

# IN RETAIL WE TRUST



Periodical press release – regulated information  
Ternat, 18 May 2018

## ANNOUNCEMENT OF ANNUAL RESULTS

REAL ESTATE PORTFOLIO INCREASES TO EUR 1,349.37 MILLION  
(+25.95%)

EPRA EARNINGS INCREASE TO EUR 47.90 MILLION (+22.46%)  
PROPOSED DIVIDEND IS EUR 3.6 PER SHARE (+ 9.09% COMPARED TO  
THE PREVIOUS FINANCIAL YEAR)

OCCUPANCY RATE REMAINS HIGH (98.11%)

## ANNUAL RESULTS FOR THE PERIOD 01.04.2018 THROUGH 31.12.2018

### 1. SUMMARY

- Investments during the financial year of EUR 311.04 million in properties and own developments. Divestments for a net sales price of EUR 7.64 million.
- Continued decrease of the weighted average interest rate to 2.62% (3.42% as at 31 March 2017).
- EPRA earnings are EUR 47.90 million (+ 22.46%); per share EUR 5.13
- The proposed dividend per share is maintained at EUR 3.6 (+ 9.09%)
- Successful placement of new shares within the context of the capital increase for a total amount of EUR 123.36 million after balance sheet date
- Acquisition of new retail park in Randstad Holland after balance sheet date

### 2. OPERATIONAL ACTIVITIES

#### 2.1 Acquisitions and divestments

##### Investments – retail parks

During the past financial year, Retail Estates extended its investments to the Netherlands, with the acquisition of 8 retail parks. These retail parks are destined for large-scale retail and are principally let to retail chains. They feature a total of 135 retail properties. The investments mentioned under A to E (below) took place at the end of June 2017, the investments mentioned under F to H (below) in the second half of December 2017. In early March 2018, two retail properties were acquired that are adjacent to the retail park at Cruquius, acquired in December 2017.

The investment is spread over the following locations:

A. Apeldoorn retail park Het Rietveld<sup>1</sup> (province of Gelderland)

A retail park consisting of 12 retail properties with a total retail area of approx. 23,250 m<sup>2</sup>. The principal tenants include retail chain such as Beter Bed, Kvik, Bruynzeel Keukens and Swiss Sense.

B. Middelburg retail park De Mortiere<sup>1</sup> (province of Zeeland)

Retail Estates acquired 12 retail properties with a total retail area of 19,730 m<sup>2</sup> in a retail park of approx. 40,000 m<sup>2</sup>, which also includes a number of big-box stores. The retail properties

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<sup>1</sup> See press release of 3 July 2017

acquired by Retail Estates exclusively house retail chains, including Kwantum, Leen Bakker, Swiss Sense, BCC, Beter Bed, Bruynzeel Keukens and Perry Sport.

C. Veenendaal<sup>1</sup> (province of Utrecht)

A retail park with a total retail area of 18,452 m<sup>2</sup> in the form of an “home decoration and interior design mall” where about a dozen retail concepts are operated, including Trendhopper, Vtwonen, Auping, Xooon, etc.

D. Roosendaal<sup>1</sup> (province of Noord-Brabant: city of 77,000 inhabitants)

The retail park Oostplein features 10 retail properties with a total retail area of 10,233 m<sup>2</sup>. They are let to retail chains such as like Roobol, Kwantum, Jysk, Carpetright and Beter Bed. In the course of the next few years, this retail park will undergo a facelift and a partial restructuring.

E. Alphen aan den Rijn<sup>1</sup> (province of Zuid Holland)

The retail park Euromarkt consists of 13 retail properties with a total retail area of 10,123 m<sup>2</sup>. The principal tenants are Gamma, Aldi and Roobol. Contrary to the other retail parks, it is located in the urban agglomeration ("edge-of-town" type).

Furthermore, within the context of these transactions, 7 retail properties were acquired in the retail park Meubelplein at Leiderdorp, with a total retail area of 5,898 m<sup>2</sup>, including a vacant retail unit of 2,668 m<sup>2</sup> and two precarious rental properties with a total retail area of 1,409 m<sup>2</sup>.

F. Heerlen<sup>2</sup> (Province of Limburg)

The home furnishing shopping centre at Heerlen features over 50 specialised retail units and is one of Europe's largest shopping boulevards. The park consists of two parts: Square 1 and Square 2, and is easily accessible from the A76 motorway. The A76 stretches from the Belgian to the German border, making the retail park accessible to German and Belgian visitors. The catchment area covers 1.3 million local residents. Heerlen 1 consists of 21 retail properties with a total area of 39,891 m<sup>2</sup>, Heerlen 2 has 26 retail properties with a total area of 35,023 m<sup>2</sup>.

