



Interim press release – regulated information
Ternat, 20 November 2017

HALF-YEARLY RESULT OF 30 SEPTEMBER 2017

Epra result increases by 18.62% to EUR 21.98 million

The fair value of the real estate portfolio increases to 1,152.55 mio EUR

The average interest rate decreased to 2.86% (compared to 3.42% on 31 March 2017)

Occupancy Rate: 98.21%

The proposed dividend of EUR 3.40¹ EUR confirmed

Half-yearly report 2017-2018 available

¹ The dividend prognosis for the financial year 2017-2018 as mentioned in the annual report 2016-2017 (p. 48)

A. HALF-YEARLY RESULTS

1. REPORT ON ACTIVITIES FOR THE FIRST HALF OF 2017-2018 FINANCIAL YEAR, CLOSED ON 30 SEPTEMBER 2017

1.1. Rental income and occupancy rate

Rental income in the first half of the financial year amounted to EUR 36.24 million, an increase of 11% with respect to the comparable semester in the 2016-2017 financial year. Rental income then was EUR 32.51 million. This increase is almost entirely attributable to the growth of the real estate portfolio.

The occupancy rate on 30 September 2017 was 98.21%, compared to 98.13% on 31 March 2017.

1.2. Fair value of the real estate portfolio

The fair value of the real estate portfolio is EUR 1,152.55 million. Based on the contractually owed rent, rent return (versus investment value) on the portfolio as determined by the real estate experts amounts to 6.68%.

The stability of the value of out-of-town retail property (mainly retail parks) is largely explained by the continuing interest in investing in this type of real estate by wealthy individuals and institutional investors of domestic and foreign origin. Retail Estates nv itself experienced this in the realisation of its annual recurring disposal programme.

As at 30 September 2017, the real estate portfolio consists of 724 properties with a lettable surface area of 837,763 m².

1.3. Investments – retail parks

Retail Estates is expanding its investments into the Netherlands through the purchase of 5 retail parks. These retail parks are intended for high-volume retail trade (mainly home decoration) and are mainly leased to retail chains active in home furnishing. There are 51 retail spaces in total. Since Retail Estates foresees the same “hands-on” approach that is behind its success in Belgium, work is currently being done on the launch of a Dutch headquarters. In order to stay in touch with the market and close to the tenants, commercial activities will be directed by a Dutch property management.

Consumer spending has continued to increase over the last three years in the Netherlands. The low unemployment rate and the strong economic growth of the Dutch economy follow years of “draconian” austerity measures that brought government finances and social security in balance, but also sent retailers to unprecedented lows in the period 2008-2013. Today, according to the most recent quarterly report of public service CBS, consumer confidence is at its highest point in the last 10 years. In particular, the residential real estate market is reaping the benefits, causing purchases in home furnishing goods to peak. Investments in the out-of-town shopping market are recovering strongly as a result of the better prospects announced by retailers. For its 17 million inhabitants, the Netherlands counts around 200 out-of-town locations where high-volume retail is allowed. A strict urban planning framework limits the number of retail parks, but also the type of trade that may be exploited. For example, in contrast to Belgium, trade in foodstuffs, clothing and shoes was prohibited, but the fragmentation of shops along major roads was also prevented in time and guided into well-accessible retail parks. The entry of international institutional

investors into the acquisition of this type of real estate is at an early stage.

For more information we refer to our press release of 3 July 2017.

In the meantime, several investment opportunities were identified on the Dutch retail market. Additional investments in the course of the fiscal year will most probably occur in The Netherlands rather than in Belgium. The available investment capacity allows to realize these investments with additional resources from bank financing and/or bonds to be issued.

1.4. Disposals

In the past six months, properties were divested for a net sale price of EUR 1.89 million. A limited decrease in value of EUR -0.01 million was realised on these disposals.

These disposals find their context in an annual recurring disposal programme of individual retail buildings that do not belong to Retail Estates nv's core portfolio due to their location, shop size and/or commercial activity.

