewal in the next three years.

Total lettable area	33,079m ²
Retail/Gallery	7,400m ²
Retail Park	6,279m ²
Hyper (Ipercoop)	11,000m ²
Brico	5,700m ²
Cinema	2,700m ²
ECP ownership	13,679m ²
Value (€ million)	56.59
Occupancy	100%
Renewal profile 2008–2010	26%
Rental income (€ million)	3.29
Rental growth	2.77%
Boutiques <300m ² turnover/m ² (€)	5,700
Turnover growth	2.92%
Rent to turnover ratio	6.28%
Occupancy cost ratio	7.55%
Visitors 2007/8	2.45m

Major tenants:
Media World, UPIM, Piazza Italia,
Scarpe & Scarpe, Bernardi

Location summary

Catchment population	313,000
Disposable income (EU15=100)	108
Conurbation area	■

Located 1.5 km north east of the city across the Mincio river, La Favorita is part of a wider retail/leisure complex.



Sarzana (Liguria)

Centroluna

In 2007 Centroluna withstood the opening of a new competing shopping centre on the western side of its catchment, with turnover falling only 1.8%. Two leases were renewed in the year following a large block of renewals last year.

The planning process for an extension is at an advanced stage but the project will only proceed if a good level of pre-letting is achieved and if costs can be controlled to show a return of 6.5–7.0%.

Total lettable area	15,176m ²
Retail/Gallery	3,596m ²
Hyper (Ipercoop)	11,580m ²
ECP ownership	3,596m ²
Value (€ million)	26.92
Occupancy	100%
Renewal profile 2008–2010	17%
Rental income (€ million)	1.65
Rental growth	2.80%
Boutiques <300m ² turnover/m ² (€)	6,130
Turnover growth	–1.84%
Rent to turnover ratio	7.79%
Occupancy cost ratio	9.40%
Visitors 2007/8	3.70m

Major tenants:
Piazza Italia, Benetton

Location summary

Catchment population	210,000
Disposable income (EU15=100)	105
Conurbation area	■

Centroluna lies to the west of Sarzana and fronts the important La Spezia-Sarzana-Massa main road.



Bologna (Emilia Romagna)

Centro Lama

With shoppers paying more attention to transport costs, Centro Lama has benefited from its proximity to the centre of Bologna (22% arrive on foot), recording turnover growth of 3.5% in the year to June 2008. Lama is a “neighbourhood-plus” centre whose mix of full-size hypermarket and service-orientated gallery has made it resilient to competition.

The centre was refurbished internally in 2006 and further improvements to the entrances and façade will be made soon. 12 leases were renewed during the year, producing an average rental uplift of 24%.

Total lettable area	16,560m ²
Retail/Gallery	5,524m ²
Hyper (Ipercoop)	11,036m ²
ECP ownership	5,524m ²
Value (€ million)	38.35
Occupancy	100%
Renewal profile 2008–2010	48%
Rental income (€ million)	2.28
Rental growth	7.72%
Boutiques <300m ² turnover/m ² (€)	6,270
Turnover growth	3.48%
Rent to turnover ratio	7.80%
Occupancy cost ratio	10.36%
Visitors 2007/8	3.87m
Major tenants:	
	Bata, Camst, Benetton

Location summary

Catchment population	300,000
Disposable income (EU15=100)	142
Conurbation area	■

Within walking distance for most of its customers, Centro Lama is located in a densely populated area just north of Bologna city centre.



Sweden

“Having let our extensions at Skövde and Norrköping, our main focus for the year ahead will be to ensure successful openings of both centres and secure sufficient pre-letting at Växjö to enable the project to commence in 2009.”

Martin Bjöörn, Property Director, Sweden

2007/8 Performance

+5.3%

Property total return

+6.0%

Retail rental growth

+2.9%

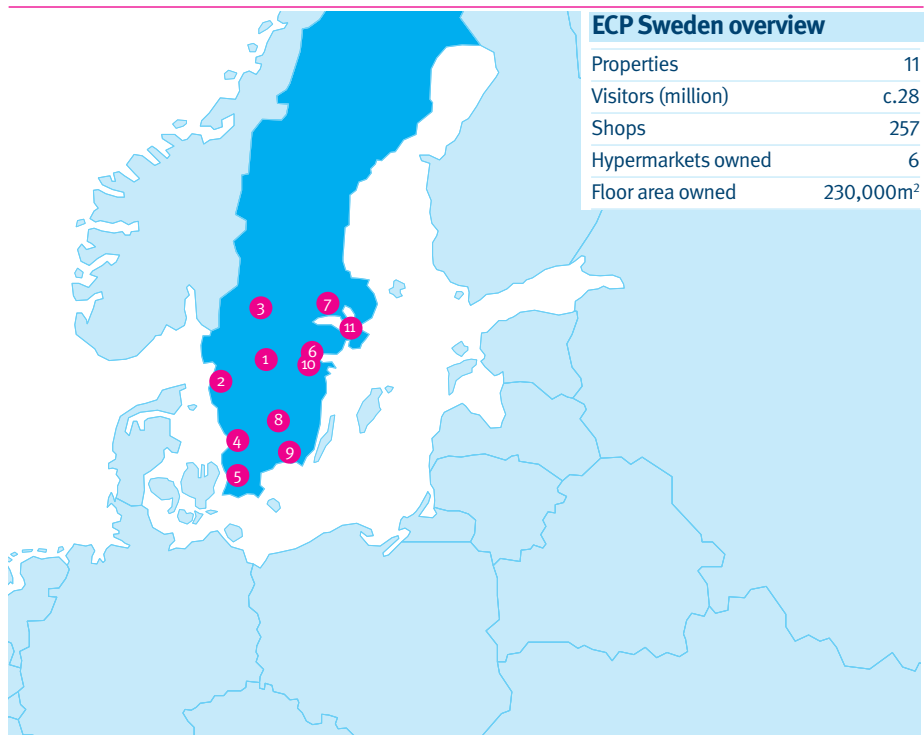
Valuation increase

+3.7%

Gallery turnover growth

Properties

1	Skövde (Västergötland)	Elins Esplanad	Suburban Centre	p38
2	Göteborg (Västergötland)	421	Suburban Centre	p40
3	Karlstad (Värmland)	Bergvik Köpcenter	Suburban Centre	p40
4	Laholm (Halland)	Mellby Center	Suburban Centre	p41
5	Malmö (Skåne)	Burlöv Center	Suburban Centre	p41
6	Norrköping (Östergötland)	MaxiHuset	Suburban Centre	p42
7	Västerås (Västmanland)	Hälla Shopping	Suburban Centre	p42
8	Växjö (Småland)	Samarkand	Suburban Centre	p43
9	Karlskrona (Blekinge)	Kronan	City Centre Gallery	p43
10	Norrköping (Östergötland)	Bronsen	Retail Park	p44
11	Södertälje (Södermanland)	Moraberg	Retail Park	p44



“Våra projekt i Skövde och Norrköping är nu fullt uthyrda. Resten av året fokuserar vi på lyckade nyöppningar för båda centrumen och framgångsrik föruthyrning av Växjö för att möjliggöra projektstart 2009.”

Martin Björn, Property Director, Sweden



Property portfolio Sweden

ECP's Swedish retail portfolio has performed well over the last 12 months. Unemployment in Sweden has increased minimally over the year from 7.9% to 8.1% but a generally healthy economy has sustained turnover growth of 3.7% and rental growth of 6.0% against indexation in the period of 2.7%. During the year ECP has concentrated on its extension programme.

Rental growth

Rental growth across ECP's properties was 6.0% over the last 12 months. Net operating income was increased by a further 1.3% through improved service charge recovery. During the last 12 months, 28 lease renewals were negotiated which resulted in a 26% increase in base rent. The portfolio is now approximately 10% reversionary.

Turnover growth

Turnover growth in ECP's boutiques was 3.7% overall, which was satisfactory in light of some signs of reduced spending over the last quarter of the financial year. The main outperformers were Burlöv Center (5.7%), still benefitting from the 6,000m² extension and refurbishment completed in June 2006, and Bergvik (5.4%) which was helped by the opening of an adjoining IKEA during the year.

Hypermarket turnover growth on the other hand was almost flat and reflects increasing competition in the food sector. A notable exception was the performance of the ICA hypermarket at 421 Göteborg, the 33,000m² retail centre acquired by ECP in June 2007, where their turnover growth for the first six months of 2008 compared to the same period in 2007 was 30%.

Property market conditions

The shopping centre investment market has been less active than last year, although modern retail parks have sold steadily during the year at yields at, or very close to, their peak. German funds have been particularly active in this sector, attracted by the opportunity to acquire new buildings on long leases at lot sizes of under €75 million. Demand drops off above this price level and was part of the reason why Kista Galleria, with a value of over €400 million, failed to sell. Kista was one of the few prime shopping centres to be offered to the market during the year.

Valuations

The value of ECP's Swedish portfolio increased by 2.9% over the year since June 2007, and decreased by 0.6% over the last six months. This year on year increase was achieved by higher rental income compensating for a marginal increase in average net yield which now stands at 5.2% excluding projects (4.9% including projects), a like for like increase of 12 basis points over the last 12 months.

Extensions and refurbishments

The projects at Norrköping and Skövde are both currently under construction and detailed feasibility studies on extension opportunities at Växjö, Västerås and Laholm are now under consideration and could allow further construction to start during 2009.

Construction work on the 10,000m² extension at Skövde which started in August 2007 is almost complete. A new entrance opened in May and tenants are currently fitting out their stores in preparation for a Christmas opening (see page 38 for further information). The property is now 100% let.

The 8,700m² extension at Norrköping will be completed in May 2009 and is now 90% pre-let to tenants including Stadium, Intersport, MQ, Brothers, Sisters, Hemtex and Duka. The project includes a new food court, underground parking and a complete refurbishment of the existing centre.

The estimated total cost of the projects at Skövde and Norrköping is €60 million, producing a combined net return on cost of 7.0%.

ECP has accelerated its plans to upgrade Samarkand Retail Park into Växjö's only out of town shopping centre. This opportunity arose due to Coop's decision to close its hypermarket in August 2007, although they have full lease commitments until the end of December 2008. Existing retailers at Samarkand including H&M, Stadium and KappAhl will be relocated to anchor the 20,800m² shopping centre alongside the neighbouring ICA hypermarket. Leasing interest is encouraging with the expectation that 75% will be pre-let by the end of 2008 by when building costs can be finalised.

The Company has also started preliminary investigations about extending its centres in Västerås and Laholm. Initial tenant demand for both projects is encouraging and the first pre-lettings have now been agreed.

Outlook

Encouraging tenant demand for the Company's extensions indicates that retailers are still selectively expanding their operations. The low occupancy cost ratio in the portfolio of 6.7% means that ECP remains confident of capturing its reversionary rental income and therefore the Company expects positive, albeit perhaps more modest, rental growth next year, assisted by indexation which is currently forecast to be at least 3.0%.

Marketing

The marketing of ECP Sweden's shopping centres is handled locally by dedicated marketing managers although co-ordinated centrally by ECP. In the same way that the Company is rolling out its standard lease and management style across the Swedish portfolio, so it is also doing with its marketing strategy. The new lease provides ECP with more control over its marketing activities.

Television advertising has been used very successfully in three centres during the year although it is a fairly high cost strategy. Bergvik even has its own news broadcast on Sweden's channel 4. However the main types of external marketing still used are primarily traditional media formats such as newspaper advertising, advertising boards, direct mail marketing and radio.

Sweden has a high percentage of internet access and usage compared to other European countries. For example more than 50% of all people over 65 use the internet regularly in Sweden compared to just 5% of the same age group in Italy. People in the 15–24 age bracket now spend more time on the internet than watching television. ECP is therefore adjusting its media strategy to focus more on the internet and mobile communications.

