EUROCOMMERCIAL

Eurocommercial Properties N.V.
Herengracht 469, 1017 BS Amsterdam
P.O. Box 15542, 1001 NA Amsterdam
Tel: +31 (0)20 530 60 30
Fax: +31 (0)20 530 60 40

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BUSINESS REVIEW/TRADING UPDATE THIRD QUARTER RESULTS 2019/2020

Business highlights

- **All our centres in Sweden have remained open over the past months with trading holding up well in the circumstances**
- **In Belgium, France and Italy, all stores except food stores and pharmacies have been closed since mid-March and are now preparing for gradual reopening in mid-May**
- **Eurocommercial has been working with tenants on rent deferrals and holidays in the lockdown period for the smallest operators**
- **All members of the Management Board have reduced their base salaries by 20% from the May payment for a period of three months and their variable remuneration has been cancelled**
- **Supervisory Board to nominate Evert Jan van Garderen, currently CFO, to be appointed Chief Executive Officer on the retirement of Jeremy Lewis at the shareholders' meeting in November 2020**
- **Eurocommercial proposes changing the end of its financial year to 31 December and will convene an Extraordinary General Meeting on 18 June 2020 to approve the change**

Performance highlights

- **Like-for-like rental growth** was 1.7% for the 12 months to 31 March driven by strong performance in Sweden (2.6%)
- **Vacancies** as per 31 March 2020 were 1.3%
- **Uplift on relettings and renewals** was 8.0% for the 12 months to 31 March, based on 226 lease negotiations
- **Earnings** (direct investment result) of €87.6 million for the three quarters

Eurocommercial's CEO, Jeremy Lewis, said:

"The first two months of our third quarter were strong but of course the COVID-19 pandemic seriously affected turnover and footfall in the second half of March. Nonetheless the quarter results overall were solid.
The bright spot in our portfolio is Sweden (22% by asset value) where all our centres have remained open with footfall only about 25% down.

Belgium, France and Italy have all had total lockdowns and the respective governments have all introduced differing schemes for the assistance of retailers which are described under the country sections of this report. It seems that the end to the lockdowns in Belgium, France and Italy will be introduced during May but national schemes differ, again described later in this report.

It is extremely gratifying that our teleworking systems have worked very well notwithstanding these difficult times and group morale remains high with planning advanced for the post lockdown period.

The level of sales turnover in our centres and therefore rents for the rest of the year is very difficult to predict but our current estimates suggest little likelihood of financial distress for the Group given the quality of our centres and our famously low occupancy cost ratios.

The level of economic uncertainty though has led us, in close consultation with our auditors and other advisers, to recommend to shareholders that our financial year be changed from its traditional 30 June end to 31 December in line with our peers.

Our leasing and management teams have never worked harder and we are impressed with the level of goodwill and cooperation that exists between us and our retail tenants whose lives have been extraordinarily difficult.

It is far too early to assess accurately the amount of rents to be received for our fourth quarter, given that we have offered tenants rent monthly payments in arrears instead of quarterly in advance and government aid schemes are not yet finalised.

There is now though hope of light at the end of a very dark and frightening tunnel and we look forward to the future with increasing confidence."

Direct Investment Result

The direct investment result (earnings) for the nine-month period to 31 March 2020 was €87.6 million compared with €89.6 million for the nine months to 31 March 2019. The direct investment result per depositary receipt at 31 March 2020 was €1.78 compared with €1.81 at 31 March 2019.

The decline can be explained by a €2.7 million reduction in rental income for March related to the COVID-19 pandemic. On the other hand, the loss of earnings from the disposal of 50% of Passage du Havre last September was partly offset by organic growth, income from new openings and expenses savings.

Rental Growth and uplifts on relettings and renewals

Like-for-like (same floor area) rental growth (including indexation, turnover rent and reletting and renewals) for the twelve months to March 2020 was 1.7% across our portfolio. Growth was driven by indexation (1.2%) and by a solid uplift of 8.0% on the 226 leases we relet or renewed.

