

Risk factors



Risk factors

The main risks facing the company are listed below.

For each of the listed risks, measures and procedures are in place to assess, control and monitor the effects as much as possible. These measures and procedures are also discussed below.

The board of directors regularly evaluates the company's exposure to risks, the financial impact of these risks and the actions that must be taken to monitor these potential risks, to avoid the risks and/or (where relevant) to limit the impact of these risks.

This list of risks is based on the information that was known at the time of preparation of this report. Other unknown and unlikely risks or risks that are not expected to have a significant adverse effect on the company, its activities and its financial situation may exist. The list of risks included in this chapter is therefore not exhaustive.



MARKET RISKS

INVESTMENT MARKET FOR OUT-OF-TOWN RETAIL PROPERTIES AND RETAIL PARKS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The reduced demand from investors for out-of-town retail properties.	The value of the portfolio is estimated each quarter by independent real estate experts. A decrease in valuation leads to a decrease in shareholder's equity ("NAV") and, consequently, an increase in the debt ratio of the company.	The value of out-of-town retail property is mainly determined by the commercial value of the property's location. Due to the scarcity of good locations, supply and demand tend to exert upward pressure in both the private and institutional investor markets. The values are generally inflation-proof due to indexation of the rent, but they are interest rate sensitive due to the high debt ratio of many investors. The willingness to invest on the part of institutional investors may temporarily decrease due to macroeconomic factors that affect the availability and cost of credit. Experience shows that the private investor market, which still represents a major part of investments, is less sensitive to this. The debt ratio amounts to 40.39% on 31 March 2026 (the BE-REIT legislation set the maximum debt ratio at 65%).	MEDIUM

INFLATION RISK

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The Group's lease agreements contain indexation clauses on the basis of the health index (Belgium) or the consumer price index (the Netherlands), so that annual rental income evolves with the (indexed) inflation rate.	The Group's exposure to inflation also concerns costs related to the lease, including those with respect to renovation and investment works, which may be linked to an index other than the health index, which could cause these costs to increase more quickly than the increase in rents. This may have an impact on the operational margin. Based on the data of 31 March 2026, the rental income variation can be estimated at € 1.45 million on an annual basis for each percentage point of variation of the (health) index. A continued high inflation may lead to the exhaustion of the possibilities for an upward revision of the rent upon renewal (in Belgium after 9 years, in the Netherlands after 10 years) of the lease.	The company seeks to reduce the risk of cost increases by entering into contractual agreements with its suppliers. Belgium has a unique system of automatic indexation of wages and rents, limiting the impact on purchasing power.	MEDIUM

DEFLATION RISK

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Deflation leads to a reduction in economic activity, which in turn results in a general fall in prices.	In the case of deflation, the health index will be negative, so rental income will fall. Based on the data of 31 March 2026, the rental income variation can be estimated at € 1.45 million on an annual basis for each percentage point of variation of the (health) index.	The Group is partly protected against the risk of deflation (and a corresponding decrease in rental income). Virtually all of the Group's lease agreements specify that the rent cannot fall below the level of the base rent (i.e. the base rent applicable when the lease agreement is concluded). But even in the case of these lease agreements, a decrease in the rent to a level that is lower than the current rent but higher than the base price cannot be ruled out.	MEDIUM

E-COMMERCE

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Impact of the increasing importance of e-commerce on existing sales channels.	Reduced demand for physical shops due to increased online shopping. Demand for smaller shops (fewer m ²) due to less stock being present in the shops.	Leasing to retailers that integrate the "multichannel" concept into their business model and thus integrate e-commerce into existing shops. Existing properties can be subdivided into smaller units. The effect of the impact is also influenced by the retail segment in which the tenant is active. A large part of the activities of the Retail Estates tenants is less susceptible to e-commerce (home decoration, large-scale retail activities, consumer goods,...). Within this scope we refer to the real estate report, which includes an overview of the commercial activities of the tenants.	MEDIUM in long term; LOW in short term

