

EUROCOMMERCIAL



Half Year Report

31 December 2019

EUROCOMMERCIAL

Eurocommercial is one of Europe's most experienced property investors, with a retail property portfolio in Belgium, France, Italy and Sweden valued at €4.1 billion.

Our focused strategy of acquiring retail properties in prime locations and continuously improving them, combined with excellent tenant relationships, has resulted in a consistently high occupancy rate which is integral to our record of long-term rising dividends.

Portfolio, split by country, at 31 December 2019*



* Figures based on proportional consolidation as set out in Note 2 of the Condensed Consolidated Financial Statements. The Belgian property is not wholly owned, but a minority stake is held by a joint venture partner.

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First half 2019/2020

Performance highlights

- Direct investment result at €1.19 per depositary receipt (versus €1.18 for the same period in 2018)
- Like-for-like rental growth was 2.4% for the twelve months compared with 1.5% for the same half-year period in 2018, driven by a recovery in France while Italy and Sweden continue to perform strongly
- Rental uplift on relettings and renewals was 9.0%
- Overall OCRs remaining just under 9% and vacancies remain below 1% of rent
- Strong quarterly retail sales growth in Belgium (+3.7%), Italy and Sweden (both 2.3%)
- EPRA Net asset value per depositary receipt is €43.71 as property values were flat over the past six months

Business highlights

- Disposal of 50% of Passage du Havre completed, in-line with the 2018/2019 book values
- Primark opened in Fiordaliso alongside full range H&M store
- Opening of Le Cucine di Curno and inauguration of shopping village in Cremona Po
- Formal planning application for the extension of the Woluwe Shopping centre submitted
- In December 2019, Eurocommercial received four major shopping centre awards by CNCC Italy

Chief Executive's commentary

World economic growth is insipid with Eurozone GDP expected to be only around 1% in 2020. GDP growth in our country markets vary with Belgium expected to be about 1.1%, France 1.2%, Sweden 1.1% with Italy lagging at 0.4%. Inflation is subdued with an average of 1.3%.

Against this background it would be unrealistic to expect high rental growth but our overall figure of 2.4% is satisfactory in the circumstances with uplifts on relettings particularly strong at 9% which together with our extremely low vacancy rate of 1% demonstrates the continuing strength of demand for retail space in our centres.

There is a strong structural shift towards integration of online and physical stores which are now seen by retailers as complementary not antagonistic. We work relentlessly to ensure our assets embrace this transformation and continue to be relevant in an omnichannel world. We also are progressing the acquisition and development of hotels on land we already own at several of our shopping centres. We believe them to be highly complementary to our shops.

The values of prime shopping centres in Belgium, France, Italy and Sweden have proved extremely resilient, demonstrated in our case by the sale of 50% of Passage du Havre at a yield of 3.7%, unchanged from 2018/2019.

This is quite different from the parlous situation in the UK and US where both rents and values have declined significantly because of oversupply and uneconomic rents and OCRs.

We expect that Eurocommercial's dividend, now paid twice yearly, will be no less in 2020 than it was in 2019 and capital demand for committed extensions and refurbishment will be less than €40 million over the next two years with the first significant, currently uncommitted, amount to be about €80 million in 2022/23 for the extension of the Woluwe shopping centre in Brussels, which will produce a yield of around 8%.

We see absolutely no diminution in the availability of bank finance to us, or any increase in margins. In fact over the last year we welcomed three new banks to our pool of currently 17 banks, who support us on competitive terms and conditions for long-term financing.

Overall then we look forward to the coming year with well-founded confidence.

Financial & operational review

Direct investment result: €58.5 (€1.19 per depositary receipt) +0.0%

The direct investment result for the six months to 31 December 2019 was €58.5 million, stable compared with the same period in 2018. The direct investment result is defined as net property income less net interest expenses and company expenses after taxation. In the view of the Board this 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 rose 0.8% to €1.19 at 31 December 2019, from €1.18 at 31 December 2018 due to a slight reduction in the average number of depositary receipts in issue over the 12-month period. The reduction stems from our share buy-back programme and was partly offset by the issuance of stock dividend towards the end of the period.

Net property income: €88.3 million +1.3%

Rental income, including joint ventures (based on proportional consolidation), for the six months to 31 December 2019, after deducting net service charges and direct and indirect property expenses (branch overheads), increased by 1.3% to €88.3 million compared to €87.2 million for the six months to 31 December 2018 (please refer to Segment Information on pages 21 and 22). This was primarily due to recent changes within Eurocommercial’s portfolio – acquisitions, disposals and the impact of completed projects – plus rental growth due to relettings and renewals and the impact of indexation.

Adjusted net asset value: €43.89 per depositary receipt

Adjusted net asset value at 31 December 2019 was €43.89 per depositary receipt, compared to €43.65 at 31 December 2018, and €44.83 at 30 June 2019.

EPRA Net asset value per depositary receipt at 31 December 2019 was €43.71 per depositary receipt, compared to €43.38 at 31 December 2018, and €44.56 at 30 June 2019.

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 €37.80 per depositary receipt at 31 December 2019, compared with €38.49 at 30 June 2019 and €37.71 at 31 December 2018.

The IFRS profit after taxation for the six months to 31 December 2019 increased to €65.1 million from €24.6 million for the same period in 2018. This was largely due to only a small negative revaluation of the investment portfolio for an amount of €1.5 million (2018: €17.9 million negative) and a positive unrealised movement in the fair value of derivatives for an amount of €10.6 million compared to an amount of only €0.1 million as at 31 December 2018.

Rental growth

+2.4%

The like-for-like (same floor area) rents of all Eurocommercial's galleries increased by 2.4% overall at 31 December 2019 when compared with 31 December 2018. This represents an improvement compared to the year to 31 December 2018 when we recorded a growth of 1.5%. Growth was driven by indexation (1.6%) and by solid uplift of 9.0% on the 245 leases we relet or renewed (in-line with the same period last year).

New lettings included two new Liu Jo stores, two new Bershka stores, two new Courir stores, JD Sport, Jack & Jones, Rituals, Maje and over twenty new restaurants.

In Belgium, like-for-like rental growth was 1.7% while relettings and renewals were up 9.0%.

In France, like-for-like rental growth improved significantly to 1.7% for the 12 months to the end of December 2019 from 0.2% for the same period to December 2018. Overall, uplifts on relettings and renewals (5.3%) and indexation were partly offset by a slight increase in vacancies.

In Italy, like-for-like rental growth was 2.6% for the 12 months to the end of December (versus 1.7% at the end of December 2018) and relettings and renewals together produced an increase in rent of 12.9%.

Like-for-like rental growth in Swedish centres continued to be strong at 3.1%, with a 5.8% uplift on relettings and lease renewals.

Like-for-like rental growth, 12 months to December 2019

	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	9.0%	245	14%	+2.4%
Belgium	9.0%	15	12%	+1.7%
France	5.3%	51	10%	+1.7%
Italy	12.9%	94	13%	+2.6%
Sweden	5.8%	85	19%	+3.1%

Retail sales

Like-for-like retail sales in Eurocommercial's shopping centres were positive in all countries across three, six and twelve months, in many cases exceeding the national retail indices.

In Belgium, strong like-for-like retail sales reflect improvements in customer experience since Eurocommercial took ownership of the centre.

Italy had a strong last quarter boosted by Black Friday sales in November.

Swedish sales in our centres were also very solid in the past quarter, boosted by the inclusion of C4 in our data, which has now been opened for over a year and is performing strongly.

French retail sales were flat for the three months to December 2019 which reflects a positive trend in November offset by a decline in December due to the strikes, sales at Passage du Havre in Paris being the most affected by far by the transport problems.

