

IN RETAIL WE TRUST



Periodic statement - regulated information
Ternat, 26 July 2019

INTERIM STATEMENT OF THE BOARD OF DIRECTORS

FIRST QUARTER 2019-2020¹ (closed on 30.06.2019)

EPRA EARNINGS² FOR THE FIRST QUARTER OF THE FINANCIAL YEAR
2019-2020 INCREASED BY 12.31% TO EUR 16.25 MILLION

THE FAIR VALUE OF THE REAL ESTATE PORTFOLIO TOTALS EUR 1,612.74
MILLION ON 30 JUNE 2019.

Further expansion of the real estate portfolio in the Netherlands leads to
a wider spread of investments over the entire Benelux.

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

² 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.

1. REAL ESTATE ACTIVITIES DURING THE FIRST QUARTER 2019-2020

1.1 Rental income and occupancy rate³

Net rental income amounted to EUR 25.63 million in the first quarter of the financial year, an increase by 11.08% with respect to the comparable quarter in the 2018-2019 financial year.

The occupancy rate of the entire portfolio was 98% on 30 June 2019, compared to 98.28% on 31 March 2019.

1.2 Fair value⁴ of the real estate portfolio

The fair value of the real estate portfolio (including non-current assets under construction) on 30 June 2019 amounted to EUR 1,612.74 million, which represents an increase by EUR 83.11 million (+5.43%) compared to the fair value on 31 March 2019 (EUR 1,529.63 million). This is attributable to the investments and divestments in the first quarter and the variations in the fair value of investment properties.

The variation in the fair value of the retail portfolio consists of a positive variation in investment properties amounting to EUR -1.87 million and a negative variation amounting to EUR 6.95 million. The negative variation is mainly the result of the depreciation of the transaction costs to determine the fair value of the investment properties following the acquisition of 56 retail units in Breda, Naaldwijk and Zaandam (see below). The “other” result on portfolio amounts to EUR 0.12 million.

1.3 Investments – retail parks

Belgium

On 22 July the agreement of 12 June 2019 was executed, pursuant to which a private investor contributed two additional retail properties in retail park Aliénau at Libramont. It concerns the properties rented to PointCarré and to Hennes & Mauritz. These retail properties account for a global annual rental income of EUR 0.32 million. The investment value of these retail properties is EUR 5.57 million. The gross initial yield on this investment amounts to 5.75%. In earlier transactions, Retail Estates had already acquired seven retail units in this retail park, out of a total of the 17 retail units that together make up the park. These past few years, this retail park has acquired a strong regional appeal. It is regarded as the most important retail park of the wider region.⁵

³ The occupancy rate is calculated as the ratio of the surface area actually leased out to the surface area available for lease, expressed in m².

⁴ 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).

⁵ See press release of 13 June 2019.

With respect to the financing of the transaction, we refer to 1.6 Events after the balance sheet date (see below).

The Netherlands

Within the context of a transaction with an institutional investor, Retail Estates acquired 56 retail properties spread over three locations: Breda, Naaldwijk and Zaandam. The retail properties represent a retail area of 74,163 m², which is let in its entirety. The investment amounts to EUR 97 million, inclusive of real estate transfer tax, notary fees and transaction costs, and generates a net rental income⁶ of EUR 6.79 million, representing an initial yield of 7% (i.e. 7.14% on the contractually determined rents). The fair value determined by the real estate expert Cushman & Wakefield amounts to EUR 91.97 million. In the Netherlands the fair value⁷ corresponds to the cost-to-buyer valuation (i.e. the total investment excluding 6% real estate transfer tax, notary fees and other costs of transfer).

With its 31 retail properties, the investment in the retail park at Breda for an amount of EUR 63.75 million constitutes the cornerstone of this transaction. Together with the retail parks at Cruquius (Amsterdam region) and Heerlen, which were acquired earlier, it is one of the top ten retail parks in the Netherlands. With a total investment of EUR 421.84 million in 218 retail properties at 13 locations in the Netherlands, Retail Estates NV has built a leading position among the institutional investors in the out-of-town segment. In April 2018 the crowning achievement was an additional listing on the Amsterdam stock exchange.⁸

This transaction was partially financed with bank loans. The remaining part (for an amount of EUR 51.32 million) was financed by the issue of new shares. At total of 750,000 shares were issued at an issue price of EUR 68.425 per share.

1.4 Divestments

A solitary retail property in Bastogne (Belgium) was sold in the past quarter, at a net sale price of EUR 1.17 million. This sale generated EUR 0.16 million in added value.

1.5 Interim dividend

At its meeting of 29 May 2019, the board of directors of Retail Estates decided to pay an interim dividend for financial year 2018-2019 in the form of an optional dividend with a gross value of EUR 4.25 (EUR 2.975 net). A total of 67.87% of the coupons no 27 were

⁶ The net rental price is calculated by deducting the Dutch equivalent of the property tax [and the polder taxes] from the contractual rental price so as to arrive at a rental price that is comparable with Belgian rental prices.

