EUROCOMMERCIAL PROPERTIES N.V.
ANNUAL REPORT 30 JUNE 2009

EUROCOMMERCIAL
SHOPPING CENTRES

PROFILE

Eurocommercial Properties N.V. (ECP) is an NYSE Euronext quoted public company established in 1991 with zero tax status. The Company invests solely in the retail property sector and has a sound record of rising dividends since inception.

Contents

Cover photograph:
Carosello, Carugate, Milano

STRATEGY

A shopping centre specialist

ECP owns and operates shopping centres and other retail properties in selected European countries because they are stable investments, generally without the cyclical over supply problems of other property sectors. The range of tenants and the rental link with turnover and inflation reduces income volatility. The centres require specialist management expertise however to ensure their continued success. ECP's teams have been actively involved in international shopping centres for more than 20 years with a proven track record.

Located in selected western European countries with developed markets

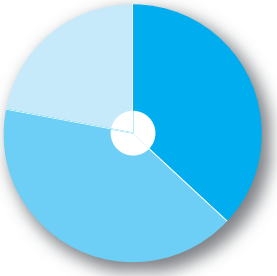
ECP's 30 retail properties are in France, northern Italy and Sweden – wealthy western European countries with deep, developed institutional property markets. They have a cultural compatibility as well as lease structures that reveal sales turnover figures every month so that the success of centres can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

Properties in established cities with sound demographics

ECP's extensive database and experienced research teams allow it to assess the supply and demand characteristics of existing and planned centres, whether in city centres or suburban locations. It has systems to establish economic, demographic and competitive factors to predict and monitor spending levels. ECP's property development expertise enables successful extensions and improvements to centres to maximise income and investment returns.

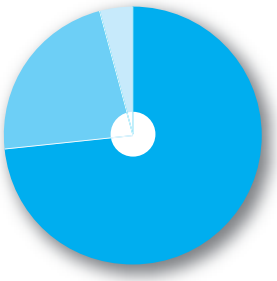
SUMMARY

Geographic spread



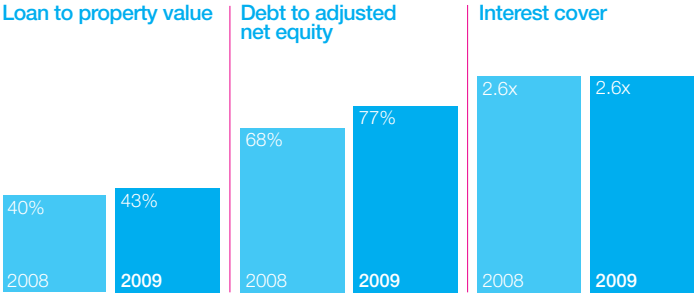
France (€780m)	37%
Northern Italy (€882m)	41%
Sweden (€471m)	22%

Property type



Shopping centres	75%
City centre shops/galleries	21%
Retail parks	4%

Strong balance sheet

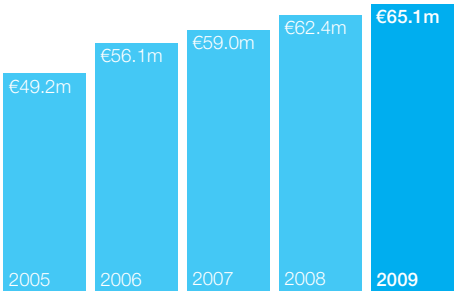


2008/2009 FULL YEAR RESULTS

Direct investment result

The direct investment result for the financial year ended 30 June 2009 rose 4.3% to €65.1 million from €62.4 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. The direct investment result per depositary receipt increased by 4.0% to €1.82 compared with €1.75 for the year to 30 June 2008.

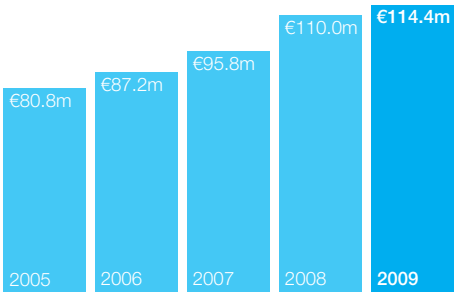
€65.1m



Net rental income

Rental income for the financial year ended 30 June 2009 was €134.2 million compared with €128.7 million for the previous financial year, an increase of 4.3% notwithstanding the fact that rental income has been reduced by €4.5 million during the period as a result of property sales. When net service charges and direct and indirect property expenses (branch overheads) are deducted, net rental income rose by 4.0% to €114.4 million from €110.0 million in the year to 30 June 2008. This increase reflects the completed expansion projects, as well as indexation, new lettings and rent reviews.

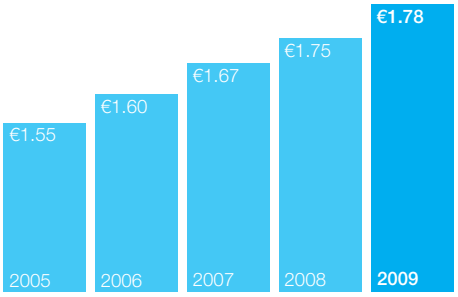
€114.4m



Dividend

The Board proposes increasing the Company's annual dividend to €1.78 per depositary receipt (10 ordinary shares) from €1.75 in 2008 notwithstanding the increase in direct investment result to €1.82 per depositary receipt. The Board has taken this decision because, despite its confidence in market rental levels, uncertainties over negative indexation in France and Sweden in 2010 make it prudent to limit the dividend increase this year in order to continue the Company's policy of increasing or at least maintaining dividend levels over the long term. 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.

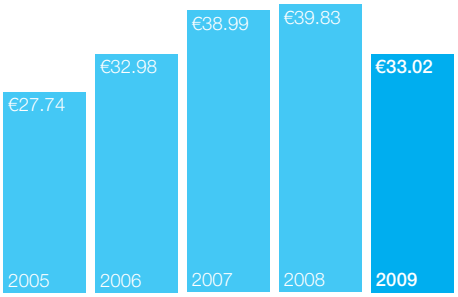
€1.78



Adjusted net asset value

Adjusted net asset value declined by 17.1% to €33.02 per depositary receipt at 30 June 2009 from €39.83 per depositary receipt at 30 June 2008. The figure decreased by 5.5% from €34.94 at 31 December 2008. These figures represent the underlying value of properties and do not take into account contingent capital gains tax liabilities if all the properties were to be sold simultaneously, nor do they take into account the fair value of financial derivatives (interest rate swaps). Adjusted net asset value is the relevant definition for all ECP debt to equity banking covenants. The IFRS net asset value at 30 June 2009 was €28.82 per depositary receipt compared with €36.41 at 30 June 2008 and €30.48 at 31 December 2008.

€33.02



MANAGEMENT REPORT

Eurocommercial Properties' full year 2008/2009 results reflect resilient rent levels in its shopping centres despite the global recession and higher unemployment. Market prices of good retail property in France, northern Italy and Sweden, though down on December 2008, appear to be stabilising as more buyers enter the market.

1 Jeremy Lewis, Chief Executive
2 Evert Jan van Garderen, Finance Director
3 Peter Mills, Director
4 Tom Newton, Director
5 Tim Santini, Director

Rental growth

Rental income for the financial year ended 30 June 2009 was €134.2 million compared with €128.7 million for the previous financial year, an increase of 4.3% notwithstanding the fact that rental income has been reduced by €4.5 million during the period as a result of property sales, notably the office building Het Boek (Kingsfordweg 1) in Amsterdam, as well as five warehouses and a retail unit. When net service charges and direct and indirect property expenses (branch overheads) are deducted, net rental income rose by 4.0% to €114.4 million from €110.0 million in the year to 30 June 2008. This increase reflects the completed expansion projects in Carosello in Milano, Elins Esplanad in Skövde and Ingelsta Shopping in Norrköping, as well as indexation, new lettings and rent reviews.

Like for like (same floor area) rental growth in ECP's retail properties was 4.7% for the year to 30 June 2009. Growth in the Swedish retail properties was highest at 5.7%, followed by Italy (4.9%) and France (4.0%). All rental growth figures compare tenancy schedules at the relevant dates and include indexation and turnover rents.

In France 31 relettings and renewals were concluded during the year which produced an average uplift in base rent of 18%. In Italy 93 relettings and renewals resulted in a 29% increase in base rent. Finally, in Sweden the average increase from 21 relettings and renewals was 16%.

ECP's rental budgets for 2010 incorporate limited inflation expectations and the possibility of negative indexation. However, up to 16% of leases by rental income will be subject to market rent reviews during the 2009/2010 financial year and are again expected to be positive.

Sales turnover growth

ECP monitors the sales turnover in its centres very carefully, receiving updated figures each month from retail tenants. The Company manages its centres actively, ensuring that they adapt to changing consumer demand. Regular sales turnover information is an indispensible tool in understanding consumer behaviour and the overall success of the centre.

The international credit crisis and the ensuing recession have reduced consumer confidence which naturally has had an effect on sales turnover, but for the year to 30 June 2009 like for like sales in ECP's centres, including hypermarkets, fell overall by only 1.1% (excluding the galleries which have undergone considerable building works for extensions) when compared with the year to 30 June 2008.

Vacancy levels and rent arrears

Despite unfavourable economic conditions, overall vacancies remain under 1% of total income and rental arrears of more than 90 days, though slightly higher than last year, represent a modest 1.16% of income. Bad debts have actually reduced by 27% to €314,000. The consumer spending slowdown is putting increased pressure on less efficient highly geared retailers or those with unfashionable concepts, but the combination of the Company's low occupancy cost ratios and active management ensures that its centres remain attractive to major retail groups who continue to be willing, in France and Italy, to pay entry fees in addition to market rents. Entry fees are not market practice in Sweden.

Property values

Property values decreased by 4.7% when compared with December 2008 and by 8.8% when compared with June 2008. The reductions in values were due to market yield shifts, though ameliorated by rental growth of 4.7% over the period.

The average valuation net initial income yield at 30 June 2009 for all retail properties was 5.6%, compared with 5.3% in December 2008 and 4.9% in June 2008.

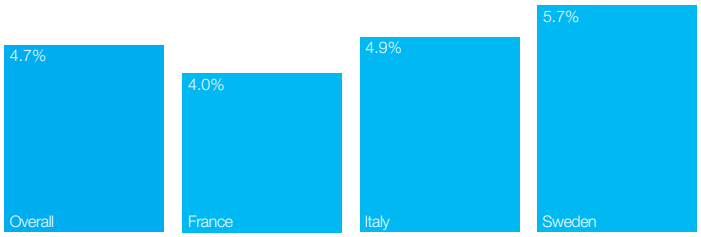
Funding

Total debt amounted to €913 million at 30 June 2009, equating to 77% of net adjusted equity of €1,184 million. All debt/equity covenants in loan agreements allow for a maximum of 100% debt to net adjusted equity so theoretically ECP has unused borrowing capacity of approximately €270 million. The overall loan to property value ratio is 43% and interest cover is 2.6x.

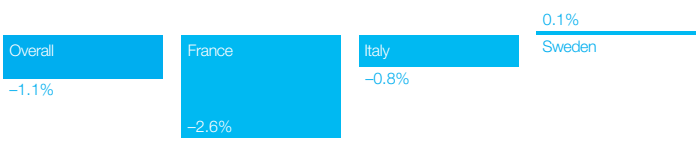
All debt funding by the Company is in the form of direct borrowings from major banks, usually secured by mortgages. The average overall term of the loans is almost nine years and the maturity schedule can be seen in the chart below.

The Company has used swaps to fix 92% of its interest costs for an average term of almost six years so that the overall interest rate, including margins averaging 48bps, is 4.6% per annum. Typical six year euro swap rates are currently in the order of 2.9% so at first glance ECP's interest costs may appear high if margins are ignored. The Company believes, however, that it is imperative that it protects itself from potential interest rate rises over the next few years as economies recover.

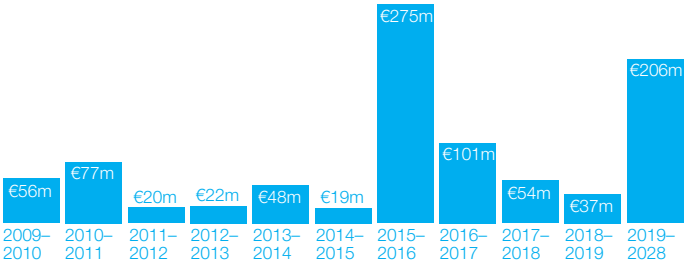
Rental growth 2008/2009 (like for like)



Sales turnover growth 2008/2009



Loan maturity schedule



MANAGEMENT REPORT

Continued

Property sales and acquisitions

During the year to 30 June 2009 ECP sold seven properties. The sale of ECP's last remaining office building, Kingsfordweg 1 (Het Boek) in Amsterdam, was completed in March 2009 for €86.5 million and in August 2008 ECP sold three Dutch warehouses for a total of €10.9 million. In France the Company completed the sale of two warehouses and a retail property at Noyelles Godault in the Pas-de-Calais for a combined total of €37.2 million.

The proceeds from these sales have been used to reduce debt and contribute to the Company's shopping centre extension and refurbishment programme.

Although no shopping centres were acquired during the period, ECP did take the opportunity to consolidate its ownership at two existing centres. At the St. Doulchard shopping centre in Bourges the Company purchased a small external unit for €1.4 million. At Il Castello in Ferrara, ECP bought 2,770m^2 from the hypermarket operator, Coop, for €13.1 million leased to H&M and Co.Import, increasing ECP's ownership of the mall to 100%.

Shopping centre extensions and refurbishments

ECP successfully completed three extension projects during the year at Carosello in Milano, Ingelsta Shopping in Norrköping and Elins Esplanad in Skövde. All extensions opened on time and on budget. The total cost of the three projects was approximately €150 million, including the food court at Carosello which will open later this year, and all delivered a net return on cost of at least 7%. Further details on these projects are set out in the relevant country reports.

ECP is also continuing its analysis of the 18,000m^2 redevelopment of its retail centre at Växjö. Leasing has progressed steadily despite the fact that retailers are being more selective with their expansion programmes, and around 60% of the centre has now been pre-let. A decision as to whether to proceed with the project will be taken later in the year when construction costs will be confirmed and the letting process further advanced.

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

Market commentary and investment plans

The last year has been one of the most dramatic, economically, for at least half a century with huge pressures on banks, large international companies and even governments. Significant state assistance to the financial sector has prevented the collapse of banking systems, but the wider effects on company profits, consumer demand and unemployment have yet to be resolved.

Property markets that had boomed on the back of profligate bank lending to over optimistic developers and speculators have fallen, creating losses to a greater or lesser extent everywhere. The most severe impact has been in the most highly geared markets of the UK and US where over-rented buildings have suffered significant reductions in value which in turn has caused several major property companies to hold large, heavily dilutive rights issues to avoid breaking banking covenants.

In Eurocommercial's markets, where both banks and property companies were generally less highly geared, property markets, particularly the retail sector, have subsided, but by no means collapsed. ECP's shopping centre values are down around 10% from their peak, with rents generally holding up well and vacancies minimal.

There has, however, been a rapidly widening gap in the market between the saleability and pricing of prime and secondary properties. While there is still demand for high quality assets with sustainable income, secondary properties, particularly those that are poorly located, over-rented or vacant, are practically unsaleable.

The major buyers at the beginning of 2009 were restricted to a few German open-ended funds looking for the safest properties. They have now been joined by other international institutional investors, so that the market for prime properties has become much more balanced than it was six months ago. This is particularly true in the western European shopping centre sector where the better centres are held by investors with relatively strong balance sheets who are not under pressure to sell properties at heavily discounted prices.

The relatively few sales of good retail properties that have occurred in Eurocommercial's markets have all been at net yields at or below 6%. Examples include Monza in Italy at 5.85% (€143 million), central Rome at just over 5% (€180 million) and Lille and Chambéry in France at 6% (€160 million and €52 million). There have, as yet, been no major sales in Sweden. Two sales in Spain at over 7% (€235 million and €127 million) reflect distressed sellers and significant over-renting with increasing vacancies and, in one case, a short leasehold tenure.

The direction of markets from now on depends on two main factors: interest rates and unemployment levels. Five year euro swap rates of 2.7% give an interest cost less than average prime property yields, even when margins of 150 to 200 bps are added, but of course lending is only available today to companies with strong balance sheets.

French, Italian and Swedish 10 year bond yields currently average about 3.6% and clearly if issuances continue to increase to finance Government deficits there is the possibility of higher bond yields influencing yields on prime properties. At the moment, however, low inflation and flat economic growth are holding bond yields down so that prime property yields appear soundly based. Unemployment levels obviously affect consumer spending and both have recently seen considerable shifts. Unemployment levels have risen from 2007 to the second quarter of 2009 from 7.9% to 9.1% in France, from 3.5% to 5.1% in northern Italy and from 6.1% to 9.8% in Sweden.

Overall sales turnover in ECP's centres in those markets has fallen, nonetheless, by only 1.1% over the past 12 months, with food and some other sectors holding up much better than large electrical and household items. Social security systems and government funded part-time working schemes such as the "cassa integrazione" mechanism in Italy have ensured that consumer behaviour has not yet changed markedly. High savings ratios and low debt levels in Italy and France have also helped consumers weather the economic storms.

It seems for the moment that most economists are predicting flat to slightly positive GDP growth in 2010 in ECP's markets, with signs of GDP improvement already evident in France and Sweden. Improvement in unemployment levels though will occur only after a time lag and indeed may continue to increase during 2010 but it is our view that within 18 months there will be a positive turning point, without, we think, a significant increase in inflation. We believe that rents in our centres are soundly based with no evidence of market-wide falls despite the possibility of some negative indexation in 2010.

We believe that prices for good retail properties in our markets have stabilised but a continued recovery depends upon interest rates remaining low and the rising unemployment levels levelling out. We are nonetheless cautiously optimistic in our outlook and are moving towards reactivating suspended extension schemes which can show returns above 7%. There may also be opportunities for new acquisitions where Eurocommercial's retail expertise can improve rents, occupancy levels and values. Further debt may form part of the funding mix but only to a limited degree notwithstanding the Company's relatively low gearing levels which will be maintained as a precaution against further market downturns.