G. Cruquius<sup>2</sup> (Haarlemmermeer – Province of Noord-Holland)

Thanks to its high concentration of tenants and its attractive customer zone, Cruquius Boulevard, with a surface area of approx. 35,000 m<sup>2</sup> and 25 tenants, is regarded as the absolute top location in the Netherlands. It is part of a commercial zone with a total retail area of 88,650 m<sup>2</sup>. Large urban centres like Haarlem, Hoofddorp and Amsterdam and residential areas with the highest purchasing power in the Netherlands are situated in the immediate vicinity. The catchment area covers 1.7 million local residents. Within the context of this transaction two additional rental retail properties were acquired at Cruquius in early March 2018. These two retail properties represent a retail area of 6,397 m<sup>2</sup> and are used as sales outlets for DIY products under the trade name of Praxis and Gamma respectively. The

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<sup>2</sup> See press release of 22 December 2017

total investment amounts to EUR 9 million, representing an initial yield of 6.78% in view of the net rental income of 0.61 million EUR. According to the real estate expert, the fair value amounts to EUR 8.6 million.

#### H. Zwolle<sup>2</sup> (Province of Gelderland)

This retail park, with a surface area of 24,721 m<sup>2</sup> and 11 tenants, is situated along the exit of the motorway near the city of Zwolle, which has 125,000 inhabitants. It is the only retail park in the wider region and represents stable value.

These investments were structured through the acquisition of the real estate via various newly incorporated subsidiaries (4 in total). This transaction was financed through intercompany financing after the drawdown of bank loans by Retail Estates nv.

#### Libramont & Jemeppe-sur-Sambre<sup>3</sup>

On 31 October 2017 Retail Estates acquired exclusive control of the company Librajem BVBA (previously Prometra BVBA). This company owns 2 retail properties in Libramont and 1 retail property in Jemeppe-sur-Sambre.

#### La Louvière

On 5 February 50% of the shares were acquired via NS Properties BVBA for an amount of EUR 1,188,293.21.

The company has 1 retail unit in La Louvière that is in line with the existing portfolio of Retail Estates.

The above acquisitions took place at a valuation corresponding to the fair value of the retail units or parks concerned, as determined by the real estate experts CBRE or Cushman & Wakefield.

## **PROJECT DEVELOPMENT**

On 31 March 2018 the total amount of the project developments is EUR 24.98 million. We distinguish three types of projects: speculative land positions (the so-called “land bank”), i.e. residual lands of existing portfolios that are intended for possible development or sold at a later stage if no redevelopment is possible. Furthermore, there are projects under application and projects under development.

On 31 March the speculative land positions accounted for EUR 5.14 million, the projects under application represented EUR 13.83 million and the projects under development represented EUR 6.01 million.

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<sup>3</sup> See press release of 19 February 2018

#### A. Projects under application – overview of the main projects

In 2014 Retail Estates acquired a retail park at Wetteren with 14 retail units and a gross retail area of 10,423 m<sup>2</sup>. The retail park, which opened in 2008, is known as Frunpark Wetteren. It is very successful and attracts consumers from far and wide. On 30 August 2016, Retail Estates NV acquired a controlling interest (51%) of real estate company Heerzele nv, which is the owner of an adjacent property at Wetteren. After obtaining the necessary permits, Retail Estates wishes to expand its retail park. The total operation consists of the creation of approximately 9,000 m<sup>2</sup> of gross retail area, a significant expansion of the car park and an expected total investment of EUR 14.40 million. This project is expected to be completed in September 2019.

Furthermore, the company also intends to invest in the expansion of its retail cluster at Namen-Zuid and to construct a retail property of approx. 8,000 m<sup>2</sup> for a DIY-store in Jambes, with an expected additional investment of 12 million EUR. Completion is expected by June 2019.

#### B. Projects under development – overview of the main investments in own developments

- Customised project for Aldi at Nijvel: construction of a customised building for Aldi (2000 m<sup>2</sup>). This retail unit is in line with the new concept that Aldi is currently rolling out and consists of a large retail area with an underground car park and rolling walkways. The total additional investment will amount to EUR 2.53 million. 1.97 million will be invested in the financial year that starts on April 1, 2018.
- Tailor-made project for Aldi in Tienen: this store fits into the new concept that Aldi is rolling out and consists of a large retail area with underground parking and roll carpets. The total additional investment will amount to EUR 0.40 million.
- Extension of an existing retail park by 9,500 m<sup>2</sup> in Frameries. The existing retail park is a recently constructed complex, which was developed into a strong pole of attraction in a densely populated area between Mons and the French border. The eight shops that have been opened since 2012 account for approx. 10,000 m<sup>2</sup> of retail area. Retail Estates has acquired the adjacent land and will construct the remaining 9,500 m<sup>2</sup> in the next 8 months.
- extension of the Company's retail park in Barchon: an extra surface area of approximately 1,000 m<sup>2</sup> will be added for 1 or 2 additional retail units. This project was started in June 2007. A total of EUR 0.74 million has already been invested in this project, and additional investments for an amount of EUR 1.10 million are expected.
- extension and renovation of a 2,000 m<sup>2</sup> retail area in Gentbrugge for Brantano. This project was started in February 2018. A total of EUR 0.36 million has already been invested in this project, and additional investments for an amount of EUR 0.86 million are expected.
- Other projects: this concerns various smaller projects and extensions. The expected investment for these projects amounts to EUR 0.64 million.

The total remaining expected investment in the above-mentioned projects under own development amounts to EUR 16.74 million.



