

# EUROCOMMERCIAL



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Eurocommercial is one of Europe's most experienced property investors, with a current retail property portfolio in France, Italy and Sweden valued at €3.6 billion with a programme of extensions and new projects.

Our focused strategy of acquiring retail properties in prime locations and continuously improving them, combined with our excellent tenant relationships, has resulted in a consistently high occupancy rate of 99% - the highest in the industry - assisting a record of long term rising dividends. Eurocommercial has been listed on Euronext Amsterdam for over 25 years.



All information provided on pages 1 to 9 of this report include joint ventures on a proportionally consolidated basis.

## Half year results at 31 December 2016

- Solid increases in rental income and asset values
- Property acquisitions totalling €179 million in France and Sweden

### **Direct investment result: €51.5m (€1.07 per DR) +5.4%**

The direct investment result for the six months to 31 December 2016 rose 5.4% to €51.5 million from €48.8 million for the same period in 2015. The direct investment result is defined as net property income less net interest expenses and company expenses after taxation and, in the view of the Board, more accurately represents the underlying profitability of the Company than IFRS “profit after tax” which must include unrealised capital gains and losses. The direct investment result per depositary receipt (DR) rose 3.9% to €1.07 at 31 December 2016 from €1.03 at 31 December 2015 in spite of the 1.3% increase in the average number of depositary receipts in issue over the 12 month period.

### **Net property income: €78.8m +6.7%**

Rental income, including joint ventures (on the basis of proportional consolidation), for the six months to 31 December 2016, after deducting net service charges and direct and indirect property expenses (branch overheads), increased by 6.7% to €78.8 million compared with €73.9 million for the six months to 31 December 2015. The contribution from acquisitions helped to offset the impact of property sales and the temporary loss of income at Amiens, Carosello, I Gigli and Eurostop Halmstad due to the rebuilding and extensions taking place at these centres during the 2016/17 financial year.

### **Adjusted net asset value: €43.00**

Adjusted net asset value at 31 December 2016 increased by 6.2% to €43.00 per depositary receipt from €40.49 at 31 December 2015 but was unchanged since 30 June 2016 after allowing for additional depositary receipts issued during the period.

### **Acquisitions**

During the six month period, Eurocommercial entered into an agreement for the acquisition of a 31,600m<sup>2</sup> shopping centre and adjoining hypermarket-anchored retail boxes under development in Kristianstad, Sweden, with a conditional commitment to purchase an additional 20,500m<sup>2</sup> retail park on the site. The project is expected to be completed by the end of 2018.

The Company also acquired the 15,500m<sup>2</sup> Géant hypermarket and surrounding parking at its Centr’Azur shopping centre in Hyères, France.

### **IFRS results**

The IFRS net asset value, which, unlike the adjusted net asset value, includes the negative fair value of financial derivatives (interest rate swaps) and contingent capital gains tax liabilities, was €37.66 per depositary receipt at 31 December 2016 compared with €37.34 at 30 June 2016 and €35.64 at 31 December 2015.

The IFRS profit after taxation for the six months to 31 December 2016 decreased slightly to €115.2 million from €115.9 million for the same period in 2015, due largely to the lower investment revaluation and disposal of investment properties figure amounting to €55.6 million compared with €97.5 million for the previous corresponding period. The fair value movement in derivative financial instruments was positive at €30.7 million for the six months to 31 December 2016 compared with a negative figure of €5.4 million for the previous period. Deferred tax increased to €23.1 million from €21.9 million due to higher property values. Interest expenses increased by 5.6% to €20.0 million in the six months to 31 December 2016 compared to the six months to 31 December 2015 due to a slightly higher level of borrowings and fixing interest rates for new longer terms.

## Rental growth

222 leases were renewed or re-let in Eurocommercial's centres during the twelve month period, resulting in an average uplift in minimum guaranteed rent for those shops of 14%. The like for like (same floor area) rents of all Eurocommercial's galleries increased by 1.8% overall at 31 December 2016 compared with 31 December 2015 in spite of zero indexation. Rental indexation to be applied to rents in calendar year 2017 is slightly above zero in France and Italy and just above 1% in Sweden.

The rent figures compare tenancy schedules at the relevant dates and include indexation and turnover rents.

	Average rental uplift on relettings and renewals	Number of relettings and renewals	% of total leases relet and renewed	Overall like for like rental growth
Overall	+14%	222	14%	+1.8%
France	+4%	44	9%	+1.0%
Italy	+20%	135	15%	+2.1%
Sweden	+10%	43	20%	+2.3%

## Retail sales

Like for like retail sales in Eurocommercial's shopping centres for the twelve months to 31 December 2016 compared with the previous corresponding period were essentially flat. Following a very strong performance in all three countries in calendar year 2015, turnover plateaued during 2016.

### Like for like retail sales by country\*

	12 months to December 2016	3 months to December 2016
Overall	-0.1%	+0.5%
France	-2.2%	-0.4%
Italy	+0.3%	+0.8%
Sweden	+2.6%	+1.7%

\* Excluding hypermarkets, Systembolaget and extensions/redevelopments.

### Like for like retail sales by sector\*

	12 months to December 2016	3 months to December 2016
Fashion	-0.7%	+0.9%
Shoes	-0.3%	+6.4%
Health & Beauty	+2.3%	+3.2%
Gifts & Jewellery	+5.2%	+3.9%
Sport	-0.3%	+3.5%
Home Goods	+0.5%	-0.2%
Restaurants	-0.1%	+1.9%
Electricals	-2.2%	-3.1%
Hyper/supermarkets	+1.5%	+1.8%

\* Excluding extensions/redevelopments.

## Occupancy cost ratios (OCR)

The total occupancy cost ratio (rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT) for Eurocommercial galleries excluding hypermarkets and Systembolaget (the Swedish government-owned monopoly alcohol retailer) at the end of the period was 8.3% overall.

### Gallery occupancy cost ratios at 31 December 2016\*

	OCR with turnover including VAT
Overall	8.3%
France	8.8%
Italy	8.1%
Sweden	7.7%

\* Excluding hypermarkets and Systembolaget.

## Vacancies and arrears

Total vacancies for the portfolio at 31 December 2016 represent less than 0.5% of rental income.

Rental arrears of more than 90 days for the total Eurocommercial portfolio are less than 1% of total income. Out of a total of almost 1,750 shops, there are eight tenants in administration - four in France and four in Italy - occupying a total of 11 units. All of these tenants continue to pay their rent in full.

## Property valuations

All of the Company's properties were independently valued as usual at 31 December 2016 in accordance with the rules set out in the "Red Book" of the Royal Institution of Chartered Surveyors (RICS), the International Valuation Standards and IAS40, with the exception of the C4 Shopping project which was valued at cost. The net yield figures provided in the following tables are the result of dividing the Company's expected net income for the coming year by the valuation figure to which has been added the relevant standardised market allowance for deemed purchaser's costs (usually notional transfer taxes) in the particular market. The objective is to replicate the calculations of a professional institutional investor.

Overall, the property portfolio increased in value by 3.9%, or €137.2 million, on a like for like basis when compared with December 2015 and 1.6%, or €57.4 million, when compared with June 2016.

The overall net initial yield on valuations for Eurocommercial's properties was 5.0%. The net initial yield was 4.3% in France, 5.6% in Italy and 4.9% in Sweden. These average yield figures exclude Eurostop Halmstad and C4 Shopping in Kristianstad which are both under development.