EXTERNAL FACTORS - INCIDENTS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Impact of external factors and serious incidents (such as terror threat, vandalism, fire, explosion, storm and water damage, pandemics) that may occur in the buildings included in the real estate portfolio.	Interrupted activity and consequentially loss of the tenant and reduced rental income. Decrease in rental income due to the closure of shops following the quarantine measures imposed by the government. Possible bankruptcies of tenants. Increased volatility and uncertainty in the international markets. Decline in consumer confidence, long-term unemployment, increased tax burden on work. Decrease in rents. Decrease in the fair value of real estate and consequently also in the Net Asset Value (NAV).	The company is insured against lost rental income for a period of 18 to 36 months (depending on the type of permit to be obtained) due to external factors and serious incidents. Please refer to the management report, in which the incidents are explicitly discussed. The real estate report states the insured values for each cluster. Good liquidity position to tide over a temporary disruption of the cash flow. As of 31 March 2026, Retail Estates has a total of € 239.06 million in unused and confirmed credit lines. Usually a bank guarantee of 3 to 6 months is required. The company aims to build long-term relationships with financial partners and investors, and has unused credit facilities available to absorb liquidity shortages and finance investments for which firm commitments have already been made. Please refer to note 31 and seq. of this annual report for an overview of the outstanding credits and unused credit facilities. Sectoral diversification of customers and low average contractual rent. Value is determined by the commercial value of the property's location. Retail Estates spreads its investments throughout all major shopping areas in Belgium and the Netherlands. These investments are concentrated in the subregions with strong purchasing power.	MEDIUM in long term; HIGH in short term

CHANGING ECONOMIC CLIMATE

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Impact of falling consumption and a declining economy	Decrease in demand for shops. Higher vacancy rates and/or lower rents when re-letting. Decrease in the fair value of real estate and consequently also in the Net Asset Value (NAV). Possible bankruptcies of tenants.	Quality of the tenants with mainly retail chains. Please refer to note 21 of this annual report for the evolutions in terms of dubious debtors. Sectoral diversification of customers and low average contractual rent. Value is determined by the commercial value of the property's location. Retail Estates spreads its investments throughout all major shopping areas in Belgium and the Netherlands. These investments are concentrated in the subregions with strong purchasing power. Usually a bank guarantee of 3 to 6 months is required.	MEDIUM in long term; LOW in short term

MACROECONOMIC FACTORS			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Increased volatility and uncertainty in the international markets.	May lead to greater difficulty in accessing the stock market to acquire new capital/shareholder’s equity or reduced availability of liquidity on debt capital markets with respect to the refinancing of outstanding bonds.	The company aims to build long-term relationships with financial partners and investors, and has unused credit facilities available to absorb liquidity shortages and finance investments for which firm commitments have already been made. Please refer to note 32 et seq. of this annual report for an overview of the outstanding credits and unused credit facilities.	MEDIUM

OPERATIONAL RISKS

VACANCY AND LOSS OF RENTAL INCOME			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Risk of increased vacancy and higher re-letting costs related to the evolution in supply and demand in the rental market.	Rental income and cash flow affected by an increase in vacancy and the costs of re-letting. Decrease in the fair value of the real estate portfolio and consequently a decrease in the NAV and an increase in debt ratio.	Diversified customer base with a good sectoral spread. Good market knowledge via in-house operational teams with strong know-how and knowledge of the retail business. Weekly follow-up and discussion of debt collection at the property meeting. The occupancy rate remains at a high level (97.82% on 31 March 2026).	HIGH
RENTABILITY			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Risk of rentability and quality of the tenants.	Decrease in the quality and solvency of tenants, resulting in an increase in doubtful debtors, thereby reducing the level of debt collection.	Permanent follow-up by means of a weekly debt collection and property meeting ensures a proper flow of information and a swift approach. Good market knowledge via in-house operational teams with strong know-how and knowledge of the retail business.	HIGH
STRUCTURAL CONDITION OF THE BUILDINGS			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Risk of structural and technical deterioration during the life cycle of buildings.	Ageing of buildings, which affects commercial attractiveness. Loss of income and a long period in which the invested capital does not perform.	Management is doing everything possible to anticipate these risks and, to this end, is implementing a consistent policy on maintenance and repairs, roof and façade renovations, and commercial upgrades to the properties.	MEDIUM in long term; LOW in short term