Like-for-like retail sales by country*

	3 months to 31 December 2019	6 months to 31 December 2019	12 months to 31 December 2019
Overall	+1.8%	+1.4%	+1.2%
Belgium	+3.7%	+4.1%	+3.1%
France	+0.0%	+0.4%	+0.2%
Italy	+2.3%	+1.6%	+1.0%
Sweden	+2.3%	+1.4%	+2.2%

* C4 is included in 3-month data only due to its opening in September 2018.

Over the past quarter, all categories contributed positively with the exception of shoes. Health & Beauty and services reported the highest growth rate, in-line with market trends.

Like-for-like retail sales by sector*

	3 months to 31 December 2019	6 months to 31 December 2019	12 months to 31 December 2019
Fashion	+1.8%	+1.6%	+0.5%
Shoes	-5.0%	-5.4%	-4.1%
Health & Beauty	+3.8%	+4.0%	+3.4%
Gifts & Jewellery	+0.4%	+0.2%	-0.1%
Sport	+2.4%	+0.5%	+2.2%
Home Goods	+2.7%	+3.9%	+4.8%
Restaurants	+2.9%	+2.8%	+3.3%
Electricals	+1.1%	+0.2%	-0.2%
Books & toys	+0.2%	-3.2%	-5.4%
Services	+6.4%	+3.6%	+2.4%
Hyper/supermarkets	+2.2%	+2.6%	+2.3%

* 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 9.0% overall. This is one of the lowest in our industry and our low vacancies are directly attributable to our restraint, especially in the difficult market faced today by retailers.

Gallery occupancy cost ratios at 31 December 2019

	OCR on turnover including VAT
Overall	9.0%
Belgium	14.7%
France	9.4%
Italy	8.0%
Sweden	8.8%

** We believe it is clearer to take gross turnover as it is reported to us by retailers instead of trying to calculate a net amount allowing for several rates of VAT on differing goods.

Vacancies and arrears

Total vacancies for the portfolio at 31 December 2019 remained very low as they have over the last 20 years and represented 0.9% of rental income. Vacancies by lettable area account for 0.7% of total lettable space.

Rental arrears of more than 90 days for the total Eurocommercial portfolio were less than 1% of income. Out of a total of over 1,800 shops, there are only ten tenants in administration occupying 20 units, the majority of which continue to pay rent.

Property valuations

All the Company's properties were independently valued as usual at 31 December 2019 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. 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 an institutional investor.

Overall, the property portfolio valuations were stable compared to 30 June 2019. The calculation for like-for-like valuation changes allows for capital expenditure invested during the period.

In Belgium, the valuation of Woluwe was slightly down compared with June 2019 after allowing for the cost of the recent mall upgrade.

In France, property values were slightly up. Increases in yields were more than offset by rental growth.

In Italy, the marginal decrease reflects a slight increase in Net Initial Yields for the properties, this is mainly related to the lack of relevant transactions in Italy for core and core plus assets.

The Swedish valuations were effectively flat since they were last valued 6 months ago. Although the exit yields were slightly raised on several assets, this was balanced by higher net rental income and increases in value of C4, Kristianstad and Hallarna, Halmstad as these two regional centres establish their dominant market positions following completion of the projects.

Valuations at 31 December 2019*

	Net value	Valuation change	Net initial yield including purchase costs
	Net value 31-12-19 € million	Six months to 31-12-19	31-12-19
Overall	4,148.1	0.0%	-
Belgium	623.8	-0.4%	4.1%
France	1,003.1	0.8%	4.6%
Italy	1,606.4	-0.3%	5.2%
Sweden	914.8	-0.2%	5.0%

*Our valuers are CBRE, Cushman & Wakefield, JLL, Knight Frank, and Savills

Development pipeline

Eurocommercial's development pipeline is focused on extensions and redevelopments of existing assets. As of 31 December 2019, the group's development pipeline included three projects: the refurbishment, improved master plan and extension of the Valbo shopping centre in Sweden, the conversion of the hypermarket in Fiordaliso in Italy and the extension of the Etrembières shopping centre in France.

Overall, these projects represent c. €56 million of investments (group share), of which €18 million has already been spent as at 31 December 2019.

In addition, the group continuously studies a number of development opportunities within its existing assets. In that context, the group submitted a planning application for the extension of its Woluwe shopping centre in Brussels. The total investment is expected to reach c. €80m and provide a return of around 8%.

Committed development pipeline (ECP share of projects) at 31 December 2019

	Expected delivery	Total investment (€m)	Already spent (€m)
Valbo, Sweden	Q3 2021	16	5
Fiordaliso, Italy	2022	28	5
Etrembières, France	Q3 2021	12	8
TOTAL		56	18

Funding

During the period, holders of depositary receipts (DRs) representing 12.1% of the issued share capital opted to take up 395,442 bonus DRs at an issue price of €32.70 from the Company's share premium reserve, instead of a cash dividend of €2.18 (2017: €2.15) per depositary receipt for the financial year ended 30 June 2019. Accordingly, of the possible dividend of €106.6 million, an amount of €12.9 million was not paid out in cash. The total number of depositary receipts outstanding at 31 December 2019 rose to 49,402,758 with a further 506,924 depositary receipts held in treasury.

During the six-month period to 31 December 2019, Eurocommercial started to negotiate new short term and long-term loan facilities, which are expected to be completed in the next quarter.

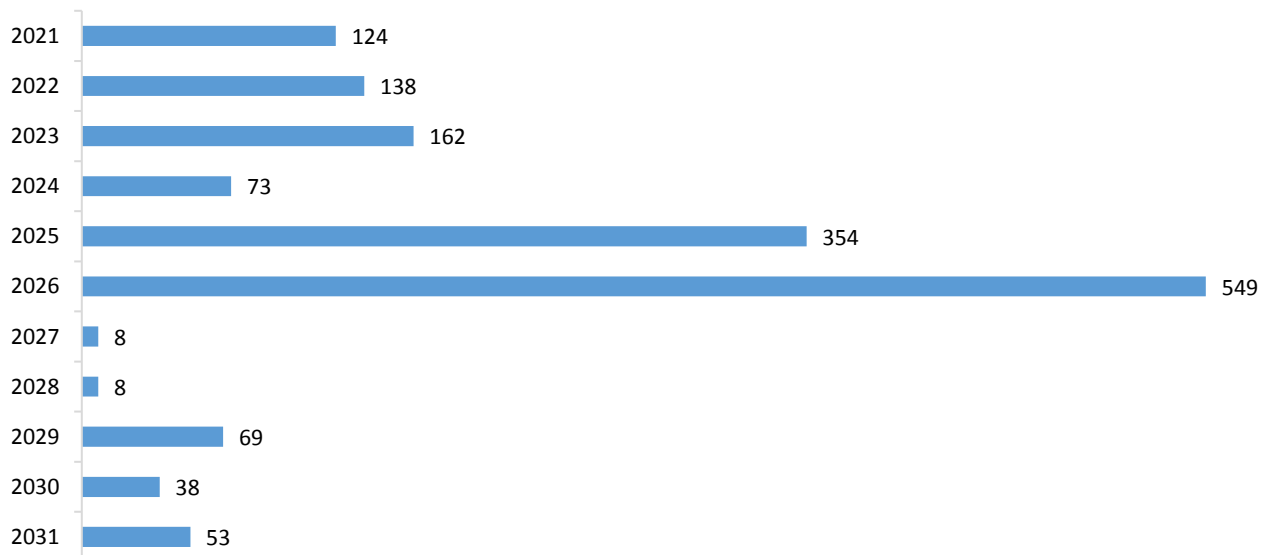
Based on proportional consolidation, the net loan to property value ratio was 44%, an increase due to payment of the dividend. These ratios are expected to improve as planned property sales are completed.