### Valuations at 31 December 2016

	Valuation increase		Net initial yield including purchase costs	
	Twelve months to 31 December 2016	Six months to 31 December 2016	At 31 December 2016	
Overall	+3.9% +€137.2m	+1.6% +€57.4m	5.0%	
France	+5.0%	+1.5%	4.3%	
Italy	+2.1%	+1.3%	5.6%	
Sweden	+6.0%	+2.5%	4.9%	

## Valuations by property

	Net value 31/12/16	Net initial yield including purchase costs 31/12/16
<b>France (€ million)</b>		
Passage du Havre, Paris <sup>4</sup>	405.70	3.7%
Les Atlantes, Tours <sup>3</sup>	152.80	4.5%
Val Thoiry, Greater Geneva <sup>3</sup>	144.00	4.6%
Centr'Azur, Hyères <sup>4</sup>	*92.80	4.9%
Chasse Sud, Chasse-sur-Rhône <sup>3</sup>	88.80	5.1%
Plaine de France, Moisselles <sup>4</sup>	81.00	4.9%
74 rue de Rivoli, Paris <sup>3</sup>	73.30	3.3%
Les Portes de Taverny, Taverny <sup>3</sup>	68.10	4.7%
Amiens Glisy, Amiens <sup>3</sup>	60.40	5.3%
Shopping Etrembières, Greater Geneva <sup>2</sup> (JV)	50.70	4.9%
Les Allées de Cormeilles, Cormeilles <sup>3</sup>	48.00	5.0%
Les Trois Dauphins, Grenoble <sup>3</sup>	40.80	5.0%
Les Grands Hommes, Bordeaux <sup>3</sup>	19.00	3.4%
<b>FRANCE TOTAL</b>	<b>1,325.40</b>	<b>4.3%</b>
<b>Italy (€ million)</b>		
I Gigli, Florence <sup>2</sup>	399.30	5.4%
Carosello, Carugate, Milan <sup>3</sup>	332.20	5.2%
Fiordaliso, Rozzano, Milan <sup>3</sup> (JV)	145.40	5.4%
Collestrada, Perugia <sup>2</sup>	**118.60	5.7%
Il Castello, Ferrara <sup>3</sup>	116.00	5.6%
Curno, Bergamo <sup>1</sup>	112.90	5.7%
Cremona Po, Cremona <sup>1</sup>	86.70	6.2%
Centro Leonardo, Imola <sup>1</sup>	71.60	5.7%
I Portali, Modena <sup>1</sup>	48.50	5.8%
La Favorita, Mantova <sup>2</sup>	48.50	6.1%
Centro Lama, Bologna <sup>1</sup>	39.90	6.1%
Centroluna, Sarzana <sup>2</sup>	26.00	6.3%
<b>ITALY TOTAL</b>	<b>1,545.60</b>	<b>5.6%</b>
<b>Sweden (SEK million)</b>		
Bergvik, Karlstad <sup>2</sup>	1,465.00	4.8%
Ingelsta Shopping, Norrköping <sup>3</sup>	1,183.00	5.0%
Grand Samarkand, Växjö <sup>2</sup>	1,124.00	4.5%
Eurostop, Halmstad <sup>3</sup> ***	945.00	-
Elins Esplanad, Skövde <sup>2</sup>	822.00	4.8%
421, Göteborg <sup>3</sup>	794.00	5.2%
C4 Shopping, Kristianstad ***	462.00	-
Moraberg, Södertälje <sup>3</sup>	460.00	5.3%
Mellby Center, Laholm <sup>2</sup>	185.00	5.5%
<b>SWEDEN TOTAL</b>	<b>7,440.00</b>	<b>4.9%</b>

\* Includes acquisition of adjoining hypermarket.

\*\* Includes acquisition of adjoining land.

\*\*\* Yield figures are not provided as these properties are under development.

Valuations by: <sup>1</sup> CBRE, <sup>2</sup> Cushman & Wakefield, <sup>3</sup> JLL, <sup>4</sup> Knight Frank

## Funding

During the period, holders of depositary receipts (DRs) representing 27.0% (2015: 26.8%) of the issued share capital opted to take up 616,025 bonus DRs (2015: 577,188) at an issue price of €43.05 (2015: €43.56) from the Company's share premium reserve, instead of a cash dividend of €2.05 (2015: €1.98) per depositary receipt for the financial year ended 30 June 2016. Accordingly, of the available dividend of €98.4 million, an amount of €26.5 million was not paid out in cash. The total number of depositary receipts outstanding at 31 December 2016, after the deduction of 262,230 depositary receipts bought back, was 48,631,957.

During the six month period to 31 December 2016, new long term loans amounting to €249 million were concluded, including a new 15 year loan for an amount of €84 million with Deutsche Hypo at a fixed interest rate of 2.1% on four French retail properties replacing a loan expiring in 2018. The other major loans concluded were a five year loan for an amount of €80 million with Intesa Sanpaolo with an extension option for another five years and a SEK 690 million (€72 million) fixed rate bullet loan with a term of seven years with Allianz Real Estate on the Bergvik shopping centre.

On the basis of proportional consolidation, the net debt to adjusted net equity ratio at 31 December 2016 was 72% and the net loan to property value was 41%.

Number of shares in issue	48.63 million
Shareholders' adjusted net equity	€2.09 billion
Net debt	€1.50 billion
Net debt to adjusted net equity ratio	72%
Net loan to property value ratio	41%
Average loan term	c. 5 years
Average fixed interest period	c. 7 years
Overall interest cost (including margin)	2.7%

## Non-current borrowings maturity and amortisation schedule at 31 December 2016\*

	€ million
2018	111
2019	79
2020	192
2021	408
2022	294
2023	98
2024	4
2025	4
2026	4
2027 +	112

\* Maturities are stated on a proportionally consolidated basis by calendar year.

## Country commentary

### France

Retail sales in Eurocommercial's French properties were adversely impacted during 2016 by the reduced numbers of visitors to Paris, which affected the Passage du Havre and Rue de Rivoli. Excluding Paris, which represents 30% of Eurocommercial's French retail sales, turnover in France was stable for the 12 month period and +2.4% for the three months to December 2016. Turnover in its provincial shopping centres was essentially flat for the period, although the two retail parks registered considerable uplifts.

At the end of 2016, Eurocommercial acquired the 15,500m<sup>2</sup> hypermarket at its Centr'Azur shopping centre in Hyères, along with some external units of 1,300m<sup>2</sup> together with all parking, from Groupe Casino for a gross price of €40 million, representing a net initial yield of 4.7%. Géant will continue to operate the hypermarket under a long term lease. The acquisition increases Eurocommercial's ownership of the property to 100% and provides the opportunity to further develop the centre through an extension of the gallery in due course to facilitate the arrival of at least one new major tenant by utilising a part of the hypermarket area.

Fnac has recently reached agreement with the trade unions to permit Sunday openings at the Passage du Havre. The centre is therefore expected to open seven days a week from the spring. The sandwich operator, Pret a Manger, will also open in Passage du Havre in April 2017, enhancing the food offer in this busy central Parisian location. The reletting will produce an uplift in rent of more than 30% for the unit.

The 5,000m<sup>2</sup> extension of Amiens Glisy is underway with 80% of the new space now pre-let or under offer. The project is due to be completed by the end of 2017. H&M will anchor the extension with a 2,000m<sup>2</sup> store.

The opening of a new 1,500m<sup>2</sup> Decathlon store in Val Thoiry in November 2016 was well received by visitors, with overall retail sales for the centre up more than 12% for the November-December period.

### Italy

Retail sales turnover in Eurocommercial's Italian centres slowed during 2016 in comparison with the strong numbers in 2015. The current political uncertainty has led to consumer caution and increased savings during the year. The reorganisation works taking place at I Gigli have also weighed on turnovers. The works will be completed and the new stores, including Primark, will open in the middle of 2017 and will significantly boost the centre's performance.

