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# IN RETAIL WE TRUST

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2014-2015 HALF-  
YEARLY FINANCIAL  
RESULTS

RETAIL ESTATES



# Key figures

REAL ESTATE PORTFOLIO	30/09/14	31/03/14
Total retail properties	562	548
Total lettable area in m²	591,195	570,870
Estimated fair value in EUR	767,815,000	745,916,000
Estimated investment value in EUR	786,514,000	764,193,000
Average rent prices per m²	91.56	90.78
Occupancy rate	98.50%	98.17%
BALANCE SHEET INFORMATION	30/09/14	31/03/14
Shareholders' equity	346,697,000	356,524,000
Debt ratio (RREC legislation*, max. 65%)	51.72%	49.10%
RESULTS	30/09/14	30/09/13
Net rental income	25,541,000	22,294,000
Property result	25,367,000	22,169,000
Property charges	-1,638,000	-1,432,000
General costs and other operating costs and income	-1,545,000	-1,147,000
Operating result before result on the portfolio	22,183,000	19,589,000
Result on the portfolio	1,291,000	2,281,000
Operating result	23,474,000	21,871,000
Financial result	-8,514,000	-7,894,000
Net result	14,737,000	13,608,000
Net current result (excl. result on the portfolio)	13,446,000	11,327,000
INFORMATION PER SHARE	30/09/14	31/03/14
Number of shares	7,290,411	7,290,411
Net asset value IFRS	47.56	48.90
Net asset value EPRA	51.12	52.18
Net asset value (investment value) excl. dividend excl. IAS 39	52.16	51.70
Closing price on closing date	61.50	58.92
Over-/undervaluation compared to net asset value IFRS	29.31%	20.49%

\*The R.D. of 13 July 2014 in execution of the Law of 12 May 2014 on regulated real estate companies (Belgian REITs).

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> Management report

- FINANCIAL REPORT
- SHARE PERFORMANCE REPORT
- REAL ESTATE REPORT
- GENERAL INFORMATION

## LEADING ROLE

# MANAGEMENT REPORT

Retail Estates is a leading market player thanks to a portfolio that has been built up in a consistent manner, based on its market knowledge.





## 0. INTRODUCTION

### GENERAL

Retail Estates nv is one of Belgium's largest real estate companies, specialised in peripheral retail properties. Its property portfolio consists of 562 retail properties in Belgium, representing a total lettable area of 591,195 m<sup>2</sup> and an investment value of EUR 786.51 million (including a participating interest of 85.28 % in Immobilière Distri-Land nv property certificates).

Retail Estates nv manages its property portfolio itself and has a proven track record in real estate development and redevelopment for its own account.

Retail Estates nv is a listed company (Euronext Brussels), with a market capitalisation of approximately EUR 448.36 million on 30 September 2014.

### RISK MANAGEMENT

Although management endeavours to limit the risk factors to a minimum, careful account still has to be taken of a certain number of risks. For an overview of these risks, reference is made to pages 4 to 11 of the annual report 2013-2014.

## 1. REPORT ON ACTIVITIES FOR THE FIRST HALF OF THE 2014-2015 FINANCIAL YEAR, CLOSED ON 30 SEPTEMBER 2014

### 1.1. RENTAL INCOME AND OCCUPANCY RATE

Rental income during the first half of the financial year amounts to EUR 25.80 million, 13.76 % up on the figure for the comparable half of the 2013-2014 financial year (EUR 22.68 million). This increase is almost entirely attributable to the growth of the real estate portfolio.

The occupancy rate<sup>1</sup> on 30 September 2014 remains at a high 98.50 %, compared with 98.17 % on 31 March 2014.

### 1.2. FAIR VALUE OF THE REAL ESTATE PORTFOLIO

The fair value of the real estate portfolio amounts to EUR 767.81 million. The rental yield (in relation to the investment value) on this portfolio established by the real estate experts is 6.92 % based on the actual rent.

The stability of the value of peripheral retail properties is explained mainly by continuing interest on the part of wealthy private individuals in this type of investment. Retail Estates nv noticed this when carrying out its annual ongoing divestment programme.

Retail Estates nv also holds a significant interest of 85.28 % in the real estate certificates issued by Immobilière Distri-Land nv. The fair value of this property portfolio as at 30 September 2014 amounts to EUR 16.60 million. Retail Estates nv's share in the total fair value of the real estate

<sup>1</sup> The occupancy rate is calculated as the effective leased area versus the lettable area, expressed in m<sup>2</sup>.

properties of the real estate certificates amounts to EUR 13.10 million.

As at 30 September 2014, the real estate portfolio consists of 562 properties with a lettable area of 591,195 m<sup>2</sup>.

### 1.3. INVESTMENTS<sup>2</sup> - RETAIL PARKS

#### Beringen (Mijn Retail nv)

On **10 April 2014**, Retail Estates nv and be-MINE nv concluded a cooperation agreement for the development of a retail park, with a total built-up area of 18,000 m<sup>2</sup>. On 27 May 2014, the partners established a special purpose company "Mijn Retail nv". Except for unforeseen circumstances, the retail park is expected to be delivered before the end of 2015. The required building permit and socio-economic authorisation were already granted.

#### Bruges

On **6 May 2014**, an agreement was signed regarding the purchase of the piece of land onto which the retail park Bruges V-Mart was built, for an amount of EUR 3.32 million (excl. registration fees). In 2012, Retail Estates nv concluded a superficies agreement regarding this parcel and constructed the retail park on this ground. The purchase will be completed as soon as the required formalities relative to the OVAM regulation will be realised, expected before the end of the current financial year.

#### Erembodegem

On **1 June 2014**, the extension and transformation of the distribution centre of Brantano nv in Erembodegem, was delivered. The additional investment realised by Retail Estates nv amounts to EUR 5.08 million. For the renewed site, a lease agreement for a new, fixed term of 10 years was concluded, at a rental price of EUR 1.12 million.

#### Wetteren – Oudenaarde

On **14 July 2014**, Retail Estates nv acquired the exclusive control of the companies Frunpark Wetteren nv and Gentpoort nv. These companies own retail parks situated respectively in Wetteren and Oudenaarde.

Since its opening in 2008, the retail park in Wetteren is a well-known, frequently visited location in the region between Ghent and Alost and owes this to its strategic position on the intersection Gentssesteenweg – Oosterzelesteenweg, in the immediate proximity of the E40 highway's exit 'Wetteren'. The retail park consists of 14 retail properties with a total area of 10,423 m<sup>2</sup> and generates a gross rental income of EUR 1.30 million. All retail properties are leased.



<sup>2</sup> The purchase and sale values of the investments and disposals are in line with the investment values as appraised by the real estate experts.

EUR **767.81**  
million fair value

It is a typical “out-of-town” location, with non-food retailers with a large area of coverage.

The retail park in Oudenaarde is situated in the outskirts of the city Oudenaarde, on a former industrial site. It is an example of an “edge-of-town” location, aiming at a local, urban area of coverage. This park’s retailers focus on the daily needs of the consumer. The most important tenants are Albert Heijn, Kruidvat, Blokker and C&A. The retail park consists of 10 retail properties with a total area of 7,963 m<sup>2</sup> and generates a gross rental income of EUR 0.67 million. All retail properties are leased, with the exception of a 300 m<sup>2</sup> surface, for which negotiations are ongoing.

#### 1.4. DISPOSALS<sup>2</sup>

On **4 April 2014**, the Luxembourgian company Belgium Retail 1 Luxembourg sàrl was sold, for an amount of EUR 8.22 million. On the buildings in this company, a net added value of EUR 0.19 million was realised (after deduction of the real estate agent’s fees).

Over the past six months, four retail properties were sold for a net selling price of EUR 4.43 million. On these buildings, a net added value of EUR 0.26 million was realised. The retail properties sold are situated in Genval (Délitrateur), Wanze (Action), Tienen (Brantano) and Gosselies (Charles Vögele). The fair value of these properties at the time of sale amounted to EUR 3.61 million.

These sales are part of an annual reoccurring sales programme concerning individual retail properties that, due to their location or retail size and/or the business activity practiced therein, do not fit within the core portfolio of Retail Estates nv.



#### 1.5. PRIVATE PLACEMENT OF BONDS

On **2 April 2014**, Retail Estates nv proceeded to a private placement of bonds for a total amount of EUR 30 million. The bonds have a 7-year term and are due in 2021. They represent a fixed annual gross yield of 3.566 %. The bonds were placed with institutional investors. The net proceeds of the bond issue will be used for the further growth of the portfolio and will contribute to the diversification of the financial resources. The bonds also contribute to the increase of the average maturity of the total debt and to the decrease of the average interest rate.

#### 1.6. MERGER BY ABSORPTION OF SUBSIDIARIES

On **11 June 2014**, the merger proposal regarding the merger by absorption of the companies SDW Invest bvba and Ducova bvba was submitted. The board of directors established the merger by notarial deed on 26 September 2014, with effect on respectively 30 September 2014 and 31 October 2014.

