# HALF-YEARLY RESULTS

vastned
Retail Belgium

# Half-yearly financial report of the board of directors for the period 01.01.2020 to 30.06.2020

- Final agreements concerning rent due during the lockdown have been made with 85% of our lessees, which were obliged to close, who represent 87% of our total gross rental income.

- Strong liquidity position as at 30 June 2020, €16 million of unused credit facilities available.

- Limited debt ratio of 31.6% as at 30 June 2020.

- Decrease in EPRA earnings[1] in the first semester of 2020, €1.09 per share (€1.45 for the first semester of 2019) due to the COVID-19 crisis.

- Occupancy rate has increased with 1.7% during the second quarter to 97.5% compared to 31 March 2020 (98.8% as at 31 December 2019).

- Management's focus in 2020 primarily on timely collection of rents and maintaining the high occupancy rate for the portfolio.

- Decrease in the fair value of the existing real estate portfolio[2] by 3.9% in the first semester of 2020 mainly because of the outbreak of COVID-19.

1 In accordance with the guidelines issued by the European Securities and Market Authority (ESMA), which have been applicable since 3 July 2016, the Alternative Performance Measures (APM) used by Vastned Retail Belgium are now included. The definitions and use of the APMs, as well as the reconciliation tables, are set out in the chapter "Alternative Performance Measures" of the Annual Report 2019 and a separate Lexicon regarding these APMs is available on the website www.vastned.be. A consequence of these guidelines is that the term used prior to this, "operating distributable result", was no longer usable and has been changed to "EPRA earnings". However, with regard to content there is no difference with "operating distributable result", the term used previously.

2 With unchanged composition of the real estate portfolio compared with 31 December 2019.

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# 1. Interim management report for the first semester of 2020

In the first semester of 2020, Vastned Retail Belgium remained true to its investment strategy of focusing on premium quality as regard to retail locations. These are, on the one hand, the prime retail properties located on the best shopping streets of the major cities of Antwerp, Brussels, Ghent and Bruges. On the other hand, the real estate portfolio consists of city centre shops outside the premium cities, retail parks and retail warehouses.

## 1.1. COVID-19 update

As previously reported in the interim statement for the first quarter of 2020, our country is currently in the throes of the COVID-19 pandemic, which has forced the government to take drastic measures. One of these measures was the closure of all non-essential retail outlets. As the intensity of the COVID-19 outbreak began to wane, the government announced that a number of measures were to be relaxed.

On Monday 18 April 2020, we saw the first easing of government-imposed measures regarding the compulsory closure of non-essential retail outlets, as garden centres and DIY stores were allowed to reopen to the public. On Monday 11 May 2020, the measure requiring non-essential retail outlets to stay closed was lifted. And finally, on Monday 8 June 2020, the hospitality industry was allowed to reopen.

The fact that the government required retail outlets to stay closed from mid-March 2020 has had an impact on the 108 retail outlets in Vastned Retail Belgium's real estate portfolio, i.e. on a total of 138 lettable units. Since the reopening of shops in early May 2020, Vastned Retail Belgium has been engaging with all affected lessees to reach an agreement on unpaid rent for the months of April and May 2020. So far, agreements have been finalised with 93 lessees (including almost the entire top 10) under which, on average, the unpaid rent was split 50/50 between lessee and lessor, which basically means that Vastned Retail Belgium has waived one month's rent. The agreements already been signed represent a total amount of €1.2 million in rent arrears waived, and this amount may grow further as more agreements are signed.

Reaching a final agreement between lessee and lessor means that we have secured our rental income for the months of May and June 2020 (and July 2020 as well in the most recent agreements), as full payment of the rent for these months is a suspensive condition in the final agreement. The agreements signed relate solely to a waiver of part of the unpaid rent for the period during which retail outlets had to stay closed.

Vastned Retail Belgium is confident that reaching agreements with its lessees contributes significantly to a smooth restart of its lessees' retail activity after the two-month lockdown as a result of the COVID-19 pandemic.

## 1.2. Operational result

Over the first six months of 2020, rental income was down on the first half of 2019, while the real estate portfolio remained virtually unchanged. This drop comes as a result of the COVID-19 pandemic, which saw the government require non-essential retail outlets to close for 2 months. Hospitality and related businesses were required to stay closed for 3 months.

This government-imposed closure meant that retailers could only generate revenue through their online channels, while their brick-and-mortar outlets stayed closed to the public. As a result, retailers struggled to generate revenue and faced liquidity problems.

Vastned Retail Belgium engaged with its lessees and reached balanced agreements on the payment of rent arrears by waiving part of these arrears and/or agreeing on a realistic repayment plan.

Vastned Retail Belgium's EPRA earnings were down in the first half of 2020, coming in at €5.5 million, compared to €7.3 million in the first half of 2019. This €1.8 million drop is mainly due to the decrease in the company's net rental income, mainly as a result of the credit notes issued to waive rent arrears, which represent a total value of €0.7 million, and the creation of a €0.6 million provision for future potential credit losses.

Per share, this translates to EPRA earnings of €1.09, compared to €1.45 in the first half of the previous financial year.

## 1.3. Rental activities

In the first six months of 2020, there was reduced rental activity. Retail outlets were closed from 13 March 2020 and when they reopened on 11 May 2020, retailers had little appetite to open new shops, partly due to the sluggish restart of business after the lockdown.

In the first semester of 2020, Vastned Retail Belgium completed eight rental transactions, which represent approximately 3% of the total annual rental income.

These concern eight rental transactions concluded with new tenants, of which three leases are for vacant units, four for residential units and two involve the transfer of a commercial lease agreement. The new rent for these lease agreements has, on average, remained the same compared to the previous lease agreements.

## Occupancy rate

| OCCUPANCY RATE (EXCLUDING BUILDINGS UNDERGOING RENOVATION) | 30.06.2020 | 31.12.2019 | 30.06.2019 |
|---|---|---|---|
| **Occupancy rate of the real estate portfolio** | **97,5%** | **98,8%** | **95,5%** |

The occupancy rate[3] of the real estate portfolio as at 30 June 2020 was 97.5%, compared to 98.8% as at 31 December 2019. During the second quarter of 2020, the occupancy rate increased with 1.7% compared to 31 March 2020. In the current circumstances in the retail market, contract negotiations are taking up more time. As a result, the company has not succeeded in concluding new contracts following the departure of tenants, as a result of which the portfolio is faced with somewhat longer vacancy periods.

# 1.4. Composition and evolution of the real estate portfolio as at 30 June 2020

As at 30 June 2020, the majority of the portfolio consisted of high-quality inner city properties located in the cities of Antwerp, Brussels, Ghent and Bruges and state-of-the-art retail parks. During the first half of 2020, a commitment to purchase/sell was signed for one retail property, subject to the granting of all the required permits. This commitment concerns a stand-alone retail warehouse in Leopoldsburg.

