

# IN RETAIL WE TRUST



Interim statement – regulated information – inside information  
Ternat, 15 February 2019

## INTERIM STATEMENT OF THE BOARD OF DIRECTORS

### THIRD QUARTER 2018-2019<sup>1</sup> (closed on 31.12.2018)

Net rental income increased by 25.36% to EUR 69.52 million

EPRA Earnings<sup>2</sup> for the third quarter of financial year 2018-2019 increases by 30.78% to EUR 44.34 million (EUR 3.95 per share)

The fair value of the real estate portfolio<sup>3</sup> amounts to EUR 1,514.78 million on 31 December 2018 due to considerable investments in Belgium<sup>4</sup>

Dividend: the increase in the EPRA Earnings is reflected in an increase of the dividend prognosis from EUR 3.80 to EUR 4.25 per share. This is an increase of the dividend by 18.06% compared to the last financial year. Retail Estates intends to offer the shareholders an optional stock dividend at the time of payment of the dividend.

Additional investment of EUR 8.48 million in the acquisition of retail properties at Heerlen and Utrecht (the 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> See also the press release of 21 December 2018 for more information.

## 1. REAL ESTATE ACTIVITIES DURING THE THIRD QUARTER 2018-2019

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

Net rental income amounted to EUR 69.52 million in the third quarter of the financial year, an increase by 25.36% with respect to the same quarter in the 2017-2018 financial year. This increase is mainly due to acquisitions during the previous financial year.

The occupancy rate of the portfolio was 98.04% on 31 December 2018, compared to 98.11% on 31 March 2018.

### 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 2018 amounted to EUR 1,514.78 million, which represents an increase by EUR 165.42 million (+12.26%) compared to the fair value on 31 March 2018 (EUR 1,349.37 million). This increase is almost completely attributable to investments made in the previous period.

### 1.3. Investments – retail parks<sup>7</sup>

Spread over several transactions, Retail Estates has invested EUR 115.15 million in the expansion of its Belgian real estate portfolio, which generates a total rental income of EUR 7.02 million. In total, four retail parks were acquired in two different transactions; they have a total surface area of 45,796 m<sup>2</sup> and consist of 46 retail units. Within the context of a sale-and-rent-back operation with a Belgian retail company, 11 retail units with a total retail area of 11,158 m<sup>2</sup> were acquired at 6 locations, which are connected to the clusters in which Retail Estates already owns a considerable number of units. In addition, two new constructions were delivered to customers. According to the real estate experts, the fair value of these investments amounts to EUR 113,06 million. The gross initial yield on the additional Belgian investments amounts to 6.10%.

In the Netherlands, EUR 7.71 million were invested in the additional acquisition of a retail property in a successful retail park where Retail Estates systematically buys out joint owners whenever the occasion presents itself. The investment amounts to EUR 7.71 million and generates a net rental income of EUR 0.55 million. According to the real estate expert, the fair value of this investment amounts to EUR 6.83 million. The gross initial yield on this additional Dutch investments amounts to 7.11%.

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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 carrying amount under the IFRS (see also note 21 of the 2017-2018 annual report).

<sup>7</sup> See also the press release of 21 December 2018 for more information.

## 2. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In the Netherlands, investments were made in the acquisition of two retail properties situated in Heerlen and Utrecht respectively.

### 1. Retail property at Heerlen, In de Cramer (province of Limburg)

On 31 January 2019 a garden centre situated in the retail park of Heerlen was acquired. This retail property is located between the IKEA branch and the retail units previously acquired by Retail Estates. With its 43 retail units and its retail area of 75,059 m<sup>2</sup>, the retail park at Heerlen is the largest of its kind in the Benelux. It has strong regional appeal in the tri-border region around Maastricht-Liège-Aachen. The investment amounts to EUR 3.71 million (purchase price inclusive of real estate transfer tax) and the fair value amounts to EUR 3.51 million (purchase price exclusive of real estate transfer tax). The annual rental income amounts to EUR 0.25 million.