The mergers of these subsidiaries facilitate the administrative management and lead to a decrease of the taxable income of Retail Estates nv’s subsidiaries.

#### 2. STATUS OF A PUBLIC REGULATED REAL ESTATE COMPANY ('RREC' - BELGIAN REIT)

On 1 September 2014, Retail Estates nv was granted by the FSMA (Belgian Financial Services and Markets Authority) a license as a public Regulated Real Estate Company ('RREC'), under specific conditions precedent pursuant to the 12 May 2014 Law on regulated real estate companies (the 'RREC Law').

The extraordinary general meeting of shareholders of Retail Estates nv that was held on 24 October 2014 (the 'EGM'), approved with unanimity the change of status from a public real estate investment company into a public RREC (Belgian REIT) in accordance with the RREC Law.

As no exit right has been exercised, and all conditions precedent to which the modification of the articles of association by the EGM and the authorisation granted by the FSMA were subject, have thus been fulfilled, Retail Estates nv benefits from the public RREC status as from 24 October 2014.

For more information, please check our website [www.retailstates.com](http://www.retailstates.com), under Investor Relations ([www.retailstates.com/en/investor/general-assembly/2014-2015](http://www.retailstates.com/en/investor/general-assembly/2014-2015)).

On 26 September 2014, the EGM of Retail Warehousing Invest nv decided to amend the

company statutes to the regulations regarding the regulated real estate companies and in particular, to the stipulations pursuant to the RREC Law and the R.D. of 13 July 2014 on regulated real estate companies. The status amendment was approved under the condition of the former status of Retail Estates nv of *vastgoedbevak/sicafi* being actually changed into the status of public RREC.

As a result of the above-mentioned approval of the change of status of Retail Estates nv by the EGM of 24 October 2014, the condition for the entry into force of the change of status of Retail Warehousing Invest nv, approved by the EGM of 26 September 2014, has thus been fulfilled. The amendment has entered into force and Retail Warehousing Invest benefits from the institutional RREC status as from 24 October 2014.

### 3. ANALYSIS OF THE RESULTS

**Interim results as at 30 September 2014: net current result of the Group up by 18.71 % compared to 30 September 2013 - fair value of the real estate portfolio up to EUR 767.81 million.**

For the six months to 30 September 2014, the **net current result** (i.e. profit before the results on the portfolio) amounts to EUR 13.45 million, an increase of 18.71 % compared to the same period in the previous year.

**Net rental income** rose from EUR 22.29 million to EUR 25.54 million. This is mainly due to the acquisition of additional properties in the current financial year and the contribution of retail properties purchased during the previous financial year and which are contributing 100 % for the first time this financial year. Compared with 30 September 2013, the real estate portfolio grew by EUR 64.54 million. With respect to 31 March 2014, the portfolio grew by EUR 21.90 million.

After deduction of property charges, this gives an operating property result of EUR 23.73 million compared to EUR 20.74 million last year.

**Property charges** amount to EUR 1.64 million compared to EUR 1.43 million the year before. The increase is thus in line with the increase in rental income. The general costs amount to EUR 1.54 million, an increase with EUR 0.40 million compared to the previous year. This is mainly due to the non-recurrent cost within the framework of the change of status from *vastgoedbevak/sicafi* to regulated real estate company (see chapter

2, p. 9). After deduction of general costs, the regulated real estate company posts an operating result before result on the portfolio of EUR 22.18 million. The operating margin is 86.85 %.

Net earnings from **disposals of investment properties** amount to EUR 0.45 million out of total sales of EUR 4.06 million. Variations in the fair value of investment properties amount to EUR 0.84 million, representing the net surplus of various positive and negative variations.

The **financial result** is EUR - 8.51 million, a rise in costs of EUR 0.62 million compared with the same period last year. Retail Estates nv finances its real estate portfolio mainly with long-term bank debts at fixed interest rates. The average interest rate as at 30 September 2014 is 4.50 %.

The **net result** (share Group) for the first half of the year is EUR 14.74 million, consisting of the net current result of EUR 13.45 million and the result on the portfolio of EUR 1.29 million. Per share this represents a net current result available for distribution of EUR 1.84 for the first half of the year (on the basis of the weighted average number of shares).

The **fair value of the property portfolio**, including assets held for sale, amounts to EUR 773.61 million as at 30 September 2014, compared to EUR 750.30 million on 31 March 2014.

The net asset value (fair value) per share amounts to EUR 46.01 (excluding 50 % of the expected dividend) as at 30 September 2014. As of 31 March 2014 this was EUR 45.90 (excl. dividend).



The **debt ratio** amounts to 51.72 % as at 30 September 2014 compared to 49.10 % on 31 March 2014.

### 4. PROSPECTS

The macro-economic uncertainties do not enable predictions to be made as to the evolution of the fair value of property or the negative variations in the fair value of financial hedging instruments. The evolution of the net asset value of the share, which is sensitive to such variations and uncertainties, is therefore uncertain. On 30 September 2014, the weak consumer confidence and the lower retail turnover of some retail firms have not resulted in an increase of unoccupied premises or collection issues at Retail Estates nv. This is probably the result of the discount character of the peripheral retail formulas.

It is estimated that the net current result per share for the financial year 2014-2015 will exceed 3.10 EUR per share. The expected dividend (EUR 3.10 gross per share) is confirmed. This represents a 3.33 % increase in the dividend compared with 2013-2014. These expectations were filled in the hypothesis of stable consumer spending and provided a positive evolution of

rents. However, it has been identified that at the moment, contrary to previous financial years, the inflation by rent indexation hardly has its role in the rental increase.

### 5. CHANGES TO THE COMPOSITION OF THE BOARD OF DIRECTORS

At the annual shareholders' meeting of 4 July 2014, the resignation of Mr Luc Geuten as a non-executive director, effective 4 July 2014, was acknowledged. During the previous financial year, Mr Geuten has reached the age limit of 70 years. He will not be replaced so that henceforth, the board of directors will consist of 10 directors.

### 6. FUTURE-ORIENTED STATEMENTS

This half-yearly report 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 and commercial, fiscal and environmental factors.



## SUSTAINABILITY

## FINANCIAL REPORT

The reinforcement of the company's registered capital and the recently issued private bond loan allow further growth of the company.

## 1. A. CONDENSED CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT (in € 000)	30.09.14	30.09.13
Rental income	25,797	22,678
Rental related expenses	-256	-384
<b>Net rental income</b>	<b>25,541</b>	<b>22,294</b>
Recovery of property expenses		
Recovery of rental charges and taxes normally payable by tenants on let properties	2,750	2,363
Rental charges and taxes normally payable by tenants on let properties	-2,916	-2,479
Other rental related income and expenses	-9	-9
<b>Property result</b>	<b>25,367</b>	<b>22,169</b>
Technical costs	-720	-522
Commercial costs	-103	-126
Charges and taxes on unlet properties	-111	-62
Property management costs	-701	-721
<b>Property charges</b>	<b>-1,638</b>	<b>-1,433</b>
<b>Operating property result</b>	<b>23,728</b>	<b>20,736</b>
Operating corporate costs	-1,545	-1,146
Other current operating income and expenses		
<b>Operating result before result on portfolio</b>	<b>22,183</b>	<b>19,589</b>
Result on disposals of investment properties	451	28
Result on sales of other non-financial assets		
Changes in fair value of investment properties	840	2,253
<b>Operating result</b>	<b>23,474</b>	<b>21,871</b>
Financial income	76	562
Interest charges	-8,569	-8,430
Other financial charges	-21	-26
<b>Financial result</b>	<b>-8,514</b>	<b>-7,894</b>

INCOME STATEMENT (in € 000)	30.09.14	30.09.13
<b>Result before taxes</b>	<b>14,960</b>	<b>13,977</b>
Taxes	-223	-368
<b>Net result</b>	<b>14,737</b>	<b>13,608</b>
Attributable to:		
Shareholders of the Group	14,737	13,608
Minority interests		
Note:		
<b>Net current result (share Group)<sup>3</sup></b>	<b>13,446</b>	<b>11,327</b>
Result on portfolio	1,291	2,281
<b>RESULT PER SHARE</b>	<b>30.09.14</b>	<b>30.09.13</b>
Number of ordinary shares in circulation	7,290,411	7,290,411
Weighted average number of shares	7,290,411	6,571,948
Net profit per ordinary share (in EUR)	2.02	2.07
Diluted net profit per share (in EUR)	2.02	2.07
Profit available for distribution per share (in EUR) <sup>4</sup>	1.86	1.56
Net current result per share (in EUR) <sup>5</sup>	1.84	1.72

<sup>3</sup> The net current result is calculated as follows: net result excluding changes in fair value of investment properties and exclusive the result on disposal of investment properties.

<sup>4</sup> Based on the number of shares in circulation.

<sup>5</sup> The net current result 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). As at 30.09.2014, the weighted average number of shares is equal to the total number of shares.

