

# INTERVEST

## RETAIL



**Half year report**  
30 June 2002



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# INTERVEST

RETAIL

Property investment fund  
founded as limited liability company  
with Fixed Capital under Belgian law

**Half year report as at 30 June 2002**



Uitbreidingstraat 18  
B-2600 Berchem

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## MANAGEMENT AND ORGANISATION

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- **Board of Directors**

J. Rijnboutt, Chairman and independent Managing Director  
K. Streefkerk, Managing Director  
P. Christiaens, independent Director  
G. Philippon, independent Director

All directors are appointed for a period ending after the annual general meeting in 2003.

- **Registered office**

Uitbreidingstraat 18, B-2600 Berchem

- **Management company**

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

- **Statutory Auditor**

Ludo De Keulenaer, Partner Arthur Andersen Company Auditors,  
Uitbreidingstraat 2, B-2600 Berchem

- **Custodian bank**

Fortis Bank NV/SA, Warandeberg 3, B-1000 Brussels  
Bank Degroof, Nijverheidsstraat 44, B-1000 Brussels (from 01.09.2002)

- **Financial services**

Fortis Bank NV/SA, Warandeberg 3, B-1000 Brussels

- **Liquidity Provider**

Bank Degroof, Nijverheidsstraat 44, B-1000 Brussels

- **Property experts**

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

- **Date of annual general meeting**

Second Wednesday in May, 2.30 p.m.



## 1 INTERVEST RETAIL

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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. Most of the premises have been let on traditional leases to users who are widely distributed across all sectors of the retail trade. At present the portfolio is made up of 291 lettable units, spread over 58 different towns and municipalities.

Premises are often let to large chains that wish to be based exclusively in prime locations. Where possible, a different use is allocated to space that has not been taken up by commercial users, in order to limit the number of vacant properties.

As at 30.06.2002, 48% of the retail portfolio consists of inner city shops and 50% of retail warehouses. The remaining 2% are other retail premises, such as local shops.

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

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

The basis for the long term is that loan capital financing of the property portfolio remains limited (in accordance with current statutory provisions) to a maximum of 50% of the market value of the property.

The property investment fund Intervest Retail takes the form of a limited liability company under Belgian law, which draws publicly on the savings system. Intervest Retail was founded on 15.06.1987 by deed, executed before André Van Der Vorst, Civil-Law Notary in Elsene, and published in the appendices to the Belgian Bulletin of Acts, Orders and Decrees of 09.07.1987 under number 870709-272.

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.



The company's Extraordinary General Meeting of 08.05.2002 resolved to proceed with a merger through takeover of the company Immobilière de l'Observatoire NV/SA. As a result of this merger, the company's authorised capital was increased from € 97,000,000 to € 97,002,995.61 and 7,273 new Intervest Retail shares were issued. These shares are entitled to dividend from 01.01.02. The Extraordinary General Meeting of 08.05.02 also resolved to authorise the Board of Directors to acquire company shares in the event that there is a risk of serious and imminent harm to the company, and also to increase the nominal capital, within the context of the permitted capital, by a maximum amount of € 97,002,995.61 (i.e. the nominal capital of the company after the merger). Finally, the company's articles of association were also amended in accordance with the new Belgian Company Code.

The Extraordinary General Meeting of 08.05.02 also resolved to appoint Mr Ludo De Keulenaer -Company Auditor, a recognised auditor in the sense of article 132, § 1, paragraph 3 of the Act of 04.12.1990 on financial transactions and the financial markets, and a partner in the civil company under the form of a cooperative company with limited liability Arthur Andersen Company Auditors- as the Statutory Auditor of the company with immediate effect.



## 2 INVESTMENTS AND SALES

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No new acquisitions were made over the course of the first semester. As mentioned above, however, on 08.05.02 the decision was taken to proceed with a merger through takeover of Immobilière de l'Observatoire NV/SA. The latter was the owner of a property located at Bondgenotenlaan 69-73 in Leuven. Intervest Retail NV/SA, however, had already acquired 95% of the shares in this company in October 2001.