In Belgium, like-for-like rental growth was 1.3%, broadly in-line with indexation. Rental uplift on relettings and renewals was negatively impacted by the current remerchandising and tenant reorganisation ahead of the planned extension of the centre.

In France, like-for-like rental growth was 1.9% broadly in-line with indexation too and marginally ahead of levels seen over the past two quarters.

In Italy, like-for-like rental growth was 1.2%. Indexation only contributed to 0.6% growth and the majority of the growth stemmed from solid uplifts from relettings and renewals which were partly offset by an increase in vacancies.

Like-for-like rental growth in Swedish centres continued to be strong at 2.6%, 120bps ahead of indexation boosted by solid uplifts on renewals and relettings as well as improvements in occupancy of the centres.

	Number of relettings and renewals	Average rental uplift on relettings and renewals	Like for like rental growth
Overall	**226**	**8.0%**	**1.7%**
Belgium	9	-6.0%	1.3%
France	44	3.3%	1.9%
Italy	99	12.5%	1.2%
Sweden	74	4.4%	2.6%

Retail Sales Growth

Following the closure of most stores by mid-March 2020 due to the COVID-19 pandemic, it is not relevant to include March 2020 retail sales in comparison with those of last year.

Retail sales were up 0.9% in the first two months of the year compared to the similar period last year and up 1.3% for the twelve months to end of February 2020.

The performance was especially strong in Sweden boosted by the inclusion of C4 in our data, which has now been opened for over a year and is performing strongly, as is our expanded Hallarna shopping centre.

In Belgium, the solid like-for-like retail sales reflect improvements in customer experience since the refurbishment of the centre and the opening of the tram line.

In France, retail sales were broadly stable over both periods, outperforming national indices. Our Greater Geneva centres performed particularly well. In other centres, weaker sales in January due to the strike against the pension reform were offset by solid February sales.

In Italy, the strong performance for January was offset by poor retail sales in February as trading restrictions started to be imposed at the end of February.

Like-for-like Retail Sales Growth by Country*

	Two months to 29 February 2020	Twelve months to 29 February 2020
Overall	0.9%	1.3%
Belgium	2.5%	2.8%
France	-0.1%	0.1%
Italy	-1.9%	1.1%
Sweden	7.9%	2.6%

* Excluding hypermarkets, Systembolagets and extensions/redevelopments.

Occupancy Cost Ratios

Total occupancy cost ratios (rent plus marketing contributions, service charges and tenant property taxes as a proportion of retail sales including VAT) for Eurocommercial galleries excluding hypermarkets and Systembolagets (the Swedish government-owned alcohol retailer) at the end of the quarter were 9.0% overall: 14.7% in Belgium; 9.5% in France; 8.0% in Italy and 8.8% in Sweden.

Vacancy Levels

Total vacancies for the portfolio at 31 March 2020 remained very low as they have over the last 20 years and represented 1.3% of rental income. The slight increase in vacancies compared to previous quarters can be attributable to a few vacant units in Italy and Belgium. As at 31 March 2020, there were 12 tenants occupying 24 units in administration out of 1,800 units.

General organisation

Eurommercial's priority has always been the health and safety of its employees and partners. In London, France and Italy, all of our employees are now working from home with a number of them allowed to visit shopping centres to ensure continuity. In Amsterdam and Stockholm, most of our employees work from home with a limited number attending the office on rotation.

Compensation of members of the Management Board

Eurocommercial is a lean and efficient company with one of the lowest headcounts in proportion to assets and income in the industry. We therefore have no intention of reducing staff levels or staff salaries. However, in the context of the COVID-19 pandemic all members of the Management Board have taken the initiative to reduce their base salaries by 20% from the May payment for a period of three months. All variable remuneration, either short term bonuses or long term share awards, have been cancelled for the Management Board to reduce costs.

CEO succession

Jeremy Lewis, Chief Excecutive Officer of the Company since its foundation having reached the age of 75 will not offer himself for reappointment to the Management Board in November 2020. Mr Lewis will not be a member of any of the Company's Boards but will continue his association with the Company in an advisory role to be defined.

