

2018

HALF-YEARLY FINANCIAL REPORT

RETAIL ESTATES



2019

KEY FIGURES

REAL ESTATE PORTFOLIO30/09/1831/03/18

Number of properties	834	817
Total lettable area in m²	977 170	973 525
Estimated fair value (in €)	1 391 654 000	1 349 367 000
Estimated investment value (in €)	1 425 059 000	1 392 427 000
Average rent prices per m²	98.20	96.08
Occupancy rate	98.00%	98.11%

BALANCE SHEET INFORMATION30/09/1831/03/18

Shareholders' equity	681 148 000	568 332 000
Debt ratio (RREC legislation, max. 65%)¹	50.59%	57.57%

RESULTS30/09/1830/09/17

Net rental income	46 136 000	36 135 000
Property result	45 382 000	35 797 000
Property costs	-3 666 000	-2 607 000
Operating corporate costs	-2 533 000	-2 009 000
Other current operating income and expenses		
Operating result before result on portfolio	39 183 000	31 180 000
Result on portfolio	125 000	1 023 000
Operating result	39 308 000	32 203 000
Financial result	-11 332 000	-7 913 000
Net result	27 647 000	23 637 000
EPRA earnings	29 442 000	21 983 000

INFORMATION PER SHARE30/09/1831/03/18

Number of ordinary shares in circulation	11 422 593	9 489 661
Net asset value per share IFRS	59.63	59.89
EPRA NAV	60.72	61.33
Net asset value per share (investment value) excl. dividend excl. the fair value of authorised hedging instruments	62.93	61.73
Share price on closing date	73.90	71.45
Over-/undervaluation compared to net asset value IFRS	23.93%	19.30%

1 The Royal Decree of 13 July 2014 (the "RREC R.D."), last modified by the Royal Decree of 23 april 2018 in execution of the Law of 12 May 2014 (the "RREC Law"), last modified by the Law of 22 October 2017 on regulated real estate companies (Belgian REITs).



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MANAGEMENT REPORT

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0. INTRODUCTION

GENERAL

Retail Estates nv is a leading Belgian real estate company specialised in out-of-town retail real estate. The real estate portfolio of Retail Estates nv consists of 834 properties located in Belgium and the Netherlands, accounting for a total retail area of 977,170 m² and a fair value of € 1,391.65 million.

Retail Estates nv is a listed company (Euronext Brussels). The company's stock market capitalisation amounted to € 844.13 million on 30 September 2018.

RISK MANAGEMENT

While management tries to minimise the risk factors, a number of risks must be carefully taken into account. For an overview of the risks, we refer to the chapter "Risk management" of the 2017-2018 annual report.

1. ACTIVITY REPORT FOR THE FIRST HALF YEAR 2018-2019 ENDING ON 30 SEPTEMBER 2018

RENTAL INCOME AND OCCUPANCY RATE

Rental income in the first half of the financial year amounted to € 46.38 million, an increase by 27.99% versus the comparable half year of the 2017-2018 financial year. Rental income then was € 36.24 million. This increase is almost entirely attributable to the growth of the real estate portfolio.

The occupancy rate on 30 September 2018 was 98.00%, compared to 98.11% on 31 March 2018.

FAIR VALUE² OF THE REAL ESTATE PORTFOLIO

The fair value of the real estate portfolio is € 1,391.65 million. Based on the contractually owed rent, rent return (versus investment value) on the portfolio as determined by the real estate experts amounts to 6.65%.

The stability of the value of out-of-town retail property can mainly be explained by the continued interest in investments in this type of real estate by wealthy individuals and institutional investors, not only

² Fair value: investment value as determined by an independent real estate expert, with hypothetical transfer taxes deducted pursuant to IFRS13. The fair value is the carrying amount under IFRS (see also note 21 in the 2017-2018 annual report).

from Belgium and the Netherlands, but from abroad as well.

As of 30 September 2018, the real estate portfolio consists of 834 properties with a lettable surface of 977,170 m².

INVESTMENTS³ - RETAIL PARKS THE NETHERLANDS - SPIJKENISSE

On 30 April 2018 Retail Estates purchased a retail park at Spijkenisse (suburb of Rotterdam) consisting of 23 retail units and a restaurant. The complex has a built area of 28,273 m² and was constructed in 2009-2011, making it one of the most recent retail parks in the Netherlands. The park is situated at an easily visible location in the vicinity of the exit of motorway A15, which is part of the Rotterdam ring road.

The catchment area of this retail park covers the approx. 210,000 residents of the area to the southwest of the Rotterdam conurbation. The architecture and facilities of the retail park meet the expectations of the contemporary consumer, reinforced by an active and modern marketing strategy.

The mix of retail units is optimal and covers the main national chain stores active in the home decoration sector, combined with a restaurant offering world cuisine and a cosy bistro.

The investment required for the purchase of the retail park amounts to € 46.99 million and generates a net rental income of € 3.1 million

³ The purchase and sales terms and conditions of the investments and divestments are in line with the fair value estimated by the real estate experts.

(inclusive of the ERV for vacant retail properties of € 0.13 million), representing an initial yield of 6.53%. According to the real estate expert Cushman & Wakefield, the fair value amounts to € 43.3 million. In the Netherlands, the deduction of registration duties and the transaction costs, equalling 6.08 % of the investment value in this case, is taken into account for the calculation of the fair value. This is the main explanation for the difference between the price of the transaction and the fair value determined by the real estate expert (in accordance with art. 49§1^o2).

The transaction was structured through the acquisition via the formerly incorporated subsidiary Zwolle Invest nv and was funded with the proceeds of the capital increase of 27 April 2018.

INVESTMENTS - CLUSTERS

BELGIUM - LIMBURG

On 6 August Retail Estates acquired exclusive control of a real estate company that owns six retail properties situated along Hasseltweg in Genk and one retail estate situated along Koninginnelaan in Maasmechelen. The acquisition took place within the context of the further development of the investments in the retail cluster “Genk Hasseltweg”. Retail Estates’ investments in Limburg are concentrated in 5 locations: Beringen, Lommel, Tongeren, Genk and Lanaken. Limburg features a flourishing out-of-town retail market, supported by a working population that is younger than the Belgian average.

Along Hasseltweg in Genk, six retail properties were acquired with a total surface area of 4,381 m². They represent a rental income of € 0.51 million and are let to the retail chains Colora, Bel&Bo, Bent, LolaLiza, Orchestra and Santana.

They are adjacent to the retail properties already owned by Retail Estates at this location.

At Maasmechelen, along Koninginnelaan, a newly constructed retail property with a surface area of 1,794 m² and consisting of two retail units and a flat was acquired. This property is adjacent to the M2 Shopping Center, a retail park that serves as a reference for Oost-Limburg. A 630 m² retail unit in this building has already been completed and delivered to Blokker, which has established a shop entirely decorated

in accordance with its latest retail concept. The other retail unit and the flat still need completion.

The retail properties that were let represent a rental income of € 0.57 million and were purchased on the basis of an investment value of € 10,13 million and a fair value of € 9.51 million. These values correspond to the values determined by the real estate expert CBRE.

This transaction was funded by taking out bank loans and by the non-monetary contribution of a receivable for an amount of € 2.31 million. In this respect we refer to the paragraph “Capital increases in the context of the authorised capital” as it appears below in this management report.

PROJECT DEVELOPMENT

On 30 September 2018, project developments have accounted for a total amount of € 27.58 million. We distinguish three types of projects, whereof: speculative land positions (the so-called “land bank”), i.e. residual lands of existing portfolios that are intended for possible development or will be sold at a later stage if no redevelopment is possible. Furthermore, there are projects under application and projects under development.

On 30 September the speculative land positions amounted to € 3.74 million, the projects under application amounted to € 18.91 million and the projects under development amounted to € 4.91 million.



A. PROJECTS UNDER APPLICATION - OVERVIEW OF THE MAIN PROJECTS

In 2014, Retail Estates acquired a retail park at Wetteren with 14 retail units and a gross retail area of 10,423 m². The retail park, which opened in 2008, is known as Frunpark Wetteren. It is very successful and attracts consumers from far and wide. On 30 August 2016, Retail Estates NV acquired a controlling interest (51%) in real estate company Heerzele nv, which is the owner of an adjacent property at Wetteren and has acquired full exclusive control on 31 August 2018 (100%). Retail Estates wishes to expand its retail park once it has obtained the necessary permits. The total operation consists of the creation of a gross retail area of approximately 9,000 m², a considerable extension of the car park and an expected total investment of € 14.40 million. This project is expected to be completed in June 2020.

Furthermore, the company intends to invest in the extension of its retail cluster at Namen-Zuid for its own account on behalf of a DIY store in Jambes. The additional expected investment is estimated at € 12 million and will consist of the creation of a retail property of approximately 8,000 m². Completion is expected by June 2020.

Furthermore, the company is investing in the renovation of its retail park at Roosendaal. The additional investment is expected to amount to approximately € 4.7 million. Completion is expected by December 2020.

Finally, the company acquired a project at Maasmechelen, consisting of two retail units and a flat. The total investment is expected to amount to approximately € 1.35 million. The expected rental income amounts to € 0.1 million.

B. PROJECTS UNDER DEVELOPMENT - OVERVIEW OF THE MAIN INVESTMENTS IN DEVELOPMENTS FOR ITS OWN ACCOUNT

- Customised project for Aldi at Nijvel: a customised building is constructed for Aldi (2000 m²). This retail unit is in line with the new concept that Aldi is currently rolling out and consists of a large retail area with an underground car park and rolling walkways. The total additional investment will amount to € 2.97 million. As of 30 September, a total of € 0.72 million had already been invested.
- Extension of the Company’s retail park in Barchon: an extra surface area of approximately 1,000 m² will be added for one or two additional retail units. This project was started in June 2017. A total of € 1.62 million has already been invested in this project, and additional investments for an amount of € 0.22 million are expected.
- Other projects: this concerns various smaller projects and extensions. The expected investment for these projects amounts to approximately € 3 million.

C. COMPLETION OF PROJECTS

The projects at Frameries and Gentbrugge were completed in the first half year of the 2018-2019 financial year. The project at Frameries consisted of the

extension of an existing retail park by 9,500 m². The existing retail park is a recently constructed complex, which was developed into a strong pole of attraction in a densely populated area between Mons and the French border. This retail park, comprising eight retail units and a retail area of approximately 10,000 m², was extended by six retail units with a retail area of 7,210 m² and a fair value of € 10.19 million. The total investment amounted to € 10.45 million.

At Gentbrugge, a 2,000 m² retail area was extended and renovated for Brantano. The total additional investment amounted to approximately € 1 million. The fair value after completion will amount to € 3.8 million.

DIVESTMENTS

On 15 June 2018, Retail Estates sold its retail park in Zwolle (the Netherlands) to an institutional investor for a total sales revenue of approximately € 27.60 million. This means that the company recovers the entire investment (including the transaction costs) it made in December 2017 within the scope of the acquisition of the retail park portfolio of CBRE Global Investors. The sold retail park’s fair value (i.e. exclusive of transaction costs) amounted to € 26.62 million on 31 March 2018. The sale therefore generated € 0.98 million in added value. The retail park accounted for an annual rental income of approximately € 2 million.

On 15 June 2018, a solitary retail building in Spa (Belgium) was

furthermore sold to a retailer for a total sales revenue of € 0.90 million. The fair value amounted to € 0.87 million. The building had been let to Brantano since its purchase in 2003. It accounted for an annual rental income of € 0.07 million. The sale generated € 0.03 million in added value.

On 29 May 2018, a retail park in Péruwelz (Belgium) was sold to an institutional investor for a sales revenue of € 10 million. This retail park accounted for an annual rental income of € 0.69 million. Its fair value amounted to € 10.16 million on 31 March. The sale resulted in a loss in value by € -0.43 million, mainly due to transaction costs.

Finally, two retail units in Edingen (let to Krefel and Bio Corners) were sold for a net sales revenue of € 3.65 million. The rental income of these properties amounted to € 0.26 million. The fair value amounted to € 3.86 million. The sale resulted in a loss in value by € 0.21 million.

IMPLEMENTATION OF THE FINANCING STRATEGY
Retail Estates combines bilateral credits with different banking partners and private placements of bonds for institutional investors. The average maturity of the credit portfolio is 4.83 years. Within the context of the financing of its activities, Retail Estates has offered a commercial paper programme of (up to) € 50 million since September 2017. The commercial paper is fully covered by back-up lines and unused credit lines that serve as a

guarantee for refinancing should the placement or renewal of the commercial paper prove to be impossible or only partially possible.

