

# IN RETAIL WE TRUST



Interim statement – regulated information – insider knowledge  
Ternat, 14 February 2020

## INTERIM STATEMENT OF THE BOARD OF DIRECTORS

### THIRD QUARTER 2019-2020<sup>1</sup> (closed on 31.12.2019)

Net rental income of € 80.10 million.

EPRA Earnings<sup>2</sup> for the third quarter of financial year 2019-2020 increases by 16.45% to € 51.64 million (€ 4.21 per share).

The fair value of the real estate portfolio<sup>3</sup> totals € 1,665.62 million on 31 December 2019.

Dividend: forecast € 4.40<sup>4</sup> gross confirmed. Retail Estates intends to offer the shareholders an optional stock dividend at the time of payment of the dividend.

Purchase of retail park in Maastricht strengthens the market position of Retail Estates in Southern Netherlands.

<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 under development.

<sup>4</sup> The dividend forecast that was set for the 2019-2020 financial year as stated in the 2018-2019 annual report (p.40)

## 1. REAL ESTATE ACTIVITIES DURING THE THIRD QUARTER 2019-2020

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

Net rental income amounted to € 80.10 million in the third quarter of the financial year, an increase by 15.23% with respect to the comparable quarter in the 2018-2019 financial year. This increase is mainly due to acquisitions during the previous financial year.

The occupancy rate of the portfolio was 97.98% on 31 December 2019, compared to 97.97% on 30 September 2019.

Retail Estates actively works with its tenant Orchestra to reorganise the latter's retail network. After Orchestra's entry into the market, 19 retail units owned by Retail Estates were still occupied by Orchestra and its subsidiaries in 2014. This number was reduced by mutual agreement to 12 retail units on 31/03/2019. Today, both parties are still looking for a solution for 4 retail units, which will be vacant due to bankruptcy following the reorganisation of the Orchestra network, which is announced for April 2020. These retail units represent a rental income of € 0.47 million. The total of the unpaid rent and rental charges qualified as irrecoverable by the statement pursuant to the Act on the Continuity of Enterprises amounts to € 31,755.

### 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 2019 amounted to € 1,665.62 million, which represents an increase by € 135,99 million (+8.89%) compared to the fair value on 31 March 2019 (€ 1,529.63 million). This increase is almost completely attributable to investments made in the previous period.

### 1.3. Investments

As announced, two investments were made in the past quarter: the first was the acquisition of an SME property that is part of the Cruquius Retail park, and the second was the purchase of an additional property featuring four retail units, which will become part of the "Kanaleneiland" retail cluster. The total investment in these properties amounts to € 5.96 million and generates a rental income of € 0.41 million.

Real estate experts set their fair value at € 5.71 million.

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<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 taxed deducted. The fair value is the book value under the IFRS (see also note 21 of the 2018-2019 annual report).

## 1.4. Divestments

Within the framework of the acquisition of all shares of NV Textiel D'Eer, Retail Estates acquired a retail property in the centre of Paris, that was formerly part of the real estate portfolio of this company. On 17 December 2019 the property was sold to a private investor at its estimated value, i.e. € 3.25 million.

## 2. EVENTS AFTER THE BALANCE SHEET DATE

### Purchase of retail park Belvédère Maastricht (Netherlands, province of Limburg)

On 13 February 2020 Retail Estates entered into an agreement with a view to the purchase of the retail park Belvédère (phase 1), currently under construction in Maastricht. The complex will consist of 7,850 m<sup>2</sup> of retail area subdivided into five retail units, which are all let to retail chains from the home decoration sector (i.a. Jysk, Beter Bed, Leen Bakker, Carpetright). Expectations are that the retail properties will be completed by 1 June 2020 and that Retail Estates will subsequently purchase the buildings. Rental agreements have been entered into for a period of 10 years, with an option for 5-year extensions. The investment amounts to € 10 million (exclusive of recoverable VAT) and will generate a rental income of € 0.66 million. The real estate expert Cushman & Wakefield set the fair value at € 9.97 million.

Maastricht is the capital of the Dutch province of Limburg and is known in the retail sector as one of the best shopping areas in the Netherlands. Its historic city centre attracts customers from beyond the Dutch borders. The city itself has approximately 121,000 inhabitants and is situated in a prosperous region, extending from Amsterdam over the Randstad region to the Southern Netherlands, where Retail Estates concentrates its investments.

