

EUROCOMMERCIAL

Half Year Report

31 December 2018

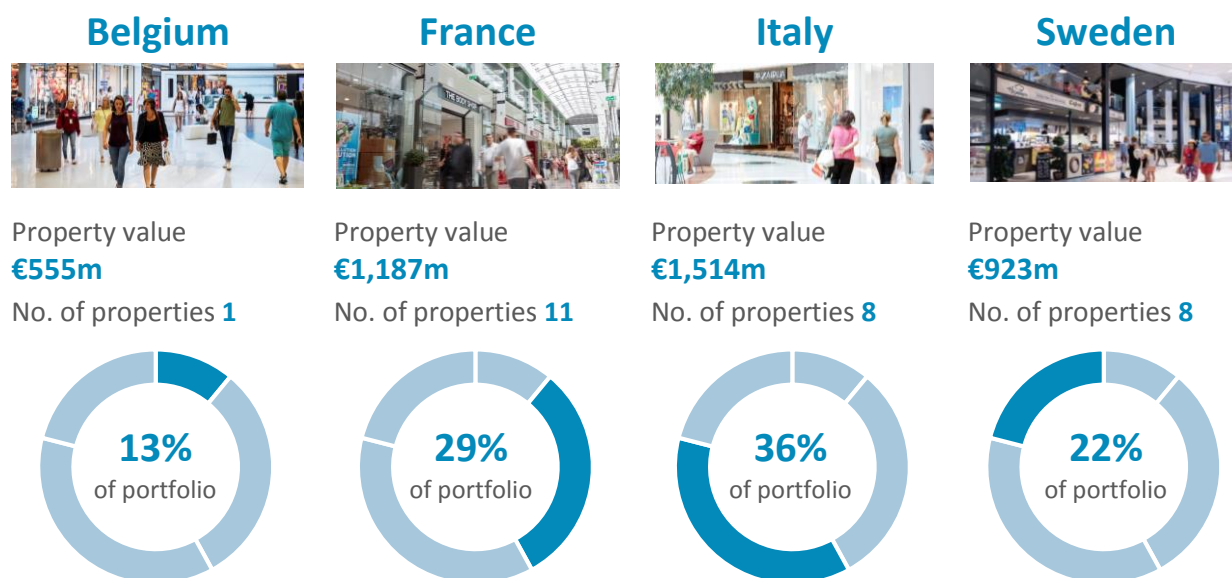


EUROCOMMERCIAL

Eurocommercial is one of Europe's most experienced property investors, with a retail property portfolio in Belgium, France, Italy and Sweden valued at €4.2 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 2018*



* Figures based on proportional consolidation.

Contents

01 Highlights
02 Financial & operational review
06 Valuations by property
07 Funding
08 Country commentary
12 Statement of consolidated direct, indirect and total investment results
Statement of adjusted net equity

13 EPRA performance measures
15 Condensed consolidated financial statements
19 Notes to the condensed consolidated financial statements
30 Other information

- Cover photo shows Woluwe shopping centre in Brussels.

First half 2018/2019

Performance highlights

- Net property income up 4.4% due to higher rental income.
- Direct investment result increased 3.4% to €58.5 million, or €1.18 per depositary receipt (versus €1.16 for the same period in 2017). The 2018 annual dividend of €2.15 will thus be very easily replicated in 2019.
- Like-for-like rental growth was 1.5% for the twelve months compared with 1.1% at the end of September 2018.
- Uplift on relettings and renewals was 9.6% with overall OCRs remaining under 9%.
- Vacancies remain below 1% of rent.
- Retail sales growth in Italy and Sweden, and improved in France during the second quarter.
- Net asset value per depositary receipt is €43.65.

Business highlights

- Sale of Les Allées de Cormeilles completed in December 2018 for €49.9 million, is in line with June 2018 valuation and in accordance with asset rotation plan.
- Two transactions agreed to bring the balance of the Woluwe shopping centre under Eurocommercial's control.
- Leases signed by H&M and another major international retailer for new units totalling 9,575m² at Fiordaliso.
- Eurocommercial awarded best in class customer service, corporate social responsibility and shopping centre branding by CNCC (Italy).

Chief Executive's commentary

"The combination of low vacancies, rental indexation and positive relettings and renewals has ensured that Eurocommercial's income has increased – notwithstanding the sale of properties over the past year and reinvestment in the initially lower-yielding Woluwe. Through refinancing a significant portion of our debt last year, we have contained our interest costs at around 2%. The overall result is that earnings in the first half are €1.18 per depositary receipt, compared with €1.16 for the same period in 2017.

"While some market commentators currently have an extremely negative view of retail real estate, our experience on the ground is actually quite positive. Over the past 18 months we have sold retail assets of over €400 million, in line with our independent valuations, the latest being the sale of Les Allées de Cormeilles in December 2018 at valuation. On a like-for-like basis Eurocommercial's independent property valuations decreased overall only slightly by -0.5% at the end of December 2018 compared with June 2018.

"Our property performance continues to be sound and the work we have undertaken to refocus our portfolio - and to develop our existing high-quality assets - means that our centres are usually 'must-haves' for retailers. Our vacancies therefore remain under 1% of rent and we see continuing demand for our retail space, a vindication of our consistently reasonable OCR policy. There have been very few insolvencies among retailers in our centres and only nine tenants are in administration with the majority still paying rent. Our recently-completed projects are fully-let and it is clear that the better retailers are seeing physical and online sales as complementary - not competitors. We continue to benefit from the presence of hypermarkets in our centres which encourage regular visitors.

"During the last few months, we finalised two agreements regarding the balance of retail space in the Woluwe shopping centre in Brussels. The first agreement was for the purchase of the company which owned six shops plus the supermarket, totalling 11,000m², for which we paid cash in December. The second, due to complete later in 2019, is the 12,000m² Inno department store for which we will issue shares in Eurocommercial's Belgian REIT subsidiary to AG Insurance. The result will be that Eurocommercial controls 100% of Woluwe shopping centre, which currently has a lettable area of 46,000m². Meanwhile the planning application for the very profitable extension to the centre is well under way."

Financial & operational review

Direct investment result: €58.5m (€1.18 per depositary receipt) +3.4%

The direct investment result for the six months to 31 December 2018 rose 3.4% to €58.5 million from €56.5 million for the same period in 2017. 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 1.7% to €1.18 at 31 December 2018, from €1.16 at 31 December 2017, despite the 1.7% increase in the average number of depositary receipts in issue over the 12-month period mainly due to the take-up of our stock dividend.

Net property income: €87.2 million +4.4%

Rental income, including joint ventures (based on proportional consolidation), for the six months to 31 December 2018, after deducting net service charges and direct and indirect property expenses (branch overheads), increased by 4.4% to €87.2 million compared with €83.5 million for the six months to 31 December 2017 (please refer to Segment Information on pages 20 and 21). 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: €43.65 per depositary receipt

Adjusted net asset value at 31 December 2018 was €43.65 per depositary receipt, compared to €44.87 at 31 December 2017, and €45.08 at 30 June 2018.

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 €37.71 per depositary receipt at 31 December 2018, compared with €39.30 at 30 June 2018 and €39.20 at 31 December 2017.