### C. Completion of projects

The project in Braine L'Alleud was completed in the third quarter of the financial year 2017/2018. The project related to a renovation of the existing retail park at Braine L'Alleud, with a facelift of the entire park. Earlier in this financial year the project at Ath was also completed. The total investment amounted to EUR 2.85 million. Upon completion, the fair value of the project in Braine amounted to EUR 2.41 million. The fair value of the project in Ath amounted to EUR 0.45 million.

### Optimisation of real estate portfolio

Retail Estates nv pays close attention to the changing needs of its tenants with respect to retail area. Several tenants are systematically expanding their product range and regularly request an extension of their retail area. This can be done through the acquisition of space from adjacent tenants who sometimes have too much space, or by constructing a new addition to the retail unit. Sometimes a combination of both is opted for.

Renovations sometimes include more than just an expansion of the retail area; Retail Estates nv regularly seizes the opportunity to remove an existing shop façade and replace it with a contemporary version that better fits the tenant's image.

Such investments allow us to build “win-win” relations with the tenants. Available lands are made profitable and revenue growth allows the tenant to pay the rent increase.

### Divestments

In the past financial year, properties were divested for a net sales price of EUR 7.64 million. A capital gain of EUR 0.09 million was realised on these divestments.

These divestments are part of an annual recurring sales programme of individual retail units that are not part of the core portfolio of Retail Estates nv due to their location, size and/or commercial activity.

### Investments: conclusion

Acquisitions and own developments in the financial year 2017-2018, less divestments, resulted in an increase of the real estate portfolio by EUR 309.39 million. The total rental income increased by EUR 8.50 million in the financial year 2017-2018 as a result of these investments, and decreased by EUR 0.25 million in the past financial year as a result of the divestments. If the acquisitions and sales had taken place on 1 April 2017, rental income would have increased by EUR 20.08 million.

The investments are financed by a mix of shareholders' equity (issue of new shares by contribution in kind or in the capital market) and borrowed capital (financing of working capital by the banks, issue of a bond loan,...).

## 2.2 Portfolio management

### Occupancy rate

The occupancy rate of the Retail Estates nv real estate portfolio is 98.11%.

Obviously, the occupancy rate must be seen as a snapshot taken of a series of mutations in the previous financial year. It does not imply a guarantee for the future, as the legislation on commercial lease is mandatory and allows for cancellation every three years by all tenants.

### Rental income

In the past financial year, three smaller SME tenants filed for bankruptcy. The necessary provisions were created for the irrecoverable debts.

At the end of this financial year, outstanding trade receivables amount to EUR 1.93 million. An amount of EUR 0.16 million relates to the operating and reserve fund. Taking into account the guarantees obtained – both rental guarantees and the requested bank guarantees and non-expired claims - the credit risk on trade receivables is limited to approximately 9.86% (EUR 0.25 million) of the outstanding amount on 31 March 2018.

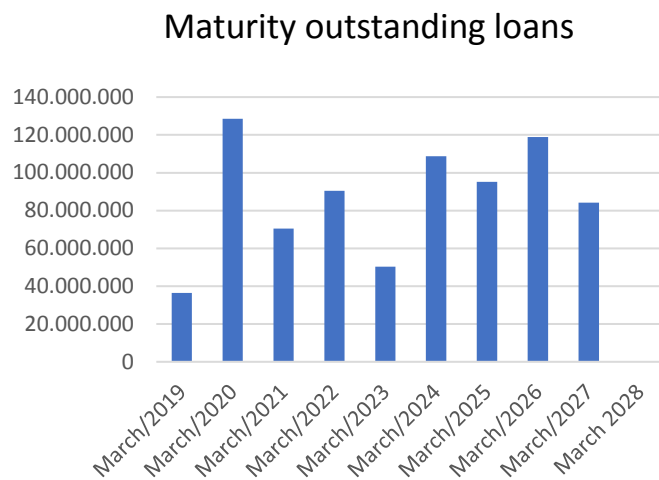
### Damage claims

In the past financial year, two properties were damaged by fire. The insurance company paid a compensation. Unfortunately, vandalism is a recurring problem for retail units located at the outskirts of large urban agglomerations.

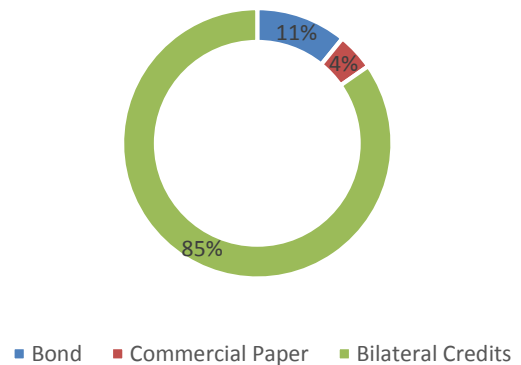
## 2.3 Implementation of the financing strategy

Retail Estates combines bilateral credits with different banking partners and private placements of bonds for institutional investors. The average maturity of the credit portfolio is 5.08 years. Within 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 unused credit lines that serve as a guarantee for refinancing, should the placement or renewal of the commercial paper prove to be impossible or only partially possible.

The average interest rate on 31 March 2018 is 2.62% compared to 3.42% on 31 March 2017.