After a thorough international process including the advice and recommendation from a major global search firm, the Supervisory Board has decided to nominate the current Chief Financial Officer, Evert Jan van Garderen as Chief Executive Officer. Shareholders will be asked by the Supervisory Board to appoint him at the November shareholders' meeting.

Mr van Garderen joined the Company in 1994 after experience in a major law firm and an international investment group. He is both a Chartered Accountant as well as a qualified lawyer.

Director Peter Mills who joined the Company in 1993 will become Group Chief Investment Officer.

A new Chief Financial Officer will be announced in due course.

Funding

The Company has a robust balance sheet structure and bank loans with an average committed unexpired term of over five years.

Our bank loan structure allows us the flexibility to raise finance secured against individual or groups of assets. The Company has no financing from the fixed income markets and thereby is not exposed to conditions therein. We have strong and long-standing lending relationships with a group of over 15 Belgian, Dutch, French, German, Italian and Swedish specialist real estate financing banks, ensuring diversity in access to finance between lenders and across different geographies.

Our long-term financing structure is secured by mortgages with pledges of the rents in favour of the respective financing bank(s). These mortgage agreements are entered into by the Company's local subsidiaries in the various countries, which own the properties, under contracts governed by local law. Bank covenants for all long-term financing arrangements have been agreed at the local asset level, which can be a loan to value ratio, interest cover ratio or a debt service ratio or a combination thereof, all related to the performance of the local property.

In the first quarter of 2020 the Company entered into three new loan agreements. In Italy, the existing bank loan with Monte dei Paschi di Siena financing shopping centre Collestrada in Perugia was extended for nine years and the principal of the loan was increased from €40 million to €72 million. Furthermore, two new short-term loans were concluded with ING for an amount of €35 million and with BNP Paribas for an amount of €30 million respectively.

Despite current market conditions our strong lender relationships have enabled us to be well-advanced in extending two long-term loans expiring in this calendar year (July 2020) with principal amounts of €50 million for a loan in Italy and €45 million for a loan in Sweden. In 2021 only €60 million is expiring, so the maturity profile of the Company's loan book is well spread over time. As at 31 March 2020, the Company had over €100 million available liquidity in cash and undrawn credit lines, which we believe is sufficient considering the limited near-term loan maturities as described above and the specific nature of our funding. The Company also understands that it qualifies for state guaranteed bank financing in some of its markets.

75% of our interest expenses are fixed for an average period of almost seven years and the average interest rate is still 2.1% as reported for previous periods. As a result, the Company's interest expenses are expected to remain stable for the coming period.

Country Commentary

While it is too early to assess the full impact of the COVID-19 pandemic on its business, Eurocommercial takes reassurance in the fact that all centres should reopen in the next few weeks as detailed in the table below.

	Start of the partial closure of our shopping centres	**Reopening dates**
Belgium	All non essential businesses from 18 March	Fabric store and all companies from 4 May Reopening of the majority of shops from 11 May Stores/activities with physical contact (e.g. hairdressers) from 18 May Restaurants and bars not before 8 June
France	All non essential businesses from 15 March	All retailers except bars and restaurants from 11 May Decision on reopening of bars and restaurants to be announced at the end of May
Italy	Some centres closed at weekends from end-Feb All non essential businesses closed from 12 March	Bookstores and kids fashion and accessories stores reopened on 14 April Factories and construction from 4 May Most stores from 18 May Restaurants, bars, wellness centres from 1 June
Sweden	All centres have remained open with reduced hours	

Belgium

Since 18 March, Belgium has implemented population confinement measures to slow the spread of the epidemic. As a result, from that date all stores were closed, with the exception of supermarkets, pharmacies and grocery stores. In accordance with the deconfinement strategy of the government, the majority of stores (94% by GLA) should be able to reopen on 11 May. Only bars, restaurants and activities with physical contact (e.g. hairdressers) will have to remain closed for a longer period.

