

IN RETAIL WE TRUST

RETAIL ESTATES



Naamloze vennootschap (public limited company),
public regulated real estate company under Belgian law (BE-REIT),
with registered office at Industrielaan 6, 1740 Ternat (Belgium),
Brussels Register of Legal Entities: 0434.797.847

Interim press release – regulated information
Ternat, 17 February 2017

INTERIM STATEMENT OF THE BOARD OF DIRECTORS

THIRD QUARTER 2016-2017¹ (closed on 31.12.2016)

Net rental income increases by 7.38% to EUR 48.73 million

EPRA earnings² of the third quarter of the financial year 2016-2017 up by 5.33% to EUR 28.05 million on 31 December 2016 (EUR 3.16 per share)

Valuation of the property portfolio: fair value³ increases to EUR 1,062.19 million in line with developments in the inflation: EUR 10.00 million variation in the fair value of investment properties

Dividend: prognosis EUR 3.30⁴ gross confirmed

¹ The figures in this press release are the consolidated, non-audited figures in accordance with IFRS.

² EPRA earnings (previously net current result): this is the net result of core activities and indicates the degree to which the current dividend payments are supported by the profit. This result is calculated as the net result (IFRS) exclusive of the result on the portfolio and the change in the fair value of financial instruments. See also www.epra.com.

³ 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 21 in the 2015-2016 annual report).

⁴ The dividend prognosis for the financial year 2016-2017 as mentioned in the annual report 2015-2016, page 39.

1. REAL ESTATE ACTIVITIES DURING THE THIRD QUARTER 2016-2017

1.1. Rental income and occupancy rate⁵

The net rental income during the third quarter of the financial year amounts to EUR 48.73 million, a 7.38% increase on the figure for the comparable period of the financial year 2015-2016 (EUR 45.39 million).

The occupancy rate on 31 December 2016 amounts to 98.26%, compared to 98.22% on 31 March 2016.

1.2. Fair value of the real estate portfolio

The fair value of the real estate portfolio (including project developments) on 31 December 2016 amounts to EUR 1,062.19 million, an increase of EUR 61.39 million (6.13%) compared to the value on 31 March 2016 (EUR 1,000.80 million). This increase is primarily the result of the acquisition of new real estate portfolios minus the sale of individual properties. The variation in the fair value of investment properties amounts to EUR 10.00 million on 31 December 2016.

On 31 December 2016, the property portfolio consists of 664 properties with a retail area of 735,198m².

1.3. Investments – retail parks⁶

Wetteren

On 30 August 2016, Retail Estates nv acquired a controlling interest of 51% in a real estate company which owns a property in Wetteren. On this property, Retail Estates nv will, after having received the necessary permits, realise the extension of its existing retail park in Wetteren.

Retail Estates nv acquired this retail park in 2014. The park (known as Frunpark Wetteren) was opened in 2008 and consists of 14 retail properties with a gross retail area of 10,423m². It is very successful and attracts consumers from a wide region.

The total operation consists of the creation of ca. 9,000m² of gross retail area, a significant extension of parking space, an expected annual rental income of EUR 0.90 million and an expected total investment of EUR 14.40 million.

Completion of the project is expected by September 2018.

⁵ The occupancy rate is calculated as the effective leased area versus the lettable area, expressed in m².

⁶ The purchase and sale values of the investments and divestments are in line with the investment values as appraised by the real estate experts.

In accordance with the regulations on this matter, the retail properties are mainly intended for large scale retail.

Westerlo (Oevel)

On 30 June 2015, Retail Estates nv acquired 9 retail properties in a retail park located at the Antwerp-Liège motorway, exit Geel-West. This site consists of 4 more properties which belong to third parties. By two consecutive transactions over the preceding quarter, Retail Estates nv acquired two of these four properties.

On 25 October 2016, a ca. 995m² retail property in Westerlo, let to Merkkleding bvba, was acquired for EUR 1.98 million. The expected annual rental income amounts to EUR 0.12 million.

Subsequently, on 14 December 2016, a property located in Westerlo, Bell Telephonelaan 2/1, with an investment value up to EUR 1.70 million was acquired in the framework of a capital increase by a contribution in kind. It relates to a shop rented to Action bvba and a solar panels installation (cf. infra). The expected annual rental income amounts to EUR 0.11 million.

