



**INTERVEST**  
RETAIL

**HALF YEAR REPORT**

30 JUNE 2003



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# INTERVEST

## RETAIL

Uitbreidingstraat 18 - B-2600 Berchem - Antwerp

Property investment fund with  
Fixed Capital under Belgian law



**HALF YEAR REPORT**

30 JUNE 2003

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## MANAGEMENT AND ORGANISATION

- **Board of Directors**

Paul Christiaens, Director  
Gérard Philippson, Director  
Joost Rijnboutt, Managing Director  
Hubert Roovers, Managing Director  
Reinier van Gerrevink, Chairman

- **Registered office**

Uitbreidingstraat 18, B-2600 Berchem - Antwerp

- **Management company**

Intervest Management NV/SA, Uitbreidingstraat 18, B-2600 Berchem - Antwerp

- **Statutory Auditor**

Ludo De Keulenaer, Partner in the professional partnership in the form of a co-operative partnership with limited liability, Deloitte & Partners Company Auditors, Louizalaan 240, B-1050 Brussels

- **Custodian bank – Financial services – Liquidity Provider**

Bank Degroof, Nijverheidsstraat 44, B-1040 Brussels

- **Property experts**

Cushman & Wakefield Healey & Baker, Kunstlaan 58 box 7, B-1000 Brussels

- **Date of annual general meeting**

Second Wednesday in May, 2.30 p.m.

## 1. INTERVEST RETAIL

### 1.1. Profile

Intervest Retail invests exclusively in Belgian commercial property, focusing primarily on inner city shops in prime locations and on retail warehouses. Shopping centres also represent possible investment opportunities. Besides, the company also invests in a factory outlet in Messancy.

At present the portfolio is made up of 334 lettable units, spread over 105 different towns and municipalities. 44% of the retail portfolio consists of inner city shops and 56% of retail warehouses. The total value as at 30 June 2003 amounts to € 275,146,424 (value deed in hand).

Intervest Retail has been registered as a property investment fund in the list of Belgian investment institutions since 22.12.1998, and has been included in the Next Prime segment of Euronext in Brussels since 01.01.2002.

### 1.2. Investment policy

The investment policy is focussed towards achieving a combination of a direct yield based on income from letting and an indirect yield based on the increase in the value of the property portfolio.

Expansion of the portfolio should always lead to a better risk spread, cost benefits and increased shareholder value. As far as possible, mergers and contributions in kind are realized against payment of new shares, whereby the free float<sup>1</sup> and liquidity<sup>2</sup> of the share are improved.

The long-term basis is that the financing of the real estate portfolio with third-party assets (in accordance with current statutory provisions) remains limited to a maximum of 50% of the assets.

### 1.3. Management

The portfolio is managed by Intervest Management, which works exclusively for Intervest Retail and Intervest Offices. In addition to property management, Intervest Management also takes care of the administrative and general management activities (this includes searching for and preparing new acquisitions).

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<sup>1</sup> Free float is the number of shares circulating freely on the stock exchange and therefore not in permanent ownership.

<sup>2</sup> Liquidity is the ease with which a share can be traded.

The various Boards of Directors are currently looking at the option of splitting all the activities of Intervest Management between Intervest Retail and Intervest Offices. If this change is implemented, both funds would be responsible for their own management with effect from 1 January 2004, with their own staff, own resources, etc. Following this international trend would create greater transparency over the management of the two investment funds.

On 19 August 2003, the Board of Directors decided to increase the management fee that is paid to Intervest Management NV/SA from 4% of rents received to 0.5% of the value of the assets (valued costs-to-buyer) with retroactive effect from 1 April 2003.

This increase allows Intervest Management to continue to guarantee full quality service provision without incurring a loss. This increase has already been taken into account in the figures of 30 June 2003 and in the full-year forecasts.

## **2. DEVELOPMENTS IN THE FIRST HALF YEAR OF 2003**

### **2.1. Investments**

No new acquisitions were made over the course of the first semester. The full attention was given to the development and opening of the Messancy Outlet Centre (MOC).

A factory outlet is a concentration of shops where the manufacturers can offer their wares directly to the consumer at big discounts (at least 25% of the retail price). In addition, these products have to be the last of a series, the last season's goods or slightly damaged, or form part of overstocks or trial products.