One of the most advanced marketing programmes during the year has been at ECP's property in Skövde where a large extension and refurbishment is taking place. The name has been changed from the hypermarket-based MaxiHuset ("Maxi house") to Elin's Esplanad (after the city's founder, St. Elin) in order to communicate that the centre has evolved from being just a hypermarket with a small service gallery into a large, modern shopping centre. The new name is part of a broader marketing strategy aimed at repositioning the centre and communicating these changes to the catchment. Marketing efforts will increase in the run up to the official opening of the centre at the end of 2008.



Property portfolio Sweden

Skövde (Västergötland) Elins Esplanad



ECP acquired this property from ICA in 2003 as part of a larger shopping centre portfolio.

The centre had a gallery of 9,000m² but was missing several national fashion chains, while the ICA Maxi hypermarket was too small at only 7,500m². In 2005, ECP therefore acquired an adjoining industrial property with vacant possession to facilitate an extension of 10,000m² which was approximately 80% pre-let before the project commenced in August 2007.

2,500m² of the extension has been leased to ICA who have signed a new 15 year lease on their enlarged 10,000m² store which will open for trading in September 2008. The other new anchors are H&M (1,380m²), who are taking their first external store in Skövde, and Clas Ohlson, who are leasing a store of 1,550m² in the basement with a small ground floor entrance. Clas Ohlson is one of Sweden's strongest retailers combining electrical, DIY and household and have

only very recently considered out of town shopping centres, having historically preferred city centre galleries. In total there will be 14 new shops and the existing centre is being fully refurbished.

The centre contains many features to minimise energy consumption, for example the building is heated by renewable energy sources and also partly from recycled waste generated by the centre. The building is also extremely well insulated and large heat exchangers are used to recycle the cold or hot air entering or leaving the building, thus minimising energy loss.

The project, which is now 100% let, had a mini opening in May 2008 when the new main entrance was opened and the property was re-launched as Elins Esplanad, named after St. Elin, the city's founder.

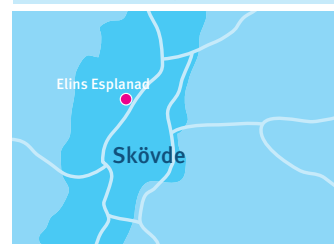
The total project cost is estimated to be approximately €30 million and the net return will be 7.0%.

Total lettable area	27,445m ²
Retail/Gallery	16,695m ²
Hyper (ICA Maxi)	10,000m ²
Offices	750m ²
ECP ownership	27,445m ²
Value (€ million)	59.02
Occupancy	100%
Renewal profile 2008–2010	32%
Rental income (€ million)	2.05
Rental growth	3.00%
Boutiques <300m ² turnover/m ² (€)	4,037
Gallery turnover growth	–0.77%
Gallery rent to turnover ratio	4.82%
Gallery occupancy cost ratio	6.73%
Visitors 2007/8	2.10m

Major tenants:
ICA Maxi, KappAhl, Lindex, Siba, Sportex,
El Giganten, Cervera, Clas Ohlson, H&M



Location summary



Catchment population	240,000
Disposable income (EU15=100)	88
Conurbation area	

Skövde is a military and university city with a population of 50,000 people and is the regional capital of Skaraborg. The centre serves a catchment of 240,000 people.

Elins Esplanad is situated to the north of Skövde, 2km from the city centre and close to its eastern bypass.

The centre has already been relaunched under its new name Elins Esplanad. The extension will commence trading in time for Christmas 2008.

August 2007



August 2008



Property portfolio Sweden

Göteborg (Västergötland)

421

421 has been trading exceptionally well since its opening in October 2006. The ICA hypermarket has been the major outperformer in terms of turnover (+30% over 2007) together with the 5,500m² MediaMarkt store, a recent and very successful entrant to the Swedish electrical market, which attracts strong footfall for the whole centre and has helped the fashion tenants (H&M, Lindex, KappAhl, Cubus and Dressman) increase turnover by a healthy 5.75% over 2007.

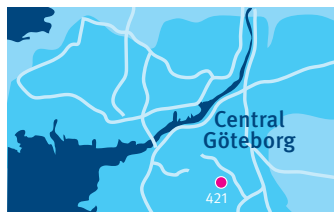
Total lettable area	33,048m ²
Retail/Gallery	19,258m ²
Hyper (ICA Maxi)	11,680m ²
Offices	2,110m ²
ECP ownership	33,048m ²
Value (€ million)	84.22
Occupancy	100%
Renewal profile 2008–2010	12%
Rental income (€ million)	4.57
Gallery rent to turnover ratio	5.32%
Gallery occupancy cost ratio	9.60%
Visitors 2007/8	3.00m

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

Location summary

Catchment population	190,000
Disposable income (EU15=100)	104
Conurbation area	■

Situated in Högsbo/Sisjön 10km south of Göteborg alongside the city's southern ring which connects to the E6/E20 motorway.



Karlstad (Värmland)

Bergvik Köpcenter

Bergvik continues to enjoy very high visitor numbers and sales turnovers which have been further boosted this year by the opening of an IKEA on an adjoining site. 15 leases were renewed during the year, resulting in an average increase in base rent of 27%. A further 10 leases will be renewed in the year ahead. Several options are being explored for extending the centre as well as providing much-needed additional parking.

Total lettable area	48,150m ²
Retail/Gallery	13,750m ²
Hypers (ICA, Coop)	30,000m ²
Retail Boxes	4,400m ²
ECP ownership	13,750m ²
Value (€ million)	53.85
Occupancy	100%
Renewal profile 2008–2010	40%
Rental income (€ million)	3.33
Rental growth	15.83%
Boutiques <300m ² turnover/m ² (€)	7,122
Gallery turnover growth	5.40%
Gallery rent to turnover ratio	4.93%
Gallery occupancy cost ratio	6.81%
Visitors 2007/8	8.12m

Major tenants:
H&M, Stadium, Intersport, Lindex,
KappAhl, JC

Location summary

Catchment population	304,000
Disposable income (EU15=100)	85
Conurbation area	■

Situated along the E18 motorway 2km west of Karlstad.



Laholm (Halland)

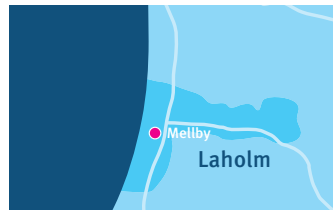
Mellby Center

At Mellby, ECP is considering an extension of 4,100m² to its shopping centre of 11,500m² currently anchored by Lindex, KappAhl and an ICA Maxi hypermarket. The property fronts the E6 motorway and is an important holiday destination on Sweden's west coast with strong summer trading. Initial tenant demand is encouraging and the first pre-lettings have now been agreed.

Total lettable area	11,420m ²
Retail/Gallery	3,185m ²
Hyper (ICA Maxi)	8,235m ²
ECP ownership	11,420m ²
Value (€ million)	16.89
Occupancy	100%
Renewal profile 2008–2010	61%
Rental income (€ million)	1.18
Rental growth	–0.01%
Boutiques <300m ² turnover/m ² (€)	3,874
Gallery turnover growth	–1.47%
Gallery rent to turnover ratio	5.13%
Gallery occupancy cost ratio	6.81%
Visitors 2007/8	2.00m
Major tenants: ICA Maxi, KappAhl, Lindex, Dressman	

Location summary

Catchment population	56,000
Disposable income (EU15=100)	85
Conurbation area	■
Situated south of Halmstad alongside the E6 motorway on Sweden's west coast.	



Malmö (Skåne)

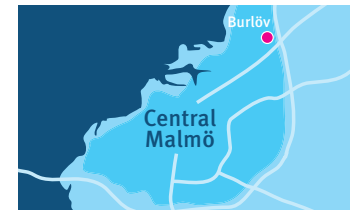
Burlöv Center

Burlöv is still performing extremely well following the 6,000m² extension and refurbishment which was completed in June 2006. Some remerchandising is now taking place to strengthen the sport, household and fashion sector offers. ECP is also discussing with the Coop hypermarket the possibility of taking back 1,500m² in a prime central mall position for a new, non-fashion anchor store with whom lease terms have been agreed at a rent 45% above that currently being paid by the hypermarket. These tenant changes should secure Burlöv's market position as new competition comes on stream around Malmö.

Total lettable area	41,350m ²
Retail/Gallery	22,000m ²
Hyper (Coop Forum)	19,350m ²
ECP ownership	41,350m ²
Value (€ million)	121.96
Occupancy	100%
Renewal profile 2008–2010	41%
Rental income (€ million)	7.03
Rental growth	4.45%
Boutiques <300m ² turnover/m ² (€)	6,015
Gallery turnover growth	5.70%
Gallery rent to turnover ratio	5.94%
Gallery occupancy cost ratio	7.53%
Visitors 2007/8	3.96m
Major tenants: Coop Forum, H&M, KappAhl, Lindex, Stadium, Systembolaget, JC, Cubus, OnOff, Cervera	

Location summary

Catchment population	418,000
Disposable income (EU15=100)	96
Conurbation area	■
Situated to the north of Malmö at the junction of the E6/E20/E22 motorways.	



Property portfolio Sweden

Norrköping (Östergötland)

MaxiHuset

The 8,700m² extension at Norrköping is due to be completed in May 2009 and is now 90% pre-let. Around 30 new shops are being added with a new food court and an underground car park for 200 cars. The project also includes some minor variations to the 9,600m² ICA Maxi hypermarket.

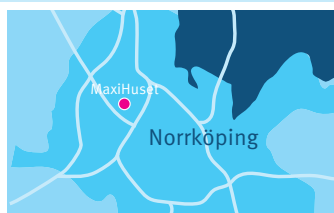
Total lettable area	25,280m ²
Retail/Gallery	15,700m ²
Hyper (ICA Maxi)	9,580m ²
ECP ownership	25,280m ²
Value (€ million)	55.43
Occupancy	100%
Renewal profile 2008–2010	24%
Rental income (€ million)	2.28
Rental growth	3.17%
Boutiques <300m ² turnover/m ² (€)	3,816
Gallery turnover growth	2.42%
Gallery rent to turnover ratio	4.08%
Gallery occupancy cost ratio	6.04%
Visitors 2007/8	2.30m

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

Location summary

Catchment population	261,000
Disposable income (EU15=100)	89
Conurbation area	■

Situated at the northern entrance of Norrköping alongside the E4 motorway.



Västerås (Västmanland)

Hälla Shopping

Over the last 12 months eight leases were renewed producing an average increase in base rent of 25%. ECP has started preliminary investigations for a possible extension of Hälla Shopping. Both the municipality and the connecting ICA hypermarket are supportive of the initial plans which could increase the gallery from 8,000m² to approximately 18,000m² subject to providing additional underground parking. A decision on whether to proceed will be taken next year.

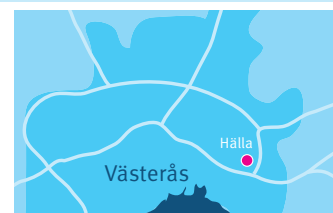
Total lettable area	20,740m ²
Retail/Gallery	8,000m ²
Hyper (ICA Maxi)	10,000m ²
Other Retail	2,740m ²
ECP ownership	10,740m ²
Value (€ million)	32.12
Occupancy	100%
Renewal profile 2008–2010	12%
Rental income (€ million)	1.58
Rental growth	13.01%
Boutiques <300m ² turnover/m ² (€)	6,047
Gallery turnover growth	2.87%
Gallery rent to turnover ratio	5.54%
Gallery occupancy cost ratio	6.99%
Visitors 2007/8	1.14m

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

Location summary

Catchment population	297,000
Disposable income (EU15=100)	94
Conurbation area	■

Situated 3km east of the city centre of Västerås fronting the E18 motorway.



