Annual Report 2018

Delicious Cities

vastned
Venues for Premium Shopping

Contents

1) Part of the Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code

• Leidsestraat 46, Amsterdam

Preface

Dear shareholders, tenants, colleagues and other relations,

First of all, I would like to thank my colleagues for their dedication in 2018, and also our loyal investors, who appreciated the quality of the portfolio and our business operations. The transformation of the portfolio is complete; it now consists of 82% high street retail property in larger European cities. We have created a unique portfolio with a very high occupancy rate that generates stable and predictable results.

Long-term value creation

The top locations of our retail property, our proactive and pragmatic organisation and our strong network in the retail and property sectors are vital to our success. UNIQLO was attracted as a tenant for our property Kalverstraat 11-17/Rokin 12-16 in Amsterdam when Forever 21 decided to leave. We also let a large retail property in Madrid to cosmetics brand Sephora, a subsidiary of LVMH. And in Le Marais in Paris we bought the retail property of a departing retailer and immediately let it to luxury brand Maje. It is very pleasing when we succeed in attracting such renowned retailers for our locations.

Individual retail properties in the main shopping streets of large European cities are becoming scarce. More and more investors realise the stable returns and the uniqueness of this type of property, which has pushed up prices. Although this means a rise in the value of our portfolio, at the same time it is becoming harder to acquire new high streets assets that we can add value to. We believe in quality, not in growth for its own sake. We collect gems, aiming for long-term value creation. In 2018, we expanded our high street clusters in Amsterdam, Utrecht, Paris and Madrid with a selected few beautiful retail properties. We also sold a number of non-strategic properties in the Netherlands and France.

We believe it is important to contribute to the preservation of cultural heritage and to the liveability and safety of the city centres where we are active. The energy scan pilot we started in 2017 has resulted in three of our retail tenants in 2018 investing in energy-efficient light systems. Furthermore, we have again created and renovated apartments above our retail properties in a number of cities using sustainable methods. This is a win-win situation for us, for residents and for retailers.

Retail market

Many people blame the difficult retail market on e-commerce, but it is not the only or main reason. For retailers, e-commerce is a new way to sell products, so why would it be such a threat? It is simply a different business model, and its low profitability suggests this model is not the solution for retailers, let alone for purely online players. The actual cause in our view is that the real disposable income of consumers over the past ten years has fallen due to higher fixed costs, such as living expenses, healthcare, subscriptions and smartphones. In addition, the population in the Western world is getting older, and consumers' spending patterns have changed. In short, demographics and depressed incomes are causes that tend to be underestimated in the retail discussion.

Takeover bid for Vastned Retail Belgium did not succeed

Our takeover bid for the remaining outstanding shares in Vastned Retail unfortunately did not succeed. We did our utmost to let the bid succeed, but not enough shares were offered so that the transaction could not go ahead. We feel that the bid price was fair, which was confirmed by independent expert Degroof Petercam and by the majority of the shareholders who did offer their shares. Vastned Retail Belgium will remain a key subsidiary of Vastned with which we will continue to collaborate constructively. >>

FII regime in the Netherlands retained

Good news, however, is that the new tax plans of the Dutch government were called off. The intended abolition of the dividend tax and the associated abolition of the FII regime were shelved, so that the Dutch tax regime will remain unchanged. We are consulting with the ministries involved to argue for a conversion to a Dutch REIT. It would be a good thing if the Dutch government heeded our call so as to bring the competitive position of Dutch property companies in line with those in surrounding European countries.

Delicious Cities

The theme of this year's annual report is 'Delicious Cities', because the proximity of food & beverage (F&B) establishments is becoming more important to shoppers. Consumers are increasingly combining their visit to a high street with lunch or dinner. The growth of tourism further amplifies this demand for F&B. For these reasons we are investing in this segment, but only when we can add value and if the property is located in the historic city centre close to our high street retail properties. In 2018, we purchased a total of six F&B establishments in Amsterdam and Utrecht, four of which are located on Drieharingstraat, which is considered Utrecht's new culinary high street. At year-end 2018, approximately 4.5% of Vastned's portfolio was leased by food & beverage tenants, from Bagels & Beans and McDonald's to all kinds of restaurants.

Outlook 2019

We remain cautious about market conditions in view of the limited investment opportunities and the transition in the retail landscape. Next to low unemployment, economic growth and high consumer confidence, income growth of consumers will be decisive for a healthy retail market in 2019. Points of attention in this context are the uncertainty around Brexit, international trade conflicts, the worldwide debt mountain and economic growth levelling off.

We expect that the changes in the retail market will come into sharper focus. Retailers will have to keep innovating and investing in their business models, shops and staff. Some retailers will be successful, while others will lose out and disappear from the retail landscape. By actively managing our assets and continuing to build up our portfolio and our relationships with retailers, I expect that we will be able to keep attracting and retaining successful retailers. However, this requires hard work in a difficult market. In terms of acquisitions we will remain critical and cautious. We will only make acquisitions when they fit our strategy and add value to our portfolio.