MOC consists of some 13,700 m<sup>2</sup> of shopping area and approximately 4,000 m<sup>2</sup> dedicated to restaurants and leisure activities. The complex opened its doors on 5 June 2003 with a limited number of units (the so-called "soft opening") as is common in this sector. The "grand opening" is planned for the second half of the year and depends on lettings and unit openings during this period. For more information on MOC see [www.messancyoutletcentre.be](http://www.messancyoutletcentre.be).

With regard to the project Van De Ven in Olen, the options for a new use are being looked at in detail.

## 2.2. Sales

Intervest Retail has a sales programme running to some € 18 million. This relates to non-strategic buildings that have a negative effect on the average quality of the portfolio.

During the first half year, one property has been sold with an added value of € 3,296.11.

Location	Address	Surface area (m <sup>2</sup> )	Selling price (€)	Book value at time of sale (€)	Capital gain or loss (€)
Antwerp	Hovenierstraat 1	145	515,000.00	511,703.89	3,296.11

## 2.3. Tax system

Like most other property investment funds, Intervest Retail NV/SA is engaged in disputes with the tax authorities regarding the taxable basis of the exit tax. No judgement on these ongoing complaints is expected for the time being.

## 3. GROWTH PROSPECTS

For the current year of 2003 and beyond, our sights are set not only on maintaining the present position of Intervest Retail as the largest investment fund in the area of Belgian commercial property, but also on achieving significant further expansion through direct purchases, mergers and takeovers. In the long term we believe that the portfolio has to grow in size to approximately € 500 million (deed in hand).

In view of the low level of interest rates, the current stock exchange climate and the good performance of the company over the last few years, the company is looking at ways of implementing a capital increase in the next few months. The money that could be raised from this can be used to finance the planned growth.



## 4. HALF YEAR RESULTS (main figures)

### 4.1. Financial results (in € 000)

On 12.03.03, the Minister of Economic Affairs gave approval for the annual financial statements to be prepared and published in accordance with a deviation from the usual form of presentation. The half year figures as at 30.06.03 are stated in this form:

	01.01.2003 -30.06.2003	01.01.2002 -30.06.2002
<b>A. Operating result</b>	<b>6,403</b>	<b>5,932</b>
Turnover (rental income)	9,281	8,207
Net operating expenses	-1,394	-1,150
Financial result	-1,485	-1,136
Operating result (before taxes)	6,402	5,921
Taxes	1	11
<b>B. Result on the portfolio</b>	<b>2,070</b>	<b>4,334</b>
Added value or loss of value on sales of portfolio items	40	-477
Changes in the unrealized market value on the portfolio		
- property in the portfolio	2,066	4,406
- changes in market value previously recorded on the portfolio items disposed of during the financial year	-36	405
<b>Result of the period</b>	<b>8,473</b>	<b>10,266</b>

The operating result for the first half year of 2003 was € 6,402,668. As Intervest Retail NV/SA has a policy of distributing 100% of its operating result to its shareholders, this is equivalent to € 1.26 per share for the first half year. This is better than the € 1.21 per share that was budgeted for the first half year of 2003. The difference is primarily attributable to the fall in short-term interest rates compared with the beginning of the year. Intervest Retail NV/SA has financed a large proportion of its debts over the short term in order to take maximum advantage of the current low interest rates and to exert maximum downwards pressure on its interest costs, which form a large proportion of the total costs. Furthermore, contracts were recently concluded to fix the long-term interest rate for some of the loans.

Profits were in line with expectations. The Messancy Outlet Centre has not yet had any impact on profits for the first half year. However, it will have an effect on the result for the second half year.

The result on the portfolio for the first half of 2003 was € 2,070,537. This consisted partly of added values realized of € 39,742 on sales (compared with the original purchase value), and partly of € 2,030,795 of unrealized added values. The cause of this is the increase in the estimated market value of the real estate as determined by the property valuer Cushman & Wakefield Healy & Baker.

The intrinsic value of the share (value deed in hand) and including the current profits for the first half year is € 32.45 as at 30 June 2003. As the stock exchange price as at 30 June 2003 was € 34.50 per share, the share is trading at a slight premium.

The debt ratio (based on the real estate valued costs-to-buyer and including the profits for the period that are regarded as debt) is 48.56%.