The overriding aim of Eurocommercial is to enhance shareholder value through increased earnings from its properties through active management, extensions and other improvements.

VALUATIONS

All properties were valued by independent firms at 30 June 2009.

	Net value 2009	Net value 2008	Change June 2009/ June 2008	Net yield including purchase costs	Cost to date	Year of acquisition
France (€ million)						
Amiens Glisy, Amiens[3]	**39.50**	41.36	–4.5%	6.1%	15.96	1995
St. Doulchard, Bourges[6]	**38.60**	42.00	–8.1%	6.0%	46.94	2007
Buchelay Retail Park[3]	**6.80**	8.04	–15.4%	6.9%	6.75	2006
Chasse Sud, Chasse-sur-Rhône[6]	**29.70**	33.50	–11.3%	6.3%	33.30	2007
Les Allées de Cormeilles, Cormeilles[3]	**36.30**	38.36	–5.4%	6.4%	45.02	2007
Les Trois Dauphins, Grenoble[7]	**33.05**	35.10	–5.8%	6.1%	24.52	2003
Centr'Azur, Hyères[6]	**41.30**	46.89	–11.9%	5.7%	16.96	1993
Passage du Havre, Paris[6]	**243.40**	276.20	–11.9%	5.3%	165.32	2000
Passy Plaza, Paris[6]	**116.90**	126.60	–7.7%	5.6%	72.49	1999
74 rue de Rivoli, Paris[7]	**35.60**	28.70	24.0%	5.5%	18.24	1998
Les Portes de Taverny, Taverny[7]	**47.74**	49.93	–4.4%	5.9%	24.53	1995
Les Atlantes, Tours[3]	**110.80**	121.28	–8.6%	5.5%	47.57	1992
Italy (€ million)						
Curno, Bergamo[2]	**97.12**	102.79	–5.5%	5.4%	33.92	1994
Centro Lame, Bologna[5]	**38.93**	38.35	1.5%	6.0%	29.04	2003
Il Castello, Ferrara[5]	**101.02**	94.05	7.4%	5.8%	77.15	2001
I Gigli, Firenze[8]	**224.80**	251.17	–10.5%	5.7%	154.78	1999
Centro Leonardo, Imola[3]	**69.08**	77.60	–11.0%	6.1%	63.57	1998
La Favorita, Mantova[8]	**49.20**	56.59	–13.1%	6.1%	33.43	1997
Carosello, Carugate, Milano[2]*	**265.00**	240.77	10.1%	5.3%	162.41	1997
Centroluna, Sarzana[3]	**25.45**	26.92	–5.5%	6.1%	12.89	1998
Sweden (SEK million)						
421, Göteborg[3]	**721.78**	797.60	–9.5%	5.7%	818.89	2007
Kronan, Karlskrona[4]	**149.91**	151.00	–0.7%	5.5%	134.16	2007
Bergvik, Karlstad[4]	**511.94**	510.00	0.4%	5.7%	342.30	2005
Mellby Center, Laholm[4]	**151.95**	160.00	–5.0%	5.6%	119.90	2003
Burlöv Center, Malmö[3]	**1,080.20**	1,155.00	–6.5%	5.6%	686.15	2001
Ingelsta Shopping, Norrköping[4]*	**849.50**	701.00	21.2%	5.9%	810.91	2003
Elins Esplanad, Skövde[4]*	**608.82**	559.00	8.9%	5.9%	535.18	2003
Moraberg, Södertälje[3]	**379.21**	407.20	–6.9%	6.1%	359.30	2006
Hälla Shopping, Västerås[3]	**291.88**	304.20	–4.0%	6.1%	194.62	2002
Samarkand, Växjö[4]*	**347.75**	383.00	–9.2%	1.7%	282.33	2003
The Netherlands (€ million)						
Standaardruiter 8, Veenendaal[1]	**3.72**	3.97	–6.3%	8.8%	2.91	1991

*Extension projects.

Valuations by: [1] Boer Hartog Hooft, [2] CB Richard Ellis, [3] Cushman & Wakefield, [4] DTZ, [5] Jones Lang LaSalle, [6] Knight Frank, [7] Retail Consulting Group, [8] Savills.

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. This requires the valuers to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. Valuers of properties are typically rotated every three years.

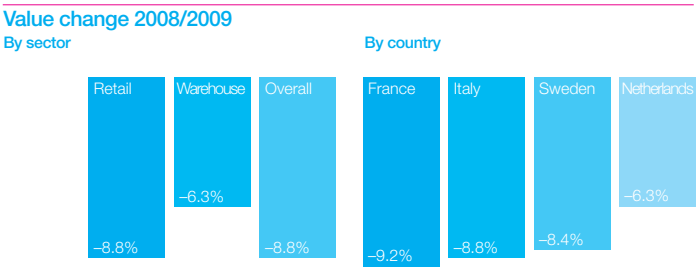
The following firms conducted the valuations at 30 June 2009:

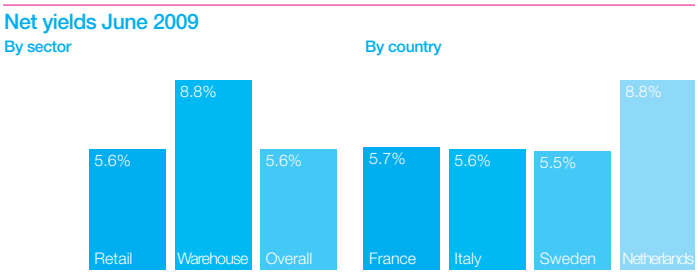
– France: Cushman & Wakefield, Knight Frank, Retail Consulting Group
– Italy: CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle, Savills
– Sweden: Cushman & Wakefield, DTZ
– Netherlands: Boer Hartog Hooft

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 the relevant standardised market allowance for deemed purchaser's costs (usually notional transfer taxes) in the particular country. The objective is to replicate the calculations of a professional institutional investor. For details see note 12 of the financial statements.

The value of ECP's properties decreased by 8.8% since June 2008 and by 4.7% since December 2008. In France values fell by 9.2% over the year to 30 June 2009, in Italy by 8.8%, in Sweden by 8.4% and in The Netherlands by 6.3% (one warehouse only).

The average valuation net initial income yield for the retail properties at 30 June 2009 was 5.6% overall (2008: 4.9%), 5.7% for France (2008: 4.8%), 5.6% for Italy (2008: 5.0%), 5.5% for Sweden (2008: 4.9%) and 8.8% for The Netherlands warehouse (2008: 7.0%).



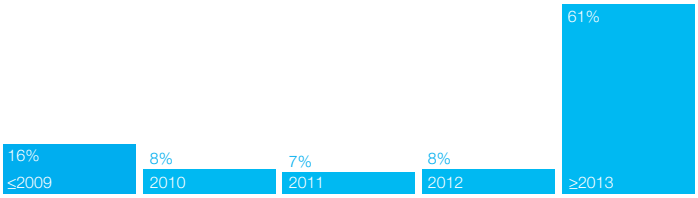


RETAIL ANALYSIS

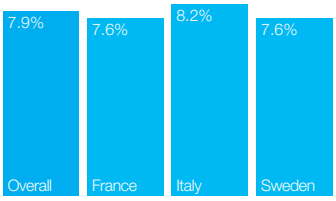
Sales turnover growth 2008/2009	
Overall	–1.1%
By country:	
France	–2.6%
Italy	–0.8%
Sweden	+0.1%
By sector:	
Fashion	–0.8%
Gifts and jewellery	+3.9%
Health and beauty	+2.1%
Home goods	–2.0%
Restaurants	+1.1%
Electricals	–6.9%
Hyper/supermarkets	+1.1%

Top ten tenants	% income
Carrefour	4.2
ICA Sverige AB	4.2
H&M	4.1
Groupe Casino	3.6
MediaMarkt	3.3
Fnac	3.2
Coin SpA	2.0
Inditex	1.7
Vis Pathé	1.7
Coop Sverige AB	1.6
Total	**29.6**

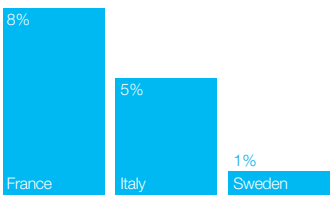
Lease renewal profile as % of rental income



Occupancy cost ratios (excluding hypermarkets)



Potential rental reversions



Occupancy cost ratios

The occupancy cost ratio (defined as rent plus marketing contributions, service charges and property taxes as a proportion of turnover including VAT) analyses the relationship between a retailer's occupancy costs and its turnover. This important statistic enables both the tenant and owner to evaluate the affordability of rental payments.

ECP's low occupancy cost ratios mean that in spite of recent drops in turnover, rents remain sustainable. The ratios also provide an indication of the potential for future rental growth.

Indexation

All ECP leases incorporate a minimum guaranteed rent (MGR) which is indexed annually. In Italy and Sweden indexation is based on the consumer price index.

The indexation system in France was formerly linked to the volatile cost of construction (ICC) index but this has recently been revised to the Indices des Loyers Commerciaux (ILC) index which is derived 50% from the consumer price index, 25% from the cost of construction index and 25% from the retail sales index. 56% of ECP's French retail leases by rental income have switched to the ILC index.

ECP's rental budgets for 2010 incorporate limited inflation expectations.

Turnover rent

The vast majority of ECP leases incorporate a turnover clause which states that if the pre-agreed percentage of turnover at the end of the year exceeds the indexed MGR, ECP receives the additional income.

The real benefit of turnover rent is that retailers must disclose their turnover every month, thus enabling ECP to closely review performance in its centres. For the 2008/2009 financial year turnover rent contributed 1.4% (2007/2008: 2.1%) to rental income. This percentage figure has declined somewhat over recent years as turnover rent has been incorporated into higher MGR.

Lease renewal profile and rent reversions

Leases are typically three to five years in length in Italy and Sweden, but ten to 12 years in France where tenants have strong security of tenure, often resulting in lengthy lease renewal negotiations. The average overall lease term for ECP properties is 6.4 years.

The theoretical increase in income if all tenants paid current market rents would be approximately 5%.

Rent and turnover per square metre

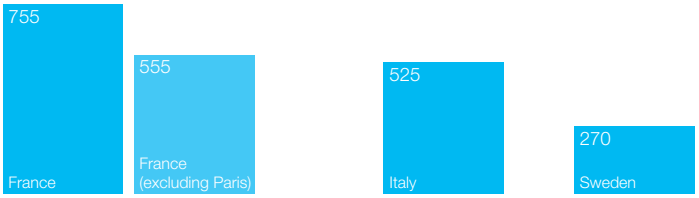
Shop rents, excluding hypermarkets, average €320/m² across ECP's centres – €515/m² in France, €310/m² in Italy and €170/m² in Sweden. For the boutiques, namely shops less than 300m², the average overall rent increases to €560/m². The average boutique rent is €525/m² in Italy and €270/m² in Sweden. In France the average boutique rent is €755/m², or €555/m² if the Parisian centres are excluded.

Average turnover per square metre for all ECP shops less than 300m² is €6,615/m², averaging €8,200/m² in France (€7,500/m² excluding Paris), €6,315/m² in Italy and €4,315/m² in Sweden.

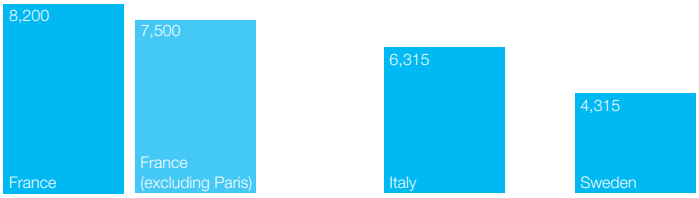
Top ten tenants

The retailers from whom ECP collects the most rent are typically hypermarket operators or large international organisations providing high security of income. A list of the top ten tenants can be seen in the table on the opposite page.

Average rent €/m² (boutiques <300m²)



Average turnover €/m² (boutiques <300m²)



FRANCE

Pascal Le Goueff
Property Director, France

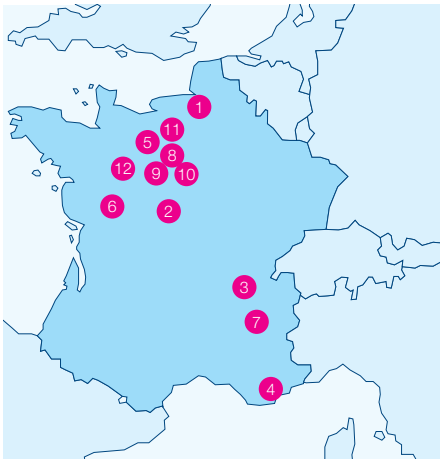
2008/2009 Performance

Retail rental growth	Turnover growth
+4.0%	–2.6%

Valuation change

–9.2%

Properties



OVERVIEW FRANCE

Rental growth

Retail rental growth of 4.0% in France derives mostly from indexation, which combines both the ICC (8.85%) and ILC (3.85%) indices. The positive indexation was offset by a 38% decrease in variable turnover rent.

63% of retail leases have now transferred onto the new ILC index at 30 June 2009. 31 relettings and renewals were concluded during the year which produced an average uplift in base rent of 18%.

Turnover growth

France has not been spared by the recession so consumption has been patchy, with shoppers proving to be particularly hesitant to spend on big ticket items. Sales in ECP's French centres were down 2.6% for the year but there were significant discrepancies between sectors. Small shops of less than 300m² proved more resilient with growth of 0.9%, compared to a decrease of 4.8% for the larger stores.

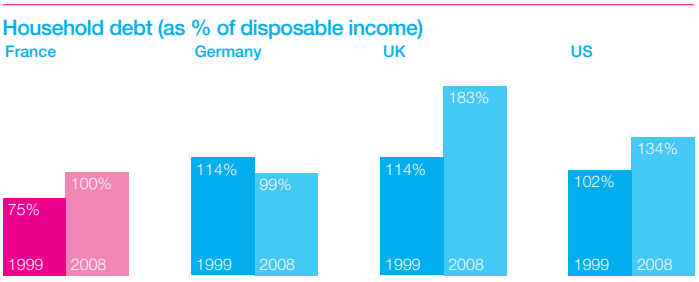
The health & beauty and gift & jewellery sectors both showed growth of 2.0% and 10.1% respectively, whereas electrical stores have been hit hard with sales in ECP's centres down 8.1%.

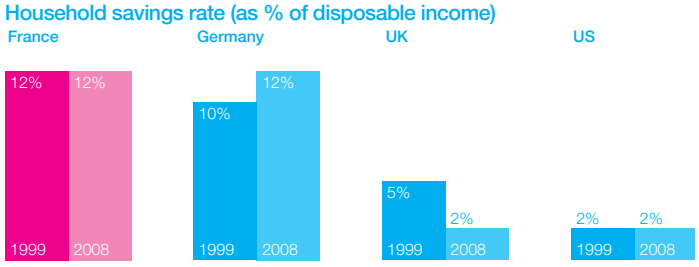
Property market conditions

The investment market for retail property is showing signs of picking up after a period of hibernation, with two significant prime provincial centres sold in the early summer at yields of around 6%. Potential new entrants are emerging but expectations of "bargain buys" have not been met as owners of the best shopping centres are typically large well-capitalised groups who are not under pressure to make forced sales. There has been greater activity in the market for smaller peripheral assets as domestic property funds have maintained cash inflows and remained liquid.

Prime French shopping centres retain the in-built protection of "propriété commerciale" which allows for considerable goodwill payments between ingoing and outgoing tenants, even in the current climate. While the significant indexation increases in recent years has led to the downward renegotiation of rents in the office market, modern retail leases with turnover rents offer some protection against this aspect of French landlord and tenant legislation.

Very few retailers have requested rent renegotiations but so far ECP has not made any adjustments to existing leases. It is striking to note that these retailers usually have significant exposure to markets outside of France.





Sources: OECD, Eurostat, ECP research

Valuations

Valuation of the French portfolio is down 9.2% compared to June 2008 with a yield shift on the retail properties of 90 basis points over the past 12 months compensated by rental growth of 4.0%.

The overall net initial valuation yield is 5.7%. City centre properties are valued at 5.5% while provincial hypermarket-anchored centres are valued at 5.8%. Ile de France (Paris region) retails parks are valued at 6.5%.

Property sales and acquisitions

In addition to completing the sale of two French warehouses during the period, ECP also sold the retail warehouse property at Noyelles Godault in the Pas-de-Calais for a combined total of €37.2 million, corresponding to the latest book values.

ECP consolidated its ownership of the St. Doulchard shopping centre in Bourges in December 2008 by purchasing a small external unit for €1.4 million.

Outlook

Household debt levels in France are not demanding relative to EU peers but consumers, unsurprisingly, remain hesitant in the current environment as the threat of unemployment lingers. Certainly there are regional and cultural differences. Retirees in Hyères seem to be less cautious than car industry workers in Amiens, for example, and public sector workers in Tours benefit from greater levels of protection than those in the finance sector in Paris.

Ultimately rental growth will only be achieved through sales growth and it is clear that a more defensive phase is now upon us after the very strong performance of recent years. Tighter financing conditions are a blessing in disguise in curbing the instincts of the less professional developers and it is unlikely that there will be a significant increase in shopping centre stock in the medium term.