The average interest rate on 30 September 2018 is 2.39% compared to 2.62% on 31 March 2018.

For more information with regard to financing, we refer to the chapter “non-current and current financial liabilities” of the half-yearly financial report, in particular the table “Breakdown by contractual maturity of the credit lines” of the half-year report.

CAPITAL INCREASES IN THE CONTEXT OF THE AUTHORISED CAPITAL
On 27 April 2018, a public capital increase of Retail Estates took place. On the occasion of this capital increase in cash, 1,897,932 new shares were issued. For more information on the modalities of this capital increase, we refer to the press release of 27 April 2018.

On 26 September 2018, 35,000 new shares were issued through the contribution of the remaining receivable relating to the purchase of the shares of the company Etablissementen Hayen nv, which owns seven retail units located in Genk and Maasmechelen.

As mentioned before in this management report under the title “investments – clusters”, the acquisition of the company Etablissementen Hayen nv was

partly financed by the contribution of a receivable and the issue of new shares. These shares were issued by the board of directors on 26 September 2018 within the context of the authorised capital at an issue price of € 66. They have been sharing in the profit from the start of the financial year 2017-2018 on 1 April. Following this capital increase, 35,000 shares were issued, increasing the total number of shares to 11,422,593 and the share capital to € 257,012,792.62 on 30 September 2018.

2. ANALYSIS OF THE RESULTS
Half-year results 30 September 2018: EPRA earnings for the Group⁴ increase by 33.92% compared to 30 September 2017 - fair value of the real estate portfolio increases to € 1,391.65 million.

As at 30 December 2018 the **EPRA result** (i.e. the profit less the result on portfolio and the variations in the fair value of financial assets and liabilities) amounts to € 29.44 million, an increase by 33.92% compared to the same period last year.

⁴ Retail Estates nv and its subsidiaries.

The **net rental income** increased from € 36.14 million to € 46.14 million. This is mainly due to the contribution of the retail properties purchased in the course of the previous financial year and are contributing 100% for the first time this financial year. Compared to 30 September 2017, the real estate portfolio grew by € 239.10 million. Compared to 31 March 2018, the portfolio grew by € 42.29 million.

After deduction of property costs, this results in an operating property result of € 41.72 million compared to € 33.19 million last year.

The **property costs** amount to € 3.67 million compared to € 2.61 million in the previous year, which can mainly be explained by the increase in



technical, commercial and personnel costs following the extension of the portfolio. The corporate operating costs amount to € 2.53 million, an increase by € 0.52 million compared to last year, which can mainly be explained by the growth of the portfolio. After deduction of the corporate operating costs, Retail Estates nv achieves an operating result before the result on portfolio of € 39.18 million. The operating margin is 84.92%.

The result from the **disposals of investment properties** is € 0.76 million on total sales of € 43.34 million. We refer to the paragraph “Divestments” of the management report.

The **variations in the fair value of investment properties** amount to € 0.19 million and can be explained by the positive impact of indexations and contract renewals on the one hand (€ +4.36 million), offset by the reduction in the transaction costs for determining the fair value of the investment properties on the other hand (€ -4.17 million). The “other” result on portfolio amounts to € -0.83 million.

The **financial result** (excluding variations in the fair value of financial assets and liabilities) amounts to € 9.41 million. The net interest costs amount to € -9.42 million, an increase by € 0.87 million compared to last year. The interest charges increased due to the inclusion of additional financing. However, this impact is offset by the decrease in the average interest rate. The average interest rate decreased to 2.39% compared to 2.86% on 30 September 2017. The increase in total charges is also

the result of the change in the fair value of the swaps that are not defined as cash flow (variations in the fair value of financial assets and liabilities). However, this result is an unrealised and non-cash item.

The **net result** (Group share) for the first half of the year amounts to € 27.65 million, consisting of the EPRA earnings of € 29.44 million, the result on portfolio of € 0.13 million and variations in the fair value of financial assets and liabilities of € -1.92 million. This represents an EPRA profit of € 2.65 per share for the first half of the year (based on the weighted average number of shares) compared to EUR 2.37 last year, despite a significant increase in the number of shares following the capital increase in April 2018.

The **fair value of the real estate portfolio**, including project developments, amounted to € 1,395.65 million on 30 September 2018, compared to € 1,349.37 million on 31 March 2018.

The **EPRA net asset value (NAV)** per share was € 60.72 on 30 September 2018. On 31 March 2018, the EPRA NAV was € 61.33.

The **debt ratio** on 30 September 2018 was 50.59% compared to 57.57% on 31 March 2018.



3. OUTLOOK

Macroeconomic uncertainties do not allow predictions about the evolution of the fair value of real estate nor about the variations in the fair value of interest rate hedging instruments. The evolution of the intrinsic value of the shares, which is sensitive to this, is therefore uncertain.

The dividend forecast of € 3.80 gross per share (€ 2.66 net per share) is confirmed. Compared to the 2017-2018 financial year, this represents a 5.56% dividend increase. This expectation was made under the hypothesis of stable consumer spending and a positive evolution of rents.

4. FORWARD-LOOKING STATEMENTS

This half-year report contains a number of forward-looking statements. Such statements are subject to risks and uncertainties which may lead to actual results being materially different from the results which might be assumed in this interim statement on the basis of such forward-looking statements. Major factors that may influence these results include changes in the economic situation, commercial, tax-related and environmental factors.

5. SUBSEQUENT EVENTS

No material events have occurred after the end of the half year.



HALF-YEARLY FINANCIAL REPORT

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1. A. CONDENSED CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT (in € 000)	Notes	30.09.18	30.09.17
Rental income	1	46 377	36 235
Rental related expenses		-241	-100
Net rental income		46 136	36 135
Recovery of property expenses			
Recovery of rental charges and taxes normally payable by tenants on let properties		4 972	3 262
Rental charges and taxes normally payable by tenants on let properties		-5 675	-3 584
Other rental related income and expenses		-51	-17
Property result		45 382	35 797
Technical costs		-1 890	-1 274
Commercial costs		-317	-285
Charges and taxes on unlet properties		-199	-160
Property management costs		-1 243	-896
Other property costs		-17	8
Property costs		-3 666	-2 607
Operating property result		41 716	33 189
Operating corporate costs		-2 533	-2 009
Other current operating income and expenses			
Operating result before result on portfolio		39 183	31 180
Result on disposals of investment properties		762	-8
Result on sales of other non-financial assets			
Changes in fair value of investment properties		193	765
Other result on portfolio		-830	266
Operating result		39 308	32 203
Financial income		36	30
Net interest charges		-9 417	-8 544
Changes in fair value of financial assets and liabilities	5	-1 920	631
Other financial charges		-32	-30

INCOME STATEMENT (in € 000)	Notes	30.09.18	30.09.17
Financial result		-11 332	-7 913
Result before taxes		27 976	24 290
Taxes		-329	-653
Net result		27 647	23 637
Attributable to:			
Shareholders of the Group		27 647	23 637
Minority interests			
Note:			
EPRA earnings (share Group) ⁵		29 442	21 983
Result on portfolio		125	1 023
Changes in fair value of financial assets and liabilities		-1 920	631

RESULT PER SHARE	Notes	30.09.18	30.09.17
Number of ordinary shares in circulation		11 422 593	9 382 612
Weighted average number of shares		11 108 335	9 279 486
Net profit per ordinary share (in €) ⁶		2.49	2.55
Diluted net profit per share (in €)		2.49	2.55

5 The EPRA earnings is calculated as follows: net result excluding changes in fair value of investment properties, exclusive the result on disposal of investment properties and exclusive changes in fair value of financial assets and liabilities.

6 The net profit per ordinary share is calculated as follows: the net result divided by the weighted average number of shares.

1. B. STATEMENT OF OTHER COMPREHENSIVE INCOME

Statement of other comprehensive income (in € 000)	30.09.18	30.09.17
Net result	27 647	23 637
Other components of other comprehensive income, recyclable in income statements:		
Changes in the fair value of authorised hedging instruments qualifying for hedge accounting as defined by IFRS	3 216	2 980
OTHER COMPREHENSIVE INCOME	30 863	26 617

2. CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS (in € 000)	Notes	30.09.18	31.03.18
Non-current assets		1 396 603	1 354 397
Goodwill			
Intangible non-current assets		92	115
Investment properties ⁷	2	1 391 654	1 349 367
Other tangible non-current assets		2 147	2 119
Financial non-current assets			
Finance lease receivables		1 030	1 030
Trade receivables and other non-current assets		1 679	1 767
Deferred taxes		1 160	1 249
Other		519	518
Current assets		26 464	39 776
Non-current assets or groups of assets held for sale		14 556	29 201
Trade receivables		5 348	3 533
Tax receivables and other current assets		2 092	2 281
Cash and cash equivalents		2 347	3 389
Deferred charges and accrued income		2 120	1 371
TOTAL ASSETS		1 423 067	1 394 173

7 Including project developments (IAS 40).

SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)	Notes	30.09.18	31.03.18
Shareholders' equity		681 148	568 332
Shareholders' equity attributable to the shareholders of the parent company		681 148	568 332
Capital		248 963	208 205
Issue premiums		260 174	177 990
Reserves		144 364	135 442
Net result of the financial year		27 647	46 695
Minority interests			

SHAREHOLDERS' EQUITY AND LIABILITIES (in € 000)	Notes	30.09.18	31.03.18
Liabilities		741 919	825 841
Non-current liabilities		653 772	766 518
Provisions			
Non-current financial debts	3/5	639 300	746 000
Credit institutions		554 750	661 494
Bonds		84 550	84 506
Other non-current financial liabilities	5	14 472	20 518
Current liabilities		88 147	59 323
Current financial debts	3/5	60 809	36 384
Credit institutions		10 809	1 384
Other		50 000	35 000
Trade debts and other current debts		17 490	12 800
Exit tax		837	1 067
Other		16 653	11 733
Other current liabilities		325	620
Accrued charges and deferred income		9 524	9 519
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 423 067	1 394 173

DEBT RATIO	Notes	30.09.18	31.03.18
Debt ratio ⁸	4	50.59%	57.57%

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

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	TOTAL Shareholders' Equity
Balance according to IFRS on 31 March 2017	197 603	157 529	107 702	52 136	514 970
- Net appropriation of profits 2016-2017					
- Transfer of result on portfolio to reserves			13 610	-13 610	0
- Transfer of variation in fair value of hedging instruments					
- Transfer of EPRA earnings to reserves			8 799	-8 799	0
- Reclassification between reserves					
- Dividends of the financial year 2016-2017				-29 727	-29 727
- Capital increase					
- Capital increase through contribution in kind	8 424	15 912			24 336
- Costs of capital increase	-41				-41
- Other			19		19
- Other comprehensive income 30/09/2017			2 980	23 637	26 617
Balance according to IFRS on 30 September 2017	205 986	173 441	133 110	23 637	536 175
Balance according to IFRS on 31 March 2018	208 205	177 990	135 442	46 695	568 332
- Net appropriation of profits 2017-2018					
- Transfer of result on portfolio to reserves			-1 400	1 400	0
- Transfer of variation in fair value of hedging instruments					
- Transfer of EPRA earnings to reserves			7 100	-7 100	0
- Reclassification between reserves					
- Dividends of the financial year 2017-2018				-40 995	-40 995
- Capital increase	42 704	80 661			123 365
- Capital increase through contribution in kind	788	1 522			2 310
- Costs of capital increase	-2 733				-2 733
- Other			6		6
- Other comprehensive income 30/09/2018			3 216	27 647	30 863
Balance according to IFRS on 30 September 2018	248 963	260 174	144 364	27 647	681 148

* 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	Changes in the fair value of authorised hedging instruments qualifying for hedge accounting as defined by IFRS	Changes in the fair value of authorised hedging instruments not qualifying for hedge accounting as defined by IFRS	Results carried forward from previous financial years	TOTAL
Balance according to IFRS on 31 March 2017	133	101 285	13 413	-26 703	-4 032	-14 253	37 861	107 702
- Net appropriation of profits 2016-2017								
- Transfer of result on portfolio to reserves		13 610				-869	869	13 610
- Transfer of EPRA earnings to reserves							8 799	8 799
- Reclassification between reserves		-1 522	1 522					0
- Capital increase through contribution in kind								
- Costs of capital increase								
- Other	1			14			4	19
- Other comprehensive income 30/09/2017				-5 238	616	2 364	5 238	2 980
Balance according to IFRS on 30 September 2017	134	113 373	14 935	-31 927	-3 416	-12 758	52 771	133 110
Balance according to IFRS on 31 March 2018	55	113 373	15 064	-26 611	-2 799	-10 990	47 349	135 442
- Net appropriation of profits 2017-2018								
- Transfer of result on portfolio to reserves		16 778		-18 178				-1 400
- Transfer of variation in fair value of hedging instruments						101	-101	0
- Transfer of EPRA earnings to reserves							7 100	7 100
- Reclassification between reserves		-814	814		903	-903		0
- Capital increase through contribution in kind								
- Costs of capital increase								
- Other	1						5	6
- Other comprehensive income 30/09/2018					119	3 097		3 216
Balance according to IFRS on 30 September 2018	56	129 337	15 878	-44 789	-1 777	-8 695	54 353	144 364

4. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Rounding off to the nearest thousand can bring about discrepancies between the balance sheet and the income statement and the details presented below.