Hainaut

On 23 December 2016, Retail Estates nv acquired all shares of a real estate company owning 25 retail properties, located in Hainaut (Henegouwen). The properties are mainly let to tenants in the discount segment like Lidl, Action, Chaussea, Trafic, Bel&Bo and Shoe-Discount (Bristol).

The retail properties have a total lettable surface of 25,738m² and represent an expected annual rental income equal to EUR 2.42 million. The gross investment yield amounts to 6.44%.

For more information, we refer to the press release of 23 December 2016, available on the website of Retail Estates nv.

The purchase price of the involved real estate company's shares was paid for 50% in cash and an amount of EUR 11.33 million will be paid by the emission of 174,404 new shares that will profit in the benefits of the financial year that starts on 1 April 2017. These shares will be issued, subject to approval by the FSMA, after the current financial year's closing on 31 March 2017.

1.4. Capital increase within the framework of the authorised capital

On 14 December 2016, the board of directors proceeded to the realisation of two capital increases in the framework of the authorised capital by two contributions in kind.

Firstly, 187 shares of Databuild Retail nv, with a contribution value of EUR 7,522,786.44 were contributed in the context of a first capital increase. This contribution was remunerated by issuing 115,735 shares of Retail Estates nv. These new shares with a contractual issue price of EUR 65 per share, will participate in the current financial year's profit as of 1 April 2016. As a result of this contribution Retail Estates nv acquires the remaining shares of Databuild Retail nv. The principal

assets of this company are a minority interest participation in the institutional BE-REIT Retail Warehousing Invest nv. As a result, Retail Estates nv is now full owner of Retail Warehousing Invest nv.

Subsequently, a retail property in Westerlo was contributed (cf. supra). This contribution was remunerated by issuing 26,153 shares of Retail Estates nv. These new shares with a contractual issue price of EUR 65 per share, will participate in the current financial year's profit as of 1 April 2016.

These capital increases result in the issuing of 141,888 shares, which brings the total of issued shares up to 9,008,208.

1.5. **Divestments⁶**

In the past quarter, 2 retail properties were sold, for a net selling price of EUR 2.03 million. On these properties, a limited value decrease of EUR 0.03 million was realised. The buildings sold are located in Spa (let to Tom & Co) and Waregem (let to Action). At the time of the sale, the fair value of these properties amounted to respectively EUR 0.64 million and EUR 1.36 million.

Furthermore, 4 plots of land of the Westende site have been sold, for a net selling price of EUR 0.072 million per plot of land. On these 4 plots of land an added value of EUR 0.025 million per plot of land was realised.

These divestments 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.

1.6. **Merger by absorption of subsidiaries**

On 3 October 2016, the merger by absorption of the company Vlaamse Leasing Maatschappij nv by Retail Estates nv was established by the board of directors of the respective companies, with immediate effect.

On 23 December 2016, the mergers by absorption of the companies PanEuropean Property Investments nv and Localiège nv by Retail Warehousing Invest nv (institutional BE-REIT) were established by the board of directors of the respective companies, with immediate effect.

Mergers of subsidiaries facilitate the administrative management and lead to a decrease of the tax leakage of Retail Estates nv.

2. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

2.1. Investments – retail parks⁶

On 31 January 2017, Retail Estates nv acquired a 50% interest in a second real estate company which owns a semi-logistics property in Wetteren, in use for a business-to-business trade.

The property is fully let, with an expected annual rental income of EUR 0.30 million until 2020. The investment value that served as reference for this transaction amounts to EUR 4.74 million.

2.2. Merger by absorption of subsidiaries

On 20 January 2017, the mergers by absorption of the companies Texas Management nv and Fimitobel nv by Retail Estates nv were established by the board of directors of the respective companies, with effect on 31 January 2017.

On 9 February 2017, the merger proposal regarding the merger by absorption of the company TBK bvba by Retail Estates nv was submitted.