The IFRS profit after taxation for the six months to 31 December 2018 decreased to €24.6 million from €39.2 million for the same period in 2017. This was largely due to negative revaluation of the investment portfolio for an amount of €17.9 million (2017: €12.4 million negative) plus no unrealised movements in the fair value of derivatives in the current financial year compared to an amount of €6.4 million as at 31 December 2017.

Rental growth

+1.5%

The like-for-like (same floor area) rents of all Eurocommercial's galleries increased by 1.5% overall at 31 December 2018, when compared with 31 December 2017, despite very low indexation over that period.

In Italy, like-for-like rental growth was 1.7% for the 12 months to the end of December (versus 1.1% at the end of September 2018) and reletting and renewals together produced an increase in rent of 11.3%. Like-for-like rental growth in Swedish centres was +3.3%, with a 7.4% uplift on new leases. In France, rental growth was marginally positive at 0.2% as the 7.7% uplift on relettings and renewals, plus indexation, was offset to some extent by vacancies at Passage du Havre and Les Atlantiques.

Rental indexation to be applied to rents in calendar year 2019 will be 1% in Belgium, 2.1% in France, 1% in Italy, and 2.3% in Sweden.

Like-for-like rental growth, 12 months to December 2018

	Average rental uplift on relettings and renewals	Number of relettings and renewals	% of total leases relet and renewed	Overall like-for-like rental growth
O+II	9.6%	190	13%	+1.5%
France	7.7%	42	8%	+0.2%
Italy	11.3%	90	13%	+1.7%
Sweden	7.4%	58	26%	+3.3%

During the year to December 2018 the Eurocommercial leasing team signed 190 new leases which generated an average uplift of 9.6% on relettings and renewals. Relettings included New Yorker, Afound, Pandora, Bershka, Levi's, Maison du Monde, KFC, Spontini, Søstrene Grene, AS Adventure, ICI Paris XL, Lidl, Stadium, Normal, Bikbok and many more.

Retail sales

Like-for-like retail sales in Eurocommercial's shopping centres were positive in Italy and Sweden across three, six and twelve months, in many cases exceeding the national retail indices. French retail sales were slightly negative for the three months to December 2018 but a notable improvement compared with the six and twelve months retail sales figures.

Retailers in Italy and France reported an improvement in turnovers during the three months to December 2018, in large part due to the increasing importance of Black Friday for sales in physical stores, as well as online. While this had a dampening effect in some centres during December, the overall effect was an increase in turnovers for the quarter. Fashion retail was negative as the whole sector was impacted during 2018 by unseasonable weather disrupting consumer purchase patterns.

Like-for-like retail sales by country*

	3 months to 31 December 2018	6 months to 31 December 2018	12 months to 31 December 2018
France	-0.8%	-3.0%	-2.8%
Italy	+1.8%	+1.0%	+1.0%
Sweden	+0.2%	+1.2%	+0.7%

* Excluding hypermarkets, Systembolaget and extensions/redevelopments. Belgium is excluded from like-for-like comparisons, due to ownership of less than one year.

Like-for-like retail sales by sector*

	3 months to 31 December 2018	6 months to 31 December 2018	12 months to 31 December 2018
Fashion	-2.0%	-4.3%	-4.8%
Shoes	+3.0%	-0.9%	-1.0%
Health & Beauty	+2.4%	+1.3%	+1.6%
Gifts & Jewellery	+0.9%	+2.4%	+4.1%
Sport	+1.0%	+2.0%	+2.3%
Home Goods	+3.8%	+2.2%	+0.8%
Restaurants	+4.9%	+3.1%	+5.5%
Electricals	+0.2%	+1.0%	+0.7%
Books & toys	-3.9%	-1.9%	+0.2%
Services	+7.7%	+5.8%	+4.0%
Hyper/supermarkets	+1.8%	+1.3%	+0.6%

* Excluding extensions/redevelopments. Belgium is excluded from like-for-like comparisons due to ownership of less than one year.

Occupancy cost ratios (OCR)

The total occupancy cost ratio (rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT**) for Eurocommercial galleries excluding hypermarkets and Systembolaget (the Swedish government-owned monopoly alcohol retailer) at the end of the period was 8.4% 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 2018

	OCR on turnover including VAT
Overall	8.4%
France	9.0%
Italy	8.2%
Sweden	8.1%

** 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 2018 remained very low and represented less than 1% of rental income, as they have over almost 20 years.

Rental arrears of more than 90 days for the total Eurocommercial portfolio are less than 0.5% of income. Out of a total of over 1,800 shops, there are only nine tenants in administration occupying 13 units, the majority of which continue to pay rent.

Property valuations

All the Company's properties were independently valued as usual at 31 December 2018 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 valuation decreased marginally by 0.5%, or €22 million, when compared to June 2018. The calculation for like-for-like valuation changes allows for capital expenditure invested during the period.

In Belgium, the valuation of Woluwe was flat compared with June 2018. In France, the investment market has seen strong demand for city centre assets and new generation retail parks (such as Les Allées de Corneilles) but there were very few shopping centre sales. In Italy, the marginal decrease reflects the current project underway at Fiordaliso, to accommodate 9,575m² of new lettable area for two major international retailers, which is due to be completed by the end of the year plus some negative movement at Collestrada. In Sweden, the increase primarily reflected higher valuations of recently completed projects (Hallarna and C4).

Valuations at 31 December 2018

	Valuation change*				Net initial yield including purchase costs**	
	Six months to 31-12-18		Twelve months to 31-12-18		31-12-18	31-12-17
Overall	-0.5%	-€22.0m	-0.9%	-€31.1m	-	-
Belgium	-0.3%		-		4.1%	-
France	-1.9%		-3.9%		4.5%	4.4%
Italy	-0.5%		-0.2%		5.1%	5.2%
Sweden	+1.1%		+2.7%		4.9%	5.0%

* 12-month valuation change excludes Belgium, as Woluwe was acquired in March 2018, and also excludes Valbo which was acquired in January 2018. The six-month valuation change excludes the December 2018 purchase at Woluwe.

** Net initial yield for December 2017 excludes Woluwe and Valbo (as this was prior to acquisition) and excludes C4 which was under development.