### Finance structure based on the outstanding financing



## 2.4 Capital increases in the context of the authorised capital

On 5 April 2017, a total of 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 properties spread throughout the province of Hainaut. The new shares have been sharing in the company’s profit as from 1 April 2017.

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 within the context of the authorised capital at an issue price of EUR 65. They have been sharing in the profit from the start of the financial year 2017-2018 on 1 April. As a result of this capital increase, 200,000 shares were issued.

On 29 March 2018 the board of directors issued new shares in the context of the authorised capital. In particular, the following contributions in kind took place following two separate but connected decisions:

### Contribution of four retail properties at Libramont

Four retail properties located in a retail park at Libramont were contributed for a contribution value of EUR 5.46 million. These properties are let to retail chains JBC, Planet Parfum, Veritas and Pointcarré, and generate a rental income of EUR 0.31 million on an annual basis. Retail Estates had already acquired three retail units in this retail park, out of a total of 17 retail units that together make up the park.

A total of 83,973 new registered shares were issued at an issue price of EUR 65. These new shares participate in the profit of the current financial year, which started on 1 April 2017 and will



close on 31 March 2018. They are therefore issued with coupon 26 attached, representing the dividend right for the current financial year. They represent a capital increase by EUR 1,889,425.11 and an issue premium for the balance of EUR 3,568,819.79.

### Contribution of a retail unit at Herstal

A retail property located along the access road to the Carrefour site at Herstal (Liège) was contributed for a contribution value of EUR 1.5 million. This retail property is let to Krëfel and generates a rental income of EUR 0.10 million. It is adjacent to the Herstal retail cluster where Retail Estates had already acquired six retail units. All properties are situated along the access road to the hypermarket Carrefour and are easily accessible from the Liège ring road.

A total of 23,076 new registered shares were issued at an issue price of EUR 65. These new shares participate in the profit of the current financial year, which started on 1 April 2017 and will close on 31 March 2018. They are therefore issued with coupon 26 attached, representing the dividend right for the current financial year. They represent a capital increase by EUR 519,218.99 and an issue premium for the balance of EUR 980,721.01.

As a result of these capital increases the total capital of Retail Estates nv amounts to EUR 213,521,069.56 on 31 March 2018, represented by 9,489,661 fully paid ordinary shares.

## **2.5 Subsequent events**

### Capital increase and issue of new shares

On 10 April 2018, the board of directors of Retail Estates decided to proceed to a capital increase. It concerns a capital increase within the limits of the authorised capital, with an irrevocable allocation right for the shareholders of Retail Estates. During the subscription period with irrevocable allocation right, which was closed on 23 April 2018, a total of 1,669,426 new shares were subscribed for, i.e. 87.96% of the new shares offered.

All irrevocable allocation rights, represented by coupon no. 25, which were not exercised by the end of the subscription period and the exercised irrevocable allocation rights connected to registered shares for which the full subscription price was not paid in time, were sold on 25 April 2018 in the form of scrips within the framework of an exempt accelerated private placement with composition of an order book, implemented in Belgium, Switzerland and the European Economic Area, as described in point 8.1.3 of the Prospectus. The buyers of scrips have therefore subscribed for the 228,506 available new shares at the same price and in the same proportion as for the subscription through the exercise of irrevocable allocation rights, i.e. one new share at an issue price of EUR 65.00 (inclusive of coupon no. 26, representing the right to the annual dividend for the financial year 2017/2018, for which a dividend prognosis of EUR 3.60 gross per share is made and with regard to which the annual meeting of Retail Estates, scheduled for 23 July 2018, will decide) per new share, for 5 irrevocable allocation rights in the form of scrips.

The gross proceeds of the offering amount to the targeted maximum of EUR 123,365,580 after the subscription period with irrevocable allocation rights and the exempt accelerated private placement of scrips. The net proceeds of the transaction are estimated at EUR 121,065,580.

### Acquisition of Retail Park Randstad Holland

On 30 April, Retail Estates purchased a retail park at Spijkenissen, on the outskirts of Rotterdam. Rotterdam is one of the 4 large cities constituting “Randstad Holland”. The retail park consists of 23 retail properties and 1 hospitality establishment, accounting for a total built area of 28,273 m<sup>2</sup>. The total investment amounts to EUR 47.20 million and generates a net rental income of EUR 3.11 million, i.e. an initial yield of 6.53%. According to the appointed real estate expert, the fair value of this investment amounts to EUR 43.30 million.

## **2.6 Merger by acquisition of subsidiaries**

On 21 December 2017, the merger by acquisition of the company RWI Invest nv by Retail Estates nv was adopted by the board of directors of the respective companies, effective 31 December 2017.

On 31 January 2018, the merger by acquisition of the company Hainaut Invest nv by Retail Estates nv was adopted by the board of directors of the respective companies, with immediate effect.

On 31 January 2018, the merger by acquisition of the company Foncière de la station Verviétoise BVBA by Retail Warehousing Invest NV was adopted by the managers and the board of directors of the respective companies, with immediate effect.

Mergers of subsidiaries simplify administrative management and reduce the taxable income of the subsidiaries of Retail Estates nv.