Number of shares in issue	49.4 million
Shareholders' adjusted net equity	€2.2 billion
Net debt	€1.8 billion
Net loan to property value ratio	44%
Interest cover ratio	3.7x
Average loan term	5.3 years
Average fixed interest period	6.2 years
Overall interest cost (including margin)	2.1%

Non-current borrowings maturity and amortisation schedule at 31 December 2019*

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

Euro million



The proceeds of the sale of 50% of Passage du Havre were used to prepay a loan of €170 million which would mature in 2022.

The interim dividend amount including the scrip issue price will be announced on Tuesday 31 March 2020 and the payment date will be Thursday 30 April 2020.

Country commentary

Belgium

The transformation of Woluwe continues and we are beginning to see the benefits in the performance of the centre.

Our internal mall renovation is virtually complete and has coincided with new branding. We have new mall furniture which exudes comfort rather than utility and two new permanent attractions for families. The new Food court environment has created an accent of conviviality in the food outlets and cafes. The entire customer experience has significantly improved and we expect this will increase dwell times.

Retail sales have been on an upwards trend with an increase of 4.1% for the past six months.

We continue to attract new brands to the centre and recent openings include Courir, Levi's together with a Pop Up over Christmas with the luxury Deli operator Rob. Maje will be opening shortly and we anticipate further deals consistent with our process of modernization and optimization of the merchandising mix.

We have formally lodged our planning application to the Brussels Region for a mixed-use extension to include circa 8,000m² of Retail GLA and 95 apartments on the upper levels with a lettable area of 8,200m² and parking provision below. The planning process in Brussels is lengthy but our application has been well received.

AG Insurance took a minority stake in ECP's Belgian subsidiary in exchange for the Inno department store.

France

The French economy was very strong up to November 2019. December 2019 was however negatively affected by public sector strikes in response to President Macron's announcement of a pension system reform. Unemployment, though, continues to fall and GDP growth is expected to remain above Europe's average.

On 30 September 2019, we completed the sale of 50% of Passage du Havre to AXA-IM for a price of €203 million, in line with the independent December 2018 valuation.

The diversification of the merchandising mix at Passage du Havre, Paris -which saw the arrival of Normal and Courir- is finished with Maisons du Monde and Rituals due to open in a few months. The centre is now fully let.

In Les Portes de Taverny, the ex H&M unit has been split in two units with one let to a restaurant and one under negotiation.

The renovation of Les Grands Hommes in Bordeaux is now completed and Regus, the long-established serviced office operator, will soon be occupying the entire first floor at rent over treble the previous level.

Works at shopping Etrembières, Greater Geneva, are expected to start in the next few months with completion expected over summer 2021. The unit has been fully let to a restaurant operator.

Italy

Italy's GDP growth was modest in 2019 but despite new trade tariffs imposed by the US in October, Italian exports were positive. The new government coalition (the Five Star Movement and the Democratic party) was formed in August, after the League decided to withdraw its support to the former government. The results of the elections in Emilia Romagna and Calabria have shown a major shift in favour of the centre left and right respectively at the expense of the populist parties. The new government postponed a potential VAT increase and introduced more fiscal and economic stimuli for low-income families with the 2020 budget law, with

positive effects expected on internal consumption. Unemployment continues to decrease to 5.7% in October in the North of Italy.

Turnover growth in our Italian centres was 2.3% in the last quarter, pulled by a strong November month when people took advantage of the “black week” discounts. Visitors numbers were also up for the period, supported in part by the three extensions that were finalized in the last quarter of 2019. Vacancies and arrears remain minimal.

The new food hall at Curno (Bergamo) opened on November 28, 2019, as scheduled. Visitor numbers in the first week increased by over 25% compared to the same period in 2018. While in Fiordaliso (Milan) the new Primark unit, which opened on December 4, attracted record visitor numbers, as it is the first Primark within the Milan ring road and is easily accessible by public transport. Visitor numbers increased by over 15% in the first month compared to last year, notwithstanding that a sizeable part of the car park is currently non-operational due to the on-going works for the construction of the new hypermarket. At the end of 2020 the hypermarket will move to the exterior, being connected to the shopping centre through a common entrance. The area of the current hypermarket will be partly demolished and converted into a new multilevel carpark and partly (7,000m²) converted into new shops. The necessary business licenses and building permits have already been obtained. The new retail park in Cremona opened on November 28, 2019, as scheduled. The new Decathlon has proven to be a real attraction for customers in Cremona and the surrounding municipalities.

In December 2019, Eurocommercial was the recipient of four major shopping centre awards by the Consiglio Nazionale dei Centri Commerciali (CNCC) Italy. 3 Merit marketing awards went to I Portali, Modena, for the ‘Bugs’ Hotel’, to I Gigli, Florence, for the ‘Io mi affido’ project in support of guide dogs for the blind, and to both Il Castello, Ferrara, and Carosello, Milan, for the “giants of the ocean” edutainment project. ECP also won a best of category award for “Brand awareness and (re)positioning” with the “Shopping Ganzo” campaign.

Sweden

GDP growth was 1.6% in 2019 while inflation fell below the 2% target. Despite uncertainty over the economy, the Riksbank raised rates to 0% in December.

Although some retail groups are rationalising their operations, our shopping centres remain at full occupancy with tenants wanting representation in modern, dominant centres whilst vacating space in secondary locations. This steady tenant demand has resulted in rental growth of 3.1% with 85 leasing deals completed over the year producing an average uplift of 6%.

Like-for-like retail sales across the portfolio increased by 2.2% over 12 months. While fashion sales were flat, there was strong trading in other sectors including gifts & jewellery (18%), home goods (6.1%), restaurants (5.3%) and health & beauty (4.1%). The hypermarkets also had another strong 12 months increasing sales by 3.5%. C4 Kristianstad, is not yet included in these figures as it has not been trading long enough, however this 31,600m² new regional centre is included in the like for like three month figures where it makes a major contribution at 12% and is enjoying strong sales growth in all sectors with footfall also up over 11% as it takes market share from its competition in the city.

The project at Valbo, Gävle is progressing well with the new mall now operational which will improve circulation and provide enlarged stores for tenants including H&M, Intersport, Rituals, Deichmann and Carlings.

At Elins Esplanad, Skövde Cassels recently relocated into a new store of 1,150m² allowing their former store to be integrated into a full concept H&M of 2,600m² which will open during the autumn. The ICA hypermarket have signed a new 10-year lease and also surrendered 800m² of space which has been pre-let to Telia, Synoptik, Hemmakväll and Boligheter at twice the previous rental level. A box unit of 1,400m² let to the gym operator, Nordic Wellness, is under construction and will open after the summer.

At Ingelsta, Norrköping the former K-Rauta external unit is being completely refurbished and extended to provide a new unit of 8,200m² which has been let to Ekohallen (part of Bergendahls) who take possession in September 2020 on a 10-year lease.

Environmental and social responsibility

Over the past six months, Eurocommercial continued to emphasize its environment and social responsibilities. Many new initiatives were successfully implemented.

BREEAM In-Use

Eurocommercial has received BREEAM In-Use certificates for ten assets and BREEAM In-Use certification is under process at a further nine shopping centres. We aim to have our entire portfolio certified in the coming years.

Solar panels

Eurocommercial has installed solar panels on the roof of four shopping centres and is currently placing solar panels at Woluwe Shopping in Brussels and on other shopping centres.

Green Committees

Green Committee meetings are organised once a year during the 2nd semester in each shopping centre between tenants and the landlord in order to discuss energy, waste and water consumption evolution and good practices.

Green Leases

Eurocommercial works in partnership with its tenants on sustainability. The company now includes an environmental annex to its lease agreements (“green lease”). The annex sets a number of standards and requires tenants to disclose data on water and energy consumption, waste separation and use of building materials.

