

EUROCOMMERCIAL



Twelve Months Interim Report

30 June 2020

EUROCOMMERCIAL

Eurocommercial is one of Europe's most experienced property investors, with a retail property portfolio in Belgium, France, Italy and Sweden valued at €4.0 billion.

Portfolio, split by country, at 30 June 2020*

Belgium



Property value
€597m

No. of properties **1**

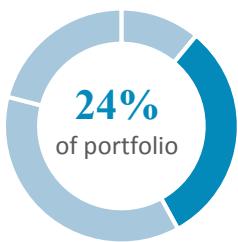


France



Property value
€973m

No. of properties **11**

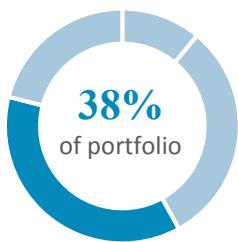


Italy



Property value
€1,568m

No. of properties **8**

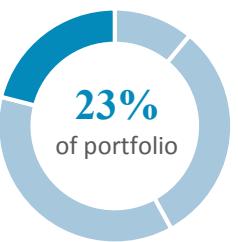


Sweden



Property value
€922m

No. of properties **8**



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

Contents

- | | |
|--|---|
| 01 Highlights | 17 Statement of adjusted net equity |
| 02 Financial & operational review | 18 EPRA performance measures |
| 07 Property valuations | 20 Condensed consolidated financial statements |
| 09 Funding | 25 Notes to the condensed consolidated financial statements |
| 11 Country commentary | 37 Other information |
| 14 Environmental and social responsibility | |
| 15 Responsibility statement | |
| 17 Statement of consolidated direct, indirect and total investment results | |

Highlights

Performance and business highlights

- 83% of tenants have agreed terms for closure periods.
- Rent collection is 89% for H1 2020 and 78% for Q2 after agreed terms.
- Sales turnover for June was 90% of 2019 levels.
- Strong tenant demand resulted in 9% rent uplifts on renewals and relettings, with many deals signed during or after the lockdown period.
- Vacancies at end of June were 1.2% of annual rent.
- Independent property valuations at June 2020 were only down 2.9% on values at December 2019.

Chief Executive's commentary

Our priority during and after the COVID-19 lockdown periods has been to reach fair agreements with our tenants who have suffered significant losses of sales during their periods of closure, or in the case of Sweden, where stores remained open, but with COVID-19 restrictions.

We have now reached agreements for the closure periods with 83% of tenants overall. Depending on the country and type of tenants, rent holidays varying from 50% to 100% of closure periods have been agreed and total approximating €21.7 million (or about 10% of annual rent). Our strategy has been to be generous to tenants for the lockdown periods but to insist that once the rent holiday period finishes, normal rent obligations under the leases will be met, as indeed the vast majority of our tenants have agreed. Rent collection has been solid with at least 78% of the rent overall due for the second quarter paid (after agreed rent concessions and deferrals) and 93% for July.

These excellent results are due to the untiring efforts of our leasing and administration teams to whom we owe a huge vote of thanks. Their work has allowed us to maintain our strong relationships with retailers and our vacancies remain the lowest in the industry at 1.2% of rental income. Leases are being renewed and relet to show an average overall uplift of 9.2% for the twelve months ending June. It is important to note that 80 leases have been renewed and relet since 1 April with an average uplift of 13% demonstrating that leasing activity during and after the lockdown has remained strong. Turnover in June was on average 90% of the level for the same month in 2019.

Our independent property valuations at the end of June showed a reduction of just 2.9% compared with December 2019 and are supported by market sales evidence such as the sale of the Zurich Glatt shopping centre, the disposal of a major French shopping centre portfolio and the sale of the Farsta Centrum in Sweden. It is important to note that our valuations are carried out by the most important independent firms, all of whom are either UK or US headquartered.

It is now clear that notwithstanding the greatly increased use of online shopping during the lockdowns, people are returning to physical shops, particularly in provincial and suburban centres with strong grocery anchors. We cannot emphasize enough the fundamental difference between our suburban hypermarket and supermarket anchored centres and the situation in the UK and the US where malls are only anchored by failing department stores. The vast majority of UK and US hypermarkets and supermarkets are in entirely separate locations so malls do not benefit from the resulting high footfall. Our centres are easily reached by car and have plentiful free parking, a major attraction given the reluctance to travel in crowded public transport. The shift to home working is also benefitting our centres which are in wealthy residential areas.

Of course if there is a major second wave of the virus with universal lockdowns the consequences should not be underestimated but a vaccine is expected to be available eventually and we believe our business is well positioned for a post COVID-19 world.

Financial & operational review

Direct investment result: €118.9 million (€2.41 per depositary receipt) -0.4%

The direct investment result for the twelve months to 30 June 2020 was €119 million, slightly lower compared with the same period in 2018/2019 due to discounts granted to retailers in Sweden for the COVID-19 restrictions during the second quarter, which were partly offset by various cost savings. Cost savings were made by lower interest expenses, lower marketing, staff and travelling expenses as well as local taxes.

The rent concessions for the COVID-19 lockdown periods in Belgium, France and Italy (in total €19.7 million) will be amortized in accordance with IFRS 16 over the remaining terms of the leases or until the first tenant break option, so have no significant impact on the direct investment result for the period to 30 June 2020. Rent concessions granted in Sweden are included as a reduction of rental income for the fourth quarter of this reporting period. 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 decreased -0.4% to €2.41 at 30 June 2020, from €2.42 at 30 June 2019 despite a slight reduction in the average number of depositary receipts in issue over the 12-month period. The reduction stems from our share buy-back programme and was partly offset by the issuance of stock dividend in November 2019.

Net property income: €176.3 million -1.3%

Rental income, including joint ventures (based on proportional consolidation), for the twelve months to 30 June 2020, after deducting net service charges and direct and indirect property expenses (branch overheads), decreased by 1.3% to €176.3 million compared to €178.6 million for the twelve months to 30 June 2019 (please refer to Note 2 on page 27). The decline is due to agreed rent concessions related to the COVID-19 pandemic. Property expenses decreased as well due to lower centre marketing expenses, staff and travelling expenses as well as local taxes.

Adjusted net asset value: €42.73 per depositary receipt

Adjusted net asset value at 30 June 2020 was €42.73 per depositary receipt, compared to €43.89 at 31 December 2019, and €44.83 at 30 June 2019.

EPRA Net asset value per depositary receipt at 30 June 2020 was €42.62, compared to €43.71 at 31 December 2019, and €44.56 at 30 June 2019.

IFRS results

The IFRS net asset value, which, unlike the adjusted net asset value, includes the negative fair value of financial derivatives (interest rate swaps) and contingent capital gains tax liabilities, was €35.41 per depositary receipt at 30 June 2020, compared with €37.80 at 31 December 2019 and €38.49 at 30 June 2019.

The IFRS profit after taxation for the twelve months to 30 June 2020 decreased to €4.4 million from €74.6 million for the same period in 2018/2019. This was largely due to a negative revaluation of the investment portfolio for an amount of €109.0 million (2018/2019: only €8.7 million negative) despite a small negative unrealised movement in the fair value of derivatives for an amount of €7.8 million compared to a negative amount of €23.7 million as at 30 June 2019.

Rent collection

We entered into discussions early with our tenants to find mutually acceptable solutions for rent payments during the period of the closure of the centres or the period of significant reduced turnover for Sweden. Our offers of course excluded tenants like hypermarkets which continued to trade during the lockdown. These negotiations did not include service charges which are expected to be paid in full by our tenants.

Overall we have now reached agreements with 100% of tenants in Sweden, 96% in Belgium, 52% in France and 88% in Italy (all numbers by MGR). Depending on the country and type of tenants, rent holidays varying from 50% to 100% of closure periods have been agreed and total approximating €21.7 million (or about 10% of annual rent). In accordance with IFRS 16 the rent concessions for Belgium, France and Italy will be amortized over the remaining terms of the leases or until the first tenant break option. The results of our negotiations are summarised in the table below.

These concessions are mainly for Q2 with some spread over Q2 and Q3. Excluding rent concessions granted and rent deferred, our collection rate for Q2 amounts to 78%. A similar calculation for July reaches 93%.

	Rent concessions granted	Rent collected for H1*	Rent collected for Q2*	Rent collected for July 2020*
Belgium	€ 2.8 m	95%	92%	93%
France	€ 4.3 m	86%	68%	85%
Italy	€ 12.6 m	85%	72%	97%
Sweden	€ 2.0 m	98%	95%	96%
Total	€ 21.7 m	89%	78%	93%

* Collection rate as a percentage of due and collectable rent

In Belgium, we have negotiated agreements with 96% of our tenants. We offered most tenants 50% rent reduction during the lockdown period and 100% for food & beverage tenants (restaurants). All of these rental concessions represent a total amount of € 2.8 million (or 11% of the annual MGR). We have collected 92% of the amount due for Q2 and 93% for July 2020.

In France, to support our tenants and facilitate rent collection, Eurocommercial offered three months rent free to the very small tenants in line with the recommendations of the French government, and 50 % rent free during the lockdown period for the others. The total amount of rent reduction mentioned above is estimated at €4.3 million. 52% of tenants by MGR have already signed an agreement and 68% of the rent due and payable for the second quarter has been collected. We expect no major default of payment for the third quarter rents, which will be paid for the majority of our tenants, on a monthly basis.

In Italy, we entered into negotiations with our tenants soon after the immediate consequences of the COVID-19 emergency had become clearer. Our leasing and rent collection teams have been able to reach agreements with over 88% (by MGR) of our tenants so far, with some more agreements expected to be reached soon after the holiday period. Rent concessions were spread over Q2 and Q3. In H1 we have already collected 85% of the invoiced rent (72% for Q2) with July figures at 97% as most tenants have been offered the possibility of paying monthly in advance instead of quarterly in advance.

In Sweden, we offered assistance to tenants by reducing minimum trading hours thereby saving on staff costs, and allowing monthly payments. Rents were negotiated on a case by case basis within the guidelines of the government rent support initiative as agreed between the Landlords' Association (Fastighetsägarna) and the Retailers' Association (Svensk Handel). This covered Q2 only and stated that if a landlord offered a qualifying tenant a rent discount of up to 50%, then within certain parameters the government would refund the landlord half the discount. Q2 rent collection is high at 95% of rents due and July rent collection equally high at 96%.