In 2019, we will focus on maintaining the high occupancy rate of the portfolio and especially on attracting a good tenant for Rue de Rivoli 118-120 in Paris, one of our larger assets. The expected vacancy of this property, together with lower rental income as a result of having a smaller portfolio compared to 2018 and the absence of non-recurring income received in 2018, results in an expected direct result for 2019 of between € 2.00 and € 2.10 per share. After the divestments made in 2018, the transformation of our property portfolio is complete, which is expected to result in stable and predictable results and possibly growth in the future. We expect capital expenditure to remain at a low level, similar to previous years.

Finally, I would like to thank you for the confidence you have had in us.

Amsterdam, 13 February 2019

Taco de Groot
CEO Vastned Retail NV

• Leidsestraat 2 and Herengracht 424, Amsterdam

Vastned at a glance

1

• Vismarkt 4, Utrecht

Profile

Vastned is a European listed property company focusing on the best retail property on the popular high streets of selected European cities with a historic city centre, also referred to as 'core city assets'. Vastned's tenants are strong and leading international and national retailers.

By investing in historic city centres Vastned contributes to the preservation of the cultural heritage in these city centres. Vastned also provides a positive contribution to the liveability and safety in city centres by creating and renovating residential space above retail units. In this way, the company endeavours to create long-term value for its shareholders, tenants, employees and society as a whole. The value creation model on page 28 clearly shows how Vastned creates value.

At year-end 2018, the value of the portfolio was approximately € 1.6 billion and comprised 82% core city assets. The remaining part of the portfolio is defined as mixed retail locations, and consists of Belgian 'baanwinkels', supermarkets and high street shops in smaller cities, mainly in the Netherlands and Belgium. Vastned's team numbers 45 employees divided over four European cities. Working together intensively they execute the strategy in a hands-on and pragmatic way with the objective of continually enhancing the quality of the portfolio.

Vastned's financing strategy is conservative and risk-averse, aiming for a loan-to-value ratio of between 35% and 45%.

Key events 2018

14 February

Forecast for 2018 direct result of € 2.10 - € 2.20 per share

5 April

Core city assets portfolio expanded with four food & beverage properties: Drieharingstraat 2-8, 14-18 and 22 in Utrecht, for € 11.0 million in total

12 April

Vastned Retail N.V. made a public takeover offer of € 57.50 per share for all Vastned Retail Belgium NV shares it does not yet hold. The minimum acceptance threshold of 90% was not reached, so that the takeover was not effected

8 May

Sale of non-strategic properties for € 55.0 million in total, including shopping centre Walburg in Zwijndrecht and Rue Saint-Jean 44-45 in Nancy

1 August

Divestment of various mixed retail locations in the Netherlands and France for € 8.5 million in total

Announcement of interim dividend 2018 of € 0.71 per share

5 September

Vastned wins two gold EPRA Best Practices Recommendations awards, for financial and social reporting

30 October

Divestment of mixed retail locations in Hilversum and Limoges for € 0.8 million in total

Forecast for 2018 direct result scaled up to top of range, between € 2.15 and € 2.20 per share

Dividend proposal for 2018 confirmed at € 2.05 per share

11 December

Vastned expanded cluster in Le Marais with two acquisitions in Rue des Francs Bourgeois for € 28.0 million

Food & beverage portfolio expanded with purchase of Reguliersdwarsstraat 80-84 in Amsterdam for € 5.7 million

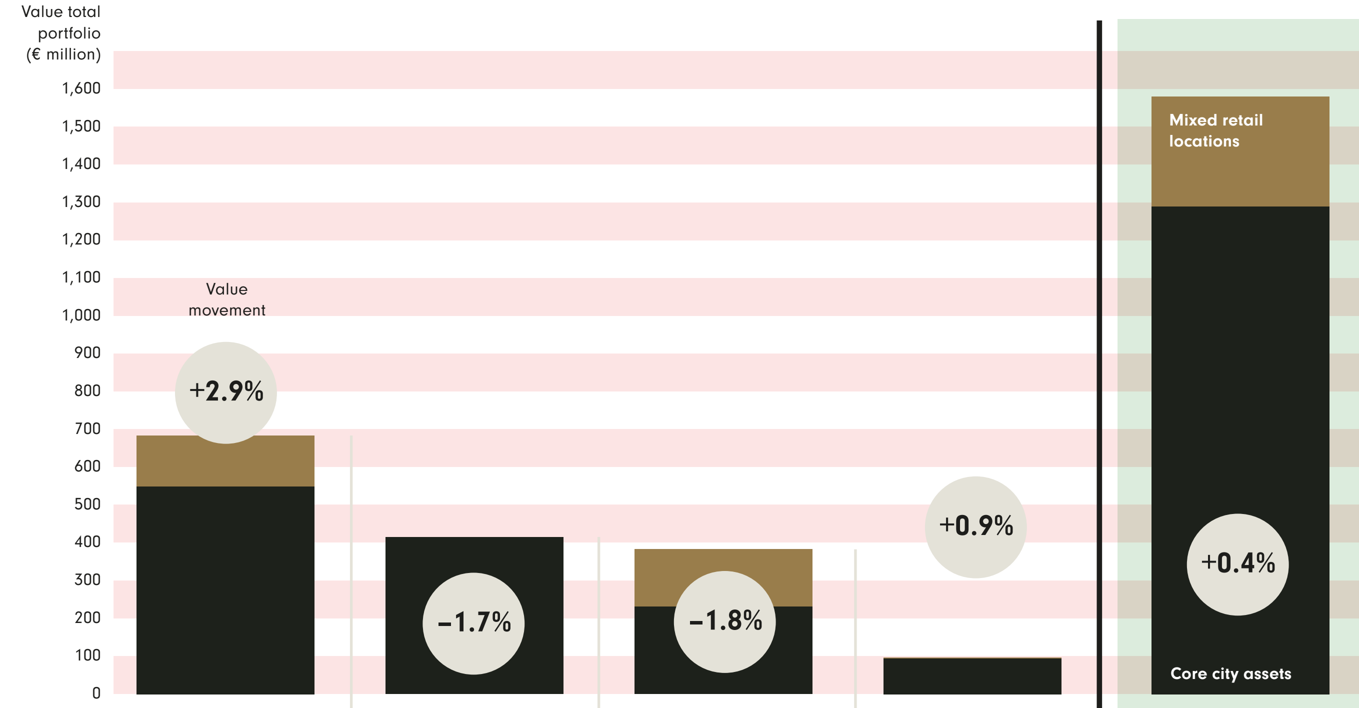
Core city asset purchased in Madrid, Calle de Fuencarral 27, for € 4.2 million, adjoining existing property in the portfolio