Social events

Our shopping centres have an important social function in their communities. We support various sponsorships to sport clubs, associations and musical days and have good relationships with schools. A number of social events are regularly organised in our centres. For example, in France we organised Octobre Rose and events with Secours Populaire and “Restos du Coeur”. In Italy we regularly organise charity dinners in our centres and clothes donations. We also participated in the Earth Hour 2019, when lights in the shopping centres were turned off. In Woluwe, we hosted an event during which children could learn about space and experience the real sensations of astronauts, which was attended by a number of local schools too. In Sweden (Hallarna) we organised a race for children in the mall to raise money for a children’s cancer foundation.

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

This report makes reference to the 2018/2019 Annual Report with regards 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, 5 February 2020

Board of Management

J.P. Lewis, Chairman
R. Fraticelli
E.J. van Garderen
J.P.C. Mills

Conference call and webcast

Eurocommercial will host a conference call and audio webcast today, Wednesday 5 February 2020 at 10:00 AM (UK) / 11:00 AM (CET) for investors and analysts.

To access the call, please dial +44 (0) 203 0095710 approximately 5-10 minutes before the start of the conference and ask to be connected to the Eurocommercial call using the conference ID number 1782664. The call will also be audio webcast at 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 31-12-19	Six months ended 31-12-18	Second quarter ended 31-12-19	Second quarter ended 31-12-18
Rental income	102,891	101,375	50,776	52,017
Service charge income	16,595	15,703	6,589	6,081
Service charge expenses	(19,245)	(17,624)	(8,379)	(6,786)
Property expenses	(17,269)	(17,490)	(8,637)	(10,257)
Interest income	15	10	11	3
Interest expenses	(21,312)	(21,269)	(10,309)	(10,815)
Company expenses	(6,658)	(6,791)	(3,396)	(3,303)
Other income	1,527	1,336	1,159	659
Current tax	(1,133)	(133)	(460)	(159)
Direct investment result including non-controlling interest	55,411	55,117	27,354	27,440
Direct investment result joint ventures	3,821	3,334	1,828	1,316
Direct investment result non-controlling interest	(778)	0	(687)	0
Total direct investment result attributable to owners of the Company	58,454	58,451	28,495	28,756
Investment revaluation and disposal of investment properties	(1,499)	(17,944)	252	(18,257)
Fair value movement derivative financial instruments	10,592	149	29,412	(10,542)
Investment expenses	(241)	(856)	6	(476)
Deferred tax	(2,427)	(8,973)	(5,297)	(7,740)
Indirect investment result including non-controlling interest	6,425	(27,624)	24,373	(37,015)
Indirect investment result joint ventures	179	(6,195)	1,060	(6,275)
Indirect investment result non-controlling interest	25	0	(318)	0
Total indirect investment result attributable to owners of the Company	6,629	(33,819)	25,115	(43,290)
Total investment result	65,083	24,632	53,610	(14,534)
Per depositary receipt (€)**				
Direct investment result	1.19	1.18	0.58	0.58
Indirect investment result	0.13	(0.68)	0.51	(0.87)
Total investment result	1.32	0.50	1.09	(0.29)

Statement of adjusted net equity*

(€'000)	31-12-19	30-06-19	31-12-18
IFRS net equity per consolidated statement of financial position	1,867,596	1,906,559	1,876,025
Derivative financial instruments	112,558	123,143	99,268
Deferred tax liabilities	178,065	181,385	187,484
Derivative financial instruments and deferred tax liabilities joint ventures	10,149	9,689	8,854
Adjusted net equity	2,168,368	2,220,776	2,171,631
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	49,402,758	49,534,024	49,751,823
Net asset value - € per depositary receipt (IFRS)	37.80	38.49	37.71
Adjusted net asset value - € per depositary receipt	43.89	44.83	43.65
Stock market prices - € per depositary receipt	25.00	23.50	26.98

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

** The Company's shares are listed in the form of depositary receipts on Euronext Amsterdam and Brussels. One depositary receipt represents ten registered shares. The average number of depositary receipts on issue during the period was 49,104,514 compared with 49,592,312 for the six months to 31 December 2018, a decrease of 1%.

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.

	(€'000)		Per depositary receipt (€)	
	31-12-19	30-06-19	31-12-19	30-06-19
EPRA Earnings**	58,961	118,811	1.20	2.40
EPRA NAV***	2,168,368	2,220,776	43.71	44.56
EPRA NNNAV***	1,861,745	1,893,996	37.53	38.00

	Belgium		France		Italy		Sweden		Total	
(%)	31-12-19	30-06-19	31-12-19	30-06-19	31-12-19	30-06-19	31-12-19	30-06-19	31-12-19	30-06-19
EPRA net initial yield	4.0	4.0	4.6	4.5	5.3	5.2	4.8	4.8	4.8	4.8
EPRA topped-up yield	4.1	4.0	4.7	4.6	5.3	5.3	5.0	4.9	4.9	4.9
EPRA vacancy rate	0.4	0.4	1.8	1.2	0.5	0.8	0.6	0.8	1.0	0.9

Reconciliation EPRA Earnings*

	Total (€'000)	
	31-12-19	30-06-19
IFRS profit after taxation	65,836	74,586
Adjustment to IFRS profit after taxation:		
Investment revaluation and disposal of investment properties	1,499	8,734
Fair value movement derivative financial instruments	(10,592)	23,742
Deferred tax	2,427	4,921
Share of result of joint ventures	(184)	6,828
Share of result of non-controlling interest	(25)	0
EPRA Earnings	58,961	118,811

Reconciliation NAV, EPRA NAV and EPRA NNNAV*

	Total (€'000)		Per depositary receipt (€)	
	31-12-19	30-06-19	31-12-19	30-06-19
Equity as per consolidated statement of financial position	1,867,596	1,906,559	37.80	38.49
Derivative financial instruments	112,558	123,143		
Deferred tax liabilities	178,065	181,385		
Derivative financial instruments and deferred tax liabilities joint ventures	10,149	9,689		
EPRA NAV***	2,168,368	2,220,776	43.71	44.56
Derivative financial instruments	(112,558)	(123,143)		
Deferred tax liabilities****	(140,163)	(144,929)		
Derivative financial instruments and deferred tax liabilities joint ventures	(10,149)	(9,689)		
Fair value borrowings	(43,753)	(49,019)		
EPRA NNNAV***	1,861,745	1,893,996	37.53	38.00

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

** The average number of depositary receipts on issue over the period was 49,104,514 compared with 49,585,907 at 30 June 2019.

*** EPRA NAV and EPRA NNNAV per depositary receipt are based on the diluted number of depositary receipts. The diluted number of depositary receipts on issue at 31 December 2019 was 49,604,877 compared with 49,836,538 at 30 June 2019.

**** 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.

Reconciliation EPRA net initial yield and EPRA topped up yield*

(€'000)	Belgium		France		Italy		Sweden		Total	
	31-12-19	30-06-19	31-12-19	30-06-19	31-12-19	30-06-19	31-12-19	30-06-19	31-12-19	30-06-19
Property investments	623,800	554,400	951,800	941,100	1,436,100	1,411,700	914,835	887,885	3,926,535	3,795,085
Land and property held for development	0	0	(9,800)	(8,200)	(9,100)	(20,000)	0	0	(18,900)	(28,200)
Investments in joint ventures	0	0	51,300	50,700	170,300	156,400	0	0	221,600	207,100
Property investments held for sale	0	0	0	199,000	0	0	0	0	0	199,000
Property investments completed	623,800	554,400	993,300	1,182,600	1,597,300	1,548,100	914,835	887,885	4,129,235	4,172,985
Purchasers' costs	15,590	13,893	68,086	67,593	23,810	23,034	9,049	8,898	116,675	113,418
Gross value property investments	639,390	568,293	1,061,386	1,250,193	1,621,110	1,571,134	923,884	896,783	4,245,770	4,286,403
Annualised net rents (EPRA NIY)	25,527	22,577	49,255	57,224	85,339	82,361	44,251	42,934	204,372	205,096
Lease incentives (incl. rent free periods)	501	314	788	555	728	920	2,037	1,090	4,054	2,879
Annualised rents (EPRA topped-up yield)	26,028	22,891	50,043	57,779	86,067	83,281	46,288	44,024	208,426	207,975