Visitor numbers

As at end-July 2020, visitor numbers were at 83% of the same period in the previous year. They were 86% for France, 65% for Belgium and 78% for Italy, notwithstanding the later beginning of the sales period.

In Sweden, all our shopping centres have remained fully open and trading, although footfall initially dropped with the restrictions on public gatherings. Since then visitor numbers has steadily improved and the number for July was 96% of the same month in 2019.

Renewals and relettings

+9.0%

Despite the COVID-19 pandemic, leasing activity continued over the past twelve months with 205 leases renewed or re-let. Overall we achieved a 9.2% uplift on these renewals, demonstrating the continuous strength of our centres.

Of these 205 deals 33 were signed between April and June, highlighting the fact that leasing remained very active in these months. Since 1 July, relettings and renewals activity has been back to normal levels and we signed another 47 new leases across the group with meaningful uplifts, demonstrating that retailers are still willing to invest in strong and attractive shopping centres.

In Woluwe centre Belgium, only 8 leases were renewed or relet over the past twelve months, including French fashion retailer Maje who opened in June.

In France, we completed 37 lease renewals and re-lettings over the last 12 months with an average uplift of 3%. Maison du Monde opened at the end of May in Passage du Havre in Paris.

In Italy, relettings and renewals of 85 leases together produced an increase in rent of 14%. Trendy retailer Suite Benedict opened in Carosello in June 2020 and recently Nike and Adidas agreed to open in I Gigli.

In Sweden, the leasing teams have been very active, completing 75 lease renewals and re-lettings producing an overall average uplift in rent of around 5%. At Elins Esplanad, Hemmakväll, Boligheter and Telia opened during April and Nordic Wellness also opened during August. At Valbo, Cervera, Patches & Pins and Waynes Coffee opened during May.

Relettings and renewals, 12 months to June 2020

	Average rental uplift on relettings and renewals	Number of relettings and renewals	% of leases relet and renewed (MGR)
Overall	9%	205	9%
Belgium	1%	8	3%
France	3%	37	4%
Italy	14%	85	12%
Sweden	5%	75	14%

Retail sales turnover

Following a solid start of the year, retail sales were severely impacted by the closure of our centres during the COVID-19 lockdowns in Belgium, France and Italy. Since the reopenings, retail sales have recovered faster than visitor numbers to **90%** in June and in July on a like-for-like basis. Retail parks and shopping centres anchored by a strong hypermarket have recovered quickly while regional and city centre properties have experienced a more subdued recovery as they tend to be more reliant on leisure, tourism and office workers.

In Belgium, retail sales in our Woluwe shopping centre in June recovered to 81% vs June 2019. Restaurants and Shoes were still lagging, while Health and Beauty recovered strongly. The lack of a hypermarket, the slow return

to work of office workers as well as the strict post-lockdown restrictions explain why the recovery of Woluwe is slower than the rest of our portfolio, but we are confident in the future of this strong centre, as highlighted by renewed tenant demand for our planned extension.

In France, retail sales in June 2020 were 95% of June 2019 levels and returned to positive growth (+1%) in July 2020 vs July 2019. Retail sales were strong in our everyday centres and very strong in our retail park in Chasse (+10% in June and +15% in July). Home Goods and Gifts & Jewellery performed especially well.

In Italy, retail sales in June 2020 were at 82% of the June 2019 levels with a wide range of performance between our centres like Curno showing results in line with 2019 figures. Best performing sectors were Home Goods (+13%) and telecom and electrical (+4%), while fashion and shoes were contracting at -27% and -34% respectively.

In Sweden, retail sales have steadily recovered and like-for-like turnover actually increased by 3.1% during July with the majority of retail sectors showing positive growth including Hypermarkets (8.9%), Home Goods (10.7%), Sport (8.8%), Electricals (17.3%), Books & Toys (27%) and Gifts & Jewellery (6.8%). Even Fashion and Restaurants which had initially suffered badly are now recovering well at only -12% and -7% respectively.

Like-for-like retail sales by country*

June 2020 as % of June 2019

Overall	90%
Belgium	81%
France	95%
Italy	82%
Sweden	97%

* Excluding extensions/redevelopments.

Like-for-like retail sales by sector*

June 2020 as % of June 2019

Hyper/supermarkets	112%
Shoes	68%
Health & Beauty	93%
Gifts & Jewellery	94%
Sport	101%
Home Goods	111%
Restaurants	72%
Electricals	97%
Books & toys	93%
Services	66%
Fashion	75%

* Excluding extensions/redevelopments.

Occupancy levels

Total occupancy for the portfolio at 30 June 2020 remained very high as it has over the last 20 years and represented **98.8%** of rental income. Occupancy by lettable area was **98.9%** of total lettable space.

Out of a total of over 1,800 shops, there are only 20 tenants in administration occupying 49 units. For the majority of units rent continued to be paid and purchasers have already been found for the major chains.

Occupancy cost ratio (OCR)

Eurocommercial has always had one of the lowest occupancy cost ratios (rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT) in the industry which we see as one of our key strengths. OCJs for the COVID-19 period are not meaningful indicators due to the closure

of a number of our centres during lockdowns. In Sweden, our only market where our shopping centres remained open and continued to trade, the occupancy cost ratio of our galleries was 9.5% as at 30 June 2020.

Cost savings

We have made major savings in overhead expenses and also service charges costs, all of which have been or are expected to be paid by all tenants even during the full lockdown periods. Total staff costs for the twelve months reporting period were reduced by € 2 million compared to the previous year. Other material savings in property expenses were made in centre marketing expenses, managing agent fees, local taxes and travelling expenses. Management Board members took a 20% reduction in their salaries from the May payment for a period of three months and have given up any claims for variable remuneration for this financial year.

CEO succession, CFO nomination and Supervisory Board departure

Jeremy Lewis, Chief Executive Officer of the Company since its foundation having reached the age of 75 will not offer himself for reappointment to the Management Board in October 2020, 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 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 reappoint him to the Board of Management at the October shareholders' meeting.

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

Following Mr van Garderen's proposed appointment as Chief Executive Officer at the upcoming EGM, Management Board member Roberto Fraticelli will become the Chief Financial Officer. Mr Fraticelli joined the Company in Amsterdam in 1998 in the Finance Department and worked there until he was appointed Director for Italy and moved to the Milan office in 2016. Mr Fraticelli holds a university degree in Business Administration from the LUISS University (Rome), a degree in Political Science from the University of Amsterdam and an EMBA at the Erasmus University (Rotterdam), he is also a Chartered Surveyor. He speaks fluent Dutch and English as well as his native Italian.

Mrs Brigitte Carrière will be leaving the Supervisory Board of Eurocommercial in October 2020. Mrs Carrière, a French national and a former asset manager and real estate financial analyst at Amundi has been a member of the Supervisory Board of Eurocommercial since November 2014 and she has made a major contribution to the Board's understanding of property capital markets for which we are extremely grateful.

Extension of the financial year

The Extraordinary General Meeting of 18 June 2020 adopted the proposal to amend the Articles of Association of the Company to extend the current financial year (that started on 1 July 2019) until 31 December 2020 and to have each subsequent financial year start on 1 January and end on 31 December.

The number of Eurocommercial depositary receipts represented at the Extraordinary General Meeting of 18 June 2020 was 49,396,235 representing 98.97% of the issued share capital. The amendment to extend the current financial year was approved by nearly 100% of the votes cast.

Another Extraordinary General Meeting will be convened for 29 October 2020, in which meeting in addition to the proposed re-appointment of Mr van Garderen, the financial results as per 30 September 2020 and the dividend policy will be tabled.

As the Company has a dividend distribution obligation in order to maintain its fiscal investment institution status, the Company could consider to declare an interim dividend in November 2020. However, whether an interim dividend amount will be paid will depend on the financial results as per 30 September 2020 and the outlook for the rest of the year and if so, an interim dividend will therefore be announced after the Extraordinary General Meeting to be held on Thursday 29 October 2020.

Property valuations

All the Company's properties were independently valued as usual at 30 June 2020 in accordance with the rules set out in the "Red Book" of the Royal Institution of Chartered Surveyors (RICS), the International Valuation Standards and IAS 40. The firms appointed this year were CBRE, Cushman & Wakefield, JLL, Knight Frank, and Savills. 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 experienced institutional investor.

Overall, the property portfolio valuations were 2.9% lower compared to 31 December 2019. The calculation for like-for-like valuation changes allows for capital expenditure invested during the period.

In Belgium, the value of our Woluwe centre declined by 4.8% over the past six months mainly due to an increase in the net yield used by valuers.

In France, despite the exceptional context, the investment market saw two major deals with the sale of a portfolio of five shopping centres to Credit Agricole insurance and La Française and Le Printemps in Lille sold to a French SCPI. Our valuations were down 3.2% over the first six months of the year mainly due to a 20 basis point increase in the portfolio yield.

In Italy, valuations in June decreased by 3.3% over the six months, the main reasons being a slight increase in net exit yields and a combination of higher discount rates and lower inflation projections.

In Sweden, the valuations resulted in a marginal decline of 0.5% over six months, with the valuers judging that with almost full occupancy and low and sustainable OCRs, any disruption to the income flow would be minimal and short-term. The recent sale of Farsta Centrum (leasehold) at a yield of below 5% was seen as a very relevant reference point.

Valuations at 30 June 2020*

	Net value	Valuation change	Net initial yield including purchase costs
	Net value 30-6-2020 € million	From December 2019	30-06-2020
Overall	4,060.2	-2.9%	-
Belgium	596.5	-4.8%	4.2%
France	973.4	-3.2%	4.9%
Italy	1,568.2	-3.3%	5.1%
Sweden	922.1	-0.5%	5.0%

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

Development pipeline

Eurocommercial's development pipeline is very limited, focused on extensions and redevelopments of existing assets and as at 30 June 2020 amounts to only four projects: the refurbishment and improved master plan of Valbo in Sweden, the conversion of the relocated hypermarket in Fiordaliso in Italy, the restructuring of the old Bazar and Toys shop in I Gigli, Italy and the extension of the Etrembières shopping centre in France. All of these projects are either pre-let or in advance negotiations.

Overall, these projects represent c. €80 million of investments (group share), of which €39 million has already been spent as at 30 June 2020.