## 1. B. STATEMENT OF OTHER COMPREHENSIVE INCOME

Statement of other comprehensive income (in € 000)	30.09.14	30.09.13
<b>Net result</b>	<b>14,737</b>	<b>13,608</b>
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	-457	-1,074
Changes in the fair value of cash-flow hedges	-2,134	5,775
<b>COMPREHENSIVE INCOME</b>	<b>12,146</b>	<b>18,309</b>



## 2. CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS (in € 000)	30.09.14	31.03.14
<b>Non-current assets</b>	<b>768,140</b>	<b>746,245</b>
Goodwill		
Intangible non-current assets	37	26
Investment properties <sup>6</sup>	767,815	745,916
Other tangible non-current assets	284	297
Financial non-current assets		
Trade receivables and other non-current assets	5	5
<b>Current assets</b>	<b>14,287</b>	<b>9,620</b>
Non-current assets or groups of assets held for sale	5,800	4,385
Trade receivables	2,311	725
Tax receivables and other current assets	1,479	1,899
Cash and cash equivalents	2,561	2,189
Deferred charges and accrued income	2,136	421
<b>TOTAL ASSETS</b>	<b>782,427</b>	<b>755,865</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)</b>	<b>30.09.14</b>	<b>31.03.14</b>
<b>Shareholders' equity</b>	<b>346,697</b>	<b>356,524</b>
<b>Shareholders' equity attributable to the shareholders of the parent company</b>	<b>346,697</b>	<b>356,524</b>
Capital	160,962	160,962
Issue premiums	93,095	93,095
Reserves	77,904	73,900
Net result of the financial year	14,737	28,568
<b>Minority interests</b>		
<b>Liabilities</b>	<b>435,730</b>	<b>399,341</b>
<b>Non-current liabilities</b>	<b>370,196</b>	<b>365,825</b>
Provisions	87	102
<b>Non-current financial debts</b>	<b>329,015</b>	<b>327,677</b>
Credit institutions	299,255	327,677
Other non-current financial liabilities	29,760	
Other non-current liabilities	41,094	38,046

SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)	30.09.14	31.03.14
<b>Current liabilities</b>	<b>65,534</b>	<b>33,516</b>
Current financial debts	51,797	22,421
Credit institutions	51,797	22,421
Trade debts and other current debts	9,074	7,992
Other current liabilities	77	86
Accrued charges and deferred income	4,586	3,017
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>782,427</b>	<b>755,865</b>

DEBT RATIO	30.09.14	31.03.14
Debt ratio <sup>7</sup>	51.72%	49.10%

NET ASSET VALUE PER SHARE (in €) - SHARE GROUP	30.09.14	31.03.14
Net asset value per share IFRS <sup>8</sup>	47.56	48.90
Net asset value per share EPRA <sup>9</sup>	51.12	52.18
Net asset value per share excl. dividend excl. IAS 39 <sup>10</sup>	52.16	51.70

<sup>6</sup> Including project developments (IAS 40).

<sup>7</sup> The debt ratio is calculated as follows: obligations (excluding provisions, accrued charges and deferred income, financial instruments and deferred taxes), divided by the total assets (excluding financial instruments).

<sup>8</sup> The net asset value per share IFRS (fair value) is calculated as follows: shareholders' equity (attributable to shareholders of the parent company) divided by the number of shares.

<sup>9</sup> The net asset value per share EPRA (fair value) is calculated as follows: shareholders' equity (excluding changes in the effective part of the fair value of the permitted hedging instruments in a cash flow hedge as defined in IFRS) divided by the number of shares.

<sup>10</sup> The net asset value per share excl. dividend excl. IAS 39 (investment value) is calculated as follows: shareholders' equity (excluding the impact on the fair value of estimated transfer rights and costs resulting from the hypothetical disposal of investment properties, exclusive changes in the effective part of the fair value of the permitted hedging instruments in a cash flow hedge as defined in IFRS and exclusive dividend) divided by the number of shares.

### 3. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in € 000)	Capital ordinary shares	Issue premiums	Reserves*	Net result of the financial year	Minority interests	TOTAL Shareholders' Equity
Balance according to IFRS on 31 March 2013	129,389	52,857	57,760	29,582	0	269,588
- Net appropriation of profits 2012-2013						
- Transfer of portfolio result to reserves			8,579	-8,579		0
- Transfer of net current result to reserves			4,145	-4,145		0
- Reclassification between reserves						
- Dividends of the financial year 2012-2013				-16,858		-16,858
- Capital increase	32,699	39,601				72,300
- Capital increase through contribution in kind	540	636				1,176
- Minority interests						
- Costs of capital increase	-1,667					-1,667
- Other			40			40
- Total result 30/09/2013			4,701	13,608		18,309
Balance according to IFRS on 30 September 2013	160,962	93,095	75,225	13,608	0	342,890
Balance according to IFRS on 31 March 2014	160,962	93,095	73,900	28,568	0	356,524
- Net appropriation of profits 2013-2014						
- Transfer of portfolio result to reserves			3,260	-3,260		0
- Transfer of net current result to reserves			3,437	-3,437		0
- Reclassification between reserves						0
- Dividends of the financial year 2013-2014				-21,871		-21,871
- Capital increase						
- Capital increase through contribution in kind						
- Minority interests						
- Costs of capital increase						
- Other			-102			-102
- Total result 30/09/2014			-2,591	14,737		12,146
Balance according to IFRS on 30 September 2014	160,962	93,095	77,904	14,737	0	346,697



* Detail of the reserves (in € 000)	Legal reserve	Reserve for the positive/negative balance of changes in the fair value of real estate properties	Available reserves	Impact on the fair value of estimated transfer rights and costs resulting from the hypothetical disposal of investment properties	Reserve for the balance of changes in the fair value of authorised hedging instruments qualifying for hedge accounting as defined by IFRS	Results carried forward from previous financial years	TOTAL
Balance according to IFRS on 31 March 2013	420	76,775	9,431	-15,763	-30,092	16,989	57,760
- Net appropriation of profits 2012-2013							
- Transfer of portfolio result to reserves		8,579					8,579
- Transfer of net current result to reserves						4,145	4,145
- Reclassification between reserves		-248	248	-64		64	0
- Capital increase through contribution in kind							
- Minority interests							
- Costs of capital increase							
- Other	1	1,810	-1,820	64		-15	40
- Total result 30/09/2013				-1,074	5,775		4,701
Balance according to IFRS on 30 September 2013	421	86,916	7,859	-16,837	-24,317	21,183	75,225
Balance according to IFRS on 31 March 2014	437	86,926	7,859	-18,386	-23,882	20,946	73,900
- Net appropriation of profits 2013-2014							
- Transfer of portfolio result to reserves		3,260					3,260
- Transfer of net current result to reserves						3,437	3,437
- Reclassification between reserves		-1,429	1,429	102		-102	0
- Capital increase through contribution in kind							
- Minority interests							
- Costs of capital increase							
- Other	-29			-102		29	-102
- Total result 30/09/2014				-457	-2,134		-2,591
Balance according to IFRS on 30 September 2014	408	88,757	9,288	-18,843	-26,016	24,310	77,904

#### 4. CONDENSED CONSOLIDATED CASH-FLOW STATEMENT

CASH-FLOW STATEMENT (in € 000)	30.09.14	30.09.13
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE SEMESTER</b>	<b>2,188</b>	<b>1,879</b>
<b>1. Cash-flow from operating activities</b>	<b>-365</b>	<b>4,006</b>
Operating result	23,474	21,871
Interest paid	-8,297	-8,305
Interest received	42	27
Dividends received		
Corporate taxes paid	-3,164	-36
Estimated corporate tax		
Other	-474	78
<b>Non-cash elements to be added to / deducted from the result:</b>	<b>-1,182</b>	<b>-2,262</b>
* Depreciations and write-downs		
- Depreciation / Write-downs (or write-backs) on tangible and intangible assets	66	79
- Depreciation / Write-downs (or write-backs) on trade receivables	58	-30
* Other non-cash elements		
- Changes in the fair value of investment properties	-840	-2,253
- Profit on disposal of investment properties	-451	-28
* Other	-15	-29
<b>Change in working capital requirements:</b>	<b>-10,764</b>	<b>-7,341</b>
* Movement of assets		
- Trade receivables and other receivables	-1,628	-2,043
- Tax receivables and other current assets	422	106
- Deferred charges and accrued income	-1,699	-922
* Movement of liabilities		
- Trade debts and other current debts	-9,152	-1,647
- Other current liabilities	4	-4,541
- Accrued charges and deferred income	1,289	1,705

(in € 000)	30.09.14	30.09.13
<b>2. Cash-flow from investment activities</b>	<b>-9,018</b>	<b>-13,002</b>
Purchase of intangible assets	-21	-9
Purchase of investment properties	-4,732	-6,412
Disposal of investment properties and assets held for sale	4,167	2,569
Acquisition of shares of real estate companies	-15,081	-9,106
Disposal of shares of real estate companies	6,691	
Purchase of other tangible assets	-42	-42
Disposal of non-current financial assets		
Income from trade receivables and other non-current assets		-2
Disposal of assets held for sale		
<b>3. Cash-flow from financing activities</b>	<b>9,756</b>	<b>50,105</b>
* Change in financial liabilities and financial debts		
- Increase in financial debts	52,757	69,663
- Decrease in financial debts	-22,044	-63,324
* Change in other liabilities		
- Increase (+) / Decrease (-) in other liabilities	914	-10,009
- Increase (+) / Decrease (-) in minority interests		
* Change in shareholders' equity		
- Capital increase and issue premiums		72,300
- Costs of capital increase		-1,667
- Other		
* Dividend	-21,871	-16,858
- Dividend for the previous financial year		
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE SEMESTER</b>	<b>2,561</b>	<b>42,987</b>

Rounding up or down to the nearest thousand can lead to rounding-off differences between the balance sheet and income statement and the attached details.