### 2. Retail property at Utrecht, Hollantlaan 18-20 (province of Utrecht)

On 4 February 2019 a retail property was acquired, situated in the “Kanaleneiland” commercial zone. This cluster of retail properties has developed around the IKEA branch at Utrecht and, given the absence of retail parks in this region, it is the reference par excellence for the home decoration sector. With its 650,000 inhabitants, the city district of Utrecht is the fourth largest conurbation in the Netherlands. The investment amounts to EUR 4.77 million (purchase price inclusive of real estate transfer tax) and the fair value amounts to EUR 4.50 million (purchase price exclusive of real estate transfer tax). The rental income amounts to EUR 0.32 million.

## 3. KEY FIGURES AS AT 31 DECEMBER 2018

### 3.1. EPRA Earnings

On 31 December 2018 the EPRA earnings had evolved to EUR 44.34 million compared to EUR 33.91 million in the comparable period in the 2017-2018 financial year. The calculation of the EPRA earnings per share takes into account the weighted average number of shares on 31 December 2018, i.e. 11,213,469. The EPRA earnings per share (based on the weighted average number of shares) amounted to EUR 3.95 on 31 December 2018, compared to EUR 3.64 on 31 December 2017.

### 3.2. Net result

The net result, which also takes into account the results on disposals of investment properties (EUR 0.67 million), the change in the fair value of the investment properties (EUR 0.46 million), the other result on portfolio (EUR -1.20 million) and the changes in the fair value of financial instruments (EUR -6.78 million) amounted to EUR 37.49 million as at 31 December 2018. The

change in the fair value of investment properties is the net result of positive revaluations (EUR + 8.94 million) minus the depreciation of the transaction costs for the determination of the fair value of the investment properties relating to the Netherlands (transaction costs ffl 7%) and Belgium (transaction costs 2.5%) (EUR -8.48 million).

### 3.3 Information per share

	31.12.2018	31.03.2018
Number of shares in circulation	11,422,593	9,489,661
Weighted average number of shares	11,213,469	9,331,494
Net asset value per share IFRS	60.50	59.89
EPRA NAV	62.00	61.33
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments	63.25	61.73
	31.12.2018	31.12.2017
EPRA earnings per share (based on weighted average number of shares)	3.95	3.64
EPRA earnings per share (based on number of shares entitled to dividends)	3.88	3.61

### 3.4 Debt ratio

As of 31 December 2018, the debt ratio was 53.69%, compared to 57.57% on 31 March 2018. The decrease is due to the capital increase completed on 25 April 2018 for an amount of EUR 123.37 million through the issue of 1,897,932 shares, but was partly set off by the acquisitions in Belgium and the Netherlands. These acquisitions were mainly funded by taking out long-term bank loans.

## 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 expected dividend is increased to EUR 4.25 gross per share. Compared to the 2017-2018 financial year, this represents a 18.06% 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 2018-2019 financial year	17 May 2019
General meeting	22 July 2019
Ex-coupon date dividend	29 July 2019
Dividend made available for payment	31 July 2019



## 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 acquires these real properties from third parties or builds and commercialises 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 property has an average area of 1,000 m<sup>2</sup>.

As of 31 December 2018, Retail Estates nv has 907 premises in its portfolio with a total retail area of 1,038.20 m<sup>2</sup>, spread over Belgium and the Netherlands. The occupancy rate of the portfolio was 98.04% on 31 December 2018, compared to 98.11% on 31 March 2018.

The fair value of the consolidated real estate portfolio of Retail Estates NV as at 31 December 2018 is estimated at EUR 1.514,78 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. At at 31 December 2018, the stock market capitalisation of the shares amounts to EUR 879.54 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.

Ternat, 15 February 2019

Jan De Nys, CEO of Retail Estates nv

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### For more information, please contact:

Retail Estates nv, Jan De Nys – CEO, tel. +32 2/568 10 20 – +32 475/27 84 12

Retail Estates nv, Kara De Smet – CFO, tel. +32 2/568 10 20 – +32 496/57 83 58



IN RETAIL WE TRUST



## RETAIL ESTATES NV

Openbare GVV naar Belgisch recht

Industrielaan 6 - B-1740 Ternat

RPR Brussel

BTW BE 0434.797.847

T: +32 2 568 10 20

[info@retaillestates.com](mailto:info@retaillestates.com)

[www.retaillestates.com](http://www.retaillestates.com)