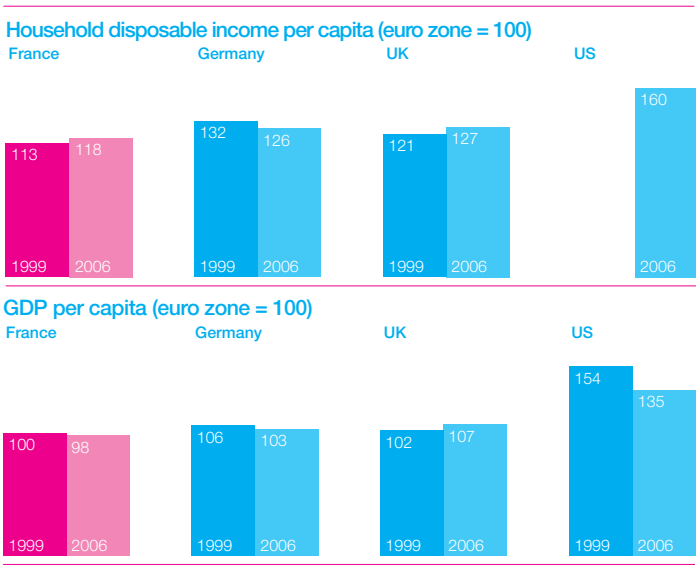
It seems that indexation of rents may trend downwards next year. This will give retailers some breathing space but ECP does not anticipate a significant drop in rents unless long term deflation sets in which is thought unlikely given recent improved economic performance in France. A more likely scenario over the medium term is for rents to drift up where, as is the case in ECP's centres, occupancy cost ratios are not too demanding.

Economics

While France is dominated by Paris and the rich Ile de France region, the remainder of the country displays relatively homogeneous characteristics. The unemployment rate is however highest in the north east regions while population growth is strongest in the south.

The French government has implemented policy stimulus and measures to contain the current financial crisis. The economic recovery programme is focused predominantly on infrastructure spending, relieving cash flow difficulties for small and medium-sized enterprises, one-time income tax exonerations for low-income households, more generous compensation for the part-time unemployed and social contribution rebates to encourage youth employment. All these measures are helping to moderate the downturn and are in part responsible for the observed resilience in domestic demand, as indicated in healthy disposable income growth.

As the downturn has been relatively mild, the economy is not expected to rebound as strongly as other countries, particularly due to France's comparatively low reliance on exports which account for only 25% of GDP. The unemployment rate is expected to continue to rise while house prices are projected to fall further in both 2009 and 2010 according to the OECD. These factors, combined with the decline in wealth associated with the recent developments in the housing and financial markets, are likely to induce households to raise their already fairly high savings rates which could impact private consumption and restrain growth in the future. The French government will also need to put public finances on a sustainable path once the economy recovers. The budget deficit is by no means one of the highest in Europe but will restrict government spending until it is reduced.



PROPERTY PORTFOLIO FRANCE

Amiens Glisy
Amiens (Somme)

Negative turnover this year follows many years of strong growth and can be ascribed to the extension of a competing centre and to the employment climate in the catchment which is exposed to the auto sector.

National retailers are well represented in the gallery and the lease renewal programme is progressing well.

Total lettable area	22,769m²
Retail/Gallery	6,279m²
Hyper (Géant)	16,000m²
Other	490m²
ECP Ownership	6,279m²
Value (€ million)	39.50
Occupancy	100%
Renewal profile 2009–2011	54%
Rental income (€ million)	2.62
Rental growth	7.22%
Boutiques <300m² turnover/m² (€)	6,375
Turnover growth	–2.02%
Occupancy cost ratio	9.30%
Visitors 2008/09	3.53m
Major tenants:	
Flunch, Camaieu, Nocibé	

St. Doulchard
Bourges (Cher)

ECP has carried out improvements to the entrances and has also acquired an additional unit in the car park of the centre. Preliminary discussions have been initiated with the local authorities with regards to a small extension to permit a number of national retailers to gain representation in the centre alongside the successful local retailers.

Total lettable area	19,448m²
Retail/Gallery	3,668m²
Hyper (Géant)	15,780m²
ECP Ownership	19,448m²
Value (€ million)	38.60
Occupancy	100%
Renewal profile 2009–2011	79%
Rental income (€ million)	2.38
Rental growth	8.11%
Visitors 2008/09	2.60m
Major tenants:	
Géant, Flunch	

Chasse Sud
Chasse-sur-Rhône (Isère)

Preliminary discussions have been held with both the local authorities and neighbouring owners with respect to the extension and refurbishment of the existing service gallery into a double mall as the catchment area is presently undersupplied.

Total lettable area	22,500m²
Retail/Gallery	1,500m²
Hyper (Géant)	14,000m²
Retail boxes	7,000m²
ECP Ownership	22,500m²
Value (€ million)	29.70
Occupancy	100%
Renewal profile 2009–2011	79%
Rental income (€ million)	1.91
Rental growth	7.25%
Visitors 2008/09	1.83m
Major tenants:	
Géant, Conforama	

Centr'Azur
Hyères (Var)

The centre has once again performed very strongly with sales growth this year of 3.3%. Four local retailers have left the centre and this has permitted the arrival of Générale d'Optique and Promod at an average rent of €500/m².

Total lettable area	17,043m²
Retail/Gallery	6,243m²
Hyper (Géant)	10,800m²
ECP Ownership	6,243m²
Value (€ million)	41.30
Occupancy	100%
Renewal profile 2009–2011	29%
Rental income (€ million)	2.53
Rental growth	2.40%
Boutiques <300m² turnover/m² (€)	7,630
Turnover growth	3.33%
Occupancy cost ratio	8.09%
Visitors 2008/09	3.60m
Major tenants:	
Okaidi, Promod, Générale d'Optique	

PROPERTY PORTFOLIO FRANCE

Continued

Les Portes de Taverny
Taverny (Val d'Oise)

H&M opened a new store in the centre in September 2008 with, as expected, a very positive influence on turnover for Les Portes de Taverny which is up 5.1% for the year.

The Taverny municipality continues to enjoy strong population growth and there is now a direct rail link to the Gare Saint Lazare in central Paris, in addition to the Gare du Nord.

Total lettable area	30,476m²
Retail/Gallery	5,604m²
Hyper (Auchan)	16,200m²
Other	8,672m²
ECP Ownership	5,604m²
Value (€ million)	47.74
Occupancy	100%
Renewal profile 2009–2011	23%
Rental income (€ million)	3.05
Rental growth	6.13%
Boutiques <300m² turnover/m² (€)	8,660
Turnover growth	5.07%
Occupancy cost ratio	9.09%
Visitors 2008/09	3.30m
Major tenants:	
H&M, Paul, Promod	

Les Atlantes
Tours (Indre-et-Loire)

The past 12 months have seen important changes to the retail climate in Tours. An IKEA store has opened opposite Les Atlantes and a new large fashion oriented centre has opened to the south of Tours. ECP expects the positive impact on Les Atlantes of the former to be partially offset by the latter.

Overall turnover is down 0.8% for the year with electricals down 5.1% and restaurants, which have clearly benefited from the arrival of IKEA, up 8.0%.

Total lettable area	39,347m²
Retail/Gallery	22,747m²
Hyper (Carrefour)	16,600m²
ECP Ownership	22,747m²
Value (€ million)	110.80
Occupancy	100%
Renewal profile 2009–2011	13%
Rental income (€ million)	6.59
Rental growth	3.37%
Boutiques <300m² turnover/m² (€)	6,920
Turnover growth	–0.82%
Occupancy cost ratio	7.96%
Visitors 2008/09	6.40m
Major tenants:	
Go Sport, Flunch, Saturn, H&M, Toys R Us	

Les Trois Dauphins
Grenoble (Isère)

Les Trois Dauphins occupies an island site in the city centre of Grenoble. 70% of the income is derived from the four major occupiers – C&A, Ibis Hotel (Accor), Fnac and McDonalds with the remainder being from 50 apartments. Rental levels are low and the small shift in the valuation can be ascribed to the inherent income security.

Total lettable area	16,845m²
Retail/Gallery	8,600m²
Residential	4,700m²
Hotel/Office	3,545m²
ECP Ownership	16,845m²
Value (€ million)	33.05
Occupancy	100%
Renewal profile 2009–2011	59%
Rental income (€ million)	2.50
Rental growth	8.52%
Major tenants:	
Fnac, C&A, Group Accor	

Passage du Havre
Paris

Despite the lower turnover from its electrical anchor store, the Passage du Havre has traded well this year with boutique turnover up 1.9%. The seating area in the garden has been extended and the reconfiguration of the escalators has improved both natural light and sight lines into the centre. Sephora has performed very well on the back of its refurbishment, as has the gifts & jewellery sector. Fnac's lease is due for renewal and the passing rent of €305/m² results in the very undemanding occupancy cost ratio of 1.5%. The sales densities of the store remain exceptional even after recent declines.

Total lettable area	20,751m²
Retail/Gallery	13,839m²
Residential	2,337m²
Office	4,575m²
ECP Ownership	20,751m²
Value (€ million)	243.40
Occupancy	100%
Renewal profile 2009–2011	49%
Rental income (€ million)	14.68
Rental growth	3.74%
Boutiques <300m² turnover/m² (€)	13,700
Turnover growth	–5.24%
Occupancy cost ratio	5.41%
Visitors 2008/09	14.53m
Major tenants:	
Fnac, Nature et Découvertes, H&M, Sephora	

PROPERTY PORTFOLIO FRANCE

Continued

Passy Plaza
Paris

The refurbishment of Passy Plaza, which was completed in September 2009, included a complete change in colour scheme, the removal of one of the central staircases and new signage and directories.

Turnover for the year has been influenced by both the progression of the Inno supermarket and weak fashion sales, accentuated by the recent departure of Zara. Discussions are being held with a number of leading fashion brands seeking to enter the centre. It is also hoped that the refurbishment and the provision of further seating for the coffee shops will encourage customers to stay longer in the centre.

Total lettable area	8,077m²
ECP Ownership	8,077m²
Value (€ million)	116.90
Occupancy	100%
Renewal profile 2009–2011	32%
Rental income (€ million)	7.25
Rental growth	7.43%
Boutiques <300m² turnover/m² (€)	7,490
Turnover growth	–4.45%
Occupancy cost ratio	13.09%
Visitors 2008/09	5.19m
Major tenants:	
Inno, H&M, La Grande Récré	

Rue de Rivoli
Paris

ECP has now received provisional planning permission *(Permis de Construire)* for the restructuring of the premises at ground and first floor level into two shop units, which have been leased to major international retailers.

Building works are expected to start later this year and it is anticipated that the shops will be handed over in early 2010.

Total lettable area	3,023m²
Retail/Office	908m²
Residential	2,115m²
ECP Ownership	3,023m²
Value (€ million)	35.60

Les Allées de Cormeilles
Cormeilles

Castorama's first 12 months of trading has established it as one of the chain's top performing stores in France. Occupancy cost ratios in the retail park average 4% and feedback from the national retailers is positive.

A Lidl supermarket will replace two independent furniture retailers in the autumn. The arrival of a strong discount food anchor is expected to greatly assist mid-week trade by bringing a regular flow of customers to complement the busy weekends.

Total lettable area	20,294m²
ECP Ownership	20,294m²
Value (€ million)	36.30
Occupancy	99%
Renewal profile 2009–2011	0%
Rental income (€ million)	2.27
Rental growth	4.00%
Major tenants:	
Castorama, Kiabi, Besson, Casa	

Buchelay Retail Park
Yvelines

La Grande Récré, a national toy retailer, is replacing Bata and has signed a new six year lease.

Total lettable area	3,800m²
ECP Ownership	3,800m²
Value (€ million)	6.80
Occupancy	100%
Renewal profile 2009–2011	0%
Rental income (€ million)	0.49
Rental growth	3.54%
Major tenants:	
Tati, La Grande Récré, MIM	

ITALY

Valeria Di Nisio
Property Director, Italy

2008/2009 Performance

Retail rental growth

+4.9%

Turnover growth

–0.8%

Valuation change

–8.8%

Properties

OVERVIEW ITALY

Rental growth

The Italian portfolio produced rental growth of 4.9% for the year to 30 June 2009, attributable mostly to increased rents upon renewal and to a lesser degree indexation of 1.8%. Excluding the 14% fall in turnover rent, rental growth would have been 5.6%.

Not including extensions, 93 new leases were signed in the year (17% of total units) producing an uplift of 29% on the previous passing rent. The main contributors were Carosello (+39%), Centro Lame (+32%) and I Gigli (+26%). In the next two financial years 127 leases are due for renewal, representing 15% of income.

Turnover growth

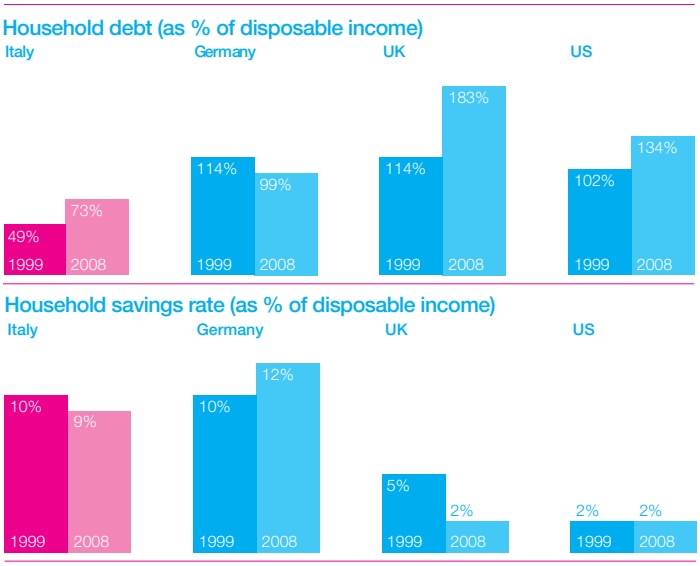
Turnover in the Italian centres was slightly negative at –0.8% year on year, excluding the Carosello gallery where a major extension opened in October 2008. The best performer was I Gigli where the arrival of new brands and innovative marketing campaigns helped maintain the centre's dominance of its catchment.

Property market conditions

After a quiet 2008 three significant Italian shopping centre transactions took place in the first half of 2009. In each case the vendor was an Italian developer. Firstly, a centre in Monza subject to a long headlease was sold for just under €143 million to a German open-ended fund at a net yield in the region of 5.85%. Secondly, a landmark city centre Rome gallery was bought by an Italian property fund for €180 million returning a net yield of approximately 5%. Finally, a new centre south of Bergamo was sold to another German fund for €150 million representing a net yield of under 6%.

These transactions are of note because of their large lot sizes and confirm that very good properties continue to attract interest in spite of the downturn owing to their scarcity. In addition, some smaller secondary centres in central Italy have been sold at yields in excess of 7% to Italian buyers. However, after accounting for over-renting, ECP believes the yield on stabilised rents will be much lower and more appropriate for these small properties.

ECP has received a limited number of requests for rent reductions. However ECP believes these often reflect difficulties in weaker centres outside its portfolio and so do not justify lease adjustments. Interestingly, on a turnover per square metre basis for smaller shops, the local retailers are still outperforming the national and international chains.



Sources: OECD, Eurostat, ECP research

Valuations

The value of the Italian portfolio dropped 8.8% compared to June 2008 with a yield shift of 60 basis points resulting in an overall net yield of 5.6%. Rental growth in the year compensated in part for the rise in yields.

In the relative absence of comparables, the four Italian valuers placed increased emphasis on property fundamentals such as turnover levels, occupancy costs, arrears and vacancies which overall are at healthy levels. This approach is now being mirrored by the investment community where sustainability of income is paramount.

Acquisitions and extensions

The only property purchase in the year was that of 2,770m^2 at Il Castello in Ferrara, mostly leased to H&M and Co.Import, which was purchased for €13.1 million, increasing ECP's ownership of the mall to 100%.

With the opening of the new foodcourt in October 2009, the Carosello extension and refurbishment will be completed. The project will have delivered a net return on cost in excess of 7% with new retailers including Saturn, H&M, Nike, Guess, Calvin Klein and the only Apple store in northern Italy.

Outlook

Despite consumer confidence rising, albeit from low levels, it would be unwise to expect a rebound in retail sales in the short term. The main driver of performance will be unemployment levels and the stabilisation of the wider economy. ECP's prime portfolio of eight shopping centres, five of which have recently been refurbished, should continue to perform well due to their established positions in the catchment and their sustainable occupancy cost ratios which average 8.2%. Work will also continue to secure planning consents for extensions of other centres, with pre-letting playing a decisive part in determining whether to proceed.

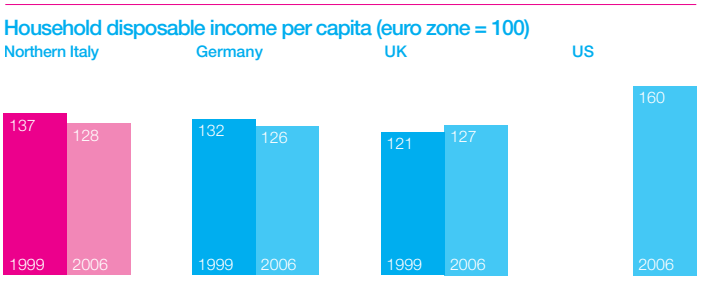
Economics

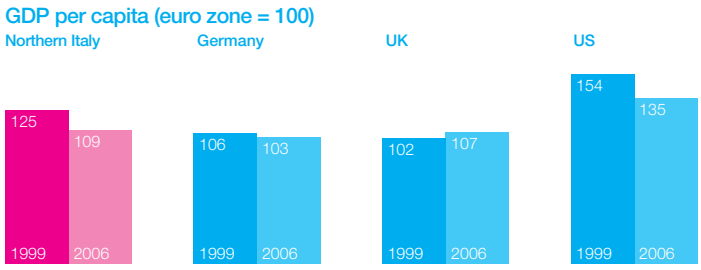
Italy can effectively be viewed as two different countries, with the north concentrating most of the industrial activity and wealth while the south remains largely rural and poor. ECP's properties are concentrated north of Rome in Lombardia, Emilia Romagna, Toscana and Liguria – some of the richest regions in the whole of Europe.

The economy has underperformed the euro zone since 1996 due to an endemic loss of competitiveness in the industrial sector, which is mainly represented by family-owned, export-oriented small and medium-sized companies. Although losing market share, the economy remains strongly export focused and the share of exports as a percentage of GDP has continued to rise, accounting for 30% of GDP in 2008. This is a reflection of the tendency by Italian companies to produce higher value goods. Looking forward, the expected recovery in global demand should benefit the economy to some extent, although the country is not expected to perform considerably better than in the past.