## **3. FINANCIAL RESULTS**

### **3.1 Explanation of the income statement of 31 March 2018**

The net rental income increased by EUR 11.82 million, mainly due to the acquisition of additional properties (311.04 mio EUR) and the completion of projects in the 2017-2018 financial year (EUR 4.24 million), and the acquisition of the properties and the completion of the projects in the previous financial year that yielded a full year’s rent for the first time this year (EUR 2.09 million). The sale of properties resulted in a decrease in the net rental income by EUR 0.25 million. The sale of properties during the previous financial year resulted in a decrease in this year’s net rental income by EUR 0.07 million. The impact of contract renewals is EUR 0.34 million. Furthermore, there is an impact of discounts (EUR -0.17 million), vacancy (EUR -0.69 million) and indexation (EUR 1.11 million).

Property costs amount to EUR 6.12 million, an increase by EUR 1.18 million, mainly due to the increase in technical and commercial costs following the expansion of the portfolio, and the increase in personnel expenses following the expansion of staff. The company's overhead expenses amount to EUR 4.52 million, an increase by EUR 1.58 million (53.62%) compared to the previous year, mainly due to an increase in non-recurring fees and the addition to the management committee of a Chief Investor Officer.

The result of the sale of investment properties is EUR 0.09 million. This profit is the result of the sale of EUR 7.73 million in properties (investment value).

The variation in the fair value of investment properties amounts to EUR -2.51 million. There is a positive impact of indexations, increases in yield at top locations and rental renewals in retail parks, and a negative impact of the depreciation of the costs of the transaction for the determination of the fair value of investment properties. The other portfolio result amounts to EUR 1.11 million and mainly includes deferred taxes relating to the Dutch portfolio.

The financial result (excluding variations in the fair value of financial assets and liabilities) amounts to EUR -17.37 million, compared to EUR -18.20 million last year. The decrease in the weighted average interest rate from 3.42% to 2.62% offsets the increase in the interest charges due to additional loans taken to finance further expansion of the portfolio. The variation in the fair value of the financial assets and liabilities is EUR 0.10 million compared to EUR -0.87 million last year. The decrease in total charges is the result of the change in the fair values of the swaps that do not define cash flow (variations in the fair value of financial assets and liabilities). However, this result is an unrealised and non-cash item.

The EPRA result (i.e. the net result without the result on portfolio) amounts to EUR 47.90 million, compared to EUR 39.12 million last year.

### **3.2 Explanation of the balance sheet of 31 March 2018**

The investment properties (including project developments) increased from EUR 1,071.36 million to EUR 1,349.37 million. This can mainly be explained by the expansion of the portfolio by EUR 311.04 million and the sale of investment properties for an amount of EUR 7,54 million. The fixed assets held for sale increased from EUR 5.69 million to EUR 29.20 million. At the end of each quarter, the assets for which the sales agreement has already been signed but the deed has not yet been executed are recorded in the assets held for sale. Assets worth EUR 29.14 million were added to the assets held for sale in the financial year 2017-2018 and assets worth EUR 5.89 million were sold.

Current assets amount to EUR 39.78 million and consist of EUR 29.20 million from assets held for sale, EUR 3.53 million from trade receivables, EUR 2.28 million from tax receivables and other current assets, EUR 3.39 million from cash and cash equivalents and EUR 1.37 million from accrued charges and deferred income.

The shareholders' equity of the public RREC amounts to EUR 568.33 million. On 31 March 2018, the share capital amounts to EUR 213.51 million, an increase by EUR 10.83 million compared to last year, following the capital increases mentioned above. After deduction of the capital increase costs, the capital on the balance sheet amounts to EUR 208.20 million. A total of 481.453 new shares were created in the financial year 2017-2018. Issue premiums also increased

from EUR 157.33 million to EUR 177.99 million for the same reasons. Reserves amount to EUR 135.44 million and consist of the reserve for the variations in the fair value of real estate properties (EUR 113.37 million), the result of previous financial years carried forward (EUR 47.35 million), available reserves (EUR 15.07 million), legal reserves (EUR 0.06 million), less the impact on the fair value of estimated transfer rights and costs resulting from the hypothetical disposal of investment properties (EUR 26.61 million) and less the variations in the fair value of financial assets and liabilities (EUR 13.79 million). The Group uses financial derivatives (interest rate swaps) to cover interest rate risks resulting from certain operational, financial and investment activities. Financial derivatives are initially booked at cost and revalued to their fair value on the next reporting date. The derivatives currently used by Retail Estates nv qualify as accounting cash flow hedges only to a limited extent. Changes in the fair value of the derivatives that do not qualify as cash flow hedges are immediately included in the result. Changes in the fair value of the swaps qualifying as cash flow hedges are booked directly as shareholders' equity and are not included in the income statement. The negative value of these instruments is the result of the strong decline in interest rates that has continued since the end of 2008 under the influence of the American and European central banks.

The net result of the financial year amounts to EUR 46.70 million and consists of EUR 47.90 million from EPRA earnings, EUR -1.31 million from the result on portfolio and EUR 0.10 million from variation in the fair value of financial assets and liabilities.