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

Condensed consolidated statement of profit or loss

(€'000)	Note	Six months ended 31-12-19	Six months ended 31-12-18
Rental income		102,891	101,375
Service charge income		16,595	15,703
Total revenue		119,486	117,078
Service charge expenses		(19,245)	(17,624)
Property expenses	4	(17,269)	(17,490)
Net property income		82,972	81,964
Share of result of joint ventures		4,000	(2,861)
Investment revaluation and disposal of investment properties	5	(1,499)	(17,944)
Company expenses	7	(6,679)	(6,804)
Investment expenses		(220)	(843)
Other income		1,527	1,336
Operating result		80,101	54,848
Interest income	6	15	10
Interest expenses	6	(21,312)	(21,269)
Fair value movement derivative financial instruments	6	10,592	149
Net financing cost	6	(10,705)	(21,110)
Profit before taxation		69,396	33,738
Current tax		(1,133)	(133)
Deferred tax	14	(2,427)	(8,973)
Total tax		(3,560)	(9,106)
Profit after taxation		65,836	24,632
Profit after taxation attributable to:			
Owners of the Company		65,083	24,632
Non-controlling interest		753	0
		65,836	24,632
Per depositary receipt (€)*			
Profit after taxation		1.32	0.50
Diluted profit after taxation		1.32	0.50

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

Condensed consolidated statement of comprehensive income

(€'000)	Six months ended 31-12-19	Six months ended 31-12-18
Profit after taxation	65,836	24,632
Foreign currency translation differences (to be recycled through profit or loss)	5,132	9,448
Actuarial result on pension scheme (not to be recycled through profit or loss)	(587)	24
Other comprehensive income	4,545	9,472
Total comprehensive income	70,381	34,104
Total comprehensive income attributable to:		
Owners of the Company	69,628	0
Non-controlling interest	753	0
	70,381	0
Per depositary receipt (€)*		
Total comprehensive income	1.41	0.69
Diluted total comprehensive income	1.41	0.68

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

Condensed consolidated statement of financial position

(€'000)	Note	31-12-19	30-06-19
Property investments	8	3,924,635	3,793,385
Property investments under development	8	1,900	1,700
Investments in joint ventures	9	109,656	108,156
Tangible fixed assets		4,665	1,333
Receivables	10	364	381
Derivative financial instruments		175	0
Total non-current assets		4,041,395	3,904,955
Receivables	10	44,937	51,093
Cash and deposits		32,053	65,211
Total current assets		76,990	116,304
Property investments held for sale		0	199,000
Total assets		4,118,385	4,220,259
Creditors	11	107,290	87,165
Borrowings	12	260,439	143,221
Total current liabilities		367,729	230,386
Creditors	11	15,966	10,803
Borrowings	12	1,507,072	1,767,148
Derivative financial instruments	13	112,733	123,143
Deferred tax liabilities	14	178,065	181,385
Provisions for pensions		1,471	835
Total non-current liabilities		1,815,307	2,083,314
Total liabilities		2,183,036	2,313,700
Net assets		1,935,349	1,906,559
Equity Eurocommercial Properties shareholders	15		
Issued share capital		249,548	249,548
Share premium reserve		515,122	517,513
Other reserves		1,037,843	1,064,912
Undistributed income		65,083	74,586
Equity attributable to the owners of the Company		1,867,596	1,906,559
Non-controlling interest		67,753	0
Total equity		1,935,349	1,906,559

Condensed consolidated statement of cash flows

(€ '000)	Six months ended 31-12-2019	Six months ended 31-12-2018
Profit after taxation	65,836	24,632
Adjustments:		
Movement performance shares granted	311	1,161
Investment revaluation and disposal of investment properties	1,912	18,192
Derivative financial instruments	(10,592)	(149)
Share of result of joint ventures	(4,000)	2,861
Interest income	(15)	(10)
Interest expenses	21,312	21,269
Deferred tax	2,427	8,973
Current tax	1,133	133
Depreciation tangible fixed assets	1,014	495
Other movements	305	(83)
Cash flow from operating activities after adjustments	79,643	77,474
Increase in receivables	(5,765)	(2,588)
Increase in creditors	8,855	5,021
	82,733	79,907
Current tax paid	0	(139)
Capital gain tax paid	(1,950)	0
Dividends received from joint ventures	2,500	1,300
Derivative financial instruments settled	0	(527)
Borrowing costs	(477)	(3,185)
Interest paid	(20,584)	(19,633)
Interest received	15	10
Cash flow from operating activities	62,237	57,733
Property acquisitions	0	(109,055)
Capital expenditure	(46,719)	(29,330)
Sale of property	199,000	46,406
Loan to joint ventures	12,000	0
Additions to tangible fixed assets	(351)	(401)
Cash flow from investing activities	163,930	(92,380)
Borrowings added	112,949	275,541
Repayment of borrowings	(260,818)	(126,441)
Stock options exercised	0	74
Payments lease liabilities	(547)	0
Cost of performance shares settled	(362)	(195)
Depositary receipts bought back	(16,689)	0
Dividends paid	(93,707)	(92,848)
Increase in non-current creditors	28	518
Cash flow from financing activities	(259,146)	56,649
Net cash flow	(32,979)	22,002
Currency differences on cash and deposits	(179)	312
Decrease/Increase in cash and deposits	(33,158)	22,315
Cash and deposits at beginning of period	65,211	34,038
Cash and deposits at the end of period	32,053	56,352

Condensed consolidated statement of changes in equity

The movements in equity in the six months period ended 31 December 2019 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undis-tributed income	Equity attributable to owners of the Company	Non-controlling interest	Total equity
30-06-2019	249,548	517,513	1,064,912	74,586	1,906,559	0	1,906,559
Profit after taxation				65,083	65,083	753	65,836
Other comprehensive income			4,545		4,545		4,545
Total comprehensive income	0	0	4,545	65,083	69,628	753	70,381
Profit previous financial year			(19,121)	19,121	0		0
Issued shares					0		0
Contribution non-controlling interest					0	67,000	67,000
Depository receipts bought back			(14,833)		(14,833)		(14,833)
Dividends paid				(93,707)	(93,707)		(93,707)
Performance shares granted		311			311		311
Performance shares settled (note 15)			(362)		(362)		(362)
Performance shares vested		(2,702)	2,702		0		0
31-12-2019	249,548	515,122	1,037,843	65,083	1,867,596	67,753	1,935,349

The movements in equity in the previous six months period ended 31 December 2018 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undis-tributed income	Equity attributable to owners of the Company	Non-controlling interest	Total equity
30-06-2018	247,833	518,812	1,101,075	72,064	1,939,784	0	1,939,784
New IFRS standards adopted			(6,055)		(6,055)		(6,055)
01-07-2018	247,833	518,812	1,095,020	72,064	1,933,729	0	1,933,729
Profit after taxation				24,632	24,632		24,632
Other comprehensive income			9,472		9,472		9,472
Total comprehensive income	0	0	9,472	24,632	34,104	0	34,104
Profit previous financial year			(20,779)	20,779	0		0
Issued shares	1,715	(1,715)			0		0
Dividends paid		(5)		(92,843)	(92,848)		(92,848)
Performance shares granted		1,161			1,161		1,161
Performance shares settled (note 15)			(195)		(195)		(195)
Performance shares vested		(1,729)	1,729		0		0
Stock options exercised			74		74		74
31-12-2018	249,548	516,524	1,085,321	24,632	1,876,025	0	1,876,025

Notes to the condensed consolidated financial statements

as at 31 December 2019

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 2019 and ending 30 June 2020 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 2019 to 31 December 2019. 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 2019 have been drawn up in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (IFRS) as per 31 December 2019. 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 2019.