As at 30 June 2020, the fair value of the investment properties stood at €347 million, which is €14 million down on year-end 2019 (€361 million as at 31 December 2019). This decrease was due primarily to, on the one hand, a decline in the estimated rental values and, on the other hand, a yield adjustment that can be attributed to, among other things, reduced activity in the retail property investment market. In turn, the reduced activity can, on the one hand, be attributed to the COVID-19 outbreak and, on the other hand, to the negative reporting on retailers that have hit hard times.

| REAL ESTATE PORTFOLIO | 30.06.2020 | 31.12.2019 | 30.06.2019 |
|---|---|---|---|
| Fair value of investment properties (in thousands €) | 346.638 | 360.752 | 362.155 |
| Total leasable space (m²) | 85.915 | 85.915 | 85.915 |

The average yield in the real estate company's portfolio is 5.75% in the first semester of 2020 and has increased slightly compared to the close of 2019 (5.5% as at 31 December 2019).

## Sensitivity analysis

In case of a hypothetical negative adjustment of the yield as used by the property experts for the valuation of the real estate portfolio of the company (yield or capitalisation rate) with 1% (from 5.75% to 6.75% in average), the fair value of the real estate portfolio would decrease by €51 million or 15%. Herewith the debt ratio of the company would increase by 5% to 36.9%.

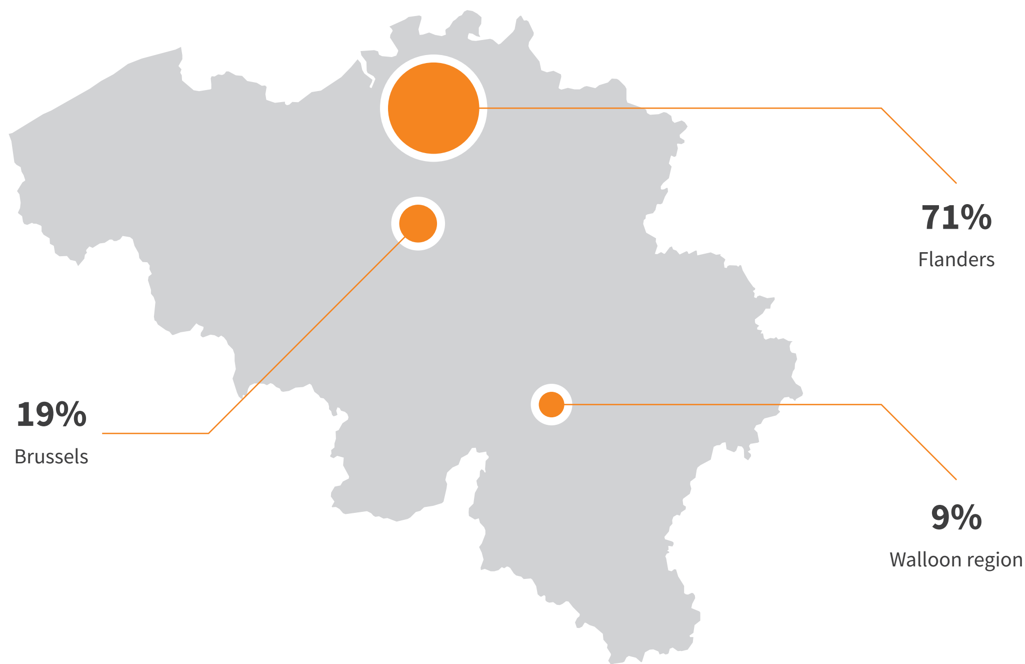
In the opposite case of a hypothetical positive adjustment of this yield with 1% (from 5.75% to 4.75% in average), the fair value of the real estate portfolio would increase by €73 million or 21%. Herewith the debt ratio of the company would decrease by 5% to 26.2%.

3 The occupancy rate is calculated as the ratio between the rental income and the sum of this income and the estimated rental income of unoccupied rental premises.

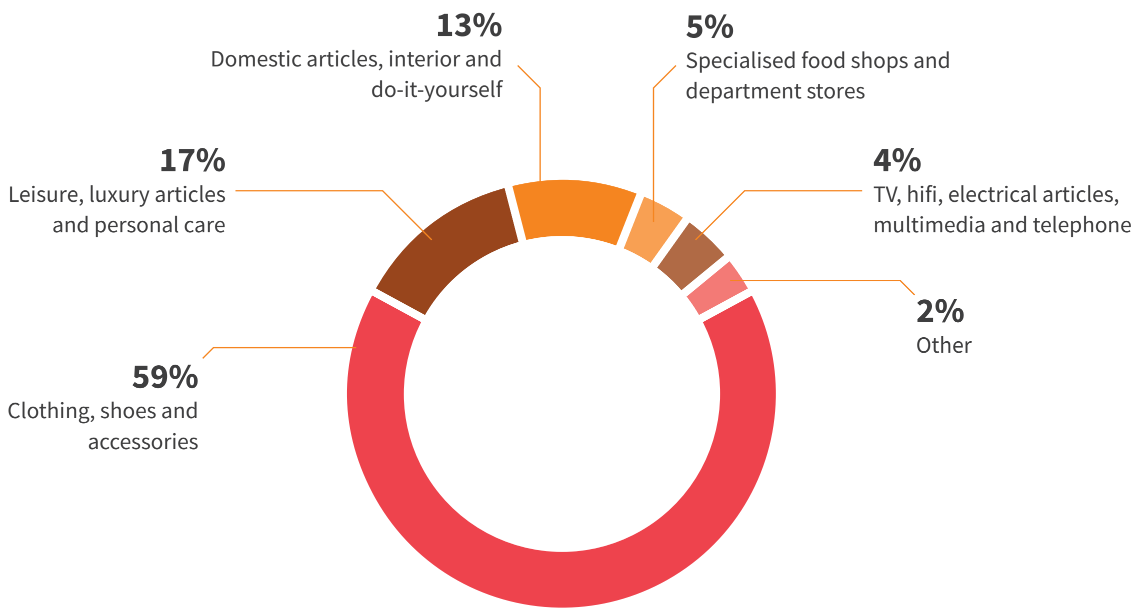
Vastned Retail Belgium's strategy is focused on the best retail property in the best locations while respecting the criteria for spreading risk in the real estate portfolio, both in terms of geographical location and in terms of the nature of the tenants.

As at 30 June 2020 this risk spread was as follows:

## Geographic spread




## Distribution per tenant by nature



## Valuation of the portfolio by independent property experts as at 30 June 2020

As a result of the COVID-19 outbreak, the normal market functioning within the real estate has been disrupted in all sectors and because of this, as at 30 June 2020, valuers have been of the opinion that they cannot rely solely on earlier comparable transactions or earlier market indications to arrive at an accurate current market value. For the measurement as at 30 June 2020, independent valuers recognised the negative impact that this crisis will inevitably have on the measurement of real estate in their measurement report by, among other things, taking into account a limited decrease in estimated rental values, an upward adjustment of the capitalisation rate, and also longer periods of rental voids.

| **Property expert** | **Fair value of investment properties (in thousands €)** |
|---|---:|
| Cushman & Wakefield | 166.942 |
| CBRE Group | 179.695 |
| **Total** | **346.638** |

# 1.5. Market situation of Belgian retail real estate in 2020[4]

## Rental market

Rental activity in Belgium over the first half of 2020 totalled approximately 153,000m² spread over 280 transactions. This is a 8% drop compared to the first six months of 2019.

High-streets account for 44,000 m² and out-of-town retail and shopping centres account for 86,000 m² and 23,000 m² respectively. Rents remain under pressure in all three segments.