CASH-FLOW STATEMENT (in € 000)	Notes	30.09.18	30.09.17
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE SEMESTER		3 389	978
1. Cash-flow from operating activities		29 333	17 961
Operating result		39 308	32 203
Interest paid		-9 654	-8 934
Interest received		25	
Corporate taxes paid		-553	-253
Corporate taxes received		424	697
Other		-1 903	-76
Non-cash elements to be added to / deducted from the result:		2 069	-6 273
* Depreciations and write-downs			
- Depreciation / Write-downs (or write-backs) on tangible and intangible assets		65	170
- Depreciation / Write-downs (or write-backs) on trade receivables		208	-3
* Other non-cash elements			
- Changes in the fair value of investment properties		-193	-5 817
- Result on disposal of investment properties		-762	8
- Other result on portfolio		830	
- Changes in fair value of financial assets and liabilities		1 920	-631
* Other			
Change in working capital requirements:		-380	597
* Movement of assets			
- Trade receivables and other receivables		-1 955	-2 159
- Tax receivables and other current assets		199	245
- Deferred charges and accrued income		-744	-380
- Long-term assets			
* Movement of liabilities			
- Trade debts and other current debts		3 702	2 726
- Other current liabilities		-1 587	67
- Accrued charges and deferred income		5	98

CASH-FLOW STATEMENT (in € 000)	Notes	30.09.18	30.09.17
2. Cash-flow from investment activities		-27 655	-63 200
Purchase of intangible assets		-11	-36
Purchase of investment properties		-58 903	-64 944
Disposal of investment properties and assets held for sale		42 351	1 898
Acquisition of shares of real estate companies		-11 124	
Disposal of shares of real estate companies			
Purchase of other tangible assets		-81	-127
Disposal of other tangible assets		24	9
Disposal of non-current financial assets			
Income from trade receivables and other non-current assets		89	
3. Cash-flow from financing activities		-2 720	48 021
* Change in financial liabilities and financial debts			
- Increase in financial debts	3	100 226	85 500
- Decrease in financial debts	3	-184 821	-7 735
* Change in other liabilities			
- Increase (+) / Decrease (-) in other liabilities		-72	25
* Change in shareholders' equity			
- Capital increase and issue premiums		125 676	
- Costs of capital increase		-2 733	-41
- Other			
* Dividend			
- Dividend for the previous financial year		-40 995	-29 728
CASH AND CASH EQUIVALENTS AT THE END OF THE SEMESTER		2 347	3 761

5. NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FIGURES

KEY PERFORMANCE INDICATORS

EPRA earnings per share (in €)	30.09.18	30.09.17
EPRA earnings (attributable to the shareholders of the parent company)	29 441 000	21 983 000
Number of ordinary shares in circulation	11 422 593	9 382 612
Weighted average number of shares	11 108 335	9 279 486
EPRA earnings per share (in €) ⁹	2.65	2.37
EPRA earnings per share (in €) – diluted	2.65	2.37

9 The EPRA earnings 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). Calculated on the number of dividend-entitled shares, the EPRA earnings per share amounts to EUR 2.58 at 30.09.2018 versus EUR 2.34 at 30.09.2017.

NET ASSET VALUE PER SHARE (in €) - SHARE GROUP	30.09.18	31.03.18
Net asset value per share IFRS ¹⁰	59.63	59.89
EPRA NAV per share ¹¹	60.72	61.33
Net asset value per share (investment value) excl. dividend excl. the fair value of authorised hedging instruments ¹²	62.93	61.73

10 The net asset value per share IFRS (fair value) is calculated as follows: shareholders' equity (attributable to the shareholders of the parent company) divided by the number of shares.
11 The net asset value per share EPRA (fair value) is calculated as follows: shareholders' equity (excluding changes of the fair value of authorised hedging instruments) divided by the number of shares.
12 For the definition and purpose of this alternative performance measure, we refer to the Lexicon.

PRESENTATION PRINCIPLES

The interim financial report of the first half year ending on 30 September 2018 was prepared in accordance with accounting standards consistent with International Financial Reporting Standards as implemented by the REIT legislation and in accordance with IAS 34 “Interim Financial Reporting”.

With respect to the tax timing differences between local accounting and the consolidated figures, deferred tax assets and/or liabilities are recorded under ‘other result on portfolio’.

Apart from the foregoing, the same accounting principles and calculation methods are used in these condensed interim financial statements were as those used in the consolidated financial statements as at 31 March 2018.

APPLICATION OF IFRS 3 BUSINESS COMBINATIONS

Corporate transactions of the past half year were not processed as a business combination as defined under IFRS 3 based on the finding that this standard was not applicable given the nature and the scale of the companies of which control was acquired. The companies in question own a limited number of properties and are not intended to be held as independent businesses. The companies are fully consolidated.

NEW OR AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN 2018

The following amendments and annual improvements to standards

are mandatory for the first time for the financial year beginning on or after 1 January 2018 and have been endorsed by the European Union but have no significant effect on the presentation, the notes or the financial results of the Group:

- **IFRS 9**, ‘Financial instruments’ (effective 1 January 2018). This standard, which covers financial instruments on both the asset as well as the liability side, describes the criteria for recognition, classification and derecognition of such instruments, in addition to the allowed measurement methods.
- **IFRS 15**, ‘Revenue from contracts with customers’ (effective 1 January 2018). The IASB and FASB have jointly published a standard regarding revenue from contracts with customers. The standard will result in better financial reporting and will improve the comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018.

- **Amendments to IFRS 15**, ‘Revenue from contracts with customers’ - Clarifications (effective 1 January 2018). These amendments compromise clarification guidance on identifying performance obligations, accounting for licences of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.

- **Amendments to IFRS 4**, ‘Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts’ (effective 1 January 2018): These amendments introduce two possible approaches usable by entities that issue insurance contracts in the scope of IFRS 4: an overlay approach and a deferral approach. The amended standard will:

- o give all companies that issue insurance the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied early; and
- o give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

- **IFRIC 22**, ‘ Foreign currency transactions and advance consideration (effective 1 January 2018): ‘This IFRIC addresses foreign currency transactions or parts of transactions where there is an advance consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/ receipt is made as well as for situations where multiple payments/ receipts are made. The guidance aims to reduce diversity in practice.

- **Annual improvements 2014-2016** applicable to three standards of which changes on IFRS 1 and IAS



28 are applicable as of 1 January 2018 and changes on IFRS 12 are applicable as of 1 January 2017. The improvements that will be applicable as of 1 January 2017 concern IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (these amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017).

- **Amendments to IFRS 2, Share-based payments** (effective 1 January 2018): The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay the amount to the tax authorities.
- **Amendments to IAS 40, 'Investment property'** (effective 1 January 2018): The amendment clarifies that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

NEW OR AMENDED STANDARDS AND INTERPRETATIONS NOT YET APPLICABLE IN 2018

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union:

IFRS 16, 'Leases' (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Amendments to IFRS 9, 'Prepayment features with negative compensation' (effective 1 January 2019 with the EU). An amendment to allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through

other comprehensive income if a specified condition is met—instead of at fair value through profit or loss, because they would otherwise fail the SPPI-test. In addition, this amendment clarifies an aspect of the accounting for financial liabilities following a modification.

For more details about the estimation of the impact on the Retail Estates accounts, we refer to page 127-130 of the annual report 2017-2018.

NEW OR AMENDED STANDARDS AND INTERPRETATIONS NOT YET APPLICABLE IN 2018 AND HAVE NOT BEEN ENDORSED BY THE EUROPEAN UNION SO FAR

IFRS 17 'Insurance contracts' (effective 1 January 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IAS 28, 'Long term interests in associates and joint ventures' (effective 1 January

2019). Clarification regarding the accounting for long-term interests in an associate or joint venture, to which the equity method is not applied, under IFRS 9. Specifically, whether the measurement and impairment of such interests should be done using IFRS 9, IAS 28 or a combination of both.

Amendments to IAS 19, 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019). The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. In addition, an entity will have to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement.

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Annual improvements to IFRS Standards 2015-2017 cycle, applicable as of 1 January 2019 and containing the following amendments to IFRSs:

- o IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, the amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- o IAS 12 Income Taxes, the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- o IAS 23 Borrowing Costs, the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The following **standard** is mandatory since the financial year beginning 1 January 2016 (however not yet subjected to EU endorsement). The European Commission has decided not to launch the endorsement process of this interim standard but to wait for the final standard:

IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016). It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.



STATEMENT BY THE PERSON IN CHARGE AT RETAIL ESTATES NV

In accordance with article 13 § 2 of the Royal Decree of 14 November 2007, Jan De Nys, managing director, states that, to his knowledge,

- a) the condensed interim financial statements, prepared on the basis of financial reporting principles in accordance with IFRS and with IAS 34 "Interim Financial Reporting", as adopted by the European Union, give a true and fair view of the shareholders' equity, the financial position and the results of Retail Estates nv and the companies included in the consolidation.
- b) the interim report gives a true and fair account of the main events that occurred during the first six months of the current financial year, their impact on the condensed interim financial statements, the main risk factors and uncertainties regarding the months ahead of the financial year, as well as the main transactions between the related parties and their possible impact on the condensed interim financial statements if these transactions are significant and were not concluded on the basis of the arm's length principle.

SEGMENTED INFORMATION

IFRS 8 defines an operating segment as follows: An operating segment is a component of the entity (IFRS 8.5):

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Since the 2017-2018 financial year, Retail Estates has distinguished between two geographical segments: Belgium and the Netherlands.

Within Retail Estates, the management committee acts as CODM.

Segmented information – results by segment (in € 000)	30.09.18				30.09.17			
	Belgium	The Netherlands	Unallocated amounts	TOTAL	Belgium	The Netherlands	Unallocated amounts	TOTAL
Rental income	35 473	10 904		46 377	34 702	1 533		36 235
Rental related expenses	-119	-122		-241	-100			-100
Net rental income	35 354	10 782		46 136	34 602	1 533		36 135
Recovery of property expenses								
Recovery of rental charges and taxes normally payable by tenants on let properties	3 737	1 235		4 972	3 182	80		3 262
Rental charges and taxes normally payable by tenants on let properties	-4 035	-1 640		-5 675	-3 449	-135		-3 584
Other rental related income and expenses	-35	-16		-51	-17			-17
Property result	35 021	10 361		45 382	34 319	1 478		35 797
Technical costs	-1 356	-534		-1 890	-1 219	-55		-1 274
Commercial costs	-295	-22		-317	-280	-5		-285
Charges and taxes on unlet properties	-161	-38		-199	-151	-9		-160
Property management costs	-897	-346		-1 243	-856	-40		-896
Other property costs	-17			-17	115	-107		8
Property costs	-2 726	-940		-3 666	-2 392	-215		-2 607
Operating property result	32 295	9 421		41 716	31 926	1 263		33 189
Operating corporate costs			-2 533	-2 533			-2 009	-2 009
Other current operating income and expenses								
Operating result before result on portfolio				39 183				31 180
Result on disposals of investment properties	-202	964		762	-8			-8
Result on sales of other non-financial assets								
Changes in fair value of investment properties	2 662	-2 469		193	5 912	-5 147		765
Other result on portfolio	-742	-88		-830	-225	491		266
Operating result				39 308				32 203
Financial income			36	36			30	30
Net interest charges			-9 417	-9 417			-8 544	-8 544
Changes in fair value of financial assets and liabilities			-1 920	-1 920			631	631
Other financial charges			-32	-32			-30	-30
Financial result			-11 332	-11 332			-7 913	-7 913
Result before taxes				27 976				24 290
Taxes	439	-768		-329	-489	-164		-653
Net result				27 647				23 637

Segmented information – assets by segment (in € 000)	30.09.18			31.03.18		
	Belgium	The Netherlands	TOTAL	Belgium	The Netherlands	TOTAL
Investment properties ¹³	1 095 370	296 284	1 391 654	1 097 845	251 521	1 349 367
Non-current assets or groups of assets held for sale	13 615	941	14 556	1 637	27 564	29 201

13 Including project developments (IAS 40).

VALUATION OF INVESTMENT PROPERTIES UNDER DEVELOPMENT

Under the IAS 40 standard, project developments are included in the investment properties. If purchased, they are valued against the acquisition value, including incidental costs and non-deductible VAT.