Key figures 2014–2018

Results (€ million)	2018	2017	2016	2015	2014
Gross rental income	77.1	77.5	89.5	93.2	96.4
Direct result	40.4	41.1	46.1	49.2	46.5
Indirect result	0.7	53.5	(19.7)	16.3	(14.8)
Result	**41.1**	**94.6**	**26.4**	**65.5**	**31.7**
Balance sheet (€ thousand)					
Property	1,579.6	1,591.6	1,614.8	1,647.9	1,538.8
Equity	923.0	933.4	891.5	901.0	866.0
Equity Vastned Retail shareholders	830.4	838.7	804.4	816.6	782.2
Long-term liabilities	505.4	633.9	636.9	692.1	641.8
Average number of shares outstanding	**18,151,962**	**18,505,783**	**19,036,646**	**19,036,646**	**19,036,646**
Number of shares outstanding (at year-end)	**17,894,592**	**18,186,800**	**19,036,646**	**19,036,646**	**19,036,646**
Per share (€)					
Equity Vastned Retail shareholders at the beginning of the year (incl dividend)	46.12	42.26	42.90	41.09	41.23
Adjustment related to IFRS 9	(0.07)	–	–	–	–
Final dividend previous financial year	(1.41)	(1.32)	(1.31)	(1.27)	(1.63)
Equity Vastned Retail shareholders at the beginning of the year (excl dividend)	**44.64**	**40.94**	**41.59**	**39.82**	**39.60**
Direct result	2.22	2.22	2.42	2.58	2.44
Indirect result	0.04	2.89	(1.03)	0.86	(0.77)
Result	**2.26**	**5.11**	**1.39**	**3.44**	**1.67**
Other movements	0.21	0.71	0.01	0.38	0.55
Interim dividend	(0.71)	(0.64)	(0.73)	(0.74)	(0.73)
Equity Vastned Retail shareholders at year-end (incl final dividend)	**46.40**	**46.12**	**42.26**	**42.90**	**41.09**
EPRA NNNAV	46.49	45.66	41.68	42.31	40.42
Share price (at year-end)	**31.30**	**41.30**	**36.86**	**42.35**	**37.45**
Dividend in cash	2.05 1)	2.05	2.05	2.05	2.00
Shareholder return (%)	(19.7)	17.1	(8.1)	17.3	21.4
Other					
Solvency ratio (%)	59.0	59.2	56.1	56.0	56.5
Loan-to-value ratio (%)	39.0	38.8	41.8	41.6	40.3
Capital expenditure (€ million)	3.9	3.8	5.8	3.0	1.9
Number of employees (FTE, average)	41	45	49	52	58

1) Subject to approval of the Annual General Meeting of Shareholders

Key figures portfolio



	NL	FR	BE	ES	TOTAL
Number of retail tenants	302	72	132	9	**515**
Number of residential tenants	176	36	11	0	**223**
Like-for-like gross rental income (€ million)	0.6	0.2	0.2	(0.5)	0.5
Occupancy rate (%)	**98.5**	**99.2**	**98.0**	**100.0**	**98.6**

Key figures portfolio cont.