Växjö (Småland)

Samarkand

Following Coop's decision not to renew its lease in December 2008, ECP is investigating the possibility of upgrading this retail park into what will be Växjö's only out of town shopping centre. A master plan has been designed with two strong entrances and an important pedestrian link to the adjoining ICA hypermarket. Existing retailers including H&M, KappAhl and Stadium will be relocated to anchor the 20,800m² shopping centre. Leasing activity is encouraging with the expectation that 75% will be pre-let by the end of 2008. Additional land to the rear of the property is being secured for parking and access, and a building permit was granted for the project in May 2008.

It is likely that ECP will proceed with this development subject to the minimum letting conditions being met.

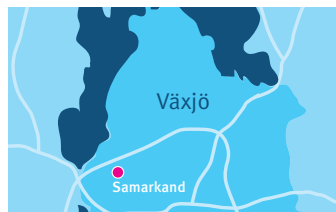
Total lettable area	37,000m ²
Retail Park	14,400m ²
Hypers (ICA, Coop)	22,600m ²
ECP ownership	24,530m ²
Value (€ million)	40.44
Occupancy	100%
Renewal profile 2008–2010	43%
Rental income (€ million)	2.67
Rental growth	3.99%
Gallery turnover growth	0.97%
Gallery rent to turnover ratio	3.45%
Gallery occupancy cost ratio	4.22%
Visitors 2007/8	2.50m

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

Location summary

Catchment population	177,000
Disposable income (EU15=100)	88
Conurbation area	■

Situated next to Växjö's ring road 2km to the west of the city centre.

**Karlskrona (Blekinge)**

Kronan

Kronan is a prime city centre gallery of 7,055m² including 5,883m² of retail. Since its acquisition in 2007, five leases have been renewed resulting in an average rental uplift of 14% and ongoing remerchandising will see the addition of several new national brands. Investigations are also underway to explore the possibility of adding an additional floor of retail.

Total lettable area	7,055m ²
Retail/Gallery	5,883m ²
Offices	1,172m ²
ECP ownership	7,055m ²
Value (€ million)	15.94
Occupancy	100%
Renewal profile 2008–2010	54%
Rental income (€ million)	1.18
Rental growth	4.68%
Boutiques <300m ² turnover/m ² (€)	4,215
Gallery turnover growth	2.98%
Gallery rent to turnover ratio	6.13%
Gallery occupancy cost ratio	7.20%
Visitors 2007/8	1.78m

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

Location summary

Catchment population	90,000
Disposable income (EU15=100)	89
Conurbation area	■

Situated in the central pedestrianised street of Karlskrona.



Property portfolio Sweden

Norrköping (Östergötland)

Bronsen

The Bronsen Retail Park adjoins ECP's shopping centre in Norrköping. It is anchored by El Giganten and K-rauta for a further eight years. When the refurbishment of the shopping centre is completed next year, Bronsen will be integrated to produce a 40,000m² retail complex in Ingelsta, Norrköping's main out of town shopping area.

Total lettable area	15,000m ²
ECP ownership	15,000m ²
Value (€ million)	18.58
Occupancy	100%
Renewal profile 2008–2010	36%
Rental income (€ million)	1.23

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

Location summary

Catchment population	261,000
Disposable income (EU15=100)	89
Conurbation area	■

Situated at the northern entrance of Norrköping alongside the E4 motorway.



Södertälje (Södermanland)

Moraberg

Moraberg is Södertälje's only retail park located next to the E4 motorway approximately 30 minutes drive from Stockholm. In May, ECP relet a 3,200m² unit to DIY retailer Jula on a ten year lease at a rent 20% higher than that paid by the previous tenant, Silvan.

Total lettable area	19,040m ²
ECP ownership	19,040m ²
Value (€ million)	43.00
Occupancy	100%
Renewal profile 2008–2010	11%
Rental income (€ million)	2.54
Rental growth	4.84%
Visitors 2007/8	1.50m

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

Location summary

Catchment population	218,000
Disposable income (EU15=100)	98
Conurbation area	■

Situated on the eastern edge of Södertälje on the E4/E20 motorway 35km south of Stockholm.



Property portfolio

The Netherlands

Amsterdam

Kingsfordweg 1

The Netherlands government has decided to continue its occupation of ECP's 40,000m² office building in Sloterdijk, Amsterdam by prolonging the lease to 31 July 2014. The tax department (Belastingdienst) has occupied the building since new in 1994.

Total lettable area	39,475m ²
ECP ownership	39,475m ²
Value (€ million)	87.80
Occupancy	100%
Renewal profile	Lease expires in August 2014
Rental income (€ million)	7.05
Rental growth	1.10%
Tenant: Government of The Netherlands	



Veenendaal (Utrecht)

Standaardruiter 8

ECP has sold three of its four Dutch warehouses for a total of €10.84 million. The warehouses at Galvanibaas 5 in Nieuwegein, Horsterweg 20 in Maastricht-Airport and Koeweistraat 10 in Waardenburg were sold at their December 2007 valuations. The remaining warehouse at Standaardruiter 8 in Veenendaal is now on the market following the renewal of the lease for a further five year term.

Total lettable area	7,170m ²
ECP ownership	7,170m ²
Value (€ million)	3.97
Occupancy	100%
Renewal profile	Lease expires in February 2014
Rental income (€ million)	0.36
Rental growth	1.60%
Tenant: Boxal Netherlands	

Corporate governance

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

General Meeting of Shareholders

The General Meeting of Shareholders has core overriding powers on such matters as statutory changes, adoption of the annual accounts and 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 to vote at the meeting. Upon written request by shareholders and holders of depositary receipts who solely or jointly represent 10% of the issued capital, the Board of Management and the Supervisory Board shall be required to convene a General Meeting of Shareholders, the notice calling that meeting to specify the items to be considered. The secretary appointed for the meeting will take minutes of the proceedings at the meeting. The minutes will be signed by the Chairman of the meeting and by the secretary. In principle, the minutes will be published on the Company's website within three months after the meeting and copies of such minutes are available free of charge on request.

Supervisory Board

The Supervisory Board's primary task is to supervise the activities of the Company and to provide advice and guidance to the Board of Management. In pursuing these responsibilities, the Supervisory Board takes the interests of all stakeholders into account. Supervision focuses on the achievement of corporate goals and strategy. In addition, the Supervisory Board supervises the proper 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 (four members), each appointment will be made for a maximum period of four years. Any proposal for appointment or reappointment to the General Meeting of Shareholders shall be properly explained. In the case of a reappointment, account will be taken of the candidate's performance and functioning as a Supervisory Director. The rules and regulations of the Supervisory Board stipulate that the maximum term of office is 12 years, 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 four 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 annually. 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.

Jeremy Lewis Chief Executive

The founding Director of the Company in 1991, Mr Lewis (63), 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 (46), a Netherlands national and graduate of Erasmus University Rotterdam, joined the Company in 1994. He is a qualified lawyer and chartered accountant.

Country heads

In addition to their general responsibilities, Peter Mills, Tom Newton and Tim Santini also oversee ECP's operations in France, Italy, Sweden and The Netherlands on a day-to-day basis.

Peter Mills Director

Peter Mills (49) 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 (50) 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 (42) 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.

Hostile takeover defence

The mechanism for protecting the Company against hostile takeovers comprises the hundred 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 2010, 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 system

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

The Company has appropriate internal risk management and control systems. Key elements 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 four best practices of the Code and has amended its Articles of Association and Conditions of Administration to bring the corporate governance structure further in compliance with the Code. These amendments were tabled and approved at the Annual General Meeting of Shareholders held on 2 November 2004. All introduced or amended codes and rules and regulations have been posted on the website of the Company.

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

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 which believes a change does not benefit its shareholders or holders of depositary receipts.

Provision IV.3.1 of the Code

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

Provision V.3.1 of the Code

Due to its size the Company will not appoint an internal auditor.

Organisation and risk

Organisation

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

The three senior Directors responsible for property have a regional management role as well as contributing their expertise to collective major investment decisions. Tom Newton is responsible for France, Tim Santini for Italy and Peter Mills for 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 Board on page 51.

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 above mentioned 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 regular meetings of the Property Committee attended by the Chief Executive, the heads of the French, Italian, Swedish and Dutch 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 10.2% 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 €0.99 million or 1.59% 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 renegotiated three loans with Italian banks and three loans with Swedish banks 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 only significant foreign currency exposure for the Company, is its exposure to the Swedish property markets. However, due to SEK loan facilities with major banks, a hedging of the foreign currency is achieved up to 49%. 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 and in a decrease of only 1% of reported direct investment result.

Reporting risk

The Company draws up an annual budget by country and individual asset, which is compared on a monthly basis with actual results. 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 2007/2008 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 2007/2008 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 2007/2008, 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.

Organisation and risk continued

Permit

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

Taxation

As a tax exempt quoted Netherlands-based investment institution, all investment income, whatever its source, is tax free at the corporate level if it is distributed to shareholders. The Company is also tax exempt in France as a SIIC (*société d'investissements immobiliers cotée*). In Italy and Sweden the Company takes 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 2008 based on IFRS.

The IFRS Profit after Taxation (Total Investment Result) for the financial year ended 30 June 2008 decreased to €110.3 million compared with €259.5 million for the financial year ended 30 June 2007. 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 2008 was €36.41 per depositary receipt compared with €35.21 at 30 June 2007. The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €149.8 million, when calculating net asset value. Under current circumstances in the only two markets where CGT would be payable by the Company, Italy and Sweden, the majority of larger property transactions are made through the sale of the owning corporate entity and purchasers accept all or a major part of the potential CGT liability.

Amsterdam, 26 August 2008

Board of Management

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

Report of the Board of Supervisory Directors

To the General Meeting of Shareholders

Financial statements

We are pleased to present the annual report of Eurocommercial Properties N.V. for the financial year ending 30 June 2008, 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 €1.75 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2008. 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 meetings 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. The Supervisory Board visited a number of the Company's shopping centres in Sweden in September 2007. In February 2008 the Board held its board meeting at the Paris office of the Company and visited some of its retail properties in Paris. 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 as a whole also functions as the Selection and Appointment Committee, which discussed the proposed appointment of a new member of the Supervisory Board as set out in more detail below.

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 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 it is proposed for the next financial year to increase the remuneration for the Supervisory Directors by €3,000 to €28,000 for each member and by €3,000 to €38,000 for the Chairman and to increase the base salaries of the members of the Board of Management by 5% after three years of no change in base salaries. The Annual General Meeting of Shareholders is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

Report of the Board of Supervisory Directors continued

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.

At 30 June 2008 the Supervisory Board was composed as follows:

1. **Mr W.G. van Hassel (61)**, 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:

Aan de Stegge Verenigde Bedrijven B.V. (Chairman)
Ahoy Rotterdam N.V. (Chairman)
Stichting Woonstad Rotterdam
Bakkenist & Emmens N.V. (Chairman)

2. **Mr H.W. Bolland (62)**, 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

3. **Mr J.C. Pollock (68)**, 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.

4. **Mr A.E. Teeuw (62)**, of Dutch nationality, member of the Supervisory Board since 2006, was appointed in 2006 for a period of four years. He is a former Chief Executive Officer of the listed financial institution BinckBank 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 B.V.

At the Annual General Meeting of Shareholders held on 6 November 2007, Mr J.H. Goris retired as member of the Supervisory Board as he had reached the age limit of 75. We thank Mr Goris for his valuable contributions to the success of the Company since his appointment in 1996. We will all miss his expert advice and friendship very much.

At the forthcoming Annual General Meeting of Shareholders to be held on 4 November 2008, Mr H.W. Bolland is proposed for reappointment for a period of four years.