## 5. NOTES ON THE CONDENSED CONSOLIDATED INTERIM FIGURES

### 5.1 BASIS FOR PREPARATION

The interim financial report for the first six-month period ending on 30 September 2014 has been prepared using accounting standards consistent with International Financial Reporting Standards as implemented by the Belgian Royal Decree of 13 July 2014 on the accounting, annual accounts and consolidated annual accounts of public regulated real estate companies, and in accordance with IAS 34 "Interim Financial Reporting".

In determining the fair value of investment properties in accordance with IAS 40 "Property Investments", an estimated amount of transfer rights and costs is deducted by the independent property expert. The impact on the fair value of investment properties of these estimated transfer rights and costs on the hypothetical disposal of investment properties is recorded directly in the shareholders' equity under the heading "Impact on fair value of estimated transfer rights and costs resulting from the hypothetical disposal of investment properties" expressly provided for in the above R.D. In the first six-month periods ending on 30 September 2014 and 30 September 2013, amounts of, EUR - 0.46 million and EUR - 1.07 million, respectively, were directly recorded in the shareholders' equity under this account.

In these condensed interim financial statements the same accounting principles and calculation methods are applied as in the consolidated financial statements for the year ending on 31 March 2014.

### 5.2 APPLICATION OF IFRS 3 BUSINESS COMBINATIONS

Corporate transactions of the past semester were not processed as business combinations such as required under IFRS 3 definition, based on the conclusion that this definition is not applicable, given the nature and the size of the acquired companies. The companies in question own a limited number of properties which are not intended to be kept on as an independent businesses. The companies are fully consolidated through the application of IAS 40.

### 5.3 DECLARATION BY THE PERSON RESPONSIBLE WITHIN RETAIL ESTATES NV

In accordance with article 13 § 2 of the R.D. of 14 November 2007, Jan De Nys, managing director, declares that, to his knowledge,

- a) the condensed interim financial statements prepared on the basis of financial reporting principles consistent with IFRS and with IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the net equity, financial position and results of Retail Estates nv and of the companies included in the consolidation.
- b) the interim report presents an accurate description of the main events occurred during

the first six months of the current financial year, their influence on the condensed interim financial statements, the main risk factors and uncertainties for the remaining months of the financial year, and the main transactions between related parties and their possible impact on the condensed interim financial statements if these transactions are of significant importance and were not concluded under normal market conditions.

### 5.4 SEGMENTED INFORMATION

IFRS 8 defines an operating segment as follows: an operating segment is a component of the company (IFRS 8.2):

- that engages in economic activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same company);
- whose operating results are reviewed regularly by the 'chief operating decision maker' with a view to taking decisions concerning allocation of available resources and assessing the segment's performance; and
- for which separate financial information is available.

Given that peripheral retail properties account for more than 90 % of the Retail Estates nv's portfolio, a breakdown of activities by operating segment is not relevant. The board of directors does not use any other segment in its decision-making process.

### 5.5 VALUATION OF PROJECTS

In accordance with the modified IAS 40 standard, project developments are included under investment properties. On purchase they are valued at purchase cost, including incidental expenses and non-deductible VAT.

After initial recognition, projects are valued at fair value once contractors have been found, the necessary licences are acquired, and the properties are let. This fair value valuation is based on the valuation by the real estate expert, after deduction of work still to be done.

A project can relate to a plot of land, a building to be demolished, or an existing building whose purpose is to be changed, requiring considerable renovation work to realise the desired purpose.

### 5.6 ADDITIONAL COMMENTS ON THE DEBT RATIO DEVELOPMENT

#### Principle

Article 24 of the R.D. of 13 July 2014 on regulated real estate companies (the so-called GVV / SIR or 'Belgian REIT') requires public regulated real estate companies to establish a financial plan with an implementation schedule when its consolidated debt ratio exceeds 50 % of consolidated assets. The financial plan describes the measures to be taken to prevent the consolidated debt ratio from exceeding 65 % of consolidated assets.

A separate report on the financial plan is prepared by the auditor, confirming that the latter has verified the method of drawing up the plan, particularly as regards the economic bases, and that the figures contained in this plan concur with

**86.85 %**  
 operating margin

the accounts of the public regulated real estate company.

The general guidelines of the financial plan are included in the annual and half-yearly financial reports. The annual and half-yearly financial reports will describe and justify how the financial plan has been implemented during the period under review and how the public regulated real estate company will implement the plan in the future.

### Notes 2014-2015

#### Historical evolution of the debt ratio

Since 2008-2009, the debt ratio of Retail Estates nv has risen above 50 %. In the aforementioned financial year, the debt ratio was 56 %, subsequently remaining stable at around 53 %. In 2014, the debt ratio decreased at a level under 50 % as a result of the capital increase, to rise above 50 % again as from 30 September 2014. Throughout its history, the Retail Estates nv's debt ratio has never exceeded 65 %.

#### Long-term evolution of the debt ratio

The board of directors considers a debt ratio of + 55 % ideal for the shareholders of the regulated real estate company (Belgian REIT) in terms of the return and the current earnings per share. The impact of every investment on the debt ratio is reviewed and if necessary the investment is not carried out if it has a negative influence on the debt ratio. Based on the current debt ratio of 51.72 %, Retail Estates nv has an investment potential of EUR 296.88 million without exceeding as such a debt ratio of 65 %, and an investment potential of EUR 161.96 million without exceeding a debt ratio of 60 %.

#### Short-term evolution of the debt ratio

Every quarter, the board of directors is presented with a prognosis of how the debt ratio will evolve during the following quarter. The board also discusses any deviations which may have occurred between the estimated and actual debt ratio during the previous quarter.

The projection of the debt ratio as at 31 December 2014 takes into account the following assumptions:

- **disposals in the third quarter 2014-2015**

Disposals amounting to EUR 0.73 million are planned.

- **results of the third quarter 2014-2015**

The results of the third quarter as indicated in the budget for 2014-2015, approved by the board of directors.

- **planned investments in the third quarter 2014-2015**

Investments amounting to EUR 34.10 million are planned for the third quarter of the financial year 2014-2015. EUR 14.80 million will be invested through a contribution in kind (see 5.12.1, p. 34).

Considering the aforementioned assumptions, the debt ratio as at 31 December 2014 will amount to 51.01 %.

A projection is also made of the debt ratio as at 31 March 2015 (end of the financial year). This projection takes into account the following assumptions:

- **disposals in the second semester 2014-2015**

Disposals amounting to EUR 2.93 million are planned, of which EUR 2.20 million in the fourth quarter.

- **results of the second semester 2014-2015**

The results of the second semester as indicated in the budget for 2014-2015, approved by the board of directors.

- **planned investments in the second semester 2014-2015**

Investments amounting to EUR 46.50 million are planned, of which EUR 12.40 million in the fourth quarter of the financial year 2014-2015.

Considering the additional planned investments and the earnings expectations for the full year, the debt ratio at 31 March 2015 would amount to 50.55 %.

The projection of the debt ratio only takes into account acquisitions and disposals in respect of which a private agreement has been signed and investments that are planned and contracted out.

#### Other elements that influence the debt ratio

The valuation of the real estate portfolio also has an impact on the debt ratio. Considering the current capital basis, the maximum debt ratio of 65 % would be exceeded in the event of a reduction in the fair value of real estate investments of EUR 159.86 million. This reduction in value could be the result of an increase in the yield (if the rental values remain unchanged, the yield would have to increase by 1.86 % in order to exceed the debt ratio) or a reduction in rents (if the yields remain unchanged, the rents would have to drop by EUR 11.06 million). Historically, the fair value of the real estate portfolio has always risen or was at least stable since the regulated real estate company (Belgian REIT) was set up. There are currently no indications in the market to assume an increase in the yield.

In the event that substantial value reductions occur that cause the debt ratio to exceed 65 %, Retail Estates nv can sell a number of its properties. Retail Estates nv has a solid track record with regard to selling properties at their estimated investment value. In the 2011-2012 financial year, 12 retail properties were sold for a net selling price of EUR 17.87 million. In the 2012-2013 financial year, 14 retail properties, 2 carcass apartments, 1 food service building, 3 plots of land, 1 small and middle-sized building and 1 villa were sold for a net selling price of EUR 19.25 million. In the 2013-2014 financial year, 4 retail properties and 2 carcass apartments were sold for a net selling price of EUR 5.07 million. Globally speaking, these properties were sold at the estimated investment value. At 30 September 2014, 4 retail properties were sold for a net selling price of EUR 4.43 million and the company Belgium Retail 1 Luxembourg sàrl was sold for an amount of EUR 8.22 million.

