



Interim press release – regulated information  
Ternat, 19 February 2018

## INTERIM STATEMENT OF THE BOARD OF DIRECTORS

THIRD QUARTER 2017-2018<sup>1</sup> (closed on 31.12.2017)

Net rental income rose by 13.79% to EUR 55.45 million

The average interest rate decreased further to 2.78% (3.42% on 31 March 2017)

EPRA Earnings<sup>2</sup> for the third quarter of financial year 2017-2018 increased by 20.89% to EUR 33.91 million (EUR 3.64 per share)

The fair value of the real estate portfolio<sup>3</sup> amounted to EUR 1,329.13 million on 31 December 2017 as a result of expansion into the Netherlands<sup>4</sup>

Dividend: The growth in EPRA Earnings translates into an increase in the dividend forecast from EUR 3.4 to EUR 3.6 per share. This represents a 9.09% increase in the dividend compared to the previous financial year.

<sup>1</sup> The figures given in this press release are the consolidated, unaudited figures and are in accordance with the IFRS.

<sup>2</sup> EPRA earnings are calculated as follows: net result excluding changes in the fair value of investment properties, excluding the result on the disposal of investment properties and excluding changes in the fair value of financial assets and liabilities.

<sup>3</sup> Including land reserves and projects in progress.

<sup>4</sup> See also the press release of 22 December 2017 for more information.

## 1. REAL ESTATE ACTIVITIES DURING THE THIRD QUARTER 2017-2018

### 1.1 Rental income and occupancy rate<sup>5</sup>

Net rental income amounted to EUR 55.45 million in the third quarter of the year, an increase of 13.79% with respect to the comparable quarter in the 2016-2017 financial year. This increase is mainly due to acquisitions in the Netherlands during the previous financial year. The additional investment in the Netherlands (see 1.3) contributes to the results from 21 December 2017.

The occupancy rate of the portfolio was 98.31% on 31 December 2017, compared to 98.13% on 31 March 2017.

### 1.2 Fair value<sup>6</sup> of the real estate portfolio

The fair value of the real estate portfolio (including project developments) on 31 December 2017 amounted to EUR 1,329.13 million, which represents an increase of EUR 257.77 million (+24.06%) compared to the fair value on 31 March 2017 (EUR 1,071.36 million). The increase was mainly attributable to the acquisition of 3 retail parks in the Netherlands with a total fair value of EUR 196.70 million. These retail parks are intended for high-volume retail trade and are mainly leased to retail chains active in home furnishing. Retail Estates had already invested in 5 retail parks on 3 July 2017. These were also intended for high-volume retail trade.<sup>7</sup>

### 1.3 Investments – retail parks

On 22 December, 2017, Retail Estates has expanded its investments in the Netherlands by purchasing three retail parks with 83 retail units and a total retail area of 134,580 m<sup>2</sup>. This additional investment of EUR 205.44 million, including real estate transfer tax and notarial fees, provides an additional net rent on an annual basis of EUR 13.44 million. The initial yield on these rents compared to the total investment is 6.54% (gross initial yield 6.74%). The fair value of this investment amounts to EUR 196.70 million according to the valuation drawn up by real estate experts of Retail Estates. In the Netherlands, fair value corresponds to the costs-to-buyer valuation (investment excluding real estate transfer tax of 6% and notarial and other acquisition fees). The occupancy rate of these 3 retail parks has been greater than 99% for over 15 years.

The retail parks at Cruquius (Haarlemmermeer) and Heerlen are among the top ten retail parks in the Netherlands. They significantly strengthen the quality of the Dutch real estate portfolio, which now represents a total fair value of EUR 268.64 million. As a result, Retail Estates can count itself among the select club of leading institutional investors in the out-of-town segment. The tenants are almost without exception chain stores of which 49% are internationally active and the rest are national players.

We refer to the press release of 22 December 2017 for more information.

<sup>5</sup> The occupancy rate is calculated as the effective leased surface area in relation to the lettable surface area, expressed in m<sup>2</sup>.

<sup>6</sup> Fair value: investment value as determined by an independent real estate expert, with hypothetical transfer taxes deducted. The fair value is the carrying amount under the IFRS (see also note 21 in the 2016-2017 annual report).

<sup>7</sup> See also the press release of 3 July 2017 for more information.

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 parks, as determined by real estate experts CBRE, Cushman & Wakefield, or JLL.

## 2. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### 2.1 Contribution in kind - Libramont

On 12 February 2018, under the condition precedent of approval by the FSMA, a private contribution agreement was signed for the contribution of 4 retail spaces in Libramont with a contribution value of EUR 5.46 million. 83,973 shares will be issued as a result of this contribution. The issue price was set at EUR 65 per share (including the dividend for the 2017-2018 financial year). It is expected that this contribution can be realised before the end of the current financial year.