Valuations by property

	Net value 31-12-18	Net initial yield including purchase costs 31-12-18
Belgium (€ million)		
Woluwe Shopping, Woluwe-Saint-Lambert (Brussels) ²	554.5	4.1%
TOTAL	554.5	4.1%
France (€ million)		
Passage du Havre, Paris ⁴	406.4	3.7%
Val Thoiry, Greater Geneva ³	150.7	4.7%
Les Atlantes, Tours ³	125.7	5.1%
Centr'Azur, Hyères ⁴	95.9	4.7%
Chasse Sud, Chasse-sur-Rhône ³	93.2	4.7%
MoDo, Moisselles ⁴	72.9	5.7%
Les Portes de Taverny, Taverny ³	66.9	5.0%
Grand A, Amiens ³	63.8	5.9%
Shopping Etrembières, Greater Geneva ² (JV)	52.5	4.6%
Les Trois Dauphins, Grenoble ³	40.0	5.3%
Les Grands Hommes, Bordeaux ³	19.1	3.9%
TOTAL	1,187.1	4.5%
Italy (€ million)		
I Gigli, Florence ²	453.7	4.8%
Carosello, Carugate, Milan ³	369.5	4.9%
Fiordaliso, Rozzano, Milan ⁵ (JV)	150.8	4.8%
Collestrada, Perugia ³	139.6	5.1%
Il Castello, Ferrara ²	132.1	5.5%
Curno, Bergamo ¹	112.0	5.9%
Cremona Po, Cremona ¹	105.2	6.1%
I Portali, Modena ¹	50.7	5.8%
TOTAL	1,513.6	5.1%
Sweden (SEK million)		
Bergvik, Karlstad ²	1,559.0	4.7%
Hallarna, Halmstad ³	1,549.4	5.0%
C4 Shopping, Kristianstad ³	1,376.2	5.0%
Ingelsta Shopping, Norrköping ³	1,248.0	4.9%
Grand Samarkand, Växjö ²	1,208.0	4.5%
Valbo, Gävle ²	1,168.0	5.2%
Elins Esplanad, Skövde ³	896.0	4.7%
Moraberg, Södertälje ³	465.3	5.6%
TOTAL	9,469.9	4.9%

Valuations by: ¹ CBRE, ² Cushman & Wakefield, ³ JLL, ⁴ Knight Frank, ⁵ Savills

Funding

During the period, holders of depositary receipts (DRs) representing 12.7% of the issued share capital opted to take up 343,114 bonus DRs at an issue price of €38.70 from the Company's share premium reserve, instead of a cash dividend of €2.15 (2017: €2.10) per depositary receipt for the financial year ended 30 June 2018. Accordingly, of the possible dividend of €106.1 million, an amount of €13.3 million was not paid out in cash. The total number of depositary receipts outstanding at 31 December 2018 rose to 49.8 million.

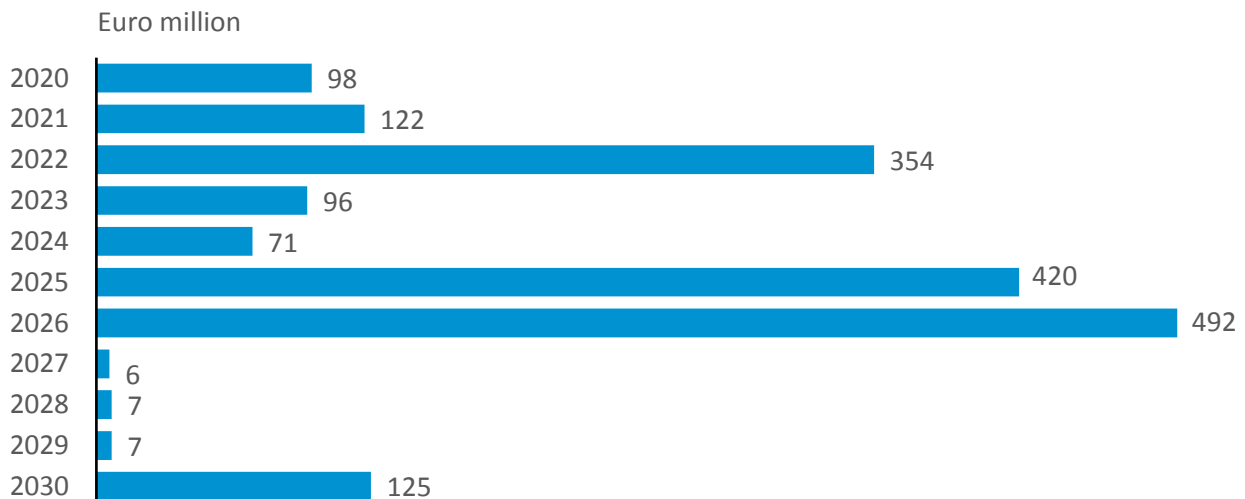
During the six-month period to 31 December 2018, Eurocommercial agreed a €50 million seven-year bullet loan jointly with ABN AMRO and ING for the purchase of part of the Woluwe shopping centre acquired in December 2018.

Based on proportional consolidation, the net debt to adjusted net equity ratio at 31 December 2018 was 89%, and the net loan to property value was 46%, an increase due to payment of the dividend and increased borrowings. These ratios are expected to improve as planned property sales are completed.

Number of shares in issue	49.8 million
Shareholders' adjusted net equity	€2.2 billion
Net debt	€1.9 billion
Net debt to adjusted net equity ratio	89%
Net loan to property value ratio	46%
Average loan term	5.6 years
Average fixed interest period	6.6 years
Overall interest cost (including margin)	2.1%

Non-current borrowings maturity and amortisation schedule at 31 December 2018*

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



Country commentary

Belgium

The Belgian economy is performing well overall with GDP growth around 1.5%, but with the Flemish and Brussels regions in advance of Wallonia. Inflation is averaging just over 2%. Property markets are strong and are reflected in the prices of quoted property securities which generally trade at, or above, net asset value.

Eurocommercial purchased the first tranche of Woluwe shopping centre in March 2018 for a price of €468 million. This transaction included 23,000m² of the total 46,000m² gross lettable area in the centre, all adjoining land, parking, common areas, all development rights and strategic control. The Company has now agreed with AG Insurance two additional transactions relating to the remaining 23,000m² of gross lettable area for a total consideration of €170 million. This means that the overall cost of the centre per m² has considerably reduced reflecting the inclusion in the latest transactions of the department store and supermarket.

The first of the latest transactions, was for the company controlling 11,000m² of six boutiques leased to major retailers, including H&M, Zara Home, Esprit and a newly-opened AS Adventure, as well as the 2,670m² Match supermarket. The purchase was completed at the end of 2018 and paid from proceeds of the Company's asset rotation programme plus a €50 million seven-year bullet loan jointly provided by ABN AMRO and ING.

The second agreement, which was signed on 15 January 2019, relates to the 12,000m² Inno department store. In exchange Eurocommercial's Belgian FIIS (REIT) will issue shares to AG Insurance under the terms of a joint venture agreement whereby AG Insurance will become a minority shareholder in that company. This transaction is expected to be completed later this year.

The formal application for consent to build the 11,600m² (8,700m² lettable area) northern retail and residential extension will be lodged under the new, more rapid planning regime in April, but detailed negotiations with the relevant authorities are already taking place. The mixed use extension will include the construction of an initial 100 apartments for which the Company expects good demand.

The new tram line serving Woluwe is now operational and the associated major road works have been completed, following which there has been a good uplift in retailer sales at the centre.

Several new international retailers have been installed in Woluwe and there is excellent demand for the extension. The initial cosmetic refurbishment of the existing centre is expected to be completed by this autumn. According to local newspaper reports, the Uplace project to the north of Brussels has been cancelled and the Neo complex at the other side of the city to Woluwe has been delayed, which means that the current very low retail density will persist for many years.

France

2018 has been a difficult year for French retailers with major strikes and disruptions of the rail network, the heatwave of September and more recently the violent demonstrations of the Gilets Jaunes, all of which subdued spending. Unemployment, though, continues to fall and retailers are in reasonable shape with minimal store closures. GDP growth is around 1.5% with inflation of 2%.