At this meeting it is also proposed to appoint Mr P.W. Haasbroek for a period of four years. His appointment would increase the number of members of the Supervisory Board to five again. Mr Haasbroek (60), of Dutch Nationality, is a former Director Real Estate Europe of PGGM, the manager of the Dutch pension fund for the healthcare sector. He worked for more than 25 years in the international property investment markets until he retired in 2007. Mr Haasbroek holds no depositary receipts in the capital of the Company. He also holds a directorship on the Board of Foncière Paris France S.A., based in Paris.

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:

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, 26 August 2008

Board of Supervisory Directors

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



Ten year financial summary

Key financial information (consolidated)

For the financial year ended	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	30/06/2008 €'000
	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	IFRS	IFRS	IFRS	IFRS
Profit and loss account										
Net property income	32,541	43,062	56,775	65,882	66,341	76,527	80,784	87,215	95,830	110,033
Net interest expense	(5,565)	(9,489)	(19,227)	(23,986)	(20,519)	(23,154)	(24,631)	(23,477)	(28,944)	(38,117)
Company expenses	(3,686)	(5,033)	(6,247)	(6,961)	(5,940)	(6,986)	(6,874)	(7,685)	(7,889)	(9,527)
Direct investment result	23,281	28,540	31,284	34,542	39,563	44,872	49,204	56,073	58,997	62,389
Indirect investment result	35,106	44,637	26,576	40,162	13,704	17,666	64,749	177,854	200,475	47,897
Profit after taxation	58,387	73,177	57,860	74,704	53,267	62,538	113,953	233,927	259,472	110,286
Balance sheet before income appropriation										
Total assets	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	2,528,936
Property investments	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	2,446,615
Cash and deposits	8,802	1,949	22,016	156,628	122,293	84,070	73,011	76,581	18,044	13,796
Borrowings	131,397	269,369	463,729	512,004	507,567	590,367	566,191	643,537	798,302	970,249
Shareholders' equity	371,166	456,684	533,088	631,277	659,224	707,424	828,144	1,037,679	1,242,118	1,300,981
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	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	35,727,332
Average number of depositary receipts representing shares in issue	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	35,554,261
Per depositary receipt (€)										
Net asset value	18.96	19.82	20.87	22.09	22.53	23.16	24.03	29.41	35.21	36.41
Direct investment result	1.21	1.31	1.25	1.32	1.37	1.50	1.56	1.60	1.67	1.75
Indirect investment result	1.82	2.04	1.07	1.54	0.47	0.59	2.05	5.10	5.69	1.35
Dividend	1.19	1.26	1.33	1.40	1.43	1.50	1.55	1.60	1.67	1.75
Property information										
Sector spread (%)										
Retail	62	74	77	84	85	88	90	91	92	93
Office	34	23	19	12	11	9	7	7	6	5
Warehouse	4	3	4	4	4	3	3	2	2	2
	100	100	100	100	100	100	100	100	100	100
Stock market prices										
Last sale at the end of June on NYSE Euronext Amsterdam (€; depositary receipts)	20.40	18.40	18.85	19.10	21.55	24.95	30.10	29.96	38.32	30.27

Note

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

Consolidated direct, indirect and total investment result*

	2007/2008 €'000	2006/2007 €'000
Rental income	128,673	112,265
Service charges income	18,907	15,354
Service charges expenses	(21,486)	(17,658)
Property expenses	(16,061)	(14,131)
Net property income	110,033	95,830
Interest income	2,571	652
Interest expenses	(40,688)	(29,596)
Net financing expenses	(38,117)	(28,944)
Company expenses	(9,527)	(7,889)
Direct investment result before taxation	62,389	58,997
Corporate income tax	0	0
Direct investment result	62,389	58,997
Disposal of investment properties	602	0
Investment revaluation	38,812	217,439
Fair value movement derivative financial instruments	10,310	26,564
Investment expenses	(1,560)	(4,829)
Indirect investment result before taxation	48,164	239,174
Deferred tax	(267)	(38,699)
Indirect investment result	47,897	200,475
Total investment result	110,286	259,472
Per depositary receipt (€)		
Direct investment result	1.75	1.67
Indirect investment result	1.35	5.69
Total investment result	3.10	7.36

* This statement contains additional information which is not part of the primary statements and is not obligatory under IFRS.

Consolidated profit and loss account

	Note	2007/2008 €'000	2006/2007 €'000
Rental income	4	128,673	112,265
Service charges income	4	18,907	15,354
Service charges expenses		(21,486)	(17,658)
Property expenses	5	(16,061)	(14,131)
Net property income	2	110,033	95,830
Disposal of investment properties		602	0
Investment revaluation	6	38,812	217,439
Interest income	7	2,571	652
Interest expenses	7	(40,688)	(29,596)
Fair value movement derivative financial instruments	7	10,310	26,564
Net financing cost	7	(27,807)	(2,380)
Company expenses	8	(9,527)	(7,889)
Investment expenses	10	(1,560)	(4,829)
Profit before taxation		110,553	298,171
Corporate income tax	11	0	0
Deferred tax	11	(267)	(38,699)
Profit after taxation		110,286	259,472
Per depositary receipt (€)			
Profit after taxation	24	3.10	7.36
Diluted profit after taxation	24	3.02	7.22

Consolidated balance sheet

(before income appropriation)

	Note	30-06-08 €'000	30-06-07 €'000
Property investments	12	2,374,896	2,178,849
Property investments under development	12	29,159	18,221
Tangible fixed assets	13	1,400	941
Receivables	14	1,749	2,324
Derivative financial instruments	18	30,138	18,919
Total non-current assets		2,437,342	2,219,254
Property investments held for sale	12	42,560	0
Receivables	14	35,238	30,636
Cash and deposits	15	13,796	18,044
Total current assets		91,594	48,680
Total assets		2,528,936	2,267,934
Corporate tax payable	16	8,248	8,106
Creditors	16	81,839	49,151
Borrowings	17	62,259	114,195
Total current liabilities		152,346	171,452
Creditors	16	15,019	17,942
Borrowings	17	907,990	684,107
Derivative financial instruments	18	2,284	1,221
Deferred tax liabilities	19	149,782	150,952
Provision for pensions	20	534	142
Total non-current liabilities		1,075,609	854,364
Total liabilities		1,227,955	1,025,816
Net assets		1,300,981	1,242,118
Equity Eurocommercial Properties shareholders			
Issued share capital	21	179,394	176,388
Share premium reserve	22	324,278	324,392
Other reserves	23	687,023	481,866
Undistributed income		110,286	259,472
		1,300,981	1,242,118
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back		35,727,332	35,277,619
Net asset value – € per depositary receipt		36.41	35.21

Consolidated cash flow statement

	Note	2007/2008 €'000	2006/2007 €'000
Cash flow from operating activities			
Profit after taxation		110,286	259,472
Adjustments:			
Increase in receivables		(10,436)	(12,890)
Increase in creditors		41,663	30,177
Movement stock options	22	757	316
Investment revaluation	6	(37,080)	(221,072)
Property sale result		(602)	0
Derivative financial instruments	18	(10,310)	(26,564)
Deferred tax	19	267	38,699
Other movements		(962)	1,638
		93,583	69,776
Cash flow from operations			
Capital gains tax		(8,031)	(12,785)
Derivative financial instruments	7	50	94
Interest paid		(39,915)	(27,984)
Interest received		1,609	653
		47,296	29,754
Cash flow from investment activities			
Property acquisitions	12	(122,832)	(164,641)
Capital expenditure	12	(64,445)	(23,509)
Property sale		3,200	0
Additions to tangible fixed assets	13	(920)	(438)
		(184,997)	(188,588)
Cash flow from finance activities			
Proceeds issued shares	21	3,289	0
Borrowings added	17	492,499	408,798
Repayment of borrowings	17	(312,944)	(253,034)
Dividends paid		(38,770)	(32,031)
Stock options exercised		9,086	0
Depository receipts bought back		(19,988)	(23,279)
Increase in non-current creditors		692	48
		133,864	100,502
Net cash flow			
Currency differences on cash and deposits		(411)	(205)
Decrease in cash and deposits	15	(4,248)	(58,537)
Cash and deposits at beginning of year	15	18,044	76,581
Cash and deposits at end of year	15	13,796	18,044

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2008 were:

	Note	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2007		176,388	324,392	481,866	259,472	1,242,118
Profit for the period					110,286	110,286
Foreign currency translation differences				(5,795)		(5,795)
Total recognised income and expense for the period						104,491
Issued shares	21	3,006	(2,343)			663
Profit previous financial year	23			220,908	(220,908)	0
Dividends paid			(206)		(38,564)	(38,770)
Depository receipts bought back				(19,988)		(19,988)
Stock options exercised			1,678	10,032		11,710
Stock options granted	22		757			757
30-06-2008		179,394	324,278	687,023	110,286	1,300,981

The movements in shareholders' equity in the previous 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 for the period					259,472	259,472
Foreign currency translation differences				(39)		(39)
Total recognised income and expense for the period						259,433
Profit previous financial year	23			201,957	(201,957)	0
Dividends paid			(61)		(31,970)	(32,031)
Depository receipts bought back			(3,059)	(20,220)		(23,279)
Stock options granted	22		316			316
30-06-2007		176,388	324,392	481,866	259,472	1,242,118

Notes to the consolidated financial statements

As at 30 June 2008

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 2007 and ending 30 June 2008 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) as adopted by the European Union as per 30 June 2008.

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 2008 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 are presently exercisable are taken into account.

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

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

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

Notes to the consolidated financial statements

continued

As at 30 June 2008

1. Principal accounting policies (continued)

Foreign currency translations

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

The functional currency of the Swedish and UK subsidiaries are SEK and GBP respectively. As at the reporting date, the assets and liabilities of these Swedish and UK subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the average monthly exchange rates for the period. The exchange differences arising on the retranslation are taken 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.

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.

Property investments held for sale

Property investments held for sale are expected to be sold shortly and classified as current assets valued at the expected net sale proceeds.

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

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

1. Principal accounting policies (continued)

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 does not apply hedge accounting as it implements its derivative hedging at a consolidated corporate level. The detailed requirements of a formal hedge accounting procedure are not applied.

Derivative financial instruments are recognised initially at 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, as officially confirmed by the swap counterparties, 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.

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.