1.5. Implementation of the financing strategy

Retail Estates combines bilateral credits at different banking partners with private placements of bonds for institutional investors. The average maturity of the loan portfolio is 4.33 years. In the context of the financing of its activities, Retail Estates has been offering a commercial paper programme of (up to) 50 million euro since September 2017. The commercial paper is fully covered by back-up lines and unutilised credit lines that serve as a guarantee for refinancing should the placement or renewal of the commercial paper prove infeasible or only partially possible.

The average interest rate on 30 September 2017 was 2.86%, compared to 3.42% on 31 March 2017.

Moreover, the board of directors, held on 20 November 2017 instructed the management committee to organize a private placement for a bond loan of 100 mio EUR maximum. This issuance serves to further diversify the funding sources and the extension of the average duration of the credit portfolio.

1.6. Capital increases in the context of authorised capital

On 5 April 2017, 174,404 new shares were issued by contribution of the remaining debt claim relating to the purchase of the shares of the real estate company Hainaut Retail Invest, which owns 25 retail buildings spread throughout the Province of Hainaut. Following this issue, the registered capital of Retail Estates was increased to EUR 206,612,347.44, represented by 9,182,612 shares. The new shares will share in the company's profit from 1 April 2017.

As mentioned under 1.3, the acquisition of the Dutch real estate portfolio was partly realised through the issue of new shares. These shares were issued by the board of directors on 29 June 2017 in the context of the authorised capital at an issue price of EUR 65. They share in profit from the start of the 2017-2018 financial year that has been in progress since 1 April. As a result of this capital increase, 200,000 shares were issued, bringing the total number of shares on 30 September 2017 to 9,382,612.

2. SUBSEQUENT EVENTS

2.1. Libramont & Jemeppe-sur-Sambre

On 31 October 2017, Retail Estates nv acquired exclusive control of the company Prometra BVBA. This company owns 2 retail spaces in Libramont and 1 in Jemeppe-sur-Sambre. The shops yield annual rental income of EUR 0.18 million. The investment in this transaction amounts to EUR 2.85 million.

The above acquisition was made at a valuation that corresponds to the fair value of the relevant shops or retail buildings, as determined by real estate experts CBRE or Cushman & Wakefield.

3. ANALYSIS OF THE RESULTS

Half-year results 30 September 2017: EPRA earnings for the Group² increased by 18.62% compared to 30 September 2016 - fair value of the real estate portfolio increased to EUR 1,152.55 million.

On 30 September 2017, **EPRA earnings** (this being the profit before the portfolio results and without the changes in fair value of financial assets and liabilities) amounted to EUR 21.98 million, an increase of 18.62% compared to the same period last year.

Net rental income rose from EUR 32.21 million to EUR 36.14 million. This is mainly due to the contribution of the retail buildings purchased during the previous financial year, which are contributing 100% for the first time this financial year. Compared to 30 September 2016, the real estate portfolio grew by EUR 136.24 million. Compared to 31 March 2017, the portfolio grew by EUR 81.19 million

After deduction of property costs, this results in an operating property result of EUR 33.19 million compared to EUR 29.53 million last year

Property costs amounted to EUR 2.61 million compared to EUR 2.39 million in the previous year, mainly due to the increase in technical and commercial costs. Operating corporate costs amounted to EUR 2.01 million, an increase of EUR 0.56 million compared to last year. After deduction of the operating corporate costs, Retail Estates nv achieved an operating result before result on portfolio of EUR 31.18 million. The operating margin was 86.29%.

The result from the **disposals of investment properties** was EUR -0.01 million on total sales of EUR 1.89 million. Changes in the fair value of investment properties amount to EUR 0.77 million and can be explained by the positive impact of indexations and contract renewals on the one hand, offset by the reduction in transfer taxes for determining the fair value of investment properties on the other hand. The 'other' result on portfolio amounts to EUR 0.27 million and includes mainly deferred taxes relating to the Dutch portfolio.

The **financial result** amounted to EUR -7.91 million. Net interest costs were EUR -8.54 million, representing a decrease of EUR 0.58 million compared to last year. Interest charges increased due to the inclusion of additional financing. However, this impact was offset by the decrease in the

²Retail Estates nv and its subsidiaries

average interest rate. The average interest rate decreased to 2.86% compared to 3.48% on 30 September 2016. The decrease in total charges is also the result of the change in the fair value of the swaps that are not defined as cash flow (variations in the fair value of financial assets and liabilities). However, this result is an unrealised and non-cash item.