If the group believes that the fair value of the investment properties under development cannot be determined in a reliable manner but assumes it will be possible to determine the fair value once the properties have been contracted, licensed and rented, the investment properties under development will be registered at cost price until the fair value can be determined (once they have been contracted, licensed and rented) or until the development is completed (whichever happens first) in accordance with IAS 40.53. This fair value is based on the valuation by the real estate expert after deduction of the work still to be performed.

An investment property under development can relate to a plot of land, a building to be demolished or an existing building that needs to be given a new purpose, requiring considerable renovation work to realise the desired purpose.

ADDITIONAL COMMENTS ON THE DEBT RATIO DEVELOPMENT

Principle

Article 24 of the Belgian Royal Decree relating to Belgian regulated real estate companies requires public Belgian REITs to draw up a budget forecast with an implementation schedule when its consolidated debt ratio exceeds 50% of consolidated assets. The budget forecast describes the measures that will be taken to prevent the consolidated debt ratio from exceeding 65% of consolidated assets.

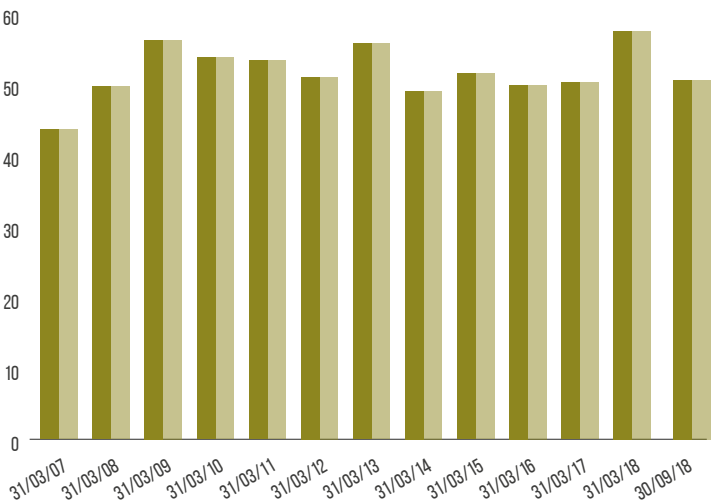
A separate report on the budget forecast is prepared by the statutory auditor, confirming that the latter has verified the method of drawing up the forecast, particularly as regards the economic principles, and that the figures contained in this forecast correspond to the accounting records of the public BE-REIT.

The general guidelines of the budget forecast are included in the annual and half-yearly financial reports. The annual and half-yearly financial reports describe the

implementation of the budget forecast during the relevant period as well as the future implementation by the public BE-REIT and provide justification for this approach.

Notes regarding 2018-2019

Historical evolution of the debt ratio



Historically, the debt ratio of Retail Estates has fluctuated between 50–55%. In the course of its history, Retail Estates nv has never had a debt ratio exceeding 60%.

Long-term evolution of the debt ratio

The board of directors considers a debt ratio of +/- 55% ideal for the shareholders of the public BE-REIT in terms of return and current earnings per share. The impact of every investment on the debt ratio is reviewed and an investment is possibly not carried out if it would have a negative impact on the debt ratio.

Based on the current debt ratio of 50.59%, Retail Estates nv has an investment potential of € 314.35 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 per 31 December 2018 takes into account the following assumptions:

• disposals during the third quarter of 2018-2019

No divestments are planned for the third quarter.

• result of the third quarter of 2018-2019

The result of the third quarter as indicated in the 2018-2019 budget and as approved by the board of directors.

• planned investments for the third quarter of 2018-2019

Investments totalling € 10.71 million are planned for the third quarter of the 2018-2019 financial year.

Based on the above-mentioned assumptions, the debt ratio would amount to 49.97% as per 31 December 2018.

A projection is also made of the debt ratio as per 31 March 2019 (end of the financial year). This projection takes into account the following assumptions:

• disposals during the second half-year 2018-2019

No divestments are planned for the second half-year.

• result of the second half-year 2018-2019

The result of the second half-year as indicated in the 2018-2019 budget and as approved by the board of directors.

• planned investments for second half-year 2018-2019

Investments totalling € 20.36 million are planned for the year 2018-2019 financial year.

Taking into account the additional planned investments and the earnings expectations for the full year, the debt ratio would amount to 49.28% as per 31 March 2019.

The debt ratio projection only takes into account acquisitions and disposals for which a private agreement has been signed (without conditions precedent) as well as planned investments that have been planned and contracted out. Expiring credits are assumed to be refinanced for the same amount.

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 investment properties by more than € 315.41 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 1.95% in order to exceed the debt ratio) or a reduction in rents (if the yields remain unchanged, the rents would have to drop by € 20.97 million). Historically, the fair value of the real estate portfolio has always risen or has at least been stable since the incorporation of the company. There are currently no indications in the market to assume an increase in the yield.

If substantial value drops do take place that raise the debt ratio above 65%, Retail Estates nv can decide to dispose of some of its properties. Retail Estates nv has a solid track record of selling properties at their estimated investment value. During the 2015-2016 financial year, 11 retail units, 2 flats, an office space, a car park and 9 plots of land of the Westende site were sold for a net sales price of € 11.80 million. During the 2016-2017 financial year, 7 retail units, 3 car parks and 8 plots of land of the Westende site were sold for a net sales price of € 9.72 million. Globally, this units were sold at the estimated investment value. During the 2017-2018, Retail Estates divested for an amount of €7.64 million and realised a positive result on this sales of €0,09 million.

Conclusion

Retail Estates nv is of the opinion that, based on •the historical evolution of the public BE-REIT, •its track record as regards sales,

no additional measures need to be taken to prevent the debt ratio from exceeding 65%. The public BE-REIT intends to maintain or to re-establish the debt ratio at a level 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 conditions or environmental factors.

6. ADDITIONAL NOTES

NOTE 1

RENTAL INCOME

Rental income (in € 000)	30.09.18	30.09.17
Within one year	92 515	77 676
Between one and five year(s)	300 746	265 353
Within more than five years	363 105	369 750

The increase in rental income is mainly the result of the acquisitions in the course of the previous financial year.

As a theoretical exercise, the table above shows how much rental income Retail Estates nv is certain to receive based on the current lease agreements. Where the Belgian commercial lease agreements are concerned, this does not alter the theoretical risk that all tenants may use their legal termination option at the end of the current three-year period.

Under these circumstances, all retail units will in principle become vacant in three years and six months. Over the past three years, leases were renewed or new leases were concluded for 26.08% of the buildings. For this part of the portfolio, the average rental prices increased from € 79.33 to € 99.89 per m². The granting of rent-free periods is rather rare in the market of out-of-town retail real estate. In the past three years, and out of a portfolio of 834 properties, a total of 128 months of rent-free periods was granted, which is negligible. Besides rent-free periods, no other material incentives are given when closing lease agreements.

Type of lease agreement

The Group concludes commercial lease agreements for its buildings in Belgium for a minimum period of 9 years, which, in most cases, can be terminated by the tenant after the expiry of the third and the sixth year, subject to six months' notice prior to the expiry date. Standard lease agreements in the Netherlands have a five-year term.

The rents are usually paid in advance on a monthly basis (sometimes quarterly). They are indexed annually on the anniversary of the lease agreement.

To guarantee compliance with the obligations imposed on the tenant by virtue of the agreement, tenants must provide a rental guarantee, usually in the form of a bank guarantee, corresponding to three months' rent.

At the start of the agreement, an inventory of fixtures is drawn up between the parties by an independent expert. Upon expiry of the agreement, the tenant must return the leased premises in the condition described in the inventory of fixtures that was drawn up when the tenant moved into the property, subject to normal wear and tear. The tenant is not entitled to transfer the lease nor to sublet all or part of the leased property without prior written consent of the lessor. The tenant must register the agreement at their own expense.

NOTE 2

INVESTMENT PROPERTIES

For more information on the acquisitions and divestments, we refer to chapter 1 of the activity report.

Investment and revaluation table (in € 000)	Investment properties		Assets held for sale		Total	
	30.09.18	31.03.18	30.09.18	31.03.18	30.09.18	31.03.18
Balance at the end of the previous financial year	1 349 367	1 071 360	29 201	5 691	1 378 568	1 077 051
Acquisition through purchase or contribution real estate companies	10 133	3 166			10 133	3 166
Capitalised interest cost	49	35			49	35
Acquisition and contribution of investment properties	58 845	307 874	11	490	58 856	308 364
Disposal through sale of real estate companies						
Disposal of investment properties	-14 020	-1 655	-27 569	-5 888	-41 589	-7 543
Transfers to assets held for sale	-14 343	-28 651	14 343	28 651		
Other transfers						
Change in fair value (+/-)	1 623	-2 762	-1 430	257	193	-2 505
At the end of the semester/financial year	1 391 654	1 349 367	14 556	29 201	1 406 210	1 378 568
OTHER INFORMATIONS						
Investment value of the property	1 437 678	1 392 427	14 962	30 929	1 452 640	1 423 356

Project developments (in € 000)	30.09.18	31.03.18
Balance at the end of the previous financial year	24 981	18 825
Increase during the semester/financial year	10 060	10 397
Completion during the semester/financial year	-7 460	-4 241
At the end of the semester/financial year	27 581	24 981

The fair value of the investment properties is determined by real estate experts. Thes experts make use of different methods in this respect. For more information on these methods, we refer to the chapter “financial report” of the annual report for the 2017-2018 financial year.

Investments resulting from subsequent expenditure included in the carrying amount of the assets amounted to € 5.30 million for the first half-year 2018-2019. In addition, the company realised € 7.46 million from the development of property for its own account and invested € 6.56 million in the development of property for its own account.

NOTE 3

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Breakdown by due date of credit lines (in € 000)	30.09.18	31.03.18
Non-current		
Bilateral loans - variable or fixed rate	554 750	661 494
Bond loan	84 550	84 506
Subtotal	639 300	746 000
Current		
Bilateral loans - variable or fixed rate	10 809	1 384
Other	50 000	35 000
Subtotal	60 809	36 384
Total	700 109	782 384

Breakdown by maturity of non-current financial debts (in € 000)	30.09.18	31.03.18
Between one and two year(s)	108 316	128 517
Between two and five years	202 439	211 187
More than five years	328 545	406 296

Breakdown by maturity of future interest charges (in € 000)	30.09.18	30.09.17
Within one year	16 474	15 484
Between one and five year(s)	55 804	45 539
Within more than five years	16 349	14 405

Structure of the financial debt:

On 30 September 2018, total consolidated financial debt amounted to € 700.11 million. This amount is composed as follows:

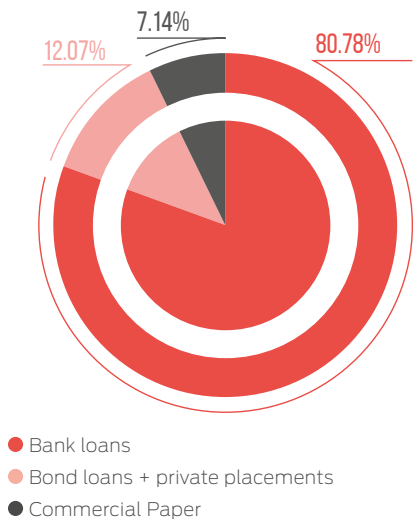
Non-current liabilities:

- € 554.75 million in traditional bilateral long-term bank loans, spread over different banks
- € 84.55 million in bond loans

Current liabilities:

- € 10.81 million in traditional bilateral short-term bank loans, spread over different banks
- € 50.00 million in Commercial Papers

STRUCTURE OF THE FINANCIAL DEBT



MATURITY DATES

The weighted average term of the outstanding financial debts of Retail Estates was 4.83 years on 30 September 2018 compared to 4.33 years for the previous year. On 30 September 2018 the total of unused and confirmed long-term credit lines amounted to € 183.86 million.