Italy did not experience a housing boom comparable to other European countries. Italian households not only typically take out relatively small mortgages but they also have less total debt. These factors had led to hopes that Italy would suffer a milder economic slowdown. However, despite an already high savings rate and an increase in real income as inflation has fallen, rising unemployment and expectations of further increases due to the use of the "cassa integrazione" system (temporary lay-offs) have slowed consumption.

The retail sector has performed well despite the weak economy and sales in ECP's shopping centres have outperformed the national retail sales index since the Company's first acquisition in Bergamo in 1994.





PROPERTY PORTFOLIO ITALY

Curno
Bergamo (Lombardia)

Although recording the highest turnover per square metre in the Italian portfolio, turnover has been flat for the year at Curno, with no material difference between anchor and unit shops.

Discussions are progressing for a small extension of the centre which would add some 2,500m² of GLA, essentially an anchor store and three to six unit shops. There were only three lease renewals during the year which recorded an average rental uplift of 18%.

Total lettable area	35,348m²
Retail/Gallery	15,603m²
Hyper (Auchan)	17,245m²
Other	2,500m²
ECP Ownership	18,103m²
Value (€ million)	97.12
Occupancy	100%
Renewal profile 2009–2011	3%
Rental income (€ million)	5.83
Rental growth	2.48%
Boutiques <300m² turnover/m² (€)	8,305
Turnover growth	0.16%
Occupancy cost ratio	6.39%
Visitors 2008/09	6.83m
Major tenants:	
Media World, Passatempo, Cisalfa, Brek	

Carosello
Carugate, Milano (Lombardia)

The 12,000m² extension under a 15,000m² sloping grass covered roof opened on schedule in October 2008, exceeding the targeted net return on cost of 7%. The final element of the project, a nine restaurant food court which will also house a kids' play area, is to open at the end of October 2009. Together with a full refurbishment of the existing gallery, these elements make the centre very distinctive in its catchment. The anchors are Carrefour, Saturn, H&M, Zara, Oviesse and Apple.

Total lettable area	52,430m²
Retail/Gallery	23,600m²
Hyper (Carrefour)	27,710m²
Other	1,120m²
ECP Ownership	52,430m²
Value (€ million)	265.00
Occupancy	100%
Renewal profile 2009–2011	4%
Rental income* (€ million)	15.31
Rental growth	10.32%
Visitors 2008/09	6.63m
Major tenants:	
Carrefour, Saturn, Oviesse, H&M, Zara, Apple	

*Excluding foodcourt under construction.

Il Castello
Ferrara (Emilia Romagna)

The arrival of H&M at the end of 2008 has strengthened the fashion offer albeit at the short term expense of some of the other fashion retailers. Il Castello is the dominant centre in the catchment and located on the edge of the city centre.

Total lettable area	36,017m²
Retail/Gallery	18,267m²
Hyper (Ipercoop)	15,350m²
Other	2,400m²
ECP Ownership	20,667m²
Value (€ million)	101.02
Occupancy	99%
Renewal profile 2009–2011	30%
Rental income (€ million)	6.25
Rental growth	5.48%
Boutiques <300m² turnover/m² (€)	6,375
Turnover growth	–3.20%
Occupancy cost ratio	8.43%
Visitors 2008/09	5.52m
Major tenants:	
Euronics, Oviesse, Cisalfa, H&M	

I Gigli
Firenze (Toscana)

I Gigli recorded turnover growth of 1.6% largely due to a strong performance from the unit shops of 3.9% driven partly by a strengthening of the tenant line-up. 21 relettings were carried out in the period producing a rental uplift of 26%. Discussions have begun with the municipality over the development options for the land acquired next to the centre. The proposal is to develop a complementary retail offer which can benefit from I Gigli's 14 million annual visitors.

Total lettable area	77,913m²
Retail/Gallery	53,791m²
Hyper (Panorama)	12,907m²
Cinema	11,215m²
ECP Ownership	56,193m²
Value (€ million)	224.80
Occupancy	99%
Renewal profile 2009–2011	20%
Rental income (€ million)	14.08
Rental growth	3.64%
Boutiques <300m² turnover/m² (€)	6,795
Turnover growth	1.63%
Occupancy cost ratio	7.76%
Visitors 2008/09	13.74m
Major tenants:	
Leroy Merlin, Media World, Coin, Zara, Vis Pathé	

PROPERTY PORTFOLIO ITALY

Continued

Centro Leonardo
Imola (Emilia Romagna)

The unit shops performed well (+3.3% year on year) but, as elsewhere, performance of the larger stores was affected by continuing price deflation in the electrical sector.

Leonardo is the only centre in Imola and is located at the edge of the city centre on the ring road. Trading licences for 2,000m² are expected to be received shortly which would allow the presently unused first floor to be activated for retail use.

Total lettable area	31,500m²
Retail/Gallery	15,300m²
Hyper (Ipercoop)	16,200m²
ECP Ownership	15,300m²
Value (€ million)	69.08
Occupancy	100%
Renewal profile 2009–2011	1%
Rental income (€ million)	4.54
Rental growth	1.97%
Boutiques <300m² turnover/m² (€)	5,630
Turnover growth	–0.94%
Occupancy cost ratio	9.64%
Visitors 2008/09	4.55m
Major tenants:	
Media World, Oviesse, Pittarello	

La Favorita
Mantova (Lombardia)

Turnover in the shopping centre was down 4.5% year on year, partly due to competition from a centre to the west of the city. La Favorita is, however, the leading retail destination in this wealthy small city and the anchor stores saw turnover growth during the year.

Total lettable area	33,079m²
Retail/Gallery	7,400m²
Retail Park	6,279m²
Hyper (Ipercoop)	11,000m²
Brico	5,700m²
Cinema	2,700m²
ECP Ownership	13,679m²
Value (€ million)	49.20
Occupancy	97%
Renewal profile 2009–2011	26%
Rental income (€ million)	3.35
Rental growth	1.87%
Boutiques <300m² turnover/m² (€)	5,455
Turnover growth	–6.95%
Occupancy cost ratio	8.36%
Visitors 2008/09	2.44m
Major tenants:	
Media World, UPIM, Piazza Italia	

Centroluna
Sarzana (Liguria)

Centroluna produced a steady performance in the year with turnover up just over 1% in spite of the arrival of a competing centre. Progress is being made with the planning application to extend the centre although the project will only go ahead when pre-letting and market conditions make it prudent to do so.

Total lettable area	15,176m²
Retail/Gallery	3,596m²
Hyper (Ipercoop)	11,580m²
ECP Ownership	3,596m²
Value (€ million)	25.45
Occupancy	100%
Renewal profile 2009–2011	35%
Rental income (€ million)	1.73
Rental growth	4.86%
Boutiques <300m² turnover/m² (€)	5,985
Turnover growth	1.15%
Occupancy cost ratio	10.08%
Visitors 2008/09	3.65m
Major tenants:	
Piazza Italia, Benetton	

Centro Lame
Bologna (Emilia Romagna)

Turnover has been only slightly negative at –1% and this performance is partly attributable to the densely populated urban location of this Bologna centre and the very strong hypermarket.

There have been 13 lease renewals in the year producing a rental uplift of 32%.

Total lettable area	16,560m²
Retail/Gallery	5,524m²
Hyper (Ipercoop)	11,036m²
ECP Ownership	5,524m²
Value (€ million)	38.93
Occupancy	100%
Renewal profile 2009–2011	31%
Rental income (€ million)	2.42
Rental growth	6.02%
Boutiques <300m² turnover/m² (€)	5,985
Turnover growth	–0.98%
Occupancy cost ratio	11.84%
Visitors 2008/09	3.83m
Major tenants:	
Bata, Camst, Benetton	

SWEDEN

Martin Bjöörn
Property Director, Sweden

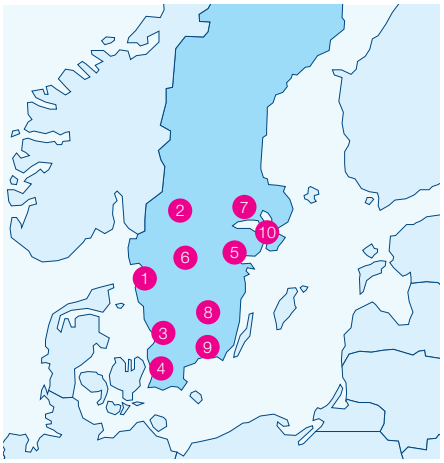
2008/2009 Performance

Retail rental growth	Turnover growth
+5.7%	+0.1%

Valuation change

–8.4%

Properties



OVERVIEW SWEDEN

Rental growth

Rental growth across ECP's properties for the 12 month period was 5.7% with almost 4% deriving from indexation in 2009. In addition 21 leases were renegotiated resulting in a 16% increase in their base rent. In 2010 indexation is expected to be flat or even marginally negative. However, in the absence of any material vacancies or arrears, the rental income budget looks sound.

Turnover growth

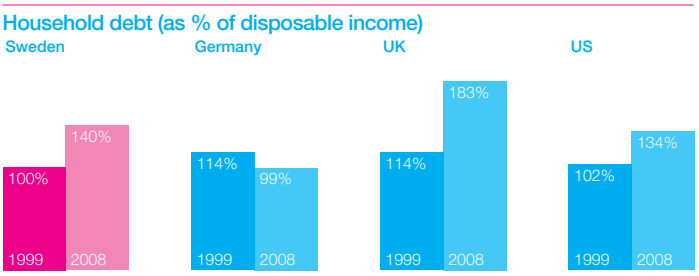
Despite rising unemployment levels, tax rebates and reduced mortgage costs have helped sustain retail sales so that ECP's centres, including the hypermarkets, showed a marginally positive turnover growth of 0.1% for the 12 months to June 2009, excluding the galleries that have recently been extended in Skövde and Norrköping. Hypermarket and alcohol sales have been particularly robust at +3.3% and +14.4% respectively, and health & beauty and sport were all positive. Fashion has been more patchy at –2.5% overall. 421, located outside Gothenburg, was the exception where fashion was up 5.6% in a modern retail centre that also includes the fastest growing ICA hypermarket in Sweden (+17.7%) and a MediaMarkt which remains the largest electrical unit by sales in the country.

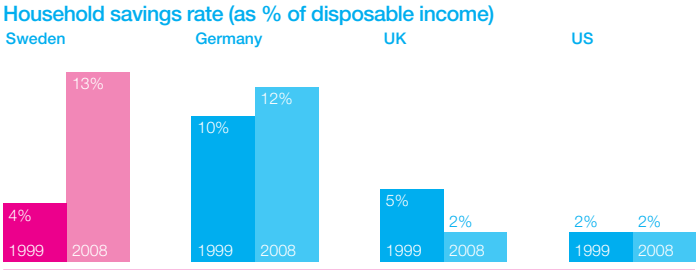
Property market

No prime shopping centres have been marketed, although Steen and Strøm, which owns nine centres in Sweden, was acquired at the start of the period. This was a corporate transaction containing a significant development pipeline making detailed analysis difficult. The only retail properties that have been sold since have been a few secondary centres and retail parks at higher yields that reflect their size, location and weak tenant base. Most of the better shopping centres in Sweden are concentrated in the hands of well financed long term retail specialists, and even those that are not continue to produce safe cash flow and as a result appear to be well supported by their banks. ECP does not therefore expect to see much selling activity over the coming 12 months in the prime retail sector.

Valuations

The value of ECP's Swedish properties decreased by 3.0% since the last reported external valuation in December 2008 and has decreased by 8.4% over the last 12 months. The average net yield now stands at 5.5%, an increase of 60 basis points over the year.





Sources: OECD, Eurostat, ECP research

Extensions and refurbishments

ECP successfully completed two extension projects over the year with the centres at Ingelsta Shopping in Norrköping and Elins Esplanad in Skövde opening on time and on budget.

The 10,000m² extension at Elins Esplanad opened at the end of November 2008 and included a 2,500m² addition to the ICA Maxi hypermarket and new anchor stores for H&M (1,380m²), Clas Ohlson (1,550m²), Cubus (750m²) and Cassels (1,215m²). The extension provided 14 new shops while the existing centre was fully refurbished. The first seven months of trading have been most encouraging with an increase in footfall of over 100% and gallery turnover growth of 180%, indicating that the shopping centre has significantly increased its penetration of a broader catchment.

More recently, at the end of May 2009, Ingelsta Shopping in Norrköping was relaunched following a 9,000m² extension (34 new stores). The centre is anchored by ICA Maxi, Stadium, Intersport and several fashion stores including H&M, Cubus, Gina Tricot, KappAhl, Lindex, MQ and Esprit.

The projects at Norrköping and Skövde produced a combined net return on cost of 7%.

ECP is continuing its analysis of the 18,000m² redevelopment of its retail centre at Växjö. Leasing has progressed steadily despite the fact that retailers are being more selective with their expansion programmes, and around 60% of the centre has now been pre-let. Construction costs are clearly reducing and this should be confirmed once the tender process has been completed, allowing for an investment decision to be taken towards the end of 2009 when the letting position will also be more advanced.

Outlook

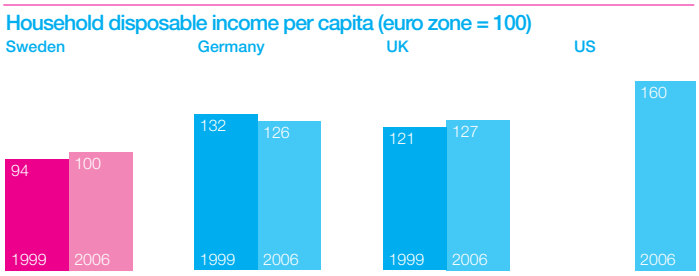
The year commences with almost zero levels of vacancy and arrears, and with the tenants currently paying affordable rents, existing income levels should be sustained over the next 12 months although any rental growth will be very modest. Retail sales should continue to be resilient and tenants are expected to selectively acquire space in proven centres. ECP will therefore continue to review profitable extension opportunities in its portfolio and strengthen the tenant mix when opportunities arise.

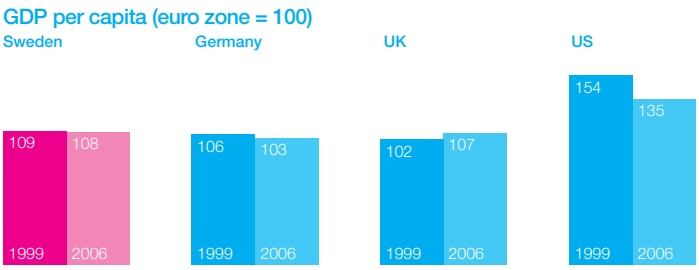
Economics

Sweden is a wealthy country in terms of GDP per capita (108 compared to the euro zone average of 100), although household disposable income is at the average of 100, due to the high taxes which are used to fund one of the most generous welfare states in the world. Taxes represent 48% of GDP compared to the EU27 average of 40%. Stockholm stands out as the richest region in the country (135 compared to the Swedish average of 100). The rest of the country remains homogeneous in terms of wealth at around 95. All of ECP's investments are focused in the south of the country where 90% of the population resides.

The Swedish economy outperformed the euro zone in eight of the last ten years and in the past five years GDP growth averaged 3% compared to 2.1% in the euro zone. The driving factors of this trend were domestic demand and exports which account for approximately 50% of Swedish GDP, with motor vehicles accounting for a substantial share. The recent collapse in global demand means that GDP growth was very subdued in 2008, remaining below the euro zone average, and is expected to remain very weak in 2009. Low inflation, a weak krona and significant monetary and fiscal stimuli mean that the Swedish economy should recover more quickly and strongly than other European countries. Recent data has shown that the economy has stopped contracting and consensus forecasts expect the economy to grow at double the euro zone average in 2010.

National retail sales were growing at around 2% in mid 2009, down from around 6% in 2007 and 2008. This is quite encouraging compared with the 1991 recession, for example, when they fell by 5%. The main risk to the economy is the deterioration in the labour market in response to the downturn in production. The unemployment rate is expected to peak at around 12% next year, after averaging 6.1% in 2007.





PROPERTY PORTFOLIO SWEDEN

421 Köpcenter
Göteborg (Västergötland)

Two and a half years since it opened, 421 continues to take increasing market share and with 12 month turnover growth of 11.7% it was the strongest centre in ECP's Swedish portfolio. The ICA Maxi hypermarket grew at 17.7% and the performance of the fashion stores (H&M, KappAhl, Lindex, Cubus and Dressmann) was also pleasing at +5.6%.

Total lettable area	33,048m²
Retail/Gallery	19,258m²
Hyper (ICA Maxi)	11,680m²
Offices	2,110m²
ECP Ownership	33,048m²
Value (€ million)	66.76
Occupancy	100%
Renewal profile 2009–2011	0%
Rental income (€ million)	4.07
Rental growth	1.51%
Turnover growth	11.71%
Gallery occupancy cost ratio	11.19%
Visitors 2008/09	3.00m
Major tenants:	
ICA Maxi, MediaMarkt, H&M, KappAhl, Lindex, Dressmann, Intersport, Hemtex	

Bergvik
Karlstad (Värmland)

Bergvik had a steady 12 months in terms of retail sales which were only marginally negative at –2.2% with sport being the outperformer at +3.9%. Further lease renewals and relettings secured the highest rental growth in the portfolio at 7.6% and included a new record rent for the centre when Vila took a 135m² unit at a rental uplift of 70%.

Total lettable area	48,150m²
Retail/Gallery	13,750m²
Hypers (ICA, Coop)	30,000m²
Retail boxes	4,400m²
ECP Ownership	13,750m²
Value (€ million)	47.35
Occupancy	100%
Renewal profile 2009–2011	18%
Rental income (€ million)	3.18
Rental growth	7.61%
Boutiques <300m² turnover/m² (€)	5,230
Turnover growth	–2.24%
Gallery occupancy cost ratio	7.66%
Visitors 2008/09	8.55m
Major tenants:	
H&M, Stadium, Intersport, Lindex, KappAhl, JC	

Mellby Center
Laholm (Halland)

A very encouraging 12 months trading saw positive turnover growth of 4.6% with the major contributor being ICA Maxi at 5.8%. Lindex and KappAhl renewed their leases, and a renovation of the property is being investigated together with extension possibilities.