(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 2019. The impact of the new IFRS 16 'Leases' and amended standards has been accounted for by the Company.

For the adoption of IFRS 16, the Company has chosen to use the modified retrospective approach. Consequently, comparative figures are not restated and there is no impact on the opening balance of equity at the date of adoption. As all our property investments do not have any ground leases, the new standard has a very limited negative impact on the result for the current financial year. At 1 July 2019, the Group recognised a right-of-use asset and a corresponding lease liability of €4.0 million. The impact on transition is summarised below.

(€'000) as per 1 July 2019	Recognised in	Amount
Right-of-use assets	Tangible fixed assets	3,954
Lease liabilities	Creditors	3,954

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using an incremental borrowing rate at 1 July 2019 of 2%.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets, lease liabilities, depreciation and interest cost:

(€'000) as per/for the period ended 31 December 2019	Recognised in	Amount
Right-of-use assets	Tangible fixed assets	3,454
Lease liabilities	Creditors	3,466
Depreciation right-of-use assets	Property expenses	384
Depreciation right-of-use assets	Company expenses	134
Interest expenses	Net financing cost	35

The interim condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements as at 30 June 2019 where further information is provided on the implementation of the new accounting standards.

Notes to the condensed consolidated financial statements

as at 31 December 2019

2. Segment information 2019

(€ '000)						Total	Adjustments	Total
For the six months period ended 31/12/2019	Belgium	France	Italy	Sweden	The Netherlands*	proportional consolidation	joint ventures	IFRS
Rental income	12,966	27,694	44,469	23,380	0	108,509	(5,618)	102,891
Service charge income	2,747	5,800	3,281	6,657	0	18,485	(1,890)	16,595
Service charge expenses	(2,870)	(6,936)	(3,343)	(8,092)	0	(21,241)	1,996	(19,245)
Property expenses	(923)	(5,238)	(8,618)	(2,681)	0	(17,460)	191	(17,269)
Net property income	11,920	21,320	35,789	19,264		88,293	(5,321)	82,972
Share of result of joint ventures	0	0	0	0	0	0	4,000	4,000
Investment revaluation and disposal of investment properties	(2,353)	7,142	(4,168)	(1,663)	221	(821)	(678)	(1,499)
Segment result	9,567	28,462	31,621	17,601	221	87,472	(1,999)	85,473
Net financing result						(10,948)	243	(10,705)
Company expenses						(6,679)	0	(6,679)
Investment expenses						(224)	4	(220)
Other income						866	661	1,527
Profit before taxation						70,487	(1,091)	69,396
Current tax						(1,291)	158	(1,133)
Deferred tax						(3,356)	929	(2,427)
Profit after taxation						65,840	(4)	65,836

(€ '000)						Total	Adjustments	Total
As per 31/12/2019	Belgium	France	Italy	Sweden	The Netherlands*	proportional consolidation	joint ventures	IFRS
Property investments	623,800	1,001,200	1,606,400	914,835	0	4,146,235	(221,600)	3,924,635
Property investments under development	0	1,900	0	0	0	1,900	0	1,900
Investments in joint ventures	0	0	0	0	0	0	109,656	109,656
Tangible fixed assets	5	774	2,288	590	1,008	4,665	0	4,665
Receivables	10,001	20,892	10,918	2,081	1,891	45,783	(482)	45,301
Derivative financial instruments			175			175		175
Cash and deposits	1,204	3,031	12,294	15,966	3,568	36,063	(4,010)	32,053
Total assets	635,010	1,027,797	1,632,075	933,472	6,467	4,234,821	(116,436)	4,118,385
Creditors	10,647	24,638	47,406	35,271	2,795	120,757	(13,467)	107,290
Non-current creditors	788	8,715	6,056	650	528	16,737	(771)	15,966
Borrowings	284,918	274,374	908,523	366,744	25,000	1,859,559	(92,048)	1,767,511
Derivative financial instruments	8,058	1,660	104,759	702	0	115,179	(2,446)	112,733
Deferred tax liabilities	0	0	109,965	75,804	0	185,769	(7,704)	178,065
Provision for pensions	0	0	0	0	1,471	1,471	0	1,471
Total liabilities	304,411	309,387	1,176,709	479,171	29,794	2,299,472	(116,436)	2,183,036

(€ '000)						Total	Adjustments	Total
For the six months period ended 31/12/2019	Belgium	France	Italy	Sweden	The Netherlands*	proportional consolidation	joint ventures	IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	71,753	(195,646)	42,370	18,254	0	(63,269)	(13,699)	(76,968)

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

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as at 31 December 2019

2. Segment information 2018

(€ '000)						Total	Adjustments	Total
For the six months period ended					The	proportional	joint	IFRS
31/12/2018	Belgium	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Rental income	9,887	30,950	43,976	22,211	0	107,024	(5,649)	101,375
Service charge income	1,167	6,325	3,130	6,780	0	17,402	(1,699)	15,703
Service charge expenses	(1,195)	(7,595)	(3,049)	(7,442)	0	(19,281)	1,657	(17,624)
Property expenses	(1,178)	(5,205)	(8,436)	(3,140)	0	(17,959)	469	(17,490)
Net property income	8,681	24,475	35,621	18,409	0	87,186	(5,222)	81,964
Share of result of joint ventures	0	0	0	0	0	0	(2,861)	(2,861)
Investment revaluation and disposal of investment properties	(3,531)	(22,332)	(7,585)	10,042	(111)	(23,517)	5,573	(17,944)
Segment result	5,150	2,143	28,036	28,451	(111)	63,669	(2,510)	61,159
Net financing result						(22,397)	1,287	(21,110)
Company expenses						(6,804)	0	(6,804)
Investment expenses						(847)	4	(843)
Other income						845	491	1,336
Profit before taxation						34,466	(728)	33,738
Current tax						(782)	649	(133)
Deferred tax						(9,052)	79	(8,973)
Profit after taxation						24,632	0	24,632

(€ '000)						Total	Adjustments	Total
As per 30/06/2019					The	proportional	joint	IFRS
	Belgium	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Property investments	554,400	990,100	1,568,100	887,885	0	4,000,485	(207,100)	3,793,385
Property investments under development	0	1,700	0	0	0	1,700	0	1,700
Investments in joint ventures	0	0	0	0	0	0	108,156	108,156
Tangible fixed assets	7	329	605	140	252	1,333	0	1,333
Receivables	5,974	23,698	13,554	3,061	794	47,081	4,393	51,474
Derivative financial instruments	0	0	0	0	0	0	0	0
Cash and deposits	1,585	58,779	32,700	62,693	(80,191)	75,566	(10,355)	65,211
Property investments held for sale	0	199,000	0	0	0	199,000	0	199,000
Total assets	561,966	1,273,606	1,614,959	953,779	(79,145)	4,325,165	(104,906)	4,220,259
Creditors	7,756	28,114	31,400	25,706	3,928	96,904	(9,739)	87,165
Non-current creditors	788	9,106	1,489	128	0	11,511	(708)	10,803
Borrowings	284,835	429,179	876,295	363,830	41,000	1,995,139	(84,770)	1,910,369
Derivative financial instruments	9,746	2,904	112,048	1,325	0	126,023	(2,880)	123,143
Deferred tax liabilities	0	0	115,282	725,912	0	188,194	(6,809)	181,385
Provision for pensions	0	0	0	0	835	835	0	835
Total liabilities	303,125	469,303	1,136,514	463,901	45,763	2,418,606	(104,906)	2,313,700

(€ '000)						Total	Adjustments	Total
For the six months period ended					The	proportional	joint	IFRS
31/12/2018	Belgium	France	Italy	Sweden	Netherlands*	consolidation	ventures	
Acquisitions, divestments and capital expenditure (including capitalised interest)	105,233	(45,669)	19,338	28,476	0	107,378	(4,224)	103,154

* 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 2019

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 2019 €1 was SEK 10.4468 (30 June 2019: SEK 10.5633) and €1 was GBP 0.8508 (30 June 2019: GBP 0.8966).