ACQUISITIONS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
A large number of buildings in the company's real estate portfolio (and in that of its subsidiaries) were acquired in the context of the acquisition of shares in real estate companies or corporate restructuring such as mergers and (partial) demergers. Real estate companies over which control is acquired are typically absorbed by Retail Estates, which transfers all of the capital, assets as well as liabilities, of these companies to Retail Estates.	There is a risk that hidden liabilities in these transactions will be transferred to Retail Estates, which would have a significant negative impact on the activities, results, profitability, financial position and outlook of the Group.	Management takes the necessary precautions to identify possible risks prior to acquiring control (cf. due diligence with regard to technical, financial, fiscal and accounting as well as legal risks) and strives to obtain the necessary contractual guarantees from the seller/supplier. If necessary, this due diligence is supported by external advisers and a prior valuation by an independent real estate expert.	MEDIUM

SOIL CONTAMINATION

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
At a number of locations where the company has retail properties, activities were carried out in the past that were potentially polluting.	Retail Estates is in principle not liable for such - by definition historical - contamination. The activities of the tenants of the company usually only result in a very limited risk of contamination and moreover are the responsibility of the tenant. However, the applicable legislation provides for complex, time-consuming procedures when transferring real estate, and this can result in research and study costs. The regulations relating to soil transport result in additional costs if contaminated soil must be manipulated during construction work at such contaminated sites.	Retail Estates attempts to integrate environmental issues into the due diligence research that typically precedes the acquisition of real estate and, as far as possible, to place responsibility for any soil contamination (including a possible remediation obligation) with the transferor of the property or the real estate company.	MEDIUM

TRAFFIC INFRASTRUCTURE

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Out-of-town retail properties are by definition mainly accessible via regional roads. The road network is regularly refurbished with new roundabouts, cycle paths, tunnels etc. in the context of road safety.	The result of such a refurbishment usually increases the commercial value of retail properties, since the traffic flow is often slowed and the environment around the shopping areas becomes safer. However, it cannot be ruled out that in exceptional cases access to some shopping areas may become more difficult or their visibility may decrease.	Dialogue with the government to develop constructive solutions in the interest of all stakeholders.	MEDIUM

KEY PERSONNEL

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The loss of key figures within the organisation.	The loss of core competencies by the company could lead to a number of objectives being reached later than planned.	Retail Estates pays appropriate attention to the well-being of its employees. The company's remuneration policy is in line with the market. Great importance is attached to managing the competences of the team members.	MEDIUM

ICT & FRAUD

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Risk of operational losses due to the failure of internal processes and systems, human errors or external events (fraud, natural disaster, cybercrime, etc.).	Financial losses due to fraud, theft of sensitive data or interruption of activities.	All data is backed up in the cloud, so that in the event of a disaster or crisis, the necessary data can be restored to ensure business continuity. Furthermore, the necessary measures have been taken regarding access and security, as well as in the context of cyber security. Retail Estates is supported in its ICT-related services by an external partner with whom an SLA (Service Level Agreement) has been concluded. Retail Estates has taken out insurance to cover financial and operational risks related to ICT and fraud.	MEDIUM

FINANCIAL RISKS

LIQUIDITY RISK			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Retail Estates is exposed to a liquidity risk that could result in a lack of cash in case of non-renewal or termination of its financing contracts.	Impossibility to finance acquisitions or developments (via shareholder's equity as well as via debt) or increased costs that reduce the expected profitability. The lack of financing to repay interest, capital or operating expenses. Increased cost of debt due to higher bank margins, with an impact on earnings and cash flows.	A conservative and cautious financing strategy with a balanced spread of expiration dates, diversification of funding sources and an extensive group of bank partners. Please refer to note 31 et seq. of the annual report for an overview of the outstanding credits and unused credit facilities.	MEDIUM in long term; LOW in short term
INTEREST RATE VOLATILITY			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The company risks an increase in its financial costs that may arise from the evolution of interest rates.	Increased cost of debt, resulting in an impact on earnings and cash flows, and a decrease in profitability. Strong fluctuations in the value of financial instruments with potential impact on the net asset value (NAV). In the context of negative interest rates, the method used by some banks of demanding a floor for the Euribor rate (which is used as a reference in the financing contracts) of 0% has a negative effect on the financial costs. Indeed, an asymmetry is present since Retail Estates must pay a negative interest rate for its hedging instrument while the banks use a 0% floor.	The company pursues a conservative policy, avoiding variable interest rates wherever possible. This contributes to the predictability of the results and the cash flows, which in turn facilitates a correct assessment of the risk. Retail Estates nv uses interest rate swaps to hedge the interest rate risk on long-term loans concluded at a floating interest rate. The maturity of these instruments is matched to the maturity of the underlying credits. If the Euribor rate (interest rate for short-term loans) falls sharply, the market value of these instruments will undergo a negative change. However, this is an unrealised and non-cash item. In an interest rate swap, the variable interest rate is exchanged for a fixed interest rate. Please refer to note 32 et seq. of this annual report for more information about the hedges used by the company.	MEDIUM in long term; LOW in short term