Total lettable area	11,420m²
Retail/Gallery	3,185m²
Hyper (ICA Maxi)	8,235m²
ECP Ownership	11,420m²
Value (€ million)	14.05
Occupancy	100%
Renewal profile 2009–2011	10%
Rental income (€ million)	1.09
Rental growth	5.34%
Boutiques <300m² turnover/m² (€)	3,500
Turnover growth	4.63%
Gallery occupancy cost ratio	6.19%
Visitors 2008/09	1.10m
Major tenants:	
ICA Maxi, KappAhl, Lindex, Dressmann	

Burlöv Center
Malmö (Skåne)

Overall the turnover declined by 5.2% over the 12 months, with the most disappointing result coming from the Coop hypermarket which, at 19,000m² is too large, particularly as it is now suffering from increased competition, including the opening of a second Coop hypermarket within the municipality. Advanced discussions are being held to lease about 5,000m² of the hypermarket space to specialist retailers. Systembolaget's turnover grew by 21% as alcohol trade that was previously made in neighbouring Denmark returned due to the weakening Swedish krona.

Total lettable area	41,350m²
Retail/Gallery	22,000m²
Hyper (Coop Forum)	19,350m²
ECP Ownership	41,350m²
Value (€ million)	99.91
Occupancy	100%
Renewal profile 2009–2011	40%
Rental income (€ million)	6.34
Rental growth	2.95%
Boutiques <300m² turnover/m² (€)	4,215
Turnover growth	–5.22%
Gallery occupancy cost ratio	8.47%
Visitors 2008/09	3.88m
Major tenants:	
Coop Forum, H&M, KappAhl, Lindex, Stadium, Systembolaget, JC, Cubus, OnOff, Cervera	

PROPERTY PORTFOLIO SWEDEN

Continued

Ingelsta Shopping
Norrköping (Östergötland)

Ingelsta Shopping was launched under its new brand during the year with the 9,000m² extension and refurbishment of the centre which now has an additional fully leased 34 shops. The project included a successful new roundabout link to ECP's adjoining Bronsen retail park.

Total lettable area	40,280m²
Retail/Gallery	15,700m²
Retail park	15,000m²
Hyper (ICA Maxi)	9,580m²
ECP Ownership	40,280m²
Value (€ million)	78.56
Occupancy	98%
Renewal profile 2009–2011	9%
Rental income (€ million)	4.11
Rental growth*	13.88%
Visitors 2008/09	1.94m
Major tenants:	
ICA Maxi, H&M, KappAhl, Stadium, Lindex, JC, MQ, Esprit, Gina Tricot	

*Excluding extension.

Elins Esplanad
Skövde (Västergötland)

The 10,000m² extension and refurbishment opened fully let at the end of November 2008 with new anchor stores including H&M, Cubus, Cassels, Gina Tricot and Clas Ohlson. The first seven months of trading have been very encouraging with footfall and gallery turnover up over 100% and 180% respectively on a floor area which has increased by 85%.

Total lettable area	28,783m²
Retail/Gallery	17,994m²
Hyper (ICA Maxi)	10,039m²
Office	750m²
ECP Ownership	28,783m²
Value (€ million)	56.31
Occupancy	100%
Renewal profile 2009–2011	0%
Rental income (€ million)	3.81
Rental growth*	38.93%
Visitors 2008/09	3.19m
Major tenants:	
ICA Maxi, KappAhl, Lindex, Siba, El Giganten, Clas Ohlson, H&M	

*Excluding extension.

Hälla Shopping
Västerås (Västmanland)

Hälla continues to trade at high absolute levels of turnover although sales were down 3.2% over the year. The adjoining ICA hypermarket is one of their top four ICA stores in Sweden and turnover grew at more than 5%. A planning application has been made for a possible 10,000m² extension to the existing 8,000m² gallery.

Total lettable area	20,740m²
Retail/Gallery	8,000m²
Hyper (ICA Maxi)	10,000m²
Other retail	2,740m²
ECP Ownership	10,740m²
Value (€ million)	27.00
Occupancy	100%
Renewal profile 2009–2011	39%
Rental income (€ million)	1.74
Rental growth	2.09%
Boutiques <300m² turnover/m² (€)	5,385
Turnover growth	–3.24%
Gallery occupancy cost ratio	7.47%
Visitors 2008/09	1.14m
Major tenants:	
H&M, Stadium, KappAhl, Lindex, Team Sportia, JC, OnOff	

Samarkand
Växjö (Småland)

Investigations continue into the development of an 18,000m² shopping centre at Samarkand to include the conversion of the former Coop hypermarket whose lease expired at the end of 2008. Pre-leasing has been encouraging with over 60% already let to most of Sweden's major fashion, sport and household retailers. A final decision on whether to proceed with the project will be taken by the end of 2009 at which point construction costs will be fixed and leasing is expected to be above 75%.

Total lettable area	37,000m²
Retail park	3,820m²
Hyper (ICA Maxi)	12,470m²
Project area	20,710m²
ECP Ownership	24,530m²
Value (€ million)	32.16
Major tenants:	
H&M, KappAhl, Stadium, Systembolaget, OnOff, Intersport	

PROPERTY PORTFOLIO SWEDEN

Continued

Kronan
Karlskrona (Blekinge)

New lettings during the year to Esprit and Ichi have strengthened the existing fashion mix which already includes KappAhl, MQ, Brothers, Sisters and Gina Tricot.

Total lettable area	7,055m²
Retail/Gallery	5,883m²
Offices	1,172m²
ECP Ownership	7,055m²
Value (€ million)	13.87
Occupancy	100%
Renewal profile 2009–2011	78%
Rental income (€ million)	1.15
Rental growth	4.27%
Boutiques <300m² turnover/m² (€)	3,215
Turnover growth	–1.87%
Gallery occupancy cost ratio	7.66%
Visitors 2008/09	1.73m

Major tenants:

Stadium, KappAhl, Gina Tricot, MQ, Brothers, Sisters, Jack & Jones, Esprit

Moraberg
Södertälje (Södermanland)

With four leases expiring in 2010 there will be an opportunity to extend income security in the retail park where there is strong tenant demand due to its prominent motorway frontage (E4) and a lack of other external retail in Södertälje. Discussions are taking place with the municipality to improve access, utilise unused building rights of around 2,500m² and broaden the retail use beyond its existing “bulky goods” status.

Total lettable area	19,040m²
ECP Ownership	19,040m²
Value (€ million)	35.07
Occupancy	100%
Renewal profile 2009–2011	59%
Rental income (€ million)	2.31
Rental growth	3.73%
Visitors 2008/09	1.50m

Major tenants:

OnOff, Siba, El Giganten, Rusta, Jysk, Plantagen, Intersport, Jula

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 the appointment, suspension, dismissal and remuneration of members of the Board of Management and the Supervisory Board.

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

Supervisory Board

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

The members of the Supervisory Board are appointed by the General Meeting of Shareholders from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. The General Meeting of Shareholders determines the remuneration of members of the Supervisory Board. The members of the Supervisory Board are independent of one another, the Board of Management and any particular interest. Pursuant to the Articles of Association, the Supervisory Directors retire under a rotation scheme. In view of the current size of the Supervisory Board (five members), each appointment will be made for a maximum period of four years. Any proposal for appointment or reappointment to the General Meeting of Shareholders shall be properly explained. In the case of a reappointment, account will be taken of the candidate's performance and functioning as a Supervisory Director. The rules and regulations of the Supervisory Board as from 2004 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 a whole as the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee due to the size of the Company and the nature of its organisation and activities.

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

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

Board of Management

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

The members of the Board of Management are appointed by the General Meeting of Shareholders, from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. Managing Directors are appointed for a maximum renewable period of four years. The Board of Management's remuneration is determined in line with the policy set out in the remuneration report. The remuneration of the Board of Management will be submitted to the General Meeting of Shareholders for approval. In 2004 the Supervisory Board drew up a remuneration report, which 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 (64), 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 (47), 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 (50) 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 (51) 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 (43) 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.

CORPORATE GOVERNANCE

Continued

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 2011, 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.

External auditor

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

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

Corporate governance best practice

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

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

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

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

Principle II.2 of the Code

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

Provision II.2.3 of the Code

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

Provision 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 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 IV.3.13 of the Code

The Company will take further advice on whether and how to implement an outline policy on one-to-one contact with its shareholders and will monitor how this best practice rule is applied by the sector in the near future. The Company is of the opinion that the current applicable law is clear and provides sufficient guidance about what is and what is not allowed in respect of price sensitive information.

Provision V.3.1 of the Code

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

Corporate social responsibility

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

The Company is committed at both the corporate and operational level to minimising the impact of its business activities on the environment. Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all of the Swedish centres while in France one property has recently had solar panels installed on its roof. Several centres now have facilities to collect rainwater to use for irrigation and waste facilities. The newly extended Carosello centre in Italy has a 15,000m^2 grass roof which not only insulates the gallery and regulates the mall temperature thus reducing the need for air-conditioning, but also adds to the biodiversity of the area.

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

At the corporate level, the Company has installed a video conferencing system to reduce travel between its European offices which has proved very successful. In addition, the majority of offices now have recycling programmes in place.

The Company understands that its employees are its most important asset. The Company prides itself on being a good employer, which is epitomised in the lengthy average tenure of employment and low personnel turnover.

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 Sweden.

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

Remuneration

The remuneration policy for Supervisory Directors and Managing Directors which has been applicable in previous years, has been continued. Supervisory Directors receive a fixed fee. Managing Directors may be entitled to cash bonuses in addition to their base salaries. These bonuses, like those of the senior managers, are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2000 a stock option plan has been in place for Managing Directors, regional Directors and certain staff of the Company. Under this scheme options may be granted from time to time, but these can only be exercised after three years have lapsed since the date of granting. 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 44.

Internal risk management and control systems

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

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

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

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 frame work and procedures and the assessment of risks facing the Company and its subsidiaries.

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 Committee reviews the item – be it an acquisition, renovation 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.

Strategic risk

Country and sector weighting of assets

The Company invests in a relatively predictable real estate sector (retail) and relatively wealthy and stable economies (France, northern Italy and Sweden) to minimise economic and political risk. By limiting the number and types of sectors and countries in which the Company operates, management can maintain a high level of understanding and insight into how the assets perform, which in turn reduces risk. However, the diversification achieved by investing in these countries, both in provincial and major cities, reduces risk further, as well as the spread among a large number of tenants, with a relatively small exposure to any one single tenant (largest exposure to one single tenant is 4.2% of total portfolio rent).

Timing of investments and divestments

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

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

Operational risk

Asset selection

The Company seeks to minimise risks by investing 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 advisers and accountants.

Tenant selection and credit risk

The creditworthiness of tenants is 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. The credit risk associated with lease debtors is determined through a detailed analysis of the tenant's outstanding debt. The credit risk has also been reduced by investing in mature markets and by choosing major tenants on the basis of their financial strength. Moreover, the Company mitigates the potential negative effects of a possible default by tenants by requiring deposits, upfront payments or bank guarantees to cover rents for a limited period.

ORGANISATION AND RISK

Continued

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.

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

Financial risk

Credit risk
The Company minimises the risks related to the possible defaults of its counterparties by dealing with about 20 major financial institutions for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. The counterparty risk associated with these transactions is limited to the cost of replacing these agreements at the current market rate should an event of default occur. The Company, however, considers the risk of incurring losses as a result of default remote.

Interest rate risk
As the Company's policy is to have long term investments, the borrowings used for funding them are also long term (preferably for ten years or more). The Company uses interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 4.7% and only 8% of the existing loans are at a floating rate. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €0.66 million, or 1.01% of reported direct investment result.

Liquidity risk
In order to reduce liquidity risk the Company has adopted a strategy of spreading the debt maturity profile of its borrowings and the relative repayment dates. Moreover, the Company has at its disposal flexible long term borrowings (which allow no penalty repayments and re-drawing of funds up to agreed amounts) and short term committed and uncommitted lines.

An analysis of the risk related to the fluctuation of the fair value of future cash flows of financial instruments because of changes in market prices is provided in note 18 (derivative financial instruments) of the consolidated financial statements.

Currency risk
The only significant foreign currency exposure for the Company is its exposure to the Swedish property markets. However, due to SEK loan facilities with major banks and currency swaps, a hedging of the foreign currency is achieved up to 51%. The remaining exposure is relatively limited compared to the total size of the portfolio and will in principle not be hedged. Net SEK income may also be hedged from time to time by using defensive currency derivatives. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.3% of reported net asset value and in a decrease of only 1.2% of reported direct investment result.

Reporting risk

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

Compliance risk

At the corporate level the Company complies with The Netherlands Corporate Governance Code and The Netherlands Act on Financial Supervision. 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 2008/2009 the Company has evaluated various aspects of the Company's Administrative Organisation and Internal Control and found nothing to indicate that the description of the structure of the Company's Administrative Organisation and Internal Control does not meet the requirements as included in the Decree and related legislation. Also, there have been no indications during the financial year 2008/2009 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Company therefore states with a reasonable level of assurance that the organisation of its business operations functioned effectively and in accordance with the description. It is not expected that during the current financial year a major change will be made to the design of the Company's Administrative Organisation and Internal Control.

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

The Board of Management believes that the design of the internal controls for financial reporting provide a reasonable level of assurance (i) to prevent material inaccuracies in the financial statements of the Company for the financial year 2008/2009, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2008/2009 and there are no indications that this will not continue to be so in the current financial year.

Insurance

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

Permit

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

Taxation

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

International Financial Reporting Standards (IFRS)

In accordance with the European and national rules and regulations the Company has drawn up its financial statements for the financial year ending 30 June 2009 based on IFRS.

The IFRS result after taxation (total investment result) for the financial year ended 30 June 2009 decreased to a negative amount of €180.7 million compared with a positive amount of €110.3 million for the financial year ended 30 June 2008. The IFRS result after taxation includes contributions from unrealised movements in property values as well as contingent nominal capital gains taxes and also includes fair value movements in derivatives.

However, the Company has also chosen to continue presenting next to the IFRS result, the direct investment result and the indirect investment result, which it believes is an important distinction as the direct investment result represents in the view of the Board the continuing underlying earnings better than the IFRS result figure, which includes unrealised "capital" movements.

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 2009 was €28.82 per depositary receipt compared with €36.41 at 30 June 2008. The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €90.9 million, when calculating net asset value. Under current circumstances in the only two markets where CGT would be payable by the Company, Italy and Sweden, the majority of larger property transactions are made through the sale of the owning corporate entity and purchasers accept a major part of the potential CGT liability.

Amsterdam, 25 August 2009

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

Responsibility statement

With reference to the EU Transparency Directive and the Act on Financial Supervision we hereby state to the best of our knowledge that the financial statements for the financial year ended 30 June 2009 give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the management report of the Board of Management includes a fair review of the development and performance of the business during the financial year and the position of the Group at the balance sheet date, together with a description of the principal risks associated with the Group.

Amsterdam, 25 August 2009

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

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

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 2009, 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 €1.78 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2009. 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 five meetings of the Supervisory Board which were also 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. During the year the Chairman of the Supervisory Board attended several meetings of the Property Committee to observe the in-depth detailed property management and investment discussions. In November 2008 Mr P.W. Haasbroek was welcomed as a member of the Supervisory Board after his appointment at the Annual General Meeting, bringing the total number of members up to five.

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. In particular the changes in property markets, valuations and rents, but also the Company's bank loans and bank covenant were discussed in great detail and monitored during the year. The Supervisory Board fully supported the response and investment policy of the Board of Management, given the turmoil in the financial markets. Furthermore, the contents of press releases, the annual report, the interim report and the quarterly reports were discussed. In April 2009 a special meeting was held solely dedicated to the amended Dutch Corporate Governance Code and the impact on the corporate governance structure of the Company. Following this meeting the rules and regulations of the Supervisory Board and various other corporate governance documents have been amended in order to comply with the amended Code.

The Supervisory Board is kept informed of activities and financial performance through monthly management accounts with detailed analysis of rental income, company expenses and investment developments. The Supervisory Board also met in the absence of the Board of Management to discuss its own functioning and that of the Board of Management. In addition, the profile of members of the Supervisory Board was discussed and slightly amended. Specific knowledge of the retail sector, preferably in the markets the Company is operating, was added to the list of favoured qualities. Given the specific expertise among the current Board members (property, banking, asset management, accounting and legal) and the fact that with five members there are no vacancies, the Board expects that this field of expertise might only be achieved in the medium to long term when new members will be proposed given the rotation scheme. None of the members of the Supervisory Board was frequently absent. There have been no matters of conflict of interests.

Corporate governance

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

The Supervisory Board as a whole also functions as the Audit Committee and had two meetings with the auditors of the Company as well as one meeting with the auditors of the Company in the absence of the Board of Management. The Audit Committee reviewed the need for an internal audit function and concluded that this is not necessary due to the size of the Company. The Supervisory Board as a whole also functions as the Remuneration Committee. Remuneration was discussed in two meetings on the basis of an updated external benchmark report and the draft updated remuneration report. The final 2008/2009 remuneration report will be posted on the website of the Company when the Annual Report is published. The Supervisory Board as a whole also functions as the Selection and Appointment Committee, which discussed the proposed reappointment of a member of the Supervisory Board in the Annual General Meeting to be held in November 2009.

Summary remuneration report

The purpose of our remuneration policy is to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company. The remuneration policy aims to reward management and key staff for their contribution to the performance of the Company and its subsidiaries. The Supervisory Board proposes the remuneration policy, and any material adjustments to it, to the Annual General Meeting of Shareholders based on recommendations of the Board of Management. The Supervisory Board recommends decisions on all aspects of the remuneration of the members of the Board of Management, within the scope of the remuneration policy, to the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders is invited to approve both the remuneration policy and the remuneration of the members of the Board of Management.

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

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

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

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

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 maintain the remuneration of the Supervisory Directors at €28,000 for each member and at €38,000 for the Chairman and to leave the base salaries of the members of the Board of Management unchanged. The Annual General Meeting of Shareholders is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

Profile and composition of the Supervisory Board

All members of the Supervisory Board are independent. The profile, role and responsibilities of the Supervisory Board are laid down in specific rules and regulations which are available for inspection at the Company's office and placed on the Company's website.