As a result of this issue, the registered capital of Retail Estates will be increased to EUR 213,001,859, represented by 9,466,585 shares. The new shares will share in the company's profit from 1 April 2017.

## 3. KEY FIGURES AS AT 31 DECEMBER 2017

### 3.1 EPRA earnings

On 31 December 2017, EPRA earnings had evolved to EUR 33.91 million, compared to EUR 28.05 million for the comparable period in the 2016-2017 financial year. The calculation of EPRA earnings per share takes into account the weighted average number of shares on 31 December 2017: 9,313,986. EPRA earnings per share (based on the weighted average number of shares) amounted to EUR 3.64 on 31 December 2017, compared to EUR 3.16 on 31 December 2016.

### 3.2 Net result

The net result, which also takes into account the results on the sale of investment properties (EUR 0.11 million), the changes in the fair value of investment properties (EUR -6.28 million), the other result on portfolio (EUR 1.68 million) and the changes in fair value of financial instruments (EUR 0.51 million), amounts to EUR 29.92 million as of 31 December 2017. The negative variation in the fair value of investment properties is the negative net result of positive revaluations (EUR +12.40 million) less the amortisation of the transfer taxes for the determination of the fair value of the investment properties for the Netherlands (transfer taxes approximately 7%) and Belgium (transfer taxes 2.5%) (EUR -18.69 million).

The net result per share was EUR 3.21 on 31 December 2017, compared to EUR 4.12 for the same period last year. The decrease is due to the negative variation in the fair value of the investment properties, partly due to the change in valuation rules that did not apply in the previous financial year.

### 3.3 Information per share

	31.12.2017	31.03.2017
Number of shares in circulation	9,382,612	9,008,208
Weighted average number of shares	9,313,986	8,907,915
Net asset value per share IFRS <sup>8</sup>	57.93	57.17
EPRA NAV <sup>9</sup>	59.48	59.29
Net asset value per share (investment value) excluding dividend, excluding the fair value of the authorised hedging instruments	61.81	58.96
	31.12.2017	31.12.2016
EPRA earnings per share (based on weighted average number of shares)	3.64	3.16
EPRA earnings per share (based on number of shares entitled to dividends)	3.61	3.11

### 3.4 Debt ratio

As of 31 December 2017, the debt ratio was 58.80%, compared to 50.26% on 31 March 2017. The increase is due to the acquisition in the Netherlands. Financing of the transaction was handled by drawing down bank loans in the long term.

Since 31 December 2012, the balance sheet has been prepared on the basis of the full acquisition of all minority interests (in accordance with the IFRS), regardless of the timing at which the acquisition takes place and assuming that they are paid out in cash. This gives an indication of the maximum debt ratio based on the available information and the stage of development of construction work for its own account.

## 4. PROSPECTS

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

<sup>8</sup> This net asset value includes dividends and contains both the dividend for the third quarter of financial year 2017-2018 and the dividend for financial year 2016-2017, which will be paid on 27 July 2018.

<sup>9</sup> EPRA NAV is calculated as follows: shareholder's equity (excluding the fair value of the authorised hedging instruments) divided by the number of shares.

The expected dividend is being increased to EUR 3.60 gross per share. Compared to the 2016-2017 financial year, this represents a 9.09% dividend increase. This expectation was made under the hypothesis of a stable occupancy rate and a positive evolution in rents.

## 5. FINANCIAL CALENDAR

Announcement of annual results for financial year 2017-2018	18 May 2018
Shareholders' meeting	23 July 2018
Ex-coupon date dividend	25 July 2018
Dividend made available for payment	27 July 2018

## 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 500m<sup>2</sup> and 3,000m<sup>2</sup>. A typical retail building has an average area of 1,000m<sup>2</sup>.

On 31 December 2017, Retail Estates nv has 809 properties in its portfolio with a lettable surface of 978,328m<sup>2</sup>. The occupancy rate of the portfolio was 98.31% on 31 December 2017, compared to 98.13% on 31 March 2017.

The fair value of the consolidated real estate portfolio of Retail Estates nv at 31 December 2017 is estimated by independent real estate experts at EUR 1,329.13 million.

Retail Estates nv is listed on Euronext Brussels and is registered as a public regulated real estate company. On 31 December 2017, the stock market capitalisation of its shares amounts to EUR 690.56 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, 19 February 2018

Jan De Nys, managing director of Retail Estates nv

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