The long-term liabilities amount to EUR 766.52 million and consist of EUR 746.00 million long-term financial liabilities with an average term of 5.08 years. The remaining long-term liabilities pertain to authorised cash flow hedges (interest rate swaps) and the debt to the minority shareholders of Heerzele nv and Blovan nv.

The short-term liabilities amount to EUR 59.32 million and consist of EUR 12.80 million trade debts and other short-term liabilities. These mainly comprise the trade debts amounting to EUR 0.31 million, tax debts estimated at EUR 2.61 million, invoices to receive for EUR 8.40 million and exit taxes amounting to EUR 1.07 million. The short-term financial liabilities amount to EUR 36.38 million.

Other short-term liabilities have decreased from EUR 11.50 million to EUR 0.62 million. The decrease is mainly the result of the contribution of the remaining debt for the acquisition of the shares of Hainaut Retail Invest nv. This debt was incorporated into the capital of Retail Estates nv on 5 April 2017.

As of 31 March 2018, the weighted average interest rate is 2.62%.

#### 4. STATUTORY AUDITOR'S REPORT

The audit by the statutory auditor of the consolidated financial statements and the explanatory notes was completed. The statutory auditor issued an unqualified opinion on 18 May 2018.

## 5. OUTLOOK

For the financial year 2018-2019, on the basis of the planned composition of the real estate portfolio and barring unforeseen events, the company expects the rental income to amount to EUR 91 million. This figure only takes into account purchases and sales for which a sales contract was signed and investments that were tendered and for which the required permits were obtained.

As was the case in the previous years, Retail Estates NV expects the dividend for the financial year 2018-2019 to grow in line with the previous years, as a result of which it is minimally inflation resistant. Retail Estates nv aims at a gross dividend of EUR 3.80 (EUR 2.66 net) for the financial year 2018-2019. This would represent an increase by 5.56% compared to the dividend for the financial year 2017-2018 (EUR 3.60 gross).

## 6. FINANCIAL CALENDAR

### Shareholder agenda

Publication of the annual report 2017-2018	16 June 2018
General meeting	23 July 2018
Ex-coupon date dividend	27 July 2018
Dividend made available for payment	31 July 2018
Announcement of half-yearly results	16 November 2018

ATTACHMENTS

KEY FIGURES

1. Geconsolidated income statement

1. A. INCOME STATEMENT (in € 000)

	31.03.18	31.03.17
Rental income	78,046	66,561
Rental related expenses	-198	-537
<b>Net rental income</b>	<b>77,848</b>	<b>66,024</b>
Recovery of property expenses		
Recovery of rental charges and taxes normally payable by tenants on let properties	7,567	6,400
Rental charges and taxes normally payable by tenants on let properties	-8,498	-6,851
Other rental related income and expenses	-41	-108
<b>Property result</b>	<b>76,876</b>	<b>65,465</b>
Technical costs	-2,948	-2,237
Commercial costs	-618	-508
Charges and taxes on unlet properties	-408	-339
Property management costs	-2,158	-1,912
Other property costs	8	56
<b>Property costs</b>	<b>-6,124</b>	<b>-4,940</b>
<b>Operating property result</b>	<b>70,752</b>	<b>60,525</b>
Operating corporate costs	-4,518	-2,941
Other current operating income and expenses		
<b>Operating result before result on portfolio</b>	<b>66,234</b>	<b>57,584</b>
Result on disposals of investment properties	92	279
Result on sales of other non-financial assets		
Changes in fair value of investment properties	-2,505	13,754
Other result on portfolio	1,106	-144
<b>Operating result</b>	<b>64,927</b>	<b>71,473</b>
Financial income	70	61
Net interest charges	-17,379	-18,274
Authorised hedging instruments' costs	101	-869
Other financial charges	-60	18
<b>Financial result</b>	<b>-17,268</b>	<b>-19,064</b>



<b>Result before taxes</b>	<b>47,659</b>	<b>52,409</b>
Taxes	-964	-273
<b>Net result</b>	<b>46,695</b>	<b>52,136</b>
Attributable to:		
Shareholders of the Group	46,695	52,136
Minority interests		
Note:		
<b>EPRA result (share Group) <sup>1</sup></b>	<b>47,901</b>	<b>39,115</b>
Result on portfolio	-1,307	13,889
Changes in the fair value of financial instruments	101	-869
<b>RESULT PER SHARE</b>		
Number of ordinary shares in circulation	9,489,661	9,008,208
Weighted average number of shares	9,331,494	8,907,915
Net profit per ordinary share (in €) <sup>2</sup>	5.00	5.85
Diluted net profit per share (in €)	5.00	5.85
EPRA result per share (in €) <sup>3</sup>	5.13	4.39

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

	<b>31.03.18</b>	<b>31.03.17</b>
Net result	46,695	52,136
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	0	-1,761
Changes the fair value of authorised hedging instruments qualifying for hedge accounting as defined by IFRS	5,365	9,870
<b>COMPREHENSIVE INCOME</b>	<b>52,060</b>	<b>60,245</b>

<sup>1</sup> 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

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

<sup>3</sup> 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 .. at 31.03.2018 versus EUR .. at 31.03.2017.