The **net result** (Group share) for the first half of the year amounted to EUR 23.64 million, consisting of EPRA earnings of EUR 21.98 million, the result on portfolio of EUR 1.02 million, and variations in the fair value of financial assets and liabilities of EUR 0.63 million. Per share, this represents an EPRA profit for the first half of the year of EUR 2.37 (based on the weighted average number of shares).

The **fair value of the real estate portfolio**, including project developments, amounts to EUR 1,152.55 million on 30 September 2017, compared to EUR 1,071.36 million on 31 March 2017.

The share's **EPRA net asset value** (NAV) was EUR 58.80 on 30 September 2017. On 31 March 2017, the EPRA NAV was EUR 59.29.

The **debt ratio** was 52.43% on 30 September 2017 compared to 50.26% on 31 March 2017.

4. PROSPECTS

Macroeconomic uncertainties do not allow predictions about the evolution of the fair value of immovable properties or the changes in the fair value of interest rate hedging instruments. The evolution of the share's intrinsic value, which is sensitive to this, is therefore uncertain.

The expected dividend will be minimum 3.40 EUR. Compared to the 2016-2017 financial year, this represents a 3.03% dividend increase. This expectation was made under the hypothesis of stable consumer spending and a positive evolution in rents.

B. MISCELLANEOUS

1. INFORMATION CONCERNING THE SHARE

At 30 September 2017 there are 9,382,612 shares and each share has one vote. No warrants have been allocated. KBC Bank is the financial institution that provides the financial service.

2. FINANCIAL CALENDER

Announcement results third quarter financial year 2017-2018	19 February 2018
Announcement annual results financial year 2017-2018	18 May 2018
General assembly	23 July 2018
Ex-coupon date dividend	25 July 2018
Dividend made available for payment	27 July 2018

3. HALF-YEARLY RESULTS 2017-2018 AVAILABLE

The half-yearly results 2017-2018 are available via the website of Retail Estates nv (www.retailstates.com).

ANNEXES

1. Condensed consolidation income statement

1. A. INCOME STATEMENT (in € 000)

	30.09.17	30.09.16
Rental income	36,235	32,511
Rental related expenses	-100	-301
Net rental income	36,135	32,211
Recovery of property expenses		
Recovery of rental charges and taxes normally payable by tenants on let properties	3,262	3,176
Rental charges and taxes normally payable by tenants on let properties	-3,584	-3,400
Other rental related income and expenses	-17	-68
Property result	35,797	31,919
Technical costs	-1,274	-1,099
Commercial costs	-285	-188
Charges and taxes on unlet properties	-160	-140
Property management costs	-896	-967
Other property costs	8	5
Property costs	-2,607	-2,390
Operating property result	33,189	29,529
Operating corporate costs	-2,009	-1,453
Other current operating income and expenses		
Operating result before result on portfolio	31,180	28,076
Result on disposals of investment properties	-8	-16
Result on sales of other non-financial assets		
Changes in fair value of investment properties	765	5,537
Other result on portfolio	266	10
Operating result	32,203	33,607
Financial income	30	19
Net interest charges	-8,544	-9,120
Authorised hedging instruments' costs	631	-4,695
Other financial charges	-30	-31

Financial result	-7,913	-13,827
Result before taxes	24,290	19,780
Taxes	-653	-412
Net result	23,637	19,368
Attributable to:		
Shareholders of the Group	23,637	19,368
Minority interests		
Note :		
EPRA earnings (share Group)¹	21,983	18,533
Result on portfolio	1,023	5,531
Changes in fair value of financial assets and liabilities	631	-4,695
RESULT PER SHARE		
Number of ordinary shares in circulation	9,382,612	8,866,320
Weighted average number of shares	9,279,486	8,866,320
Net profit per ordinary share (in €) ²	2.55	2.18
Diluted net profit per share (in €)	2.55	2.18
EPRA earnings per share (in €) ³	2.37	2.09