#### Conclusion

Retail Estates nv is of the opinion that, based on

- the historical evolution of the regulated real estate company (Belgian REIT) and
- the track record of disposals,

no additional measures need to be taken to prevent the debt ratio exceeding 65 %. As a result of the capital increase on 28 June 2013, the debt ratio declined. It is the intention of the regulated real estate company (Belgian REIT) to maintain the debt ratio between 50 % and 55 %. This level is evaluated regularly and will be reviewed by the board of directors if deemed necessary in the light of changing market and influencing factors.



5.7 RENTAL INCOME

During the first half of this financial year, Retail Estates nv expanded its property portfolio with 25 retail properties. These represent a rental income of EUR 2.00 million. In the consolidated figures as of 30 September 2014 these new properties represent a rental flow of EUR 0.43 million.

Four properties and the company Belgium Retail 1 Luxembourg sàrl were also divested in the first six-month period of the financial year. These represent a rental income of EUR 0.75 million. In the consolidated figures as of 30 September 2014, these properties represent EUR 0.084 million.

Rental income (in € 000)	30.09.14	30.09.13
Rent	25,247	22,220
Guaranteed income		
Operational lease income	550	458
Rental discounts		
Rental benefits ("incentives")		
Fees for early terminated rental agreements		
Total rental income	25,797	22,678

The rise in rental income is mainly due to the growth of the real estate portfolio and the indexation of the rents.

The following table uses a theoretical exercise to show the amount of rental income Retail Estates

nv will actually collect, based on the current lease agreements. This does not detract from the theoretical risk of all tenants exercising their legal right of termination at the end of the current three-year period. In this case, all retail properties will by definition be vacant within 3 years and 6 months.

(in € 000)	30.09.14	30.09.13
Within one year	53,056	47,685
Between one and five year(s)	218,752	203,916
Within more than five years	254,338	257,344

Type of lease

The Group concludes commercial rental contracts for its buildings, for a minimum period of 9 years, which can usually be terminated upon expiry of the third and sixth year, subject to 6 months' notice prior to the expiry date. Rents are usually paid monthly in advance (sometimes quarterly). They are indexed annually on the anniversary of the lease.

Taxes and levies, including the advance levy on income derived from real estate, the insurance premium and the communal charges, are in theory borne by the lessee. To guarantee compliance with the obligations imposed on the lessee by virtue of the agreement, the lessee must provide

a rental guarantee, usually in the form of a bank guarantee amounting to three months' rent.

At the start of the lease an inventory of fixtures and fittings is drawn up between the parties by an independent real estate expert. On expiry of the lease the lessee must return the rented premises in the state described in the inventory of fixtures and fittings drawn up when it took up occupancy, subject to normal wear and tear.

The lessee may not transfer the lease or sublet the premises wholly or in part, other than subject to prior written permission from the lessor. The lessee is obliged to register the lease at its own expense.

## 5.8 INVESTMENT PROPERTIES

Investment and revaluation table (in € 000)	Investment properties		Assets held for sale		Total	
	30.09.14	31.03.14	30.09.14	31.03.14	30.09.14	31.03.14
Balance at the end of the previous financial year	745,916	675,593	4,385	7,488	750,301	683,081
Acquisition through purchase or contribution real estate companies	28,383	42,787			28,383	42,787
Capitalised interest cost	168	624			168	624
Acquisition and contribution of investment properties	4,290	27,476			4,290	27,476
Disposal through sale of real estate companies	-6,874				-6,874	
Disposal of investment properties	-2,319	-3,635	-1,848	-3,579	-4,167	-7,214
Transfers to assets held for sale	-3,262	-301	3,262	301	0	0
Change in fair value (+/-)	1,512	3,372		175	1,512	3,547
At the end of the financial year	767,815	745,916	5,800	4,385	773,613	750,301
OTHER INFORMATIONS						
Investment value of the property	786,514	764,193	5,945	4,495	792,459	768,688

Project developments (in € 000)	30.09.14	31.03.14
Balance at the end of the previous financial year	8,077	5,734
Increase during the financial year	4,613	6,318
Reception during the financial year	-834	-3,975
At the end of the financial year	11,856	8,077

During the first half of the financial year control was acquired of three real estate companies for a total amount of EUR 15.08 million. The acquisition of the

companies was paid for in cash. This resulted in a EUR 28.89 million increase of investment properties and a EUR 13.81 million variation of working capital.

## 5.9 LONG- AND SHORT-TERM FINANCIAL DEBTS

Breakdown by due date of credit lines (in € 000)	30.09.14	31.03.14
Non-current		
Bilateral loans - variable or fixed rate	299,255	327,677
Other non-current financial liabilities	29,760	
Subtotal	329,015	327,677
Current		
Bilateral loans - variable or fixed rate	51,797	22,422
Subtotal	51,797	22,422
Total	380,812	350,098
Breakdown by maturity of non-current financial debts (in € 000)	30.09.14	31.03.14
Between one and two year(s)	49,794	49,917
Between two and five years	201,394	199,794
More than five years	77,827	77,966

Of all loans, EUR 282.92 million have a variable interest rate. These are all long-term loans. 97.51 % of the outstanding loans are hedged via interest rate swap contracts that swap variable interest rates for fixed interest rates or have a fixed interest rate. The average interest rate of the loans is 4.50 %. Retail Estates nv has agreed in principle on a debt ratio of 60 % with its banks.

The 'other non-current financial liabilities' concern the bond loan, emitted on 23 April 2014 with a 7-year term and an interest rate of 3.556 %.

## 5.10 FINANCIAL INSTRUMENTS

The most important financial instruments of the Group are financial and trade receivables and debts, investments, cash and cash equivalents and financial instruments such as 'Interest Rate Swaps' (IRS).



Below is an overview of the financial instruments as at 30 September 2014:

Summary of financial instruments as at closing date 30.09.14 (in € 000)	Categories	Book value	Fair value	Level
<b>I. Non-current assets</b>				
Financial non-current assets	C	0	0	2
Loans and receivables	A	5	5	2
<b>II. Current assets</b>				
Trade receivables and other receivables	A	3,790	3,790	2
Cash and cash equivalents	B	2,561	2,561	2
<b>Total financial instruments on the assets side of the balance sheet</b>		<b>6,356</b>	<b>6,356</b>	
<b>I. Non-current liabilities</b>				
Interest-bearing liabilities	A	329,015	334,704	2
Credit institutions	A	299,255	301,556	2
Other non-current financial liabilities	A	29,760	33,148	2
Other non-current liabilities	A	15,078	15,078	2
Other financial liabilities	C	26,016	26,016	2
<b>II. Current liabilities</b>				
Interest-bearing liabilities	A	51,797	51,797	2
Current trade debts and other debts	A	9,151	9,151	2
<b>Total financial instruments on the liabilities side of the balance sheet</b>		<b>431,057</b>	<b>436,746</b>	

The categories correspond with the following financial instruments:

- A. Financial assets or liabilities (including receivables and loans) held until maturity, at the amortised cost.
- B. Investments held until maturity, at the amortised cost.
- C. Assets or liabilities, held at the fair value through the profit and loss account, except for financial instruments determined as hedging instruments.

The aggregate financial instruments of the Group correspond with level 2 in the fair values hierarchy. Fair value valuation is carried out regularly.

Level 2 in the fair values hierarchy includes the other financial assets and liabilities, in respect of which the fair value is based on other information, which can, directly or indirectly, be determined for the relevant assets or liabilities.

The valuation techniques regarding the fair value of the level 2 financial instruments are the following:

- The categories 'other financial liabilities' and 'financial fixed assets' concern Interest Rate Swaps (IRS), in respect of which the fair value is determined by means of interest rates applicable in active markets, and generally provided by financial institutions.
- The fair value of the other level 2 financial assets and liabilities is almost equal to their book value:

- either because they have a short-term maturity (like trade receivables and debts),
- or because they have a variable interest rate.

The fair value of debts having a fixed interest rate is estimated by means of an actualisation of their future cash flows, taken into account the Group's credit risk.

### 5.11 MINORITY INTERESTS

On 30 September 2014, Retail Estates nv holds a 62.50 % interest in Retail Warehousing Invest nv. According to the agreement entered into with a view to acquiring the controlling interest in Retail Warehousing Invest nv, Retail Estates nv shall, at the latest effective 1 July 2016, acquire all shares of this company that are not yet held by it, on the basis of the same valuation formula used to gain control on 4 July 2012. Upon acquisition of the minority interest, the underlying real estate value used in this formula will be checked against the value applicable at that time as determined by the real estate expert and, as the case may be, be limited to such value in accordance with article 37 of the Belgian Law of 12 May 2014 on regulated real estate companies.