#### 4.2. Inventory value (in € per share)

	30.06.03	31.12.02	30.06.02	31.12.01	30.06.01
Net asset value at year end (inc. interim result or dividend)	32.45	33.03	31.99	32.75	31.55
Gross dividend	-	2.42	-	2.30	-
Net dividend	-	2.06	-	1.96	-
Share price on closing date	34.50	33.30	31.75	30.01	28.00
Under-/overvaluation on net asset value (%)	6.32	0.82	-0.75	-8.37	-11.25

#### 4.3. The Statutory Auditor's report

We have reviewed the interim balance sheet of INTERVEST RETAIL NV/SA, BELGIAN PROPERTY INVESTMENT FUND as at 30.06.03, and the related statement of income for the six months period then ended. These interim financial accounts have been composed by the Management of the company.

We conducted our review in accordance with the standards established by the Belgian Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries with management. It is less in scope than an audit conducted in accordance with generally accepted auditing standards.

Based on our review, we are not aware of any material modifications that should be made to the interim accounts as at 30.06.03 for them to be in conformity with the accounting legislation applicable in Belgium and with the company's accounting policies.

The Statutory Auditor,

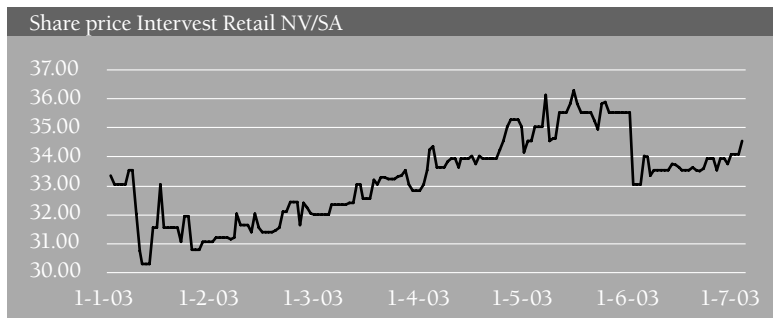
*Ludo De Keulenaer, 20 August 2003*  
*Partner of Deloitte & Partners Company Auditors*

#### 4.4. Share price

During the first six months of 2003, the share price fluctuated between € 30.25 and € 36.24. On 30 June the share stood at € 34.50. This represents an overvaluation of 6.32% in relation to the intrinsic value as at 30 June 2003.

The free float as at 30 June came to 22.56% (22.48% at the end of 2002).

The average daily volume traded amounted to 1,058 units during the first half year of 2003.



## 5. PROPERTY PORTFOLIO

### 5.1. The property expert's conclusions

*Taking into account all of the remarks, definitions and reservations that are included in this report and its appendices and that form an integral part of it, we consider the market value of this portfolio on a "costs-to-buyer" basis for the Property in Operation to be € 216,060,744, and the market value on a "costs-to-buyer" basis including the Property Not in Operation to be € 245,179,903.*

*Done in good faith in Brussels on 30 June 2003.*

*For Cushman & Wakefield Healey & Baker*

*Eric Van Dyck*

With regard to the development of the market in 2003, the property expert made the following comments:

#### **The letting market**

The letting market is marked by a limited take-up of shop space in inner city locations. This is attributable to various factors. Firstly the general economic climate has deteriorated during the first half year. This is beginning to take its toll on consumer confidence. As a result of this, a number of retail chains are stopping or postponing their expansion plans. There are no newcomers in the market, especially in the segment in excess of 400 m<sup>2</sup>.

The general tendency is that there will be little improvement in the second half of 2003. Fortunately Belgium only has a limited number of shopping towns and streets which in turn are physically very small. This means that the proportion of empty premises at top locations is very low, and in some cases is even zero.

Nevertheless, the general situation means that rents are currently under pressure.

Market segments that seem to be bucking this trend are shopping centres and retail warehouses. Shopping centres are escaping the worst effects because successful projects are very scarce. The great concentration of different shops and sectors also means they are more attractive to the public.

The retail warehouses' market has suffered less from the recession because there are a reasonable number of discount players in this market. These are the players who gain some benefit from an economic malaise, by offering cheaper products, compared with the more expensive inner city locations.

## The investment market

In general, the trend in the investment market is comparable to that in the letting market. However, it is the first time in 20 years that the evolution in the two sectors appears not to be running in parallel. On the one hand, investors are being more cautious because any space that does become empty may be less easy to let. On the other hand, they are rather 'bullish' in their acquisitions due to the low interest rates which means the risk premium between these interest rates and the return on real estate is very large.