Following the agreement signed in November, we have successfully completed the sale of Les Allées de Corneilles, Corneilles, to a major UK institution for €49.9 million, in line with the independent June 2018 valuation.

Eurocommercial continues to focus carefully on those development projects which benefit from strong demand among retailers and the support of the local regions.

Eurocommercial has submitted a planning permit to build 1,600m² of retail boxes and parking at Shopping Etrembières, Greater Geneva. While the centre has been temporarily impacted by major roadworks which are limiting access for visitors, it is anticipated that these works will be completed in September this year and they will improve access to the centre which continues to be very popular among retailers due to its prime location on the major autoroute exit.

Having acquired 2.4 hectares of land adjoining the Centr'Azur shopping centre, Eurocommercial is contemplating the development of a possible 2,000m² retail park.

During November and December 2018, the Gilets Jaunes movement in France mobilised with weekly demonstrations throughout the country on Saturdays, which had an impact on some of Eurocommercial's centres with lower visitor numbers than is typical for the season, which temporarily affected turnovers.

At Passage du Havre, Paris, terms have now been agreed with retailers for the three units vacated by H&M so that there will shortly be no vacancies once more in this prestigious Parisian centre. Negotiations are underway for the ex-H&M space at Les Atlantes, Tours, so that the occupancy level of our French centres is reverting to a level typical of the rest of our portfolio.

Italy

The policies of the populist political parties currently in power are of concern to business and foreign investors in particular with GDP growth under 1% and a similar level of inflation. Consumer spending however is holding up well to the benefit of turnover in our centres which grew 1.8% in the December quarter. Vacancies remain minimal.

We are progressing with the construction of a new 6,675m² unit at Fiordaliso, Rozzano, for a major international retailer and the unit is expected to be open and trading by the end of 2019. Eurocommercial has also signed a lease for an enlarged 2,900m² H&M store at the centre. Together these leases will significantly enhance the fashion retail on offer at the centre, which is one of Milan's premier shopping destinations.

Works on the new and innovative food zone at Curno, Bergamo, have commenced. Once complete it will feature an exciting and diverse range of 20 operators of varying sizes, with the aim of establishing Curno as a gastronomic destination in its own right, thus bringing new visitors to the centre. The units are already over 60% pre-let and Eurocommercial has experienced strong demand from local, national and international operators.

Works on the new retail park in Cremona have begun with completion expected by end of this year.

In December 2018, Eurocommercial was the recipient of three major shopping centre awards by the Consiglio Nazionale dei Centri Commerciali (CNCC) Italy. The Company won in the categories of best customer service initiative (I Portali, Modena and the 'Garden Resort'); corporate social responsibility (I Gigli, Florence and the 'Animals' project); and brand awareness and positioning (Il Castello, Ferrara).

Sweden

The Swedish economy is strong with GDP growth and inflation around 2% and, despite the fact that some retail groups are rationalising their chains, our centres are full and rental growth has been good at 3.3%.

We have completed construction of the 3,000m² H&M megastore at Bergvik, Karlstad, having reduced the hypermarket and relocated five shops. The unit has been handed over to H&M and is expected to open in the Spring.

Pre-leasing for the 2,700m² extension at Elins Esplanad, Skövde, is advanced with Eurocommercial experiencing good demand for the second phase of this investment. The first phase – splitting the old SIBA unit into six new shops – was completed in September 2018 and is trading well. In the meantime, Eurocommercial has secured the required building permit for the extension project and, pending satisfactory pre-leasing, expects to start construction during 2019.

The Northern entrance and five new shops have now opened at Hallarna, Halmstad, with the final phase of the project – a hotel refurbishment and construction of seven new shops – underway and expected to complete in late 2019. In the meantime, Willy's supermarket has surrendered its 2,600m² unit which has been re-let to H&M with the ambition to open for 2019 Christmas trading. Groceries in Hallarna will continue to be provided by the 4,200m² Coop which opened in the first phase of the project.

Planning is underway for a major refurbishment and extension at Valbo, Gävle, which we anticipate will start within the next year. C4, Kristianstad, has completed its first full quarter of trading following the centre opening in September 2018, with retailers trading well in line with expectations.

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 2017/2018 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, 8 February 2019

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, Friday 8 February 2019, at 10:30 AM (UK) / 11:30 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 9291279. 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 31-12-18	Six months ended 31-12-17	Second quarter ended 31-12-18	Second quarter ended 31-12-17
Rental income	101,375	95,307	52,017	47,454
Service charge income	15,703	15,120	6,081	5,705
Service charge expenses	(17,624)	(16,833)	(6,786)	(6,369)
Property expenses	(17,490)	(15,527)	(10,257)	(9,291)
Interest income	10	20	3	14
Interest expenses	(21,269)	(19,208)	(10,815)	(9,595)
Company expenses	(6,791)	(6,498)	(3,303)	(3,211)
Other income	1,336	646	659	322
Current tax	(133)	(244)	(159)	(71)
Direct investment result properties 100% owned	55,117	52,783	27,440	24,958
Direct investment result joint ventures	3,334	3,753	1,316	1,802
Total direct investment result	58,451	56,536	28,756	26,760
Investment revaluation and disposal of investment properties	(17,944)	(12,408)	(18,257)	(11,456)
Fair value movement derivative financial instruments	149	6,406	(10,542)	2,153
Investment expenses	(856)	(634)	(476)	(390)
Deferred tax	(8,973)	(12,752)	(7,740)	(12,573)
Indirect investment result properties 100% owned	(27,624)	(19,388)	(37,015)	(22,266)
Indirect investment result joint ventures	(6,195)	2,060	(6,275)	2,372
Total indirect investment result	(33,819)	(17,328)	(43,290)	(19,894)
Total investment result	24,632	39,208	(14,534)	6,866
Per depositary receipt (€)**				
Direct investment result	1.18	1.16	0.58	0.55
Indirect investment result	(0.68)	(0.36)	(0.87)	(0.41)
Total investment result	0.50	0.80	(0.29)	0.14

Statement of adjusted net equity*

(€'000)	31-12-18	30-06-18	31-12-17
IFRS net equity per consolidated statement of financial position	1,876,025	1,939,784	1,933,965
Derivative financial instruments	99,268	99,934	101,361
Deferred tax liabilities	187,484	177,171	169,836
Derivative financial instruments and deferred tax liabilities joint ventures	8,854	8,048	8,612
Adjusted net equity	2,171,631	2,224,937	2,213,774
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	49,751,823	49,358,734	49,336,049
Net asset value - € per depositary receipt (IFRS)	37.71	39.30	39.20
Adjusted net asset value - € per depositary receipt	43.65	45.08	44.87
Stock market prices - € per depositary receipt	26.98	36.36	36.31

* 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 and Brussels. One bearer depositary receipt represents ten ordinary registered shares. The average number of depositary receipts on issue during the period was 49,592,312 compared with 48,756,741 for the six months to 31 December 2017, an increase of 1.7%.