With regard to the Van De Ven project in Olen, negotiations were held with the BVBA/SPRL Het Genoegen (the successor of NV/SA Wooncentrum Van De Ven) in respect of the conclusion of new commercial leases and relocations within the existing project. The intention is to centralise all retail activities on one side of the project so that visitor flows can be bundled. Demolition works will begin in the near future on many of the existing buildings, if new tenants can be attracted. The possibilities of redeveloping the site into a shopping centre or a semi-industrial site are currently being considered. In view of the risks connected with the redevelopment of the project, an additional downward value adjustment of € 2 million has been included in the profit and loss account.

The Board of Directors specified that a number of smaller properties had to be sold as they no longer fitted in with the portfolio. Of these, the following properties were sold during the first six months of 2002:

Location	Address	Surface area (m <sup>2</sup> )	Selling price (€)	Book value at time of sale (€)	Capital gain or loss (€)
Anhée	Place Communale 18	409	125,000	102,876	22,124
Antwerp	Abdijstraat 150	120	112,792	116,242	-3,451
Antwerp	Vestingstraat 3	60	365,000	363,126	1,874
Courcelles	Rue Général de Gaulle 164/168	870	125,938	242,052	-116,114
Herzele	Solleveld 17	521	161,131	147,028	14,103
Kluisbergen	Kerkstraat 11	634	160,144	163,767	-3,623
Kortrijk	Overbekeplein 14	108	61,973	52,027	9,947
Nazareth	's Gravenstraat 134	578	173,526	179,470	-5,945
Stekene	Bormte 9	578	153,562	157,037	-3,474
Waarschoot	Jaspaerstede 2	846	322,262	305,644	16,617
Wanfercée	Rue Gossiaux 23	347	61,973	65,812	-3,839
<b>TOTAL</b>		<b>5,071</b>	<b>1,823,301</b>	<b>1,895,081</b>	<b>-71,781</b>

The quality of the portfolio will continue to improve over the coming periods by removing properties of lesser quality.

### 3 GROWTH PROSPECTS

For the current year of 2002 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 needs to grow in size to approximately € 500 million (deed in hand). This will make the share even more attractive to shareholders and will also increase its liquidity.

In August an agreement in principle was reached on the acquisition of a majority interest in a property portfolio consisting of 36 retail warehouses in 14 different locations. The value of this portfolio is in excess of € 24 million (deed in hand). The necessary due diligence studies and audits are currently in progress.

An agreement has also been reached on the purchase of a retail park in Herstal, consisting of four properties. The purchase cost is in the region of € 1.7 million. This purchase is still linked to a number of suspensive conditions, which are likely to be met by the end of this year.

Both dossiers, if they are realized, will make a positive contribution to the profit for the 2002 financial year.

## 4 HALF YEAR RESULTS

(main figures)

### 4.1. Financial results (in € 000)

	01.01.2002 30.06.2002	01.01.2001 30.06.2001
<b>A. Operating result</b>	<b>5,932</b>	<b>5,814</b>
Turnover (rental income)	8,207	7,752
Net operating expenses	-1,150	-1,127
Financial result	-1,136	-753
Operating result before taxes	5,921	5,872
Taxes	11	-58
<b>B. Result on the portfolio</b>	<b>4,334</b>	<b>6,188</b>
Added value or loss of value on sales of portfolio items	-477	4,827
Reversal of changes in market value previously recorded on portfolio items disposed of during the financial year	405	-2,001
Change in the market value of portfolio items	4,406	3,362
<b>C. Exceptional result</b>	<b>0</b>	<b>0</b>
<b>Result of the period</b>	<b>10,266</b>	<b>12,002</b>

The net profit as at 30.06.02 that qualifies for distribution to shareholders amounts to € 5,931,690, or € 1.18 per share. This result is slightly below the expected figure of € 1.20 per share, due mainly to the way in which Immobilière de l'Observatoire was merged on 08.05.02, i.e. without retroactive effect. The profit and loss account in the business plan took this rental income into account from 01.01.02. When the merger took place, however, the income was included in shareholders' equity through profit carried forward. The profit is therefore slightly lower than anticipated. Shareholders' equity, on the other hand, has increased more than expected.

In view of the current purchase dossiers and its realization, we certainly expect the anticipated profit of € 2.40 per share to be achieved.