Notes to the consolidated financial statements

continued

As at 30 June 2008

1. Principal accounting policies (continued)

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, notably a listing at NYSE 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	
	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000
Rental income	43,924	38,819	46,932	43,414	29,916	22,231	7,901	7,801	128,673	112,265
Service charge income	5,542	4,559	4,089	3,350	8,762	6,839	514	606	18,907	15,354
Service charge expenses	(6,674)	(5,520)	(4,089)	(3,350)	(10,209)	(8,182)	(514)	(606)	(21,486)	(17,658)
Property expenses	(4,918)	(4,311)	(6,604)	(6,024)	(3,597)	(2,787)	(942)	(1,009)	(16,061)	(14,131)
Net property income	37,874	33,547	40,328	37,390	24,872	18,101	6,959	6,792	110,033	95,830
Disposal of investment properties	602	0	0	0	0	0	0	0	602	0
Investment revaluation	18,443	114,640	3,354	63,401	16,547	38,440	468	958	38,812	217,439
Segment result	56,919	148,187	43,682	100,791	41,419	56,541	7,427	7,750	149,447	313,269
Net financing cost									(27,807)	(2,380)
Company expenses									(9,527)	(7,889)
Investment expenses									(1,560)	(4,829)
Profit before taxation									110,553	298,171
Corporate income tax									0	0
Deferred tax									(267)	(38,699)
Profit after taxation									110,286	259,472
Property investments	853,420	744,210	888,240	844,470	541,466	488,039	91,770	102,130	2,374,896	2,178,849
Property investments under development	0	18,221	29,159	0	0	0	0	0	29,159	18,221
Tangible fixed assets	221	222	403	413	66	76	710	230	1,400	941
Property investments held for sale	31,700	0	0	0	0	0	10,860	0	42,560	0
Receivables	22,235	19,436	6,511	8,774	5,309	2,614	2,932	2,136	36,987	32,960
Derivative financial instruments	2,096	1,317	17,902	11,261	10,140	6,341	0	0	30,138	18,919
Cash and deposits	1,552	402	326	230	9,455	5,496	2,463	11,916	13,796	18,044
Total assets	911,224	783,808	942,541	865,148	566,436	502,566	108,735	116,412	2,528,936	2,267,934
Corporate tax payable	8,248	8,106	0	0	0	0	0	0	8,248	8,106
Creditors	27,405	11,970	26,341	14,613	20,440	14,149	7,653	8,419	81,839	49,151
Non-current creditors	7,027	14,515	7,991	3,426	1	1	0	0	15,019	17,942
Borrowings	250,000	149,817	427,487	403,565	265,675	244,920	27,087	0	970,249	798,302
Derivative financial instruments	1,315	402	969	819	0	0	0	0	2,284	1,221
Deferred tax liabilities	0	0	82,442	87,861	67,340	63,091	0	0	149,782	150,952
Provision for pensions	0	0	0	0	0	0	534	142	534	142
Total liabilities	293,995	184,810	545,230	510,284	353,456	322,161	35,274	8,561	1,227,955	1,025,816
Acquisitions and capital expenditure (including capitalised interest)	106,612	25,071	69,919	57,548	50,202	113,236	63	(4)	226,796	195,851

Notes to the consolidated financial statements

continued

As at 30 June 2008

2. Segment information (continued)

	Retail		Offices		Warehouses		Total	
	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000	07/08 €'000	06/07 €'000
Rental income	115,504	100,003	9,578	8,824	3,591	3,438	128,673	112,265
Service charge income	17,857	14,247	514	606	536	501	18,907	15,354
Service charge expenses	(20,441)	(16,442)	(514)	(606)	(531)	(610)	(21,486)	(17,658)
Property expenses	(15,015)	(13,012)	(769)	(772)	(277)	(347)	(16,061)	(14,131)
Net property income	97,905	84,796	8,809	8,052	3,319	2,982	110,033	95,830
Disposal of investment properties	602	0	0	0	0	0	602	0
Investment revaluation	34,520	210,085	2,765	4,883	1,527	2,471	38,812	217,439
Segment result	133,027	294,881	11,574	12,935	4,846	5,453	149,447	313,269
Net financing cost							(27,807)	(2,380)
Company expenses							(9,527)	(7,889)
Investment expenses							(1,560)	(4,829)
Profit before taxation							110,553	298,171
Corporate income tax							0	0
Deferred tax							(267)	(38,699)
Profit after taxation							110,286	259,472
Property investments	2,244,156	2,010,089	126,770	124,000	3,970	44,760	2,374,896	2,178,849
Property investments under development	29,159	18,221	0	0	0	0	29,159	18,221
Property investments held for sale	0	0	0	0	42,560	0	42,560	0
Other assets	25,993	49,632	2,251	1,670	94	45	28,338	51,347
Segment assets	2,299,308	2,077,942	129,021	125,670	46,624	44,805	2,474,953	2,248,417
Unallocated assets							53,983	19,517
Total assets							2,528,936	2,267,934
Creditors	70,251	48,209	4,697	4,004	170	202	75,118	52,415
Non-current creditors	15,019	19,010	0	0	0	153	15,019	19,163
Segment liabilities	85,270	67,219	4,697	4,004	170	355	90,137	71,578
Unallocated liabilities							1,137,818	954,238
Total liabilities							1,227,955	1,025,816
Acquisitions and capital expenditure (including capitalised interest)	226,567	195,224	5	117	224	510	226,796	195,851

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 2008 SEK 10 was €1.05593 (30 June 2007: €1.08079) and GBP 1 was €1.26223 (30 June 2007: €1.48368).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	30-06-08 €'000	30-06-07 €'000
Gross lease payments collected/accrued	127,381	111,345
Amortisation of capitalised entry fees	1,292	920
	128,673	112,265

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:

	30-06-08 €'000,000	30-06-07 €'000,000
– less than one year	96	92
– one to five years	299	244
– five years or more	35	32
– total	430	368

Approximately 2.1 per cent of the rental income for the year ended 30 June 2008 is turnover rent (2006/2007: 2.5 per cent).

Service charges income represents income receivable from tenants for the services of utilities, caretakers, etc. when the Group acts as principal.

Notes to the consolidated financial statements

continued

As at 30 June 2008

5. Property expenses

Property expenses in the current financial year were:

	30-06-08 €'000	30-06-07 €'000
Direct property expenses		
Bad debts	429	91
Centre marketing expenses	1,342	883
Insurance premiums	670	741
Managing agent fees	1,373	1,480
Property taxes	1,322	1,282
Repair and maintenance	1,146	1,253
Shortfall service charges	197	164
	6,479	5,894
Indirect property expenses		
Accounting fees	390	342
Audit fees	197	294
Depreciation fixed assets	223	111
Dispossession indemnities	202	367
Italian local tax (IRAP)	903	862
Legal and other advisory fees	999	1,032
Letting fees and relocation expenses	1,943	1,404
Local office and accommodation expenses	868	942
Pension contributions	23	11
Salaries, wages and bonuses	2,055	1,573
Social security charges	850	630
Stock options granted (IFRS 2)	122	66
Travelling expenses	265	210
Other local taxes	269	182
Other expenses	273	211
	9,582	8,237
	16,061	14,131

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 2010 and September 2009 respectively. The depreciation amount is related for €171,000 (2006/2007: €66,000) to the Milan office, €37,000 (2006/2007: €39,000) to the Paris office and €15,000 (2006/2007: €6,000) to the Stockholm office.

6. Investment revaluation

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

	30-06-08 €'000	30-06-07 €'000
Revaluation of property investments	35,726	221,072
Revaluation of property investments held for sale	1,354	0
Elimination of capitalised letting fees	113	(2,001)
Movement non-current creditors	34	(1,534)
Other movements	1,585	(98)
Investment revaluation	38,812	217,439

Other movements relate to valuation adjustments of other assets and liabilities. The positive movement of €1,585,000 (2006/2007: €98,000 negative) includes a negative realised amount of €311,000 (2006/2007: €237,000) and a positive unrealised amount of €1,896,000 (2006/2007: €139,000).

7. Net financing cost

Net financing cost in the current financial year comprised:

	30-06-08 €'000	30-06-07 €'000
Interest income	2,571	652
Gross interest expense	(43,329)	(29,989)
Capitalised interest	2,641	393
Unrealised fair value movement interest rate swaps	10,260	26,470
Realised fair value movement interest rate swaps	50	94
	(27,807)	(2,380)

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 (2006/2007: 4.8 per cent).

Notes to the consolidated financial statements

continued

As at 30 June 2008

8. Company expenses

Company expenses in the current financial year comprise:

	30-06-08 €'000	30-06-07 €'000
Audit fees	259	206
Depreciation fixed assets	239	174
Directors' fees	1,226	1,040
Legal and other advisory fees	840	909
Marketing expenses	346	157
Office and accommodation expenses	908	1,021
Pension contributions	835	98
Salaries, wages and bonuses	2,685	2,354
Social security charges	370	319
Statutory costs	602	590
Stock options (IFRS 2)	310	250
Travelling expenses	568	593
Other expenses	339	178
	9,527	7,889

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 September 2013 and March 2018 respectively. The depreciation amount is related for €188,000 (2006/2007: €137,000) to the Amsterdam office and €51,000 (2006/2007: €37,000) to the London office.

9. Personnel costs

Total personnel costs in the current year comprise:

	30-06-08 €'000	30-06-07 €'000
Salaries and wages	4,685	4,099
Social security charges and taxes	1,351	1,353
Pension contributions	896	150
Bonuses	1,559	3,487
	8,491	9,089

Total personnel costs are partly presented under indirect property expenses (€2,928,000 (2006/2007: €2,214,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€4,997,000 (2006/2007: €3,686,000)) and partly under investment expenses (€566,000 (2006/2007: €3,189,000)). 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 45 full-time equivalent persons during the financial year (2007: 44) of which 33 are working outside The Netherlands. The Group staff (holdings of the member of the Board of Management excluded) holds 10,631 depository receipts and 263,130 ordinary registered shares, in total representing 0.1 per cent of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprise:

	30-06-08 €'000	30-06-07 €'000
Aborted acquisition costs	283	1,187
Bonuses linked to NAV growth	514	2,853
Social security charges and taxes	52	336
Stock options (IFRS 2)	325	0
Property valuation fees	386	453
	1,560	4,829

11. Taxation

Recognised in the profit and loss account:

	30-06-08 €'000	30-06-07 €'000
Corporate income tax	0	0
Effect of unrealised value movements investment property and derivative financial instruments	1,344	39,243
Benefit of tax losses recognised	(1,077)	(544)
Deferred tax	267	38,699
Total taxation amount recognised in the profit and loss account	267	38,699

Reconciliation of effective tax rate:

	30-06-08 €'000	30-06-07 €'000
Profit before taxation	110,286	298,171
Tax exempt income (inclusive effect of FBI and SIIC)	(61,437)	(156,617)
Taxable profit	48,849	141,554
Total taxation amount recognised in the profit and loss account	267	38,699

The average weighted tax rate was 0.55 per cent (2006/2007: 27.3 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 31.40 per cent or 27.50 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.

The lower weighted average tax rate for 2007/2008 compared to the previous financial year is partially related to the reduction of the nominal tax rate in Italy (from 37.25 per cent to 31.4 per cent and from 33 per cent to 27.5 per cent respectively). This change in the Italian fiscal legislation reduced the total taxation by an amount of €15.9 million. Without this change the average weighted tax rate would have been 33.1 per cent.

Notes to the consolidated financial statements

continued

As at 30 June 2008

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

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 2008. 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.

Property investments held for sale

The book value of each property is stated at its expected net sale proceeds.

The current property portfolio is:

	30-06-08 Book value €'000	30-06-07 Book value €'000	30-06-08 Costs to date €'000	30-06-07 Costs to date €'000
RETAIL				
France				
Amiens Glisy, Amiens*	41,360	42,300	15,938	15,941
St. Doulchard, Bourges*	42,000	0	45,508	0
Buchelay Retail Park	8,040	7,510	6,735	6,736
Centre Chasse Sud, Chasse-sur-Rhône*	33,500	0	33,288	0
Les Allées de Corneilles, Corneilles	38,360	18,221	44,155	18,221
Les Trois Dauphins, Grenoble*	35,100	34,500	23,910	23,730
Centr'Azur, Hyères*	46,890	43,410	16,858	16,873
Noyelles Godault Retail Park	5,460	5,170	5,291	5,231
Les Portes de Taverny, Paris	49,930	46,050	24,091	23,592
Passage du Havre, Paris*	237,230	239,200	136,193	135,734
Passy Plaza, Paris*	126,600	125,300	71,608	71,433
74 rue de Rivoli, 1-3 rue de Renard, Paris*	28,700	17,800	10,696	10,600
Les Atlantes, Tours*	121,280	113,840	47,470	47,204
Tourville la Rivière	0	2,500	0	1,689
	814,450	695,801	481,741	376,984
Italy				
Curno, Bergamo*	102,790	98,650	33,832	33,716
Centro Lame, Bologna	38,350	37,860	28,936	28,834
Il Castello, Ferrara*	94,050	91,800	63,131	63,096
I Gigli, Firenze*	251,170	245,780	153,358	151,563
I Gigli Extension Land, Firenze**	29,159	0	29,159	0
Centro Leonardo, Imola*	77,600	78,270	63,673	62,885
La Favorita, Mantova*	56,590	53,650	33,290	31,222
Centro Carosello, Milano*	240,770	212,790	129,853	94,911
Centroluna, Sarzana*	26,920	25,670	12,744	11,831
	917,399	844,470	547,976	478,058