The two months of lockdown on account of the COVID-19 pandemic and the sluggish resumption of consumer spending after the reopening on 11 May 2020 have led to retailers' profit margins and liquidity positions coming under even greater pressure than they already were prior to the crisis.

In the short and medium term, Vastned Retail Belgium expects this trend to continue and that estimated rental values in commercial real estate will remain under pressure.

## Investment market

The investment volume continued to be limited, amongst others because of the travel restrictions imposed to which foreign investors were not able to visit potential investment properties and because of which investment files were delayed or even cancelled.

4 Sources: Retail Focus 2020, Retail Detail newsletters, Retail Market Activity (CBRE) and Retail Market Snapshot (Cushman & Wakefield)

## 1.6. Analysis of the results[5]

Vastned Retail Belgium's **rental income** in the first half of 2020 reached €8.7 million (€9.7 million), and was, therefore, down on the same period last year, primarily because of rent arrears that have already been waived following negotiations with lessees and because of the disposal of 1 non-strategic retail park in late October 2019.

**Rental-related expenses** amounted to €0.7 million and are fully attributable to the provision for potential losses on outstanding lease receivables as at 30 June 2020. This provision concerns an estimate of potential waivers still to be granted or potential bankruptcies.

**Real estate costs** were up €0.2 million to €1 million (€0.8 million) on the back of increasing building maintenance costs. Virtually all maintenance work budgeted for the whole of 2020 was performed over the first six months of the financial year.

The **general costs and other operating income and costs** amounted to €0.7 million (€0.7 million) and remained stable compared to the first semester of 2019.

The fair value of the real estate portfolio decreased in the first semester of 2020. The **changes in fair value of the investment properties** are negative and amounted to €-14.2 million (€-8.3 million). This decrease is entirely attributable to the decrease in the fair value of the existing real estate portfolio, as a result of the combined effect of a decrease in the estimated rental values and an increase in the cap rate.

The **financial result** (excluding changes in the fair value of financial instruments) for the first half of 2020 amounted to €-0.8 million (€-0.9 million) and increased by €0.1 million compared to the first semester of 2019 as a result of the restructuring of 3 financial instruments at more favourable conditions at the end of October 2019. The average interest rate for financing amounted to 1.6%, including bank margins, for the first semester of 2020 (1.7%).

**Changes in the fair value of financial instruments** in the first semester of 2020 included the decrease in the negative market value of the interest rate swaps which, in line with IFRS 9 - Financial Instruments, cannot be classified as cash flow hedging instruments, in the amount of €0.1 million (€-0.5 million).

The net result of Vastned Retail Belgium for the first semester of 2020 amounted to €-8.9 million (€-1.6 million) and may be divided into:

- EPRA earnings of €5.5 million (€7.3 million) or a decrease of €1.8 million, primarily due to a decrease in the net rental income and an increase in the real estate costs;
- results on the portfolio of €-14.5 million (€-8.4 million);
- changes in the fair value of financial instruments and other non-distributable elements in the amount of 0.1 million (€-0.5 million).

For the first semester of 2020, this means EPRA earnings of €1.09 (€1.45) per share, a decrease of 36 eurocents.

| KEY FIGURES PER SHARE | 30.06.2020 | 31.12.2019 | 30.06.2019 |
|---|---|---|---|
| Number of shares entitled to dividend | 5.078.525 | 5.078.525 | 5.078.525 |
| Net result (6 months/1 year/6 months) (€) | -1,76 | 0,85 | -0,31 |
| EPRA earnings (6 months/1 year/6 months) (€) | 1,09 | 2,90 | 1,45 |
| Net value (fair value) (€) | 46,20 | 50,86 | 49,70 |
| Net value (investment value) (€) | 48,05 | 52,78 | 51,62 |
| Share price on closing date (€) | 34,00 | 44,70 | 48,40 |
| Premium (+) / discount (-) to net value (fair value) (%) | -26% | -12% | -3% |

5 The figures between brackets are the comparative figures for the first semester of 2019.

As at 30 June 2020, the net value (fair value) of the share was €46.20 (€50.86 as at 31 December 2019). Given that the share price as at 30 June 2020 was €34.00, the share of Vastned Retail Belgium (VASTB) is quoted at a discount of 26.4% with respect to this net value (fair value). The debt ratio of the RREC amounted to 31.6% as at 30 June 2020 (27.9% as at 31 December 2019). The increase stems on the one hand from the dividend payment for financial year 2019 in May 2020 for an amount of €14.7 million and the decrease in the fair value of the real estate portfolio on the other.

| EPRA - KEY FIGURES* | 30.06.2020 | 31.12.2019 | 30.06.2019 |
|---|---|---|---|
| EPRA Earnings per share (€) | 1,09 | 2,90 | 1,45 |
| EPRA Net Reinstatement Value (NRV) per share (€) | 48,42 | 53,18 | 52,03 |
| EPRA Net Tangible Assets (NTA) per share (€) | 46,68 | 51,37 | 50,25 |
| EPRA Net Disposal Value (NDV) per share (€) | 45,94 | 50,57 | 49,51 |
| EPRA Net Initial Yield (NIY) (%) | 4,8% | 4,7% | 4,8% |
| EPRA Topped-up NIY (%) | 5,0% | 4,9% | 4,8% |
| EPRA Vacancy rate (%) | 2,8% | 1,2% | 4,9% |
| EPRA Cost Ratio (including direct vacancy costs) | 27,0% | 14,3% | 15,4% |
| EPRA Cost Ratio (excluding direct vacancy costs) | 26,0% | 13,9% | 14,8% |

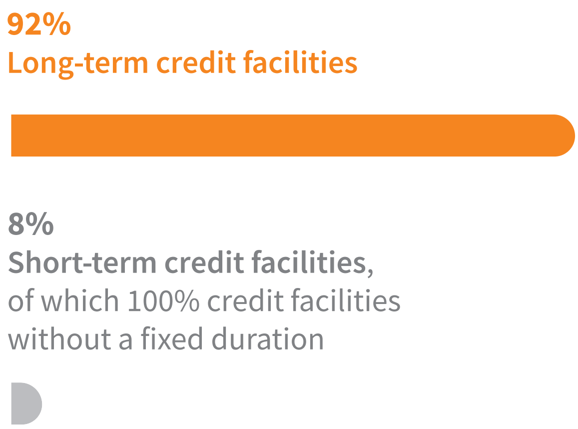
## 1.7. Financial structure as at 30 June 2020

Vastned Retail Belgium has a conservative financial structure as at 30 June 2020 allowing it to continue to develop its activities in 2020. There are no credit facilities maturing within one year, which means that the company does not need to refinance its credit lines on the financial markets in these uncertain times.

The most important characteristics of the financial structure as at 30 June 2020 are as follows:

- Amount of withdrawn financial debts: €109 million (excluding the market value of financial derivatives).
- 92% of credit lines are long-term financing with an average remaining term of 4.0 years. Some 8% of the credit lines are short-term, open-ended financing.