COUNTERPARTY RISK

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Concluding bank loans and hedging instruments with financial institutions entails a counterparty risk for the company if these financial institutions fail.	Termination of existing credit lines, which must then be refinanced with another bank/financial institution, which involves restructuring costs and the risk of higher interest costs for the new credits.	This risk is limited by spreading the sources of financing across different instruments and counterparties.	MEDIUM

COVENANT RISK

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Risk of non-compliance with the requirements to meet certain financial parameters under the credit agreements.	Non-compliance with these covenants may result in early termination of these credits.	The company generally has entered into the following covenants with its bankers and bondholders: • Retention of BE-REIT status • Minimum portfolio size • ICR (Interest Cover Ratio, calculated on net rental results) ≥ 2 • Maximum debt ratio The Belgian BE-REIT Act imposes a maximum debt ratio of 65%. On the date of this report, the company complies with all covenants required by the banks and bond holders.	LOW

FINANCIAL REPORTING RISK

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Financial reporting risk refers to the risk that the financial statements do not give a true and fair view of the Group's financial position and results due to errors, omissions, misjudgements or the incorrect application of accounting standards (IFRS).	This risk may manifest itself, amongst other things, through: an incorrect valuation of investment property (fair value, transaction costs, assumptions); an incorrect accounting treatment of financial instruments, hedges or leases; incomplete or incorrect notes in the consolidated financial statements or the (half-)yearly financial report; and differences in interpretation with regulators or auditors regarding reporting requirements.	The Group mitigates this risk through a robust internal control system, clear accounting policies, the involvement of external experts (independent property experts, statutory auditor) and active oversight by the audit committee and the board of directors.	LOW

REGULATORY RISKS

RISK ASSOCIATED WITH REGULATORY CHANGE			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Changes in regulations, including fiscal, environmental, urban planning, mobility policy and sustainable development as well as new provisions relating to the letting of real estate and the extension of permits with which the company, its real estate and/or the users to whom the real estate is made available must comply.	Negative influence on business, profits, profitability, the financial situation and prospects.	Constant monitoring of existing, potentially changing or future new laws and regulations and compliance with these laws and regulations, assisted by external specialist advisers.	LOW
RISK ASSOCIATED WITH NON-COMPLIANCE WITH THE REGULATIONS			
Description of the risk	Potential impact	Limiting factors and control	Risk assessment
There is a risk that, possibly due to the (fast) evolution of the regulations applicable to the company (please refer in this context to "Risks associated with regulatory change"), the Company itself, its executives or its employees do not adequately comply with the relevant regulations or that these persons do not act with integrity.	Failure to comply with the relevant legislation may have a financial or legal impact on the company; the nature and extent of this impact depends on the legislation that is not complied with.	The company shall make every effort to ensure that its executives and employees have the required background and knowledge to adequately implement the relevant legislation. The company has a Corporate Governance Charter and a Dealing Code. Both documents have been published on the company's website and have been communicated to the team. The Dealing Code is an integral part of the Corporate Governance Charter of the Company.	LOW

PERMITS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The lack of proper urban planning permits and permits for specific properties.	Impact on the value of the real estate, since this value is largely determined by the presence of all urban planning permits and permissions under the law on commercial establishments according to the desired use of the property. If a new use must be allocated to the property due to external circumstances, changes to the permits granted must be requested. Obtaining such changes is often time-consuming and the process lacks transparency, which may cause property to be temporarily vacated, even though tenants had been found for it.	Management devotes due attention to reviewing the urban planning permits when acquiring and developing retail outlets. In addition, management continuously tries to evaluate changes in urban planning permits and permissions and compliance with these permits and permissions, and to anticipate such changes.	LOW