Consequently, we have granted payment facilities for the current quarter to most tenants, including the postponement of payment of the April invoice. Negotiations are still underway between the representative organizations of landlords and retailers in order to find an agreement on the rent payment. In the meantime, we are in discussion with our tenants to negotiate, on a case-by-case basis, fair agreements to resolve this situation.

A cost saving program has been launched for our centre with suspension of all opex & capex investments and a reduction as much as possible of common, private and marketing charges.

France

Since 15 March only hypermarkets, pharmacies, and food stores are open in our centres and continue to trade well despite stringent measures being implemented to protect customers. All of our shopping centres should be able to remain open post 11 May subject to complying with the regulation. The majority of stores should be able to reopen on 11 May (93% by GLA).

In order to support our tenants in these circumstances, monthly payments have been granted for the fourth quarter with the possibility to defer the payment for the month of April for those which were not allowed to trade.

On 23 April the French government appointed a mediator to set up a framework of negotiations and code of conduct between landlords and tenants. Her decision is expected in the coming weeks. Meanwhile we have been in constant contact with our tenants and have started negotiations with a large number of them. We are confident that, given the track record of our centres, their low occupancy cost ratios and our close relationship with our tenants, we will find solutions which will suit both parties in this difficult situation.

We have already followed government recommendations and have granted small tenants three months of rent holiday, representing a loss of approximately €1.1 million to the Company.

We have also reduced operational charges in our centres, cancelled marketing campaigns or events and postponed works to which we had no commitment.

Italy

The preparations for the reopening of most shops on 18 May are already underway. Hypermarkets, pharmacies, electrical stores, petrol stations, bookstores, kids fashion stores and health & beauty stores are already operational in most of our shopping centres, while food and beverage are expected to officially reopen on 1 June, but can already provide a takeaway service. Currently on average 54% in GLA terms, including hypermarkets of our shopping centres is open.

In the meantime operating expenses have been reduced to the minimum, taking of course into account the necessary health and safety measures.

The Italian government has introduced measures to financially support tenants both with favourable financing conditions, covered by an almost full state guarantee, as well as, for the smaller ones (C1 category), a special 60% tax credit on the rents (locazione) paid for the month of March. The government is currently working on a new decree to inject another €55bn into the economy, we expect that to include new measures aimed at further supporting the retailers.

Sweden

In Sweden, shopping centres remain fully open although footfall and therefore retail sales have been reduced since 12 March when the government started to impose restrictions on public gatherings. ECP's seven shopping centres and one retail park have benefitted from their provincial locations where the occurrence of the virus and its effect on retail has generally been much less evident. The shopping centres also benefit from being anchored by Sweden's major hypermarket groups, ICA, Coop and City Gross together with other everyday goods including Systembolaget (state alcohol monopoly) and pharmacies. These retailers have been trading very strongly and have ensured that footfall in our centres has remained healthy at around 75% of pre-virus levels. Retail sales in fashion and shoes have been weaker.

ECP has offered assistance to its tenants by reducing minimum trading hours in the centres and therefore saving on staff costs. We have also allowed our tenants to pay monthly in advance for the fourth quarter. Our retail team continues to liaise closely with all our tenants and are negotiating the fourth quarter rent on a case by case basis within the guidlelines of the government rent support initiative as agreed between the Landlords' Association (Fastighetsägarna) and the Retailers' Association (Svensk Handel) as approved by the European Commission. This covers Q4 only and states that if a landlord offers a qualifying tenant a rent discount of up to 50%, then within certain parameters the government will refund the landlord half the discount. Landlords can only apply for the rent subsidy from 1 July. Everyday goods generally do not qualify and these tenants representing around 17% of the Swedish portfolio are continuing to pay in advance and in full. To date, ECP have collected around 55% of Q4 rent.