At 30 June 2009 the Supervisory Board was composed as follows:

1. Mr W.G. van Hassel (62), 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 (63), of British nationality, member of the Supervisory Board since 1998, was reappointed in 2008 for a period of four years. He was Vice Chairman of Schroder Investment Management Limited of London. He is a member of the following boards:

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

3. Mr P.W. Haasbroek (61), of Dutch Nationality, was appointed as a member of the Supervisory Board in 2008 for a period of four years. He is a former Director Real Estate Europe of PGGM, the manager of the Dutch pension fund for the healthcare sector. He worked for more than 25 years in the international property investment markets until he retired in 2007. He is a member of the following board:

Foncière Paris France S.A.

4. Mr J.C. Pollock (69), of British nationality, was appointed as a member of the Supervisory Board 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.

5. Mr A.E. Teeuw (63), of Dutch nationality, was appointed as a member of the Supervisory Board in 2006 for a period of four years. He is a former Chief Executive Officer of the listed financial institution Binck Bank N.V. of Amsterdam and a former Managing Director of Barclays Bank plc. Mr Teeuw worked for more than 30 years as an international banker until he retired at the end of 2005. He is a member of the following supervisory boards:

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

At the Annual General Meeting of Shareholders held on 4 November 2008, Mr H.W. Bolland was reappointed for a period of four years and Mr P.W. Haasbroek was appointed as member of the Supervisory Board for a period of four years.

At the forthcoming Annual General Meeting of Shareholders to be held on 3 November 2009, Mr J.C. Pollock is proposed for reappointment for a period of four years.

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:

2010: Mr W.G. van Hassel, Mr A.E. Teeuw
2012: Mr H.W. Bolland, Mr P.W. Haasbroek

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, 25 August 2009

Board of Supervisory Directors

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

Key financial information (consolidated)

For the financial year ended	30/06/2000 €'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	30/06/2009 €'000
	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	IFRS	IFRS	IFRS	IFRS	IFRS
Profit and loss account										
Net property income	43,062	56,775	65,882	66,341	76,527	80,784	87,215	95,830	110,033	**114,380**
Net interest expense	(9,489)	(19,227)	(23,986)	(20,519)	(23,154)	(24,631)	(23,477)	(28,944)	(38,117)	**(40,822)**
Company expenses	(5,033)	(6,247)	(6,961)	(5,940)	(6,986)	(6,874)	(7,685)	(7,889)	(9,527)	**(8,458)**
Direct investment result	28,540	31,284	34,542	39,563	44,872	49,204	56,073	58,997	62,389	**65,100**
Indirect investment result	44,637	26,576	40,162	13,704	17,666	64,749	177,854	200,475	47,897	**(245,805)**
Result after taxation	73,177	57,860	74,704	53,267	62,538	113,953	233,927	259,472	110,286	**(180,705)**
Balance sheet before income appropriation										
Total assets	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	**2,172,037**
Property investments	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	**2,136,750**
Cash and deposits	1,949	22,016	156,628	122,293	84,070	73,011	76,581	18,044	13,796	**7,827**
Borrowings	269,369	463,729	512,004	507,567	590,367	566,191	643,537	798,302	970,249	**913,186**
Shareholders' equity	456,684	533,088	631,277	659,224	707,424	828,144	1,037,679	1,242,118	1,300,981	**1,033,080**
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	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	**35,840,442**
Average number of depositary receipts representing shares in issue	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	**35,797,301**
Per depositary receipt (€)										
Net asset value	19.82	20.87	22.09	22.53	23.16	24.03	29.41	35.21	36.41	**28.82**
Direct investment result	1.31	1.25	1.32	1.37	1.50	1.56	1.60	1.67	1.75	**1.82**
Indirect investment result	2.04	1.07	1.54	0.47	0.59	2.05	5.10	5.69	1.35	**(6.87)**
Dividend	1.26	1.33	1.40	1.43	1.50	1.55	1.60	1.67	1.75	**1.78**
Property information										
Sector spread (%)										
Retail	74	77	84	85	88	90	91	92	93	**100**
Office	23	19	12	11	9	7	7	6	5	**0**
Warehouse	3	4	4	4	3	3	2	2	2	**0**
	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)	18.40	18.85	19.10	21.55	24.95	30.10	29.96	38.32	30.27	**21.95**

Note

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext 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*

	Note	2008/2009 €'000	2007/2008 €'000
Rental income	4	**134,235**	128,673
Service charges income	4	**21,108**	18,907
Service charges expenses		**(24,236)**	(21,486)
Property expenses	5	**(16,727)**	(16,061)
Net property income	2	**114,380**	110,033
Interest income	7	**405**	2,571
Interest expenses	7	**(41,227)**	(40,688)
Net financing expenses	7	**(40,822)**	(38,117)
Company expenses	8	**(8,458)**	(9,527)
Direct investment result before taxation		**65,100**	62,389
Corporate income tax	11	**0**	0
Direct investment result		**65,100**	62,389
Disposal of investment properties		**(314)**	602
Investment revaluation	6	**(208,062)**	38,812
Fair value movement derivative financial instruments	7	**(86,686)**	10,310
Investment expenses	10	**(1,258)**	(1,560)
Indirect investment result before taxation		**(296,320)**	48,164
Deferred tax	11	**50,515**	(267)
Indirect investment result		**(245,805)**	47,897
Total investment result		**(180,705)**	110,286
Per depositary receipt (€)			
Direct investment result		**1.82**	1.75
Indirect investment result		**(6.87)**	1.35
Total investment result		**(5.05)**	3.10

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2008/2009 €'000	2007/2008 €'000
Rental income	4	134,235	128,673
Service charges income	4	21,108	18,907
Service charges expenses		(24,236)	(21,486)
Property expenses	5	(16,727)	(16,061)
Net property income	2	114,380	110,033
Disposal of investment properties		(314)	602
Investment revaluation	6	(208,062)	38,812
Interest income	7	405	2,571
Interest expenses	7	(41,227)	(40,688)
Fair value movement derivative financial instruments	7	(86,686)	10,310
Net financing cost	7	(127,508)	(27,807)
Company expenses	8	(8,458)	(9,527)
Investment expenses	10	(1,258)	(1,560)
Result before taxation		(231,220)	110,553
Corporate income tax	11	0	0
Deferred tax	11	50,515	(267)
Result after taxation		(180,705)	110,286
Per depositary receipt (€)			
Result after taxation	24	(5.05)	3.10
Diluted result after taxation	24	(5.05)	3.02

CONSOLIDATED BALANCE SHEET

(before income appropriation)

	Note	30-06-09 €'000	30-06-08 €'000
Property investments	12	2,125,050	2,374,896
Property investments under development	12	11,700	29,159
Tangible fixed assets	13	1,568	1,400
Receivables	14	1,448	1,749
Derivative financial instruments	18	1,043	30,138
Total non-current assets		**2,140,809**	2,437,342
Property investments held for sale	12	0	42,560
Receivables	14	23,401	35,238
Cash and deposits	15	7,827	13,796
Total current assets		**31,228**	91,594
Total assets		**2,172,037**	2,528,936
Corporate tax payable		0	8,248
Creditors	16	63,742	81,839
Borrowings	17	55,845	62,259
Total current liabilities		**119,587**	152,346
Creditors	16	10,042	15,019
Borrowings	17	857,341	907,990
Derivative financial instruments	18	60,647	2,284
Deferred tax liabilities	19	90,895	149,782
Provision for pensions	20	445	534
Total non-current liabilities		**1,019,370**	1,075,609
Total liabilities		**1,138,957**	1,227,955
Net assets		**1,033,080**	1,300,981
Equity Eurocommercial Properties shareholders			
Issued share capital	21	179,859	179,394
Share premium reserve	22	324,782	324,278
Other reserves	23	709,144	687,023
Undistributed income		(180,705)	110,286
		1,033,080	1,300,981
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back		35,840,442	35,727,332
Net asset value – € per depositary receipt		28.82	36.41

CONSOLIDATED CASH FLOW STATEMENT

	Note	2008/2009 €'000	2007/2008 €'000
Cash flow from operating activities			
Result after taxation		(180,705)	110,286
Adjustments:			
Decrease/increase in receivables		11,454	(10,436)
Increase in creditors		19,819	41,663
Movement stock options	22	977	757
Investment revaluation	6	209,828	(37,080)
Property sale result		314	(602)
Derivative financial instruments	18	86,686	(10,310)
Deferred tax	19	(50,515)	267
Other movements		84	(962)
		97,942	93,583
Cash flow from operations			
Capital gains tax		(8,106)	(8,031)
Derivative financial instruments	7	7	50
Interest paid		(39,785)	(39,915)
Interest received		363	1,609
		50,421	47,296
Cash flow from investment activities			
Property acquisitions	12	(14,960)	(122,832)
Capital expenditure	12	(87,227)	(64,445)
Property sale		134,239	3,200
Additions to tangible fixed assets	13	(751)	(920)
		31,301	(184,997)
Cash flow from finance activities			
Proceeds issued shares	21	0	3,289
Borrowings added	17	203,062	492,499
Repayment of borrowings	17	(230,350)	(312,944)
Dividends paid		(59,016)	(38,770)
Stock options exercised		489	9,086
Depositary receipts bought back		0	(19,988)
Increase in non-current creditors		(674)	692
		(86,489)	133,864
Net cash flow		(4,767)	(3,837)
Currency differences on cash and deposits		(1,202)	(411)
Decrease in cash and deposits	15	(5,969)	(4,248)
Cash and deposits at beginning of year	15	13,796	18,044
Cash and deposits at end of year	15	7,827	13,796

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The movements in shareholders' equity in the financial year ended 30 June 2009 were:

	Note	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2008		179,394	324,278	687,023	110,286	1,300,981
Result for the year					(180,705)	(180,705)
Foreign currency translation differences				(29,646)		(29,646)
Total recognised income and expense for the year						(210,351)
Issued shares	21	465	(465)			0
Profit previous financial year	23			51,278	(51,278)	0
Dividends paid			(8)		(59,008)	(59,016)
Stock options exercised				489		489
Stock options granted	22		977			977
30-06-2009		**179,859**	**324,782**	**709,144**	**(180,705)**	**1,033,080**

The movements in shareholders' equity in the previous 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 year					110,286	110,286
Foreign currency translation differences				(5,795)		(5,795)
Total recognised income and expense for the year						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)
Depositary 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2009

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 2008 and ending 30 June 2009 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 2009.

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 2009 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:

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

(ii) Transactions eliminated on consolidation

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

1. Principal accounting policies (continued)

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

The functional currency of the Swedish and UK subsidiaries are SEK and GBP respectively. As at the reporting date, the assets and liabilities of these Swedish and UK subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the average monthly exchange rates for the period. The exchange differences arising on the retranslation are taken 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
Depositary receipts, each representing ten ordinary shares in the capital of the Company, are classified as equity. External costs directly attributable to the issue of new depositary receipts are shown as a deduction, net of tax, in equity from the proceeds. When depositary receipts recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased depositary receipts are classified as treasury depositary receipts and presented as a deduction from equity. Dividends are recognised as a liability in the period in which they are declared.

Borrowings
All borrowings are at a floating interest rate, rolled over for a period of generally three months. Interest rate risk is managed by using interest rate swaps and other derivative financial instruments. Therefore, the fair value of borrowings is considered to be reflected by the nominal value. Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

Non-current creditors
Non-current creditors are stated at present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

1. Principal accounting policies (continued)

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.

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.

1. Principal accounting policies (continued)

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).

Future accounting policies
IAS 40 (Investment Property) included investment property under development within the scope of the standard. It allows to measure investment property under development at fair value if and when that fair value can be measured reliably. Until such time as the fair value becomes reliably measurable these properties shall be accounted for at cost until construction is completed.

The Company does not expect the amendment to impact the financial statements of the Company due to the fact that the investment property under development as of 30 June 2009 is valued at fair value being the net realisable value in accordance with the accounting policies as disclosed in note 1.

IFRS 8 (Operating Segments) introduces new guidelines regarding the information on distinct segments to be disclosed. It is required to match the choice of the distinct segments and the related notes to the segments in use for internal reporting. As the segments reported in the financial statements are in line with the segments currently used for internal reporting, the Company expects that this new standard will not lead to major changes in the segmented information provided in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

2. Segment information

	France		Italy		Sweden		The Netherlands		Total	
	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000
Rental income	46,962	43,924	52,458	46,932	29,472	29,916	5,343	7,901	134,235	128,673
Service charge income	6,039	5,542	5,260	4,089	9,498	8,762	311	514	21,108	18,907
Service charge expenses	(7,485)	(6,674)	(5,260)	(4,089)	(11,180)	(10,209)	(311)	(514)	(24,236)	(21,486)
Property expenses	(4,759)	(4,918)	(7,417)	(6,604)	(3,742)	(3,597)	(809)	(942)	(16,727)	(16,061)
Net property income	40,757	37,874	45,041	40,328	24,048	24,872	4,534	6,959	114,380	110,033
Disposal of investment properties	(146)	602	0	0	0	0	(168)	0	(314)	602
Investment revaluation	(81,081)	18,443	(84,479)	3,354	(39,044)	16,547	(3,458)	468	(208,062)	38,812
Segment result	(40,470)	56,919	(39,438)	43,682	(14,996)	41,419	908	7,427	(93,996)	149,447
Net financing cost									(127,508)	(27,807)
Company expenses									(8,458)	(9,527)
Investment expenses									(1,258)	(1,560)
Result before taxation									(231,220)	110,553
Corporate income tax									0	0
Deferred tax									50,515	(267)
Result after taxation									(180,705)	110,286
Property investments	779,690	853,420	870,595	888,240	471,045	541,466	3,720	91,770	2,125,050	2,374,896
Property investments under development	0	0	11,700	29,159	0	0	0	0	11,700	29,159
Tangible fixed assets	227	221	256	403	57	66	1,028	710	1,568	1,400
Property investments held for sale	0	31,700	0	0	0	0	0	10,860	0	42,560
Receivables	15,760	22,235	4,600	6,511	3,333	5,309	1,156	2,932	24,849	36,987
Derivative financial instruments	0	2,096	895	17,902	38	10,140	110	0	1,043	30,138
Cash and deposits	1,030	1,552	245	326	4,370	9,455	2,182	2,463	7,827	13,796
Total assets	796,707	911,224	888,291	942,541	478,843	566,436	8,196	108,735	2,172,037	2,528,936
Corporate tax payable	0	8,248	0	0	0	0	0	0	0	8,248
Creditors	25,992	27,405	20,062	26,341	14,529	20,440	3,159	7,653	63,742	81,839
Non-current creditors	7,082	7,027	2,959	7,991	1	1	0	0	10,042	15,019
Borrowings	247,784	250,000	449,660	427,487	215,742	265,675	0	27,087	913,186	970,249
Derivative financial instruments	17,900	1,315	33,638	969	9,109	0	0	0	60,647	2,284
Deferred tax liabilities	0	0	49,596	82,442	41,299	67,340	0	0	90,895	149,782
Provision for pensions	0	0	0	0	0	0	445	534	445	534
Total liabilities	298,758	293,995	555,915	545,230	280,680	353,456	3,604	35,274	1,138,957	1,227,955
Acquisitions and capital expenditure (including capitalised interest)	12,830	106,612	49,364	69,919	40,621	50,202	0	63	102,815	226,796

2. Segment information (continued)

	Retail		Offices		Warehouses		Total	
	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000	08/09 €'000	07/08 €'000
Rental income	126,173	115,504	7,170	9,578	892	3,591	134,235	128,673
Service charge income	20,335	17,857	311	514	462	536	21,108	18,907
Service charge expenses	(23,451)	(20,441)	(311)	(514)	(474)	(531)	(24,236)	(21,486)
Property expenses	(15,901)	(15,015)	(788)	(769)	(38)	(277)	(16,727)	(16,061)
Net property income	107,156	97,905	6,382	8,809	842	3,319	114,380	110,033
Disposal of investment properties	93	602	7	0	(414)	0	(314)	602
Investment revaluation	(205,081)	34,520	(2,287)	2,765	(694)	1,527	(208,062)	38,812
Segment result	(97,832)	133,027	4,102	11,574	(266)	4,846	(93,996)	149,447
Net financing cost							(127,508)	(27,807)
Company expenses							(8,458)	(9,527)
Investment expenses							(1,258)	(1,560)
Result before taxation							(231,220)	110,553
Corporate income tax							0	0
Deferred tax							50,515	(267)
Result after taxation							(180,705)	110,286
Property investments	2,121,330	2,244,156	0	126,770	3,720	3,970	2,125,050	2,374,896
Property investments under development	11,700	29,159	0	0	0	0	11,700	29,159
Property investments held for sale	0	0	0	0	0	42,560	0	42,560
Other assets	4,016	25,993	36	2,251	5	94	4,057	28,338
Segment assets	2,137,046	2,299,308	36	129,021	3,725	46,624	2,140,807	2,474,953
Unallocated assets							31,230	53,983
Total assets							2,172,037	2,528,936
Creditors	21,555	70,251	698	4,697	105	170	22,358	75,118
Non-current creditors	10,042	15,019	0	0	0	0	10,042	15,019
Segment liabilities	31,597	85,270	698	4,697	105	170	32,400	90,137
Unallocated liabilities							1,106,557	1,137,818
Total liabilities							1,138,957	1,227,955
Acquisitions and capital expenditure (including capitalised interest)	102,815	226,567	0	5	0	224	102,815	226,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

3. Exchange rates

It is generally the Company's policy for non-euro investments to use debt denominated in the currency of investment to provide a (partial) hedge against currency movements. Exceptionally forward contracts may be entered into from time to time when debt instruments are inappropriate for cost or other reasons. The only non-euro investment assets and liabilities of the Company are in Sweden and to a very small extent in the United Kingdom as the Company has an office in London. As at 30 June 2009 SEK 10 was €0.92485 (30 June 2008: €1.05593) and GBP 1 was €1.17357 (30 June 2008: €1.26223).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	30-06-09 €'000	30-06-08 €'000
Gross lease payments collected/accrued	132,900	127,381
Amortisation of capitalised entry fees	1,335	1,292
	134,235	128,673

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 amounts approximately to:

	30-06-09 €'000	30-06-08 €'000
– less than one year	101,163	95,922
– one to five years	336,125	298,821
– five years or more	34,210	35,088
	471,498	429,831

Approximately 1.4 per cent of the rental income for the year ended 30 June 2009 is turnover rent (2007/2008: 2.1 per cent).