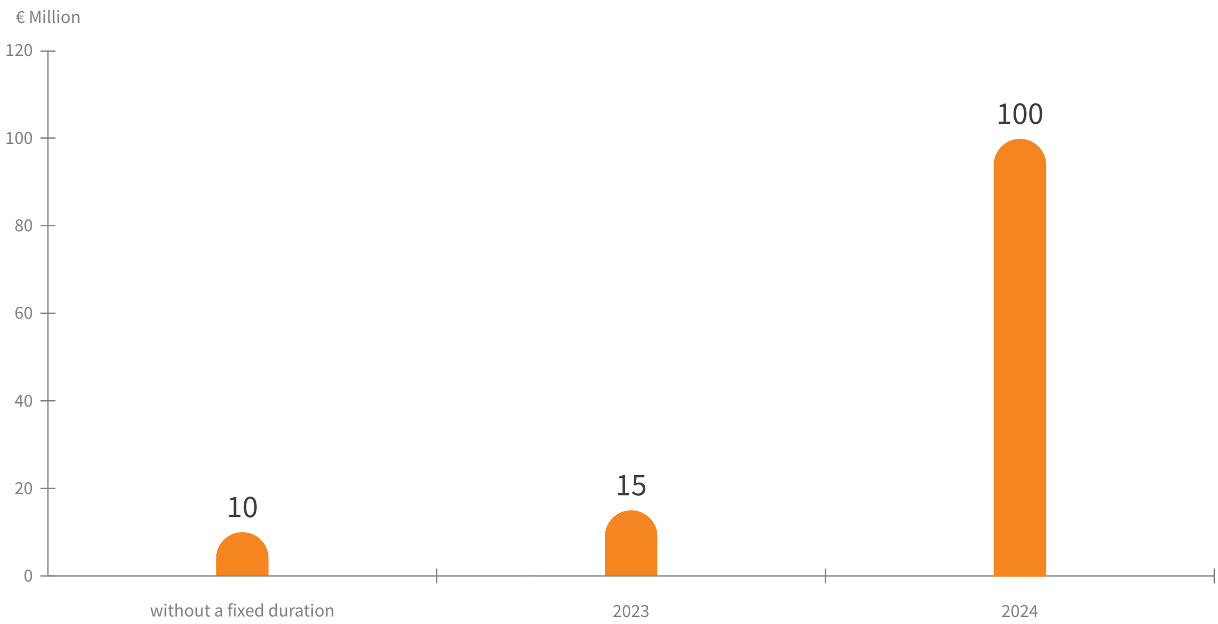
## Balance between long-term and short-term financing




* The statutory auditor has verified whether the "EPRA earnings", "EPRA NRV", "EPRA NTA" and "EPRA NDV" ratios were calculated according to the EPRA BPR definitions of October 2019, and whether the data used for the calculation of these ratios correspond with the accounting data of the consolidated financial statements.

- Expiry dates of the credits between 2023 and 2024.
- Spread of credit facilities over 4 European financial institutions.
- €16 million of available non-withdrawn credit lines to cover the fluctuations of cash needs and for financing future investments.
- 64% of the credit facilities have a fixed rate or are fixed by means of interest rate swaps, 36% have a variable rate. With regard to the withdrawn credit facilities as at 30 June 2020, these figures are 73% and 27%, respectively.
- Fixed interest rates are set for a remaining period of 3.9 years on average.
- Average interest rate for the first semester of 2020: 1.6% including bank margins (1.7% for the first semester 2019).
- Market value of financial derivatives: €2.3 million negative.
- Limited debt ratio of 31.6% (27.9% as at 31 December 2019) (legal maximum: 65%).
- Strong solvency rate of 66.4%.
- In the first semester of 2020 there were no changes made to the existing agreements contracted, and the RREC fulfilled these agreements as at 30 June 2020.

## Expiry dates credit facilities





**Antwerp** - Schuttershofstraat - Falke

## 1.8. Risks for the remaining months of 2020

Vastned Retail Belgium estimates the main risk factors and uncertainties for the remaining months of the 2020 financial year as follows:

### Rental risks

The COVID-19 crisis and the government-imposed shop closures had a significant impact on retailers' operating results. Major chains came into financial problems and needed relief from creditors.

Vastned Retail Belgium monitors its lessees permanently and also has clear and efficient internal control procedures in place to minimise the default risk.

Despite the challenging retail landscape, the management's focus in 2020 will be primarily on timely collection of rents and maintaining the high occupancy rate for the portfolio.

### Evolution of the value of the portfolio

Away from the absolute top retail locations, there is a heightened risk of properties remaining vacant in the current economic situation. Given that a number of retailers have applied for relief from creditors and knowing that such temporary relief under the Belgian Business Continuity Act (WCO) often leads to bankruptcy, the number of available commercial units in our country's high streets and retail buildings is set to rise. This increase in the number of available units will impact negatively on estimated rental values and returns from the portfolio.

### Evolution of interest rates

Due to financing with borrowed capital, the return generated by the company depends on changes in interest rates. To limit this risk an appropriate ratio between borrowed capital with a variable interest rate and borrowed capital with a fixed interest rate is pursued during the composition of the credit facilities portfolio. As at 30 June 2020, 73% of the utilised credit facilities portfolio has a fixed interest rate, or the rate is fixed by means of interest rate swaps. 27% of the credit facilities portfolio has a variable interest rate which is subject to (un)foreseen rises of the currently low interest rates.

## 1.9. Outlook for 2020

Vastned Retail Belgium intends to pursue its strategy further in 2020 by focusing explicitly on the very best retail property in the most popular shopping streets in the major cities in Belgium.

The impact of the COVID-19 pandemic on the retail trade must certainly not be underestimated. Due to consumers' changing spending patterns and the growth of e-commerce, a number of retailers had already hit hard times even before the coronavirus outbreak. The lockdown and the government's safety measures, which came into force when retail outlets were allowed to reopen on 11 May 2020, compounded the problems at a number of retailers. As a result, a number of retailers have already applied for judicial relief from their creditors (a.o. FNG, Camaïeu, Orchestra, Wibra and Maxi Toys). A number of retailers are likely to disappear, meaning that the number of available retail units will rise and rents will consequently come under pressure.

However, brick-and-mortar shops that are a value-added proposition for their customers in terms of service, provision of relevant information, and an engaging shopping experience, will continue to be successful and to form the core of high-quality high streets. Cities such as Brussels, Ghent, Antwerp and Bruges will continue to attract shoppers.

## Investments

The supply of suitable investment objects in line with market conditions is limited. By maintaining close contacts with all players on the retail property market, the asset management department of Vastned Retail Belgium has a good insight into available investment objects.

## Redevelopments

Further growth in the premium segment can also be achieved by renovating and upgrading properties in the existing portfolio.

## Divestments

With the current high-quality portfolio of the real estate company, divestments are not a priority within the strategy. Nevertheless, opportunistic divestments of non-strategic retail locations, i.e. city centre shops outside the premium cities, retail parks and retail warehouses, are being considered.

## Expected EPRA earnings per share 2020

Based on the figures for the first half of 2020 and the outlook as at 30 June 2020, which factor in the uncertain economic climate, a possible outbreak of the COVID-19 virus in autumn 2020, and several associated assumptions, Vastned Retail Belgium expects EPRA earnings for the whole of 2020 to come in at between €2.30 and €2.40 per share. This projection will be adjusted further over the coming months based on the outcome of ongoing negotiations and further developments in the economic climate.