	Core city assets	Mixed retail locations	Total
Number of properties	180	119	299
Properties with an 'Energy Performance Certificate' (%)	78	51	70
Value of property portfolio (€ million)	1,290	290	1,580
Average value per property (€ million)	7.2	2.4	5.3
Lettable floor area (sqm thousand)	96.1	138.9	235.0
Number of tenants 1)	245	270	515
Theoretical annual rent (€ million)	54.2	21.5	75.7
Market rent (€ million)	55.3	19.9	75.2
(Over)/underleasing (%)	2.0	(8.2)	(0.7)

Spreading of core city assets and mixed retail locations per country (%)

	Core city assets	Mixed retail locations	Total
Netherlands	80	20	100
France	100	-	100
Belgium	60	40	100
Spain	97	3	100
Total	**82**	**18**	**100**

Occupancy rate at year-end 2018 (%)

	Core city assets	Mixed retail locations	Total
Netherlands	100.0	95.3	98.5
France	99.2	100.0	99.2
Belgium	97.7	98.3	98.0
Spain	100.0	100.0	100.0
Total	**99.3**	**96.7**	**98.6**

Average rent per sqm (€)

	Core city assets	Mixed retail locations	Total
Netherlands	512	155	293
France	794	82	792
Belgium	407	152	226
Spain	1,190	302	1,036
Total	**565**	**155**	**322**

1) Excluding apartments and parking places

• Steenhouwersvest 44-48, Antwerp

Delicious Amsterdam

Amsterdam has become a metropolis

In Amsterdam there is a lot going on, that is what makes the city so attractive. Take in retail terms the first Dutch UNIQLO store, which has just opened in a Vastned property on the prestigious Rokin, right opposite the newly completed Noord/Zuidlijn metro station. Footfall and accessibility guaranteed.

Or the restoration of the Nightwatch, which you can watch live in the Rijksmuseum over the next few months. ‘The city centre has façades, canals, monumental trees. When you look up and see the design and the art on the properties, what do they mean? This is what I would like to ask all the visitors, tourists and even the residents of the city. Amsterdam is chockfull of history, there is so much storytelling, even in the buildings themselves,’ Taco de Groot exclaims. It can’t be a surprise to anyone that the 17th-century canal ring is ninth on Unesco’s World Heritage list.

One of the best features of Amsterdam city centre is that everything is within walking distance.

Asked for his favourites, he mentions new fish formulas like The Seafood Bar: ‘Wonderful, provided the fish is fresh’. He is also keen on an F&B concept like rotisserie Rijsel: ‘grilled chicken or a piece of bavette, their northern French cuisine is great, simple and without mousses. The restaurant is in an old school. Who could have though it would be such a success? There is a waiting list every night. It’s pretty affordable, has no frills and serves good quality food.’

De Groot has also noticed the increase in international cuisine in Amsterdam: Asian, Japanese, Peruvian, you name it, it’s all there. ‘You can have the time of your life. And add to that the growing number of hotels. Amsterdam isn’t London or New York, but it can definitely compete with a city like Copenhagen. Amsterdam has truly become a metropolis.’

The rise of tourism is down to 20 years of successful city marketing, De Groot believes. ‘So don’t squeeze it by banning cruise ships from the capital. Those tourists spend a lot of money! Try to discourage backpackers and bachelor parties, push back on booze & drugs tourism. Make clearer choices and be aware that they will have an impact. That is something that politicians often overlook. What kind of tourist do you want? They should focus on quality over quantity.’

Vastned has made valuable investments for the property explosion in Amsterdam, which are rising in value, along with increased demand. Space above shops is increasingly sustainably developed into residential space. ‘We will remain keen, also in 2019, to focus on top locations in Amsterdam. There will always be people there and as a result retailers and F&B entrepreneurs can make money. And those are our tenants.’

If the economy should take a dip, a shop like Primark in Zaandam might close down, but their outlet on Damrak will stay open, De Groot predicts. Because in the kind of triple A locations that Vastned manages, the sun will keep shining far longer.

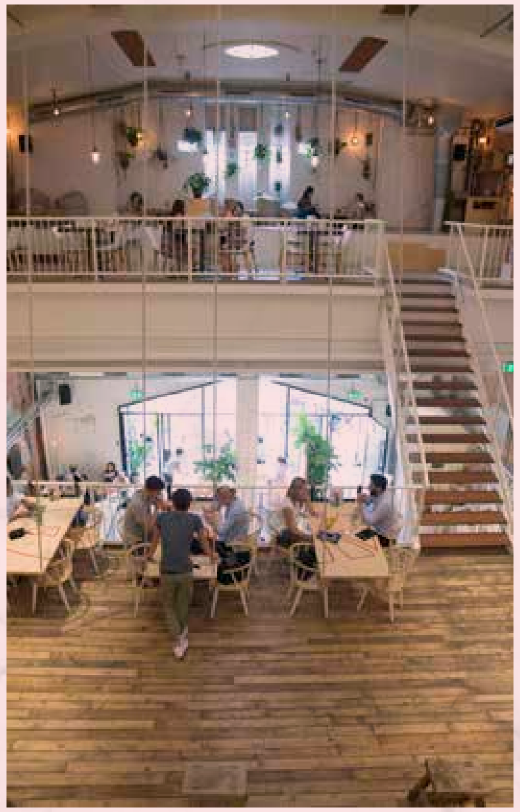
Amsterdam cleaner and safer in 2019

In 2019, the municipality will invest an extra 9 million euros in cleaning and enforcement, both on the streets and on the water, of which 2.9 million has already been earmarked. This amount will rise to 24 million extra in 2021. In 2019 many events and festivals will return, like King’s Day, the Grachtenfestival, Uitmarkt, Amsterdam Gay Pride, ADE and IDFA.