Committed development pipeline (Eurocommercial's share of projects) at 30 June 2020

	Expected delivery	Total investment (€m)	To be spent (€m)
Valbo, Sweden	Q4 2020	20	10
I Gigli, Italy	Q1 2021	20	12
Fiordaliso, Italy	Q4 2021	28	15
Etrembières, France	Q2 2022	12	4
TOTAL		80	41

Funding

In November 2019 holders of depositary receipts (DRs) representing 12.1% of the issued share capital opted to take up 395,442 bonus DRs at an issue price of €32.70 from the Company's share premium reserve, instead of a cash dividend of €2.18 (2017: €2.15) per depositary receipt for the financial year ended 30 June 2019. Accordingly, of the possible dividend of €106.6 million, an amount of €12.9 million was not paid out in cash. The total number of depositary receipts outstanding rose in November 2019 to 49,402,758 with a further 506,924 depositary receipts held in treasury. This position is unchanged as per 30 June 2020.

Our exclusively mortgage 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 such as market volatility. 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 of access to finance between lenders and across different geographies.

Our long-term financing contracts are secured by mortgages 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.

The Company has a robust balance sheet structure and bank loans with an average committed unexpired term of nearly five years. The loan to value ratio on the basis of the proportional consolidated balance sheet of the Company as per 30 June 2020 (after deducting purchaser's costs) increased slightly to 45.5% compared to 44.0% as per 31 December 2019 due to the negative revaluation movements for the property portfolio since 31 December 2019 and the lower cash inflow as a result of rent concessions and deferrals in the fourth quarter. The loan to value ratio agreed with the banks for the group is 60%, the usual market practice ratio. For comparison purposes, our loan to value adding back purchaser's costs as per 30 June 2020 is 44.3% and our loan-to-value adding back purchaser's costs using the IFRS consolidated balance sheet is 43.4%.

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.

In the second quarter of 2020 the two long-term loans, which were to expire 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, were extended. The loan in Italy is now expiring in July 2021 and it is the intention to renew the existing loan with the Swedish bank by 31 December 2020 at the latest. In 2021 only three long-term loans (including the extended loan) for a total amount of €110 million are expiring (July 2021), so the maturity profile of the Company's loan book is well spread over time.

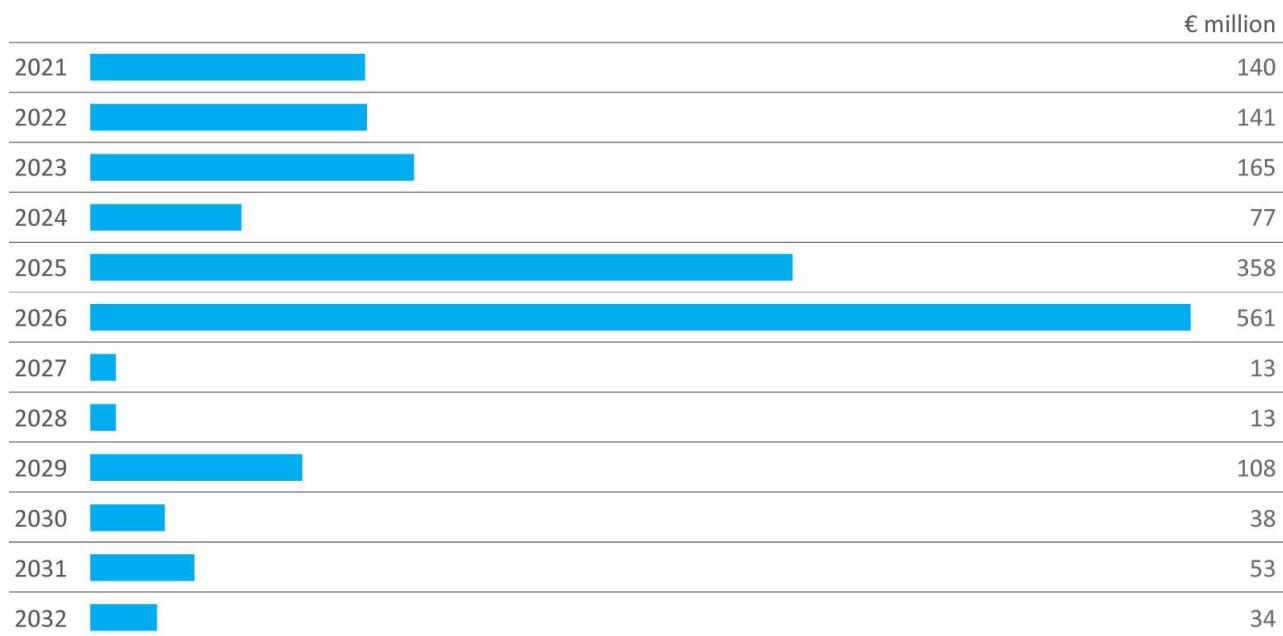
In July 2020 Italian subsidiaries of the Company entered into two new state guaranteed bank loans with Banca Popolare di Milano and Banca Intesa Sanpaolo for in total just over €24 million for a term of three years at normal commercial pricing conditions. The drawn down funds can be used for working capital purposes within the Italian group companies.

75% of our interest expenses are fixed for an average period of almost seven years and the average interest rate decreased slightly to 2.0% as per 30 June 2020 from 2.1% reported for previous periods. As a result, the Company's interest expenses are expected to remain stable for the coming period.

Number of shares in issue	49.4 million
Shareholders' adjusted net equity	€2.1 billion
Net debt	€1.8 billion
Net loan to property value ratio	45.5%
Interest cover ratio	3.8x
Average loan term	4.9 years
Average fixed interest period	6.6 years
Overall interest cost (including margin)	2.0%

Non-current borrowings maturity and amortisation schedule at 30 June 2020*

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



Country commentary

Belgium

Despite the absence of a majority government, the country enforced a lockdown and significant measures to sustain the economy were introduced. As a result, while during the lockdown saving rates surged to 19.1%, a rebound in private consumption has occurred since June 2020. Final consumption is expected to recover further in Q3, with a forecast of +11.5% compared to Q2.

To slow the spread of the COVID-19 pandemic in Belgium in March, the government implemented strong population containment measures. As a result and from 18 March to 10 May, almost all shops (with the exception of supermarkets, pharmacies and grocery stores) were forced to close across the country. On 11 May, the majority of them were able to reopen with the exception of bars and restaurants which were only able to do so from 8 June.

The resumption of activity has been very gradual since the end of the lockdown. Part of our clientele has not yet returned as they continue to work from home (some of them from outside of Brussels) and as restrictions inside our centre remain strict. In addition to the obligation of a one-way traffic inside the mall and to wear a mask, only one shopper was allowed for a maximum of 30 minutes until last week. This latter restriction was relaxed with two shoppers now allowed without any time restriction. Notwithstanding these headwinds, we are seeing continuous improvements with footfall in the first three weeks of August at 90% compared to last year. Sales are following a similar pattern and were at 81% in June compared to the same period last year.

In order to help our tenants navigate through the COVID-19 crisis, we agreed rent concessions for a total amount of € 2.8 million (or about 11% of annual rent). Broadly speaking we offered 50% rent reduction during the lockdown period and 100% reduction for Food & Beverage tenants. As of today, we have reached agreements with 96% of our tenants and recovered 92% of the rent due for the second quarter. As per agreements with tenants, the third quarter will be mainly paid on a monthly basis but existing lease terms will be completely respected. So far, our collection rate has reached 93% for July.

For its part, the government has also taken several measures to support the economy: partial unemployment indemnity, postponement of VAT, taxes and loan maturity payments, additional bank credit facilities with state guarantee.

On 25 March, our application for the extension permit for the Woluwe centre was declared complete. Due to the consequences of the pandemic, the overall maximum instruction period was extended by six months. The Environmental Impact Survey, the first stage of the instruction process, officially started in June and we therefore expect to obtain our final permit during the first half of 2022. This project is part of our uncommitted development pipeline.

France

A strong contraction of GDP hit the country in Q2 due to the lockdown. However, in June, consumption was already rebounding, with an increase of 1.3% with respect to June 2019 and 2.3% with respect to February 2020.

Since 11 May, the starting date of the deconfinement, visitor numbers have shown steady progress and in June were at 82% compared to the same month last year, despite summer sales postponed to July. Turnover recovered more rapidly and showed a steady progression at 95.1% in June compared to June last year and turned back into positive territory in July 2020 vs July 2019 (+0.9%).

Road accessibility and hypermarkets have been the main attractions for customers during and after the lockdown period and contribute significantly to the resilience of our centres. Despite these encouraging numbers we saw some retailers entering into administration mainly in the fashion sector but buyers are competing to purchase them. For instance, Camaieu and La Halle were respectively bought out of administration by French investor FIB and Beaumanoir group.

To support our tenants and facilitate rent collection, we offered three months rent free to the very small tenants in line with the strong recommendations of the French government, and 50% rent free during the lockdown period for the others. The total amount of rent reduction mentioned above, is estimated at €4.3 million. We are still actively negotiating with our larger tenants and 68% of the rent due and invoiced for the second quarter has been collected. We expect no major default of payment for the third quarter rents, which will be paid by the majority of our tenants on a monthly basis and we have already collected 85%.

Vacancy levels have been maintained at a low level of only 11 units out of 509 due to an intensive work of our letting team who managed to initiate or complete deals during this period. Overall, the 37 relettings and renewals produced an average rental uplift of 3%.

Construction works of our project In Etrembières (1,600 m²), pre-let to a restaurant operator (Agapes group), will start at the end of the year with an expected completion date in Spring 2022.

Italy

Italy was one of the first European countries to be impacted by the COVID-19 pandemic, leading the government to implement a strict lockdown policy. As a consequence most shops in our galleries were closed for a period of over two months, until mid-May, with the exception mainly of grocery stores and pharmacies. Since then the situation has been gradually but steadily improving.

We have put in place several measures to help our tenants recover as quickly as possible. First of all we reduced costs to a minimum during the lockdown period and reduced the service charges budgets for the year, so to reduce tenants' costs. Moreover, we gave our tenants rent holidays spread over Q2 and Q3 and offered them the possibility of paying monthly in advance instead of quarterly in advance. This comes on top of stimuli provided by the Italian government to support companies in relation to the COVID-19 pandemic. In particular the concession of furlough until the end of the year and a special tax credit for rent paid equal to a maximum of 60% (for lease contracts) and 30% (for business licenses contracts) for three months, if certain conditions are met, helped tenants significantly reduce their costs.