**Ghent** - Zonnestraat - Yaya

# 2. Consolidated condensed half-yearly figures

## 2.1. Condensed consolidated income statement

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| Rental income | 8.698 | 9.700 |
| Rental-related expenses | -666 | -12 |
| **NET RENTAL INCOME** | **8.032** | **9.688** |
| | | |
| Recovery of rental charges and taxes normally payable by tenants on let properties | 1.072 | 1.166 |
| Rental charges and taxes normally payable by tenants on let properties | -1.072 | -1.166 |
| Other rental-related income and expenses | 42 | 23 |
| **PROPERTY RESULT** | **8.074** | **9.711** |
| | | |
| Technical costs | -418 | -213 |
| Commercial costs | -76 | -63 |
| Charges and taxes on unlet properties | -87 | -64 |
| Property management costs | -457 | -446 |
| Other property charges | -22 | -6 |
| **Property charges** | **-1.060** | **-792** |
| **OPERATING PROPERTY RESULT** | **7.014** | **8.919** |
| | | |
| General costs | -671 | -687 |
| Other operating income and costs | 4 | 5 |
| **OPERATING RESULT BEFORE RESULT ON PORTFOLIO** | **6.347** | **8.237** |
| | | |
| Result on disposals of investment properties | 0 | -154 |
| Changes in fair value of investment properties | -14.249 | -8.305 |
| Other result on portfolio | -296 | 31 |
| **OPERATING RESULT** | **-8.198** | **-191** |
| | | |
| Financial income | 0 | 4 |
| Net interest costs | -837 | -870 |
| Other financial charges | -2 | -2 |
| Changes in fair value of financial instruments | 129 | -484 |
| **Financial result** | **-710** | **-1.352** |
| **RESULT BEFORE TAXES** | **-8.908** | **-1.543** |
| | | |
| **Taxes** | **-6** | **-20** |
| **NET RESULT** | **-8.914** | **-1.563** |

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| **NET RESULT** | **-8.914** | **-1.563** |
| | | |
| **Note:** | | |
| EPRA earnings | 5.517 | 7.350 |
| Result on portfolio | -14.545 | -8.429 |
| Changes in fair value of financial instruments and other non-distributable elements | 114 | -484 |
| | | |
| **Attributable to:** | | |
| Shareholders of the parent company | -8.914 | -1.563 |
| Minority interests | 0 | 0 |

| BALANCE SHEET INFORMATION PER SHARE | 30.06.2020 | 30.06.2019 |
|---|---|---|
| Number of shares entitled to dividend | 5.078.525 | 5.078.525 |
| Net result (€) | -1,76 | -0,31 |
| Diluted net result (€) | -1,76 | -0,31 |
| EPRA earnings (€) | 1,09 | 1,45 |

## 2.2. Condensed consolidated statement of comprehensive income

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| **NET RESULT** | **-8.914** | **-1.563** |
| **Other components of comprehensive income (recyclable through income statement)** | **0** | **0** |
| | | |
| Changes in the effective part of fair value of authorised hedging instruments that are subject to hedge accounting | 0 | 0 |
| **COMPREHENSIVE INCOME** | **-8.914** | **-1.563** |
| | | |
| **Attributable to:** | | |
| Shareholders of the parent company | -8.914 | -1.563 |
| Minority interests | 0 | 0 |

## 2.3. Condensed consolidated balance sheet

| ASSETS IN THOUSANDS € | 30.06.2020 | 31.12.2019 |
|---|---|---|
| **Non-current assets** | **347.446** | **361.630** |
| Intangible non-current assets | 186 | 209 |
| Investment properties | 346.638 | 360.752 |
| Other tangible non-current assets | 619 | 666 |
| Trade receivables and other non-current assets | 3 | 3 |
| | | |
| **Current assets** | **5.810** | **1.685** |
| Trade receivables | 3.696 | 651 |
| Tax receivables and other current assets | 0 | 0 |
| Cash and cash equivalents | 428 | 554 |
| Deferred charges and accrued income | 1.686 | 480 |
| | | |
| **TOTAL ASSETS** | **353.256** | **363.315** |

| SHAREHOLDERS' EQUITY AND LIABILITIES IN THOUSANDS € | 30.06.2020 | 31.12.2019 |
|---|---|---|
| **Shareholders' equity** | **234.644** | **258.285** |
| **Shareholders' equity attributable to shareholders of the parent company** | **234.644** | **258.285** |
| Share capital | 97.213 | 97.213 |
| Share premiums | 4.183 | 4.183 |
| Reserves | 142.162 | 152.572 |
| Net result of the financial year | -8.914 | 4.317 |
| **Minority interests** | **0** | **0** |
| | | |
| **Liabilities** | **118.612** | **105.030** |
| **Non-current liabilities** | **104.717** | **96.362** |
| Non-current financial debts | 101.957 | 93.405 |
| *Credit institutions* | *101.000* | *92.454* |
| *Financial leasing* | *957* | *951* |
| Other non-current financial liabilities | 2.250 | 2.379 |
| Other non-current liabilities | 154 | 151 |
| Deferred tax - liabilities | 356 | 427 |
| | | |
| **Current liabilities** | **13.895** | **8.668** |
| Provisions | 269 | 269 |
| Current financial debts | 7.927 | 6.104 |
| *Credit institutions* | *7.850* | *5.950* |
| *Financial leasing* | *77* | *154* |
| Other current financial debts | 0 | 0 |
| Trade debts and other current debts | 942 | 953 |
| Other current liabilities | 532 | 603 |
| Deferred charges and accrued income | 4.225 | 739 |
| | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **353.256** | **363.315** |

## 2.4. Condensed consolidated cash flow statement

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR** | **554** | **513** |
| | | |
| **1. Cash flow from operating activities** | **4.275** | **7.437** |
| **Operational result** | **-8.198** | **-191** |
| **Interest paid** | **-800** | **-822** |
| **Other non-operating elements** | **121** | **-502** |
| **Adjustment of result for non-cash flow transactions** | **14.106** | **9.012** |
| • Depreciations on intangible and other tangible fixed assets | 46 | 62 |
| • Income from disposal of investment properties | 0 | 154 |
| • Spread of rental discounts and benefits granted to tenants | -366 | 31 |
| • Changes in fair value of investment properties | 14.190 | 8.305 |
| • Other result on portfolio | 296 | -30 |
| • Changes in fair value of financial instruments | -129 | 484 |
| • Other non-cashflow transactions | 69 | 6 |
| **Change in working capital** | **-954** | **-60** |
| • Movement of assets | -3.192 | 79 |
| • Movement of liabilities | 2.238 | -139 |
| | | |
| **2. Cash flow from investment activities** | **-130** | **87** |
| Acquisitions of intangible and other tangible fixed assets | -1 | 0 |
| Acquisitions of investment properties | 0 | 0 |
| Investments in existing investment properties | -129 | -622 |
| Income from disposal of investment properties | 0 | 709 |
| Prepaid investment invoices | 0 | 0 |
| | | |
| **3. Cash flow from financing activities** | **-4.272** | **-7.712** |
| Repayment of loans | -329 | 0 |
| Drawdown of loans | 10.775 | 6.850 |
| Resolution of IRS | 0 | 0 |
| Repayment of financial lease liabilities | 7 | -84 |
| Receipts from non-current liabilities as guarantee | 3 | -4 |
| Dividend paid | -14.728 | -14.474 |
| | | |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE SEMESTER** | **427** | **325** |