You can find more information on: www.iamsterdam.com/en/see-and-do/whats-on

• Kalverstraat 11-17/Rokin 12-16, Amsterdam

Amsterdam Hotspots



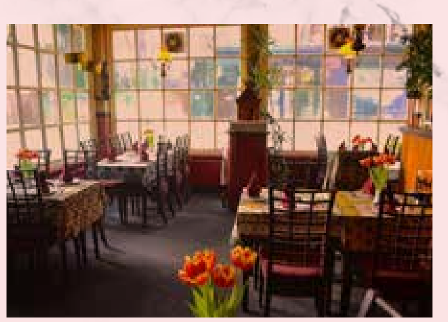
THE SUNNY SURPRISE
Coffee & Coconuts

Bring together a few befriended surfing dudes who have this dream about their own restaurant, and you get the atmosphere that prevails at Coffee & Coconuts. A sense of beach, sea, sun, naked feet, sand and jolliness in the many square metres of the former three-storey 1920s Ceintuurtheater cinema.

The interior, featuring white walls, red bricks, industrial leads, wooden furniture, linen cushions, grey bean-bag seats and long tables, transports you to a trendy art-deco beach pavilion. Coffee & Coconuts opens early for good coffee to wake up with. The kitchen staff take pride in using eco-friendly and preferably local products and produce. They form one big family with the waiters. Their message: good things are those you make together. For your bucket list: drinking coconut milk from a coconut and tasting Dodo, their own-brand beer produced by the local brewery Oedipus. Check out their website too – that alone will cheer you up no end – for their own radio channel featuring a monthly play-list.
www.coffeeandcoconuts.com

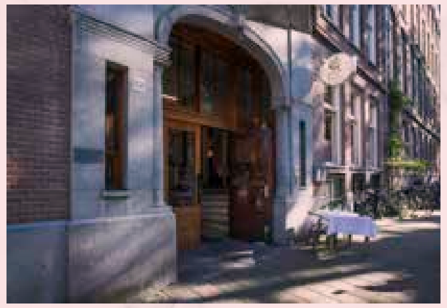
THEIR MESSAGE: GOOD THINGS ARE THOSE YOU MAKE TOGETHER

THE STYLE ICON
Sama Sebo



If – after a day's shopping at Hugo Boss, Tommy Hilfiger, Brunello Cucinelli, Schaap & Citroen, Massimo Dutti, Church's, Dolce & Gabbana or Gassan in the P.C. Hooftstraat – you feel hungry and tired, just pop in at Sama Sebo. It may look like a traditional pub – indoors as well – you might not expect to find here. However, behind the curtain at the entrance, you will find a surprisingly good Indonesian restaurant. For the past 35 years, the batik-clad waiters have served their famous and possibly the Netherlands' most tasty 'rice table' as well as à la carte dishes. In the 1980s, Sama Woldringh opened the restaurant; now, his son Daniël is in charge. The food is authentic and there is plenty of choice. Surprising: the speed with which dishes are served!
www.samasebo.nl

THE OLDEST INDONESIAN RESTAURANT IN THE NETHERLANDS



THE LATE DUTCH FOOD CRITIC JOHANNES VAN DAM DOLED OUT A 9.5

THE ROTISSERIE
Rijsel

Rijsel, that is how the Flemish call the French industrial town Lille, situated in French Flanders. Restaurant Rijsel, with a nod to Flanders, is situated in a former domestic science school. In a non-descript street in the East district, a funny bantam on the sign lures you indoors. The chef is passionate about the French cuisine. Rijsel represents ruggedness and affordable authentic food in vintage homey surroundings. Rijsel is frequented by a blueprint of Amsterdam, i.e. a diverse crowd. Something you really need to step onto are the life-size scales at the entrance. Rijsel is busy everyday. Booking a table is a must!
www.rijsel.com

THE LATE DUTCH FOOD CRITIC JOHANNES VAN DAM DOLED OUT A 10-

THE STARRED RESTAURANT
Bord'Eau Restaurant Gastronomique

Early in 2018, chef Bas van Kranen was asked to strut his culinary stuff in this starred restaurant. He moved from the southern province of Limburg to the Dutch capital. Van Kranen is inspired by tastes from all across the world. He works with the best products and combines them with his extensive knowledge into a French cuisine. The result: mouth-watering presents on your plate. Bord'Eau Restaurant Gastronomique is the luxurious, stylishly decorated restaurant at hotel De L'Europe along the Amstel. Boasting the best selection of cheeses in the Netherlands. The late Dutch food critic Johannes van Dam doled out a 10- in the Amsterdam newspaper Het Parool. At the time, the former chef was still at the helm, but expectations of Van Kranen, who calls Bord'Eau the best project ever to come his way are equally high. He certainly has fun ideas: for his menu, he has established a link with the French city of Bordeaux. That means that you can look forward to natural products from the water. That equals simply heaps of fish and shell fish, served with good French wine. Worthy of a starred lunch or dinner. www.bordeau.nl