The remodelling of Valbo centre outside Gävle is progressing well and will include a new full concept H&M store of 2,800m², of which we will have five examples in Sweden once the enlarged H&M opens at Elins, Skövde in October. At Elins we also opened three new stores in April in space taken back from ICA and will open a new gym for Nordic Wellness after the summer. All our Swedish centres have now been extended and refurbished so that they are the dominant retail destinations in their catchments.

At Norrköping, we are replacing the former K-Rauta external retail box with a new 8,200m² store for Ekohallen, an expanding value retail concept who have signed a 10 year lease. Ekohallen are part of the Bergandahls Group and Norrköping will be their 8th store in Sweden when it opens in September 2020.

Preparing for the reopening

In Belgium, France and Italy, our teams are actively working on the post-lockdown and on the measures to be taken to ensure the reopening of our assets under the best conditions for our tenants and customers.

The teams have been focusing their efforts on making sure that our shopping centres are safe places for people to shop, which includes regular cleaning and disinfection of all areas, making sure alcohol-based hand sanitizer is available throughout centres. Protocols have been drafted for each shopping centre and will be finalised once official guidelines are published. We have also ordered thermometers should temperature-checks become compulsory.

In addition, we have taken measures to control visitor flows and ensure a low density of people present at the any given time, in-line with social distancing guidelines. This includes markings on the ground and innovative technological measures to ensure the best possible experience for our customers.

Extension of financial year to 31 December 2020

Eurocommercial has always had a 30 June year end, an inheritance from its origins in Australia and which has not previously disadvantaged the Company in any way, despite all our listed retail peers having a financial year ending on 31 December.

The current exceptional circumstances of the COVID-19 pandemic and considerable uncertainty in our markets, but also various cash flow advantages, have led Eurocommercial, in close consultation with our auditors KPMG and other advisers, to recommend to shareholders that the financial year should be extended to 31 December 2020. We will then – like our listed peers – prepare an annual report in the first quarter of 2021 for the 18 months' period when it is thought the impact of the COVID-19 and its aftermath will be much clearer.

The postponement of the balance date to 31 December means that the Company will publish an interim or half year report in common with our peers as at 30 June.

Eurocommercial therefore intends to convene an Extraordinary General Meeting ("EGM") on 18 June 2020 to amend the Articles of Association of the Company to give effect to the proposal to change permanently the Company's balance date to 31 December each year, in line with the majority of our listed peers.

A formal notice of the meeting will be published later this week.

Subsequent to the EGM in June, a shareholders' meeting is still planned to be convened for early November 2020, in which shareholders can discuss matters and in which meeting appointments and the dividend policy will be tabled. The extension of the financial year will not prevent the Company to pay a dividend in November 2020, if appropriate, which would then be an interim dividend instead of a final dividend.

Financial Calendar

18 June 2020	Extraordinary General Meeting
28 August 2020	Announcement of twelve months results 2019/2020

For information please contact:

Valerie Jacob, Director Investor Relations and Corporate Development
Tel: +44 7795 528 357
Email: valerie.jacob@eurocommercialproperties.com

or:

Jeremy Lewis – Chief Executive - +44 20 7925 7860
Evert Jan van Garderen – Finance Director – +31 20 530 6030
Roberto Fraticelli – Director - +39 02 760 759 1
Peter Mills – Director - +44 20 7925 7860

About Eurocommercial

Eurocommercial Properties N.V. is a Euronext-quoted property investment company and one of Europe's most experienced retail property investors. Founded in 1991, Eurocommercial currently owns and operates 28 retail properties in Belgium, France, Italy, and Sweden.
www.eurocommercialproperties.com