The weighted average cost of the debts of Retail Estates was 2.39% for the first half year of 2018, including credit margins and the costs of hedging instruments. During the 2017-2018 financial year, the average cost of the debts was 2.62%.

NOTE 4

DEBT RATIO

The debt ratio is 50.59%, compared to 57.57% on 31 March 2018. The decrease is the result of the capital increase completed on 25 April 2018 for an amount of € 123.37 million through the issue of 1,897,932 shares. In principle, Retail Estates nv concludes an agreement with its banks for a debt ratio covenant of 60%.

Calculation debt ratio (in € 000)	30.09.18	31.03.18
Liabilities	741 919	825 842
To be excluded:	21 942	23 208
I. Non-current liabilities	12 418	13 688
Provisions		
Authorised hedging instruments	12 392	13 688
Deferred taxes	26	
II. Current liabilities	9 524	9 520
Provisions		
Authorised hedging instruments		
Accrued charges and deferred income	9 524	9 520
Total debt	719 977	802 634
Net reduction debt		
Total assets	1 423 067	1 394 173
DEBT RATIO	50.59%	57.57%



NOTE 5
FINANCIAL INSTRUMENTS

Summary of financial instruments as at closing date (in € 000)	Cate- gories	30.09.18			Cate- gories	31.03.18		
		Book value	Fair value	Level		Book value	Fair value	Level
I. Non-current assets								
Finance lease receivables	C	1 030	1 030	2	C	1 030	1 030	2
Loans and receivables	A	1 679	1 679	2	A	1 767	1 767	2
II. Current assets								
Trade receivables and other receivables	A	7 440	7 440	2	A	5 814	5 814	2
Cash and cash equivalents	B	2 347	2 347	2	B	3 389	3 389	2
Total financial instruments on the assets side of the balance sheet		12 496	12 496			12 000	12 000	
I. Non-current liabilities								
Interest-bearing liabilities	A			2	A			2
Credit institutions	A	554 750	573 515	2	A	661 494	678 110	2
Other	A	84 550	92 765	2	A	84 506	94 732	2
Other non-current liabilities	A			2	A			2
Other financial liabilities	C	14 472	14 472	2	C	20 518	20 518	2
II. Current liabilities								
Interest-bearing liabilities	A	60 809	60 809	2	A	36 384	36 384	2
Current trade debts and other debts	A/C	17 814	17 814	2/3	A/C	13 419	13 419	2/3
Total financial instruments on the liabilities side of the balance sheet		732 395	759 375			816 321	843 163	

The categories correspond to the following financial instruments:

A. Financial assets or liabilities (including receivables and loans) held to maturity at amortised cost.

B. Investments held to maturity at amortised cost.

C. Assets or liabilities held at fair value through profit and loss except for financial instruments designated as hedging instruments.

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

Level 2 in the fair value hierarchy includes other financial assets and liabilities of which the fair value can be determined by reference to other inputs which are directly or indirectly observable for the relevant assets or liabilities.

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

- The item “other financial liabilities” refers to interest rate swaps of which the fair value can be determined by means of interest rates applicable in active markets; these rates are generally provided by financial institutions.

- The fair value of the other level 2 financial assets and liabilities is virtually equal to their carrying amount:

- because they have a short-term maturity (e.g. trade receivables and debts); or
- because they have a variable interest rate.

The fair value of debts with a fixed interest rate is estimated by discounting their future cash flows at a rate that reflects the Group’s credit risk.

Financial instruments at amortised cost

Since trade receivables and trade debts are short-term instruments, the fair value approximates the nominal value of these financial assets and liabilities.

On 30 september 2018, Retail Estates nv had € 429.25 million of financial debts at a variable interest rate and € 271.30 million of financial debts at a fixed interest rate. 93,09% of the loans have a fixed interest rate or are hedged using an interest rate swap contract. The fixed interest rates at which these long-term debts were originally concluded in most cases no longer correspond to prevailing money market rates, resulting in a difference between their book value and their fair value. The table below compares the total amount of fixed-rate debts at book value and at fair value at the end of the 2017-2018 financial year. The fair value of the fixed-rate debts is estimated by discounting their future cash flows at a rate that reflects the Group's credit risk. The fair value of the fixed-rate debts is mentioned in the underlying table. The book value is equal to the amortised cost. The financial debts with a variable rate have a book value that approximates their fair value.

Financial debts at fair value

The Group makes use of financial derivatives (interest rate swaps) to hedge interest rate risks arising from certain operational, financial and investment activities. Financial derivatives are initially recognised at cost and revalued to their fair value on the next reporting date.

The derivatives currently used by Retail Estates nv qualify as cash flow hedges only to a limited extent. Changes in the fair value of the derivatives that do not qualify as cash flow hedges are recorded immediately in the income statement. An amount of €-1,92 million was recorded in the income statement with respect to the financial instruments. An amount of €-4.13 million relates to the linear depreciation of the value on 31 December 2015 of the derivatives that do not longer qualify as cash flow hedges, and € 1.18 million relates to the variations in fair value for the period of 1 April 2017 to 31 March 2018. Swaps qualifying as cash flow hedges are recognised directly as shareholders' equity and are not recorded in the income statement. The interest rate swaps are level 2 instruments.

Fair value of financial assets and liabilities (in € 000)		
	30.09.18	31.03.18
Fair value of financial derivatives	-12 392	-13 688
Total fair value of financial assets and liabilities		
	-12 392	-13 688

Financial debts at fixed interest rate	30.09.18		31.03.18	
	Book value	Fair value	Book value	Fair value
Financial debts at fixed interest rate	271 305	298 285	242 666	269 508

NOTE 6

LIST OF CONSOLIDATED COMPANIES AND CHANGES IN THE CONSOLIDATION SCOPE

As per 30 september 2018, the following subsidiaries are part of the consolidation perimeter of Retail Estates nv:

Subsidiary	External financial debts ¹⁴ (in € 000)	Investment properties ¹⁴ (in € 000)	Rental income ¹⁵ (in € 000)	Participation percentage
				99,38% by Retail Estates nv, 0,62% Librajem bvba
Retail Warehousing Invest nv		104 620	1 843	
Librajem bvba		2 268	96	100%
NS Properties bvba	638	1 145	6	100%
Finsbury Properties nv		10 415	348	100%
Heerzele nv		10 151	16	100%
Blovan nv		4647	152	50%
Retail Estates Nederland		72 627	3 007	100%
				95% by Retail Estates nv, 5% Retail Warehousing Invest nv
Coöperatieve Leiderdorp Invest			20	
Cruquius Invest		72 772	2 452	100%
Zwolle Invest	10 250	43 544	1 654	100%
Heerlen I invest		56 348	1 987	100%
Heerlen II Invest		50 993	1 785	100%
				99,91% by Retail Estates nv, 0,09% Retail Warehousing Invest nv
Etablissements Hayen nv	3 589	10 030	145	

¹⁴ Value at closing date of the consolidated figures (30.09.2018).

¹⁵ For the period the companies are part of the Group in the current financial year.

In the course of the first half of this financial year, Retail Estates nv acquired a controlling interest of the company Etablissements Hayen nv. For more information on this transaction, we refer to the paragraph “Investments – clusters” in the management report of this half-year report.

MINORITY INTERESTS

Heerzele nv – exercise of the option on the remaining shares

On 30 August 2016, Retail Estates nv acquired a controlling interest (51%) of a real estate company that owns a property in Wetteren where Retail Estates can expand its retail park in Wetteren upon obtaining the required permits.

On 31 August 2018, Retail Estates acquired the remaining shares by exercising the purchase option relating to the remaining 49% of the shares.

Blovan nv

On 31 January 2017, Retail Estates nv acquired a stake (50%) in a real estate company, Blovan nv, which owns a semi-logistics

facility in Wetteren that is used for business-to-business trade.

In the case of a possible exit of its partner, the company intends to acquire all shares no sooner than 12 months after acquisition of a controlling interest. Due to the combination of the cooperation agreement and the put options (which Retail Estates nv intends to exercise) relating to the non-controlling interest, Retail Estates nv has a controlling interest in Blovan nv and is applying the full consolidation method.

Accounting treatment

As of 31 December 2012, the balance sheet has been drawn up on the assumption that all non-controlling interests are acquired (in accordance with IFRS), irrespective of the timing of such acquisition and on the assumption that such acquisition is paid in cash. This reflects the maximum debt ratio on the basis of the available information and the stage of development of the projects. The impact on the non-current liabilities amounts to € 2.06 million..

7. STATUTORY AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FIGURES FOR THE PERIOD OF SIX MONTHS ENDED 30 SEPTEMBER 2018

Introduction

We have reviewed the condensed consolidated interim figures of Retail Estates nv and its subsidiaries as of 30 September 2018, consisting of the condensed consolidated income statement, the statement of other comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in shareholders' equity and the condensed consolidated cash flow statement for the 6-month period then ended, as well as the notes to the condensed consolidated half-yearly accounts (together: “condensed consolidated interim figures”). The board of directors is responsible for the preparation and presentation of these condensed consolidated interim figures in accordance with IAS 34, as adopted by the European Union and implemented by the royal decree of 13 July 2014, and with the legal and regulatory requirements applicable in Belgium. Our responsibility is to express a conclusion on these condensed consolidated interim figures based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and in applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim figures on 30 September 2018 have not been prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union and implemented by the royal decree of 13 July 2014.

Sint-Stevens-Woluwe,
16 November 2018

The Statutory Auditor
PwC Reviseurs d'Entreprises scrl /
Bedrijfsrevisoren cvba

Represented by

Damien Walgrave
Reviseur d'Entreprises / Bedrijfsrevisor



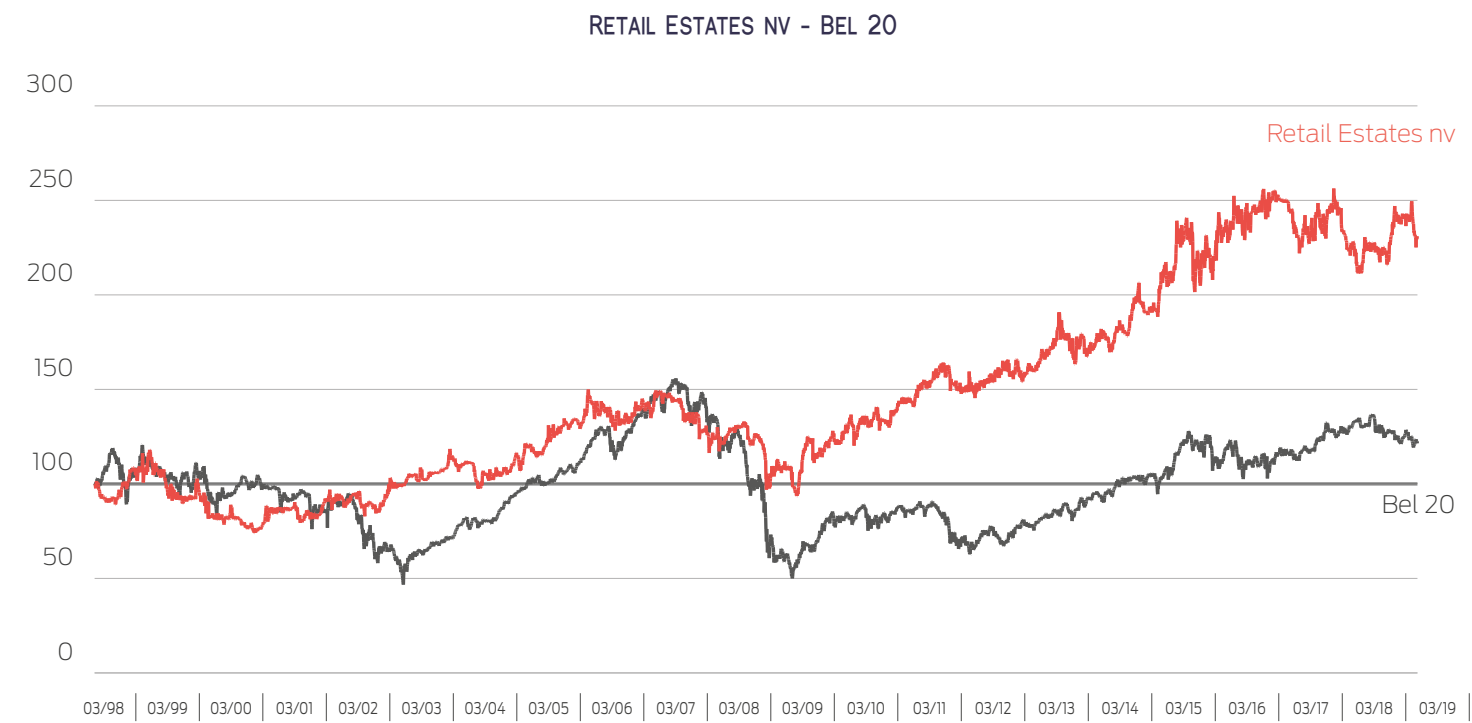
REPORT ON THE SHARE

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1. OVERVIEW OF STOCK MARKET PERFORMANCE