4. Property expenses

Property expenses in the current financial period were:

For the six months ended (€'000)	31-12-19	31-12-18
Direct property expenses		
Bad debts	629	343
Centre marketing expenses	1,103	1,451
Insurance premiums	430	374
Managing agent fees	1,547	1,948
Property taxes	1,754	1,750
Repair and maintenance	586	486
Shortfall service charges	664	702
	6,713	7,054
Indirect property expenses		
Accounting fees	308	298
Audit fees	195	216
Depreciation fixed assets	349	403
Depreciation IFRS 16 Right of use assets	384	0
Dispossession indemnities	63	93
Italian local tax (IRAP)	415	676
Legal and other advisory fees	1,141	891
Letting fees and relocation expenses	642	617
Local office and accommodation expenses	747	884
Pension contributions	84	94
Salaries, wages and bonuses	3,568	3,527
Social security charges	1,479	1,377
Performance shares granted (IFRS 2)	187	324
Travelling expenses	419	496
Other local taxes	505	405
Other expenses	70	135
	10,556	10,436
	17,269	17,490

Notes to the condensed consolidated financial statements

as at 31 December 2019

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)	31-12-19	31-12-18
Revaluation of property investments	(724)	(18,774)
Revaluation of property investments under development	(115)	(96)
Divestment movement property sold	(1,197)	678
Elimination of accrued entry fees	(122)	(52)
Elimination of capitalised letting fees	508	257
Movement long-term creditors	(6)	82
Foreign currency results	157	(39)
	(1,499)	(17,944)

The divestment result of €1,197,000 is related to the sale of 50% of the property Passage du Havre, Paris.

The movement of foreign currency results includes a realised amount of €415,000 positive (31 December 2018: €60,000 negative), an unrealised amount of €258,000 negative (31 December 2018: €21,000 positive) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

6. Net financing cost

Net financing cost in the current financial period comprised:

For the six months ended (€'000)	31-12-19	31-12-18
Interest income	15	10
Gross interest expense	(21,763)	(21,784)
Capitalised interest	451	515
Unrealised fair value movement derivative financial instruments	10,592	676
Realised fair value movement derivative financial instruments	0	(527)
	(10,705)	(21,110)

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% (31 December 2018: 1.9%). Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements so that 83% (31 December 2018: 71%) of interest costs are fixed at an average interest rate of 2.1% (31 December 2018: 2.1%) for an average period of just over six years (31 December 2018: 6.5 years).

Notes to the condensed consolidated financial statements

as at 31 December 2019

7. Company expenses

Company expenses in the current financial period comprised:

For the six months ended (€'000)	31-12-19	31-12-18
Audit fees	138	160
Depreciation fixed assets	288	92
Directors' fees	1,490	1,074
IT expenses	493	507
Legal and other advisory fees	448	367
Marketing expenses	351	257
Office and accommodation expenses	907	986
Pension costs*	20	13
Pension contributions*	230	177
Salaries, wages and bonuses	1,244	1,904
Social security charges	183	206
Statutory costs	225	187
Performance shares granted (IFRS 2)	198	256
Travelling expenses	201	255
Other expenses	263	363
	6,679	6,804

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

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

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 2019. 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. 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 2019, which contained an uncertainty paragraph setting out these circumstances.

Notes to the condensed consolidated financial statements

as at 31 December 2019

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

The current property portfolio is:

(€'000)	31-12-19 Net value	30-06-19 Net value	31-12-19 Costs to date	30-06-19 Costs to date ¹
Belgium				
Woluwe, Brussels* ****	623,800	554,400	649,504	577,751
France				
Passage du Havre, Paris* *****	209,000	403,300	96,659	192,700
Val Thoiry, Greater Geneva*	166,400	165,200	138,245	138,054
Les Atlantes, Tours*	121,500	122,000	67,101	66,923
Centr'Azur, Hyères*	96,800	96,700	64,833	64,667
Chasse Sud, Chasse-sur-Rhône*	97,300	95,700	73,826	73,275
MoDo, Moisselles*	73,100	72,300	67,790	67,834
Les Portes de Taverny, Taverny*	63,900	63,200	27,203	26,510
Grand A, Amiens*	61,000	60,900	38,049	37,981
Les Trois Dauphins, Grenoble*	38,000	38,100	27,303	27,322
Les Grands Hommes, Bordeaux	22,900	21,000	21,088	20,242
Shopping Etrembières, Greater Geneva** ***	1,900	1,700	8,414	8,099
	951,800	1,140,100	630,511	723,607
Italy				
I Gigli, Florence*	477,000	472,100	341,375	334,200
Carosello, Carugate, Milan*	382,100	380,400	209,721	209,393
Collestrada, Perugia*	143,900	143,500	138,529	137,681
Il Castello, Ferrara*	138,000	137,400	86,570	86,573
Curno, Bergamo*	128,900	118,800	57,484	45,317
Cremona Po, Cremona*	114,400	107,300	122,966	115,139
I Portali, Modena*	51,800	52,200	48,806	48,509
	1,436,100	1,411,700	1,005,451	976,812
Sweden				
Bergvik, Karlstad*	144,445	143,704	114,572	114,525
Ingelsta Shopping, Norrköping*	115,289	118,542	95,555	94,936
Grand Samarkand, Växjö*	115,442	114,358	83,237	80,260
Hallarna, Halmstad*	157,914	146,905	151,083	145,859
C4 Shopping, Kristianstad*	143,010	134,049	126,412	123,127
Valbo, Gävle*	113,719	110,572	113,771	110,206
Elins Esplanad, Skövde*	83,758	78,953	70,635	68,158
Moraberg, Södertälje	41,258	40,802	39,276	39,215
	914,835	887,885	794,541	776,286
Total	3,926,535	3,994,085	3,080,007	3,439,686
Less: Property investments under development	(1,900)	(1,700)	(8,414)	(8,099)
Less: Property investments held for sale	0	(199,000)	0	(96,350)
Property investments	3,924,635	3,793,385	3,071,593	3,335,237

* These properties carry mortgage debt up to €1,661 million at 31 December 2019 (30 June 2019: €1,819 million).

** Classified as property investments under development.

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

**** This property is held with a joint venture partner, which is holding a minority stake since 18 September 2019.

***** This property is held 50/50 with a joint venture partner.

¹ The comparative figures have been restated with regard to the cost price of the Swedish properties.

Notes to the condensed consolidated financial statements

as at 31 December 2019

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

Changes in property investments and property investments held for sale for the financial period ended 31 December 2019 were as follows:

(€'000)	01-07-19 / 31-12-19	01-07-18 / 30-06-19
Book value at beginning of period	3,992,385	3,761,655
Acquisitions	0	119,946
Capital expenditure - general	3,104	6,810
Capital expenditure - extensions and refurbishments	51,255	45,350
Contribution in kind of property	67,000	0
Capitalised interest	451	357
Capitalised letting fees	508	321
Elimination of capitalised letting fees	(508)	(321)
Revaluation of property investments	(724)	(1,146)
Revaluation of property investments held for sale	0	(8,021)
Reallocation from properties under development	0	127,588
Book value divestment property	(199,000)	(48,800)
Exchange rate movement	10,164	(11,354)
Book value at end of period	3,924,635	3,992,385

Changes in property investments under development for the financial period ended 31 December 2019 were as follows:

(€'000)	01-07-19 / 31-12-19	01-07-18 / 30-06-19
Book value at beginning of period	1,700	113,929
Reallocation to property investments	0	(127,588)
Capital expenditure	314	13,712
Capitalised interest	0	343
Capitalised letting fees	0	(107)
Elimination of capitalised letting fees	0	107
Revaluation property investments under development	(114)	(385)
Exchange rate movement	0	1,689
Book value at end of period	1,900	1,700

The fair value measurement of all the property investments is categorised within level 3 of the fair value hierarchy (30 June 2019: level 3).