## 2. Consolidated balance sheet

ASSETS (in € 000)

	31.03.18	31.03.17
<b>Non-current assets</b>	<b>1,354,397</b>	<b>1,075,389</b>
Goodwill		
Intangible non-current assets	115	346
Investment properties <sup>5</sup>	1,349,367	1,071,361
Other tangible non-current assets	2,119	2,134
Financial non-current assets		
Financial lease receivables	1,030	1,030
Trade receivables and other non-current assets	1,767	518
Deferred taxes	1,249	
Other	518	518
<b>Current assets</b>	<b>39,776</b>	<b>11,948</b>
Non-current assets or groups of assets held for sale	29,201	5,691
Trade receivables	3,533	938
Tax receivables and other current assets	2,281	3,160
Cash and cash equivalents	3,389	978
Deferred charges and accrued income	1,371	1,181
<b>TOTAL ASSETS</b>	<b>1,394,173</b>	<b>1,087,338</b>

SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)

<b>Shareholders' equity</b>	<b>568,332</b>	<b>514,970</b>
<b>Shareholders' equity attributable to the shareholders of the parent company</b>	<b>568,332</b>	<b>514,970</b>
Capital	208,205	197,603
Issue premiums	177,990	157,529
Reserves	135,442	107,702
Net result of the financial year	46,695	52,136
<b>Minority interests</b>		
<b>Liabilities</b>	<b>825,841</b>	<b>572,369</b>
Non-current liabilities	766,518	511,226
Provisions		
Non-current financial debts	746,000	485,330
Credit institutions	661,494	400,910
Long term financial lease		
Bonds	84,506	84,420
Other non-current financial liabilities	20,518	25,896

Current liabilities	59,323	61,143
Current financial debts	36,384	30,909
Credit institutions	36,384	30,909
Short term financial lease		
Trad debts and other current debts	12,800	11,976
Exit tax	1,067	4,327
Other	11,733	7,649
Other current liabilities	620	11,504
Accrued charges and deferred income	9,519	6,754
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,394,173</b>	<b>1,087,338</b>
DEBT RATIO	31.03.18	31.03.17
Debt ratio <sup>6</sup>	57.57%	50.26%
NET ASSET VALUE PER SHARE (in €) – SHARE GROUP	31.03.18	31.03.17
Net asset per share IFRS <sup>7</sup>	59,89	57,17
EPRA NAV <sup>8</sup>	61,33	59,29
Net asset value per share (investment value) excl. dividend excl. the fair value of financial instruments	61,73	58,96

<sup>5</sup> Incl Including project developments (IAS 40).

<sup>6</sup> 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).

<sup>7</sup> 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.

<sup>8</sup> 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"> <li>- 'Result on disposals of investment properties';</li> <li>- 'Result on sales of other non-financial assets';</li> <li>- 'Changes in fair value of investment properties';</li> <li>- 'Other result on portfolio'.</li> </ul>	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

<b>(In € 000)</b>	<b>31.03.18</b>	<b>31.03.17</b>
Operating result before result on portfolio (A)	66,234	57,584
Net rental income (B)	77,848	66,024
<b>Operating margin (A/B)</b>	<b>85.08%</b>	<b>87.22%</b>

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

<b>(in € 000)</b>	<b>31.03.18</b>	<b>31.03.17</b>
Financial result (A)	-17,268	-19,064
Changes in fair value of financial assets and liabilities (B)	101	-869
<b>Financial result (excluding changes in fair value of financial assets and liabilities) (A-B)</b>	<b>-17,369</b>	<b>-18,195</b>

### Result on portfolio

<b>(in € 000)</b>	<b>31.03.18</b>	<b>31.03.17</b>
Result on disposals of investment properties (A)	92	279
Result on sales of other non-financial assets (B)		
Changes in fair value of investment properties (C)	-2,505	13,754
Other result on portfolio (D)	1,106	-144
<b>Result on portfolio (A+B+C+D)</b>	<b>-1,307</b>	<b>13,889</b>

### Weighted average interest rate

<b>(in € 000)</b>	<b>31.03.18</b>	<b>31.03.17</b>
Interest charges (including the credit margin and the cost of the hedging instruments) (A)	16.583	17.404
Weighted average financial debt of the period (B)	632.052	501.328
<b>Weighted average interest rate (A/B)</b>	<b>2,62%</b>	<b>3,42%</b>

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

<b>(in € 000)</b>	<b>31.03.18</b>	<b>31.03.17</b>
Shareholders' equity attributable to the shareholders of the parent company (A)	568,332	514,970
Impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties (B)	-44,780	-26,703
The fair value of authorised hedging instruments qualifying for hedge accounting (C)	-13,688	-19,153
Proposed gross dividend (D)	40,995	29,727
Number of ordinary shares in circulation (E)	9,489,661	9,008,208
<b>Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments ((A-B-C-D)/E)</b>	<b>61,73</b>	<b>58,96</b>

## EPRA INDICATOR TABLES<sup>1</sup>

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.

