

## RETAIL ESTATES



Naamloze Vennootschap (public limited company)  
public regulated real estate company organised and existing under the Belgian laws,  
with registered office at Industrielaan 6, 1740 Ternat (Belgium),  
Brussels Register of Legal Entities: 0434.797.847

‘the art of creating value in retail estate’

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### HALF-YEARLY RESULTS AT 30 SEPTEMBER 2014

**Net current result<sup>1</sup> up by 18.71 % to EUR 13.45 million**

**Increase of the property portfolio to a fair value<sup>2</sup> of EUR 767.81 million**

**Occupancy rate<sup>3</sup>: 98.50 %**

**Dividend: prognosis EUR 3.10<sup>4</sup> gross confirmed**

**Capital increase for an amount of EUR 14.80 million, by issuing 269,062 new shares  
within the framework of the authorised capital**

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### HALF-YEARLY REPORT

Retail Estates nv reports to its shareholders the half-yearly financial report for the first six months of the financial year 2014-2015, closed on 30 September 2014, currently available on its website [www.retailstates.com/en/investor/half-year-reports](http://www.retailstates.com/en/investor/half-year-reports).

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<sup>1</sup> Net current result or operating result: net result excluding the result on the real estate portfolio (code XV, XVI, XVII of the income statement).

<sup>2</sup> Fair value: investment value as determined by an independent real estate expert and from which the hypothetical transaction costs have been deducted. The fair value is the book value as defined in IFRS (see also note 22 in the 2013-2014 annual report).

<sup>3</sup> The occupancy rate is calculated as the effective leased area versus the lettable area, expressed in m<sup>2</sup>.

<sup>4</sup> The dividend prognosis proposed for the financial year 2014-2015 as mentioned in the annual report 2013-2014, page 49.



## **A. HALF-YEARLY RESULTS**

### **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 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 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>5</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

<sup>5</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.



income of EUR 1.30 million. All retail properties are leased. 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>5</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. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

#### 3.1 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>6</sup> for an investment value of approximately EUR 34.59 million and an expected rental income of approximately 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 approximately EUR 12.95 million.

Today, 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 amounts to approximately 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.

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<sup>6</sup> For more information we refer to the press release of 15 October 2014.



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).

### **3.2 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.

## **4. 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. 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.





## 5. 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.



## B. VARIOUS

### Information about the share

At 30 September 2014 there are 7,290,411 shares and each share has one vote. No warrants have been allocated. KBC Bank is the financial institution that provides the financial service. As a result of the above-mentioned capital increase through contribution in kind of five retail properties, the capital is represented by 7,559,473 shares as from today, 28 November 2014.

### 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

## ABOUT RETAIL ESTATES NV

Retail Estates nv is a public regulated real estate company and more specifically a niche company that specialises in making out-of-town retail properties which are located on the periphery of residential areas or along main access roads into urban centres available to users. Retail Estates nv buys these properties from third parties or builds and markets retail buildings for its own account. The buildings have useful areas ranging between 500 m<sup>2</sup> and 3,000 m<sup>2</sup>. A typical retail building has an average area of 1,000 m<sup>2</sup>.

On 30 September 2014, Retail Estates nv has 562 properties in its portfolio with a lettable surface of 591,195 m<sup>2</sup>. The occupancy rate of these buildings, expressed in leased m<sup>2</sup>, amounts to 98.50 %.

The fair value of the consolidated real estate portfolio (including assets held for sale) of Retail Estates nv at 30 September 2014 is estimated by independent real estate experts at EUR 773.61 million.

Retail Estates nv is listed on Euronext Brussels and is registered as a public regulated real estate company. On 30 September 2014, the stock market capitalisation of its shares amounts to EUR 448.36 million.



## FUTURE-ORIENTED STATEMENTS

This press release contains a number of future-oriented statements. Such statements are subject to risks and uncertainties which means that the actual results can differ significantly from those expected on the basis of such future-oriented statements in this interim statement. Significant factors that can influence such results include changes in the economic situation, commercial and fiscal factors.

Ternat, 28 November 2014,

Jan De Nys, managing director of Retail Estates nv.

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### For more information, please contact:

RETAIL ESTATES NV, Jan De Nys - CEO, tel. 02/568 10 20 - 0475/27 84 12

RETAIL ESTATES NV, Paul Borghgraef - Chairman, tel. 02/568 10 20 - 0475/42 98 03

Retail Estates NV – Public regulated real estate company governed by Belgian law

Industrielaan 6, 1740 Ternat - RPR Brussels - VAT BE 434.797.847.



## 1. Condensed consolidated income statement

1.A. INCOME STATEMENT (in € 000)	30.09.2014	30.09.2013
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 disposal 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>
<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>1</sup></b>	<b>13,446</b>	<b>11,327</b>
Result on portfolio	1,291	2,281
<b>RESULT PER SHARE</b>	<b>30.09.2014</b>	<b>30.09.2013</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>2</sup>	1.86	1.56
Net current result per share (in EUR) <sup>3</sup>	1.84	1.72

<sup>1</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>2</sup> Based on the number of shares in circulation.

<sup>3</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.



<b>1.B. STATEMENT OF OTHER COMPREHENSIVE INCOME (in € 000)</b>	<b>30.09.2014</b>	<b>30.09.2013</b>
Net result	14,737	13,608
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

<b>ASSETS (in € 000)</b>	<b>30.09.2014</b>	<b>31.03.2014</b>
<b>Non-current assets</b>	<b>768,140</b>	<b>746,245</b>
Goodwill		
Intangible non-current assets	37	26
Investment properties <sup>4</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>

<sup>4</sup> Including project developments (IAS 40).



SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)	30.09.2014	31.03.2014
<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
Non-current financial debts	329,015	327,677
Credit institutions	299,255	327,677
Other non-current financial liabilities	29,760	
Other non-current liabilities	41,094	38,046
<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>
<b>DEBT RATIO</b>	<b>30.09.2014</b>	<b>31.03.2014</b>
Debt ratio <sup>5</sup>	51.72%	49.10%

<sup>5</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).



NET ASSET VALUE PER SHARE (in €) - SHARE GROUP	30.09.2014	31.03.2014
Net asset value per share IFRS <sup>6</sup>	47.56	48.90
Net asset value per share EPRA <sup>7</sup>	51.12	52.18
Net asset value per share excl. dividend excl. IAS 39 <sup>8</sup>	52.16	51.70

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<sup>6</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>7</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>8</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.