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 (€)	
	31-12-18	30-06-18	31-12-18	30-06-18
EPRA Earnings**	57,591	112,235	1.16	2.29
EPRA NAV***	2,171,631	2,224,937	43.38	44.79
EPRA NNNAV***	1,884,279	1,947,437	37.64	39.21

	Belgium		France		Italy		Sweden		Total	
(%)	31-12-18	30-06-18	31-12-18	30-06-18	31-12-18	30-06-18	31-12-18	30-06-18	31-12-18	30-06-18
EPRA net initial yield	4.1	4.2	4.5	4.4	5.2	5.2	4.8	5.0	4.8	4.8
EPRA topped-up yield	4.2	4.3	4.6	4.4	5.2	5.2	4.9	5.0	4.8	4.9
EPRA vacancy rate	0.8	2.2	1.8	1.5	0.4	0.1	0.1	0.8	0.8	0.8

Reconciliation EPRA Earnings*

	Total (€'000)	
	31-12-18	30-06-18
IFRS profit after taxation	24,632	72,064
Adjustment to IFRS profit after taxation:		
Investment revaluation and disposal of investment properties	17,944	22,355
Fair value movement derivative financial instruments	(149)	(7,810)
Deferred tax	8,973	24,033
Share of result of joint ventures	6,191	1,593
EPRA Earnings	57,591	112,235

Reconciliation NAV, EPRA NAV and EPRA NNNAV*

	Total (€'000)		Per depositary receipt (€)	
	31-12-18	30-06-18	31-12-18	30-06-18
Equity as per consolidated statement of financial position	1,876,025	1,939,784	37.71	39.30
Derivative financial instruments	99,268	99,934		
Deferred tax liabilities	187,484	177,171		
Derivative financial instruments and deferred tax liabilities joint ventures	8,854	8,048		
EPRA NAV***	2,171,631	2,224,937	43.38	44.66
Derivative financial instruments	(99,268)	(99,934)		
Deferred tax liabilities****	(157,945)	(149,135)		
Derivative financial instruments and deferred tax liabilities joint ventures	(8,854)	(8,048)		
Fair value borrowings	(21,285)	(20,383)		
EPRA NNNAV***	1,884,279	1,947,437	37.64	39.21

* 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 49,592,312 compared with 49,046,502 at 30 June 2018.

*** 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 2018 was 49,904,481 compared with 49,669,696 at 30 June 2018.

**** 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	
	31-12-18	30-06-18	31-12-18	30-06-18	31-12-18	30-06-18	31-12-18	30-06-18	31-12-18	30-06-18
Property investments	554,500	452,800	1,136,500	1,205,200	1,362,800	1,349,700	923,461	867,885	3,977,261	3,875,585
Land and property held for development	0	0	(8,800)	(7,500)	(19,700)	(15,800)	0	(111,930)	(28,500)	(135,230)
Investments in joint ventures	0	0	50,600	50,600	150,800	152,100	0	0	201,400	202,700
Property investments completed	554,500	452,800	1,178,300	1,248,300	1,493,900	1,486,000	923,461	755,955	4,150,161	3,943,055
Purchasers' costs	13,610	11,360	80,435	85,715	59,870	59,314	9,361	7,559	163,276	163,948
Gross value property investments	568,110	464,160	1,258,735	1,334,015	1,553,770	1,545,314	932,822	763,514	4,313,437	4,107,003
Annualised net rents (EPRA NIY)	23,530	19,393	56,688	58,610	80,392	80,367	44,546	37,839	205,156	196,209
Lease incentives (incl. rent free periods)	57	520	349	422	646	388	1,521	586	2,573	1,916
Annualised rents (EPRA topped-up yield)	23,587	19,913	57,037	59,032	81,038	80,755	46,067	38,425	207,729	198,125

* 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 31-12-18	Six months ended 31-12-17
Rental income		101,375	95,307
Service charge income		15,703	15,120
Total revenue		117,078	110,427
Service charge expenses		(17,624)	(16,833)
Property expenses	4	(17,490)	(15,527)
Net property income		81,964	78,067
Share of result of joint ventures		(2,861)	5,813
Investment revaluation and disposal of investment properties	5	(17,944)	(12,408)
Company expenses	7	(6,804)	(6,517)
Investment expenses		(843)	(615)
Other income		1,336	646
Operating result		54,848	64,986
Interest income	6	10	20
Interest expenses	6	(21,269)	(19,208)
Fair value movement derivative financial instruments	6	149	6,406
Net financing cost	6	(21,110)	(12,782)
Profit before taxation		33,738	52,204
Current tax		(133)	(244)
Deferred tax	14	(8,973)	(12,752)
Total tax		(9,106)	(12,996)
Profit after taxation		24,632	39,208
Per depositary receipt (€)*			
Profit after taxation		0.50	0.80
Diluted profit after taxation		0.50	0.80

Condensed consolidated statement of comprehensive income

(€'000)	Six months ended 31-12-18	Six months ended 31-12-17
Profit after taxation	24,632	39,208
Foreign currency translation differences (to be recycled through profit or loss)	9,448	(4,796)
Actuarial result on pension scheme (not to be recycled through profit or loss)	24	27
Other comprehensive income	9,472	(4,769)
Total comprehensive income	34,104	34,439
Per depositary receipt (€)*		
Total comprehensive income	0.69	0.71
Diluted total comprehensive income	0.68	0.70

* 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.

Condensed consolidated statement of financial position

(€'000)	Note	31-12-18	30-06-18
Property investments	8	3,975,361	3,761,655
Property investments under development		1,900	113,930
Investments in joint ventures	9	105,278	108,853
Tangible fixed assets		1,626	1,717
Receivables	10	3,318	303
Derivative financial instruments		0	276
Total non-current assets		4,087,483	3,986,734
Receivables	10	42,527	39,780
Cash and deposits		56,352	34,038
Total current assets		98,879	73,818
Total assets		4,186,362	4,060,552
Creditors	11	99,618	79,112
Borrowings	12	202,883	175,417
Total current liabilities		302,501	254,529
Creditors	11	15,564	15,473
Borrowings	12	1,704,493	1,572,337
Derivative financial instruments	13	99,268	100,210
Deferred tax liabilities	14	187,484	177,171
Provisions for pensions		1,027	1,048
Total non-current liabilities		2,007,836	1,866,239
Total liabilities		2,310,337	2,120,768
Net assets		1,876,025	1,939,784
Equity Eurocommercial Properties shareholders	15		
Issued share capital		249,548	247,833
Share premium reserve		516,524	518,812
Other reserves		1,085,321	1,101,075
Undistributed income		24,632	72,064
Total equity		1,876,025	1,939,784