Assumptions and sensitivity analysis:

The average net initial yield applied by the valuers is 3.9% for Belgium, 5.4% for France, 5.2% for Italy and 5.0% for Sweden, compared to the yields reported as per 30 June 2019 of 3.9% for Belgium, 4.5% (France), 5.1% (Italy) and 4.8% (Sweden), 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 €177 million (30 June 2019: €194 million), whereas a decrease in the average yield of 25 bps would result in an increase in the value of the property portfolio of €219 million (30 June 2019: €223 million).

An increase in the estimated rental value of 5% would result in an increase in the value of the property portfolio of €150 million (30 June 2019: €140 million). A decrease in the estimated rental value of 5% would result in a decrease in the value of the property portfolio of €150 million (30 June 2019: €143 million).

Notes to the condensed consolidated financial statements

as at 31 December 2019

9. Investments in joint ventures

Changes in investments in joint ventures for the financial period ended 31 December 2019 were as follows:

(€'000)	01-07-19 / 31-12-19	01-07-18 / 30-06-19
Book value at beginning of period	108,156	108,853
IFRS adjustments	0	602
Dividends received from joint ventures	(2,500)	(1,300)
Eurocommercial share of total comprehensive income	4,000	1
Book value at end of period	109,656	108,156

Investments in joint ventures refer to the shopping centres Fiordaliso and Shopping Etrembières.

10. Receivables

The largest current receivables items are rents receivable for an amount of 24.9 million (30 June 2019: €27.1 million) and VAT receivable for an amount of €6.6 million (30 June 2019: €4 million).

11. Creditors

The largest current creditors items are rent received in advance for an amount of €32.4 million (30 June 2019: €35.0 million), creditors related to capital expenditure on the retail properties for an amount of €30.0 million (30 June 2019: €21.9 million) and to €5.0 million to local tax payable and deferred tax payable (30 June 2019: €0.5 million). The non-current creditors of €16.0 million relate to €11.0 million for tenant rental deposits (30 June 2019: €11.0 million), to €2.6 million deferred tax payable due to step up of tax base (30 June 2019: €0 million) and for €2.4 million to long term lease liabilities (30 June 2019: €0 million).

12. Borrowings

(€'000)	01-07-19 / 31-12-19	01-07-18 / 30-06-19
Book value at beginning of the period	1,910,369	1,747,754
IFRS adjustments	0	6,488
Drawdown of funds	112,949	494,854
Repayments	(260,818)	(333,381)
Exchange rate movement	4,031	(3,078)
Movement prepaid borrowing costs	980	(2,268)
Book value at the end of the period	1,767,511	1,910,369

The borrowings are all directly from major banks with average committed unexpired terms of just over five years. The average interest rate, including derivative financial instruments, in the current financial period was 2.1% (12 months ended 30 June 2019: 2.1%). At 31 December 2019 the Company has hedged its exposure to interest rate movements on its borrowings for 83% (30 June 2019: 78%) at an average term of 6.3 years (30 June 2019: 6.6 years). The fair value of the loans is €1,823 million (book value at 31 December 2019: €1,768 million), compared to a fair value of €1,971 million at 30 June 2019 (book value at 30 June 2019: €1.910 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.

Notes to the condensed consolidated financial statements

as at 31 December 2019

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 2019: level 2).

14. Deferred tax liabilities

Deferred tax liabilities decreased to €178.1 million (30 June 2019: €181.3 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)	01-07-19 / 31-12-19	01-07-18 / 30-06-19
Book value at beginning of the period	181,385	177,171
Tax impact of IFRS adjustments	0	160
Recognised in statement of profit or loss	2,427	6,941
Release to statement of profit or loss due to property sale	(56)	(2,020)
Exchange rate movement	809	(867)
Reallocation to current tax due to step up of tax base	(6,500)	0
Book value at the end of the period	178,065	181,385

Notes to the condensed consolidated financial statements

as at 31 December 2019

15. Share capital and reserves

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam and Brussels. One bearer depositary receipt represents ten ordinary registered shares. The number of shares on issue increased on 29 November 2019 by 395,442 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 12.1% of the issued share capital (2018: 12.5%) opted for the bonus depositary receipts at an issue price of €32.70 from the Company's share premium reserve, instead of a cash dividend of €2.18 per depositary receipt for the financial year ended 30 June 2019. Accordingly, of the available dividend of €106.6 million, an amount of €12.9 million was not paid out in cash.

On 7 November 2019, 90,913 depositary receipts granted under the Performance Share Plan 2016 were vested. The depositary receipts bought back were used to provide for the vested performance shares and 506,924 depositary receipts remained bought back as at 31 December 2019.

16. Commitments not included in the balance sheet

The Company has signed a building contract for the first and second phase of the Valbo project in Gävle, Sweden. The outstanding commitment under this contract is c. €12 million as per 31 December 2019. The works in the shopping centres Elins Esplanade in Skövde and Ingelsta in Norrköping are progressing and amounts of €7 million and €6 million respectively are outstanding. The Company has signed an agreement to contribute €6 million to Galleria Verde S.r.l. to undertake the refurbishment of Fiordaliso.

17. Post balance sheet events

There are no post balance sheet events.

Amsterdam, 5 February 2020

Board of Management

J.P. Lewis, Chairman
R. Fraticelli
E.J. van Garderen
J.P.C. Mills

Board of Supervisory Directors

B.T.M. Steins Bisschop, Chairman
E.R.G.M. Attout
B. Carrière
C. Croff
K. Laglas
J.-Å. Persson

Other information

Holders of depositary receipts/ordinary shares with a holding of 3% or more

Under the Netherlands Act on Financial Supervision, the Netherlands Authority for the Financial Markets has received notification from four holders of depositary receipts/ordinary shares with interests greater than 3% in the Company. According to the latest notifications these interests were as follows: Stichting Administratiekantoor Eurocommercial Properties (99.84%), Mr A. van Herk (20.22%), Bank of Montreal (5.01%) and BlackRock, Inc. (4.59%).

The dates of the aforesaid notifications were 1 November 2006, 10 May 2019, 4 June 2019 and 31 May 2018.

Stock market prices and turnovers from 1 July to 31 December 2019

		High	Low	Average
Closing price 31 December 2019 (€; depositary receipts)	25.00	29.60	21.92	25.10
Average daily turnover (in depositary receipts)	103,153			
Average daily turnover (€'000,000)	2.6			
Total turnover over the past six months (€'000,000)	343.1			
Market capitalisation (€'000,000)	1,188.8			
Total six months turnover as a percentage of market capitalisation	28.9%			

Source: Euronext, Global Property Research.

Depositary receipts listed on Euronext Amsterdam and Euronext Brussels have been accepted for delivery through the book entry facilities of the Netherlands Central Institute for Giro Securities Transactions (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.) trading as Euroclear Nederland.

ISIN – Code:

NL 0000288876, symbol: ECMPA

Stock market prices are followed by Bloomberg :

Ticker: ECMPA NA

Other information

Review report of the Company's auditors

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 2019 of Eurocommercial Properties N.V., Amsterdam, which comprises the condensed statement of financial position as at 31 December 2019, the condensed statements of profit or loss, comprehensive income, changes in equity, and cash flows for six months ended 31 December 2019, and the notes, comprising a summary of the significant accounting policies and other explanatory information. 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 2019 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 5 February 2020
KPMG Accountants N.V.

H.D. Grönloh RA

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