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

	30-06-08 Book value €'000	30-06-07 Book value €'000	30-06-08 Costs to date €'000	30-06-07 Costs to date €'000
Sweden				
421, Göteborg*	84,219	87,618	87,812	87,908
Kronan, Karlskrona*	15,944	14,442	14,366	14,315
Bergvik, Karlstad*	53,851	52,257	37,048	36,839
Mellby Center, Laholm*	16,894	17,617	13,071	12,821
Burlöv Center, Malmö*	121,956	121,092	74,840	74,893
Bronsen Retail Park, Norrköping	18,584	0	18,919	0
MaxiHuset, Norrköping*	55,435	43,692	38,855	29,182
Elins Esplanad, Skövde*	59,025	37,854	46,993	27,167
Moraberg, Södertälje*	42,996	43,442	37,948	37,397
Hälla Shopping, Västerås*	32,121	30,775	21,165	21,063
Samarkand, Växjö*	40,441	39,250	28,582	27,812
	541,466	488,039	419,599	369,397
	2,273,315	2,028,310	1,449,316	1,224,439
OFFICE				
France				
Passage du Havre, Paris***	38,970	36,500	28,774	28,778
The Netherlands				
Kingsfordweg 1, Amsterdam*	87,800	87,500	84,944	84,934
	126,770	124,000	113,718	113,712
WAREHOUSE				
France				
Rue des Béthunes, Saint-Ouen L'Aumone****	19,900	18,640	18,226	18,016
Parisud, Sénart****	11,800	11,490	11,779	11,817
	31,700	30,130	30,005	29,833
The Netherlands				
Horsterweg 20, Maastricht-Airport****	4,430	4,380	4,165	4,258
Galvanibaas 5, Nieuwegein****	4,220	4,230	3,318	3,308
Standaardruiter 8, Veenendaal	3,970	3,810	2,908	2,777
Koeweistraat 10, Waardenburg****	2,210	2,210	1,678	1,673
	14,830	14,630	12,069	12,016
	46,530	44,760	42,074	41,849
	2,446,615	2,197,070	1,605,108	1,380,000

* These properties carry mortgage debt up to €907 million at 30 June 2008 (30 June 2007: €688 million).

** This property is recorded at cost as a property investment under development.

*** Part of the retail complex.

**** These properties held for sale are recorded at expected net sale proceeds.

Notes to the consolidated financial statements

continued

As at 30 June 2008

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

Changes in property investments and in property investments held for sale for the financial year ended 30 June 2008 were as follows:

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	2,178,849	1,782,338
Acquisitions	94,041	153,551
Capital expenditure	75,680	21,685
Capitalised interest	2,095	393
Capitalised letting fees	(113)	2,001
Elimination of capitalised letting fees	113	(2,001)
Revaluation of property investments	35,726	221,072
Revaluation of property investments held for sale	1,354	0
Reallocation from property investments under development	44,155	0
Book value divestment property	(2,500)	0
Exchange rate movement	(11,944)	(190)
Book value at end of year	2,417,456	2,178,849

Changes in property investments under development for the financial year ended 30 June 2008 were as follows:

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	18,221	0
Acquisitions	54,547	16,790
Capital expenditure	0	1,431
Capitalised interest	546	0
Reallocation to property investments	(44,155)	0
Book value at end of year	29,159	18,221

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 financial year were:

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	941	788
Additions	920	438
Depreciation	(461)	(285)
Book value at end of year	1,400	941
Cost at end of year	2,793	1,986
Accumulated depreciation	(1,393)	(1,045)
Book value at end of year	1,400	941

During the financial year ended 30 June 2008 tangible fixed assets with a total cost price of €113,000 were disposed of.

14. Receivables

	30-06-08 €'000	30-06-07 €'000
Funds held by managing agents	1,795	831
Prepayment for extension and acquisitions	0	3,218
Provision for bad debts	(1,573)	(1,215)
Rents receivable	20,689	17,465
Trademark licence	1,605	1,871
VAT receivable	10,378	8,117
Other receivables and prepayments	4,093	2,673
	36,987	32,960

Receivables at 30 June 2008 include an amount of €1.7 million (30 June 2007: €2.3 million) which is due after one year.

15. Cash and deposits

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

	30-06-08 €'000	30-06-07 €'000
Bank balances	13,796	6,081
Deposits	0	11,963
Total	13,796	18,044

16. Creditors

The corporate tax payable of €8.2 million relates to French capital gains tax at the concessionary reduced rate of 16.5 per cent payable in one remaining instalment in December 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.

(i) Current liabilities

	30-06-08 €'000	30-06-07 €'000
Accruals and deferrals	3,248	5,540
Creditors	13,795	12,071
Interest payable	6,865	4,922
Local and property tax payable	1,824	147
Payable on purchased property and extensions	33,498	8,073
Rent received in advance	21,919	18,337
VAT payable	690	61
	81,839	49,151

(ii) Non-current liabilities

Corporate tax payable	0	8,072
Payable on purchased property	4,827	0
Tenant rental deposits	7,557	7,153
Entry fees	2,635	2,717
	15,019	17,942

Notes to the consolidated financial statements

continued

As at 30 June 2008

17. Borrowings

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	798,302	643,537
Drawdown of funds	492,499	408,798
Repayments	(312,944)	(253,034)
Exchange rate movements	(6,582)	(757)
Movement prepaid borrowing costs	(1,026)	(242)
Book value at end of year	970,249	798,302

	30-06-08			30-06-07	
	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate %	Total borrowings €'000
Borrowings maturity profile					
Current borrowings	39,470	22,789	62,259	4.7	114,195
Non-current borrowings					
One to two years	12,084	40,000	52,084		34,656
Two to five years	43,768	0	43,768		35,041
Five to ten years	570,551	0	570,551		490,797
More than ten years	244,000	0	244,000		125,000
Total non-current borrowings	870,403	40,000	910,403	4.8	685,494
Borrowing costs	(2,413)	0	(2,413)		(1,387)
Total borrowings	907,460	62,789	970,249	4.8	798,302

	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Average interest rate %	Interest maturity in years	Weighted average maturity of borrowings in years
Currency and interest rate profile						
2007/2008						
Euro	649,481	57,506	706,987	4.9	7.3	10.0
Swedish krona	224,168	41,507	265,675	4.5	4.0	7.5
Borrowing costs	(2,413)	0	(2,413)			
Total	871,236	99,013	970,249	4.8	6.5	9.2
2006/2007						
Euro	439,481	115,288	554,769	4.8	8.8	9.1
Swedish krona	120,293	124,627	244,920	4.0	7.0	4.0
Borrowing costs	(1,387)	0	(1,387)			
Total	558,387	239,915	798,302	4.6	8.3	7.6

* Fixed rate borrowings consist 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 more than nine years. Borrowings of €907 million are secured on property (30 June 2007: €688 million). The average interest rate on borrowings with remaining periods to maturity of more than one year including hedges is currently 4.8 per cent (30 June 2007: 4.6 per cent). The average interest rate is calculated as the weighted average interest rate over the remaining principals until the respective interest maturity dates. There have been no defaults during the financial year in respect of any of the borrowings at 30 June 2008.

At 30 June 2008 the Company has at its disposal undrawn borrowing facilities for a total amount of €62 million (30 June 2007: €85 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. The overall risk management policy focuses on the unpredictable nature of the financial markets with the emphasis on minimising any negative impacts on the financial performance of the business. The Group closely monitors its financial risk linked to its activities and the financial instruments it uses. However, as the Company is a long term property investor, it believes that the funding of its investments should also be planned on a long term basis reflecting the overall risk profile of the business.

Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of its counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks have a credit rating of A (8%), A+ (24%) and AA- (68%) according to Fitch and A2 (2%), Aa3 (6%), Aa2 (70%) and Aa1 (22%) according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the base of their financial strength.

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

Carrying amount of financial assets	Note	30-06-08 €'000	30-06-07 €'000
Receivables	14	36,987	32,960
Derivative financial instruments		30,138	18,919
Cash and deposits	15	13,796	18,044
		80,921	69,923

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

Rents receivable	30-06-08 €'000	30-06-07 €'000
Overdue by 0–90 days	19,213	15,603
Overdue by more than 90 days	1,476	1,862
	20,689	17,465

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

Provision for bad debts	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	1,215	1,224
Added	448	113
Released	(90)	(122)
Book value at end of year	1,573	1,215

With respect to the rents receivable, the Group holds tenant rental deposits from its tenants totalling €7.5 million (2007: €7.2 million) in addition to bank guarantees.

Liquidity risk

In order to reduce liquidity risk the repayment dates of borrowings are well spread over time and almost 94 per cent of borrowings are long term with almost 84 per cent of borrowings with a remaining term of more than five years. The Group aims to enter into long term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was more than nine 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. The ratios to which the Group has committed itself are monitored at regular intervals. Apart from these obligations and commitments, The Netherlands fiscal investment institution status of the Company imposes financial limits.

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 €265.7 million (30 June 2007: €244.9 million). The total property investments in Sweden are €541.5 million so 49 per cent of this SEK exposure is hedged at 30 June 2008 (30 June 2007: 50 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 and in a decrease of only 1 per cent of reported direct investment result.

Notes to the consolidated financial statements

continued

As at 30 June 2008

18. Financial instruments (continued)

Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivatives to protect the Company against 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 2008 is a positive value of €27.9 million (30 June 2007: positive value of €17.7 million).

The interest rate hedge instruments as at 30 June 2008 have a weighted average maturity of almost seven years and the Company is hedged at an average interest rate of 4.7 per cent (30 June 2007: 4.8 per cent). Only 10 per cent (30 June 2007: 17.2 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 €0.99 million (30 June 2007: €1.37 million) or 1.59 per cent (30 June 2007: 2.3 per cent) of reported direct investment result.

	30 June 2008 Notional amount €'000	30 June 2008 Fair value €'000	30 June 2007 Notional amount €'000	30 June 2007 Fair value €'000
Interest rate swaps				
Up to one year	10,559	(3,464)	0	0
From one year to two years	49,627	832	0	0
From two years to five years	154,534	6,184	29,182	210
From five years to ten years	593,928	21,020	467,695	11,453
Over ten years	65,000	3,282	165,321	6,035
Total	873,648	27,854	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.

	30-06-08 €'000	30-06-07 €'000
Derivative financial instruments		
Book value at beginning of year	17,698	(8,744)
Unrealised fair value movement interest rate swaps	10,260	26,470
Exchange rate movement	(104)	(28)
Book value at end of year	27,854	17,698

Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2008) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date, together with an ageing analysis according to interest rate revision dates.

	2008			2007		
	Borrowings floating rate	Swaps fixed rate paid	Swaps variable rate received	Borrowings floating rate	Swaps fixed rate paid	Swaps variable rate received
Effective interest rate (%)	4.45	4.28	4.48	3.48	4.30	3.46
Up to one year (€'000)	970,249	10,559	873,648	798,302	0	662,198
From one year to two years (€'000)		49,627			0	
From two years to five years (€'000)		154,534			29,182	
From five years to ten years (€'000)		593,928			467,695	
Over ten years (€'000)		65,000			165,321	
Total (€'000)	970,249	873,648	873,648	798,302	662,198	662,198

18. Financial instruments (continued)

The following table shows the periods in which the cash flows of the interest (variable interest is based on Euribor/Stibor as at 30 June 2008) on both borrowings and derivatives are expected to occur on the basis of the loan and interest rate swap agreements entered into by the Group, as per the balance sheet date:

	Borrowings floating rate	Swaps fixed rate to be paid	Swaps variable rate to be received	Total
Up to one year (€'000)	49,760	53,003	(55,851)	46,912
From one year to two years (€'000)	46,897	48,953	(55,577)	40,273
From two years to five years (€'000)	108,028	116,240	(122,417)	101,851
From five years to ten years (€'000)	120,863	73,902	(77,789)	116,976
Over ten years (€'000)	288,413	4,732	(4,978)	288,167
Total (€'000)	613,961	296,830	(316,612)	594,179

Fair value of financial instruments

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

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

				30-06-08 €'000		30-06-07 €'000
	Note	Categories in accordance with IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	14	B	36,987	36,987	32,960	32,960
Derivative financial instruments (assets)		A	30,138	30,138	18,919	18,919
Cash and deposits	15	C	13,796	13,796	18,044	18,044
			80,921	80,921	69,923	69,923
Borrowings	17	B	970,249	970,249	798,302	798,302
Derivative financial instruments (liabilities)		A	2,284	2,284	1,221	1,221
Creditors	16	A	96,858	96,858	67,093	67,093
			1,069,391	1,069,391	866,616	866,616

All other balance sheet items are short term and are therefore not adjusted to their fair value.

19. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	Balance 30-06-07 €'000	Recognised in profit and loss account	Capital gains tax payable	Exchange rate movement	Balance 30-06-08 €'000
Investment property	149,606	(1,151)	0	(1,411)	147,044
Derivative financial instruments	5,030	2,495	0	(26)	7,499
Tax value of loss carry-forwards recognised	(3,684)	(1,077)	0	0	(4,761)
Deferred tax liabilities	150,952	267	0	(1,437)	149,782

Notes to the consolidated financial statements

continued

As at 30 June 2008

19. Deferred tax liabilities (continued)

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

	Balance 30-06-06 €'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

* 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.

As at 30 June 2008 the total amount of deferred tax liabilities of €149.8 million is related to Italy for an amount of €81.9 million (30 June 2007: €87.9 million), whereas an amount of €67.9 million (30 June 2007: €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:

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	142	474
Current service costs	211	249
Contributions paid by the employer	(250)	(297)
Past service costs	0	0
Other finance income	(32)	(24)
Actuarial loss/(gain)	484	(272)
Exchange rate movement	(21)	12
Book value at end of year	534	142

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

	30-06-08 €'000	30-06-07 €'000
Current service costs	211	249
Past service costs	0	0
Other finance income	(32)	(24)
Actuarial loss/(gain)	484	(272)
	663	(47)

Major assumptions used by the actuary:

	30-06-08 %	30-06-07 %
Pensionable salary growth	5.35	4.9
Earnings cap growth	4.1	3.4
Pension revaluation	4.1	3.4
Pension escalation	4.1	3.4
Discount rate	6.6	5.8
Inflation assumption	4.1	3.4

20. Provision for pensions (continued)

Assets and expected rate of return:

	Expected rate of return 2008/2009 %	Value at 30-06-08 €'000	Expected rate of return 2007/2008 %	Value at 30-06-07 €'000
Equities	8.0	1,751	7.75	2,316
Bonds	5.5	220	5.0	180
Property	7.0	15	7.0	16
Cash	5.0	218	4.5	135
Total market value of assets		2,204		2,647
Present value scheme liabilities		(2,738)		(2,789)
Deficit in the scheme		(534)		(142)

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 2007/2008.

21. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 358,787,838 shares are issued and fully paid as at 30 June 2008 and of which 1,514,620 were bought back as at 30 June 2008.
- 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 355,542,606.

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.

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	176,388	176,388
Issued shares exercised stock options	663	0
Issued bonus shares	2,343	0
Book value at end of year	179,394	176,388

The number of shares on issue increased on 30 November 2007 as a result of the issue of 468,675 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 35 per cent of the issued share capital (last year 43 per cent) opted for the bonus depositary receipts at an issue price of €43.42 from the Company's share premium reserve, instead of a cash dividend of €1.67 per depositary receipt for the financial year ended 30 June 2007.

On 8 November 2007 the 676,000 outstanding employee stock options, granted in 2004, vested, giving option holders the right to exercise these options at a price of €24.82 over a period of seven years. The Company initiated a programme under which depositary receipts were bought back on NYSE Euronext Amsterdam to cover future possible exercises of these options with the intention of minimising costs to the Company. The programme started on 26 November 2007 and ceased on 18 December 2007. It was started again on 19 May 2008 and ceased on 3 June 2008 (reference is also made to note 9 of the Company financial statements). The Company bought back a total of 543,500 depositary receipts. As a total of 392,038 depositary receipts were required for staff members and members of the Board of Management who exercised their options (J.P. Lewis and E.J. van Garderen exercised 100,000 and 50,000 of their vested options respectively) taking into account the issue of depositary receipts referred to below, the Company now holds a balance of 151,462 depositary receipts. The number of outstanding employee stock options available for exercise has now been reduced to 151,462 (approximately 0.4 per cent of the current issued share capital).

The Company also issued on 1 April 2008 132,500 new depositary receipts as a result of employees exercising the same number of options. For these options no depositary receipts were bought back.

Taking into account the above issues and buy back programme, the weighted average number of depositary receipts in issue in the financial year ended 30 June 2008 was 35,554,261.

Notes to the consolidated financial statements

continued

As at 30 June 2008

21. Issued share capital (continued)

Following the approval of the Annual General Meeting of Shareholders held on 6 November 2007, a new series of 716,000 options was granted to staff members and members of the Board of Management (J.P. Lewis 100,000 options and E.J. van Garderen 70,000 options) under the existing stock option plan of the Company, representing 2 per cent of the current issued share capital of the Company (35,878,794 depositary receipts). The options are again conditional upon performance targets and can only be exercised three years after the date of granting. Thereafter, the options can be exercised during a period of seven years. The exercise price is €37.28, being the closing price of depositary receipts on 12 November 2007, the granting date.

As at 30 June 2008, 867,462 staff stock options were outstanding, representing 2.4 per cent of the current issued share capital. 151,462 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. These options vested on 8 November 2007 and can be exercised during a period of seven years after the vesting date. 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 these 151,462 outstanding options at the date of granting was assessed at €236,000, using the appropriate formula to calculate options values, resulting in an average fair value of €1.56 per option. 716,000 options each confer the right to one depositary receipt representing ten ordinary shares of €0.50 par value and were all granted on 12 November 2007 at an exercise price of €37.28. Having regard to the market prices of depositary receipts, the exercise price of €37.28 and the first possible date for exercise, the value of these 716,000 outstanding options at the date of granting was assessed at €2,934,000, using the appropriate formula to calculate options values, resulting in an average fair value of €4.10 per option.

The Company has not bought back depositary receipts to cover future possible exercises of the options granted to staff on 12 November 2007. It is the intention to issue new depositary receipts if and when options are exercised in the future or to buy back depositary receipts in the future, depending on the circumstances.

22. Share premium reserve

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	324,392	327,196
Stock options granted	757	316
Stock options exercised	1,678	0
Release for issued bonus shares	(2,343)	0
Depositary receipts bought back	0	(3,059)
Dividends paid	(206)	(61)
Book value at end of year	324,278	324,392

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

23. Other reserves

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	481,866	300,168
Profit previous financial year	220,908	201,957
Depositary receipts bought back	(19,988)	(20,220)
Stock options exercised	10,032	0
Foreign currency translation differences	(5,795)	(39)
Book value at end of year	687,023	481,866

24. Earnings per depositary receipt

Basic earnings per depositary receipt

The calculation of basic earnings per depositary receipt at 30 June 2008 was based on the profit attributable to holders of depositary receipts of €110.3 million (30 June 2007: €259.5 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2008 of 35,554,261 (30 June 2007: 35,277,619), calculated as follows:

24. Earnings per depositary receipt (continued)

Profit attributable to holders of depositary receipts:

	30-06-08 €'000	30-06-07 €'000
Profit for the year	110,286	259,472

Weighted average number of depositary receipts:

	30-06-08	30-06-07
Issued depositary receipts at beginning of year	35,277,619	35,277,619
Effect of depositary receipts issued in November 2007 and in April 2008 (stock dividend and staff stock options exercised)	276,642	–
Weighted average number of depositary receipts at end of year	35,554,261	35,277,619

Diluted earnings per depositary receipts

The calculation of diluted earnings per depositary receipt at 30 June 2008 was based on profit attributable to holders of depositary receipts of €110.3 million (30 June 2007: €259.5 million) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2008 of 36,499,989 (30 June 2007: 35,956,246), calculated as follows:

Profit attributable to holders of depositary receipts (diluted):

	30-06-08 €'000	30-06-07 €'000
Profit for the year	110,286	259,472

Weighted average number of depositary receipts (diluted):

	30-06-08	30-06-07
Weighted average number of depositary receipts at end of year	35,554,261	35,277,619
Effect of issued options on depositary receipts	912,728	678,627
Weighted average number of depositary receipts (diluted) at end of year	36,499,989	35,956,246

25. Commitments not included in the balance sheet

As at 30 June 2008 bank guarantees have been issued for a total amount of €11.03 million. Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements for a total notional amount of €873.6 million (See also note 18 to the consolidated financial statements and note 12 to the Company financial statements).

As at 30 June 2008 the Group's off balance sheet investment commitments approximate €74.5 million and consist of €32.5 million for the building contract for the extension of Centro Carosello at Carugate, Milan, Italy, €24 million for the building contract for the extension of MaxiHuset, Norrköping, Sweden, €11 million for the building contract for the extension of Elins Esplanad, Skövde, Sweden, and €7 million in exit fees payable to tenants of the property at 74 rue de Rivoli, Paris, France.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €544,000 for the financial year 2008/2009, approximately €1.2 million for the four year period thereafter, and €1 million for the period longer than five years.

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 €118,700 (2006/2007: €124,600) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-08 €'000	30-06-07 €'000
W.G. van Hassel	35.0	35.0
H.W. Bolland	25.0	25.0
J.H. Goris*	8.7	25.0
J.C. Pollock	25.0	25.0
A.E. Teeuw	25.0	14.6

* until 6 November 2007

Notes to the consolidated financial statements

continued

As at 30 June 2008

26. Related parties (continued)

The Directors' fees also include an amount of €1,275,000 (2006/2007: €1,863,000) 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	
	30-06-08 €'000	30-06-07 €'000	30-06-08 €'000	30-06-07 €'000
Salary	450	488	318	318
Bonus	215	526	164	356
Pension premiums	0	0	38	41
Social security charges	84	127	6	7

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 movements in options granted under the existing Stock Option Plan to the members of the Board of Management are set out in the table below:

	J.P. Lewis	E.J. van Garderen	Total
Number of options at 30/06/07	120,000	100,000	220,000
2007/2008 movements in options			
Exercised	(100,000)	(50,000)	(150,000)
Granted	100,000	70,000	170,000
Number of options at 30/06/08	120,000	120,000	240,000

The 100,000 options exercised by J.P. Lewis during the year resulted in a gross option gain of €1,223,000 (60,000 and 40,000 options respectively sold at €37.75 and €36.00 respectively, all options with an exercise price of €24.82). The 50,000 options exercised by E.J. van Garderen during the year resulted in a gross option gain of €646,500 (50,000 sold at €37.75, all options with an exercise price of €24.82).

All new options were granted on 12 November 2007 at an exercise price of €37.28 (the closing market price at the date of grant was also €37.28) and were blocked for a period of three years. The outstanding 240,000 options held by the Board of Management represent 0.67 per cent of the current issued share capital of the Company.

25 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

Mr Lewis and entities associated with him hold 771,321 depositary receipts, in total representing 2.15 per cent of the issued share capital of the Company. Mr van Garderen holds 15,000 depositary receipts, in total representing 0.042 per cent of the issued share capital of the Company. Mr van Hassel indirectly holds 2,858 depositary receipts representing 0.008 per cent of the issued share capital of the Company. Mr A.E. 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 accounting policy notes (see note 1). The most important factor is that all property investments are revalued every six months by qualified independent valuation experts. The Group uses a rotation scheme when instructing valuers. The fair value of the property portfolio is based upon the opinions of the external experts and not internal valuations made by the Company.