THE CHEF'S SECRET INGREDIENTS: ATTENTION AND CRAFTSMANSHIP

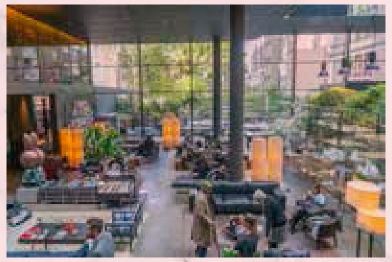
THE ITALIAN
Sale e Pepe

For the best pizzas and pasta dishes, you need to go to Sicily, or to Sale e Pepe close to Rembrandt Square. The kitchen team prepares authentic centuries-old family recipes. In the process, they tend to highlight pasta. According to the kitchen team, home-made pasta travels a road that is longer than just the one from your plate into your mouth. On that plate: ravioli, tagliatelle and fine-structured pappardelle ribbons. The taste is robust and surprising. The chef's secret ingredients: attention and craftsmanship. At Sale e Pepe, you dine behind a green awning at long rows of small tables in a remarkably homey atmosphere. The service is first-class and the menu is extensive. www.saleepepe.nl

Good coffee

THEY SERVE SERIOUSLY GOOD COFFEE AND HAVE A MODERN MENU

THE CLASSIC
Conservatorium hotel



The monumental hotel in the Museum Square District has repeatedly been crowned best hotel in the Netherlands. This architectural late 19th-century masterpiece by Daniel Knuttel, was given a new look of life by Piero Lissoni ten years ago; indoors, that is. He designed various restaurants, a bar and lounge. In that lounge, they serve seriously good coffee and have a modern menu that includes salads, sandwiches and an absolute must: the royal afternoon tea. The lounge is located in a glass atrium with floor to ceiling windows overlooking the inner yard, which gives it a magnificent appearance. The hotel lounge is an ambiance you will never grow tired of. An Amsterdam showpiece, where past and present come together. It has been fitted out with minimalist tables and chairs on the one side and luxury lounge chairs and big tables on the other. The uniformed waiters and waitresses are mostly young. In case you hang around after coffee for lunch or dinner: they have a wide range of wines and gin-tonics. www.conservatoriumhotel.com

BY NOW, THEIR EMPORIUM INCLUDES 74 OUTLETS

THE FRANCHISER
Bagels & Beans

Bagels & Beans are everywhere. That means the franchise formula sells its bagels, baked by an American baker from Amsterdam, on Keizersgracht as well. On those bagels, they only serve the very best. That means organic, the same as their bagels. Entrepreneurs Ronald Bakker and Ninande Thio opened their first outlet at the Amsterdam Ferdinand Bolstraat, when any decent day-time catering facility was still hard to find. They wanted their business to support third-world farmers. That is why their sustainable coffee originates from the Janson family coffee plantation in Panama. Thus, Bagels & Beans also supports the Coffeekids project and the schooling project for relatives of the plantation employees. The couple dreamt of ten outlets, but by now, their emporium includes 74 outlets, each with a unique atmosphere, based on the one formula. They dream on: about outlets all across the world. www.bagelsbeans.nl

Long-term value creation

Value creation model /
Stakeholders /
Materiality matrix /
How we create long-term value

2

Value creation model

Vastned invests in retail properties on popular high streets of selected European cities with a historic city centre. In this way, the company creates long-term value for its shareholders, tenants, employees and society as a whole. The realisation of the added value is presented in the value creation model.

OUR ENVIRONMENT

OUR MANAGEMENT APPROACH

INPUT

FINANCIAL CAPITAL
Financers + Shareholders

PROPERTY
Core city assets + Mixed retail locations

SUSTAINABILITY
Raw materials + Energy

EMPLOYEES

STAKEHOLDER RELATIONS
Shareholders + Tenants + Employees

BUSINESS MODEL

QUALITY + PROACTIVENESS + ENTREPRENEURSHIP

RESULT-ORIENTEDNESS + TEAM SPIRIT

MISSION

Generating stable and predictable long-term results. In addition, Vastned has the ambition to contribute to the liveability and preservation of cultural heritage of historic city centres

STRATEGY

Investing in and letting retail property in popular high streets of larger European cities with historic city centres

PORTFOLIO | ORGANISATION | FINANCING

NON-FINANCIAL STRATEGIC PILLARS

- Improving the quality of the portfolio and the organisation
- Limiting environmental impact
- Promoting health and well-being of employees
- Contributing to society

RESULT AREAS

FINANCIAL PERFORMANCE
- Gross rental income: € 77.1 million
- Direct result per share: € 2.22
- Dividend per share: € 2.05

PROPERTY
- Attract and retain successful retailers
- Occupancy rate: 98.6%
- Creation/renovation: 15 apartments

SUSTAINABILITY
- Properties with an EPC: 70%
- EPC between A+ and C: 30%
- Compensation CO_2 emissions: 100%
- Use of renewable energy: 100%
- Green and ethical clause: 85%

EMPLOYEES
- Diverse teams
- Number of employees that followed a training or course: 25
- Salaries paid

STAKEHOLDER RELATIONS
- Internal and external communication
- Annual General Meeting of Shareholders
- Conferences and roadshows

ADDED VALUE

FOR SHAREHOLDERS
- Stable and predictable results
- Transparent collaboration

FOR TENANTS
- Attractive shopping area
- Room for entrepreneurship
- Safe and lively cities
- High quality shop and living space

FOR EMPLOYEES
- Happy employees
- Healthy employees

FOR SOCIETY
- Preservation of cultural heritage
- Social safety of inner city area
- Less emissions

Risk management | Corporate Governance | Compliance

Our stakeholders | Legislative developments | Market developments

Stakeholders

Vastned is aware that it operates in conjunction with a range of stakeholders with whom it is in constant contact. Vastned distinguishes the following five stakeholders who are of great importance to its long-term value creation.