Visitor numbers are encouraging, as they currently are at around 80% of pre-COVID-19 figures. This is a good result considering the current circumstances where no events can be organized and footfall related to entertainment and food is limited. June turnovers were at 82% compared to June 2019, with a significant increase from the previous period still affected by the lockdown measures, with July figures roughly in line with June, notwithstanding the fact that this year sales took place in August instead of July.

Vacancies at 0.9% are still extremely low, showing the resilience of our portfolio, notwithstanding such a major event as COVID-19.

The discussions with our tenants regarding the COVID-19 effects are nearing completion. Moreover, relettings and renewals of 85 leases together, over the past twelve months, produced an average uplift in rent of over 14%. While the reletting activity was comprehensibly slow during the lockdown, the situation has remarkably improved in the past few weeks and since 1 July we signed 40 new leases achieving double digit rental uplifts.

The new terrace in I Gigli opened at the end of July, providing the food court and Mercato Centrale with much needed extra (open) space (especially in relation to the COVID-19 measures). Works for the restructuring of the old Bazar and Toys shop into 14 new units is progressing well with opening of all shops expected for Christmas 2020. The works related to the new walkway "Il Cammin" connecting the two main piazzas on the first floor are ongoing with opening expected by the beginning of 2021. In Curno, the new covered carpark is almost finalised and will be open by the end of November.

Sweden

Sweden did not face a lockdown, hence even if the pandemic led the economy into recession, it was a smoother process, with a smaller downturn and smaller rebound. In fact, private consumption fell by 3.5% from January to June 2020, compared to the same period in 2019, but it is expected to rebound by 1.9% in Q3 compared to Q2.

Until mid-March we were still reporting solid rental growth at 3%, vacancies and arrears were negligible, OCRs were healthy at around 8% and retail sales growth in January and February had been solid. The COVID-19 period then began on 12 March with the announcement of the first restrictions on public gatherings together with guidelines on social distancing and recommendations to work at home, avoiding the use of public transport. However, the Swedish government were motivated to keep the economy going, and shopping centres remained open and trading throughout although there was an immediate reduction in footfall of around 30%. Our seven provincial shopping centres benefitted from their dominant market position in their regions and a strong provision of daily goods – particularly hypermarkets and Systembolaget (the state alcohol monopoly). Footfall therefore steadily recovered and was 90% by the end of June and reached last year's comparable levels during July.

Initially, we offered assistance to its tenants by reducing minimum trading hours thereby saving on staff costs, and allowing monthly payments. Rents were negotiated on a case by case basis within the guidelines of the government rent support initiative as agreed between the Landlords' Association (Fastighetsägarna) and the Retailers' Association (Svensk Handel). This covered Q2 only and stated that if a landlord offered a qualifying tenant a rent discount of up to 50%, then within certain parameters the government would refund the landlord half the discount. Applications were permitted from 1 July. Q2 rent collection is high at 95% of rents due and July rent collection is equally high at 96%.

The success of earlier project pre-letting means that the small amount of remaining committed capex is mainly linked to finishing the construction and delivery of new retail units which will be immediately income producing including a new 8,200 sqm Ekohallen store at Ingelsta and two large H&M units at Valbo and Elins Esplanad. Once the new H&M stores open in the autumn this year, we will have delivered five new full concept H&M stores (including H&M Home) over the last two years. The COVID-19 crisis has accelerated the trend for larger retail groups to rationalise their store portfolio, concentrating on a smaller number of profitable units in prime retail locations. H&M are the most important of several examples and have doubled the size of their stores in our centres.

Environmental and social responsibility

As a long-term investor, Eurocommercial believes building a sustainable and resilient business is the foundation for success. We approach each business decision with a long-term view and support our choices with thorough research in order to evaluate their environmental and social-economic impact.

Our ESG and business strategies are carefully aligned and involve operating more efficiently, positively engaging with local stakeholders and being an attractive and responsible employer. With our ESG strategy, updated in July 2020, we will continue to create sustainable centres with a clear vision and full transparency towards our stakeholders.

Our approach is articulated around three strategic pillars: Be Green, Be Engaged and Be Responsible.

BE GREEN

The basis of sustainable operations is having appropriate and effective policies and procedures in place and being fully transparent to all stakeholders. As a responsible owner of shopping centres, environmental objectives and efficiency are at the core of our business.

2019 performance

- 44% of properties have green building certifications (BREEAM) in place
- 14% decrease of greenhouse gas emissions in 2018-2019
- 89% of waste diverted from landfill

BE ENGAGED

At Eurocommercial, we design shopping centres as social spaces not merely shopping destinations but rather cornerstones for their local communities. Our centres serve both our customers' everyday shopping needs and the needs of the local communities, providing them with a safe, service-oriented and enjoyable experience.

2019 performance

- 8.1 average customer satisfaction
- 6.7 average tenant satisfaction
- 16,000 local retail jobs

BE RESPONSIBLE

Eurocommercial is a pan-European owner of shopping centres. We want to be an attractive employer, now and in the future, and therefore provide a competitive work environment where people can develop, learn and fulfil their potential. We aim at creating a work environment where employees can express themselves and feel valued as part of a collegiate team. We believe this provides circumstances in which employees can function at their best and develop their capabilities.

2019 performance

- 93 total employees
- 55% female employees
- Zero breaches against the Code of Conduct

External recognition

Eurocommercial is committed to report on its ESG performance every year. In 2019, we were awarded the EPRA Gold Award for sustainability reporting for the sixth consecutive year. Our ESG performance was also recognised by the Global Real Estate Sustainability Benchmark (GRESB) with a Green Star position in line with industry best practices.

United Nations Sustainable Development Goals



Small actions can have a big impact, and at Eurocommercial, we are fully aware of the global effect of our local activities. A review of the United Nations Sustainable Development Goals (UN SDGs) provided insight on how our people and business operations can help meet them. These SDGs were a focus point when prioritising our ESG strategy and contributing on a global level.

Our priorities are focused on making our properties energy efficient, provide sustainable transport options for our visitors, address climate change and promote local employment. See for more details our ESG update report, posted on the website of the Company.

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.

Risks

This report makes the reference to the 2018/2019 Annual Report with regards existing risks, which have not materially changed, with the exception of the COVID-19 related risks and uncertainties, which are described in the next paragraph. However, it is not possible to rule out potential changes in taxation which could have an impact on future years.

On 12 March 2020 the World Health Organisation announced that COVID-19 can be characterised as a pandemic with many countries affected by the virus. On 10 March 2020 the Italian government ordered the closing of shopping centres for non-essential shops, followed later by the French and Belgium governments with the same decision to close shopping centres. The lockdowns and closing of shopping centres have contributed to one of the worst crises in modern times, a deterioration in the retail/commercial property markets and financial markets. The COVID-19 pandemic puts financial pressure on retailers due to not only lockdowns, but also lower consumer's confidence and spending. The COVID-19 pandemic has and will have major impact on the strategic and operational risks as described in the Corporate Governance section of our 2018/2019 Annual Report. The Board of Management has since 12 March 2020 held daily meetings with the local teams in the countries, the Group finance team and the IT department (facilitating working remote) to manage the crisis. The Board of Management updated the Supervisory Board (by video conference) on a weekly basis as from the middle of March and as from the end of July every fortnight. Although our shopping centres reopened during May, the main risks and uncertainties due to the COVID-19 pandemic will continue during this financial year. The risks and uncertainties due to the COVID-19 pandemic, make it difficult to forecast the impact of the pandemic on the performance of the Company until the end of the financial year and any outlook and/or forecast issued before the pandemic started cannot be relied upon.

Amsterdam, 28 August 2020

Board of Management

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

Conference call and webcast

Eurocommercial will host a conference call and audio webcast today, Friday 28 August 2020 at 10:00 AM (UK) / 11:00 AM (CET) for investors and analysts.

To access the call, you will be asked to pre-register by clicking on the link:

<http://emea.directeventreg.com/registration/4222909>

Participants must register in advance of the conference using the link provided below. Upon registering, each participant will be provided with Participant Dial In Numbers, Direct Event Passcode and unique Registrant ID. Call reminders will also be sent to registered participants via email the day prior to the event. Please provide this registration information to those participants that you would like to attend your call.

In the 10 minutes prior to call start time, Participants will need to use the conference access information provided in the email received at the point of registering.

The call will also be audio webcast at <https://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)	Twelve months ended 30-06-20	Twelve months ended 30-06-19	Fourth quarter ended 30-06-20	Fourth quarter ended 30-06-19
Rental income	203,350	206,343	51,425	52,679
Service charge income	29,342	27,934	5,912	6,032
Service charge expenses	(33,913)	(31,085)	(7,178)	(6,264)
Property expenses	(32,759)	(34,764)	(7,727)	(9,165)
Interest income	26	32	11	10
Interest expenses	(41,529)	(44,318)	(10,080)	(12,220)
Company expenses	(12,416)	(13,766)	(3,110)	(3,561)
Other income	3,492	2,877	845	1,049
Current tax	(1,741)	118	(175)	346
Direct investment result including non-controlling interest	113,852	113,371	29,923	28,906
Direct investment result joint ventures	7,190	6,837	2,012	1,722
Direct investment result non-controlling interest	(2,152)	0	(687)	0
Total direct investment result attributable to owners of the Company	118,890	120,208	31,248	30,628
Investment revaluation and disposal of investment properties	(109,006)	(8,734)	(107,110)	9,503
Fair value movement derivative financial instruments	(7,816)	(23,742)	(5,522)	(6,369)
Investment expenses	(1,632)	(1,389)	(2,004)	(533)
Deferred tax	8,831	(4,921)	10,465	425
Indirect investment result including non-controlling interest	(109,623)	(38,786)	(104,171)	3,026
Indirect investment result joint ventures	(12,568)	(6,836)	(12,312)	(1,071)
Indirect investment result non-controlling interest	7,679	0	7,594	0
Total indirect investment result attributable to owners of the Company	(114,512)	(45,622)	(108,889)	1,955
Total investment result	4,378	74,586	(77,641)	32,583
Per depositary receipt (€)**				
Direct investment result	2.41	2.42	0.63	0.61
Indirect investment result	(2.32)	(0.92)	(2.20)	0.04
Total investment result	0.09	1.50	(1.57)	0.65

Statement of adjusted net equity*

(€'000)	30-06-20	31-12-19	30-06-19
IFRS net equity per consolidated statement of financial position	1,749,107	1,867,596	1,906,559
Derivative financial instruments	187,074	112,558	123,143
Deferred tax liabilities	166,387	178,065	181,385
Derivative financial instruments and deferred tax liabilities joint ventures	8,625	10,149	9,689
Adjusted net equity	2,111,193	2,168,368	2,220,776
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	49,402,758	49,402,758	49,534,024
Net asset value - € per depositary receipt (IFRS)	35.41	37.80	38.49
Adjusted net asset value - € per depositary receipt	42.73	43.89	44.83
Stock market prices - € per depositary receipt	11.40	25.00	23.50

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

** The Company's shares are listed in the form of depositary receipts on Euronext Amsterdam and Brussels. One depositary receipt represents ten registered shares. The average number of depositary receipts on issue during the twelve months period was 49,252,821 compared with 49,585,907 for the financial year 2018/2019.