The new 6,800m<sup>2</sup> unit at I Gigli has been handed over to Primark who is now fitting out the store in preparation for opening in mid-2017. This will be the third Primark in Italy and the first in Tuscany. The adjoining 3,340m<sup>2</sup> Zara store will open at the beginning of March, together with new units for Sephora and Piazza Italia, thereby confirming I Gigli's status as Italy's most visited shopping centre currently with around 19 million annual visitors.

A change to regional planning law has now been approved, which will enable Eurocommercial to submit a planning application for a significant extension of Collestrada in Perugia. The necessary land has already been acquired next to the centre to help facilitate this. There is significant demand from major international and local retailers to come to the centre, as well as from tenants wishing to expand existing stores.

In October 2016 three major new retailers opened in Carosello in Milan – department store Coin (2,900m<sup>2</sup>), national shoe chain Scarpe & Scarpe (1,400m<sup>2</sup>) and Danish household goods retailer Flying Tiger (435m<sup>2</sup>) – utilising space vacated by the downsized Carrefour hypermarket. From October to December 2016, visitor numbers at the shopping centre increased by over 7% compared to the same period last year.



## Sweden

Retail sales turnover has been consistently positive across the Swedish portfolio in 2016 and the Company outperformed the national shopping centre index for all quarters during the calendar year.

In October 2016, Eurocommercial signed a contract to acquire a 31,600m<sup>2</sup> shopping centre and 9,000m<sup>2</sup> hypermarket with adjoining retail boxes under development in Kristianstad, in the southern Swedish region of Skåne. The net acquisition yield was 6% and the total purchase cost will be around SEK 1.325 billion (c. €139 million), depending on the level of net rental income achieved. The adjoining hypermarket box is due to open at the end of 2017, while the shopping centre, which will be known as C4 Shopping, is expected to complete at the end of 2018.

Eurocommercial has also conditionally committed to acquire a 20,500m<sup>2</sup> retail park on the site which, if acquired, will cost around SEK 350 million (c. €37 million) on a net acquisition yield of 6.5%. Kristianstad is approximately one hour's drive north-east of Malmö and is the regional capital of a catchment of 300,000 people which does not currently have any major out-of-town shopping centres.

The first eight new shops at Eurostop Halmstad opened in November 2016, marking the completion of the first phase of the 16,000m<sup>2</sup> extension and refurbishment. More than 90% of the total additional space has already been pre-let ahead of the grand opening at the end of 2017, with strong demand from retailers to take the remaining space.

## Market commentary

Despite looming national elections in France, Italy, Germany and the Netherlands, investment property markets in these countries, together with Sweden, remain strong with a scarcity of supply. Yields have consequently fallen leading to an increase in valuations, notwithstanding increases in government bond yields of major European countries and slightly higher interest swap rates.

The euro has been relatively stable against the US dollar but has risen against sterling as a result of Brexit concerns, which, whilst potentially significant to the UK, are not seen as a major disruption by the remaining 27 members of the European Union.

## Extensions and refurbishments

### Committed pipeline

Shopping centre	Project	Expected cost (€m)	Cost to date (€m)	Expected net return on cost	Expected completion
Amiens Glisy, Amiens	5,000m <sup>2</sup> extension	19	8	6.5%	End 2017
Plaine de France, Moisselles	Refurbishment	3.5	1.5	-	End 2017
I Gigli, Florence	Hypermarket and gallery acquisition, restructuring and refurbishment	100	91	5.5%	Mid 2017
Fiordaliso, Rozzano, Milan	Refurbishment	4	0.4	-	End 2017
Eurostop, Halmstad	16,000m <sup>2</sup> extension and refurbishment	75	28	7%	End 2017
C4 Shopping, Kristianstad	9,000m <sup>2</sup> hypermarket box	139	48	6%	End 2017
	31,600m <sup>2</sup> shopping centre				End 2018
	20,500m <sup>2</sup> retail park (subject to conditions)				6.5%
<b>TOTAL</b>		<b>€377.5m</b>	<b>€176.9m</b>		

### Potential future extensions and refurbishments

In addition to the committed projects, the Company is working towards enhancement of a number of other properties over the next 10 years. None, however, have yet received the required planning authorisations to proceed.

Shopping centre	Proposed project
Les Atlantes, Tours	15,000m <sup>2</sup> extension and refurbishment
Val Thoiry, Greater Geneva	25,000m <sup>2</sup> extension and refurbishment
Shopping Etrembières, Greater Geneva	5,000m <sup>2</sup> extension and refurbishment
Les Grands Hommes, Bordeaux	Reorganisation and refurbishment
Carosello, Carugate, Milan	23,000m <sup>2</sup> extension
Curno, Bergamo	3,500m <sup>2</sup> new restaurants
Collestrada, Perugia	16,500m <sup>2</sup> extension and refurbishment
I Portali, Modena	13,000m <sup>2</sup> extension and refurbishment
Ingelsta Shopping, Norrköping	8,000m <sup>2</sup> extension
Grand Samarkand, Växjö	10,000m <sup>2</sup> extension
Elins Esplanad, Skövde	5,000m <sup>2</sup> extension

## **Responsibility statement**

We hereby state that to the best of our knowledge, and in accordance with the applicable IFRS reporting principles for interim financial reporting, that the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the interim management report of the Board of Management includes the most important transactions with related parties as well as a fair review of the development and performance of the business during the reporting period and the position of the Group at the balance sheet date, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the current financial year.

## **Risk**

Reference is made to the 2015/2016 Annual Report with regards to existing risks, which have not materially changed. However, it is not possible to rule out potential changes in taxation which could have an impact in future years.

Amsterdam, 10 February 2017

## **Board of Management**

J.P. Lewis, Chairman

E.J. van Garderen

## **Conference call and webcast**

Eurocommercial will host a conference call and audio webcast today, Friday 10 February 2017, at 9:00 AM (UK) / 10:00 AM (CET) for investors and analysts. To access the call, please dial **+44 (0)1452 555 566** approximately 5-10 minutes before the start of the conference and ask to be connected to the Eurocommercial call using the conference ID number of **50537555**. The call will also be audio webcast at [www.eurocommercialproperties.com/financial/webcast](http://www.eurocommercialproperties.com/financial/webcast).

At all other times, management can be reached at +31 (0)20 530 6030 or +44 (0)20 7925 7860.

## Statement of consolidated direct, indirect and total investment results\*

(€'000)	Six months ended 31-12-16	Six months ended 31-12-15	Second quarter ended 31-12-16	Second quarter ended 31-12-15
Rental income	90,432	86,646	45,193	43,752
Service charge income	14,604	14,810	5,825	6,747
Service charge expenses	(16,510)	(16,497)	(6,808)	(7,712)
Property expenses	(15,038)	(14,029)	(8,589)	(8,252)
Interest income	17	1,036	3	850
Interest expenses	(19,981)	(18,927)	(9,971)	(9,500)
Company expenses	(6,295)	(6,265)	(3,130)	(3,445)
Other income	612	0	284	0
Current tax	(131)	(4)	(8)	3
Direct investment result properties 100% owned	47,710	46,770	22,799	22,443
Direct investment result joint ventures	3,775	2,075	1,841	1,524
<b>Total direct investment result</b>	<b>51,485</b>	<b>48,845</b>	<b>24,640</b>	<b>23,967</b>
Investment revaluation and disposal of investment properties	55,568	97,537	56,729	97,972
Fair value movement derivative financial instruments	30,688	(5,399)	30,400	5,246
Investment expenses	(481)	(374)	(273)	(325)
Deferred tax	(23,099)	(21,922)	(21,368)	(19,285)
Indirect investment result properties 100% owned	62,676	69,842	65,488	83,608
Indirect investment result joint ventures	1,082	(2,769)	1,634	(2,758)
<b>Total indirect investment result</b>	<b>63,758</b>	<b>67,073</b>	<b>67,122</b>	<b>80,850</b>
<b>Total investment result</b>	<b>115,243</b>	<b>115,918</b>	<b>91,762</b>	<b>104,817</b>
Per depositary receipt (€)**				
Direct investment result	1.07	1.03	0.51	0.51
Indirect investment result	1.32	1.41	1.39	1.70
<b>Total investment result</b>	<b>2.39</b>	<b>2.44</b>	<b>1.90</b>	<b>2.21</b>