## 2.5. Condensed statement of changes in the consolidated shareholders' equity

| IN THOUSANDS € | Share capital | Share premium | Reserves | Net result of the financial year | Minority interests | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Balance sheet as at 31 December 2018** | **97.213** | **4.183** | **159.806** | **7.240** | **0** | **268.442** |
| Comprehensive income 2019 | | | | 4.317 | | 4.317 |
| Transfer because of profit appropriation 2018: | | | | | | |
| Transfer from result on portfolio to reserves | | | -7.129 | 7.129 | | 0 |
| Transfer of changes in fair value of financial assets and liabilities | | | -210 | 210 | | 0 |
| Other changes | | | 105 | -105 | | 0 |
| Dividends financial year 2018 | | | | -14.474 | | -14.474 |
| **Balance sheet as at 31 December 2019** | **97.213** | **4.183** | **152.572** | **4.317** | **0** | **258.285** |
| Comprehensive income of first semester 2020 | | | | -8.914 | | -8.914 |
| Transfer because of profit appropriation 2019: | | | | | | |
| Transfer from result on portfolio to reserves | | | -10.989 | 10.989 | | 0 |
| Transfer of changes in fair value of financial assets and liabilities | | | -289 | 289 | | 0 |
| Other changes | | | 868 | -868 | | 0 |
| Dividends financial year 2019 | | | | -14.727 | | -14.727 |
| **Balance sheet as at 30 June 2020** | **97.213** | **4.183** | **142.162** | **-8.914** | **0** | **234.644** |

## 2.6. Notes to the consolidated condensed half-yearly figures

## Condensed consolidated income statement by segment

| BUSINESS SEGMENT | Flanders | | Walloon Region | | Brussels | | Corporate | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| IN THOUSANDS € | 30.06.2020 | 30.06.2019 | 30.06.2020 | 30.06.2019 | 30.06.2020 | 30.06.2019 | 30.06.2020 | 30.06.2019 | 30.06.2020 | 30.06.2019 |
| Rental income | 6.128 | 6.620 | 1.027 | 1.351 | 1.543 | 1.729 | 0 | 0 | 8.698 | 9.700 |
| Rental-related expenses | -32 | 5 | 0 | -17 | 0 | 0 | -635 | 0 | -666 | -12 |
| Property management costs and income | 42 | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 42 | 23 |
| **PROPERTY RESULT** | **6.139** | **6.649** | **1.027** | **1.334** | **1.543** | **1.729** | **-635** | **0** | **8.074** | **9.711** |
| | | | | | | | | | | |
| **OPERATING RESULT BEFORE RESULT ON PORTFOLIO** | **5.300** | **6.103** | **865** | **1.139** | **1.409** | **1.610** | **-1.227** | **-614** | **6.347** | **8.237** |
| Result on disposals of investment properties | 0 | 0 | 0 | -154 | 0 | 0 | 0 | 0 | 0 | -154 |
| Changes in fair value of investment properties | -10.506 | -8.494 | -3.893 | 116 | 150 | 72 | 0 | 0 | -14.249 | -8.305 |
| Other result on portfolio | -153 | 19 | 54 | 0 | -196 | 11 | 0 | 0 | -296 | 30 |
| | | | | | | | | | | |
| **OPERATING RESULT OF THE SEGMENT** | **-5.359** | **-2.372** | **-2.974** | **1.101** | **1.363** | **1.693** | **-1.227** | **-614** | **-8.198** | **-191** |
| Financial result | -5 | -2 | -1 | -2 | 0 | 0 | -703 | -1.347 | -710 | -1.351 |
| Taxes | 0 | 0 | 0 | 0 | 0 | 0 | -6 | -20 | -6 | -20 |
| **NET RESULT** | **-5.365** | **-2.374** | **-2.976** | **1.099** | **1.363** | **1.693** | **-1.936** | **-1.982** | **-8.914** | **-1.563** |

## Principles for preparation of the half-yearly figures

The condensed consolidated half-yearly figures are prepared on the basis of the principles of financial reporting in accordance with IAS 34 “Interim financial reporting”. In these condensed half-yearly figures the same principles of financial information and calculation methods are used as those used for the consolidated annual accounts as at 31 December 2019.

## New or amended standards and interpretations effective for the financial year starting on 1 January 2020

### Published standards and interpretations effective in 2020

The following amended standards by the IASB and published standards and interpretations by the IFRIC are effective for the current period, but do not materially affect the presentation, the disclosure notes or financial results of the company: Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; Amendments to IFRS 3 Business Combinations; Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments.


**Antwerp** - Arme Duivelstraat - Les Hommes

## Published standards and interpretations not yet effective in 2020

The following amendments, which are applicable as of next year or later are not expected to have a material impact on the presentation, the disclosure notes or financial results of the RREC: IFRS 17 Insurance Contracts.

## Evolution of investment properties

| | 30.06.2020 | 30.06.2019 |
|---|---|---|
| IN THOUSANDS € | TOTAL | TOTAL |
| **Balance sheet as at 1 January** | 360.752 | 372.278 |
| Investments in existing investment properties | 129 | 622 |
| Acquisition of shares of real estate companies | 0 | 0 |
| Acquisitions of investment properties | 0 | 0 |
| Disposals of investment properties | 0 | -3.363 |
| Initial recognition 'Right of use asset' according to IFRS 16 | 0 | 873 |
| Changes in fair value of investment properties | -14.243 | -8.254 |
| **Balance sheet as at 30 June** | 346.638 | 362.156 |
| OTHER INFORMATION | | |
| Investment value of real estate properties | 355.284 | 371.187 |

Investment properties are recorded at fair value. The fair value is determined based on one of the following levels of the fair value hierarchy:

- Level 1: measurement is based on quoted market prices in active markets
- Level 2: measurement is based on (externally) observable information, either directly or indirectly
- Level 3: measurement is based either fully or partially on information that is not (externally) observable.

IFRS 13 classifies investment properties as level 3.

## Rental income

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| Rents | 9.806 | 9.942 |
| Waivers related to COVID-19 negotiations | -744 | 0 |
| Rental discounts | -364 | -242 |
| Compensation for early termination of lease agreements | 0 | 0 |
| **Total rental income** | **8.698** | **9.700** |

Rental income comprises rents, income from operational lease agreements and directly associated revenues. The rental discounts are spread over the period running from the start of the lease agreement to the next possibility of terminating a lease agreement.

The rent arrears that have already been waived have been recognised in the rental income.