	31.03.18	31.03.17
	EUR/1000	EUR/1000
<b>EPRA earnings</b>		
<b>IFRS Net Result (attributable to the shareholders of the parent company)</b>		
<b>Adjustments to calculate EPRA earnings</b>	<b>46,695</b>	<b>52,136</b>
Excluding:		
Variations in the fair value of investment properties (IAS 40)	-1,399	13,610
Result on disposal of investment properties	92	279
Changes in the fair value of financial assets and liabilities	101	-869
Adaptations to minority interests		
<b>EPRA earnings (attributable to the shareholders of the parent company)</b>	<b>47,900</b>	<b>39,115</b>
<b>EPRA earnings (EUR/share) (attributable to the shareholders of the parent company)</b>	<b>5.13</b>	<b>4.34</b>
	<b>31.03.18</b>	<b>31.03.17</b>
	<b>EUR/1000</b>	<b>EUR/1000</b>
<b>EPRA Net Asset Value (NAV)</b>		
<b>Net Asset Value (attributable to the shareholders of the parent company) according to the annual accounts</b>	<b>568,332</b>	<b>514,970</b>
<b>Net Assets (EUR/share) (attributable to the shareholders of the parent company)</b>	<b>59.89</b>	<b>57.17</b>
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	568,332	514,970
Excluding:		
Fair value of the financial instruments	-13,688	-19,153
<b>EPRA NAV (attributable to the shareholders of the parent company)</b>	<b>582,020</b>	<b>534,123</b>
<b>EPRA NAV (EUR/share) (attributable to the shareholders of the parent company)</b>	<b>61.33</b>	<b>59.29</b>
<b>EPRA Triple Net Asset Value (attributable to the shareholders of the parent company)</b>	<b>EUR/1000</b>	<b>EUR/1000</b>
<b>EPRA NAV (attributable to the shareholders of the parent company)</b>	<b>582,020</b>	<b>534,123</b>
Including:		
Fair value of the financial instruments	-13,688	-19,153
<b>EPRA Triple Net Asset Value (attributable to the shareholders of the parent company)</b>	<b>568,332</b>	<b>514,970</b>
<b>EPRA NNNAV (EUR/share) (attributable to the shareholders of the parent company)</b>	<b>59.89</b>	<b>57.17</b>

<sup>1</sup> For EPRA definitions key performance indicators we refer to the annual report 2017 page 72. Source : EPRA Best Practices [www.epra.com](http://www.epra.com).



	31.03.18	31.03.17
	EUR/1000	EUR/1000
<b>EPRA Net Initial Yield</b>		
Investment properties (excluding assets held for sale) fair value	1,349,367	1,071,361
Transfer taxes	43,060	26,556
Investment value	1,392,427	1,097,917
Project developments	24,981	18,825
Investment value of the properties, available for rent	1,367,446	1,079,092
Annualised gross rental income	93,345	71,407
Property costs	-1,550	-1,039
<b>Annualised net rental income</b>	<b>91,985</b>	<b>70,368</b>
Notional rent expiration of rent free period or other lease incentives		
<b>Topped-up net annualised rent</b>	<b>91,985</b>	<b>70,368</b>
<b>EPRA Net Initial Yield (NIY)</b>	<b>6.73%</b>	<b>6.52%</b>
<b>EPRA topped-up Net Initial Yield (topped-up NIY)</b>	<b>6.73%</b>	<b>6.52%</b>
	31.03.18	31.03.17
	EUR/1000	EUR/1000
<b>EPRA Vacancy Rate</b>		
Estimated rental value of vacant surfaces	1,129	884
Estimated rental value of total portfolio	93,345	71,407
<b>EPRA Vacancy Rate</b>	<b>1.21%</b>	<b>1.24%</b>
	31.03.18	31.03.17
	EUR/1000	EUR/1000
<b>EPRA Cost Ratio</b>		
Operating corporate costs	4,518	2,941
Impairments on trade receivables	-13	288
Ground rent costs	211	249
Property costs	6,124	4,940
Less:		
Ground rent costs	-211	-249
<b>EPRA costs (incl. vacancy costs)</b>	<b>10,629</b>	<b>8,169</b>
Vacancy costs	-239	-204
<b>EPRA costs (excl. vacancy costs)</b>	<b>10,390</b>	<b>7,965</b>
Rental income less ground rent costs	77,835	66,312
<b>EPRA Cost Ratio (incl. vacancy costs)</b>	<b>13,66</b>	<b>12,32</b>
<b>EPRA Cost Ratio (excl. vacancy costs)</b>	<b>13,35</b>	<b>12,01</b>

## 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 March 2018, Retail Estates nv has 817 properties in its portfolio with a lettable surface of 973,525 m<sup>2</sup>. The occupancy rate of the portfolio was 98.11% on 31 March 2018, compared to 98.13% on 31 March 2017.

The fair value of the consolidated real estate portfolio of Retail Estates nv at 31 March 2018 is estimated by independent real estate experts at EUR 1,349.37 million.

Retail Estates nv is listed on Euronext Brussels and Euronext Amsterdam and is registered as a public regulated real estate company. On 31 March 2018, the stock market capitalisation of its shares amounts to EUR 678,02 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, 18 May 2018

Jan De Nys, CEO of Retail Estates nv

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IN RETAIL WE TRUST



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