3. KEY FIGURES AS AT 31 DECEMBER 2016

3.1. EPRA earnings

At 31 December 2016, the EPRA earnings amount to EUR 28.05 million versus EUR 26.63 million for the comparable period in the financial year 2015-2016. For the calculation of the EPRA earnings per share, the weighted average number of outstanding shares as per 31 December 2016, or 8,875,091, is taken into account. The EPRA earnings per share (based on the weighted average number of shares) are EUR 3.16 on 31 December 2016, compared to EUR 3.11 on 31 December 2015.

3.2. Net result

The net result, taken into account the results on sales of investment properties (EUR 0.06 million), the change in the fair value of investment properties (EUR 10.00 million) and the change in the fair value of financial instruments (EUR -1.51 million), amounts to EUR 36.59 million on 31 December 2016.

3.3. Information per share

	31.12.2016	31.03.2016
Number of outstanding shares	9.008.208	8.866.320
Weighted average of outstanding shares	8.875.091	8.627.562
Net asset value per share IFRS ⁷	55.26	53.48
Net asset value per share EPRA ⁵	57.68	56.66
Net asset value per share (investment value) ex. dividend ex. change in the fair value of financial instruments	58.13	56.27
	31.12.2016	31.12.2015
EPRA earnings (IFRS, taken into account the weighted average of outstanding shares)	3.16	3.11
EPRA earnings (taken into account the number of shares entitled to dividend)	3.11	3.00

3.4. Debt ratio

At 31 December 2016, the debt ratio amounts to 51.26%, compared to 49.95% on 31 March 2016. As of 31 December 2012, the balance was prepared based on the entire acquisition of all minority interests (as required by IFRS), regardless of the timing at which the acquisition takes place and assuming that it is paid in cash. This shows the maximum debt ratio based on the available information and the stage of development of the projects.

4. PROSPECTS

The macro-economic uncertainties do not enable predictions to be made due to the evolution of the fair value of investment properties 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.

In managing its property portfolio, Retail Estates nv identifies an accelerated pressure on outdated retail concepts. Vacant retail properties are in general let to innovative retail concepts which replace the outdated concepts. This is a labour-intensive process implying the collaboration of local authorities. Recently, in a four months' period, four of the five retail properties Retail Estates nv let to Charles Vögele were let or sold to competitive businesses. The Belgian restructuring of the Blokker subsidiaries affects four out of fourteen properties Retail Estates nv lets to Blokker. The still ongoing term until the next lease agreements' maturity of these properties should be sufficient to find another tenant. In this context, it must be underlined that the concerning sector does not lose its dynamism.

⁷ This net asset value is dividend included. It contains the dividend of the first quarter of financial year 2016-2017 as well as the dividend of financial year 2015-2016, paid on 8 July 2016.

In the past three years, Retail Estates nv let more than 15 properties to this sector's new players, such as Action and Extra.

The expected dividend is maintained at EUR 3.30 gross per share. With respect to the financial year 2015-2016, this represents a dividend increase of 3.13%. These expectations were made in the assumption of a stable occupancy ratio and a positive evolution of the rental prices.

5. FINANCIAL CALENDAR

Announcement annual results financial year 2016-2017	19 th May 2017
Dividend 2016-2017 made available for payment	1 st August 2017

ABOUT RETAIL ESTATES NV

Retail Estates nv is a public regulated real estate company and more specifically a niche company that specialises in investing in outskirts retail properties which are located on the periphery of residential areas or along main access roads into urban centres. Retail Estates nv buys these properties from third parties or builds and markets retail buildings for its own account. The buildings have useful areas ranging between 500m² and 3,000m². A typical retail building has an average area of 1,000m².

Per 31 December 2016, Retail Estates nv has 664 properties in its portfolio with a lettable surface of 735,198m². The occupancy rate of these buildings, expressed in leased m², levels to 98.26%.

The fair value of the consolidated real estate portfolio of Retail Estates nv at 31 December 2016 is estimated by independent real estate experts at EUR 1,062.19 million.

Retail Estates nv is listed on Euronext Brussels and is registered as a public regulated real estate company (BE-REIT). On 31 December 2016, the stock market capitalisation of its shares amounts to EUR 677.42 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 based on 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, 17 February 2017,

Jan De Nys, managing director of Retail Estates nv.

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