Condensed consolidated statement of cash flows

(€ '000)	Six months ended 31-12-2018	Six months ended 31-12-2017
Profit after taxation	24,632	39,208
Adjustments:		
Movement performance shares granted	1,161	1,038
Investment revaluation and disposal of investment properties	18,192	10,910
Derivative financial instruments	(149)	(6,406)
Share of result of joint ventures	2,861	(5,813)
Interest income	(10)	(20)
Interest expenses	21,269	19,208
Deferred tax	8,973	12,752
Current tax	133	244
Depreciation tangible fixed assets	495	496
Other movements	(83)	540
Cash flow from operating activities after adjustments	77,474	72,157
Increase in receivables	(2,588)	(6,991)
Increase in creditors	5,021	2,756
	79,907	67,922
Current tax paid	(139)	(1,073)
Dividends received from joint ventures	1,300	0
Derivative financial instruments settled	(527)	(4,045)
Borrowing costs	(3,185)	(384)
Interest paid	(19,633)	(18,641)
Interest received	10	37
Cash flow from operating activities	57,733	43,816
Property acquisitions	(109,055)	(14,676)
Capital expenditure	(29,330)	(58,832)
Sale of investment	0	89,149
Sale of property	46,406	79,600
Additions to tangible fixed assets	(401)	(491)
Cash flow from investing activities	(92,380)	94,750
Borrowings added	275,541	134,749
Repayment of borrowings	(126,441)	(228,039)
Stock options exercised	74	162
Cost of performance shares settled	(195)	(65)
Dividends paid	(92,848)	(75,303)
Increase/Decrease in non-current creditors	518	(400)
Cash flow from financing activities	56,649	(168,896)
Net cash flow	22,002	(30,330)
Currency differences on cash and deposits	312	(613)
Increase/Decrease in cash and deposits	22,315	(30,943)
Cash and deposits at beginning of period	34,038	78,078
Cash and deposits at the end of period	56,352	47,135

Condensed consolidated statement of changes in shareholders' equity

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

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

The movements in shareholders' equity in the previous six months period ended 31 December 2017 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undistributed income	Total
30-06-2017	244,471	520,692	947,778	260,753	1,973,694
Profit after taxation				39,208	39,208
Other comprehensive income			(4,769)		(4,769)
Total comprehensive income	0	0	(4,769)	39,208	34,439
Profit previous financial year			185,454	(185,454)	0
Issued shares	3,362	(3,362)			0
Dividends paid		(4)		(75,299)	(75,303)
Performance shares granted		1,038			1,038
Performance shares settled (note 15)			(65)		(65)
Performance shares vested		(762)	762		0
Stock options exercised			162		162
31-12-2017	247,833	517,602	1,129,322	39,208	1,933,965

Notes to the condensed consolidated financial statements

as at 31 December 2018

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 2018 and ending 30 June 2019 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 2018 to 31 December 2018. 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 2018 have been drawn up in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (IFRS) as per 31 December 2018. 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 2018.

(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 2018. The new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted by the Company as from the financial year starting 1 July 2018. The impact of these standards has been accounted for by the Company in the opening balance of the shareholders' equity. The interim condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements as at 30 June 2018 where further information is provided on the implementation of the new accounting standards.

Notes to the condensed consolidated financial statements

as at 31 December 2018

2. Segment information 2018

(€ '000)						Total	Adjustments	Total
For the six months period ended					The	proportional	joint	Total
31/12/2018	Belgium	France	Italy	Sweden	Netherlands*	consolidation	ventures	IFRS
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 31/12/2018					The	proportional	joint	Total
	Belgium	France	Italy	Sweden	Netherlands*	consolidation	ventures	IFRS
Property investments	554,500	1,185,200	1,513,600	923,461	0	4,176,761	(201,400)	3,975,361
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	105,278	105,278
Tangible fixed assets	10	516	616	177	307	1,626	0	1,626
Receivables	3,065	28,340	8,036	6,458	1,461	47,360	(1,515)	45,845
Cash and deposits	12,857	5,355	23,514	17,273	3,243	62,242	(5,890)	56,352
Total assets	570,432	1,221,311	1,545,766	947,369	5,011	4,289,889	(103,527)	4,186,362
Creditors	16,028	27,565	29,810	31,533	2,947	107,883	(8,265)	99,618
Non-current creditors	609	9,075	1,429	5,061	0	16,174	(610)	15,564
Borrowings	319,776	380,502	900,507	327,389	65,000	1,993,174	(85,798)	1,907,376
Derivative financial instruments	4,941	3,760	90,739	404	0	99,844	(576)	99,268
Deferred tax liabilities	0	0	120,128	75,634	0	195,762	(8,278)	187,484
Provision for pensions	0	0	0	0	1,027	1,027	0	1,027
Total liabilities	341,354	420,902	1,142,613	440,021	68,974	2,413,864	(103,527)	2,310,337

(€ '000)						Total	Adjustments	Total
For the six months period ended					The	proportional	joint	Total
31/12/2018	Belgium	France	Italy	Sweden	Netherlands*	consolidation	ventures	IFRS
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 2018

2. Segment information 2017

(€ '000) For the six months period ended 31/12/2017	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	0	31,913	50,448	18,874	0	101,235	(5,928)	95,307
Service charge income	0	6,327	5,174	5,055	0	16,556	(1,436)	15,120
Service charge expenses	0	(7,302)	(5,050)	(5,899)	0	(18,251)	1,418	(16,833)
Property expenses	0	(4,084)	(9,331)	(2,609)	0	(16,024)	497	(15,527)
Net property income	0	26,854	41,241	15,421	0	83,516	(5,449)	78,067
Share of result of joint ventures	0	0	0	0	0	0	5,813	5,813
Investment revaluation and disposal of investment properties	0	(6,351)	4,357	(5,739)	(1,124)	(8,857)	(3,551)	(12,408)
Segment result	0	20,503	45,598	9,682	(1,124)	74,659	(3,187)	71,472
Net financing result						(13,768)	986	(12,782)
Company expenses						(6,517)	0	(6,517)
Investment expenses						(623)	8	(615)
Other income						135	511	646
Profit before taxation						53,886	(1,682)	52,204
Current tax						(603)	359	(244)
Deferred tax						(14,075)	1,323	(12,752)
Profit after taxation						39,208	0	39,208

(€ '000) As per 30/06/2018	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	452,800	1,253,800	1,501,800	755,955	0	3,964,355	(202,700)	3,761,655
Property investments under development	0	2,000	0	111,930	0	113,930	0	113,930
Investments in joint ventures	0	0	0	0	0	0	108,853	108,853
Tangible fixed assets	0	771	493	176	277	1,717	0	1,717
Receivables	2,750	23,785	8,561	4,957	771	40,824	(741)	40,083
Derivative financial instruments	0	0	59	275	0	334	(58)	276
Cash and deposits	5,314	3,996	20,274	12,140	2,554	44,278	(10,240)	34,038
Total assets	460,864	1,284,352	1,531,187	885,433	3,602	4,165,438	(104,886)	4,060,552
Creditors	2,828	27,387	26,164	27,049	4,205	87,633	(8,521)	79,112
Non-current creditors	591	9,103	1,510	4,932	0	16,136	(663)	15,473
Borrowings	315,056	375,808	838,475	306,010	0	1,835,349	(87,595)	1,747,754
Derivative financial instruments	3,619	4,896	91,062	729	0	100,306	(96)	100,210
Deferred tax liabilities	0	0	115,092	70,090	0	185,182	(8,011)	177,171
Provision for pensions	0	0	0	0	1,048	1,048	0	1,048
Total liabilities	322,094	417,194	1,072,303	408,810	5,253	2,225,654	(104,886)	2,120,768

(€ '000) For the six months period ended 31/12/2017	Belgium	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	0	(70,524)	25,625	(71,949)	0	(116,848)	(1,335)	(118,183)

* 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 2018

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 2018 €1 was SEK 10.2548 (30 June 2018: SEK 10.4530) and €1 was GBP 0.8945 (30 June 2018: GBP 0.8861).