On 30 September 2014, Retail Estates nv holds a 51 % interest in the shares of the company Mijn Retail nv, as a result of the cooperation agreement concluded between Retail Estates nv and be-MINE nv on 10 April 2014, regarding the realisation of a retail park in Beringen with a total built-up area of 18,000 m².

As of 31 December 2012, the balance sheet was drawn up based on the assumption that all minority interests would be acquired (in accordance with IFRS), irrespective of the timing of the acquisition and assuming that these would be paid for in cash.

This reflects the maximum debt ratio on the basis of available information and the development stage of the projects.

The impact on the non-current liabilities amounts to EUR 14.71 million.

## 5.12 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### 5.12.1 Investments – capital increase

#### Acquisition 14 retail properties

On **14 October 2014**, Retail Estates nv entered into a framework agreement with Orchestra-Prémaman Belgium nv with a view to acquiring the ownership of 14 retail properties<sup>11</sup> for an investment value of EUR 34.59 million and an expected rental income of EUR 2.18 million. This transaction is two-fold: (i) the purchase of 8 retail properties and (ii) the contribution in kind of 6 retail properties.

In execution of the first part of the transaction, 7 retail properties were purchased on 29 October 2014. This acquisition represents an investment of EUR 12.95 million.

On 28 November 2014, the second part of the transaction has been completed partially by transferring 5 retail properties as part of a capital increase by means of a contribution in kind. For this contribution in kind the board of directors of Retail Estates nv issued 269,062 new shares, within the framework of powers granted to it regarding

the authorised capital. The total investment value for these five properties is EUR 14.80 million and this represents a capital increase of approximately EUR 6.05 million (the balance, approximately EUR 8.74 million, is assigned to the balance sheet item “issue premium”).

Regarding 12 of the 14 retail properties to acquire, the transaction is thus executed in accordance with the framework agreement of 14 October 2014, as announced in the press release of 15 October 2014. Two retail properties are not yet acquired due to obligations relative to the OVAM regulation, which are not yet fulfilled. In expectation of this fulfilment, the transfer of these properties has been postponed.

As regards the property that will be part of a second contribution in kind in the Retail Estates nv’s capital, the issue price of the new shares to be issued will be adapted if this contribution does not take place by 31 December 2014 ultimately. As a result of this, the total number of new shares, referred to in the press release of 15 October 2014, can be amended.

#### Wilrijk

On **27 October 2014**, Retail Estates nv acquired a retail property in Wilrijk, along the Boomsesteenweg, for a total investment of EUR 4.24 million. This property is let at a rental price of EUR 0.26 million and is used as a retail subsidiary with the brand name GAMMA (DIY).

### 5.12.2 Disposals

#### Maasmechelen

On **18 November 2014**, a vacant retail property at a solitary location was sold to a local SME. The net selling price amounts to EUR 0.50 million. Compared to the fair value of this property, EUR 0.63 million as at 30 September 2014, Retail Estates nv sustained a loss of EUR 0.13 million.

#### Huy

An agreement has been signed regarding the disposal of two retail properties in Huy, located in an SME area. The retail properties are let to Van Marcke (sanitary equipment) and Carglass (automobile repairs). The expected net selling price amounts to EUR 1.87 million.

### 5.12.3 Merger by absorption of subsidiary

On 11 June 2014, the merger proposal with a view to completing a merger by absorption of Ducova bvba was submitted. This merger has become effective on **31 October 2014**.

### 5.12.4 Change of status

On 24 October 2014, the EGM of shareholders of Retail Estates nv approved unanimously the change of status of public *vastgoedbevak/sicafi* into the status of public regulated real estate company (‘RREC’, Belgian REIT), in accordance with the Law of 12 May 2014. Since no exit right has been exercised and all conditions have been fulfilled, Retail Estates nv benefits from the public RREC status as from 24 October 2014.

By the approved change of status of Retail Estates nv, the condition of the change of status of the company Retail Warehousing Invest nv has also been fulfilled. On 26 September 2014, the EGM of Retail Warehousing Invest nv had approved the amendment of the institutional *vastgoedbevak/sicafi* status into the status of institutional RREC (Belgian REIT) under this condition. Therefore, Retail Warehousing Invest nv benefits from the institutional RREC status as from 24 October 2014.

<sup>11</sup> For more information we refer to the press release of 15 October 2014.

## 6. LIMITED REVIEW REPORT ON THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2014

### To the board of directors

We have performed a limited review of the accompanying consolidated condensed balance sheet, condensed income statement, condensed statement of comprehensive income, condensed cash flow statement, condensed statement of changes in equity and selective notes 5.1 to 5.12 (jointly the “interim financial information”) of Retail Estates nv/sa (“the company”) and its subsidiaries (jointly “the group”) for the six-month period ended 30 September 2014. The board of directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU and implemented by the Royal Decree of 13 July 2014 with respect to regulated real estate companies.

Our limited review of the interim financial information was conducted in accordance with international standard ISRE 2410 – Review of interim financial information performed by the independent auditor of the entity. A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is

substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on the interim financial information.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 30 September 2014 is not prepared, in all material respects, in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and implemented by the Royal Decree of 13 July 2014 with respect to regulated real estate companies.

Diegem, 28 November 2014

### The statutory auditor

**DELOITTE Bedrijfsrevisoren / Réviseurs d’entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Kathleen De Brabander





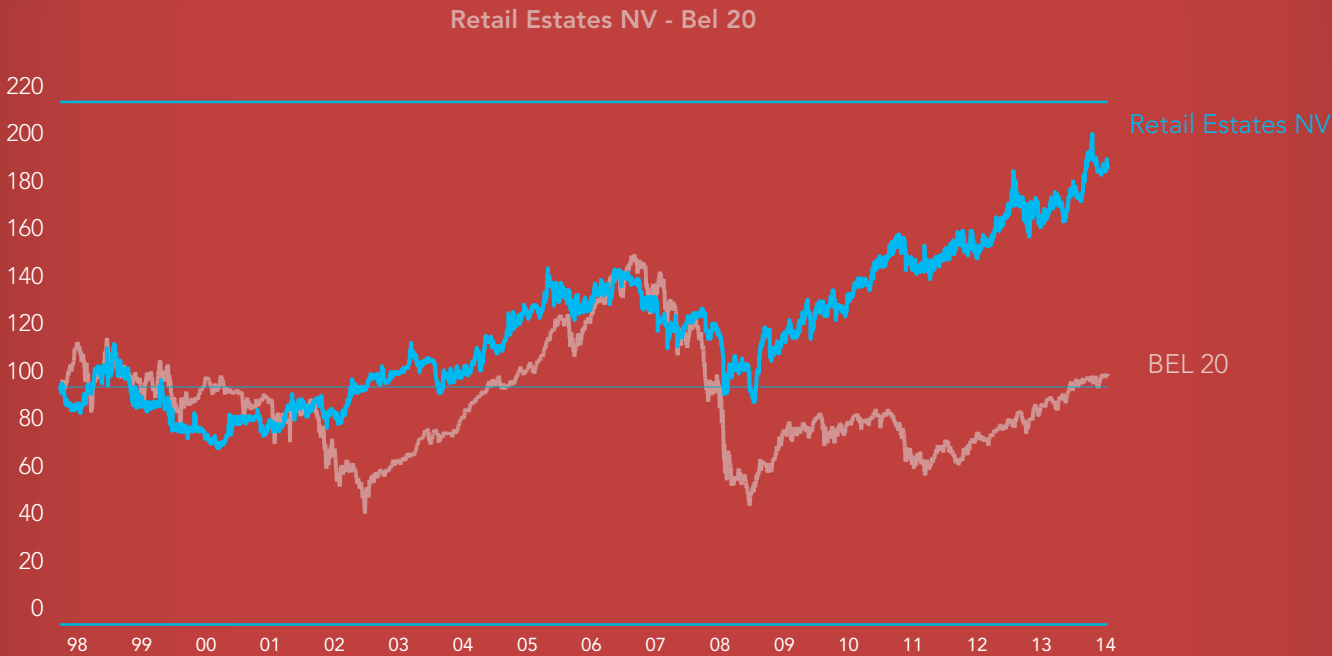
ESTABLISHED  
COMPANY

## SHARE PERFORMANCE REPORT

Since its listing on Euronext Brussels, Retail Estates' results and portfolio have been growing continuously and consistently.