## Rental-related expenses

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| Write-downs on trade receivables | -1.282 | -20 |
| Reversal of write-downs on trade receivables | 616 | 8 |
| **Total rental-related expenses** | **-666** | **-12** |

## Overview of future minimum rental income

The cash value of the future minimum rental income until the first expiry date of the lease contracts has at 30 June 2020 the following collection terms:

| IN THOUSANDS € | 30.06.2020 | 30.06.2019 |
|---|---|---|
| Receivables with a remaining duration of: | | |
| Less than one year | 18.530 | 17.497 |
| Between one and five years | 21.377 | 22.781 |
| **Total of the future minimum rental income** | **39.907** | **40.278** |

## Trade receivables

| IN THOUSANDS € | 30.06.2020 | 31.12.2019 |
|---|---|---|
| Outstanding trade receivable[6] | 4.305 | 617 |
| Invoices to be issued and credit notes to be received | 25 | 34 |
| Doubtful debtors | 262 | 230 |
| Provision doubtful debtors | -896 | -230 |
| **Total trade receivables** | **3.696** | **651** |

The increase in trade receivables was caused by, on the one hand, the implementation of a new accounting system that allows recognition of rent invoices on the date of creation, i.e. prior to the period to which the invoice relates and, therefore, no longer on the first day of the month to which the invoice relates. On the other hand, trade receivables also rose as lessees ceased rental payments when the COVID-19 crisis struck. Rents for the period of the lockdown have not yet been collected from those lessees with whom an agreement had not yet been reached by 30 June 2020.

## More detailed trade receivables

| IN THOUSANDS € | | 30.06.2020 | |
|---|---|---|---|
| **Outstanding trade receivable** | **Gross receivable** | **Provision** | **Net receivable** |
| Amounts due non COVID-19 related | 321 | 262 | 59 |
| Amounts due COVID-19 related | 1.690 | 634 | 1.056 |
| Receivables related to deferred rental payments | 93 | 0 | 93 |
| Receivables pre-invoiced rent | 2.089 | 0 | 2.089 |
| **Total outstanding trade receivable[7]** | **4.193** | **896** | **3.297** |

## Non-current and current liabilities

An update of the financial structure of Vastned Retail Belgium as at 30 June 2020 is given in paragraph 1.7. (supra) of the interim report.

6 Including suppliers with a debit amount for a total of € 375 thousand
7 Excluding suppliers with a debit amount

# Financial instruments

The major financial instruments of Vastned Retail Belgium consist of financial and commercial receivables and debts, cash and cash equivalents as well as financial instruments of the interest rate swap type (IRS).

| Summary of financial instruments | | | 30.06.2020 | | 31.12.2019 | |
|---|---|---|---|---|---|---|
| (IN THOUSAND €) | Categories | Level | Book value | Fair value | Book value | Fair value |
| **FINANCIAL INSTRUMENTS (ASSETS)** | | | | | | |
| | | | | | | |
| **Non-current assets** | | | | | | |
| Non-current financial assets | C | 2 | 0 | 0 | 0 | 0 |
| Trade receivables and other non-current assets | A | 2 | 3 | 3 | 3 | 3 |
| | | | | | | |
| **Current assets** | | | | | | |
| Trade receivables | A | 2 | 3.696 | 3.696 | 651 | 651 |
| Tax receivables and other current assets | A | 2 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | B | 1 | 427 | 427 | 554 | 554 |
| | | | | | | |
| | | | | | | |
| **FINANCIAL INSTRUMENTS - LIABILITIES** | | | | | | |
| | | | | | | |
| **Non-current liabilities** | | | | | | |
| Non-current financial debts (interest-bearing) | A | 2 | 101.000 | 99.648 | 92.454 | 91.008 |
| Non-current financial debts (leasing) | A | 2 | 957 | 957 | 951 | 951 |
| Other non-current financial liabilities | C | 2 | 2.250 | 2.250 | 2.379 | 2.379 |
| Other non-current liabilities | A | 2 | 154 | 154 | 151 | 151 |
| | | | | | | |
| **Current liabilities** | | | | | | |
| Current financial debts (interest-bearing) | A | 2 | 7.850 | 7.850 | 5.950 | 5.950 |
| Current financial debts (leasing) | A | 2 | 77 | 77 | 154 | 154 |
| Other current financial debts | C | 2 | 0 | 0 | 0 | 0 |
| Trade debts and other current debts | A | 2 | 942 | 942 | 954 | 954 |
| Other current liabilities | A | 2 | 532 | 532 | 603 | 603 |

The categories correspond to the following financial instruments:

A. Financial assets or liabilities (including receivables and loans) held to maturity and measured at amortised cost
B. Investments held to maturity and measured at amortised cost
C. Assets and liabilities held at fair value through the income statement, with the exception of financial instruments defined as hedging instruments.

Financial instruments are recognised at fair value. The fair value is determined based on one of the following levels in the fair value hierarchy:

- Level 1: measurement is based on quoted market prices in active markets
- Level 2: measurement is based on (externally) observable information, either directly or indirectly
- Level 3: measurement is based either fully or partially on information that is not (externally) observable.

The financial instruments of Vastned Retail Belgium correspond to Level 2 of the fair value hierarchy. The valuation techniques relating to the fair value of level 2 financial instruments are mentioned in the 2019 annual report in Note 19 Financial instruments.

The non-current and current financial debts regarding lease liabilities correspond to Level 2 of the fair value hierarchy. The fair value of these lease liabilities is determined by means of observable data, namely the interest on Belgian Linear Bonds (OLO) between 7 and 12 years.

As at 30 June 2019, the company was in possession of the following financial derivatives:

| IN THOUSANDS € | | Start date | End date | Interest rate | Contractual notional amount | Hedge accounting | Fair value | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Yes/No** | **30.06.20** | **31.12.19** |
| 1 | IRS | 31/10/2019 | 31/07/2024 | 0.6725% | € 15.000 | No | -380 | -390 |
| 2 | IRS | 31/10/2019 | 31/07/2024 | 0.7375% | € 10.000 | No | -280 | -290 |
| 3 | IRS | 14/11/2019 | 31/07/2024 | 0.7250% | € 5.000 | No | -137 | -140 |
| 4 | IRS | 31/07/2017 | 31/07/2023 | 0.9520% | € 15.000 | No | -433 | -488 |
| 5 | IRS | 31/07/2017 | 31/07/2024 | 0.9550% | € 10.000 | No | -372 | -383 |
| 6 | IRS | 31/07/2017 | 31/07/2024 | 1.0940% | € 15.000 | No | -648 | -688 |
| **Other non current financial liabilities** | | | | | | | **-2.250** | **-2.379** |
| | | | | | | | | |
| **Other current financial liabilities** | | | | | | | **0** | **0** |
| | | | | | | | | |
| **Total fair value of financial derivatives** | | | | | | | **-2.250** | **-2.379** |

As at 30 June 2020, these interest rate swaps had a negative market value of € -2.3 million (contractual notional amount of € 70 million), which is determined by the issuing financial institution on a quarterly basis.

Vastned Retail Belgium did not classify any interest rate swaps as a cash flow hedge as at 30 June 2020. The value fluctuations of all existing interest rate swaps are directly included in the income statement.

## Related parties

No modifications have occurred during the first semester of 2020 regarding the type of transactions with related parties as described in Note 21 of the Financial report of the 2019 annual report.

## Off-balance sheet obligations

In the first semester of 2020, there have been no changes in the off-balance sheet obligations as described in Note 24 of the Financial report of the Annual report 2019.