The profit on the portfolio amounts to € 4,334,571 and is made up, on the one hand, of capital losses on sales amounting to € 71,781, and, on the other hand, of an increase in the market value by more than € 4,406,352. This is mainly due to the fact that registration fees in Flanders have been reduced from 12.5% to 10%. This increase in the market value of the properties belonging to the company -which values its properties "costs-to-buyer", i.e. excluding purchase costs (registration fees and notarial charges)- due to the reduction in registration fees in Flanders as of 01.01.02, is explained in turn by the fact that this "costs-to-buyer" value is determined by the property valuer as the "deed in hand" market value less registration fees and notarial charges. In view of the reduction of Flemish registration fees to 10%, a lower amount has thus had to be deducted from the "deed in hand" value since 01.01.02, leading to an increase in the "costs-to-buyer" value.

Intervest Retail's debt ratio is currently 34.96%. In view of the maximum permitted level of debt, this still leaves the company with sufficient room to finance its planned investments.

The net asset value per share, deed in hand, including the profit for the period, was € 31.99 as at 30.06.02. The same figure as at 30.06.01 was € 31.55.

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

	30.06.2002	31.12.2001	30.06.2001
Net asset value at year end (incl. interim result or dividend)	31.99	32.75	31.55
Gross dividend	-	2.30	-
Net dividend	-	1.96	-
Share price on closing date	31.75	30.01	28.00
Under-/overvaluation on net asset value (%)	-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 and subsidiaries as of 30.06.2002, 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 of 30.06.2002 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 2002  
Partner of Arthur Andersen Company Auditors*

### 4.4. Share price

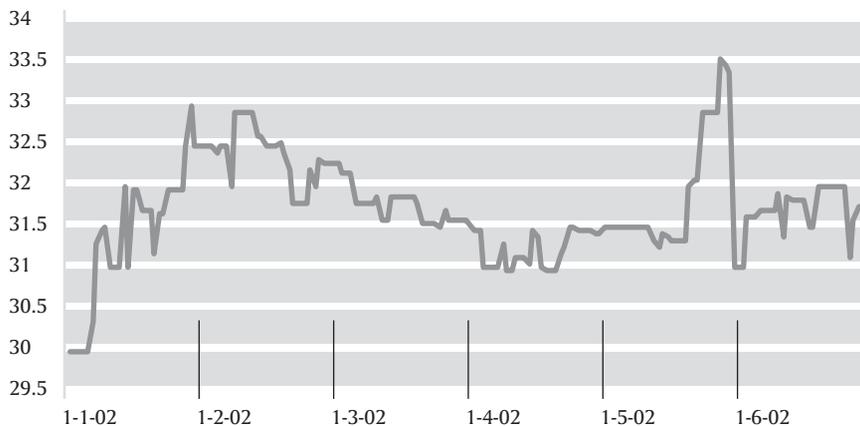
During the first six months of 2002, the share price fluctuated between € 30.01 and € 33.55. On 30 June the share stood at € 31.75. This represents a discount of 0.75% in relation to the net asset value as at 30 June 2002.

The free float as at 30 June came to 22.55% (22.20% at the end of 2001).

The average daily volume traded has increased from 685 units a day in 2001 to almost 1,000 units a day in 2002.



Share price Interinvest Retail NV/SA



## 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 € 193,825,000, and the market value on a "costs-to-buyer" basis including the Property Not in Operation to be € 197,045,000.*

*Done in good faith in Brussels on 30 June 2002.  
For Cushman & Wakefield Healey & Baker*

*Eric Van Dyck*



With regard to the development of the market over the second quarter of 2002, the property expert made the following comments:

“The slowdown that was evident in the first quarter as a result of the economic downturn at the end of 2001 continued.

As the most active retail chains are pursuing a policy of consolidation and there is a lack of new players on the market, rents have come under increasing pressure and in some places rent cuts can be seen.

Turnover during the first six months varied markedly from one month to the next, and on the whole the figures for the first six months of last year will not be exceeded.

The recent increase in economic uncertainty has meant that most chain stores are adopting a very cautious stance, and the decline in rents can be expected to continue over the second half of 2002. This decline may be less noticeable on the retail warehouse market than on the high street. Shopping centres seem to be escaping this trend.

As far as the investment market is concerned, the slump on the stock markets might be expected to encourage more investors to seek refuge in property investments.