URBAN PLANNING PRESCRIPTIONS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
If the town planning regulations change, retail units for which an authorisation was received will no longer be allowed to undergo changes subject to authorisation that are contrary to the new purpose desired by the government.	As the retail units cannot be given any other purpose than their original authorised purpose, the possible uses are more limited than usual. In addition, all transformations that may jeopardise the optimisation of the buildings are prohibited. However, the retail units can still be let within these limits.	The management attempts to prevent this kind of situations by making use of all legal remedies available pursuant to the applicable laws within the context of the revision of town planning regulations in order to retain some flexibility. If this is not possible, a redevelopment of the site concerned will be considered, in line with the purpose desired by the government.	LOW

RISKS ASSOCIATED WITH NON-COMPLIANCE WITH AND LOSS OF THE BE-REIT STATUS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Retail Estates has a BE-REIT status in Belgium. Risk of future changes to the legislation on BE-REITs, which would make it no longer possible for the company to enjoy the favourable fiscal transparency system for BE-REITs. The company is also subject to the risk of future adverse changes to this system.	Risk of loss of recognition of the status of public BE-REIT. Loss of the favourable tax system of a BE-REIT and mandatory repayment of certain credits in case of non-compliance with the rules.	Constant monitoring of legal requirements and compliance with these requirements, assisted by external specialist advisers. Intensive dialogue with the regulator in the context of prudential oversight of the BE-REITs. Representation of the company in organisations representing the BE-REIT sector.	LOW

TAX LAW

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The exit tax owed by companies whose assets are taken over by a BE-REIT in case of e.g. a merger is calculated taking into account Circular Letter Ci.RH. 423/567.729 of the Belgian Tax Authorities of 23 December 2004, the interpretation or practical application of which may always change. The “actual value for tax purposes” referred to in this circular letter is calculated with a deduction of registration fees or VAT (which would apply in the event of a sale of the assets) and may differ from the fair value of the real estate as recorded in the balance sheet of the public BE-REIT in accordance with IFRS 13.	Non-compliance with relevant tax legislation may have a financial or legal impact on the company.	The company shall make every effort to ensure that its executives and employees have the required background and knowledge to adequately implement the relevant tax legislation.	MEDIUM

RISKS ASSOCIATED WITH THE STATUS OF INSTITUTIONAL BE-REITs AND GBVF/FIIS

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
The company has control over one GBVF/ FIIS (Specialised Real Estate Investment Fund), Inducom NV, subject to specific legislation.	Risk of loss of recognition of the status of GBVF. Loss of the favourable tax system of GBVF and mandatory repayment of certain credits in case of non-compliance with the rules.	Constant monitoring of legal requirements and compliance with these requirements, assisted by external specialist advisers.	LOW

RISKS WITHIN THE CONTEXT OF THE TIGHTENING OF ESG (ENVIRONMENTAL SOCIAL GOVERNANCE) RULES

Description of the risk	Potential impact	Limiting factors and control	Risk assessment
Extreme weather conditions (storms, flooding, etc.) can make buildings vulnerable, which can lead to additional repair costs. Climate regulations are being tightened worldwide to mitigate the risks associated with global warming (extreme weather conditions). As a result, restrictions may be imposed with regard to the achievement of certain minimum standards for buildings. This not only results in administrative burdens for the company, but also in costs for adapting the buildings. The tightening of regulations towards green financing is causing the broader capital markets to look for green investments and green-financed assets.	Risk of a negative perception of the company's future viability. Risk of additional costs and administrative burdens, and in the event of non-compliance with certain regulations, risk of fines and, as a result, damage to reputation. Impact on the fair value of real estate. A decline in valuation leads to a decline in equity (net asset value or NAV) and, consequently, to an increase in the company's debt ratio. Risk that financing (in the broad sense) will become more expensive.	Retail Estates has developed a strategic ESG policy to which an ESG action plan is linked. We refer to the ESG report in this annual report.	LOW