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

5. Property expenses

Property expenses in the current financial year were:

	30-06-09 €'000	30-06-08 €'000
Direct property expenses		
Bad debts	314	429
Centre marketing expenses	1,300	1,342
Insurance premiums	668	670
Managing agent fees	1,351	1,373
Property taxes	1,330	1,322
Repair and maintenance	1,373	1,146
Shortfall service charges	400	197
	6,736	6,479
Indirect property expenses		
Accounting fees	425	390
Audit fees	224	197
Depreciation fixed assets	218	223
Dispossession indemnities	155	202
Italian local tax (IRAP)	1,026	903
Legal and other advisory fees	1,201	999
Letting fees and relocation expenses	1,890	1,943
Local office and accommodation expenses	886	868
Pension contributions	37	23
Salaries, wages and bonuses	2,142	2,055
Social security charges	866	850
Stock options granted (IFRS 2)	150	122
Travelling expenses	300	265
Other local taxes	282	269
Other expenses	189	273
	9,991	9,582
	16,727	16,061

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 expire in May 2010 and September 2012 respectively. The depreciation amount is €179,000 (2007/2008: €171,000) for the Milan office, €25,000 (2007/2008: €37,000) for the Paris office and €14,000 (2007/2008: €15,000) for the Stockholm office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

6. Investment revaluation

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

	30-06-09 €'000	30-06-08 €'000
Revaluation of property investments	(207,288)	35,726
Revaluation of property investments held for sale	(2,540)	1,354
Elimination of capitalised letting fees	(280)	113
Movement non-current creditors	(139)	34
Other movements	2,185	1,585
	(208,062)	38,812

Other movements relate to valuation adjustments of other assets and liabilities. The positive movement of €2,185,000 (2007/2008: €1,585,000) includes a negative realised amount of €1,307,000 (2007/2008: €311,000 negative) and a positive unrealised amount of €3,492,000 (2007/2008: €1,896,000).

7. Net financing costs

Net financing cost in the current financial year comprised:

	30-06-09 €'000	30-06-08 €'000
Interest income	405	2,571
Gross interest expense	(44,659)	(43,329)
Capitalised interest	3,432	2,641
Unrealised fair value movement interest rate swaps	(86,693)	10,260
Realised fair value movement interest rate swaps	7	50
	(127,508)	(27,807)

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 (2007/2008: 4.8 per cent).

8. Company expenses

Company expenses in the current financial year comprise:

	30-06-09 €'000	30-06-08 €'000
Audit fees	205	259
Depreciation fixed assets	362	239
Directors' fees	1,116	1,226
Legal and other advisory fees	821	840
Marketing expenses	273	346
Office and accommodation expenses	1,096	908
Pension contributions	263	835
Salaries, wages and bonuses	2,300	2,685
Social security charges	312	370
Statutory costs	457	602
Stock options (IFRS 2)	339	310
Travelling expenses	543	568
Other expenses	371	339
	8,458	9,527

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 expire in September 2013 and March 2018 respectively. The depreciation amount is €315,000 (2007/2008: €188,000) for the Amsterdam office and €47,000 (2007/2008: €51,000) for the London office.

9. Personnel costs

Total personnel costs in the current year comprise:

	30-06-09 €'000	30-06-08 €'000
Salaries and wages	4,778	4,685
Social security charges and taxes	1,250	1,351
Pension contributions	338	896
Bonuses	528	1,559
	6,894	8,491

Total personnel costs are partly presented under indirect property expenses (€3,045,000 (2007/2008: €2,928,000), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€3,850,000 (2007/2008: €4,997,000) and partly under investment expenses (€nil (2007/2008: €566,000). 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 48 full-time equivalent persons during the financial year (2007/2008: 45) of which 36 are working outside The Netherlands. The Group staff (holdings of the member of the Board of Management excluded) holds 25,004 depositary 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:

	30-06-09 €'000	30-06-08 €'000
Aborted acquisition costs	305	283
Bonuses linked to NAV growth	0	514
Social security charges and taxes	0	52
Stock options (IFRS 2)	488	325
Property valuation fees	465	386
	1,258	1,560

11. Taxation

Recognised in the profit and loss account:

	30-06-09 €'000	30-06-08 €'000
Corporate income tax	0	0
Effect of unrealised value movements investment property and derivative financial instruments	(49,833)	1,344
Benefit of tax losses recognised	(682)	(1,077)
Deferred tax	(50,515)	267
Total taxation amount recognised in the profit and loss account	(50,515)	267

Reconciliation of effective tax rate:

	30-06-09 €'000	30-06-08 €'000
Result before taxation	(231,220)	110,553
Less: tax exempt result (incl. effect of FBI and SIIC)	(61,097)	61,437
Taxable result	(170,123)	49,116
Total taxation amount recognised in the profit and loss account	(50,515)	267

The effective tax rate was 21.8 per cent (2007/2008: 0.3 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 26.3 per cent. The effective tax rate of 21.8 per cent is lower than the average nominal tax rate for Italy and Sweden due to the tax exempt result realised in France and The Netherlands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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. 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. The total allowance this year amounted to €86 million, or approximately 3.9 per cent of gross valuations (6.2 per cent in France, 4 per cent in Italy, 1 per cent in Sweden (which better reflects market practice of corporate deals, compared to 3 per cent used last year; an impact of €9.1 million) and 7 per cent in The Netherlands). All properties in the Group are freehold. All properties were revalued at 30 June 2009. 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. The valuation standards used by the external independent valuers require that valuers draw the attention to uncertain circumstances, if these could have a material effect on the valuation, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation. Due to the worldwide turmoil in the financial markets and the limited number of property transactions, most valuation reports as per 30 June 2009 contain an uncertainty paragraph setting out these circumstances.

Property investments under development

The book value of each property is stated at cost or lower market value 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:

	30-06-09 Book value €'000	30-06-08 Book value €'000	30-06-09 Costs to date €'000	30-06-08 Costs to date €'000
RETAIL				
France				
Amiens Glisy, Amiens*	39,500	41,360	15,961	15,938
St. Doulchard, Bourges*	38,600	42,000	46,936	45,508
Buchelay Retail Park	6,800	8,040	6,746	6,735
Chasse Sud, Chasse-sur-Rhône*	29,700	33,500	33,305	33,288
Les Allées de Cormeilles, Cormeilles	36,300	38,360	45,023	44,155
Les Trois Dauphins, Grenoble*	33,050	35,100	24,520	23,910
Centr'Azur, Hyères*	41,300	46,890	16,956	16,858
Noyelles Godault Retail Park	0	5,460	0	5,291
Passage du Havre, Paris*	243,400	237,230	165,323	136,193
Passy Plaza, Paris*	116,900	126,600	72,494	71,608
74 rue de Rivoli, 1-3 rue de Renard, Paris*	35,600	28,700	18,241	10,696
Les Portes de Taverny, Taverny	47,740	49,930	24,528	24,091
Les Atlantes, Tours*	110,800	121,280	47,570	47,470
	779,690	814,450	517,603	481,741
Italy				
Curno, Bergamo*	97,115	102,790	33,924	33,832
Centro Lame, Bologna*	38,930	38,350	29,036	28,936
Il Castello, Ferrara*	101,020	94,050	77,150	63,131
I Gigli, Firenze*	224,800	251,170	154,783	153,358
I Gigli Extension Land, Firenze**	11,700	29,159	30,166	29,159
Centro Leonardo, Imola*	69,080	77,600	63,586	63,673
La Favorita, Mantova*	49,200	56,590	33,428	33,290
Carosello, Milano*	265,000	240,770	162,409	129,853
Centroluna, Sarzana*	25,450	26,920	12,877	12,744
	882,295	917,399	597,359	547,976

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

	30-06-09 Book value €'000	30-06-08 Book value €'000	30-06-09 Costs to date €'000	30-06-08 Costs to date €'000
Sweden				
421, Göteborg*	66,758	84,219	87,722	87,812
Kronan, Karlskrona*	13,865	15,944	14,429	14,366
Bergvik, Karlstad*	47,349	53,851	37,325	37,048
Mellby Center, Laholm*	14,054	16,894	13,294	13,071
Burlöv Center, Malmö*	99,908	121,956	74,809	74,840
Ingelsta Shopping, Norrköping*	78,568	74,019	84,809	57,774
Elins Esplanad, Skövde*	56,310	59,025	57,433	46,993
Moraberg, Södertälje*	35,073	42,996	38,200	37,948
Hälla Shopping, Västerås*	26,996	32,121	21,270	21,165
Samarkand, Växjö	32,164	40,441	30,914	28,582
	471,045	541,466	460,205	419,599
	2,133,030	2,273,315	1,575,167	1,449,316
OFFICE				
France				
Passage du Havre, Paris***	0	38,970	0	28,774
The Netherlands				
Kingsfordweg 1, Amsterdam	0	87,800	0	84,944
		126,770		113,718
WAREHOUSE				
France				
Rue des Béthunes, Saint-Ouen L'Aumone	0	19,900	0	18,226
Parisud, Sénart	0	11,800	0	11,779
		31,700		30,005
The Netherlands				
Horsterweg 20, Maastricht-Airport	0	4,430	0	4,165
Galvanibaan 5, Nieuwegein	0	4,220	0	3,318
Standaardruiter 8, Veenendaal****	3,720	3,970	2,908	2,908
Koeweistraat 10, Waardenburg	0	2,210	0	1,678
	3,720	14,830	2,908	12,069
	3,720	46,530	2,908	42,074
	2,136,750	2,446,615	1,578,075	1,605,108

* These properties carry mortgage debt up to €873 million at 30 June 2009 (30 June 2008: €907 million).

** This property is stated at lower market value as a property investment under development.

*** The offices are now included as part of the retail complex.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

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 2009 were as follows:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	2,417,456	2,178,849
Acquisitions	14,960	94,041
Capital expenditure	84,143	75,680
Capitalised interest	2,333	2,095
Capitalised letting fees	280	(113)
Elimination of capitalised letting fees	(280)	113
Revaluation of property investments	(188,730)	35,726
Revaluation of property investments held for sale	(2,540)	1,354
Reallocation from property investments under development	0	44,155
Book value divestment property	(133,280)	(2,500)
Exchange rate movement	(69,292)	(11,944)
Book value at end of year	2,125,050	2,417,456

Changes in property investments under development for the financial year ended 30 June 2009 were as follows:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	29,159	18,221
Acquisitions	0	54,547
Capitalised interest	1,099	546
Revaluation property investments under development	(18,558)	0
Reallocation to property investments	0	(44,155)
Book value at end of year	11,700	29,159

13. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam and the Group offices at 4 Carlton Gardens, London, Via del Vecchio Politecnico 3, Milan, 107, rue Saint Lazare, Paris and Norrlandsgatan 22, Stockholm. These costs are depreciated over the expected useful lives of the assets concerned varying from two to five years. The movements in the current and the previous financial year were:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	1,400	941
Additions	748	920
Depreciation	(580)	(461)
Book value at end of year	1,568	1,400
Cost at end of year	3,540	2,793
Accumulated depreciation	(1,972)	(1,393)
Book value at end of year	1,568	1,400

During the financial year ended 30 June 2009 no tangible fixed assets (30 June 2008: €113,000) were disposed of.

14. Receivables

	30-06-09 €'000	30-06-08 €'000
Funds held by managing agents	1,300	1,795
Provision for bad debts	(1,373)	(1,573)
Rents receivable	17,383	20,689
Trademark license	1,338	1,605
VAT receivable	3,108	10,378
Other receivables and prepayments	3,093	4,093
	24,849	36,987

Receivables at 30 June 2009 include an amount of €1.4 million (30 June 2008: €1.7 million) which is due after one year.

15. Cash and deposits

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

	30-06-09 €'000	30-06-08 €'000
Bank balances	7,827	13,796
Deposits	0	0
	7,827	13,796

16. Creditors

(i) Current liabilities

	30-06-09 €'000	30-06-08 €'000
Accruals and deferrals	2,330	3,248
Creditors	12,829	13,795
Interest payable	7,270	6,865
Local and property tax payable	1,697	1,824
Payable on purchased property	21,996	33,498
Rent received in advance	14,798	21,919
VAT payable	2,822	690
	63,742	81,839

(ii) Non-current liabilities

	30-06-09 €'000	30-06-08 €'000
Purchase price land	0	4,827
Tenant rental deposits	7,789	7,557
Entry fees	2,253	2,635
	10,042	15,019

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Continued

17. Borrowings

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	970,249	798,302
Drawdown of funds	203,062	492,499
Repayments	(230,350)	(312,944)
Exchange rate movements	(29,853)	(6,582)
Movement prepaid borrowing costs	78	(1,026)
Book value at end of year	913,186	970,249

	30-06-09				30-06-08
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate in %	Total borrowings €'000
Current borrowings	12,845	43,000	55,845	3.7	62,259
Non-current borrowings					
One to two years	77,376	0	77,376		52,084
Two to five years	90,338	0	90,338		43,768
Five to ten years	485,961	0	485,961		570,551
More than ten years	206,000	0	206,000		244,000
Total non-current borrowings	859,675	0	859,675	4.8	910,403
Borrowing costs	(2,334)	0	(2,334)		(2,413)
Total borrowings	870,186	43,000	913,186	4.6	970,249

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Weighted average interest rate in %	Interest maturity in years	Weighted average maturity of borrowings in years
2008/2009						
Euro	699,778	0	699,778	4.7	5.9	9.4
Swedish krona	149,847	65,895	215,742	4.4	5.5	5.8
Borrowing costs	(2,334)	0	(2,334)			
	847,291	65,895	913,186	4.6	5.8	8.6
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)			
	871,236	99,013	970,249	4.8	6.5	9.2

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

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

The borrowings are all directly from major banks with average committed unexpired terms of almost nine years. Borrowings of €873 million are secured on property (30 June 2008: €907 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 2008: 4.8 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 2009.

At 30 June 2009 the Company has at its disposal undrawn borrowing facilities for a total amount of €24 million (30 June 2008: €62 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– (5 per cent), A (19 per cent), A+ (4 per cent) AA– (71 per cent) and AA (1 per cent) according to Fitch and A2 (5 per cent), A1 (2 per cent), Aa3 (36 per cent), Aa2 (32 per cent) and Aa1 (25 per cent) according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the 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	30-06-09 €'000	30-06-08 €'000
Receivables	14	**24,849**	36,987
Derivative financial instruments	18	**1,043**	30,138
Cash and deposits	15	**7,827**	13,796
		33,719	80,921

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

Rents receivable	30-06-09 €'000	30-06-08 €'000
Overdue by 0-90 days	**15,763**	19,213
Overdue by more than 90 days and one year	**1,620**	1,476
	17,383	20,689

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

Provision for bad debts	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	**1,573**	1,215
Added	**406**	448
Released	**(606)**	(90)
Book value at end of year	**1,373**	1,573

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €7.8 million (2008: €7.5 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 80 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 almost nine years. Group borrowing will not exceed the adjusted net equity of the Company, so that the debt/equity ratio is less than one, which further mitigates risk. The ratios to which the Group has committed itself are monitored at regular intervals. Apart from these obligations and commitments, The Netherlands fiscal investment institution status of the Company imposes financial limits.

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 €215.7 million (30 June 2008: €265.7 million). The total property investments in Sweden are €471 million (30 June 2008: €541.5 million) so 46 per cent of this SEK exposure is hedged through these borrowings at 30 June 2009 (30 June 2008: 49 per cent) and 5 per cent is hedged by currency swaps. 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 1.3 per cent of reported net asset value and in a decrease of only 1.2 per cent of reported direct investment result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

18. Financial instruments (continued)

Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivates to protect the Company against increases in 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 2009 is a negative value of €59.6 million (30 June 2008: positive value of €27.9 million).

The interest rate hedge instruments as at 30 June 2009 have a weighted average maturity of almost six years and the Company is hedged at an average interest rate of 4.7 per cent (30 June 2008: 4.7 per cent). Only 8 per cent (30 June 2008: 10 per cent) of the total borrowings is at a floating rate. An increase in interest rates of one per cent would therefore only have a limited negative impact of an additional annual interest expense of €0.66 million (30 June 2008: €0.99 million) or 1.01 per cent (30 June 2008: 1.59 per cent) of reported direct investment result.

Derivative financial instruments	30 June 2009 Notional amount €'000	30 June 2009 Fair value €'000	30 June 2008 Notional amount €'000	30 June 2008 Fair value €'000
Up to one year	823	(1,658)	10,559	(3,464)
From one year to two years	5,283	(3,844)	49,627	832
From two years to five years	298,742	(27,498)	154,534	6,184
From five years to ten years	487,443	(26,431)	593,928	21,020
Over ten years	55,000	(283)	65,000	3,282
	847,291	(59,714)	873,648	27,854
FX forward contracts	1,408	110	0	0
	848,699	(59,604)	873,648	27,854

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure and FX forward contracts to partly hedge the Company's exposure to the UK pound for the costs related to the Company's office in London.

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

Derivative financial instruments	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	27,854	17,698
Unrealised fair value movement interest rate swaps	(86,686)	10,260
Unrealised fair value movement FX forward contracts	110	0
Exchange rate movement	(882)	(104)
Book value at end of year	(59,604)	27,854

Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2009) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date, together with an ageing analysis according to interest rate revision dates.