STATEMENT OF CONSOLIDATED DIRECT INVESTMENT RESULTS*

(€ '000)	**Nine months ended 31-03-2020**	Nine months ended 31-03-2019	**Third quarter ended 31-03-2020**	Third quarter ended 31-03-2019
Rental income	**151,925**	153,664	**49,034**	52,289
Service charge income	**23,429**	21,902	**6,834**	6,199
Service charge expenses	**(26,735)**	(24,821)	**(7,490)**	(7,197)
Property expenses	**(25,032)**	(25,599)	**(7,763)**	(8,109)
Interest income	**23**	22	**8**	12
Interest expenses	**(31,457)**	(32,098)	**(10,145)**	(10,829)
Company expenses	**(9,306)**	(10,205)	**(2,648)**	(3,414)
Other income	**2,646**	1,828	**1,119**	492
Current tax	**(1,566)**	(228)	**(433)**	(95)
Direct investment result joint ventures	**5,178**	5,115	**1,357**	1,781
Direct investment result including non-controlling interest	**89,105**	89,580	**29,873**	31,129
Direct investment result non-controlling interest	**(1,465)**	-	**(687)**	-
Total direct investment result attributable to owners of the Company	**87,640**	89,580	**29,186**	31,129
Per depositary receipt (€)**				
Direct investment result	**1.78**	1.81	**0.59**	0.63

* 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 of depositary receipts represents ten ordinary registered shares. The average number of depositary receipts on issue during the period was 49,203,206, compared with 49,537,589 for the nine months to 31 March 2019, a decrease of 0.68%.

SEGMENT INFORMATION 2020

(€ '000) For the nine months ended 31-03-2020	Belgium	France	Italy	Sweden	The Netherlands	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	**19,601**	**40,727**	**64,108**	**35,581**	**-**	**160,017**	**(8,092)**	**151,925**
Service charge income	**4,484**	**6,976**	**4,152**	**10,310**	**-**	**25,922**	**(2,493)**	**23,429**
Service charge expenses	**(4,617)**	**(8,246)**	**(4,258)**	**(12,213)**	**-**	**(29,334)**	**2,599**	**(26,735)**
Property expenses	**(1,738)**	**(7,661)**	**(12,100)**	**(3,889)**	**-**	**(25,388)**	**356**	**(25,032)**
Net property income	**17,730**	**31,796**	**51,902**	**29,789**	**-**	**131,217**	**(7,630)**	**123,587**
Net interest expense	**(3,557)**	**(5,878)**	**(17,659)**	**(5,178)**	**(238)**	**(32,510)**	**1,076**	**(31,434)**
Company expenses						**(9,306)**	**-**	**(9,306)**
Other income						**1,440**	**1,206**	**2,646**
Current tax	**(115)**	**-**	**(315)**	**(1,297)**	**(9)**	**(1,736)**	**170**	**(1,566)**
Direct investment result joint ventures						**-**	**5,178**	**5,178**
Direct investment result including non-controlling interest						**89,105**	**-**	**89,105**
Share of result Non-controlling interest	**(1,465)**	**-**	**-**	**-**	**-**	**(1,465)**	**-**	**(1,465)**
Direct investment result attributable to owners of the Company						**87,640**	**-**	**87,640**

SEGMENT INFORMATION 2019

(€ '000) For the nine months ended 31-03-2019	Belgium	France	Italy	Sweden	The Netherlands	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	15,758	46,131	66,182	34,003	-	162,074	(8,410)	153,664
Service charge income	1,169	7,884	4,224	10,693	-	23,970	(2,068)	21,902
Service charge expenses	(1,195)	(9,535)	(4,192)	(12,000)	-	(26,922)	2,101	(24,821)
Property expenses	(1,692)	(7,155)	(12,647)	(4,771)	-	(26,265)	666	(25,599)
Net property income	14,040	37,325	53,567	27,925	-	132,857	(7,711)	125,146
Net interest expense	(3,316)	(6,498)	(18,729)	(4,263)	(382)	(33,188)	1,112	(32,076)
Company expenses						(10,205)	-	(10,205)
Other income						1,084	744	1,828
Current tax	26	-	(985)	-	(9)	(968)	740	(228)
Direct investment result joint ventures						-	5,115	5,115
Direct investment result including non-controlling interest						89,580	-	89,580
Share of result Non-controlling interest	-	-	-	-	-	-	-	0
Direct investment result attributable to owners of the Company						89,580	-	89,580