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 (€)		
	30-06-20	30-06-19	30-06-20	30-06-19
EPRA Earnings**	111,731	118,811	2.27	2.40
EPRA NAV***	2,111,193	2,220,776	42.62	44.56
EPRA NNNAV***	1,736,457	1,893,996	35.05	38.00

	Belgium		France		Italy		Sweden		Total	
(%)	30-06-20	30-06-19	30-06-20	30-06-19	30-06-20	30-06-19	30-06-20	30-06-19	30-06-20	30-06-19
EPRA net initial yield	4.2	4.0	4.9	4.5	5.2	5.2	4.7	4.8	4.8	4.8
EPRA topped-up yield	4.3	4.0	4.9	4.6	5.2	5.3	4.9	4.9	5.0	4.9
EPRA vacancy rate	1.1	0.4	2.1	1.2	0.8	0.8	1.7	0.8	1.4	0.9

Reconciliation EPRA Earnings*

	Total (€'000)	30-06-20	30-06-19
IFRS profit after taxation	(1,149)		74,586
Adjustment to IFRS profit after taxation:			
Investment revaluation and disposal of investment properties	109,006		8,734
Fair value movement derivative financial instruments	7,816		23,742
Deferred tax	(8,831)		4,921
Share of result of joint ventures	12,568		6,828
Share of result of non-controlling interest	(7,679)		0
EPRA Earnings	111,731		118,811

Reconciliation NAV, EPRA NAV and EPRA NNNAV*

	Total (€'000)	30-06-20	30-06-19	Per depositary receipt (€)
	30-06-20	30-06-19	30-06-20	30-06-19
Equity as per consolidated statement of financial position	1,749,107	1,906,559	35.41	38.49
Derivative financial instruments	187,074	123,143		
Deferred tax liabilities	166,387	181,385		
Derivative financial instruments and deferred tax liabilities joint ventures	8,625	9,689		
EPRA NAV***	2,111,193	2,220,776	42.62	44.56
Derivative financial instruments	(187,074)	(123,143)		
Deferred tax liabilities****	(128,220)	(144,929)		
Derivative financial instruments and deferred tax liabilities joint ventures	(8,625)	(9,689)		
Fair value borrowings	(50,817)	(49,019)		
EPRA NNNAV***	1,736,457	1,893,996	35.05	38.00

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

** The average number of depositary receipts on issue over the twelve months period was 49,252,821 compared with 49,585,907 for the financial year 2018/2019.

*** EPRA NAV and EPRA NNNAV per depositary receipt are based on the diluted number of depositary receipts. The diluted number of depositary receipts on issue at 30 June 2020 was 49,535,880 compared with 49,836,538 at 30 June 2019.

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

Reconciliation EPRA net initial yield and EPRA topped up yield*

(€'000)	Belgium		France		Italy		Sweden		Total	
	30-06-20	30-06-19	30-06-20	30-06-19	30-06-20	30-06-19	30-06-20	30-06-19	30-06-20	30-06-19
Property investments	596,500	554,400	925,400	941,100	1,402,700	1,411,700	922,076	887,885	3,846,676	3,795,085
Land and property held for development	0	0	(9,800)	(8,200)	(8,700)	(20,000)	0	0	(18,500)	(28,200)
Investments in joint ventures	0	0	48,000	50,700	165,500	156,400	0	0	213,500	207,100
Property investments held for sale	0	0	0	199,000	0	0	0	0	0	199,000
Property investments completed	596,500	554,400	963,600	1,182,600	1,559,500	1,548,100	922,076	887,885	4,041,676	4,172,985
Purchasers' costs	14,940	13,893	66,312	67,593	23,083	23,034	9,247	8,898	113,582	113,418
Gross value property investments	611,440	568,293	1,029,912	1,250,193	1,582,583	1,571,134	931,323	896,783	4,155,258	4,286,403
Annualised net rents (EPRA NIY)	25,758	22,577	49,966	57,224	81,688	82,361	43,688	42,934	201,100	205,096
Lease incentives (incl. rent free periods)	313	314	710	555	1,244	920	2,388	1,090	4,655	2,879
Annualised rents (EPRA topped-up yield)	26,071	22,891	50,676	57,779	82,932	83,281	46,076	44,024	205,755	207,975

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

Condensed consolidated statement of profit or loss

(€'000)	Note	Twelve months ended 30-06-20	Twelve months ended 30-06-19
Rental income		203,350	206,343
Service charge income		29,342	27,934
Total revenue		232,692	234,277
Service charge expenses		(33,913)	(31,085)
Property expenses	4	(32,759)	(34,764)
Net property income		166,020	168,428
Share of result of joint ventures		(5,378)	1
Investment revaluation and disposal of investment properties	5	(109,006)	(8,734)
Company expenses	7	(12,460)	(13,814)
Investment expenses		(1,588)	(1,341)
Other income		3,492	2,877
Operating result		41,080	147,417
Interest income	6	26	32
Interest expenses	6	(41,529)	(44,318)
Fair value movement derivative financial instruments	6	(7,816)	(23,742)
Net financing cost	6	(49,319)	(68,028)
Profit before taxation		(8,239)	79,389
Current tax		(1,741)	118
Deferred tax	14	8,831	(4,921)
Total tax		7,090	(4,803)
Profit after taxation		(1,149)	74,586
Profit after taxation attributable to:			
Owners of the Company		4,378	74,586
Non-controlling interest		(5,527)	0
		(1,149)	74,586
Per depositary receipt (€)*			
Profit after taxation		0.09	1.50
Diluted profit after taxation		0.09	1.50

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

Condensed consolidated statement of comprehensive income

(€'000)	Twelve months ended 30-06-20	Twelve months ended 30-06-19
Profit after taxation	(1,149)	74,586
Foreign currency translation differences (to be recycled through profit or loss)	3,449	(6,018)
Actuarial result on pension scheme (not to be recycled through profit or loss)	(651)	249
Other comprehensive income	2,798	(5,769)
Total comprehensive income	1,649	68,817
<hr/>		
Total comprehensive income attributable to:		
Owners of the Company	7,176	68,817
Non-controlling interest	(5,527)	0
	1,649	68,817
<hr/>		
Per depositary receipt (€)*		
Total comprehensive income	0.15	1.39
Diluted total comprehensive income	0.15	1.38

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

Condensed consolidated statement of financial position

(€'000)	Note	30-06-20	30-06-19
Property investments	8	3,844,876	3,793,385
Property investments under development	8	1,800	1,700
Investments in joint ventures	9	100,708	108,156
Tangible fixed assets		5,290	1,333
Receivables	10	236	381
Total non-current assets		3,952,910	3,904,955
Receivables	10	63,504	51,093
Cash and deposits		69,420	65,211
Total current assets		132,924	116,304
Property investments held for sale		0	199,000
Total assets		4,085,834	4,220,259
Creditors	11	75,353	87,165
Borrowings	12	253,307	143,221
Total current liabilities		328,660	230,386
Creditors	11	16,304	10,803
Borrowings	12	1,575,356	1,767,148
Derivative financial instruments	13	187,074	123,143
Deferred tax liabilities	14	166,387	181,385
Provisions for pensions		1,473	835
Total non-current liabilities		1,946,594	2,083,314
Total liabilities		2,275,254	2,313,700
Net assets		1,810,580	1,906,559
Equity Eurocommercial Properties shareholders	15		
Issued share capital		249,548	249,548
Share premium reserve		513,925	517,513
Other reserves		981,256	1,064,912
Undistributed income		4,378	74,586
Equity attributable to the owners of the Company		1,749,107	1,906,559
Non-controlling interest		61,473	0
Total equity		1,810,580	1,906,559

Condensed consolidated statement of cash flows

(€ '000)	Twelve months ended 30-06-20	Twelve months ended 30-06-19
Profit after taxation	(1,149)	74,586
Adjustments:		
Movement performance shares granted	(886)	2,150
Investment revaluation and disposal of investment properties	109,203	8,874
Derivative financial instruments	7,816	23,742
Share of result of joint ventures	5,378	(1)
Interest income	(26)	(32)
Interest expenses	41,529	44,318
Deferred tax	(8,831)	4,921
Current tax	1,741	(118)
Depreciation tangible fixed assets	2,130	1,158
Other movements	2,142	(254)
Cash flow from operating activities after adjustments	159,047	159,344
Decrease/Increase in receivables	(21,127)	766
Decrease in creditors	(19,081)	(3,352)
	118,839	156,758
Current tax paid	0	(317)
Capital gain tax paid	(1,961)	0
Dividends received from joint ventures	2,500	1,300
Derivative financial instruments settled	(462)	(527)
Borrowing costs	(1,921)	(5,805)
Interest paid	(40,607)	(40,505)
Interest received	26	32
Cash flow from operating activities	76,414	110,936
Property acquisitions	0	(118,180)
Capital expenditure	(81,329)	(62,190)
Sale of property	199,000	49,406
Investments in joint ventures	(430)	0
Loan to joint ventures	9,000	(12,000)
Additions to tangible fixed assets	(976)	(776)
Cash flow from investing activities	125,265	(143,740)
Borrowings added	247,226	494,854
Repayment of borrowings	(332,163)	(333,381)
Stock options exercised	0	74
Payments lease liabilities	(1,103)	0
Cost of performance shares settled	(362)	(195)
Depositary receipts bought back	(16,723)	(5,168)
Dividends paid	(93,707)	(92,848)
Decrease/Increase in non-current creditors	(398)	765
Cash flow from financing activities	(197,230)	64,101
Net cash flow	4,449	31,297
Currency differences on cash and deposits	(240)	(124)
Increase in cash and deposits	4,209	31,173
Cash and deposits at beginning of period	65,211	34,038
Cash and deposits at the end of period	69,420	65,211