	30-06-09			30-06-08		
	Borrowings floating rate	Swaps fixed rate paid	Swaps fixed rate received	Borrowings floating rate	Swaps fixed rate paid	Swaps fixed rate received
Effective interest rate (%)	1.48	4.24	1.00	4.45	4.28	4.48
Up to one year (€'000)	913,186	823	847,291	970,249	10,559	873,648
From one year to two years (€'000)		5,283			49,627	
From two years to five years (€'000)		298,742			154,534	
From five years to ten years (€'000)		487,443			593,928	
Over ten years (€'000)		55,000			65,000	
	913,186	847,291	847,291	970,249	873,648	873,648

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 2009) 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 €'000	Swaps fixed rate paid €'000	Swaps fixed rate received €'000	Total €'000
Up to one year	12,913	42,559	(9,402)	46,070
From one year to two years	11,994	41,519	(9,130)	44,383
From two years to five years	35,320	101,534	(21,803)	115,051
From five years to ten years	32,399	52,370	(11,128)	73,641
Over ten years	15,047	6,800	(1,450)	20,397
	107,673	244,782	(52,913)	299,542

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, C. Available-for-sale financial assets, D. Cash and cash equivalents and E. Financial liabilities measured at amortised cost.

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

			30-06-09 €'000		30-06-08 €'000	
	Note	Categories in accordance with IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	14	B	24,849	24,849	36,987	36,987
Derivative financial instruments (assets)		A	1,043	1,043	30,138	30,138
Cash and deposits	15	D	7,827	7,827	13,796	13,796
			33,719	33,719	80,921	80,921
Creditors	16	E	73,784	73,784	96,858	96,858
Borrowings	17	E	913,186	913,186	970,249	970,249
Derivative financial instruments (liabilities)		A	60,647	60,647	2,284	2,284
			1,047,617	1,047,617	1,069,391	1,069,391

All other financial instruments 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:

	30-06-08 €'000	Recognised in profit and loss account €'000	Capital gains tax payable €'000	Exchange rate movement €'000	30-06-09 €'000
Investment property	147,044	(31,163)	0	(8,153)	107,728
Derivative financial instruments	7,499	(18,670)	0	(219)	(11,390)
Tax value of loss carry-forwards recognised	(4,761)	(682)	0	0	(5,443)
	149,782	(50,515)	0	(8,372)	90,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

19. Deferred tax liabilities (continued)

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

	30-06-07 €'000	Recognised in profit and loss account €'000	Capital gains tax payable €'000	Exchange rate movement €'000	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)
	150,952	267	0	(1,437)	149,782

As at 30 June 2009 the total amount of deferred tax liabilities of €90.9 million is related to Italy for an amount of €49.6 million (30 June 2008: €81.9 million), whereas an amount of €41.3 million (30 June 2008: €67.9 million) is related to Sweden.

There are no unrecognised deferred tax assets.

20. Provision for pensions

Movements in the provision were as follows:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	534	142
Current service costs	209	211
Contributions paid by the employer	(235)	(250)
Past service costs	0	0
Other finance income	14	(32)
Actuarial (gain)/loss	(40)	484
Exchange rate movement	(37)	(21)
Book value at end of year	445	534

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

	30-06-09 €'000	30-06-08 €'000
Current service costs	209	211
Past service costs	0	0
Other finance income	14	(32)
Actuarial (gain)/loss	(40)	484
	183	663

Major assumptions used by the actuary:

	30-06-09 %	30-06-08 %
Pensionable salary growth	4.7%	5.35%
Earnings cap growth	3.2%	4.1%
Pension revaluation	3.2%	4.1%
Pension escalation	3.2%	4.1%
Discount rate	6.3%	6.6%
Inflation assumption	3.2%	4.1%

20. Provision for pensions (continued)

Assets and expected rate of return:

	Expected rate of return 2009/2010 %	Value at 30-06-09 €'000	Expected rate of return 2008/2009 %	Value at 30-06-08 €'000
Equities	8.0	1,633	8.0	1,751
Bonds	5.5	283	5.5	220
Property	7.0	0	7.0	15
Cash	4.0	107	5.0	218
Total market value of assets		2,023		2,204
Present value scheme liabilities		(2,468)		(2,738)
Deficit in the scheme		(445)		(534)

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's 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 2008/2009.

21. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 359,718,938 shares are issued and fully paid as at 30 June 2009 and of which 1,314,620 were bought back as at 30 June 2009.
- 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 357,973,007.

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.

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	179,394	176,388
Issued shares exercised stock options	0	663
Issued bonus shares	465	2,343
Book value at end of year	179,859	179,394

The number of shares on issue increased on 28 November 2008 as a result of the issue of 93,110 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 5.7 per cent of the issued share capital (last year 35 per cent) opted for the bonus depositary receipts at an issue price of €38.50 from the Company's share premium reserve, instead of a cash dividend of €1.75 per depositary receipt for the financial year ended 30 June 2008.

As a total of 20,000 depositary receipts were required for Mr J.P. Lewis who exercised 20,000 vested options, the Company sold 10,000 depositary receipts held in treasury on 26 September 2008 and 10,000 depositary receipts held in treasury on 30 September 2008 and now holds a balance of 131,462 depositary receipts. The number of outstanding employee stock options available for exercise has now been reduced to 131,462 (approximately 0.4 per cent of the current issued share capital).

Taking into account the above issue and sale of 20,000 depositary receipts bought back, the weighted average number of depositary receipts in issue in the financial year ended 30 June 2009 was 35,797,301.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

21. Issued share capital (continued)

As at 30 June 2009, 847,462 staff stock options were outstanding, representing 2.4 per cent of the current issued share capital. 131,462 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 131,462 outstanding options at the date of granting was assessed at €205,000, 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 per 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

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	324,278	324,392
Stock options granted	977	757
Stock options exercised	0	1,678
Release for issued bonus shares	(465)	(2,343)
Dividends paid	(8)	(206)
Book value at end of year	324,782	324,278

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

23. Other reserves

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	687,023	481,866
Profit previous financial year	51,278	220,908
Depositary receipts bought back	0	(19,988)
Stock options exercised	489	10,032
Foreign currency translation differences	(29,646)	(5,795)
Book value at end of year	709,144	687,023

24. Earnings per depositary receipt

Basic earnings per depositary receipt

The calculation of basic earnings per depositary receipt at 30 June 2009 was based on the result attributable to holders of depositary receipts of negative €180.7 million (30 June 2008: positive €110.3 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2009 of 35,797,301 (30 June 2008: 35,554,261), calculated as follows:

Result attributable to holders of depositary receipts:

	30-06-09 €'000	30-06-08 €'000
Result for the year	(180,705)	110,286

Weighted average number of depositary receipts:

	30-06-09	30-06-08
Issued depositary receipts at beginning of year	35,727,332	35,277,619
Effect of depositary receipts issued (stock dividend)	69,969	276,642
Weighted average number of depositary receipts at end of year	35,797,301	35,554,261

24. Earnings per depositary receipt (continued)

Diluted earnings per depositary receipts
The calculation of diluted earnings per depositary receipt at 30 June 2009 was based on the result attributable to holders of depositary receipts of negative €180.7 million (30 June 2008: positive €110.3 million) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2009 of 36,649,639 (30 June 2008: 36,466,989), calculated as follows:

Result attributable to holders of depositary receipts (diluted):

	30-06-09 €'000	30-06-08 €'000
Result for the year	(180,705)	110,286

Weighted average number of depositary receipts (diluted):

	30-06-09	30-06-08
Weighted average number of depositary receipts at end of year	35,797,301	35,554,261
Effect of issued options on depositary receipts	852,338	912,728
Weighted average number of depositary receipts (diluted) at end of year	36,649,639	36,466,989

25. Commitments not included in the balance sheet

As at 30 June 2009 bank guarantees have been issued for a total amount of €7.1 million. Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements for a total notional amount of €847 million (see also note 18 to the consolidated financial statements and note 12 to the Company financial statements).

As at 30 June 2009 the Group has no off balance sheet investment commitments.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €439,000 for the financial year 2008/2009 and approximately €1.1 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 €140,700 (2007/2008: €118,700) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-09 €'000	30-06-08 €'000
W.G. van Hassel	38.0	35.0
H.W. Bolland	28.0	25.0
J.H. Goris*	0	8.7
P.W. Haasbroek**	18.7	0
J.C. Pollock	28.0	25.0
A.E. Teeuw	28.0	25.0

* until 6 November 2007
** as from 4 November 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

26. Related parties (continued)

The Directors' fees also include an amount of €975,000 (2007/2008: €1,275,000) 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	
	30-06-09 €'000	30-06-08 €'000	30-06-09 €'000	30-06-08 €'000
Salary	451	450	334	318
Bonus	46	215	34	164
Pension premiums	0	0	37	38
Social security charges	63	84	10	6

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 beginning of year	120,000	120,000	240,000
Exercised	(20,000)	0	(20,000)
Granted	0	0	0
Number of options at end of year	100,000	120,000	220,000

The 20,000 options exercised by Mr J.P. Lewis during the year resulted in a gross option gain of €106,300 (10,000 and 10,000 options respectively sold at €30.25 and €30.02 respectively, all options with an exercise price of €24.82).

The outstanding 220,000 options held by the Board of Management represent 0.61 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 J.P. Lewis and entities associated with him hold 814,321 depositary receipts in total, representing 2.27 per cent of the issued share capital of the Company. Mr E.J. van Garderen holds 20,000 depositary receipts in total, representing 0.056 per cent of the issued share capital of the Company. Mr W.G. 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 7,000 depositary receipts representing 0.020 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). Most important 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	30-06-09 €'000	30-06-08 €'000
Property investments	3	**3,720**	91,770
Investments in subsidiaries	4	**690,985**	909,515
Due from subsidiaries	5	**345,383**	337,632
Tangible fixed assets	6	**1,145**	805
Derivative financial instruments		**110**	0
Total non-current assets		**1,041,343**	1,339,722
Property investments held for sale	3	**0**	10,860
Receivables		**316**	2,970
Cash and deposits	7	**1,942**	2,752
Total current assets		**2,258**	16,582
Total assets		**1,043,601**	1,356,304
Creditors		**2,878**	8,525
Due to subsidiaries		**7,198**	0
Borrowings	8	**0**	46,264
Total current liabilities		**10,076**	54,789
Provision for pensions		**445**	534
Total liabilities		**10,521**	55,323
Net assets		**1,033,080**	1,300,981
Shareholders' equity	9		
Issued share capital		**179,859**	179,394
Share premium reserve		**324,782**	324,278
Legal revaluation reserve		**427,712**	651,047
Currency translation reserve		**(20,761)**	(4,126)
Retained profit reserve		**302,193**	40,102
Undistributed income		**(180,705)**	110,286
		1,033,080	1,300,981

COMPANY PROFIT AND LOSS ACCOUNT

	2008/2009 €'000	2007/2008 €'000
Company profit after taxation	**24,994**	29,372
Result from subsidiaries after taxation	**(205,699)**	80,914
Result after taxation	**(180,705)**	110,286

NOTES TO THE COMPANY FINANCIAL STATEMENTS

As at 30 June 2009

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 2009 were as follows:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	102,630	102,130
Capital expenditure	0	155
Revaluation of property investments	(250)	305
Revaluation of property investments held for sale	(2,540)	40
Book value divestment property	(96,120)	0
Book value at end of year	3,720	102,630

4. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2009 were as follows:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	909,515	830,684
Foreign currency translation differences	(12,831)	(2,083)
Result from subsidiaries	(205,699)	80,914
Book value at end of year	690,985	909,515
Cost at end of year	264,085	264,085
Foreign currency translation differences	(15,445)	(2,614)
Cumulative result from subsidiaries	442,345	648,044
Book value at end of year	690,985	909,515

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

5. Due from subsidiaries

The balance at 30 June 2009 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., Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde Köpmannen 2, KB, Degeln 1, ECP Högsbo AB, ECP Karlskrona AB, ECP Moraberg Holding AB, ECP Moraberg KB, Eurocommercial Properties Sweden AB, Hälla Shopping Fastighets AB, Kronan Fastigheter i Karlskrona AB, Premi Fastighets AB and Samarkandfastigheter AB.

Most of these advances were made under long term loan facilities and the average interest rate of these advances is 5.6%.

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:

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	805	323
Additions	706	725
Depreciation	(366)	(243)
Book value at end of year	1,145	805
Cost at end of year	2,300	1,594
Accumulated depreciation	(1,155)	(789)
Book value at end of year	1,145	805

During the financial year ended 30 June 2009 no tangible fixed assets (30 June 2008: €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 and are freely available to the Company.

8. Borrowings

	30-06-09 €'000	30-06-08 €'000
Book value at beginning of year	46,264	86,388
Drawdown of funds	135,180	152,322
Repayments	(182,411)	(190,566)
Exchange rate movements	942	(1,855)
Movement borrowing costs	25	(25)
Book value at end of year	0	46,264

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
30-06-2008	179,394	324,278	651,047	(4,126)	40,102	110,286	1,300,981
Issued shares	465	(465)					0
Profit previous financial year					51,278	(51,278)	0
Result for the year						(180,705)	(180,705)
Dividends paid		(8)				(59,008)	(59,016)
Stock options exercised					489		489
Stock options granted		977					977
Foreign currency translation differences				(16,635)	(13,011)		(29,646)
Release from legal reserve			(223,335)		223,335		0
30-06-2009	**179,859**	**324,782**	**427,712**	**(20,761)**	**302,193**	**(180,705)**	**1,033,080**

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
30-06-2007	176,388	324,392	569,424	(546)	(87,012)	259,472	1,242,118
Issued shares	3,006	(2,343)					663
Profit previous financial year					220,908	(220,908)	0
Profit for the year						110,286	110,286
Dividends paid		(206)				(38,564)	(38,770)
Depositary receipts bought back					(19,988)		(19,988)
Stock options exercised		1,678			10,032		11,710
Stock options granted		757					757
Foreign currency translation differences				(3,580)	(2,215)		(5,795)
Addition to legal reserve			81,623		(81,623)		0
30-06-2008	179,394	324,278	651,047	(4,126)	40,102	110,286	1,300,981

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

Under the Netherlands Civil Code the Company has to maintain legal reserves, which comprise of the revaluation reserve and the currency translation reserve. The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than that of the Company, as well as from the translation of liabilities (including quasi equity loans) that hedge the Company's net investment in a foreign subsidiary. The amounts recognised by these reserves amount to €407 million and are not freely distributable. For dividend distribution however, both the retained profit reserve, share premium reserve and the undistributed income are available.

Holders of depositary receipts representing 5.7 per cent of the issued share capital (last year 35 per cent) opted for 93,110 bonus depositary receipts at an issue price of €38.50 from the Company's share premium reserve, instead of a cash dividend of €1.75 per depositary receipt for the financial year ended 30 June 2008. Accordingly, an amount of €3.4 million of the 2007/2008 direct investment result and an amount of €47.9 million of the 2007/2008 indirect investment result were taken to the retained profit reserve.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

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 June 30, 2009 is €175,000 (2007/2008: €155,000). The services rendered by the external audit firm during 2008/2009 and 2007/2008 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 2008/2009 this expense ratio amounted to 2.33 per cent (2007/2008: 2.34 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 €200.2 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €2.0 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 €64.7 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €5.0 million.

The Company has entered into a guarantee in favour of Monte Dei Paschi Di Siena S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €32.9 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 €3 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 €60 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 AB for debts incurred by Aktiebolaget Laholm Mellby 2:129, Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde K-mannen 2, Hälla Shopping Fastighets AB, Burlöv Centre Fastighets AB, Bergvik Köpet 3 KB and ECP Moraberg KB to an amount of SEK 1,883 million.

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

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB, French Branch, for debts incurred by Eurocommercial Properties France S.A.S. to an amount of €99 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 €847 million (see also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 25 August 2009

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

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

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 2011, 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 2009 comprised:

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

Provisions in the Articles of Association concerning the appropriation of income

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

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

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

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

Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders to be held at the Amstel Inter Continental Hotel, Prof. Tulpplein 1, Amsterdam on 3 November 2009 at 11.00 hours to distribute a cash dividend of €1.78 per depositary receipt (10 ordinary shares) for the financial year ended 30 June 2009 (30 June 2008: €1.75 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 30 October 2009. The distribution will be payable as from 30 November 2009. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15 per cent for The Netherlands and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2009/2010. Holders of depositary receipts are given the opportunity to make their choice known until and including 19 November 2009. 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

30 October 2009	Announcement of scrip issue price
3 November 2009	Annual General Meeting of Shareholders
5 November 2009	Ex-dividend date
6 November 2009	Announcement of first quarter results 2009/2010
30 November 2009	Dividend payment date
5 February 2010	Announcement of half year results 2009/2010
14 May 2010	Announcement of third quarter results 2009/2010
27 August 2010	Announcement of annual results 2009/2010
2 November 2010	Annual General Meeting of Shareholders

OTHER INFORMATION

Continued

Statements pursuant to the Netherlands Act on Financial Supervision

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

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

Holders of depositary receipts/ordinary shares with a holding of 5 per cent or more

Under the Netherlands Act on Financial Supervision, the Netherlands Authority for the Financial Markets has received notification from two holders of depositary receipts/ordinary shares with interests greater than 5 per cent in the Company. According to the latest notifications these interests were as follows:

Stichting Administratiekantoor Eurocommercial Properties (99.84 per cent) and the Government of Singapore (12.75 per cent).

The dates of the aforesaid notifications were 1 November 2006.

Stock market prices and turnover 2008/2009

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 Euronext 150 index and the Amsterdam Midkap (AMX) index.

		High	Low	Average
Closing price 30 June 2009 (€; depositary receipts)	21.95	32.28	17.76	24.60
Average daily turnover (in depositary receipts)	136,897			
Average daily turnover (€'000,000)	3.4			
Total turnover over the past 12 months (€'000,000)	860.1			
Market capitalisation (€'000,000)	786.7			
Total turnover divided by market capitalisation	109%			

Liquidity provider: ABN AMRO Bank
Amsterdams Effectenkantoor

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 2009

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

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 2009 (as set out on pages 47 to 80). 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 2009, the consolidated balance sheet as at 30 June 2009, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the financial year ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 30 June 2009, 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 2009, 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 2009, 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 f 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, 17 September 2009

Ernst & Young Accountants LLP

Signed by M.A. van Loo

DIRECTORY

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

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

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

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

M.V. Alvares, Group Systems
J.M. Camacho-Cabiscol, 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. Mijnssen

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

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