Both inner city locations and shopping centres are currently benefiting greatly from this trend. The retail warehouses' market has a higher psychological threshold here ("after all there are only four walls and a ceiling").

Top returns for town centre locations of 6% are the rule at present and transactions of less than 6% are regularly being seen for smaller volumes.

There are few points for comparison in the shopping centres' sector. Nevertheless we have concrete indications that a return of 6.5% can be achieved for a good shopping centre and even 6 to 6.25% for an excellent shopping centre.

As the retail warehouses' market is controlled by a limited number of players, the trend here moves less quickly. Nevertheless, we have the impression that if this small group of buyers wants to remain active, they must dip under the psychological threshold of 8% to attract a high quality product.

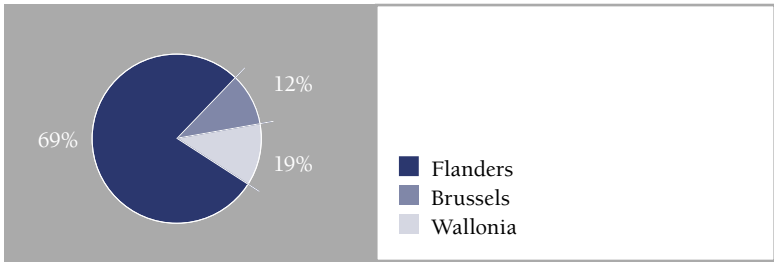
## 5.2. Key figures and charts<sup>3</sup>

### • Summary overview of property assets

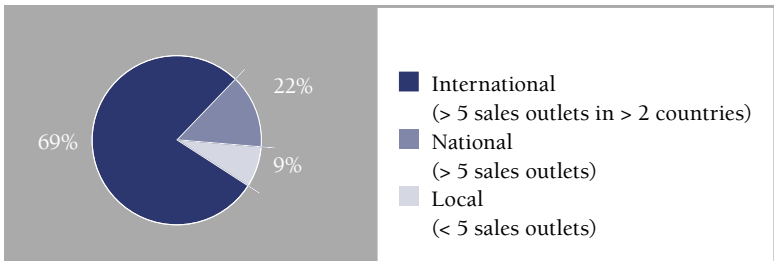
	30.06.2003	30.06.2002	30.06.2001
Total lettable area (m <sup>2</sup> )	205,175	181,710	186,737
Occupancy rate (%)	96.54	96.92	97.12
Value of portfolio "deed in hand" (€ 000)	275,146	221,001	201,311
Value of portfolio "costs-to-buyer" (€ 000)	245,180	197,045	176,788

<sup>3</sup> On the basis of the rental income of the property in operation.

• **Geographic spread**



• **Region of activity of lessees**



• **Type of retail property**



### 5.3. Overview of property as at 30 June 2003

Location	Type of building	Surface area (m <sup>2</sup> )	Rent in € 000	Value to-buyer € 000
<b>PROPERTY IN OPERATION</b>				
AALST - Albrechtlaan 56	retail warehouse	1,000	63	430
AALST - Kalfstraat 3	retail warehouse	9,126	645	7,079
AALST - Nieuwstraat 10	inner city location	145	60	769
AARTSELAAR - Antwerpsesteenweg 13/4	retail warehouse	990	99	1,160
ALLEUR - Avenue de L'Expansion 16	semi-industrial	2,221	131	1,203
ANDENNE - Avenue Roi Albert 39	retail park	4,701	270	2,886
ANS - Rue de Français 393	retail park	3,980	313	3,230
ANTWERPEN - Abdijstraat 29	inner city location	130	28	308
ANTWERPEN - Abdijstraat 82/84	inner city location	165	42	465
ANTWERPEN - Breydelstraat 33	inner city location	144	43	517
ANTWERPEN - Carnotstraat 18/20	inner city location	1,298	95	1,008
ANTWERPEN - De Keyserlei 47	inner city location	60	41	492
ANTWERPEN - De Keyserlei 49	inner city location	118	55	658
ANTWERPEN - Frankrijklei 27	inner city location	624	70	767
ANTWERPEN - Groendalstraat 11	inner city location	39	21	277
ANTWERPEN - Huidevettersstraat 12	inner city location	791	248	3,319
ANTWERPEN - Korte Gasthuisstraat 27	inner city location	155	89	1,092
ANTWERPEN - Leysstraat 17	inner city location	149	140	1,949
ANTWERPEN - Leysstraat 28/32	inner city location	1,870	714	9,707
ANTWERPEN - Meir 99	inner city location	384	392	5,070
ANTWERPEN - Schuttershofstraat 30	inner city location	66	48	641
ANTWERPEN - Schuttershofstraat 32/ Arme Duivelstraat 2	inner city location	54	48	644
ANTWERPEN - Schuttershofstraat 24/ Kelderstraat 7	inner city location	320	60	778
BALEN - Molsesteenweg 56	retail park	1,871	114	1,185
BASTOGNE - Route de Marche 104	retail park	593	37	302
BEAUMONT - Rue G. Michiels 40	retail warehouse	1,113	94	831
BOECHOUT - Hovensesteenweg 123-127	retail warehouse	1,022	63	655
BORGLOON - Sittardstraat 10	retail park	996	52	493
BREE - Toleikstraat 30	retail warehouse	855	51	523
BRUGGE - Steenstraat 80	inner city location	2,670	755	11,394
BRUXELLES - Avenue Louise 7	inner city location	248	208	3,062
BRUXELLES/SCHAERBEEK - Chaussée de Louvain 610/640	retail park	2,964	288	3,286
BRUXELLES - Chaussée d'Ixelles 16	inner city location	1,255	219	2,551