4. Property expenses

Property expenses in the current financial period were:

For the six months ended (€'000)	31-12-18	31-12-17
Direct property expenses		
Bad debts	343	10
Centre marketing expenses	1,451	1,350
Insurance premiums	374	403
Managing agent fees	1,948	1,042
Property taxes	1,750	1,907
Repair and maintenance	486	488
Shortfall service charges	702	246
	7,054	5,446
Indirect property expenses		
Accounting fees	298	183
Audit fees	216	92
Depreciation fixed assets	403	402
Dispossession indemnities	93	109
Italian local tax (IRAP)	676	988
Legal and other advisory fees	891	699
Letting fees and relocation expenses	617	835
Local office and accommodation expenses	884	935
Pension contributions	94	87
Salaries, wages and bonuses	3,527	3,233
Social security charges	1,377	1,258
Performance shares granted (IFRS 2)	324	295
Travelling expenses	496	452
Other local taxes	405	424
Other expenses	135	89
	10,436	10,081
	17,490	15,527

Notes to the condensed consolidated financial statements

as at 31 December 2018

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)	31-12-18	31-12-17
Revaluation of property investments	(18,774)	3,098
Revaluation of property investments under development	(96)	1,413
Divestment movement property sold	678	(15,421)
Elimination of accrued entry fees	(52)	(162)
Elimination of capitalised letting fees	257	51
Movement long-term creditors	82	(306)
Foreign currency results	(39)	(1,081)
	(17,944)	(12,408)

The divestment result of €678,000 is related to the sale of the property Les Allées de Corneilles, Corneilles.

The movement of foreign currency results includes a realised amount of €60,000 negative (31 December 2017: €863,000 negative), an unrealised amount of €21,000 positive (31 December 2017: €218,000 negative) 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)	31-12-18	31-12-17
Interest income	10	20
Gross interest expense	(21,784)	(20,180)
Capitalised interest	515	972
Unrealised fair value movement derivative financial instruments	676	10,451
Realised fair value movement derivative financial instruments	(527)	(4,045)
	(21,110)	(12,782)

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 2017: 1.9%). Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements so that 71% (31 December 2017: 87%) of interest costs are fixed at an average interest rate of 2.1% (31 December 2017: 2.6%) for an average period of just over six and a half years (31 December 2017: 6 years).

Notes to the condensed consolidated financial statements

as at 31 December 2018

7. Company expenses

Company expenses in the current financial period comprised:

For the six months ended (€'000)	31-12-18	31-12-17
Audit fees	160	157
Depreciation fixed assets	92	95
Directors' fees	1,074	813
IT expenses	507	451
Legal and other advisory fees	367	345
Marketing expenses	257	286
Office and accommodation expenses	986	1,038
Pension costs*	13	19
Pension contributions*	177	135
Salaries, wages and bonuses	1,904	1,929
Social security charges	206	316
Statutory costs	187	182
Performance shares granted (IFRS 2)	256	224
Travelling expenses	255	244
Other expenses	363	283
	6,804	6,517

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

8. Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 31 December 2018. 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 2018, which contained an uncertainty paragraph setting out these circumstances.

Notes to the condensed consolidated financial statements

as at 31 December 2018

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

The current property portfolio is:

(€'000)	31-12-18 Net value	30-06-18 Net value	31-12-18 Costs to date	30-06-18 Costs to date
Belgium				
Woluwe, Brussels*	554,500	452,800	565,270	470,451
France				
Passage du Havre, Paris*	406,400	412,000	191,185	190,786
Val Thoiry, Greater Geneva	150,700	150,800	137,403	136,989
Les Atlantes, Tours*	125,700	130,800	65,316	65,496
Centr'Azur, Hyères*	95,900	94,400	64,217	62,160
Chasse Sud, Chasse-sur-Rhône*	93,200	93,200	73,232	73,211
MoDo, Moisselles*	72,900	74,800	67,798	67,701
Les Portes de Taverny, Taverny*	66,900	68,900	26,419	26,400
Grand A, Amiens*	63,800	66,900	37,826	37,750
Les Allées de Corneilles, Corneilles	0	48,800	0	44,753
Les Trois Dauphins, Grenoble*	40,000	42,000	27,300	27,164
Les Grands Hommes, Bordeaux	19,100	20,600	18,510	18,509
Shopping Etrembières, Greater Geneva**** *****	1,900	2,000	8,126	8,013
	1,136,500	1,205,200	717,332	758,932
Italy				
I Gigli, Florence*	453,700	446,000	330,674	328,478
Carosello, Carugate, Milan*	369,500	368,200	209,405	209,073
Collestrada, Perugia* **	139,600	138,200	136,712	128,746
Il Castello, Ferrara*	132,100	133,300	87,266	86,841
Curno, Bergamo*	112,000	112,500	39,193	36,936
Cremona Po, Cremona* **	105,200	100,300	108,956	107,075
I Portali, Modena*	50,700	51,200	47,885	47,733
	1,362,800	1,349,700	960,091	944,882
Sweden				
Bergvik, Karlstad*	152,026	146,819	112,734	110,638
Ingelsta Shopping, Norrköping*	121,700	116,694	94,516	93,881
Grand Samarkand, Växjö*	117,798	114,608	79,969	79,917
Hallarna, Halmstad*	151,090	139,672	140,016	135,363
C4 Shopping, Kristianstad	134,201	111,930	126,460	108,381
Valbö, Gävle*	113,898	109,873	108,112	107,643
Elins Esplanad, Skövde*	87,374	83,995	65,712	63,241
Moraberg, Södertälje	45,374	44,294	39,127	39,104
	923,461	867,885	766,646	738,168
Total	3,977,261	3,875,585	3,009,339	2,912,433
Less: Property investments under development	(1,900)	(113,930)	(8,126)	(116,394)
	3,975,361	3,761,655	3,001,213	2,796,039

* These properties carry mortgage debt up to €1,754 million at 31 December 2018 (30 June 2018: €1,645 million).

** Including (land) acquisitions.

*** Classified as property investments under development.

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

Notes to the condensed consolidated financial statements

as at 31 December 2018

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

Changes in property investments for the financial period ended 31 December 2018 were as follows:

(€'000)	01-07-18 / 31-12-18	01-07-17 / 30-06-18
Book value at beginning of period	3,761,655	3,549,222
Acquisitions	110,676	592,975
Capital expenditure - general	4,849	11,687
Capital expenditure - extensions and refurbishments	22,548	47,510
Capitalised interest	173	813
Capitalised letting fees	(150)	(387)
Elimination of capitalised letting fees	150	387
Revaluation of property investments	(18,774)	(7,710)
Reallocation from properties under development	127,588	0
Book value divestment property	(48,800)	(371,484)
Exchange rate movement	15,446	(61,358)
Book value at end of period	3,975,361	3,761,655

Changes in property investments under development for the financial period ended 31 December 2018 were as follows:

(€'000)	01-07-18 / 31-12-18	01-07-17 / 30-06-18
Book value at beginning of period	113,929	85,373
Acquisitions	0	0
Reallocation to property investments	(127,588)	0
Capital expenditure	13,623	30,630
Capitalised interest	343	1,032
Capitalised letting fees	(107)	0
Elimination of capitalised letting fees	107	0
Revaluation property investments under development	(96)	2,860
Exchange rate movement	1,689	(5,965)
Book value at end of period	1,900	113,930

The fair value measurement of all the property investments is categorised within level 3 of the fair value hierarchy (30 June 2018: level 3).