Condensed consolidated statement of changes in equity

The movements in equity in the twelve months period ended 30 June 2020 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undis- tributed income	Equity attributable to owners of the Company	Non- controlling interest	Total equity
30-06-2019	249,548	517,513	1,064,912	74,586	1,906,559	0	1,906,559
Profit after taxation				4,378	4,378	(5,527)	(1,149)
Other comprehensive income			2,798		2,798		2,798
Total comprehensive income	0	0	2,798	4,378	7,176	(5,527)	1,649
Profit previous financial year			(19,121)	19,121	0		0
Issued shares					0		0
Put option on non-controlling interest*			(54,805)		(54,805)		(54,805)
Contribution non-controlling interest					0	67,000	67,000
Depository receipts bought back			(14,868)		(14,868)		(14,868)
Dividends paid				(93,707)	(93,707)		(93,707)
Performance shares granted		(886)			(886)		(886)
Performance shares settled (note 15)			(362)		(362)		(362)
Performance shares vested	(2,702)	2,702			0		0
30-06-2020	249,548	513,925	981,256	4,378	1,749,107	61,473	1,810,580

* Reference is made to note 13 Derivative financial instruments to explain the put option on non-controlling interest.

The movements in equity in the previous twelve months period ended 30 June 2019 were:

(€'000)	Issued share capital	Share premium reserve	Other reserves	Undis- tributed income	Equity attributable to owners of the Company	Non- controlling interest	Total equity
30-06-2018	247,833	518,812	1,101,075	72,064	1,939,784	0	1,939,784
New IFRS standards adopted			(6,055)		(6,055)		(6,055)
01-07-2018	247,833	518,812	1,095,020	72,064	1,933,729		1,933,729
Profit after taxation				74,586	74,586		74,586
Other comprehensive income			(5,769)		(5,769)		(5,769)
Total comprehensive income	0	0	(5,769)	74,586	68,817	0	68,817
Profit previous financial year			(20,779)	20,779	0		0
Issued shares	1,715	(1,715)			0		0
Depository receipts brought back			(5,168)		(5,168)		(5,168)
Dividends paid		(5)		(92,843)	(92,848)		(92,848)
Performance shares granted		2,150			2,150		2,150
Performance shares settled			(195)		(195)		(195)
Performance shares vested		(1,729)	1,729		0		0
Stock options exercised			74		74		74
30-06-2019	249,548	517,513	1,064,912	74,586	1,906,559	0	1,906,559

Notes to the condensed consolidated financial statements

as at 30 June 2020

General

Eurocommercial Properties N.V. (the Company) domiciled in Amsterdam, the Netherlands, is a closed-end property investment company. At the Extraordinary General Meeting of 18 June 2020, the proposal to amend the Articles of Association of the Company to extend the current financial year (that started on 1 July 2019) until 31 December 2020 and to have each subsequent financial year start on 1 January and end on 31 December was adopted. The consolidated financial statements of the Company for the 18 months period starting 1 July 2019 and ending 31 December 2020 will comprise the Company and its subsidiaries (together referred to as the "Group").

This interim report includes the figures for the twelve months period from 1 July 2019 to 30 June 2020. This interim financial information has not been audited or reviewed by the Company's auditors.

1. Principal accounting policies

(a) Statement of compliance

The interim condensed consolidated financial statements for the twelve months period ending 30 June 2020 have been drawn up in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (IFRS) as per 30 June 2020. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2019.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019. The impact of the new IFRS 16 'Leases' and amended standards has been accounted for by the Company.

For the adoption of IFRS 16, the Company has chosen to use the modified retrospective approach. Consequently, comparative figures are not restated and there is no impact on the opening balance of equity at the date of adoption. As all our property investments do not have any ground leases, the new standard has a very limited negative impact on the result for the current financial year. At 1 July 2019, the Group recognised a right-of-use asset and a corresponding lease liability of €3.95 million. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using an incremental borrowing rate of 2%.

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

(€'000) as per/for the period ended 30 June 2020	Recognised in	Amount
Right-of-use assets	Tangible fixed assets	4,050
Lease liabilities	Creditors	4,055
Depreciation right-of-use assets	Property expenses	768
Depreciation right-of-use assets	Company expenses	271
Interest expenses	Net financing cost	71

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

Notes to the condensed consolidated financial statements

as at 30 June 2020

(c) Accounting for COVID-19 rent concessions

Due to the COVID-19 pandemic, the Company was forced to close its shopping centres in Belgium, France and Italy during March until May 2020. As a result of the lockdown periods the Company negotiated rent concessions with its tenants. These rent concessions will be accounted for as lease modifications according to IFRS 16 Leases and will be amortized over the remaining terms of the leases or until the first tenant break option. The amortization will start as from 1 July 2020. The total amount of rent concessions granted is expected to be €19.7 million and will be amortized over the future reporting periods as presented in the table below.

	Rent concession to be amortise	Amortisation H2 2020	Amortisation 2021	Amortisation 2022	Amortisation 2023	Amortisation 2024+
Belgium	€ 2.8 m	€ 1.2 m	€ 1.0 m	€ 0.4 m	€ 0.1 m	€ 0.0 m
France	€ 4.3 m	€ 1.8 m	€ 1.3 m	€ 0.5 m	€ 0.1 m	€ 0.6 m
Italy	€ 12.6 m	€ 3.8 m	€ 3.6 m	€ 1.9 m	€ 1.2 m	€ 2.1 m
Total	€ 19.7 m	€ 6.8 m	€ 5.9 m	€ 2.8 m	€ 1.4 m	€ 2.7 m

In Sweden, the shopping centres were open and the Swedish Government introduced a rent rebate scheme. The Swedish rent rebate scheme has put economic and market pressure on landlords to adhere to the scheme and to grant rent concessions and if the scheme would not have been in place, many landlords might not have granted rent discounts. These rent discounts are booked as a reduction of rental income in the fourth quarter of the current financial year. The total rent concessions in Sweden are €2.0 million, as €1.5 million is receivable under the Swedish government scheme.

Notes to the condensed consolidated financial statements

as at 30 June 2020

2. Segment information 2020

(€'000)						The	Total	Adjustments	Total
For the twelve months period ended 30/06/20	Belgium	France	Italy	Sweden	Netherlands*	proportional consolidation	joint ventures	IFRS	
Rental income	26,340	53,514	88,816	45,885	0	214,555	(11,205)	203,350	
Service charge income	6,656	7,254	5,795	12,535	0	32,240	(2,898)	29,342	
Service charge expenses	(6,819)	(8,884)	(5,863)	(15,601)	0	(37,167)	3,254	(33,913)	
Property expenses	(2,259)	(10,429)	(15,124)	(5,542)	0	(33,354)	595	(32,759)	
Net property income	23,918	41,455	73,624	37,277	0	176,274	(10,254)	166,020	
Share of result of joint ventures	0	0	0	0	0	0	(5,378)	(5,378)	
Investment revaluation and disposal of investment properties	(32,247)	(25,314)	(58,567)	(6,641)	211	(122,558)	13,552	(109,006)	
Segment result	(8,329)	16,141	15,057	30,636	211	53,716	(2,080)	51,636	
Net financing result						(51,226)	1,907	(49,319)	
Company expenses						(12,456)	(4)	(12,460)	
Investment expenses						(1,597)	9	(1,588)	
Other income						2,104	1,388	3,492	
Profit before taxation						(9,459)	1,220	(8,239)	
Current tax						(1,856)	115	(1,741)	
Deferred tax						10,166	(1,335)	8,831	
Profit after taxation						(1,149)	-	(1,149)	

(€'000)						The	Total	Adjustments	Total
As per 30/06/20	Belgium	France	Italy	Sweden	Netherlands*	proportional consolidation	joint ventures	IFRS	
Property investments	596,500	971,600	1,568,200	922,076	0	4,058,376	(213,500)	3,844,876	
Property investments under development	0	1,800	0	0	0	1,800	0	1,800	
Investments in joint ventures	0	0	0	0	0	0	100,708	100,708	
Tangible fixed assets	2	1,720	2,086	486	996	5,290	0	5,290	
Receivables	8,236	22,857	27,973	6,286	983	66,335	(2,595)	63,740	
Derivative financial instruments	0	0	0	0	0	0	0	0	
Cash and deposits	3,116	3,286	8,940	9,220	45,673	70,235	(815)	69,420	
Total assets	607,854	1,001,263	1,607,199	938,068	47,652	4,202,036	(116,202)	4,085,834	
Creditors	3,618	15,007	41,704	29,033	1,982	91,344	(15,991)	75,353	
Non-current creditors	850	9,983	5,176	523	410	16,942	(638)	16,304	
Borrowings	285,018	283,058	927,571	363,963	60,000	1,919,610	(90,947)	1,828,663	
Derivative financial instruments	61,618	1,166	126,370	1,143	0	190,297	(3,223)	187,074	
Deferred tax liabilities	0	0	95,455	76,335	0	171,790	(5,403)	166,387	
Provision for pensions	0	0	0	0	1,473	1,473	0	1,473	
Total liabilities	351,104	309,214	1,196,276	470,997	63,865	2,391,456	(116,202)	2,275,254	

(€'000)						The	Total	Adjustments	Total
For the twelve months period ended 30/06/20	Belgium	France	Italy	Sweden	Netherlands*	proportional consolidation	joint ventures	IFRS	
Acquisitions, divestments and capital expenditure (including capitalised interest)	74,336	(192,905)	58,317	34,374	0	(25,878)	(19,666)	(45,544)	