1. B. STATEMENT OF OTHER COMPREHENSIVE INCOME (in € 000)

	30.09.17	30.09.16
Net result	23,637	19,368
Other components of other comprehensive income, recyclable in income statements:		
Impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties		-343
Changes the fair value of authorised hedging instruments qualifying for hedge accounting as defined by IFRS	2,980	4,692
OTHER COMPREHENSIVE INCOME	26,617	23,717

¹ The EPRA earnings is calculated as follows: net result excluding changes in fair value of investment properties, exclusive the result on disposal of investment properties and exclusive changes in fair value of financial assets and liabilities.

² The net profit per ordinary share is calculated as follows: the net result divided by the weighted average number of shares.

³ The EPRA earnings per share is calculated from the weighted average number of shares, counted from the time of issue (which does not necessarily coincide with first dividend entitlement date). Calculated on the number of dividend-entitled shares, the EPRA earnings per share amounts to EUR 2.34 at 30.09.2017 versus EUR 2.09 at 30.09.2016.

2. Condensed consolidated balance sheet

ASSETS (in € 000)	30.09.17	31.03.17
Non-current assets	1,156,367	1,075,389
Goodwill		
Intangible non-current assets	131	346
Investment properties ⁴	1,152,551	1,071,361
Other tangible non-current assets	2,137	2,134
Financial non-current assets		
Finance lease receivables	1,030	1,030
Trade receivables and other non-current assets	518	518
Current assets	17,910	11,948
Non-current assets or groups of assets held for sale	6,572	5,691
Trade receivables	3,101	938
Tax receivables and other current assets	2,915	3,160
Cash and cash equivalents	3,762	978
Deferred charges and accrued income	1,561	1,181
TOTAL ASSETS	1,174,278	1,087,338
SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)	30.09.17	31.03.17
Shareholders' equity	536,175	514,970
Shareholders' equity attributable to the shareholders of the parent company	536,175	514,970
Capital	205,986	197,603
Issue premiums	173,441	157,529
Reserves	133,110	107,702
Net result of the financial year	23,637	52,136
Minority interests		
Liabilities	638,102	572,369
Non-current liabilities	562,678	511,226
Provisions		
Non-current financial debts	540,369	485,330
Credit institutions	455,907	400,910
Other	84,462	84,420
Other non-current financial liabilities	22,309	25,896

⁴ Incl Including project developments (IAS 40).

Current liabilities	75,425	61,143
Current financial debts	53,635	30,909
Credit institutions	38,635	30,909
Other	15,000	
Trade debts and other current debts	14,702	11,976
Exit tax	4,155	4,327
Other	10,547	7,649
Other current liabilities	235	11,504
Accrued charges and deferred income	6,852	6,754
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,174,278	1,087,338
DEBT RATIO		
Debt ratio ⁵	52.43%	50.26%
NET ASSET VALUE PER SHARE (in €) – SHARE GROUP		
Net asset value per share IFRS ⁶	57.15	57.17
EPRA NAV ⁷	58.80	59.29
Net asset value per share (investment value) excl. dividend excl. the fair value of authorized hedging instruments	60.50	58.96

⁵ The debt ratio is calculated as follows: liabilities (excluding provisions, accrued charges and deferred income, financial instruments and deferred taxes), divided by the total assets (excluding hedging instruments).

⁶ The net asset value per share IFRS (fair value) is calculated as follows: shareholders' equity (attributable to the shareholders of the parent company) divided by the number of shares.

⁷ EPRA NAV is calculated as follows: shareholders' equity (excluding the fair value of authorised hedging instruments) divided by the number of shares.