Although this may be the case in principle, it is evident, on the other hand, that in an attempt to make up for any losses they may have suffered on the financial market, investors are expecting higher yields.

Sellers, however, and in particular those who are prepared to dispose of high-quality products, are not inclined to offer these slightly higher yields. We therefore find ourselves in a stalemate situation.

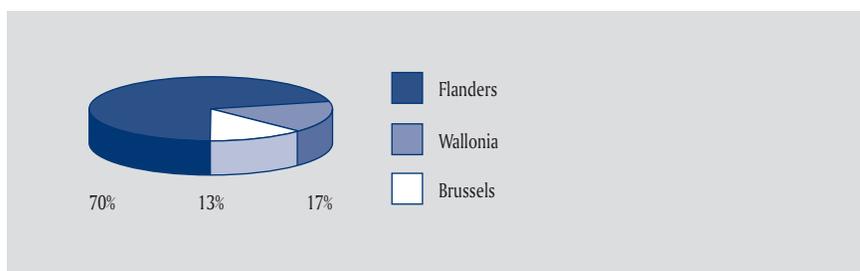
Due to the stabilisation that has already taken place at the beginning of the year and the declining confidence in the letting market, yields can be expected to come under further pressure over the second half of the year, and possible adjustments cannot be excluded.”

## 5.2. Key figures and charts (for rental income)

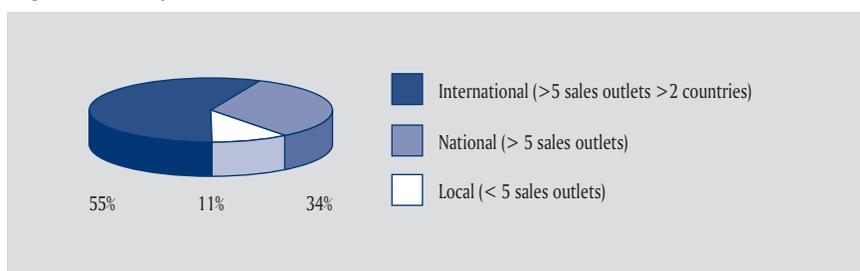
### Summary overview of property assets

	30.06.2002	30.06.2001
Total lettable area (m <sup>2</sup> )	180,510	186,737
Occupancy rate (%)	96.92	97.12
Value of portfolio "deed in hand" (€ 000)	221,001	201,311
Value of portfolio "costs-to-buyer" (€ 000)	197,045	176,788