The construction of the Belvédère retail park is part of the Belvédère urban development plan, within the context of which the city of Maastricht aims at the reconversion of derelict industrial estates with a surface area of approximately 300 ha. This development plan previously led to the conversion of a major industrial heritage site, the Sphinx factory, into a new city district that also accommodates retail trade in the form of a branch of Loods 5, a large-scale home decoration store. Conversely, the Belvédère retail park will be constructed at a new business site that was created after the demolition of industrial buildings. The city of Maastricht is one of the last Dutch cities to grant permits for a retail park destined for large-scale retail trade. Retail Estates therefore regards this acquisition as a great opportunity, increasing the total number of retail parks in the Netherlands to 9.

The development of this new retail park Belvédère was made possible by K&F Ontwikkeling BV which is part of the K&F group and is owned by Mr. J.J. Krimpenfort, who became a reference on the Dutch out-of-town retail market after having expanded the retail network of Carpetright from a local to a national player. During the past 20 years he extended his activities to project development and advice to rural retailers.

### 3. KEY FIGURES AS AT 31 DECEMBER 2019

#### 3.1. EPRA Earnings

On 31 December 2019 the EPRA earnings had evolved to € 51.64 million compared to € 44.34 million in the comparable period in the 2018-2019 financial year. The calculation of the EPRA earnings per share takes into account the weighted average number of shares on 31 December 2019, i.e. 12,270,114. The EPRA earnings per share (on the basis of the weighted average number of shares) amounted to € 4.21 on 31 December 2019, compared to € 3.95 on 31 December 2018.

#### 3.2. Net result

The net result, which also takes into account the results on disposals of investment properties (€ 0.08 million, the change in the fair value of the investment properties (€ 1.47 million), the other result on portfolio (€ -0.41 million) and the changes in the fair value of financial instruments (€ -2.85 million) amounted to € 49.92 million as at 31 December 2019.

#### 3.3. Information per share

	31.12.2019	31.03.2019
Number of shares in circulation	12,630,414	11,422,593
Weighted average number of shares	12,270,114	11,265,034
Net asset value per share IFRS	62.62	61.98
EPRA NAV	64.65	64.07
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments	65.89	64.28
	31.12.2019	31.12.2018
EPRA earnings per share (based on weighted average number of shares)	4.21	3.95
EPRA earnings per share (based on number of shares entitled to dividends)	4.09	3.88

### 3.4 Debt ratio

The debt ratio is 51.07% on 31 December 2019, compared to 52.58% on 31 March 2019.

## 4. OUTLOOK – DIVIDEND PROGNOSIS

Macroeconomic uncertainties do not allow predictions about the evolution of the fair value of investment properties nor about the changes in the fair value of interest rate hedging instruments. The evolution of the intrinsic value of the shares, which is sensitive to this, is therefore uncertain.

The dividend forecast of € 4.40 per share is confirmed. Compared to the 2018-2019 financial year, this represents a 3.53% dividend increase. This expectation was made under the hypothesis of a stable occupancy rate and a positive evolution of rents.

## 5. FINANCIAL CALENDAR

Announcement of the annual results of the 2019-2020 financial year	20 May 2020
General meeting	20 July 2020
Ex-coupon date dividend	28 July 2020
Dividend made available for payment	30 July 2020

## ABOUT RETAIL ESTATES NV

The Belgian public real estate investment trust Retail Estates nv is a niche player specialised in making in out-of-town retail properties located on the periphery of residential areas or along main access roads to urban centres available to users. Real Estates NV acquires these real properties from third parties or builds and commercialises retail buildings for its own account. The buildings have useful areas ranging between 500 m<sup>2</sup> and 3,000 m<sup>2</sup>. A typical retail building has an average area of 1,000 m<sup>2</sup>.

As of 31 December 2019, Retail Estates nv has 970 premises in its portfolio with a total retail area of 1,122,499 m<sup>2</sup>, spread over Belgium and the Netherlands. The occupancy rate of the portfolio was 97.98% on 31 December 2019, compared to 98.28% on 31 March 2019.

The fair value of the consolidated real estate portfolio of Retail Estates NV as at 31 December 2019 is estimated at € 1,665.62 million by independent real estate experts.

Retail Estates NV is listed on Euronext Brussels and Euronext Amsterdam and is registered as a public regulated real estate company. As at 31 December 2019, the stock market capitalisation of the shares amounts to € 1,059.69 million.

## FORWARD-LOOKING STATEMENTS

This press release contains a number of forward-looking statements. Such statements are subject to risks and uncertainties which may lead to actual results being materially different from the results which might be assumed in this press release on the basis of such forward-looking statements. Major factors that may influence these results include changes in the economic situation, commercial, tax-related and environmental factors.

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Jan De Nys, CEO of Retail Estates nv

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