* 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 30 June 2020

2. Segment information 2019

(€'000)						The	Total	Adjustments	
For the twelve months period							proportional	joint	Total
ended 30/06/19	Belgium	France	Italy	Sweden	Netherlands*		consolidation	ventures	IFRS
Rental income	21,740	61,137	88,456	46,213	0		217,546	(11,203)	206,343
Service charge income	1,182	8,739	6,189	14,594	0		30,704	(2,770)	27,934
Service charge expenses	(1,195)	(10,165)	(6,304)	(16,326)	0		(33,990)	2,905	(31,085)
Property expenses	(2,309)	(9,867)	(16,862)	(6,616)	0		(35,654)	890	(34,764)
Net property income	19,418	49,844	71,479	37,865	0		178,606	(10,178)	168,428
Share of result of joint ventures	0	0	0	0	0		0	1	1
Investment revaluation and disposal of investment properties	(5,677)	(25,049)	24,693	(8,508)	433		(14,108)	5,374	(8,734)
Segment result	13,741	24,795	96,172	29,357	433		164,498	(4,803)	159,695
Net financing result							(72,351)	4,323	(68,028)
Company expenses							(13,814)	0	(13,814)
Investment expenses							(1,349)	8	(1,341)
Other income							1,796	1,081	2,877
Profit before taxation							78,780	609	79,389
Current tax							(662)	780	118
Deferred tax							(3,532)	(1,389)	(4,921)
Profit after taxation							74,586	0	74,586
(€'000)						The	Total	Adjustments	
As per 30/06/19	Belgium	France	Italy	Sweden	Netherlands*		proportional	joint	Total
							consolidation	ventures	IFRS
Property investments	554,400	990,100	1,568,100	887,885	0		4,000,485	(207,100)	3,793,385
Property investments under development	0	1,700	0	0	0		1,700	0	1,700
Investments in joint ventures	0	0	0	0	0		0	108,156	108,156
Tangible fixed assets	7	329	605	140	252		1,333	0	1,333
Receivables	5,974	23,698	13,554	3,061	794		47,081	4,393	51,474
Derivative financial instruments	0	0	0	0	0		0	0	0
Cash and deposits	1,585	58,779	32,700	62,693	(80,191)		75,566	(10,355)	65,211
Property investments held for sale	0	199,000	0	0	0		199,000	0	199,000
Total assets	561,966	1,273,606	1,614,959	953,779	(79,145)		4,325,165	(104,906)	4,220,259
Creditors	7,756	28,114	31,400	25,706	3,928		96,904	(9,739)	87,165
Non-current creditors	788	9,106	1,489	128	0		11,511	(708)	10,803
Borrowings	284,835	429,179	876,295	363,830	41,000		1,995,139	(84,770)	1,910,369
Derivative financial instruments	9,746	2,904	112,048	1,325	0		126,023	(2,880)	123,143
Deferred tax liabilities	0	0	115,282	72,912	0		188,194	(6,809)	181,385
Provision for pensions	0	0	0	0	835		835	0	835
Total liabilities	303,125	469,303	1,136,514	463,901	45,763		2,418,606	(104,906)	2,313,700
(€'000)						The	Total	Adjustments	
For the twelve months period							proportional	joint	Total
ended 30/06/19	Belgium	France	Italy	Sweden	Netherlands*		consolidation	ventures	IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	107,300	(39,275)	41,497	38,118	0		147,640	(9,705)	137,935

* 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 30 June 2020

3. Exchange rates

It is generally the Company's policy for non-euro investments to use debt denominated in the currency of investment to provide a (partial) hedge against currency movements. Exceptionally forward contracts may be entered into from time to time when debt instruments are inappropriate for cost or other reasons. The only non-euro investment assets and liabilities of the Company are in Sweden and to a very small extent in the United Kingdom as the Company has an office in London. As at 30 June 2020 €1 was SEK 10.4948 (30 June 2019: SEK 10.5633) and £1 was GBP 0.9124 (30 June 2019: GBP 0.8966).

4. Property expenses

Property expenses in the current financial period were:

For the twelve months ended (€'000)	30-06-20	30-06-19
Direct property expenses		
Bad debts	2,463	515
Centre marketing expenses	2,201	2,966
Insurance premiums	933	837
Managing agent fees	2,970	3,626
Property taxes	3,495	3,500
Repair and maintenance	929	820
Shortfall service charges	1,085	1,160
	14,076	13,424
Indirect property expenses		
Accounting fees	648	708
Audit fees	439	405
Depreciation fixed assets	847	949
Depreciation IFRS 16 Right of use assets	768	0
Dispossession indemnities	109	173
Italian local tax (IRAP)	166	1,352
Legal and other advisory fees	2,113	2,071
Letting fees and relocation expenses	1,232	1,485
Local office and accommodation expenses	1,578	1,734
Pension contributions	155	183
Salaries, wages and bonuses	6,634	6,602
Social security charges	2,844	2,861
Performance shares granted (IFRS 2)	(139)	587
Travelling expenses	442	976
Other local taxes	665	944
Other expenses	182	310
	18,683	21,340
	32,759	34,764

Notes to the condensed consolidated financial statements

as at 30 June 2020

5. Investment revaluation and disposal of investment properties

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

For the twelve months ended (€'000)	30-06-20	30-06-19
Revaluation of property investments	(107,592)	(1,146)
Revaluation of property investments under development	(348)	(385)
Revaluation of property investments held for sale	0	(8,021)
Divestment movement property sold	(1,263)	661
Elimination of accrued entry fees	(309)	(99)
Elimination of capitalised letting fees	224	(214)
Movement long-term creditors	150	13
Foreign currency results	132	457
	(109,006)	(8,734)

The divestment result of €1,263,000 is related to the sale of 50% of the property Passage du Havre, Paris.

6. Net financing cost

Net financing cost in the current financial period comprised:

For the twelve months ended (€'000)	30-06-20	30-06-19
Interest income	26	32
Gross interest expense	(42,368)	(45,018)
Capitalised interest	839	700
Unrealised fair value movement derivative financial instruments	(7,354)	(23,742)
Realised fair value movement derivative financial instruments	(462)	0
	(49,319)	(68,028)

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% (2018/2019: 1.9%). Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements so that 75% (30 June 2019: 78%) of interest costs are fixed at an average interest rate of 2.0% (30 June 2019: 2.1%) for an average period of almost seven years (30 June 2019: 6.6 years).

Notes to the condensed consolidated financial statements

as at 30 June 2020

7. Company expenses

Company expenses in the current financial period comprised:

For the twelve months ended (€'000)	30-06-20	30-06-19
Audit fees	290	384
Depreciation fixed assets	515	209
Directors' fees	2,823	2,658
IT expenses	962	993
Legal and other advisory fees	1,183	817
Marketing expenses	696	616
Office and accommodation expenses	1,739	2,071
Pension costs*	42	48
Pension contributions*	476	427
Salaries, wages and bonuses	2,190	3,037
Social security charges	374	410
Statutory costs	429	452
Performance shares granted (IFRS 2)	(74)	488
Travelling expenses	280	482
Other expenses	535	722
	12,460	13,814

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

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

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). These standards require that valuers, amongst other activities, collect a variety of data including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2020. 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. Due to the outbreak of the COVID-19 pandemic, the valuation reports at 30 June 2020 contained a material uncertainty paragraph as per VPS 3 and VPGA 10 of the RICS Red Book Global. The uncertainty paragraph sets out that COVID-19 has impacted global financial markets and market activity is being impacted in many sectors. As at valuation date, the appraisers consider that they can attach less weight to previous market evidence for comparison purposes, to inform their opinions of value. The current response to COVID-19 means that appraisers are faced with an unprecedented set of circumstances on which to base a judgement. Appraisers set out that given the unknown future impact of COVID-19, means that valuations needs to be kept under frequent review. The inclusion of the material valuation uncertainty does not mean that the valuation cannot be relied upon, but that there is less certainty than would be otherwise the case.

Notes to the condensed consolidated financial statements

as at 30 June 2020

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

The current property portfolio is:

(€'000)	30-06-20 Net value	30-06-19 Net value	30-06-20 Costs to date	30-06-19 Costs to date ¹
Belgium				
Woluwe, Brussels* ****	596,500	554,400	652,105	577,751
France				
Passage du Havre, Paris* *****	209,000	403,300	97,030	192,700
Val Thoiry, Greater Geneva*	162,100	165,200	138,362	138,054
Les Atlantes, Tours*	115,400	122,000	67,083	66,923
Chasse Sud, Chasse-sur-Rhône*	96,100	95,700	73,830	73,275
Centr'Azur, Hyères*	91,600	96,700	64,918	64,667
MoDo, Moisselles*	70,000	72,300	67,763	67,834
Les Portes de Taverny, Taverny*	61,000	63,200	27,397	26,510
Grand A, Amiens*	58,100	60,900	38,181	37,981
Les Trois Dauphins, Grenoble*	36,800	38,100	27,313	27,322
Les Grands Hommes, Bordeaux	23,500	21,000	22,824	20,242
Shopping Etrembières, Greater Geneva** ***	1,800	1,700	8,548	8,099
	925,400	1,140,100	633,249	723,607
Italy				
I Gigli, Florence*	474,800	472,100	341,375	334,200
Carosello, Carugate, Milan*	371,500	380,400	209,738	209,393
Collestrada, Perugia*	139,000	143,500	138,510	137,681
Il Castello, Ferrara*	132,700	137,400	86,612	86,573
Curno, Bergamo*	123,800	118,800	58,523	45,317
Cremona Po, Cremona*	111,500	107,300	123,450	115,139
I Portali, Modena*	49,400	52,200	49,096	48,509
	1,402,700	1,411,700	1,007,304	976,812
Sweden				
Hallarna, Halmstad*	162,995	146,905	151,083	145,859
Bergvik, Karlstad*	145,023	143,704	114,572	114,525
C4 Shopping, Kristianstad*	144,929	134,049	126,412	123,127
Ingelsta Shopping, Norrköping*	117,287	118,542	95,555	94,936
Grand Samarkand, Växjö*	112,437	114,358	83,237	80,260
Valbo, Gävle*	109,435	110,572	113,771	110,206
Elins Esplanad, Skövde*	88,996	78,953	70,635	68,158
Moraberg, Södertälje	40,974	40,802	39,276	39,215
	922,076	887,885	794,541	776,286
Total	3,846,676	3,994,085	3,087,199	3,054,456
Less: Property investments under development	(1,800)	(1,700)	(8,548)	(8,099)
Less: Property investments held for sale	-	(199,000)	-	(96,350)
Property investments	3,844,876	3,793,385	3,078,651	2,950,007

* These properties carry mortgage debt up to €1,675 million at 30 June 2020 (30 June 2019: €1,819 million).