# Share performance

## 1. STOCK MARKET PERFORMANCE



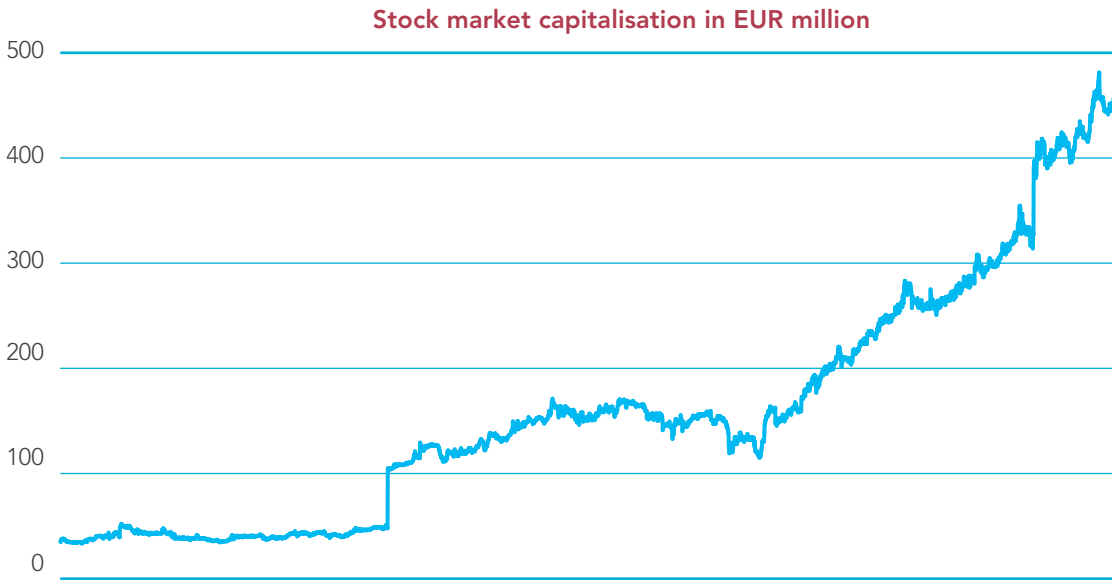
During the first six months of the 2014-2015 financial year, the stock market price fluctuated between EUR 56.99 and EUR 66.00. The graph above shows the share performance of the Retail Estates share in comparison with the BEL 20 since

the stock exchange listing. The Retail Estates share has increased in value over the period by 95.05 % while the BEL 20 has increased by 8.20 %. The average closing price during this period was EUR 61.02.

**3.10 EUR**  
expected dividend

## 2. STOCK MARKET CAPITALISATION

Retail Estates nv is listed on the Euronext continuous market. As of 30 September 2014, the market capitalisation of Retail Estates nv amounts to EUR 448.36 million.



## 3. DIVIDEND AND YIELD

NET ASSET VALUE PER SHARE (in €)	30.09.14	31.03.14	30.09.13
Net asset value per share IFRS <sup>12</sup>	47.56	48.90	47.03
Net asset value per share EPRA <sup>13</sup>	51.12	52.18	50.37
Net asset value per share excl. dividend excl. IAS 39 <sup>14</sup>	52.16	51.70	51.18
Gross dividend		3.00	
Net dividend		2.25	
Share price on closing date	61.50	58.92	54.00

<sup>12</sup> The net asset value per share IFRS (fair value) is calculated as follows: shareholders' equity (attributable to shareholders of the parent company) divided by the number of shares.

<sup>13</sup> The net asset value per share EPRA (fair value) is calculated as follows: shareholders' equity (excluding changes in the effective part of the fair value of the permitted hedging instruments in a cash flow hedge as defined in IFRS) divided by the number of shares.

<sup>14</sup> The net asset value per share excl. dividend excl. IAS 39 (investment value) is calculated as follows: shareholders' equity (excluding the impact on the fair value of estimated transfer rights and costs resulting from the hypothetical disposal of investment properties, exclusive changes in the effective part of the fair value of the permitted hedging instruments in a cash flow hedge as defined in IFRS and exclusive dividend) divided by the number of shares.



Retail Estates NV - NAV



The net asset value (NAV) of the share in the case of a property valuation at fair value is EUR 47.56.

The change in net asset value is explained by the further decline in market value of interest rate hedging instruments and the payment of a dividend for the 2013-2014 financial year.

4. FINANCIAL CALENDAR

Announcement results third quarter 2014-2015	13 February 2015
Announcement annual results financial year 2014-2015	22 May 2015
Dividend made available for payment	10 July 2015





## ECONOMIES OF SCALE

# REAL ESTATE REPORT

Retail Estates' cluster strategy results in an optimisation of the management costs.

# Real estate report

Valuation as at 30 September 2014



## 1. REAL ESTATE EXPERT'S REPORT

Retail Estates nv enlists the services of Cushman & Wakefield and CBRE as its real estate experts. In practice, each real estate expert values a part of the real estate portfolio.

### REPORT BY CUSHMAN & WAKEFIELD

Cushman & Wakefield's report dated 30 September 2014 covers a portion of the property of Retail Estates nv and its subsidiaries. This report mentions amongst others:

"We have the pleasure to give you our valuation update as at 30 September 2014 of the Retail Estates portfolio and Immobilière Distri-Land nv.

We confirm that we carried out this task as independent expert. We also confirm that our valuation was carried out in accordance with the national and international standards and their application procedures, amongst other in the valuation of regulated real estate companies (Belgian REITs) – (According to the present decisions. We preserve ourselves the right to review our valuation in case of modified decisions).

The investment value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. This definition corresponds to our definition of the market value.

The sale of a building is in theory subject to transfer rights collected by the government. This amount depends amongst other on the transfer manner, the profile of the purchaser and the geographical situation of the building. The first two conditions and the amount to pay for the rights is only known when the sale has been concluded. As independent experts, we confirm that on the basis of a representative sample of the market (between 2002 and 2005) the weighted average of the rights (average transfer costs) is 2.50 % (for goods with a higher value than EUR 2.50 million).

The properties are here considered as a portfolio.

Our "investment value" is based on the capitalisation with a Gross Yield of the passing rent, taking into account possible corrections like vacancy, step-rents, rent-free periods, etc. The Gross yield is depending on current output on the investment market, taking into account the location, the suitability of the site, the quality of the tenant and the building on the moment of the valuation.

In order to calculate the investment value of the retail park in Tongeren, we have capitalised its adjusted market rent. It is standard market practice to take into account that no more than 60 % of the gap between the actual passing rent and the estimated rental value (ERV) can be bridged in renegotiations. This is the case when the market rent is higher than the actual rent paid. This is mainly due to the high legal protection for sitting tenants under Belgian commerce law.

When now the market rent (ERV) is under the passing rent however, the highest rent a landlord should hope to achieve is the market rent. Since, being prudent, one should assume that the sitting tenant will use the break to negotiate his rent downward and bring it in line with the market.

The portfolio of **Immobilière Distri-Land nv** has as at **30.09.2014** an **investment value (corrections incl.)** of **EUR 17.01 million** and a **fair value** of **EUR 16.60 million**. The investment value, in absolute terms, remained stable. This gives a **yield** of **7.40 %** for Immobilière Distri-Land nv.

We obtain an **investment value (corrections incl.)** as at **30.09.2014** for the portfolio<sup>1</sup> of **EUR 448.97 million** and a fair value of **EUR 438.02 million**. On the basis of the investment value, the portfolio increases in absolute terms with **7.95 %** compared to 30.06.2014, due to the purchase of the Frunparks in Oudenaarde and Wetteren. This gives a **yield** of **6.89 %** to the portfolio. If we would leave out both Frunparks from the evolution

comparison, then we could establish that the portfolio increases with 1.07 % in comparison with the last quarter."

### Report by CBRE

The report by CBRE dated 30 September 2014 covers a portion of the property of Retail Estates nv and its subsidiaries. The **investment value** of this real estate is herewith estimated at **EUR 332.60 million** and the **fair value** at **EUR 324.49 million**. These properties account for a **rent collection** of **EUR 23.15 million**, representing a **gross yield** of **6.81 %**.

## 2. NOTE

The investment market is evolving in different directions under the influence of the world-wide economic uncertainties. On the one hand a number of foreign institutional investors have realised their investments faster than originally intended, in order to secure their capital gains and reinvest in their home markets where the credit crunch is offering new purchase opportunities. On the other hand the private market remains active, with wealthy private investors showing continuing interest in transactions of between EUR 1 and 5 million. The rental market remains active, but is more sensitive than in the past to quality of location, with a preference for retail properties on multi-shop sites (retail parks) or along major city access roads with strong concentrations of similar properties (retail clusters). Isolated buildings in well-populated residential areas are popular with food supermarkets.

**591,195 m<sup>2</sup>**  
**retail area**

<sup>1</sup> Portfolio : Retail Estates nv + Immobilière Distri-Land nv + Tongeren + Ducova bvba + Wetteren + Oudenaarde

### 3. COMMERCIAL ACTIVITIES OF TENANTS

Retailers selling clothing and footwear (30.51 % compared with 29.26 % as at 31 March 2014) together with food, electrical goods and toy retailers, account for more than 55 % of the leased surface area. Both categories provide a stable basis, because they are the least sensitive to economic fluctuations. Moreover, the socio-economic permits for these activities are the most difficult to obtain. This is conducive to an increase in the value of the properties on the one hand and a stronger loyalty to the location on the other.

The larger margins in the interior decoration and home furnishings sector make it possible to obtain sizeable rent increases in favourable economic climates, but it is this sector that is hardest hit by any downturn in consumer confidence. This

segment represents 19.98 % of Retail Estates nv's property portfolio (compared with 19.57 % as at 31 March 2014).