ALTERNATIVE PERFORMANCE MEASURES

<u>Alternative Performance Measure</u>	<u>Definition</u>	<u>Purpose</u>
Operating margin	The 'Operating result before result of the portfolio' divided by the 'Net rental income'.	Allows measuring the operational performance of the company.
Financial result (excluding changes in fair value of authorized hedging instruments)	The 'Financial result' minus the 'Changes in fair value of authorized hedging instruments'	Allows to measure realised and unrealised financial result.
Result on the portfolio	The 'Result on the portfolio' consists of the following items: <ul style="list-style-type: none"> - 'Result on disposals of investment properties'; - 'Result on sales of other non-financial assets'; - 'Changes in fair value of investment properties'; - 'Other result on portfolio'. 	Allows to measure realised and unrealised gains and losses related to the portfolio, compared to the last valuation by independent real estate experts.
Weighted average interest rate	The interest charges (including the credit margin and the cost of the hedging instruments) divided by the weighted average financial debt of the current period.	To measure the average interest rate of the debt.
Net asset value per share (investment value) excl. dividend excl. the fair value of authorized hedging instruments	Shareholders' equity (excluding the impact on the fair value of estimated transfer rights and costs resulting from the hypothetical disposal of investment properties, excluding the fair value of authorized hedging instruments and excluding dividend) divided by the number of shares.	Reflects the net asset value per share adjusting for some material IFRS-adjustments to enable comparison with its stock market value.

RECONCILIATION TABLES

Operating margin

(in € 000)	30.09.17	30.09.16
Operating result before result on portfolio (A)	31,180	28,076
Net rental income (B)	36,135	32,211
Operating margin (A/B)	86.29%	87.16%

Financial result (excluding changes in fair value of financial assets and liabilities)

(in € 000)	30.09.17	30.09.16
Financial result (A)	-7,913	-13,827
Changes in fair value of financial assets and liabilities (B)	631	-4,695
Financial result (excluding changes in fair value of financial assets and liabilities) (A-B)	-8,544	-9,132

Result on portfolio

(in € 000)	30.09.17	30.09.16
Result on disposals of investment properties (A)	-8	-161
Result on sales of other non-financial assets (B)	0	0
Changes in fair value of investment properties (C)	765	5,537
Other result on portfolio (D)	266	10
Result on portfolio (A+B+C+D)	1,023	5,531

Weighted average interest rate

(in € 000)	30.09.17	30.09.16
Interest charges (including the credit margin and the cost of the hedging instruments) (A)	8,054	8,623
Weighted average financial debt of the period (B)	554,343	489,517
Weighted average interest rate (A/B)	2.86%	3.47%

Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments

(in € 000)	30.09.17	31.03.17
Shareholders' equity attributable to the shareholders of the parent company (A)	536,175	514,970
Impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties (B)	-31,927	-26,703
The fair value of authorised hedging instruments qualifying for hedge accounting (C)	-15,541	-19,153
Proposed gross dividend (D)	15,950	29,727
Number of ordinary shares in circulation (E)	9,382,612	9,008,208
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments ((A-B-C-D)/E)	60.50	58.96

EPRA INDICATOR TABLES ¹

These data are not required by the legislation on Belgian REITs and are not subject to verification by public authorities. The statutory auditor considered whether the ratios "EPRA Earnings", "EPRA NAV" and "EPRA NNNAV" were calculated according to the definition resumed in the "EPRA Best Practices Recommendations" and whether the financial data used in the calculation of these ratios correspond with the accounting data included in the activated consolidated financial statements.

	30.09.17
EPRA earnings	EUR/1000
IFRS Net Result (attributable to the shareholders of the parent company)	23,637
Adjustments to calculate EPRA earnings	
Excluding:	
Variations in the fair value of investment properties (IAS 40)	1,031
Result on disposal of investment properties	-8
Changes in the fair value of financial assets and liabilities	631
Adaptations to minority interests	
EPRA earnings (attributable to the shareholders of the parent company)	21,983
EPRA earnings (EUR/share) (attributable to the shareholders of the parent company)	2,37
	30.09.17
EPRA Net Asset Value (NAV)	EUR/1000
Net Asset Value (attributable to the shareholders of the parent company) according to the annual accounts	536,175
Net Assets (EUR/share) (attributable to the shareholders of the parent company)	57.15
Effect of exercise of options, convertibles and other equity interests	
Diluted net asset value after effect of exercise of options, convertibles and other equity interests	536,175
Excluding:	
Fair value of the financial instruments	-15,541
EPRA NAV (attributable to the shareholders of the parent company)	551,716
EPRA NAV (EUR/share) (attributable to the shareholders of the parent company)	58.80

¹ For EPRA definitions key performance indicators we refer to the annual report 2016 page 72. Source : EPRA Best Practices www.epra.com.