<b>Location</b>	<b>Type of building</b>	<b>Surface area (m<sup>2</sup>)</b>	<b>Rent in € 000</b>	<b>Value costs-to-buyer € 000</b>
BRUXELLES - Chaussée d'Ixelles 41/43	inner city location	5,248	1,127	13,767
BRUXELLES - Chaussée d'Ixelles 65	inner city location	245	44	553
BRUXELLES - Rue Bienvenue 13/15	semi-industrial	4,260	267	2,540
BRUXELLES - Rue Neuve 98	inner city location	162	143	1,806
CHARLEROI - Rue de la Montagne 5/7	inner city location	948	182	1,891
CHENEY - Rue de la Station 23	retail park	2,881	212	2,084
DIEST - Hasseltstraat 15	inner city location	200	33	377
DILSEN - STOKKEM - Rijksweg 17	retail warehouse	992	68	682
DINANT - Tienne de l'Europe	retail park	4,330	290	3,075
FLEMALLE - Rue de la Fabrique 6	retail park	2,835	190	1,852
FROYENNES - Rue des Roselières 6	retail warehouse	950	73	829
GENK - G. Lambertlaan 115	retail park	3,109	214	2,052
GENK - Hasseltweg 74	retail park	2,099	174	1,911
GENT - Veldstraat 81/Zonnestraat 6/10	inner city location	3,510	388	4,798
GENT - Volderstraat 15	inner city location	279	80	930
GERPINNES - Rue de Bertransart 99	retail park	990	64	603
GLAIN - Rue St. Nicolas 572	retail park	1,990	98	828
GRIVEGNEE - Rue Servais Malaise	retail warehouse	2,000	112	1,128
HANNUT - Chaussée de Huy 2	retail park	3,015	176	1,782
HASSELT - Genkersteenweg 76	retail warehouse	1,241	92	1,012
HASSELT - Genkersteenweg 282	retail warehouse	2,020	98	1,013
HASSELT - St. Hubertusplein 46	retail warehouse	895	54	421
HEUSDEN-ZOLDER - Inakker	retail warehouse	1,019	61	633
HOBOKEN - Zeelandstraat 6-8	retail warehouse	2,490	174	1,848
KAMPENHOUT - Mechelsesteenweg 38/42	retail park	3,002	169	1,747
KAPellen - Eikendreef 5	retail park	906	46	415
LA LOUVIERE - Rue Albert I 84/86	inner city location	190	53	567
LEOPOLDSBURG - Lidostraat 7	retail park	1,670	91	914
LEUVEN - Bondgenotenlaan 69-73	inner city location	1,589	518	6,460
LIEGE - Pont d'Ile 35	inner city location	80	55	652
LIEGE - Pont d'Ile 45	inner city location	60	59	753
LIEGE - Pont d'Ile 49	inner city location	380	86	1,134
MALMEDY - Avenue des Alliés 14B	retail park	813	51	511
MARCINELLE - Rue des Champs 17	local shop	603	20	74
MECHELEN - Bruul 39-41	inner city location	378	186	2,408
MECHELEN - Bruul 42-44	inner city location	1,410	340	4,102
MECHELEN - Yzerenleen 30	inner city location	350	47	569
MERKSEM - Bredabaan 474/476	inner city location	470	91	972
MESSANCY - Rue de l'Institut 44	retail park	1,998	102	1,063