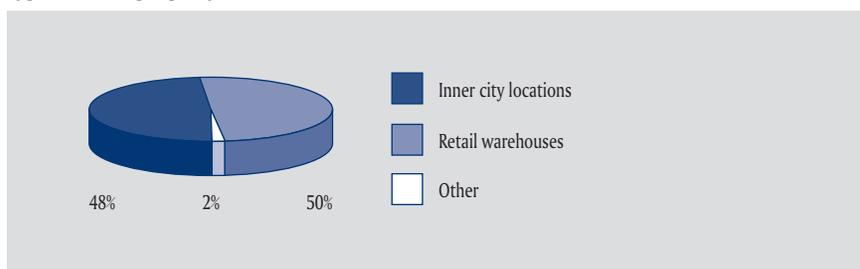
### Geographic spread



### Region of activity of tenants



### Type of retail property



### 5.3. Overview of property as at 30 June 2002

#### PROPERTY IN OPERATION

Location	Type of building	Surface area (m <sup>2</sup> )	Rent in € 000	Value costs-to-buyer in € 000
AALST – Albrechtlaan 56	retail warehouse	1,000	62	430
AALST – Kalfsstraat 3	retail warehouse	9,126	637	6,992
AALST – Nieuwstraat 10	inner city location	145	59	759
AARTSELAAR – Antwerpsesteenweg 13/4	retail warehouse	990	98	1,146
ALLEUR – Avenue de L'Expansion 16	semi-industrial	2,221	130	1,192
ANDENNE – Avenue Roi Albert 39	retail park	4,701	264	2,829
ANS – Rue de Français 393	retail park	3,980	307	3,194
ANTWERP – Abdijstraat 29	inner city location	130	28	304
ANTWERP – Abdijstraat 82/84	inner city location	165	42	460
ANTWERP – Breydelstraat 33	inner city location	144	42	511
ANTWERP – Carnotstraat 18/20	inner city location	1,298	94	996
ANTWERP – De Keyserlei 47	inner city location	60	40	487
ANTWERP – De Keyserlei 49	inner city location	118	54	650
ANTWERP – Frankrijklei 27	inner city location	624	69	779
ANTWERP – Groendalstraat 11	inner city location	39	21	274
ANTWERP – Hovenierstraat 1	inner city location	145	42	512
ANTWERP – Huidevettersstraat 12	inner city location	791	245	3,162
ANTWERP – Korte Gasthuisstraat 27	inner city location	155	88	1,086
ANTWERP – Leysstraat 28/32	inner city location	1,870	698	9,173
ANTWERP – Leysstraat 17	inner city location	149	150	2,089
ANTWERP – Meir 99	inner city location	384	388	5,200
ANTWERP – Schuttershofstraat 30	inner city location	66	47	635
ANTWERP – Schuttershofstraat 32/Arme Duivelstraat 2	inner city location	54	47	635
ANTWERP – Schuttershofstraat 32/Kelderstraat 7	inner city location	320	59	769
BALEN – Molsesteenweg 56	retail park	1,871	116	1,202
BASTOGNE – Route de Marche 104	retail park	593	37	300
BEAUMONT – Rue G. Michiels 40	retail warehouse	1,113	93	820
BORGLOON – Sittardstraat 10	retail park	996	51	488
BREE – Toleikstraat 30	retail warehouse	855	50	516
BRUGES – Steenstraat 80	inner city location	2,670	748	11,288
BRUSSELS – Avenue Louise 7	inner city location	248	205	3,021

Location	Type of building	Surface area (m <sup>2</sup> )	Rent in € 000	Value costs-to-buyer in € 000
BRUSSELS/SCHAERBEEK – Chaussée de Louvain 610/640	retail park	2,964	284	3,246
BRUSSELS – Chaussée d'Ixelles 16	inner city location	1,255	215	2,497
BRUSSELS – Chaussée d'Ixelles 41/43	inner city location	5,248	1,119	13,202
BRUSSELS – Chaussée d'Ixelles 65	inner city location	245	43	547
BRUSSELS – Rue Bienvenue 13/15	semi-industrial	4,260	266	2,612
BRUSSELS – Rue Neuve 98	inner city location	162	141	1,782
CHARLEROI – Rue de la Montagne 5/7	inner city location	948	179	1.868
DIEST – Hasseltstraat 15	inner city location	200	33	372
DILSEN - STOKKEM - Rijksweg 17	retail warehouse	992	67	674
DINANT – Rue St. Jacques 14	retail park	2,022	140	1,454
FORCHIES-LA-MARCHE – Rue Vandervelde 25	local shop	498	22	94
FROYENNES – Rue des Roselières 6	retail warehouse	950	72	818
GENK – G. Lambertlaan 115	retail park	3,109	212	2,031
GERPINNES – Rue de Bertransart 99	retail park	990	64	599
GHENT – Veldstraat 81 - Zonnestraat 6/10	inner city location	3,510	384	4,737
GHENT – Volderstraat 15	inner city location	279	79	918
GLAIN – Rue St. Nicolas 572	retail park	1,990	97	856
HANNUT – Chaussée de Huy 2	retail park	3,015	185	1,817
HASSELT – Genkersteenweg 76	retail warehouse	1,241	92	1,011
HASSELT – Genkersteenweg 282	retail warehouse	2,020	97	1,000
HASSELT – St. Hubertusplein 46	retail warehouse	895	53	391
HERSTAL – Rue L. Demeuse 78	local shop	372	27	65
KAMPENHOUT – Mechelsesteenweg 38/42	retail park	3,002	167	1,726
KAPELLEN – Eikendreef 5	retail park	906	45	411
LA LOUVIERE – Rue Albert I 84/86	inner city location	190	52	559
LEOPOLDSBURG – Lidostraat 7	retail park	1,670	89	898
LEUVEN – Bondgenotenlaan 69-73	inner city location	1,589	511	6,375
LIEGE – Pont d'Ile 35	inner city location	80	55	644
LIEGE – Pont d'Ile 45	inner city location	60	59	742
LIEGE – Pont d'Ile 49	inner city location	380	85	1,121
MALMEDY – Avenue des Alliés	retail park	813	48	484
MARCINELLE – Rue des Champs 17	local shop	603	19	74
MECHELEN – Bruul 39-41	inner city location	378	184	2,384
MECHELEN – Bruul 42-44	inner city location	1,410	337	4,065