During the first six months of the 2018-2019 financial year, the stock price fluctuated between € 68.30 and € 79.90. The chart below shows the stock market performance of the Retail Estates share relative to the BEL 20 since the share's introduction

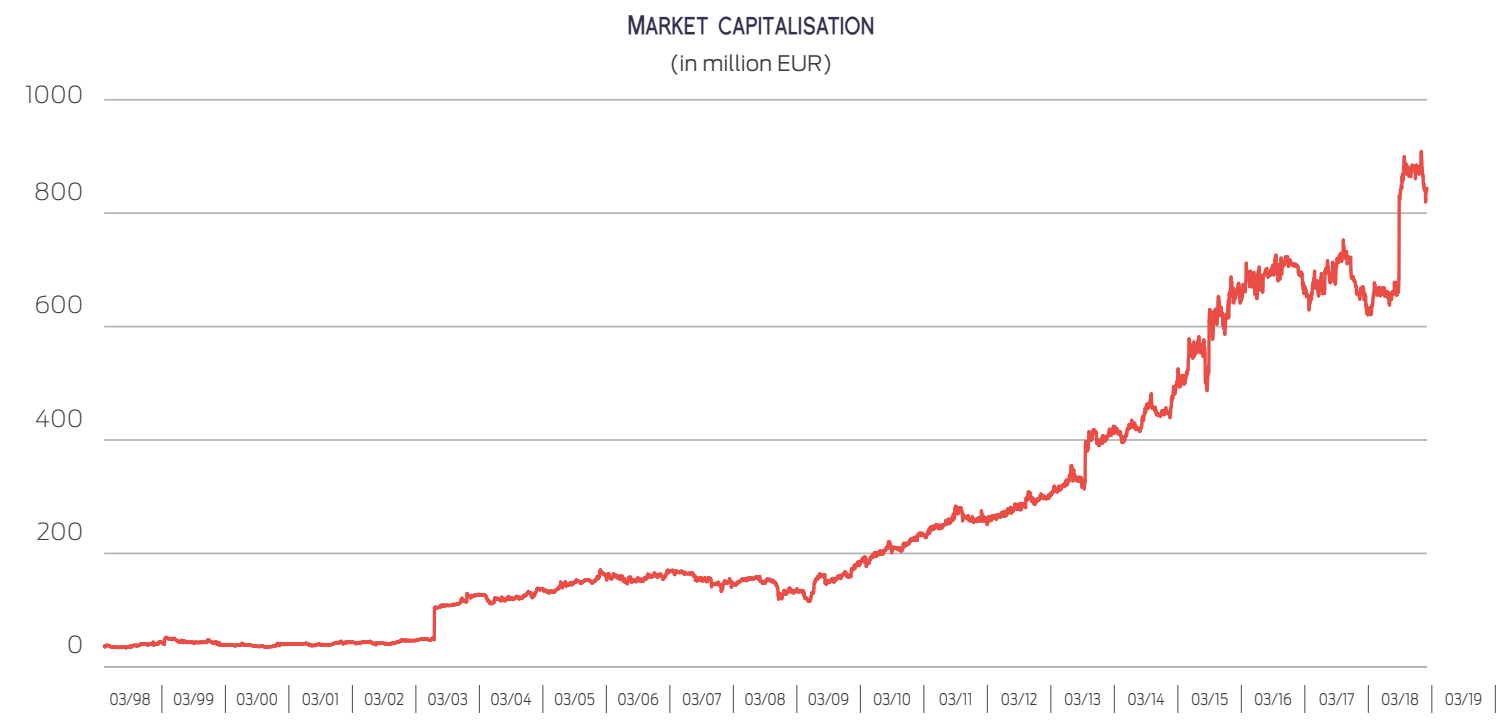
on the stock exchange. The Retail Estates share evolved by 134.38% and the BEL 20 evolved by 24.51% over this period. The average closing price for the past half year is € 75.45.



“THE RETAIL ESTATES SHARE EVOLVED BY 134.38% AND THE BEL 20 EVOLVED BY 24.51% OVER THIS PERIOD. THE AVERAGE CLOSING PRICE FOR THE PAST HALF YEAR IS € 75.45.”

2. MARKET CAPITALISATION

Retail Estates nv is listed on the Euronext continuous market. The market capitalisation amounted to € 844.13 million on 30 September 2018.



3. DIVIDEND AND YIELD

The share's net asset value (EPRA

NAV) in a real estate valuation at fair value is € 60.72.

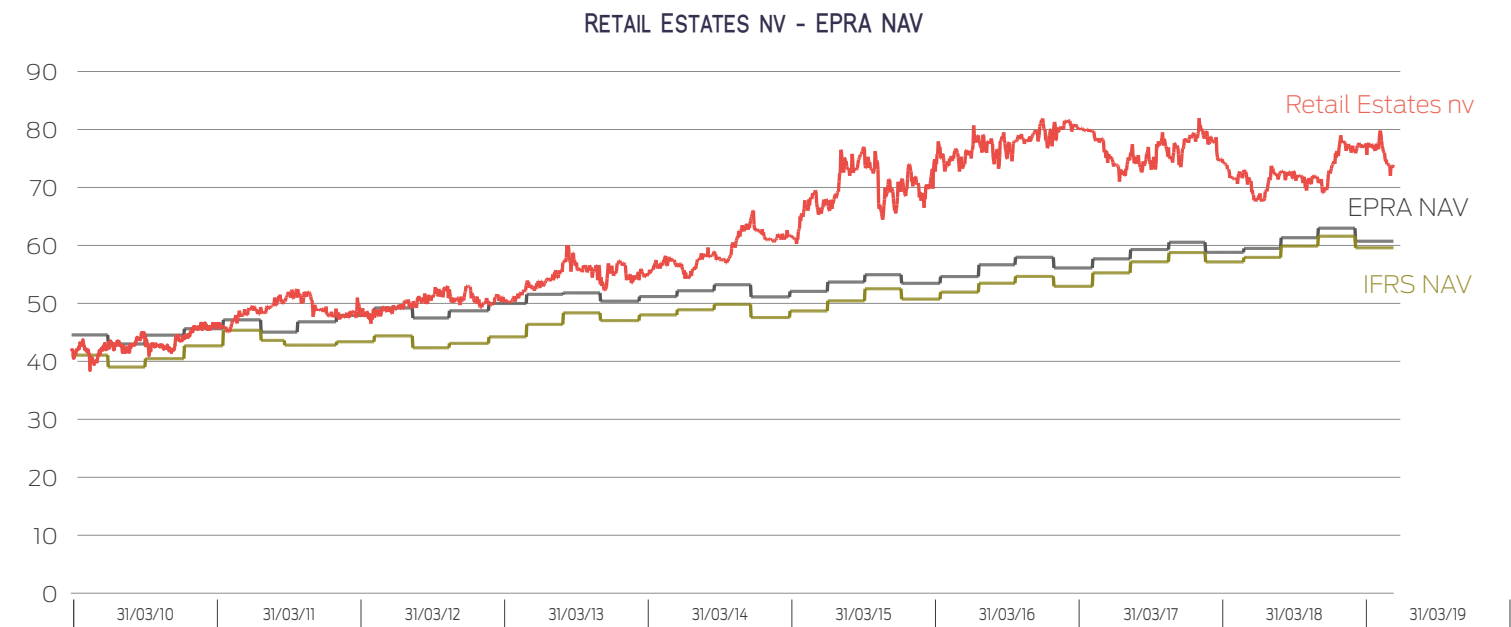
The evolution of the net asset value can be explained by the decline of the result on portfolio

on the one hand and the payment of the dividend for the 2017-2018 financial year on the other hand.

NET ASSET VALUE PER SHARE (in €)	30.09.18	31.03.18	30.09.17
Net asset value per share IFRS ¹⁶	59.63	59.89	57.15
EPRA NAV per share ¹⁷	60.72	61.33	58.8
Net asset value per share (investment value) excl. dividend excl. the fair value of authorised hedging instruments	62.93	61.73	60.5
Gross dividend		3.60	
Withholding tax (30%)		1.08	
Net dividend		2.52	
Share price on closing date	73.90	71.45	73.61

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

17 The net asset value per share EPRA (fair value) is calculated as follows: shareholders' equity (excluding changes of the fair value of authorised hedging instruments) divided by the number of shares.



4. FINANCIAL CALENDAR

Announcement results third quarter financial year 2018-2019
15 February 2019

Announcement annual results financial year 2018-2019
17 May 2019

General meeting
22 July 2019

Ex-coupon date dividend
29 July 2019

Dividend made available for payment
31 July 2019

OVER A PERIOD OF 20 YEARS, THE COMPANY HAS ESTABLISHED A SIGNIFICANT PORTFOLIO WHICH CONSISTS OF 834 RETAIL PROPERTIES WITH A TOTAL BUILT-UP RETAIL AREA OF 977,170M² AS PER 30 SEPTEMBER 2018.



REAL ESTATE REPORT

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Increase in value of properties
at top locations

Retail Estates nv has invested in out-of-town retail properties since 1998. Over a period of 20 years, the company has established a significant portfolio which consists of 834 retail properties with a total built-up retail area of 977,170m² as per 30 September 2018. The fair value amounts to € 1,391.65 million.

Valuation as of 30 September 2018

1. REPORTS OF THE
REAL ESTATE EXPERTS

BELGIUM:

For the Belgian portfolio, Retail Estates nv calls upon the real estate experts Cushman & Wakefield, CBRE and Stadim. In practice, each of them assesses part of the real estate portfolio.

REPORT BY CUSHMAN & WAKEFIELD

The Cushman & Wakefield report of 30 September 2018 covers part of the real estate owned by Retail Estates nv and its subsidiaries. This report includes the following text:

“We have the pleasure of providing you with our valuation as of 30 September 2018, which covers the portfolio of Retail Estates + Distri-Land + Finsbury Properties.

We confirm that we carried out this task as an independent expert. We also confirm that our valuation

was carried out in accordance with national and international standards and their application procedures, including in the field of valuation of Belgian Real Estate Investment Trusts (BE-REITs). (According to the current conclusions. We reserve the right to review our valuation in case of modified conclusions).

Fair value is defined as the estimated amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. This definition corresponds to our definition of market value.

The sale of a building is in theory subject to transaction duties collected by the government. The amount depends on the manner of transfer, the profile of the purchaser and the geographical location of the building. On the basis of a representative sample of the properties on the Belgian market, the average transaction cost has been found to equal 2.50% (for buildings with a value higher than € 2,500,000 over the 2013, 2014, 2015 and Q1 2016 period).

In case of buildings with a value higher than € 2,500,000, we determine the sales value (excluding costs corresponding to the fair value as set by the international accounting standard IAS 40) by subtracting 2.50% from the investment value for transaction costs. The different properties are regarded as a portfolio in this context.

Our “investment value” is based on capitalisation with a gross initial yield of the passing rent, taking into account possible corrections like vacancy, step-rents, rent-free periods, etc. The gross initial yield depends 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 at the moment of the valuation.

In order to calculate the investment value of the retail park in Tongeren and the Distri-Land portfolio, we have capitalised the relevant adjusted market rent. If the market rent is higher than the current rent, this adjusted market rent is determined by taking 60% of the gap between the market rent and the current rent. This amount is then added to the current rent.

If this is not the case, the adjusted market rent is equal to the market rent. In addition, adjustments are made for the difference in the current rent and the (adjusted) market rent.

The **portfolio of Retail Estates nv (incl. Tongeren)** has an investment value of € 498.49 million (incl. corrections) and a fair value of € 486.33 million as per 30.09.2018. The investment value increased by 2.5% versus the previous quarter. This gives a 6.55% yield for Retail Estates.

The **portfolio of Immobilière Distri-Land nv** has an investment value of € 19.66 million (incl. corrections) and a fair value of € 19.18 million as per 30.09.2018. The investment value decreased by 0.2% versus the

previous quarter. This gives a 6.63% yield for Immobilière Distri-Land nv.