Shareholders

Vastned is a property company that unites investors and enables them to jointly invest in high street retail property. The shareholders provide the equity capital that, in conjunction with loan capital, enables Vastned to make property investments. Many of Vastned's shareholders are long-term investors, both institutional and private investors.

Tenants

Tenants of Vastned's retail property are in many cases strong and leading international and domestic retail brands, as well as local retailers. They lease from Vastned because of the quality and uniqueness of the properties and their excellent locations in city centres. A great number of properties have residential space above the retail space, which is very popular with private tenants who want to live in city centres. As at year-end 2018, Vastned had in total 738 tenants.

Financers

The loan capital providers along with the equity providers enable Vastned to invest in property. Vastned has a conservative financing policy and aims to spread its financing over different banks and other financing sources. ABN AMRO, Belfius, BNP Paribas, ING, KBC and Rabobank are currently providing credit facilities to Vastned. Pricoa Capital Group and AXA Real Estate Investment Managers SGP are providing non-bank loans to Vastned; furthermore, a convertible bond has been issued in the capital market.

Employees

Vastned's organisation is a true family culture in which every employee contributes to the effective implementation of the strategy. Expanding and actively managing a core city assets portfolio requires a hands-on, proactive and pragmatic organisation. For this, close cooperation, good contacts and a strong local network are indispensable. As at year-end 2018, 45 persons were employed by Vastned spread over the Amsterdam, Antwerp, Paris and Madrid offices.

Society

Vastned's retail property and associated residential space form a strong bond between retailers, customers, residents and visitors to the city. The company's investments and operations are focused on creating long-term value for stakeholders, contributing to the preservation of cultural heritage and to the liveability and safety of city centres. The company has also committed itself to reducing its negative impact on the environment and raising its contribution to society by reducing and compensating its carbon dioxide emissions, by including green and ethical clauses in lease contracts and by urging its tenants to take energy-saving measures. Vastned pays (local) taxes in every country where it operates in accordance with the regulations that are in place, whereby it explicitly does not make use of aggressive tax schemes.

Materiality matrix

Vastned is aware that it operates in collaboration with a range of stakeholders with whom it is in constant contact. In 2017, Vastned conducted an extensive materiality analysis in order to identify the main topics for both Vastned and its stakeholders. Vastned selected a large number of potentially relevant topics, put them to a group of stakeholders and asked them to rank these in terms of importance.

In 2018, Vastned reviewed this materiality analysis by conducting an extensive media analysis. It is the company's ambition to once again engage with stakeholders on the materiality of the topics.

Vastned then compared the ranking by the stakeholders with its own ranking of these topics in a materiality matrix. All stakeholder groups were given the same weight, and the Executive Board in December 2018 adopted the materiality matrix below.

1 **Long term economic performance**
2 **Anti-corruption**
3 **Business integrity**
4 **Transparency and communication**
5 **Tenant health and safey**
6 **Liveability of cities**
7 **Green building / Green portfolio**
8 Stimulating working environment
9 Employee well-being
10 Contribution to society
11 Recycling during renovations
12 Energy efficiency and measurability
13 Reduction of environmental impacts
14 Knowledge sharing and experience
15 Due diligence / human rights assessments
16 Renewable materials
17 Remuneration
18 Cultural heritage
19 Engagement of tenants on sustainability issues (eg green leases)

Of these nineteen topics, the following seven were the most important according to both the stakeholders and Vastned: long-term economic performance, anti-corruption, business integrity, transparency and communication, safety and health of tenants, liveability of cities and green buildings/green portfolio.

The way in which the choice for these seven topics was made and how they line up with the guidelines for sustainability report of the Global Reporting Initiative (GRI), an internationally recognised standard for drafting sustainability reports, has been set out by Vastned in the document 'How do we manage our material topics' which is published on the Company's website.

The seven topics form an integral part of Vastned's sustainability framework, which is in line with the value creation model and the overarching strategy.

How we create long-term value

Vastned's strategy is essential for creating long-term value. To determine the strategy, knowledge of trends and market developments is indispensable. A SWOT analysis also offers the necessary insights to arrive at a correct assessment. Both aspects are described below.

Transition in retail market still ongoing

Low unemployment, economic growth and higher consumer spending were positive factors for retailers in 2018. The fight for the consumers' wallets remains challenging, however. Consumers' disposable incomes are not rising or very little, spending patterns are changing and many retailers are still struggling to adapt to this. In addition, consumer confidence fell in the second half of 2018 due to uncertainty around Brexit, international trade conflicts and Italy's economic policy.

Consumer spending on food & beverage, city trips and Spotify and Netflix subscriptions are still competing with retail spending. Smartphones and social media channels also play an ever increasing role in consumer purchases. Retailers must respond and continue to innovate and invest in their business models, shops and staff.