Location	Type of building	Surface area (m <sup>2</sup> )	Rent in € 000	Value costs-to-buyer in € 000
MECHELEN – Yzerenleen 30	inner city location	350	47	563
MERKSEM – Bredabaan 474/476	inner city location	470	90	961
MESSANCY – Rue de l'Institut 44	retail park	1,998	101	1,049
MONS – Rue de La Chaussée 31/33	inner city location	380	140	1,754
MONS – Grand Rue 19	inner city location	170	69	870
MONS – Chaussée de Binche 101	retail warehouse	1,000	64	672
MORTSEL – Statielei 71/73	inner city location	965	139	1,620
MOUSCRON – Petite Rue 18	inner city location	235	37	422
OLEN – Lammerdries 6	retail park	16,981	832	7,527
OSTEND – Torhoutsesteenweg 610	retail warehouse	1,000	78	907
PHILIPPEVILLE – Rue de France	retail park	3,705	280	2,829
RIXENSART – Rue Boisacq 11	local shop	100	10	114
ROESELARE – Brugsesteenweg 524	retail warehouse	1,000	72	786
SHELLE – Provinciale Steenweg 453	retail park	1,970	104	987
SCHERPENHEUVEL – Manneberg 26	local shop	600	66	685
SERAING – Boulevard Pasteur 47	local shop	1,263	87	835
SOUVRET – Rue du Peuple 6	local shop	534	24	22
SINT-NIKLAAS – Kapelstraat 119	retail warehouse	940	76	368
ST-TRUIDEN – Kattestraat 25	retail park	1,401	91	970
TIELT-WINGE II – Aarschotsesteenweg 1/6	retail park	13,867	1,101	11,787
TURNHOUT – Gasthuisstraat 5-7	inner city location	1,047	238	2,968
TURNHOUT – Gasthuisstraat 32	inner city location	1,743	277	3,347
VILVOORDE – Leuvensestraat 39/41 - Nowélaan 41	inner city location	485	96	970
VILVOORDE – Luchthavenlaan 5	retail warehouse	6,345	434	4,899
VILVOORDE – Mechelsesteenweg 30	retail park	7,726	591	6,280
WATERLOO – Chaussée de Bruxelles 284	retail park	1,198	100	1,105
WAVRE – Rue du Commerce 26	inner city location	140	51	533
WAVRE – Rue Pont du Christ 46 - Rue Barbier 15	inner city location	739	125	1,420
WILRIJK – Boomsesteenweg 645	semi-industrial	1,837	126	1,431
WILRIJK – Boomsesteenweg 666	retail park	4,884	432	5,043
WILRIJK – Oude Baan 55/79	semi-industrial	20,170	800	6,128
<b>TOTAL PROPERTY IN OPERATION</b>		<b>180,510</b>	<b>17,311</b>	<b>193,825</b>

PROPERTY NOT IN OPERATION

Location	Type of building	Surface area (m <sup>2</sup> )	Rent in € 000	Value costs-to-buyer in € 000
AALST - Kalfstraat 3AALST – Kalfstraat 3	offices	600	30	180
ELEWIJT – ZEMST – Keizer Karellaan	land	2,100	0	59
OLEN – Lammerdries 2a, 4 en 5	3 villas	0	0	528
OLEN – Lammerdries 6	retail warehouse	11,300	398	2,136
OLEN – Lammerdries 6	land	32,389	0	0
VILVOORDE – Mechelsesteenweg 30	offices	714	48	317
<b>TOTAL PROPERTY NOT IN OPERATION:</b>		<b>47,103</b>	<b>476</b>	<b>3,220</b>
<hr/>				
<b>TOTAL PROPERTY IN OPERATION + NOT IN OPERATION:</b>		<b>227,613</b>	<b>17,787</b>	<b>197,045</b>

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# INTERVEST

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## RETAIL

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