## Statement of adjusted net equity\*

(€'000)	31-12-16	30-06-16	31-12-15
IFRS net equity per consolidated statement of financial position	1,831,671	1,791,670	1,709,667
Derivative financial instruments	142,443	175,456	138,129
Deferred tax liabilities	111,832	90,569	91,390
Derivative financial instruments and deferred tax liabilities joint ventures	5,430	5,287	3,384
<b>Adjusted net equity</b>	<b>2,091,376</b>	<b>2,062,982</b>	<b>1,942,570</b>

Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	48,631,957	47,978,844	47,976,344
Net asset value - € per depositary receipt (IFRS)	37.66	37.34	35.64
Adjusted net asset value - € per depositary receipt	43.00	43.00	40.49
Stock market prices - € per depositary receipt	36.59	38.45	39.80

\* These statements contain additional information which is not part of the IFRS financial statements.

\*\* The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares. The average number of depositary receipts on issue during the period was 48,100,806 compared with 47,488,884 for the six months to 31/12/15, an increase of 1.3%.

## EPRA performance measures\*

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

	(€ million)		Per depositary receipt (€)	
	31-12-16	30-06-16	31-12-16	30-06-16
EPRA NAV**	2,091.3	2,063.1	42.60	42.66
EPRA NNAV**	1,856.3	1,822.2	37.81	37.68

EPRA earnings are €51.3 million over the six month period to 31 December 2016 (six month period to 31 December 2015: €48.5 million). The EPRA earnings per depositary receipt are €1.07 over the six month period to 31 December 2016 (six month period to 31 December 2015: €1.02). The average number of depositary receipts on issue over the six months was 48,100,806 compared with 47,488,884 for the six months to 31 December 2015.

	France		Italy		Sweden		Total	
	31-12-16 %	30-06-16 %	31-12-16 %	30-06-16 %	31-12-16 %	30-06-16 %	31-12-16 %	30-06-16 %
EPRA net initial yield	4.3	4.4	5.7	5.7	5.1	5.1	5.0	5.1
EPRA topped up yield	4.4	4.5	5.7	5.8	5.1	5.1	5.1	5.2
EPRA vacancy rate	0.6	1.2	0.3	0.6	0.5	0.5	0.4	0.8

## Reconciliation NAV, EPRA NAV and EPRA NNAV\*

	(€ million)		Per depositary receipt (€)	
	31-12-16	30-06-16	31-12-16	30-06-16
Equity as per consolidated statement of financial position	1,831.7	1,791.7	37.66	37.34
Derivative financial instruments	142.4	175.5		
Deferred tax liabilities	111.8	90.6		
Derivative financial instruments and deferred tax liabilities joint ventures	5.4	5.3		
<b>EPRA NAV**</b>	<b>2,091.3</b>	<b>2,063.1</b>	<b>42.60</b>	<b>42.66</b>
Derivative financial instruments	(142.4)	(175.5)		
Deferred tax liabilities***	(65.0)	(47.1)		
Derivative financial instruments and deferred tax liabilities joint ventures	(5.4)	(5.3)		
Fair value borrowings	(22.2)	(13.0)		
<b>EPRA NNAV**</b>	<b>1,856.3</b>	<b>1,822.2</b>	<b>37.81</b>	<b>37.68</b>

## Reconciliation EPRA net initial yield and EPRA topped up yield\*

(€ million)	France		Italy		Sweden		Total	
	31-12-16	30-06-16	31-12-16	30-06-16	31-12-16	30-06-16	31-12-16	30-06-16
Property investments	1,280.3	1,217.7	1,400.2	1,355.9	778.8	707.3	3,459.3	3,280.9
Property/land held for development	(27.2)	(23.4)	(7.9)	0	(147.2)	(80.9)	(182.3)	(104.3)
Investments in joint ventures	45.1	44.4	145.4	144.4	0	0	190.5	188.8
Property investments held for sale	0	0	0	0	0	19.6	0	19.6
Property investments completed	1,298.2	1,238.7	1,537.7	1,500.3	631.6	646.0	3,467.5	3,385.0
Purchasers' costs	90.8	86.4	61.5	59.9	6.3	6.5	158.6	152.8
Gross value property investments completed	1,389.0	1,325.1	1,599.2	1,560.2	637.9	652.5	3,626.1	3,537.8
Annualised net rents (EPRA NIY)	60.0	58.6	90.6	89.7	32.2	33.3	182.8	181.6
Lease incentives (incl. rent free periods)	0.4	0.4	0.2	0.1	0.2	0.2	0.8	0.7
Annualised rents (EPRA topped up yield)	60.4	59.0	90.8	89.8	32.4	33.5	183.6	182.3

\* These statements contain additional information which is not part of the IFRS financial statements.

\*\* EPRA NAV and EPRA NNAV per depositary receipt are based on the diluted number of depositary receipts. The diluted number of depositary receipts on issue at 31 December 2016 was 49,094,390 compared with 48,359,535 at 30 June 2016.

\*\*\* The calculation of the deferred tax liabilities takes into account the likelihood that the Company can recover the deferred tax in the case of a possible sale.

## Condensed consolidated statement of profit or loss

(€'000)	Note	Six months ended 31-12-16	Six months ended 31-12-15
Rental income		90,432	86,646
Service charge income		14,604	14,810
<b>Total revenue</b>		<b>105,036</b>	<b>101,456</b>
Service charge expenses		(16,510)	(16,497)
Property expenses	4	(15,038)	(14,029)
<b>Net property income</b>		<b>73,488</b>	<b>70,930</b>
Share of result of joint ventures		4,857	(694)
Investment revaluation and disposal of investment properties	5	55,568	97,537
Company expenses	7	(6,290)	(6,136)
Investment expenses		(486)	(503)
Other income		612	0
<b>Operating result</b>		<b>127,749</b>	<b>161,134</b>
Interest income	6	17	1,036
Interest expenses	6	(19,981)	(18,927)
Fair value movement derivative financial instruments	6	30,688	(5,399)
<b>Net financing cost</b>	6	<b>10,724</b>	<b>(23,290)</b>
<b>Profit before taxation</b>		<b>138,473</b>	<b>137,844</b>
Current tax		(131)	(4)
Deferred tax	14	(23,099)	(21,922)
<b>Total tax</b>		<b>(23,230)</b>	<b>(21,926)</b>
<b>Profit after taxation</b>		<b>115,243</b>	<b>115,918</b>
<b>Per depositary receipt (€)*</b>			
Profit after taxation		2.39	2.44
Diluted profit after taxation		2.38	2.42

## Condensed consolidated statement of comprehensive income

(€'000)	Six months ended 31-12-16	Six months ended 31-12-15
<b>Profit after taxation</b>	<b>115,243</b>	<b>115,918</b>
Foreign currency translation differences (to be recycled through profit or loss)	(4,190)	1,422
Actuarial result on pension scheme (not to be recycled through profit or loss)	(424)	2,634
<b>Other comprehensive income</b>	<b>(4,614)</b>	<b>4,056</b>
<b>Total comprehensive income</b>	<b>110,629</b>	<b>119,974</b>
<b>Per depositary receipt (€)*</b>		
Total comprehensive income	2.30	2.53
Diluted total comprehensive income	2.28	2.51