### 4. SUBDIVISION BY TYPE OF BUILDING

**Individual peripheral retail properties** are individual retail properties adjacent to the public highway. Every outlet has its own car park and entrance and exit roads, connecting it to the public highway, and making it easily recognisable. In the immediate vicinity, there are, in principle, no retail properties of the same kind.

**Retail clusters** are a collection of peripheral retail properties, located along the same traffic axis and, from the consumer's point of view, they form a self-contained whole, although they do not possess a joint infrastructure other than the traffic axis. This is the most typical concentration of peripheral retail properties in Belgium.

**Retail parks** are made up of retail properties that,

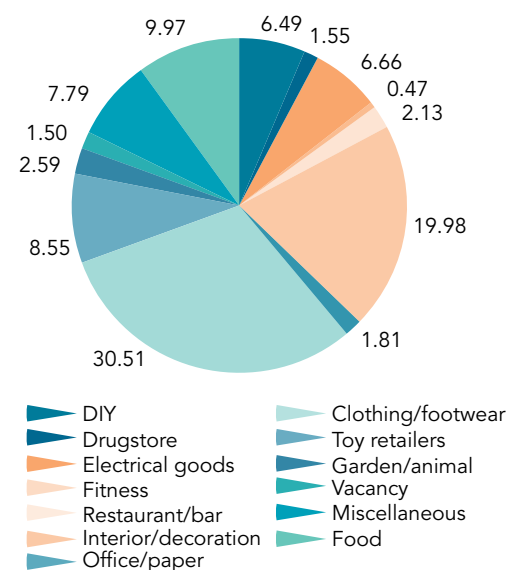
in conjunction with other shops, form part of an integrated commercial complex. All properties use a central car park with a shared entrance and exit road. This enables consumers to go to several shops without having to move their cars. A location of this kind will typically have at least five properties.

**Other real estate** consists mainly of offices, residential dwellings, hospitality establishments and a logistics complex at Erembodegem. The Erembodegem site was leased in its totality to Brantano nv under a 10-year lease agreement that ends on 31 May 2024. Retail Estates nv only invests in real estate properties used for the aforementioned purposes if they are already embedded in a retail property or are part of a real estate portfolio that can only be acquired as a whole.

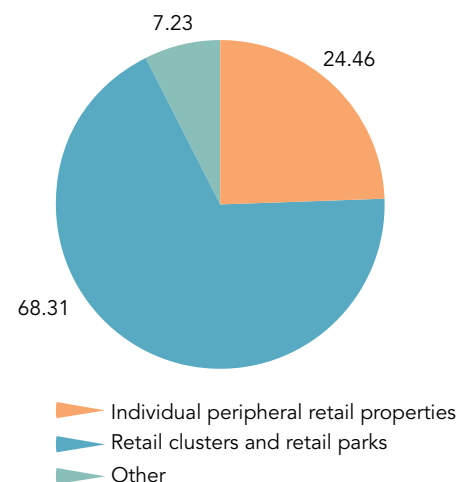
**Retail premises under development** are



COMMERCIAL ACTIVITIES OF TENANTS



TYPE OF BUILDING



### Key figures

	RETAIL ESTATES	
	30.09.14	31.03.14
Estimated fair value	767,815,000	745,916,000
Yield in % (investment value)	6.92%	6.93%
Contractual rents	53,377,504	51,144,211
Contractual rents incl. rental value of vacant buildings	54,130,090	51,823,578
Total m² in portfolio	591,195	570,870
Number of properties	562	548
Occupancy rate in %	98.50%	98.17%
Total m² under development	20,100	1,800



QUALITY

## GENERAL INFORMATION

The Retail Estates expert team is  
at your service.

# General information



## LEXICON

### Acquisition value

This is the term to be used for the purchase of a building. Any conveyance fees payable are included in the acquisition price.

### Book value of a company

The book value of a company means the totality of its equity. The book value can be found in the company's balance sheet.

### Book value of a share

NAV (Net Asset Value) means equity divided by the number of shares.

### Chain stores

These are companies that have a central purchasing department and operate at least five different retail outlets.

### Contractual rents

The index-linked basic rents as provided in the lease agreements as of 30 September 2014, before deduction of gratuities or other benefits granted to tenants.

### Debt ratio

The debt ratio is calculated as follows: liabilities (excluding provisions, accrued charges and deferred income, hedging instruments and deferred taxes), divided by the total assets (excluding hedging instruments).

### Dividend yield

The ratio of the most recently paid gross dividend to the final share price of the financial year over which the dividend is payable.

### Estimated investment value

This is the value of the real estate portfolio, including costs, registration charges, fees and VAT, as estimated each quarter by an independent expert.

### Exit tax

The exit tax is a special corporate tax rate applied to the difference between the fair value of the registered capital of companies and the book value of its capital at the time that a company is recognised as a regulated real estate company, or merges with a regulated real estate company.

### Fair value

This value is equal to the amount for which a building could be swapped between properly informed parties, consenting and acting under normal competitive conditions. From the point of view of the seller, it must be construed minus the registration charges.

### Gross dividend

The gross dividend per share is the operating profit distributed.

### IAS standards

The International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS) were drawn up by the International Accounting Standards Board (IASB), defining international standards for the preparation of annual accounts.

European listed companies are required to apply the rules in their consolidated accounts for financial years starting from 1 January 2005.

### IFRS standards

The International Financial Reporting Standards are a set of accounting principles and valuation rules prepared by the International Accounting Standards Board. The aim is to simplify international comparison between European listed companies.

Listed companies are required to prepare their consolidated accounts according to these standards starting from the first financial year beginning after 1 January 2005.

### Intrinsic value

The intrinsic value of a share is the actual estimated value of the share, assuming that the company was to cash in all of its assets.

### Investment value of a property

This is the value of a building as estimated by the independent real estate expert, including the conveyance charges after deduction of the registration charges. This value corresponds with what was formerly called 'value after costs paid by the vendor' or 'value in hand'.

### IRS

An Interest Rate Swap (IRS) is an agreement between parties to exchange interest rate cash flows during a predetermined period of time on an amount agreed beforehand. This concerns only the interest rate cash flows. The amount itself is not swapped. IRS is often used to hedge interest rate increases. In this case, a fixed interest rate will be swapped for a variable one.

### Net dividend

The net dividend is equal to the gross dividend after retention of 25 % withholding tax.

### Net inventory value

Revalued net assets.

### Occupancy rate

The occupancy rate is calculated as the ratio of the surface area actually leased out to the surface area available for leasing, expressed in m<sup>2</sup>.

### Peripheral retail properties

Retail premises grouped along roads leading into and out of cities and towns. Each peripheral retail property has its own car park and an entrance and exit road connecting to the public highway.

**562**  
retail properties



Real estate certificate

A real estate certificate is a security that entitles the holder to a proportionate part of the income obtained from a building. The holder also shares in the proceeds if the building is sold.

Result on portfolio

Achieved and unachieved higher or lower values relative to the most recent valuation by the expert, including the exit tax owed on account of inclusion of the property of the acquired companies in the system of regulated real estate companies.

Retail cluster

A collection of peripheral retail properties, located along the same traffic axis and, from the consumer’s point of view, they form a self-contained whole, although they do not possess a joint infrastructure other than the traffic axis.

Retail park

Retail properties that form part of an integrated commercial complex and are grouped together with other retail properties. All properties use a central car park with a shared entrance and exit road.

Stock market capitalisation

This is the total number of shares at the end of the financial year multiplied by the closing price at the end of the financial year.

INFORMATION SHEET

Name:	Retail Estates nv
Status:	Public regulated real estate company ('Belgian REIT') according to Belgian law
Address:	Industrielaan 6 – B-1740 Ternat, Belgium
Tel:	+32 2 568 10 20
Fax:	+32 2 581 09 42
E-mail:	info@retailestates.com
Website:	www.retailestates.com
Register of legal entities:	Brussels
Vat:	BE 434.797.847
Enterprise number:	0434.797.847
Date of incorporation:	12 July 1988
Status as fixed-capital real estate investment fund granted:	27 March 1998 (until 23 October 2014)
Status as regulated real estate company granted:	24 October 2014
Duration:	Unlimited
Management:	Internal
Auditor:	Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA – Berkenlaan 8B, at B-1831 Diegem, represented by Mrs. Kathleen De Brabander
Financial year closing:	31 March
Capital:	164,037,087.74 EUR
Number of shares:	7,290,411
Annual shareholders’ meeting:	First Friday of July
Share listing:	Euronext - continuous market
Financial services:	KBC Bank
Value of real estate portfolio:	Investment value EUR 786.14 million – fair value EUR 767.81 million (incl. value of “Immobilière Distri-Land nv” real estate certificates)
Real estate experts:	Cushman & Wakefield and CBRE
Number of properties:	562
Type of properties:	Peripheral retail real estate
Liquidity provider:	KBC Securities

## RETAIL ESTATES

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