Assumptions and sensitivity analysis:

The average net initial yield applied by the valuers is 4.1% for Belgium, 4.5% for France, 5.1% for Italy and 4.8% for Sweden, compared to the yields reported as per 30 June 2018 4.3% (France), 5.2% (Italy) and 5.0% (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 €192 million (30 June 2018: €188 million), whereas a decrease in the average yield of 25 bps would result in an increase in the value of the property portfolio of €194 million (30 June 2018: €204 million).

An increase in the estimated rental value of 5% would result in an increase in the value of the property portfolio of €154 million (30 June 2018: €141 million). A decrease in the estimated rental value of 5% would result in a decrease in the value of the property portfolio of €153 million (30 June 2018: €150 million).

Notes to the condensed consolidated financial statements

as at 31 December 2018

9. Investments in joint ventures

Changes in investments in joint ventures for the financial period ended 31 December 2018 were as follows:

(€'000)	01-07-18 / 31-12-18	01-07-17 / 30-06-18
Book value at beginning of period	108,853	107,306
IFRS adjustments	586	0
Dividends received from joint ventures	(1,300)	(4,500)
Eurocommercial share of total comprehensive income	(2,861)	6,047
Book value at end of period	105,278	108,853

Properties currently held under a joint venture arrangement are Fiordaliso and Shopping Etrembières.

10. Receivables

The two largest current receivables items are rents receivable for an amount of €26.5 million (30 June 2018: €23.5 million) and VAT receivable for an amount of €5.1 million (30 June 2018: €6.1 million).

11. Creditors

The two largest current creditors items are rent received in advance for an amount of €32.9 million (30 June 2018: €30.6 million) and creditors related to capital expenditure on the retail properties for an amount of €24.8 million (30 June 2018: €13.1 million). The non-current creditors of €16.2 million relate to €11.2 million for tenant rental deposits (30 June 2018: €10.6 million) and for €5.0 million to estimated purchase costs of a property investment under development (30 June 2018: €4.9 million).

12. Borrowings

(€'000)	01-07-18 / 31-12-18	01-07-17 / 30-06-18
Book value at beginning of the period	1,747,754	1,505,462
IFRS adjustments	6,488	0
Drawdown of funds	275,541	1,178,526
Repayments	(126,441)	(866,953)
Funds – included in acquisition of subsidiary	0	44,974
Sale of subsidiaries	0	(88,542)
Exchange rate movement	5,939	(23,827)
Movement prepaid borrowing costs	(1,905)	(1,886)
Book value at the end of the period	1,907,376	1,747,754

The borrowings are all directly from major banks with average committed unexpired terms of almost 5 years. The average interest rate, including derivative financial instruments, in the current financial period was 2.1% (12 months ended 30 June 2018: 2.2%). At 31 December 2018 the Company has hedged its exposure to interest rate movements on its borrowings for 70.7% (30 June 2018: 73.1% at an average term of 7 years (30 June 2018: 6.8 years). The fair value of the loans is €1,940 million (book value at 31 December 2018: €1,919 million), compared to a fair value of €1,784 million at 30 June 2018 (book value at 30 June 2018: €1,748 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 2018

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 2018: level 2), except for the put option to acquire the remaining 50% of the Fiordaliso shopping centre. The fair value of this instrument is €11.0 million (30 June 2018: €11.1 million) and is classified within level 3. The fair value of this put option is based on an independent property valuation as per the balance sheet date, plus a premium based on a fixed percentage and matures on 29 October 2025.

14. Deferred tax liabilities

Deferred tax liabilities increased to €187.5 million (30 June 2018: €177.2 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)	01-07-18 / 31-12-18	01-07-17 / 30-06-18
Book value at beginning of the period	177,171	165,086
Tax impact of IFRS adjustments	160	0
Recognised in statement of profit or loss	8,972	24,033
Release to statement of profit or loss due to property sale	(160)	(6,308)
Exchange rate movement	1,341	(5,640)
Book value at the end of the period	187,484	177,171

Notes to the condensed consolidated financial statements

as at 31 December 2018

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 30 November 2018 by 343,114 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 12.51% of the issued share capital (2017: 26.2%) opted for the bonus depositary receipts at an issue price of €38.70 from the Company's share premium reserve, instead of a cash dividend of €2.15 per depositary receipt for the financial year ended 30 June 2018. Accordingly, of the available dividend of €106.1 million, an amount of €13.3 million was not paid out in cash.

On 9 November 2018, 49,975 depositary receipts granted under the Performance Share Plan 2015 were vested. The depositary receipts bought back were used to provide for the vested performance shares and 157,859 depositary receipts remained bought back as at 31 December 2018.

16. Commitments not included in the balance sheet

The Company has signed building contracts for the extension project in Halmstad, Sweden. The outstanding commitments under these contracts are SEK 70 million (c. €7 million) as per 31 December 2018. The Company has signed an agreement to contribute €3.2 million to Galleria Verde S.r.l. to undertake a refurbishment of Fiordaliso. The Company has also signed contracts in Italy, one worth €13.6 million to extent the food court at Curno, and another for €9.5 million relating to building contracts at Cremona. In April 2018 Galleria Verde S.r.l. signed a preliminary agreement with Iper Montebello S.p.A., the owner of the other 50% of the joint venture, for the purchase of a portion of the hypermarket of Fiordaliso and other spaces of the centre for a total price of €10.3 million. Closing is expected in March 2019, if certain conditions are met.

17. Post balance sheet events

The Company has signed a binding agreement with AG Insurance on 15 January 2019, relating to the 12,000m² Inno department store in the Woluwe shopping centre. In exchange Eurocommercial's Belgian FIIS (REIT) will issue shares to AG Insurance under the terms of a joint venture agreement whereby AG Insurance will become a minority shareholder in that company. This transaction is expected to be completed later this year.

Amsterdam, 8 February 2019

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
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 (16.61%), Janus Henderson Group Plc (4.84%), BlackRock, Inc. (4.59%) and Bank of Montreal (4.91%).

The dates of the aforesaid notifications were 1 November 2006, 24 July 2018, 26 November 2015, 31 May 2018 and 6 November 2018.

Stock market prices and turnovers from 1 July to 31 December 2018

		High	Low	Average
Closing price 31 December 2018 (€; depositary receipts)	26.98	37.04	26.40	32.32
Average daily turnover (in depositary receipts)	96,954			
Average daily turnover (€'000,000)	3.1			
Total turnover over the past six months (€'000,000)	410.8			
Market capitalisation (€'000,000)	1,346.6			
Total six months turnover as a percentage of market capitalisation	30.5%			

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 2018 of Eurocommercial Properties N.V., Amsterdam, which comprises the condensed statement of financial position as at 31 December 2018, the condensed statements of profit or loss, comprehensive income, changes in shareholders' equity, and cash flows for six months ended 31 December 2018, and the notes. The Board of Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 December 2018 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 8 February 2019
KPMG Accountants N.V.

H.D. Grönloh RA

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