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

## Condensed consolidated statement of financial position

(€'000)	Note	31-12-16	30-06-16
Property investments	8	3,405,357	3,275,928
Property investments under development		53,918	5,000
Investments in joint ventures	9	95,425	90,596
Tangible fixed assets		1,668	1,899
Receivables	10	249	247
<b>Total non-current assets</b>		<b>3,556,617</b>	<b>3,373,670</b>
Receivables	10	37,183	32,874
Cash and deposits		25,162	124,452
<b>Total current assets</b>		<b>62,345</b>	<b>157,326</b>
Property investments held for sale		0	19,630
<b>Total assets</b>		<b>3,618,962</b>	<b>3,550,626</b>
Creditors	11	77,224	78,136
Borrowings	12	232,684	183,586
<b>Total current liabilities</b>		<b>309,908</b>	<b>261,722</b>
Creditors	11	10,861	10,106
Borrowings	12	1,211,828	1,221,103
Derivative financial instruments	13	142,443	175,456
Deferred tax liabilities	14	111,832	90,569
Provisions for pensions		419	0
<b>Total non-current liabilities</b>		<b>1,477,383</b>	<b>1,497,234</b>
<b>Total liabilities</b>		<b>1,787,291</b>	<b>1,758,956</b>
<b>Net assets</b>		<b>1,831,671</b>	<b>1,791,670</b>
<b>Equity Eurocommercial Properties shareholders</b>	15		
Issued share capital		244,471	241,291
Share premium reserve		519,732	522,063
Other reserves		952,225	820,917
Undistributed income		115,243	207,399
<b>Total equity</b>		<b>1,831,671</b>	<b>1,791,670</b>

## Condensed consolidated statement of cash flows

For the six months ended (€'000)	Note	31-12-16	31-12-15
<b>Cash flow from operating activities</b>			
Profit after taxation		115,243	115,918
Adjustments:			
Increase in receivables	10	(4,361)	(2,470)
Decrease in creditors	11	(1,026)	(105)
Interest income		(17)	(1,036)
Interest expenses		19,981	18,927
Movement performance shares granted		672	210
Investment revaluation and disposal of investment properties		(55,467)	(98,453)
Derivative financial instruments		(30,688)	5,399
Deferred tax	14	23,099	21,922
Current tax		131	4
Other movements		106	254
Share of result of joint ventures		(4,857)	694
		<b>62,816</b>	<b>61,264</b>
<b>Cash flow from operations</b>			
Current tax paid		(4)	(359)
Derivative financial instruments settled		(2,090)	(9,281)
Borrowing costs		(2,147)	(196)
Interest paid		(19,282)	(17,605)
Interest received		14	344
		<b>(23,509)</b>	<b>(27,097)</b>
Total cash flow from operating activities		<b>39,307</b>	<b>34,167</b>
<b>Cash flow from investing activities</b>			
Acquisitions	8	(86,212)	(171,512)
Capital expenditure	8	(44,518)	(32,890)
Sale of investment		11,656	0
Investments in joint ventures	9	0	(32,997)
Loan to joint ventures		0	(114,003)
Additions to tangible fixed assets		(145)	(537)
		<b>(119,219)</b>	<b>(351,939)</b>
<b>Cash flow from financing activities</b>			
Borrowings added	12	322,902	311,789
Repayment of borrowings	12	(271,403)	(48,327)
Stock options exercised		649	7
Performance shares settled- shares issued		(59)	(78)
Dividends paid	15	(71,890)	(68,691)
Increase/decrease in non-current creditors		1,017	(287)
		<b>(18,784)</b>	<b>194,413</b>
<b>Net cash flow</b>		<b>(98,696)</b>	<b>(123,359)</b>
Currency differences on cash and deposits		(594)	(50)
Decrease in cash and deposits		(99,290)	(123,409)
Cash and deposits at beginning of period		124,452	169,133
Cash and deposits at end of period		<b>25,162</b>	<b>45,724</b>



## Condensed consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the six months period ended 31 December 2016 were:

(€'000)	Issued share capital	Share premium reserve	Other reserve	Undistributed income	Total
<b>30-06-2016</b>	<b>241,291</b>	<b>522,063</b>	<b>820,917</b>	<b>207,399</b>	<b>1,791,670</b>
Profit after taxation				115,243	115,243
Other comprehensive income			(4,614)		(4,614)
Total comprehensive income	0	0	(4,614)	115,243	110,629
Profit previous financial year			135,527	(135,527)	0
Issued shares	3,080	(3,080)			0
Dividends paid		(18)		(71,872)	(71,890)
Performance shares granted		672			672
Performance shares settled- shares issued	100	586	(745)		(59)
Performance shares vested		(491)	491		0
Stock options exercised			649		649
<b>31-12-2016</b>	<b>244,471</b>	<b>519,732</b>	<b>952,225</b>	<b>115,243</b>	<b>1,831,671</b>

The movements in shareholders' equity in the previous six months period ended 31 December 2015 were:

(€'000)	Issued share capital	Share premium reserve	Other reserve	Undistributed income	Total
30-06-2015	238,353	524,098	728,020	167,774	1,658,245
Profit after taxation				115,918	115,918
Other comprehensive income			4,056		4,056
Total comprehensive income	0	0	4,056	115,918	119,974
Profit previous financial year			99,087	(99,087)	0
Issued shares	2,886	(2,886)			0
Dividends paid		(4)		(68,687)	(68,691)
Performance shares granted		210			210
Performance shares settled- shares issued	52	363	(493)		(78)
Performance shares vested		(242)	242		0
Stock options exercised			7		7
31-12-2015	241,291	521,539	830,919	115,918	1,709,667

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### General

Eurocommercial Properties N.V. (the Company) domiciled in Amsterdam, the Netherlands, is a closed-end property investment company. The consolidated financial statements of the Company for the financial year starting 1 July 2016 and ending 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). This half year report includes the figures for the six month period from 1 July 2016 to 31 December 2016. The interim financial information has not been audited.

### 1. Principal accounting policies

#### (a) Statement of compliance

The interim condensed consolidated financial statements for the six month period ending 31 December 2016 have been drawn up in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (IFRS) as per 31 December 2016. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

#### b) Change in accounting policies, reclassifications, amendments and improvements to IFRS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 2. Segment information 2016

(€ '000)					Total	Adjustments	Total
For the six months period ended				The	proportional	joint	IFRS
31/12/2016	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Rental income	30,828	47,697	17,829	0	96,354	(5,922)	90,432
Service charge income	5,726	5,024	5,469	0	16,219	(1,615)	14,604
Service charge expenses	(6,570)	(5,008)	(6,552)	0	(18,130)	1,620	(16,510)
Property expenses	(4,103)	(8,754)	(2,737)	0	(15,594)	556	(15,038)
Net property income	25,881	38,959	14,009	0	78,849	(5,361)	73,488
Share of result of joint ventures						4,857	4,857
Investment revaluation and disposal of investment properties	19,126	19,696	18,026	(44)	56,804	(1,236)	55,568
Segment result	45,007	58,655	32,035	(44)	135,653	(1,740)	133,913
Net financing cost					11,118	(394)	10,724
Company expenses					(6,290)	0	(6,290)
Other income					95	517	612
Investment expenses					(496)	10	(486)
Profit before taxation					140,080	(1,607)	138,473
Current tax					(458)	327	(131)
Deferred tax					(24,379)	1,280	(23,099)
Profit after taxation					115,243	0	115,243