Location	Type of building	Surface area (m <sup>2</sup> )	Rent in € 000	Value costs-to-buyer € 000
MONS - Chaussée de Binche 101	retail warehouse	1,000	142	1,719
MONS - Grand Rue 19	inner city location	170	70	852
MONS - Rue de La Chaussée 31/33	inner city location	380	65	681
MORTSEL - Statielei 71/73	inner city location	965	141	1,641
MOUSCRON - Petite Rue 18	inner city location	235	37	428
OLEN - Lammerdries 6	retail park	13,452	707	6,396
OOSTENDE - Torhoutsesteenweg 610	retail warehouse	1,000	79	919
OVERPELT - Burgemeester Misottenstraat 3	retail warehouse	877	75	800
PHILIPPEVILLE - Rue de France	retail park	3,705	282	2,830
ROESELARE - Brugsesteenweg 524	retail warehouse	1,000	73	797
SCHELLE - Provinciale Steenweg 453/455	retail park	2,962	180	1,799
SCHERPENHEUVEL - Manneberg 26	retail warehouse	600	67	693
SERAING - Boulevard Pasteur 47	retail warehouse	1,263	88	824
SINT-JOB-IN-'T GOOR - Handelslei 10	retail warehouse	600	60	600
SINT-NIKLAAS - Kapelstraat 119	retail warehouse	940	77	368
SINT-TRUIDEN - Hasseltsesteenweg 69	retail warehouse	850	79	812
SINT-TRUIDEN - Kattestraat 25	retail park	1,401	92	982
TIELT-WINGE - Aarschotsesteenweg 1/6	retail park	18,866	1,369	14,654
TIENEN - Slachthuisstraat 36	retail park	4,871	376	4,002
TURNHOUT - Gasthuisstraat 5-7	inner city location	1,047	281	3,390
TURNHOUT - Gasthuisstraat 32	inner city location	1,743	240	2,995
VILVOORDE - Leuvensestraat 39/41 - Nowélaan 41	inner city location	485	98	983
VILVOORDE - Luchthavenlaan 5	retail warehouse	6,345	439	4,953
VILVOORDE - Mechelsesteenweg 30	retail park	7,726	598	6,349
WATERLOO - Chaussée de Bruxelles 284	retail park	1,198	101	1,120
WAVRE - Rue du Commerce 26	inner city location	140	49	469
WAVRE - Rue Pont du Christ 46 - Rue Barbier 15	inner city location	739	134	1,516
WILRIJK - Boomsesteenweg 643-645	retail warehouse	1,837	805	6,445
WILRIJK - Boomsesteenweg 666-672	retail park	4,884	437	5,103
WILRIJK - Oude Baan 59-79/ Boomsesteenweg 660-664	semi-industrial	20,170	128	1,454
<b>TOTAL PROPERTY IN OPERATION</b>		<b>205,175</b>	<b>19,293</b>	<b>216,061</b>

<b>Location</b>	<b>Type of building</b>	<b>Surface area (m<sup>2</sup>)</b>	<b>Rent in € 000</b>	<b>Value costs-to-buyer € 000</b>
<b>PROPERTY NOT IN OPERATION</b>				
AALST - Kalfstraat 3	offices	600	30	180
ELEWIJT ZEMST - Keizer Karellaan	land	2,100	0	59
MESSANCY - Route Nationale 81	outlet centre	18,676	0	25,300
OLEN - Lammerdries 6	retail warehouse	14,030	471	2,527
OLEN - Lammerdries 6	land	32,389	0	0
OLEN - Lammerdries 6	villas	0	0	528
RIXENSART - Rue Boisacq 11	local shop	100	10	103
VILVOORDE - Mechelsesteenweg 30	offices	714	48	317
WAVRE - Rue du Commerce 26	appartements	260	12	105
<b>TOTAL PROPERTY NOT IN OPERATION</b>		<b>68,869</b>	<b>571</b>	<b>29,119</b>
<b>TOTAL PROPERTY IN OPERATION + NOT IN OPERATION</b>		<b>274,044</b>	<b>19,864</b>	<b>245,180</b>



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