The **portfolio of Finsbury Properties nv** has an investment value of € 10.68 million (incl. corrections) and a fair value of € 10.42 million as per 30.09.2018. This gives a 6.88% yield for Finsbury Properties.”

REPORT BY CBRE

The CBRE report of 30 September 2018 covers part of the real estate owned by Retail Estates nv and its subsidiaries. This report includes the following text:

When valuing the buildings, we used the following valuation methods:

Method 1: Valuation based on the
capitalisation of rental income

For each of the buildings an estimated market rental value (ERV) and a market-based cap rate were determined on the basis of benchmarks.

A correction was made for the difference between the estimated market rental value and the current rental income:

If the estimated market rental value exceeds the current rental income, the correction consists of the realisation of the difference between the market rental value and the current rental income until the end of the current lease period.

If the estimated market rental value is lower than the current rental income, the correction consists of

the realisation of the difference between the market rental value and the current rental income for the period until the expiry of the tenant’s 3-yearly termination option.

Method 2: Valuation based on the realisation of income

This method is used for the properties for which the ownership rights are subdivided into bare ownership on the one hand and rights of superficies or leasehold rights on the other hand.

In this method, the value of the rights of superficies or leasehold rights is determined by the realisation (Discounted Cash Flow) of the net rental income, i.e. after deduction of the superficies or leasehold rent, until the end of the leasehold or superficies agreement.

The value of the bare ownership is determined by the realisation (Discounted Cash Flow) of the periodical superficies or leasehold rent until the expiry date of this agreement.

The **investment value** of these real estate properties is estimated at **€ 582.16 million** and the **fair value** at **€ 567.96 million**. These properties represent a **rental income** of **€ 38,44 million**, or a **gross yield** of **6.35%**.

REPORT BY STADIM
The Stadim report of 30 September 2018 covers a semi-logistics complex. The investment value of these real estate properties is estimated at € 4.76 million and the fair value at € 4.65 million. These properties

represent a rental income of € 0.33 million, or a gross yield of 6.83%.

THE NETHERLANDS:
For the Dutch portfolio, Retail Estates nv calls upon the real estate experts Cushman & Wakefield and CBRE. In practice, each of them assess part of the real estate portfolio.

REPORT BY CUSHMAN & WAKEFIELD NL
The Cushman & Wakefield report of 30 September 2018 covers part of the real estate owned by Retail Estates nv and its subsidiaries. The investment value of these real estate properties is estimated at € 237.28 million and the fair value at € 223.95 million. These properties represent a rental income of € 15.58 million, or a gross yield of 6.96%.

REPORT BY CBRE NL
The report of CBRE Valuation & Advisory Services B.V. of 30 September 2018 covers part of the real estate owned by Retail Estates nv in the Netherlands. This report includes the valuation of the Retail Estates portfolio.

For the determination of the market value of the real estate owned by Retail Estates nv in the Netherlands, the current passing rent is capitalised with a Gross Initial Yield. This calculation takes into account possible corrections, e.g. periods of vacancy and rent-free periods. When determining the Gross Initial Yield, we took into account the location, the appearance of the building, the average remaining lease term and the creditworthiness of the tenants at the time of valuation. In case of an over- or under-rental

situation, we capitalised the rental value with the Gross Initial Yield.

The market value of these properties is estimated at € 73.17 million. These properties represent a gross rental income of approximately € 6.08 million, or a Gross Initial Yield of 8.30%.

2. NOTES

BELGIUM
The out-of-town rental market remains active, with major regional and sectoral differences. In Flanders, demand is sufficient to support the high occupancy rate characteristic of the sector. Demand is sufficient in all sectors and furthermore, the acquisition of existing retail businesses gives some players accelerated access to a large number of additional outlets. Retailers regularly invest in the redecoration and renovation of their outlets. In Wallonia, a number of national retail chains are compelled to close outlets due to disappointing sales figures. The differences in purchasing power make it more difficult than ever to find a “one size fits all” solution for all consumers within the scope of the same sales formula and with the same assortment. Their place is taken by hard-discounters who are able to offer adjusted sales formulas and assortments.

The investment market remains very active in the segment of the solitary retail shops and shops situated at cluster locations, under the influence of private investors from other real estate segments, who are satisfied with a lower initial yield. However, supply remains very limited and often takes the form of share transactions instead of the conventional sale of real estate. There is hardly any supply in retail parks, so that it is difficult to come to a decisive conclusion.

THE NETHERLANDS
Due to the high occupancy rate, the rental market in the out-of-town segment of the retail park markets in the Randstad region and the southern part of the Netherlands, which is relevant for Retail Estates, offers little room for newcomers. The strong economic and healthy budget situations still incite consumers to spend more in the non-food segment. Investments in the renovation and redecoration of retail units are increasing significantly.

The investment market for retail parks is becoming much more active compared to previous years due to the arrival of foreign investors, who are attracted by the higher yields the market historically offers.

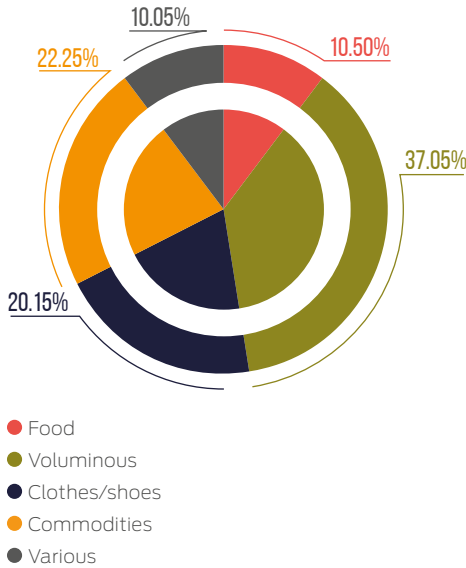


3. COMMERCIAL ACTIVITIES OF THE TENANTS¹⁸

The proportion of shoe and clothing shops (20.15% versus 20.36% on 31 March 2018), together with the retailers in consumer goods, account for more than 42.41% of the leased surface area. Both provide a stable base, as they are the least sensitive to movements in the economic cycle. In addition, socioeconomic 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 stronger loyalty to the location on the other.

The large-scale retail sector, which works with larger margins, makes it possible to achieve significant rent increases in a favourable economic climate, but is most affected by a decline in consumer confidence. This segment represents 37.05% of the real estate portfolio of Retail Estates nv (37.34% on 31 March 2018).

COMMERCIAL ACTIVITIES OF THE TENANTS



4. SUBDIVISION BY TYPE OF BUILDING

Individual out-of-town retail properties are individual retail properties adjacent to the public road. Every outlet has its own car park and entrance and exit roads, connecting it to the public road and making it easily recognisable. No retail properties of the same type are necessarily present in the immediate vicinity.

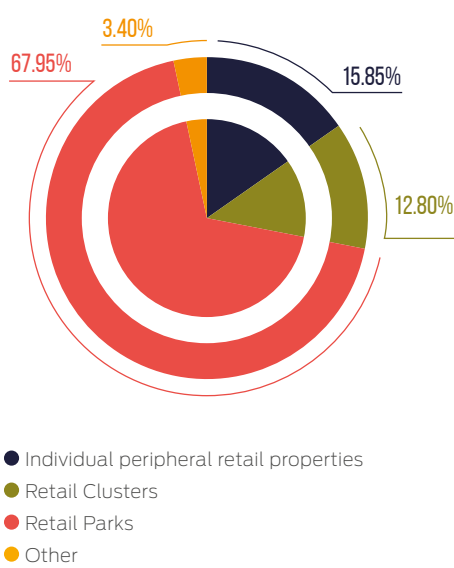
Retail clusters are a collection of peripheral retail properties located along the same traffic axis and, from the consumer’s point of view, they form a self-contained whole, although they do not possess a joint infrastructure other than the traffic axis. This is the most typical concentration of out-of-town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

Retail parks consist of retail properties that, in conjunction with other retail units, form part of an integrated commercial complex. All properties use a central car park with a shared entrance and exit road. This enables the consumer to visit several shops without having to move their car. Typically, at least five retail properties are present at these sites.

Other real estate mainly consists of offices, residential dwellings, hospitality establishments and a logistics complex at Erembodegem. The complex in Erembodegem is leased in its entirety to Brantano nv pursuant to a lease agreement with a 10-year term expiring on 31 May 2024. Retail Estates nv only invests in this type of real estate if they are secondary to a retail property or are part of a real estate portfolio that could only be acquired as a whole.

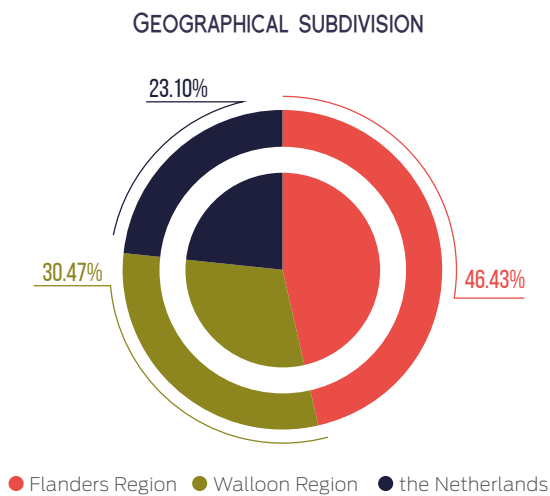
Retail properties under development are properties that form part of a newly built or renovation project.

TYPE OF BUILDING



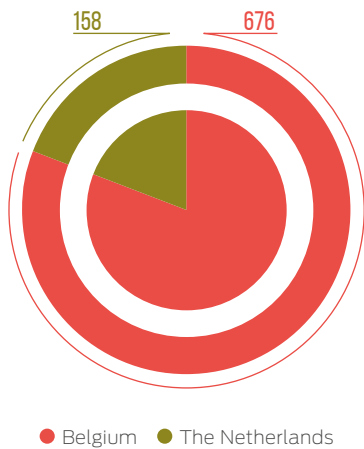
¹⁸ The pie charts “commercial activity of the tenants” and “type of building” show percentages on the basis of the total surface area on 30 September 2018.

5. GEOGRAPHICAL SUBDIVISION



Number of properties per company		30.09.18
Retail Estates BE		611
Retail Warehousing Invest		31
Blovan		4
Finsbury Properties		8
Hayen		7
Librajem		3
Heerzele		1
NS Properties		1
Distriland nv		10
Cruquius Invest		25
Heerlen I Invest		21
Heerlen II Invest		26
Retail Estates NL		56
Zwolle Invest		30
Total number of properties		834

NUMBER OF PROPERTIES PER COUNTRY 30.09.2018



Summary of key figures for the portfolio	RETAIL ESTATES	
	30.09.18	31.03.18
Estimated fair value ¹⁹ (in €)	1 391 654 000	1 349 367 320
Yield (investment value) ²⁰	6,65%	6,67%
Contractual rents (in €)	94 527 804	92 216 148
Contractual rents incl. rental value of vacant buildings (in €)	95 956 694	93 345 252
Total lettable area in m²	977 170	973 525
Number of properties	834	817
Occupancy rate	98,00%	98,11%
Total m² under development	29 453	12 599

19 This fair value also contains the project developments, which are not included in the fair value as mentioned in the real estate experts' conclusions on 30 September 2017.

20 The current rental income (net, after deduction of canon) divided by the estimated investment value of the portfolio (without taking into account the development projects included in the cost price)





MISCEL- LANEOUS

O1	GLOSSARY - GENERAL	62
O2	GLOSSARY - ALTERNATIVE PERFORMANCE BENCHMARKS	63

1. GLOSSARY - GENERAL

ACQUISITION VALUE

This is the term to be used for the purchase of a building. Any transaction costs paid are included in the acquisition price.

BE-REIT LEGISLATION

The Royal Decree of 13 July 2014 implementing the Act of 12 May 2014 on regulated real estate companies (Belgian REITs), as recently amended by the Act of 22 October 2017.

CHAIN STORES

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

CONTRACTUAL RENTS

The index-linked basic rents as contractually determined in the lease agreements as of 30 September 2018, before deduction of gratuities or other benefits granted to the 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.

EPRA

The European Public Real Estate Assoation was founded in 1999 to promote, develop and group European listed real estate companies. EPRA prepares codes of conduct with respect to accounting, reporting and corporate governance and harmonises these rules in different countries with the purpose of offering investors high-quality and comparable information. EPRA has also created indices that serve as a benchmark for the real estate sector. All this information is available at www.epra.com.

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 income 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 Belgian real estate investment trust, or merges with a Belgian real estate investment trust.