(€ '000)					Total	Adjustments	Total
As per 31/12/2016				The	proportional	joint	IFRS
	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Property investments	1,319,800	1,545,600	730,457	0	3,595,857	(190,500)	3,405,357
Property investments under development	5,600	0	48,318	0	53,918	0	53,918
Investments in joint ventures	0	0	0	0	0	95,425	95,425
Tangible fixed assets	788	554	39	287	1,668	0	1,668
Receivables	21,740	10,104	4,918	972	37,734	(302)	37,432
Cash and deposits	5,472	15,022	11,053	3,448	34,995	(9,833)	25,162
Property investments held for sale	0	0	0	0	0	0	0
<b>Total assets</b>	<b>1,353,400</b>	<b>1,571,280</b>	<b>794,785</b>	<b>4,707</b>	<b>3,724,172</b>	<b>(105,210)</b>	<b>3,618,962</b>
Creditors	27,422	31,009	25,273	2,016	85,720	(8,496)	77,224
Non-current creditors	8,974	2,359	31	0	11,364	(503)	10,861
Borrowings	384,905	856,868	253,521	40,000	1,535,294	(90,782)	1,444,512
Derivative financial instruments	10,779	121,831	10,214	0	142,824	(381)	142,443
Deferred tax liabilities	0	49,976	66,905	0	116,881	(5,049)	111,832
Provision for pensions	0	0	0	419	419	0	419
<b>Total liabilities</b>	<b>432,080</b>	<b>1,062,043</b>	<b>355,944</b>	<b>42,435</b>	<b>1,892,502</b>	<b>(105,211)</b>	<b>1,787,291</b>

(€ '000)					Total	Adjustments	Total
For the six months period ended				The	proportional	joint	IFRS
31/12/2016	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Acquisitions, divestments and capital expenditure (including capitalised interest)	44,106	25,719	41,564	0	111,389	(408)	110,981

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

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 2. Segment information 2015

(€ '000)					Total	Adjustments	Total
For the six months period ended				The	proportional	joint	IFRS
31/12/2015	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Rental income	31,599	40,317	17,895	0	89,811	(3,165)	86,646
Service charge income	6,075	4,633	4,976	0	15,684	(874)	14,810
Service charge expenses	(6,978)	(4,534)	(5,795)	0	(17,307)	810	(16,497)
Property expenses	(3,683)	(8,001)	(2,611)	0	(14,295)	266	(14,029)
<b>Net property income</b>	<b>27,013</b>	<b>32,415</b>	<b>14,465</b>	<b>0</b>	<b>73,893</b>	<b>(2,963)</b>	<b>70,930</b>
Share of result of joint ventures					0	(694)	(694)
Investment revaluation and disposal of investment properties	48,840	31,919	17,313	81	98,153	(616)	97,537
<b>Segment result</b>	<b>75,853</b>	<b>64,334</b>	<b>31,778</b>	<b>81</b>	<b>172,046</b>	<b>(4,273)</b>	<b>167,773</b>
Net financing cost					(23,870)	580	(23,290)
Company expenses					(6,136)	0	(6,136)
Other income					0	0	0
Investment expenses					(504)	1	(503)
<b>Profit before taxation</b>					<b>141,536</b>	<b>(3,692)</b>	<b>137,844</b>
Current tax					(312)	308	(4)
Deferred tax					(25,306)	3,384	(21,922)
<b>Profit after taxation</b>					<b>115,918</b>	<b>0</b>	<b>115,918</b>

(€ '000)					Total	Adjustments	Total
As per 30/06/2016				The	proportional	joint	IFRS
	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Property investments	1,257,100	1,500,300	707,328	0	3,464,728	(188,800)	3,275,928
Property investments under development	5,000	0	0	0	5,000	0	5,000
Investments in joint ventures	0	0	0	0	0	90,596	90,596
Tangible fixed assets	709	747	59	384	1,899	0	1,899
Receivables	20,306	9,227	3,426	604	33,563	(442)	33,121
Cash and deposits	7,107	9,554	14,116	100,764	131,541	(7,089)	124,452
Property investments held for sale	0	0	19,630	0	19,630	0	19,630
<b>Total assets</b>	<b>1,290,222</b>	<b>1,519,828</b>	<b>744,559</b>	<b>101,752</b>	<b>3,656,361</b>	<b>(105,735)</b>	<b>3,550,626</b>
Creditors	32,108	28,301	20,176	5,907	86,492	(8,356)	78,136
Non-current creditors	9,053	1,600	25	0	10,678	(572)	10,106
Borrowings	392,061	850,499	253,650	0	1,496,210	(91,521)	1,404,689
Derivative financial instruments	13,637	148,420	14,916	0	176,973	(1,517)	175,456
Deferred tax liabilities	0	32,198	62,140	0	94,338	(3,769)	90,569
Provision for pensions	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>446,859</b>	<b>1,061,018</b>	<b>350,907</b>	<b>5,907</b>	<b>1,864,691</b>	<b>(105,735)</b>	<b>1,758,956</b>

(€ '000)					Total	Adjustments	Total
For the six months period ended				The	proportional	joint	IFRS
31/12/2015	France	Italy	Sweden	Netherlands*	consolidation	ventures	
<b>Acquisitions, divestments and capital expenditure (including capitalised interest)</b>	<b>1,064</b>	<b>241,680</b>	<b>65,694</b>	<b>0</b>	<b>308,438</b>	<b>(116,068)</b>	<b>192,370</b>

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

### 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 31 December 2016 €1 was SEK 9.5529 (30 June 2016: SEK 9.4242) and €1 was GBP 0.8562 (30 June 2016: GBP 0.8265).

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 4. Property expenses

Property expenses in the current financial period were:

For the six months ended (€'000)	31-12-16	31-12-15
<b>Direct property expenses</b>		
Bad debts	265	390
Centre marketing expenses	1,208	1,011
Insurance premiums	383	359
Managing agent fees	943	953
Property taxes	1,875	1,478
Repair and maintenance	626	791
Shortfall service charges	278	164
	<b>5,578</b>	<b>5,146</b>
<b>Indirect property expenses</b>		
Accounting fees	224	184
Audit fees	179	121
Depreciation fixed assets	254	345
Dispossession indemnities	117	199
Italian local tax (IRAP)	765	857
Legal and other advisory fees	825	758
Letting fees and relocation expenses	1,003	979
Local office and accommodation expenses	938	778
Pension contributions	80	88
Salaries, wages and bonuses	2,949	2,571
Social security charges	1,158	1,022
Performance shares granted (IFRS 2)	170	28
Travelling expenses	387	477
Other local taxes	304	302
Other expenses	107	174
	<b>9,460</b>	<b>8,883</b>
	<b>15,038</b>	<b>14,029</b>

### 5. Investment revaluation and disposal of investment properties

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

For the six months ended (€'000)	31-12-16	31-12-15
Revaluation of property investments	56,062	98,120
Revaluation of property investments under development	271	60
Revaluation of property investments held for sale	0	273
Result on property sold	(866)	0
Elimination of accrued entry fees	128	(227)
Elimination of capitalised letting fees	(241)	(742)
Movement long-term creditors	262	(55)
Foreign currency results	(48)	108
	<b>55,568</b>	<b>97,537</b>

### 6. Net financing cost

Net financing cost in the current financial period comprised:

For the six months ended (€'000)	31-12-16	31-12-15
Interest income	17	1,036
Gross interest expense	(20,500)	(19,330)
Capitalised interest	519	403
Unrealised fair value movement derivative financial instruments	32,778	3,882
Realised fair value movement derivative financial instruments	(2,090)	(9,281)
	<b>10,724</b>	<b>(23,290)</b>

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 6. Net financing cost (continued)

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method. The interest payable to finance the extension/acquisition of an asset is capitalised until completion/acquisition date and is reported as capitalised interest. The interest rate used for capitalised interest during the current financial period was 1.9 per cent (31 December 2015: 4.2 per cent). Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements so that 77 per cent (31 December 2015: 69 per cent) of interest costs are fixed at an average interest rate of 2.7 per cent (31 December 2015: 2.7 per cent) for an average period of seven years (2015: eight years). Due to higher market interest rates the negative fair value of this interest rate swap portfolio changed, resulting in a positive movement of €30.7 million for the period. During this period interest rate swaps were terminated with a notional amount of €37.0 million resulting in a negative realised fair value movement of €2.1 million.