** Classified as property investments under development.

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

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

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

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

Notes to the condensed consolidated financial statements

as at 30 June 2020

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

Changes in property investments and property investments held for sale for the financial period ended 30 June 2020 were as follows:

(€'000)	30-06-20	30-06-19
Book value at beginning of period	3,992,385	3,761,655
Acquisitions	0	119,946
Capital expenditure - general	5,098	18,870
Capital expenditure - extensions and refurbishments	79,905	33,290
Contribution in kind of property	67,000	0
Capitalised interest	839	357
Capitalised letting fees	(224)	321
Elimination of capitalised letting fees	224	(321)
Revaluation of property investments	(107,592)	(1,146)
Revaluation of property investments held for sale	0	(8,021)
Reallocation from properties under development	0	127,588
Book value divestment property	(199,000)	(48,800)
Exchange rate movement	6,241	(11,354)
Book value at end of period	3,844,876	3,992,385

Changes in property investments under development for the financial period ended 30 June 2020 were as follows:

(€'000)	30-06-20	30-06-19
Book value at beginning of period	1,700	113,929
Reallocation to property investments	0	(127,588)
Capital expenditure	448	13,712
Capitalised interest	0	343
Capitalised letting fees	0	(107)
Elimination of capitalised letting fees	0	107
Revaluation property investments under development	(348)	(385)
Exchange rate movement	0	1,689
Book value at end of period	1,800	1,700

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

Assumptions and sensitivity analysis:

The average net initial yield applied by the valuers is 4.2% for Belgium, 4.7% for France, 5.1% for Italy and 4.6% for Sweden, compared to the yields reported as per 30 June 2019 of 3.9% for Belgium, 4.5% (France), 5.1% (Italy) and 4.8% (Sweden), respectively.

An increase in the average net initial yield of 25 bps would result in a decrease in the value of the property portfolio of €170 million (30 June 2019: €194 million), whereas a decrease in the average yield of 25 bps would result in an increase in the value of the property portfolio of €200 million (30 June 2019: €223 million).

An increase in the estimated rental value of 5% would result in an increase in the value of the property portfolio of €145 million (30 June 2019: €140 million). A decrease in the estimated rental value of 5% would result in a decrease in the value of the property portfolio of €145 million (30 June 2019: €143 million).

Notes to the condensed consolidated financial statements

as at 30 June 2020

9. Investments in joint ventures

Changes in investments in joint ventures for the financial period ended 30 June 2020 were as follows:

(€'000)	30-06-20	30-06-19
Book value at beginning of period	108,156	108,853
IFRS adjustments	0	602
Investments in joint ventures	430	0
Dividends received from joint ventures	(2,500)	(1,300)
Eurocommercial share of total comprehensive income	(5,378)	1
Book value at end of period	100,708	108,156

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

10. Receivables

(€'000)	30-06-20	30-06-19
Funds held by managing agents	6,029	3,476
Loan to joint venture	3,000	12,000
Rents receivable	45,752	27,174
Provision for bad debts	(4,222)	(1,594)
VAT receivable	56	4,002
Prepaid tax	5,375	1,828
COVID-19 Sweden state support	1,467	0
Other receivables and prepayments	6,283	4,588
	63,740	51,474

The rents receivable as per 30 June 2020 can be allocated as follows: €6.5 million in Belgium; €15 million in France; €23.1 million in Italy and €1.2 million in Sweden. Part of the rents receivable in Belgium, France and Italy are considered lease modifications according to IFRS 16 and will be amortized over the future reporting periods as explained in Note 1.

11. Creditors

(€'000)	30-06-20	30-06-19
(i) Current liabilities		
Interest payable	7,220	8,126
Local and property tax payable	7,490	450
Payable on purchased property/extensions	26,151	21,917
Rent received in advance	10,173	35,117
VAT payable	1,328	2,537
Current lease liabilities	1,007	0
Other creditors and accruals	21,984	19,018
	75,353	87,165
(ii) Non-current liabilities		
Tenant rental deposits	10,890	10,803
Corporate tax payable	2,366	0
Non-current lease liabilities	3,048	0
	16,304	10,803

Notes to the condensed consolidated financial statements

as at 30 June 2020

12. Borrowings

(€'000)	30-06-20	30-06-19
Book value at beginning of the period	1,910,369	1,747,754
IFRS adjustments	0	6,488
Drawdown of funds	247,226	494,854
Repayments	(332,163)	(333,381)
Exchange rate movement	2,372	(3,078)
Movement prepaid borrowing costs	859	(2,268)
Book value at the end of the period	1,828,663	1,910,369

The borrowings are all directly from major banks with average unexpired terms of almost five years. The average interest rate, including derivative financial instruments, in the current financial period was 2.0% (12 months ended 30 June 2019: 2.1%). At 30 June 2020 the Company has hedged its exposure to interest rate movements on its borrowings for 75% (30 June 2019: 78%) at an average term of 6.9 years (30 June 2019: 6.6 years). The fair value of the loans is €1,891 million (book value at 30 June 2020: €1,829 million), compared to a fair value of €1,971 million at 30 June 2019 (book value at 30 June 2019: €1,910 million). The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on a model taking into account the appropriate swap curve of the underlying loan.

13. Derivative financial instruments

(€'000)	30-06-20	30-06-19
Book value at beginning of the period	(123,143)	(99,934)
Unrealised fair value movement interest rate swaps	(11,461)	(35,702)
Realised fair value movement interest rate swaps	0	527
Initial discounted value put option on non-controlling interest	(54,805)	0
Interest put option on non-controlling interest	(1,752)	0
Fair value movement of put option on non-controlling interest	4,107	0
Fair value movement of Galleria Verde put option	0	11,960
Exchange rate movement	(20)	6
Book value at the end of the period	(187,074)	(123,143)

Derivative financial instruments are recognised initially at trade date at fair value (cost price). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on measurement to fair value is recognised in the condensed consolidated statement of profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, the current creditworthiness of the swap counterparties and the own credit risk regarding counterparties. Derivative financial instruments concern derivative interest rate swap contracts. A valuation technique is used to determine the fair value of the derivatives with inputs that are directly or indirectly observable market data. The fair value of the derivatives is estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument. In connection with the non-current borrowings, the derivative financial instruments are presented as non-current assets and non-current liabilities. The fair value measurement of all derivative financial instruments is categorised within level 2 of the fair value hierarchy (30 June 2019: level 2).

The put option on non-controlling interest relates to right of the minority shareholder to sell its shares in Eurocommercial Properties Belgium S.A. The minority shareholder can exercise its rights at its sole discretion after a five year period has lapsed since September 2019. The put option on non-controlling interest is recognised initially at the present value and subsequently measured at amortised costs using the effective interest rate method. Any subsequent changes in the measurement of the put option on non-controlling interest are recognised in the consolidated statement of profit or loss. The discount rate for the fair value calculation is 4.1%. The fair value measurement of this instrument is categorised within level 3 of the fair value hierarchy.

Notes to the condensed consolidated financial statements

as at 30 June 2020

14. Deferred tax liabilities

Deferred tax liabilities decreased to €166.4 million (30 June 2019: €181.3 million) and are related to deferred capital gains tax on the Italian and Swedish property investments and to the derivative financial instruments for hedging the Company's exposure to interest rates in Italy and Sweden.

The changes in deferred tax liabilities were as follows:

(€'000)	30-06-20	30-06-19
Book value at beginning of the period	181,385	177,171
Tax impact of IFRS adjustments	0	160
Recognised in statement of profit or loss	(6,791)	6,941
Release to statement of profit or loss due to property sale	(2,164)	(2,020)
Exchange rate movement	457	(867)
Reallocation to current tax due to step up of tax base	(6,500)	0
Book value at the end of the period	166,387	181,385

15. Share capital and reserves

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

On 7 November 2019, 90,913 depositary receipts granted under the Performance Share Plan 2016 were vested. The depositary receipts bought back were used to provide for the vested performance shares and 506,924 depositary receipts remained bought back as at 30 June 2020.

The 68,388 depositary receipts granted under the Performance Share Plan 2017 were cancelled, as these will not meet the hurdles to secure vesting.

16. Commitments not included in the balance sheet

The Company has signed a building contract for the first and second phase of the Valbo project in Gävle, Sweden. The outstanding commitment under this contract is c. €10 million as per 30 June 2020. The Company has signed an agreement to contribute c. €3 million to Galleria Verde S.r.l. to undertake the refurbishment of Fiordaliso.

17. Post balance sheet events

In July 2020 Italian subsidiaries of the Company entered into two new state guaranteed bank loans with Banca Popolare di Milano and Banca Intesa for in total just over € 24 million for a term of three years at normal commercial pricing conditions. The drawn down funds can be used for working capital purposes within the Italian group companies.

Notes to the condensed consolidated financial statements

as at 30 June 2020

Amsterdam, 28 August 2020

Board of Management

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

Board of Supervisory Directors

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

Other information

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

Under the Netherlands Act on Financial Supervision, the Netherlands Authority for the Financial Markets has received notification from four holders of depositary receipts/ordinary shares with interests greater than 3% in the Company. According to the latest notifications these interests were as follows: Stichting Administratiekantoor Eurocommercial Properties (99.84%), Mr A. van Herk (20.22%), Bank of Montreal (5.01%), BlackRock, Inc. (4.59%) and ICAMAP Investments S.a.r.l (3.06%).

The dates of the aforesaid notifications were 1 November 2006, 10 May 2019, 4 June 2019, 31 May 2018 and 20 February 2020.

Stock market prices and turnovers from 1 July 2019 to 30 June 2020

	High	Low	Average
Closing price 30 June 2020 (€; depositary receipts)	11.40	29.60	7.75
Average daily turnover (in depositary receipts)	157,851		
Average daily turnover (€'000,000)	2.7		
Total turnover over the past twelve months (€'000,000)	703		
Market capitalisation (€'000,000)	569		
Total twelve months turnover as a percentage of market capitalisation	123.6%		

Source: Euronext, Global Property Research.

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

ISIN – Code:

NL 0000288876, symbol: ECMPA

Stock market prices are followed by Bloomberg :

Ticker: ECMPA NA

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