Company balance sheet

(before income appropriation)

	Note	30-06-08 €'000	30-06-07 €'000
Property investments	3	91,770	102,130
Investments in subsidiaries	4	909,515	830,684
Due from subsidiaries	5	337,632	390,316
Tangible fixed assets	6	805	323
Total non-current assets		1,339,722	1,323,453
Property investments held for sale	3	10,860	0
Receivables		2,970	2,048
Cash and deposits	7	2,752	12,579
Total current assets		16,582	14,627
Total assets		1,356,304	1,338,080
Creditors		8,525	9,432
Borrowings	8	46,264	86,388
Total current liabilities		54,789	95,820
Provision for pensions		534	142
Total liabilities		55,323	95,962
Net assets		1,300,981	1,242,118
Shareholders' equity	9		
Issued share capital		179,394	176,388
Share premium reserve		324,278	324,392
Legal revaluation reserve		651,047	569,424
Currency translation reserve		(3,784)	2,011
Retained profit reserve		39,760	(89,569)
Undistributed income		110,286	259,472
		1,300,981	1,242,118

Company profit and loss account

	2007/2008 €'000	2006/2007 €'000
Company profit after taxation	29,372	22,124
Result from subsidiaries after taxation	80,914	237,348
Profit after taxation	110,286	259,472

Notes to the Company financial statements

As at 30 June 2008

1. General

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

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

2. Principal accounting policies

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

Investments in subsidiaries

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

3. Property investments and property investments held for sale

Changes in property investments and property investments held for sale for the financial year ended 30 June 2008 were as follows:

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	102,130	101,050
Capital expenditure	155	50
Revaluation	345	1,030
Book value at end of year	102,630	102,130

4. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2008 were as follows:

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	830,684	617,171
Investments	0	1,694
Disinvestments	0	(24,998)
Foreign currency translation differences	(2,083)	(531)
Result from subsidiaries	80,914	237,348
Book value at end of year	909,515	830,684
Cost at end of year	264,085	264,085
Foreign currency translation differences	(2,614)	(531)
Cumulative result from subsidiaries	648,044	567,130
Book value at end of year	909,515	830,684

Notes to the Company financial statements

continued

As at 30 June 2008

5. Due from subsidiaries

The balance at 30 June 2008 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., Eurocommercial Properties Italia S.r.l., 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. Tangible fixed assets

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

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	323	283
Additions	725	230
Depreciation	(243)	(190)
Book value at end of year	805	323
Cost at end of year	1,594	900
Accumulated depreciation	(789)	(577)
Book value at end of year	805	323

During the financial year ended 30 June 2008 tangible fixed assets with a total cost price of €31,000 were disposed of.

7. Cash and deposits

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

8. Borrowings

	30-06-08 €'000	30-06-07 €'000
Book value at beginning of year	86,388	23,488
Drawdown of funds	152,322	120,568
Repayments	(190,566)	(57,503)
Exchange rate movements	(1,855)	(165)
Movement borrowing costs	(25)	0
Book value at end of year	46,264	86,388

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
30-06-2007	176,388	324,392	569,424	2,011	(89,569)	259,472	1,242,118
Issued shares	3,006	(2,343)					663
Profit previous financial year					220,908	(220,908)	0
Profit for the period						110,286	110,286
Dividends paid		(206)				(38,564)	(38,770)
Depository receipts bought back					(19,988)		(19,988)
Stock options exercised		1,678			10,032		11,710
Stock options granted		757					757
Currency translation reserve				(5,795)			(5,795)
Addition to legal reserve			81,623		(81,623)		0
30-06-2008	179,394	324,278	651,047	(3,784)	39,760	110,286	1,300,981

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

	Issued share capital €'000	Share premium reserve €'000	Legal revaluation reserve €'000	Currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2006	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)
Depository receipts bought back		(3,059)			(20,220)		(23,279)
Stock options granted		316					316
Currency translation reserve				(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

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 €647 million and are not freely distributable. For dividend distribution however, both the retained profit reserve and share premium reserve and the undistributed income are available.

Holders of depository receipts representing 35 per cent of the issued share capital (last year 43 per cent) opted for 468,675 bonus depository receipts at an issue price of €43.42 from the Company's share premium reserve, instead of a cash dividend of €1.67 per depository receipt for the financial year ended 30 June 2007. Accordingly, an amount of €20.4 million of the 2006/2007 direct investment result and an amount of €200.5 million of the 2006/2007 indirect investment result were taken to the retained profit reserve.

Notes to the Company financial statements

continued

As at 30 June 2008

9. Shareholders' equity (continued)

In total 543,500 depositary receipts, each depositary receipt representing ten ordinary shares with a nominal value of €0.50 each, were bought back on the NYSE Euronext Amsterdam market by the Company in the current financial year under the following transactions:

Date	Number of depository receipts	Weighted average price per depository receipt (€)
27 November 2007	11,733	33.795
28 November 2007	6,518	33.933
30 November 2007	4,283	37.567
3 December 2007	1,369	37.000
4 December 2007	18,597	36.861
5 December 2007	3,998	37.000
6 December 2007	19,282	37.273
7 December 2007	7,028	37.566
11 December 2007	21,500	37.946
12 December 2007	10,110	36.939
12 December 2007	185,000	37.750
13 December 2007	50,000	37.100
13 December 2007	21,082	36.576
14 December 2007	13,175	35.856
17 December 2007	1,825	34.274
18 December 2007	1,000	34.320
19 May 2008	8,000	36.982
20 May 2008	2,000	39.922
21 May 2008	7,000	36.288
22 May 2008	15,000	36.043
23 May 2008	15,000	35.580
26 May 2008	7,000	35.657
27 May 2008	25,000	34.548
28 May 2008	20,000	34.991
29 May 2008	17,500	35.121
30 May 2008	25,000	35.757
2 June 2008	12,500	35.567
3 June 2008	13,000	36.150

10. Audit fee

The fee for professional audit services and other services rendered by Ernst & Young Accountants LLP of Amsterdam, The Netherlands for the financial year ended 30 June 2008 is €155,000 (2006/2007: €145,000). The services rendered by the external audit firm during 2007/2008 and 2006/2007 are only related to the audit of the financial statements.

11. 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 2007/2008 this expense ratio amounted to 2.34 per cent (2006/2007: 2.65 per cent).

12. 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 €200 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €2.3 million.

The Company has entered into guarantees in favour of UniCredit Banca d'Impresa S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €86.8 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €9.03 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 €34.8 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.

The Company has entered into a guarantee in favour of Centrobanca S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €30 million.

The Company has entered into a guarantee in favour of Banca Nazionale del Lavoro S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €10 million.

The Company has entered into guarantees in favour of ING Bank N.V., Milan Branch, for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €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., Samarkandfastigheter A.B., Burlöv Centre Fastighets A.B., Bergvik Köpet 3 K.B. and ECP Moraberg K.B. to an amount of SEK 1,887 million.

The Company has entered into a guarantee in favour of Skandinaviska Enskilda Banken AB for debts incurred by KB Degeln 1 and Kronan Fastigheter i Karlskrona AB to an amount of SEK 470 million.

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB, French Branch, for debts incurred by Eurocommercial Properties France S.A.S. to an amount of €100 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 €873.6 million (see also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 26 August 2008

Board of Management

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

Board of Supervisory Directors

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

Other information

Priority shares

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

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

For the period to 30 November 2010, 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 2008 comprised:

J.P. Lewis
N.R.L. Mijnsen

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 4 November 2008 at 11.00 hours to distribute a cash dividend of €1.75 per depositary receipt (10 ordinary shares) for the financial year ended 30 June 2008 (30 June 2007: €1.67 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 31 October 2008. The distribution will be payable as from 28 November 2008. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15% for The Netherlands and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2008/2009. Holders of depositary receipts are given the opportunity to make their choice known until and including 20 November 2008. 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

31 October 2008	Announcement of scrip issue price
4 November 2008	Annual General Meeting of Shareholders
6 November 2008	Ex-dividend date
7 November 2008	Announcement of first quarter results 2008/2009
28 November 2008	Dividend payment date
6 February 2009	Announcement of half year results 2008/2009
15 May 2009	Announcement of third quarter results 2008/2009
28 August 2009	Announcement of annual results 2008/2009
3 November 2009	Annual General Meeting of Shareholders

Statements pursuant to the Netherlands Act on Financial Supervision

The Netherlands Authority for the Financial Markets granted a permit to the Company on 7 July 2006, of which a copy 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% 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% in the Company. According to the latest notifications these interests were as follows:

Stichting Administratiekantoor Eurocommercial Properties (99.84%), Stichting Pensioenfonds PGGM (13.76%), the Government of Singapore (12.75%).

The dates of the aforesaid notifications were 18 June 2008 (Stichting Pensioenfonds PGGM) and 1 November 2006 respectively.

Stock market prices and turnover 2007/2008

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

		High	Low	Average
Closing price 30 June 2008 (€; depositary receipts)	30.27	42.05	28.00	36.52
Average daily turnover (in depositary receipts)	134,548			
Average daily turnover (€' 000,000)	4.9			
Total turnover over the past twelve months (€' 000,000)	1,252.9			
Market capitalisation (€' 000,000)	1,081.5			
Total turnover divided by market capitalisation	116%			

Liquidity providers: ABN AMRO Bank
Amsterdams Effectenkantoor
Kempen & Co

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

Depositary receipts listed on NYSE 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 2008

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

Other information continued

Report of the Auditors

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

Auditor's report

Report on the financial statements

We have audited the financial statements of Eurocommercial Properties N.V., Amsterdam, for the financial year ended 30 June 2008 (as set out on pages 54 to 89). The financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated profit and loss account and the consolidated direct, indirect and total investment results for the financial year ended 30 June 2008, the consolidated balance sheet as at 30 June 2008, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the financial year ended 30 June 2008, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 30 June 2008, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2008, and of its result and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the 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 Eurocommercial Properties N.V. as at 30 June 2008, 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 2008

Ernst & Young Accountants LLP

Signed by M.A. van Loo

Directory

Supervisory Board

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

Management Board

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

Country Heads

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

Property Directors

M. Björn
V. Di Nisio
P.H. Le Goueff

M.V. Alvares, Group Systems
J.M. Camacho-Cabisco, Group Economist
R. Fraticelli, Company Secretary
K.E. Goode, Investor Relations
J.M. Veldhuis, Group Controller

Board of Stichting Prioriteitsaandelen Eurocommercial Properties

J.P. Lewis, Chairman
N.R.L. Mijnsen

Board of Stichting Administratiekantoor Eurocommercial Properties

A. Plomp
B.T.M. Steins Bisschop

Head Office

Eurocommercial Properties N.V.
Herengracht 469
1017 BS Amsterdam
The Netherlands
Tel: 31 (0)20 530 6030
Fax: 31 (0)20 530 6040
Email: info@eurocommercialproperties.com
Website: www.eurocommercialproperties.com

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

Group Offices

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

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

Via del Vecchio Politecnico 3
20121 Milan
Italy
Tel: 39 02 760 759 1
Fax: 39 02 760 161 80

Norrlandsgatan 22, 2 tr
111 43 Stockholm
Sweden
Tel: 46 (0)8 678 5360
Fax: 46 (0)8 678 5370

Eurocommercial Properties N.V.

Herengracht 469

1017 BS Amsterdam

The Netherlands

Tel: 31 (0)20 530 60 30

Fax: 31 (0)20 530 60 40

Email: info@eurocommercialproperties.com

Website: www.eurocommercialproperties.com

Cover photograph:
Centro Leonardo, Imola