FAIR VALUE

This value equals the amount that would be received for the sale of an asset or that would be paid for the transfer of a liability in an arm’s length transaction between market players on the valuation date. From the point of view of the seller, it must be understood minus the registration fee.

GROSS DIVIDEND

The gross dividend per share is the operating profit that is distributed.

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.

INSTITUTIONAL INVESTOR

An enterprise that professionally invests funds entrusted to it by third parties for various reasons. Examples include pension funds, investment funds,...

“INTEREST RATE SWAP” (IRS)

An “Interest Rate Swap” 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 variable interest rate will be swapped for a fixed one.

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.

NET ASSET VALUE

NAV (Net Asset Value): this is the shareholders’ equity divided by the number of shares.

NET DIVIDEND

The net dividend equals the gross dividend after retention of 30% withholding tax.

OCCUPANCY RATE

The occupancy rate is calculated as the effective leased surface area in relation to the lettable surface area, expressed in m².

OUT-OF-TOWN RETAIL PROPERTIES

Retail properties grouped along roads leading into and out of cities and towns. Each outlet has its own car park and an entrance and exit road connecting it to the public road.

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.

RETAIL CLUSTER

A collection of out-of-town retail properties located along the same traffic axis that, from the consumer’s point of view, form a self-contained whole although they do not share 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.

2. GLOSSARY – ALTER-NATIVE PERFORMANCE BENCHMARKS

Terminology

OPERATING MARGIN

Definition

The ‘Operating result before result of the portfolio’ divided by the ‘Net rental income’.

Purpose

Allows measuring the operational performance of the company.

FINANCIAL RESULT (EXCLUDING VARIATIONS IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES).

Definition

The “Financial result” minus the “Variations in fair value of financial assets and liabilities”

Purpose

Allows to make a distinction between the realised and the unrealised financial result.

RESULT ON THE PORTFOLIO

Definition

The “Result on the portfolio” consists of the following items:

- “Result on disposals of investment properties”;
- “Result on sales of other non-financial assets”;
- “Changes in fair value of investment properties”; and
- “Other result on portfolio”.

Purpose

Allows to measure realised and unrealised gains and losses related to the portfolio, compared to the last valuation by independent real estate experts.

WEIGHTED AVERAGE INTEREST RATE

Definition

The interest charges (including the credit margin and the cost of the hedging instruments) divided by the weighted average financial debt of the current period.

Purpose

Allows to measure the average interest charges of the company

NET ASSET VALUE PER SHARE (INVESTMENT VALUE) EXCLUDING DIVIDEND EXCLUDING THE FAIR VALUE OF AUTHORISED HEDGING INSTRUMENTS

Definition

Shareholders' equity (excluding the impat on the fair value of estimated transaction costs resulting from the hypothetical disposal of investment properties, excluding the fair value of authorised hedging instruments and excluding dividend) divided by the number of shares.

Purpose

Reflects the net asset value per share adjusting for some material IFRS adjustments

to enable comparison with its stock market value.

RECONCILIATION TABLES

OPERATING MARGIN

(in € 000)	30.09.18	30.09.17
Operating result before result on portfolio (A)	39 183	31 180
Net rental income (B)	46 136	36 135
Operating margin (A/B)	84.93%	86.29%

FINANCIAL RESULT (EXCLUDING VARIATIONS IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES)

(in € 000)	30.09.18	30.09.17
Financial result (A)	-11 333	-7 913
Changes in fair value of financial assets and liabilities (B)	-1 920	631
Financial result (excluding changes in fair value of financial assets and liabilities) (A-B)	-9 413	-8 544

RESULT ON THE PORTFOLIO

(in € 000)	30.09.18	30.09.17
Result on disposals of investment properties (A)	762	-8
Result on sales of other non-financial assets (B)		
Changes in fair value of investment properties (C)	193	765
Other result on portfolio (D)	-830	266
Result on portfolio (A+B+C+D)	125	1 023

WEIGHTED AVERAGE INTEREST RATE

(in € 000)	30.09.18	30.09.17
Interest charges (including the credit margin and the cost of the hedging instruments) (A)	9 417	8 054
Other charges of debt (B)	573	490
Weighted average financial debt of the period (C)	737 075	554 343
Weighted average interest rate (A-B)/C*	2.39%	2.86%

* Pro rata half year

NET ASSET VALUE PER SHARE (INVESTMENT VALUE) EXCLUDING DIVIDEND EXCLUDING THE FAIR VALUE OF AUTHORISED HEDGING INSTRUMENTS

(in € 000)	30.09.18	31.03.2018
Shareholders' equity attributable to the shareholders of the parent company (A)	681 148	568 332
Impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties (B)	-46 949	-44 790
The fair value of authorised hedging instruments qualifying for hedge accounting (C)	-12 392	-13 688
Proposed gross dividend (D)	21 703	40 995
Number of ordinary shares in circulation (E)	11 422 593	9 489 661
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments ((A-B-C-D)/E)	62.93	61.73

GROSS YIELD

(in € 000)	30.09.18	30.09.17
The current rental income (net, after deduction of canon) (A)	95 121	78 061
The estimated investment value of the portfolio (without taking into account the development projects included in the cost price) (B)**	1 429 841	1 168 693
Gross yield (A/B)	6.65%	6.68%

** Difference between the investment value included here and the investment value as stated previously in the balance sheet is explained by the real estate portfolio of "Distri-land". The yield is determined on the basis of real estate reports, whereby the "Distri-land" portfolio is included for 100%. Retail Estates only holds 86,05% of the issued real estate certificates and values the certificates to the underlying value of the property pro rata its contractual rights (see annual report 2017-2018)

EPRA Key performance indicators			30.09.18	
	Definitions	Purpose	EUR/1000	EUR per share
EPRA earnings	Current result from adjusted core operational activities.	A key measure of a company's underlying operating results from its property rental business and an indicator of the extent to which current dividend payments are supported by core activity earnings.	29 441	2.65
EPRA NAV	Net Asset Value (NAV) adjusted to take the fair value of the property investments into account and excluding certain elements not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the current fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	693 539	60.72
EPRA NNNAV	EPRA NAV adjusted to take the fair value of (i) the financial instruments, (ii) the debts and (iii) the deferred taxes into account.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of the assets and liabilities.	681 148	59.63
	Definitions	Purpose	%	
EPRA Net Initial Yield (NIY)	Annualised gross rental income based on current rents ('passing rents') at balance sheet closing dates, excluding property costs, divided by the market value of the portfolio, plus estimated transfer rights and costs resulting from the hypothetical disposal of investment properties.	This measure makes it possible for investors to compare valuations of portfolios within Europe	6.73%	
EPRA topped-up Net Initial Yield (topped-up NIY)	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of the rent-free periods or other unexpired lease incentives as step up rents.	This measure, taken into account rent-free periods and tenant incentives, makes it possible for investors to compare valuations of portfolios within Europe	6.73%	
EPRA Vacancy	Estimated market Rental Value (ERV) of vacant surfaces divided by the ERV of the portfolio as a whole.	Shows the vacancy rate based on ERV in a clear way.	1.49%	
EPRA Cost Ratio (incl. vacancy costs)	EPRA costs (including vacancy costs) divided by the gross rental income less ground rent costs	A key measure to enable meaningful measurement of the changes in a company's operating costs.	13.67%	
EPRA Cost Ratio (excl. vacancy costs)	EPRA Costs (excluding vacancy costs) divided by the gross rental income less ground rent costs	A key measure to enable meaningful measurement of the changes in a company's operating costs.	13.24%	

EPRA earnings		30.09.18	30.09.17
		EUR/1000	EUR/1000
IFRS Net Result (attributable to the shareholders of the parent company)		27 646	23 637
Adjustments to calculate EPRA earnings			
Excluding:			
Variations in the fair value of investment properties (IAS 40)		193	1 031
Other result on portfolio		-830	
Result on disposal of investment properties		762	-8
Changes in the fair value of financial assets and liabilities		-1 920	631
Result on disposal of investment properties			
EPRA earnings (attributable to the shareholders of the parent company)		29 441	21 983
EPRA earnings (EUR/share) (attributable to the shareholders of the parent company)		2.65	2.37

EPRA Net Asset Value (NAV)		30.09.18	31.03.18
		EUR/1000	EUR/1000
Net Asset Value (attributable to the shareholders of the parent company) according to the annual accounts		681 148	568 332
Net Assets (EUR/share) (attributable to the shareholders of the parent company)		59,63	59,89
Effect of exercise of options, convertibles and other equity interests			
Diluted net asset value after effect of exercise of options, convertibles and other equity interests		681 148	568 332
Excluding:			
Fair value of the financial instruments		-12 392	-13 688
EPRA NAV (attributable to the shareholders of the parent company)		693 540	582 020
EPRA NAV (EUR/share) (attributable to the shareholders of the parent company)		60.72	61.33

EPRA Triple Net Asset Value (attributable to the shareholders of the parent company)		30.09.18	31.03.18
		EUR/1000	EUR/1000
EPRA NAV (attributable to the shareholders of the parent company)		693 540	582 020
Including:			
Fair value of the financial instruments		-12 392	-13 688
EPRA Triple Net Asset Value (attributable to the shareholders of the parent company)		681 148	568 332
EPRA NNNAV (EUR/share) (attributable to the shareholders of the parent company)		59.63	59.89

EPRA Net Initial Yield		30.09.18	30.09.17
		EUR/1000	EUR/1000
Investment properties (excluding assets held for sale) fair value		1 391 654	1 152 551
Transfer taxes		46 024	31 763
Investment value		1 437 678	1 184 314
Project developments		27 581	23 502
Investment value of the properties, available for rent	B	1 410 097	1 160 812
Annualised gross rental income		95 957	78 678
Property costs		-1 016	-584
Annualised net rental income	A	94 941	78 093
Notional rent expiration of rent free period or other lease incentives			
Topped-up net annualised rent	C	94 941	78 093
EPRA Net Initial Yield (NIY)	A/B	6.73%	6.73%
EPRA topped-up Net Initial Yield (topped-up NIY)	C/B	6.73%	6.73%

EPRA Vacancy Rate		30.09.18	31.03.18
		EUR/1000	EUR/1000
Estimated rental value of vacant surfaces		1 429	1 129
Estimated rental value of total portfolio		95 957	93 345
EPRA Vacancy Rate		1,49%	1,21%

EPRA Cost Ratio		30.09.18	30.09.17
		EUR/1000	EUR/1000
Operating corporate costs		2 533	2 009
Impairments on trade receivables		127	-3
Ground rent costs		114	103
Property costs		3 666	2 607
Less:			
Ground rent costs		-114	-103
EPRA costs (incl. vacancy costs)		6 326	4 613
Vacancy costs		-199	-160
EPRA costs (excl. vacancy costs)		6 127	4 453
Rental income less ground rent costs		46 263	36 132

	%	%
EPRA Cost Ratio (incl. vacancy costs)	13.67%	12.77%
EPRA Cost Ratio (excl. vacancy costs)	13.24%	12.32%

INFORMATION SHEET

Name:	Retail Estates nv
Status:	Public Belgian Real Estate Investment Trust (“Belgian REIT”) organised and existing under the laws of Belgium.
Address:	Industrielaan 6 – B-1740 Ternat, Belgium
Tel:	+32 (0)2 568 10 20
Fax:	+32 (0)2 581 09 42
E-mail:	info@retailestates.com
Website:	www.retailestates.com
Register of legal entities:	Brussels
VAT:	BE 0434.797.847
Company 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 Belgian real estate investment trust (BE-REIT) granted:	24 October 2014
Duration:	Unlimited
Management:	Internal
Statutory auditor:	PwC Bedrijfsrevisoren bcvba – Woluwegarden-Woluwedael 18 at 1932 Brussel, represented by Mr Damien Walgrave
Financial year closing:	31 March
Capital at 30.09.2018:	€ 257,012,792.62
Number of shares at 30.09.2018:	11,422,593
Annual shareholders’ meeting:	Penultimate Monday of July Share
Listing:	Euronext – continuous market
Financial services:	KBC Bank
Value of real estate portfolio as of 30.09.2018:	Investment value € 1,425.06 million – fair value € 1,391.65 million (incl. value of “Immobilière Distri-Land nv” real estate certificates)
Real estate experts:	Cushman & Wakefield, CBRE and Stadim
Number of properties as of 30.09.2018	834
Type of properties:	Out-of-town retail real estate
Liquidity provider:	KBC Securities and De Groof Petercam



RETAIL ESTATES



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