### 7. Company expenses

Company expenses in the current financial period comprised:

For the six months ended (€'000)	31-12-16	31-12-15
Audit fees	160	188
Depreciation fixed assets	122	95
Directors' fees	810	855
IT expenses	434	236
Legal and other advisory fees	178	146
Marketing expenses	309	303
Office and accommodation expenses	991	928
Pension costs*	(5)	(129)
Pension contributions	326	621
Salaries, wages and bonuses	1,860	1,861
Social security charges	263	267
Statutory costs	195	197
Performance shares granted (IFRS 2)	165	37
Travelling expenses	183	261
Other expenses	299	270
	<b>6,290</b>	<b>6,136</b>

\* The pension contributions are allocated to the direct investment result and the pension costs to the indirect investment result.

### 8. Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 31 December 2016 with the exception of C4 Shopping in Kristianstad, Sweden and the hypermarket at Centr'Azur in Hyères, France which was acquired at the end of 2016. C4 Shopping is booked at its acquisition cost plus subsequent capital expenditure as the fair value of this property investment under development cannot be assessed at this time. The Centr'Azur hypermarket will be revalued, together with the gallery, in June 2017 as a 100% owned property. The yields described in the Board of Management report reflect market practice and are derived by dividing expected property net income for the coming year by the gross valuation (net valuation figure plus purchaser's costs including transfer duties) expressed as a percentage.

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 8. Property investments and property investments under development (continued)

The valuation standards used by the external independent valuers require that valuers draw attention to uncertain circumstances, if these could have a material effect on the valuation, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation. There were no valuation reports at 31 December 2016, which contained an uncertainty paragraph setting out these circumstances.

The current property portfolio is:

(€'000)	31-12-16 Net value	30-06-16 Net value	31-12-16 Costs to date	30-06-16 Costs to date
<b>France</b>				
Passage du Havre, Paris*	405,700	405,400	189,671	189,428
Les Atlantes, Tours*	152,800	146,700	65,328	65,002
Val Thoiry, Thoiry	144,000	135,800	137,017	136,757
Centr'Azur, Hyères* **	92,800	55,400	61,697	21,644
Chasse Sud, Chasse-sur-Rhône*	88,800	86,500	72,762	72,034
Plaine de France, Moisselles*	81,000	81,900	64,429	63,703
74 rue de Rivoli, Paris*	73,300	70,800	20,725	20,725
Les Portes de Taverny, Taverny*	68,100	65,400	25,989	25,921
Amiens Glisy, Amiens*	60,400	60,400	24,442	23,084
Shopping Etrembières, Etrembières*** *****	5,600	5,000	7,973	7,644
Les Allées de Cormeilles, Cormeilles*	48,000	46,100	44,717	44,741
Les Trois Dauphins, Grenoble*	40,800	40,100	26,809	26,777
Les Grands Hommes, Bordeaux	19,000	18,200	18,269	18,270
	<b>1,280,300</b>	<b>1,217,700</b>	<b>759,828</b>	<b>715,730</b>
<b>Italy</b>				
I Gigli, Florence*	399,300	383,500	315,568	304,352
Carosello, Carugate, Milan*	332,200	320,800	205,574	202,268
Collestrada, Perugia* **	118,600	110,400	122,862	114,031
Il Castello, Ferrara*	116,000	113,900	84,933	84,922
Curno, Bergamo*	112,900	112,200	35,695	35,600
Cremona Po, Cremona*	86,700	83,900	88,651	87,217
Centro Leonardo, Imola*	71,600	70,500	65,344	64,967
I Portali, Modena*	48,500	48,500	47,262	47,242
La Favorita, Mantova*	48,500	46,600	34,209	34,211
Centro Lame, Bologna*	39,900	39,800	29,980	29,998
Centroluna, Sarzana*	26,000	25,800	14,941	14,892
	<b>1,400,200</b>	<b>1,355,900</b>	<b>1,045,019</b>	<b>1,019,700</b>
<b>Sweden</b>				
Bergvik, Karlstad*	153,356	151,313	108,785	108,322
Ingelsta Shopping, Norrköping*	123,836	121,707	93,660	93,563
Grand Samarkand, Växjö*	117,660	117,145	79,750	79,748
Eurostop, Halmstad	98,923	80,856	97,345	84,095
Elins Esplanad, Skövde*	86,047	84,888	59,118	59,091
421, Göteborg*	83,116	83,296	89,760	89,728
C4 Shopping, Kristianstad *** *****	48,318	0	47,539	0
Moraberg, Södertälje	48,153	48,599	38,944	38,915
Mellby Center, Laholm*	19,366	19,524	15,710	15,706
Kronan, Karlskrona (sold)	0	19,630	0	17,936
	<b>778,775</b>	<b>726,958</b>	<b>630,611</b>	<b>587,104</b>
	<b>3,459,275</b>	<b>3,300,558</b>	<b>2,435,458</b>	<b>2,322,534</b>
Less: Property investments under development	(53,918)	(5,000)	(55,512)	7,644
Less: Property investments held for sale	0	(19,630)	0	(17,936)
<b>Property investments</b>	<b>3,405,357</b>	<b>3,275,928</b>	<b>2,379,946</b>	<b>2,312,242</b>

\* These properties carry mortgage debt up to €1,411 million at 31 December 2016 (30 June 2016: €1,340 million).

\*\* Including (land) acquisitions.

\*\*\* Classified as property investments under development.

\*\*\*\* Valued at cost.

\*\*\*\*\* This parcel of land is next to Shopping Etrembières (partly owned via a joint venture).

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 8. Property investments and property investments under development (continued)

Changes in property investments for the financial period ended 31 December 2016 were as follows:

(€'000)	01-07-16/ 31-12-16	01-07-15/ 30-06-16
Book value at beginning of period	3,295,558	2,860,926
Acquisitions	48,634	265,649
Capital expenditure - general	1,913	8,391
Capital expenditure - extensions and refurbishments	31,772	40,489
Capitalised interest	418	1,027
Capitalised letting fees	241	678
Elimination of capitalised letting fees	(241)	(678)
Revaluation of land held for development	0	(900)
Revaluation of property investments	56,062	175,530
Revaluation of property investments held for sale	0	(361)
Book value divestment property	(19,867)	(40,086)
Exchange rate movement	(9,133)	(15,107)
Book value at end of period	3,405,357	3,295,558

Changes in property investments under development for the financial period ended 31 December 2016 were as follows:

(€'000)	01-07-16/ 31-12-16	01-07-15/ 30-06-16
Book value at beginning of period	5,000	4,800
Acquisitions	39,434	0
Capital expenditure	8,334	1,580
Capitalised interest	101	0
Revaluation property investments under development	271	(1,380)
Exchange rate movement	778	0
Book value at end of period	53,918	5,000

The fair value measurement of all the property investments is categorised within level 3 of the fair value hierarchy (30 June 2016: level 3).

Assumptions and sensitivity analysis:

The average net initial yield applied by the valuers is 4.2% for France, 5.5% for Italy and 4.8% for Sweden, compared to the yields reported as per 30 June 2016 of 4.3%, 5.5% and 4.8%, respectively.