## Events after the balance sheet date

After the closing of the accounts as at 30 June 2020 and until the date of 24 July 2020, a total amount of €2.2 million in outstanding rents was collected following the signing of additional agreements with lessees after the balance sheet date. This result in an improved outstanding receivables position of 53% compared to the gross outstanding receivables as per 30 June 2020. After recognition of all final agreements, i.e. upon completion of the recognition of the waivers, a gross amount of outstanding trade receivables until 30 June 2020 remains for an amount of €0.6 million.

Furthermore, there are no significant events to be mentioned that occurred after the closing of the accounts as at 30 June 2020.


**Ghent** - Zonnestraat - AS Adventure

## 2.7. Statutory auditor's report

Report of the statutory auditor to the shareholders of Vastned Retail Belgium nv on the review of the Condensed Consolidated Half-yearly Figures as of 30 June 2020 and for the six-month period then ended

### Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Vastned Retail Belgium nv (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed statement of changes in consolidated shareholders' equity for the six-month period then ended, and explanatory notes, collectively, the "Condensed Consolidated Half-yearly Figures". These statements show a consolidated balance sheet total of € 353.256 thousand and a consolidated loss for the six-month period of € 8.914 thousand. The board of directors is responsible for the preparation and presentation of these Condensed Consolidated Half-yearly Figures in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these Condensed Consolidated Half-yearly Figures based on our review..

### Scope of review

We conducted our review in accordance with the 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 of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the 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 accompanying Condensed Consolidated Half-yearly Figures are not prepared, in all material aspects, in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

### Emphasis matter – COVID-19

Without qualifying our review opinion, we draw your attention to the disclosures of the Half-Year Financial Report with regards to the consequences on the result of the Company, of the measures taken relating to the COVID-19 virus. The continuous evolution around the COVID-19 virus, creates an important uncertainty. The impact of these developments on the Company is disclosed in the Half-Year Financial Report and more specifically described in the Chapter "Risk Factors" regarding the risks and uncertainties for the Company as a consequence of the measures taken relating to the COVID-19 virus.

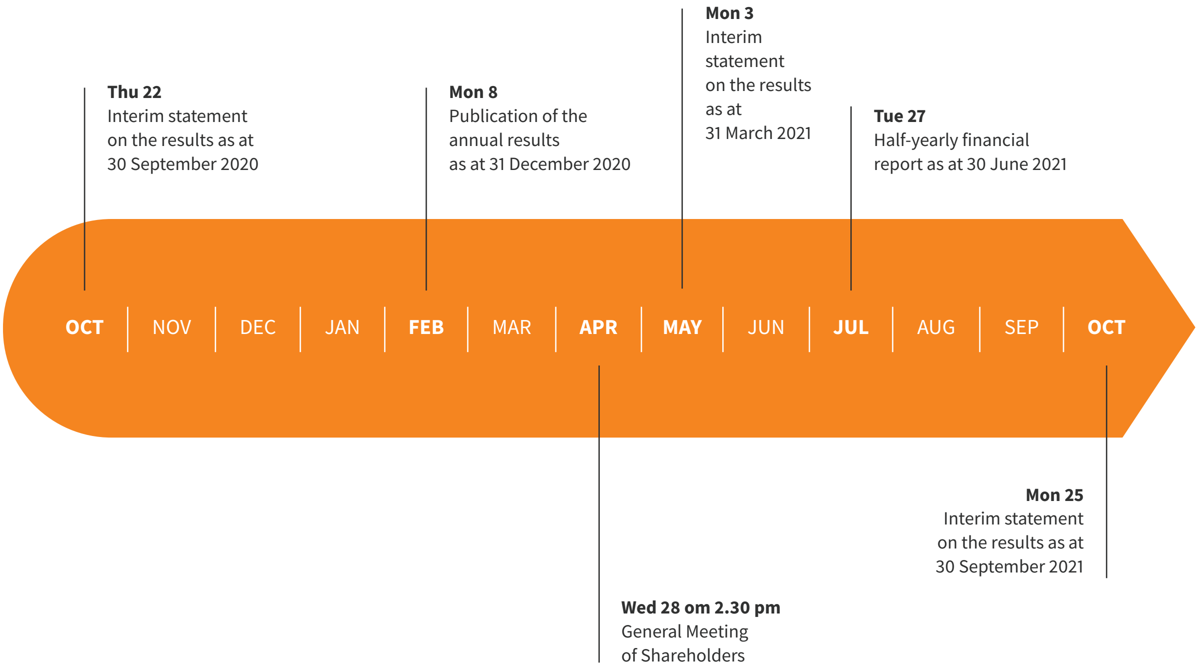
Brussels, 28 July 2020

**EY Bedrijfsrevisoren bv/EY Réviseurs d'Entreprises srl**
Statutory Auditor
represented by

**Joeri Klaykens***
Partner

* Acting on behalf of a bv/srl

## 2.8. Financial calendar




# 3. Statement regarding the half-yearly financial report

In accordance with Article 13 § 2 of the Royal Decree of 14 November 2007, the Board of Directors, composed of Lieven Cuvelier (chairman), Taco de Groot, Reinier Walta, Peggy Deraedt, Anka Reijnen and Ludo Ruysen, declares that according to its knowledge:

a. the condensed half-yearly figures, prepared in accordance with the principles of financial information in accordance with IFRS and in accordance with IAS 34 “Interim Financial Information” as accepted by the European Union, give a true and fair view of the equity, the financial position and the results of Vastned Retail Belgium and the companies included in the consolidation

b. the interim management report gives a true statement of the main events which occurred during the first six months of the current financial year, their influence on the condensed half-yearly figures, the main risk factors and uncertainties regarding the remaining months of the financial year, as well as the main transactions between related parties and their possible effect on the condensed half-yearly figures if these transactions should have a significant importance and were not concluded at normal market conditions.

c. the information in the interim management report coincides with reality and no information has been omitted the statement of which could modify the tenor of the interim management report.

These condensed half-yearly figures were approved for publication by the board of directors on 28 July 2020.

**About Vastned Retail Belgium.** Vastned Retail Belgium is a public regulated real estate company (RREC), the shares of which are listed on Euronext Brussels (VASTB). Vastned Retail Belgium invests exclusively in Belgian commercial real estate, more specifically in prime retail properties located on the best shopping streets in the major cities of Antwerp, Brussels, Ghent and Bruges. Furthermore, the real estate portfolio consists of inner-city shops outside of the premium cities, high-end retail parks and retail warehouses.

**For more information, please contact:**

VASTNED RETAIL BELGIUM NV, a public regulated real estate company under Belgian law,
Rudi Taelemans - CEO or Elke Krols - CFO, tel. + 32 3 361 05 90, www.vastned.be

**Disclaimer**

This press release contains prospective information, forecasts, convictions and estimates prepared by Vastned Retail Belgium on the expected future performance of Vastned Retail Belgium and the markets in which it operates. Readers are held to observe that such prospects are subject to risks and uncertainties which can cause the actual results to differ considerably from those expressed in such prospective statements. Prospective statements such as these can be impacted by significant factors such as changes in the economic situation, tax, competitive along with environmental factors. Vastned Retail Belgium cannot guarantee that the assumptions underlying the prospective information are free of misstatements.

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