		30.09.17
EPRA Triple Net Asset Value (attributable to the shareholders of the parent company)		EUR/1000
EPRA NAV (attributable to the shareholders of the parent company)		551,716
Including:		
Fair value of the financial instruments		-15,541
EPRA Triple Net Asset Value (attributable to the shareholders of the parent company)		536,175
EPRA NNAV (EUR/share) (attributable to the shareholders of the parent company)		57.15
		30.09.17
EPRA Net Initial Yield		EUR/1000
Investment properties (excluding assets held for sale) fair value		1,152,551
Transfer taxes		31,763
Investment value		1,184,314
Project developments		23,502
Investment value of the properties, available for rent	B	1,160,812
Annualised gross rental income		78,678
Property costs		-584
Annualised net rental income	A	78,093
Notional rent expiration of rent free period or other lease incentives		
Topped-up net annualised rent	C	78,093
EPRA Net Initial Yield (NIY)	A/B	6.73%
EPRA topped-up Net Initial Yield (topped-up NIY)	C/B	6.73%
		30.09.17
EPRA Vacancy Rate		EUR/1000
Estimated rental value of vacant surfaces		1,538
Estimated rental value of total portfolio		78,678
EPRA Vacancy Rate		1.95%
		30.09.17
EPRA Cost Ratio		EUR/1000
Operating corporate costs		2,009
Impairments on trade receivables		-3
Ground rent costs		103
Property costs		2,607
Less:		

Ground rent costs	-103
EPRA costs (incl. vacancy costs)	4,613
Vacancy costs	-160
EPRA costs (excl. vacancy costs)	4,453
Rental income less ground rent costs	36,132
	%
EPRA Cost Ratio (incl. vacancy costs)	12.77%
EPRA Cost Ratio (excl. vacancy costs)	12.32%

ABOUT RETAIL ESTATES NV

Retail Estates nv is a public regulated real estate company and more specifically a niche company that specialises in investing in out-of-town retail properties which are located on the periphery of residential areas or along main access roads into urban centres. Retail Estates nv buys these properties from third parties or builds and markets retail buildings for its own account. The buildings have useful areas ranging between 500m² and 3,000m². A typical retail building has an average area of 1,000m².

On 30 September 2017, Retail Estates nv has 724 properties in its portfolio with a lettable surface of 837,763m². The occupancy rate of these buildings, expressed in leased m², amounts to 98.21% on 30 September 2017, compared to 98.13% on 31 March 2017.

The fair value of the consolidated real estate portfolio of Retail Estates nv at 30 September 2017 is estimated by independent real estate experts at EUR 1,152.55 million.

Retail Estates nv is listed on Euronext Brussels and is registered as a public regulated real estate company. On 30 September 2017, the stock market capitalisation of its shares amounts to EUR 690.65 million.

FUTURE-ORIENTED STATEMENTS

This press release contains a number of future-oriented statements. Such statements are subject to risks and uncertainties which means that the actual results can differ significantly from those expected on the basis of such future-oriented statements in this interim statement. Significant factors that can influence such results include changes in the economic situation, commercial and fiscal factors.

Ternat, 20 November 2017

Jan De Nys, managing director of Retail Estates nv

For more information, please contact:

Retail Estates nv, Jan De Nys – CEO, tel. 02/568 10 20 – 0475/27 84 12

Retail Estates nv, Kara De Smet – CFO, tel. 02/568 10 20 – 0496/57 83 58

Retail Estates nv, Paul Borghraef – Voorzitter, tel. 02/568 10 20 – 0475/42 98 03



IN RETAIL WE TRUST

Retail Estates nv
Openbare GVV naar Belgisch recht
Industrielaan 6 - B-1740 Ternat
RPR Brussel
BTW BE 0434.797.847
T: + 32 2 568 10 20
info@retailestates.com
www.retailestates.com

EPRA
BPR
GOLD