An increase in the average net initial yield of 25 bps would result in a decrease in the value of the property portfolio of €163 million (30 June 2016: €159 million), whereas a decrease in the average yield of 25 bps would result in an increase in the value of the property portfolio of €183 million (30 June 2016: €176 million).

An increase in the estimated rental value of 5 per cent would result in an increase in the value of the property portfolio of €134 million (30 June 2016: €130 million). A decrease in the estimated rental value of 5 per cent would result in a decrease in the value of the property portfolio of €133 million (30 June 2016: €130 million).

### 9. Investments in joint ventures

Changes in investments in joint ventures for the financial period ended 31 December 2016 were as follows:

(€'000)	01-07-16/ 31-12-16	01-07-15/ 30-06-16
Book value at beginning of period	90,596	42,598
Other movements/acquisitions	(28)	43,289
Dividends received in joint ventures	0	(1,978)
Eurocommercial share of total comprehensive income	4,857	6,687
Book value at end of period	95,425	90,596



## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 10. Receivables

The two largest current receivables items are rents receivable for an amount of €24.0 million (30 June 2016: €21.9 million) and VAT receivable for an amount of €8.0 million (30 June 2016: €5.5 million).

### 11. Creditors

The two largest current creditors items are rent received in advance for an amount of €25.1 million (30 June 2016: €23.2 million) and the creditors related to capital expenditure on the retail properties for an amount of €15.6 million (30 June 2016: €17.7 million). The non-current creditors of €11.4 million only relate to tenant rental deposits (30 June 2016: €10.1 million).

### 12. Borrowings

(€'000)	01-07-16/ 31-12-16	01-07-15/ 30-06-16
Book value at beginning of the period	1,404,689	1,160,222
Drawdown of funds	322,902	618,563
Repayments	(278,198)	(367,657)
Exchange rate movement	(3,419)	(5,200)
Movement prepaid borrowing costs	(1,462)	(1,239)
Book value at the end of the period	1,444,512	1,404,689

The borrowings are all directly from major banks with average committed unexpired terms of almost five years. The average interest rate, including derivative financial instruments, in the current financial period was 2.7 per cent (12 months ended 30 June 2016: 2.7 per cent). At 31 December 2016 the Company has hedged its exposure to interest rate movements on its borrowings for 77 per cent (30 June 2016: 72 per cent) at an average term of seven years (30 June 2016: seven years). The fair value of the loans is €1,467 million (book value at 31 December 2016: €1,445 million), compared to a fair value of €1,423 million at 30 June 2016 (book value at 30 June 2016: €1,405 million). The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on a model taking into account the appropriate swap curve of the underlying loan.

### 13. Derivative financial instruments

Derivative financial instruments are recognised initially at trade date at fair value (cost price). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on measurement to fair value is recognised in the condensed consolidated statement of profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, the current creditworthiness of the swap counterparties and the own credit risk regarding counterparties. Derivative financial instruments concern derivative interest rate swap contracts. A valuation technique is used to determine the fair value of the derivatives with inputs that are directly or indirectly observable market data. The fair value of the derivatives is estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument. In connection with the non-current borrowings, the derivative financial instruments are presented as non-current assets and non-current liabilities. The fair value measurement of all derivative financial instruments is categorised within level 2 of the fair value hierarchy (30 June 2016: level 2), except for the put option to acquire the remaining 50 per cent of the Fiordaliso shopping centre. The fair value of this instrument is €11.6 million (30 June 2016: €11.6 million) and is classified within level 3. The fair value of this put option is based on an independent property valuation as per the balance sheet date, plus a premium based on a fixed percentage and matures on 29 October 2025.

## Notes to the condensed consolidated financial statements

as at 31 December 2016

### 14. Deferred tax liabilities

Deferred tax liabilities increased to €111.8 million (30 June 2016: €90.6 million) and are related to deferred capital gains tax on the Italian and Swedish property investments and to the derivative financial instruments for hedging the Company's exposure to interest rates in Italy and Sweden.

The changes in deferred tax liabilities were as follows:

(€'000)	01-07-16/ 31-12-16	01-07-15/ 30-06-16
Book value at beginning of the period	90,569	69,369
Recognised in statement of profit or loss	23,099	22,514
Release to statement of profit or loss due to property sale	(993)	0
Exchange rate movement	(843)	(1,314)
Book value at the end of the period	111,832	90,569

### 15. Share capital and reserves

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares. On 30 November 2016 the number of shares increased by 19,900 new depositary receipts due to the vesting of the 2013 Performance Share Plan. The number of shares on issue increased further on 30 November 2016 by 616,025 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 27.0% of the issued share capital (2015: 26.8%) opted for the bonus depositary receipts at an issue price of €43.05 from the Company's share premium reserve, instead of a cash dividend of €2.05 per depositary receipt for the financial year ended 30 June 2016. Accordingly, of the available dividend of €98.4 million, an amount of €26.5 million was not paid out in cash.

### 16. Commitments not included in the balance sheet

The Company has signed a contract to acquire the project C4 in Kristianstad, Sweden. The outstanding commitment under this contract is SEK 870 million (c. €91 million) as per 31 December 2016. Not included in this amount is SEK 350 million (c. €37 million) which is due if certain conditions are met. The Company has signed a building contract for the extension project in Amiens, France. The outstanding commitment under this contract is around €10 million as per 31 December 2016. The Company has signed a building contract for phases one and two of the extension project in Halmstad, Sweden. The outstanding commitment under this contract is SEK 98 million (c. €10 million) as per 31 December 2016. The Company has signed an agreement to contribute €4 million to Galleria Verde S.r.l. to undertake a refurbishment of Fiordaliso.

Amsterdam, 10 February 2017

#### Board of Management

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

#### Board of Supervisory Directors

B.T.M. Steins Bisschop, Chairman  
B. Carrière  
C. Croff  
R.R. Foulkes  
P.W. Haasbroek  
J.-Å. Persson

## Other information

### Holders of depositary receipts/ordinary shares with a holding of 3 per cent or more

Under The Netherlands Act on Financial Supervision, The Netherlands Authority for the Financial Markets has received notification from five holders of depositary receipts/ordinary shares with interests greater than 3 per cent in the Company. According to the latest notifications these interests were as follows: Stichting Administratiekantoor Eurocommercial Properties (99.84 per cent), the Government of Singapore (12.75 per cent), CBRE Clarion Securities, LLC (4.94 per cent), Henderson Group Plc (4.84 per cent) and BlackRock, Inc. (4.54 per cent).

The dates of the aforesaid notifications were 1 November 2006, 1 November 2006, 4 February 2014, 26 November 2015 and 8 September 2016.

### Stock market prices and turnovers from 1 July to 31 December 2016

		High	Low	Average
Closing price 31 December 2016 (€; depositary receipts)	36.59	41.37	33.21	38.03
Average daily turnover (in depositary receipts)	80,512			
Average daily turnover (€'000,000)	3.04			
Total turnover over the past six months (€'000,000)	397.9			
Market capitalisation (€'000,000)	1,788.6			
Total six months turnover as a percentage of market capitalisation	22.3%			

Source: Euronext, Global Property Research.

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

ISIN – Code:	NL 0000288876
Stock market prices are followed by:	
Bloomberg:	ECMPA NA
Datastream:	307406 or H:SIPF
Reuters:	SIPFc.AS

## Other information

### Review report

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

### Introduction

We have reviewed the accompanying condensed consolidated interim financial information as at 31 December 2016 of Eurocommercial Properties N.V., Amsterdam, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statements of profit or loss, comprehensive income, changes in shareholders' equity, and cash flows for the period of six months ended 31 December 2016, and the notes. The Board of Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 December 2016 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 10 February 2017

KPMG Accountants N.V.

H.D. Grönloh RA

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