⁷ In the Netherlands the fair value corresponds to the cost-to-buyer valuation (i.e. the total investment excluding 6% real estate transfer tax, notary fees and other costs of transfer).

⁸ See press release of 25 June 2019.

incorporated in exchange for new shares. As a result, 337,063 new shares were issued on 24 June 2019, for a total amount of EUR 23.06 million.

1.6 Events after the balance sheet date

Capital increase within the context of the authorised capital and transparency notification in application of article 15 of the Act of 2 May 2007.

The acquisition of the two additional retail properties in Libramont (see above) was financed for EUR 3.61 million by the issue of new shares at an issue price of EUR 68.425 per share. A total of 52,758 new shares were issued on 22 July 2019. They represent a capital increase by EUR 1.19 and an issue premium for the balance of EUR 2.42. These shares were issued with coupon 28 et seq. attached and will for the first time share in the profits of the financial year that started on 1 April 2019. This issue price is in line with recent transactions and represents a 15.8% discount on the closing price on 19 June 2019.

Following the issue of these new shares, the total number of issued shares in Retail Estates is 12,630,414.

Dividend

On 22 July the general meeting approved the proposal of the board of directors not to pay any additional dividend for the financial year 2018-2019, as the amount of the interim dividend corresponds to the amount that Retail Estates, as a public BE-REIT, is obliged to pay its shareholders pursuant to article 13 of the Royal Decree of 13 July 2014 on regulated real estate companies.

2. KEY FIGURES AS AT 30 JUNE 2019

2.1 EPRA Earnings and net result

On 30 June 2019 the EPRA earnings had evolved to EUR 16.25 million compared to EUR 14.47 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 30 June 2019, i.e. 11,545,037. The EPRA earnings per share (on the basis of the weighted average number of shares) amounted to EUR 1.41 on 30 June 2019, compared to EUR 1.34 on 30 June 2018 (on the basis of the weighted average number of shares at that time, i.e. 10,824,470).

On 30 June 2019 the net result amounted to EUR 8.46 million and takes into account the EPRA earnings (EUR 16.25 million), the change in the fair value of the investment properties (EUR -1.87 million, see above), the other result on portfolio (+0.12), the result on disposals (EUR 0.15 million, see above) and the change in the fair value of financial assets and liabilities (EUR -6.19 million). In order to limit the interest risk on the financing of its investments, Retail Estates has implemented a very cautious hedging strategy (cash flow hedges), according to which floating rate debts are converted into fixed-rate debts in the long term. This is an unrealised and non-cash cost.

2.2 Weighted average interest rate⁹

On 30 June 2019 the weighted average interest rate was 2.20%, compared to 2.31% on 31 March 2019 and 2.34% on 30 June 2018, and results from the changed composition of the credit portfolio, partly on account of the reallocation of appropriations in the past financial year and partly on account of new appropriations. Retail Estates combines bilateral credits at different banking partners with private placements of bonds for institutional investors and with a commercial paper programme (fully covered by back-up lines). The average maturity of the credit portfolio is 4.4 years.

⁹ 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.

2.3 Information per share

	30.06.2019	31.03.2019
Number of shares in circulation	12,577,656	11,422,593
Weighted average number of shares	11,545,037	11,265,034
Net asset value per share IFRS ¹⁰	59.35	61.98
EPRA NAV ¹¹	61.69	64.07
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments	65.27	64.28
	30.06.2019	30.06.2018
EPRA earnings per share (based on weighted average number of shares)	1.41	1.34
EPRA earnings per share (based on number of shares entitled to dividends)	1.29	1.27

2.4 Debt ratio

As of 30 June 2019 the debt ratio was 52.79%, compared to 52.58% on 31 March 2019. The debt ratio on 30 June 2019 already comprises the recognition of payment of the interim dividend amounting to EUR 4.25 per share (gross) and the results of the optional dividend (see press release of 24 June 2019).

¹⁰ This net asset value as at 30 June 2019 already includes the recognition of the payment of the interim dividend for the 2018-2019 financial year and includes the result for the first quarter of the 2019-2020 financial year.

¹¹ ERPA NAV is calculated as follows: shareholders' equity (excluding the fair value of the authorised hedging instruments) divided by the number of shares

3. OUTLOOK

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 maintained at EUR 4.40 gross per share. 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.

4. FINANCIAL CALENDAR

Announcement of the half-year results for the 2019-2020 financial year	15 November 2019
Announcement of the annual results of the 2019-2020 financial year	20 May 2020

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 500m² and 3,000m². A typical retail property has an average area of 1,000 m².

As of 30 June 2019, Retail Estates nv has 961 premises in its portfolio with a total retail area of 1,124,117 m². The occupancy rate of the portfolio was 98% on 30 June 2019, compared to 98.28% on 31 March 2019.

The fair value of the consolidated real estate portfolio of Retail Estates NV as at 30 June 2019 is estimated at EUR 1,612.74 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 30 June 2019, the stock market capitalisation of the shares amounts to EUR 1,022.56 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, 26 July 2019

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