Many retailers have launched online business models to complement their physical shops. Such multichannel, crosschannel or omnichannel strategies have not been a success for all retailers due to new operational challenges and different cost structures. High costs of IT, logistics and digital marketing often result in lower margins, while total sales do not necessarily increase. A number of retailers, such as Zalando and Asos have published disappointing results over the past year. Vastned believes this shows that online business models do not work for all retailers, and that the quality and service of the physical shops will remain vital to retailers' success.

The location of the physical shops is becoming ever more important since consumers are increasingly combining their visit to a high street with lunch, dinner or an exhibition. For this, they tend to opt for the historic city centres of larger cities and less so to smaller cities. Vastned anticipates that big retailers will concentrate their shops more and more in large European cities, and reduce the number of shops in secondary locations. Over the past twenty years, a great number of new retailers entered the European market, many of whom have not survived. It is vital for the retailer to have a good strategy and to make considerable investments in his staff and the shops, physical and/or online, to be able to grow successfully in the present retail market.

Property in historic city centres is popular with investors

Demand for high street retail property remained high in 2018. Local investors, family offices and institutional parties are queuing up when retail property in popular high streets comes up for sale. As supply is limited, yields continue to be under pressure. For Vastned this means a rise in the value of its portfolio, but at the same time it is becoming harder to acquire new retail properties that Vastned can add value to.

The company believes that urbanisation will continue, leading to ongoing strong demand for residential space in the city centres where Vastned is active. Vastned is constantly looking for possibilities in the portfolio to create residential space above the retail property where this is technically feasible and financially attractive.

The developments in the retail market and the retail property markets described above validate Vastned's strategy of investing in the historic city centres of the bigger European cities.

SWOT analysis

Below, Vastned's main strengths and weaknesses are set out, along with the biggest opportunities and threats in the market in which the company operates.

Strengths

- Only listed pan-European property company focusing on core city assets
- Limited capital investments
- Strong team of specialists in an effective and horizontal organisation
- Sound financial position with a conservative financing strategy

Weaknesses

- Divestments of non-strategic property in 2018 has led to a slight reduction of rental income and direct result.
- Low liquidity of the Vastned share, coupled with relatively high costs of the stock exchange listing compared to the size of the portfolio

Opportunities

- Interest from retailers in top retail locations
- Low interest rate results in low financing costs
- Increased demand for residential space in inner cities

Threats

- Limited supply of and strong demand for core city assets
- Bankruptcies of retail chains

Our strategy

The trends and market developments and the SWOT analysis described above form the basis of Vastned's strategy. Vastned focuses on investing in the best retail property on the popular high streets of selected European cities with a historic city centre, also referred to as 'core city assets'. The objective is to generate long-term stable and predictable results and to contribute to preserving cultural heritage and to the liveability and safety of these historic city centres.

Strategy

PORTFOLIO

- Growth of the Amsterdam, Antwerp, Paris and Madrid clusters, and building up a cluster in Barcelona
- Portfolio consisting of over 80% core city assets
- Expanding the food & beverage portfolio in close proximity to the retail property
- Divesting non-strategic property
- Optimising the value and rental income of the portfolio

ORGANISATION

- A compact team of specialists with a hands-on and result-oriented mentality
- Local teams with great deal of knowledge and experience and extensive network

FINANCING

- Loan-to-value ratio between 35% and 45%
- Share of non-bank loans at least 25%
- Ratio fixed vs floating interest at least 2/3–1/3

Vastned's strategy is founded on three pillars: portfolio, organisation and financing. Having made important steps over the past few years, in 2017 Vastned updated its strategy, opting for a clear focus on the city centres of Amsterdam, Antwerp, Paris, Madrid and Barcelona. In 2018, Vastned added a focus area: expansion of the food & beverage portfolio close to its core city retail properties. Food & beverage is gaining in importance for the shopping public, and increasingly defines the attractiveness of a retail area. Vastned believes in a good mix of retail and food & beverage and invests in food & beverage property if it adds value for its stakeholders.

Vastned distinguishes itself with its strategy from other European listed property investors, who focus on shopping centres, offices and/or residential property, by being the only listed pan-European property company focusing exclusively on high street retail assets.

The core city assets portfolio contains property in the well-known high streets of the following bigger European cities:

NETHERLANDS	FRANCE	BELGIUM	SPAIN
Amsterdam	Bordeaux	Antwerp	Madrid
Breda	Cannes	Bruges	Málaga
Den Bosch	Lille	Brussels	
The Hague	Lyon	Gent	
Eindhoven	Nice		
Maastricht	Paris		
Utrecht			

The 'mixed retail locations' portfolio contains all the other property: Belgian 'baanwinkels', supermarkets, and high street shops in smaller cities such as Arnhem, Zwolle and Mechelen.

Vastned has carried out a major rotation of its portfolio since the introduction of the high street strategy in September 2011 . The company divested approx. € 1.1 billion in non-strategic assets in smaller and medium-sized cities and joint ownership of shopping centres. In the same time, Vastned acquired over € 700 million in retail property in well-known high streets of bigger European cities. By bringing more focus to the portfolio it has become more specialised. The number of cities where Vastned operates fell from 236 at year-end 2011 to 97 at year-end 2018. The share of core city assets rose from 27% at year-end 2011 to 82% at year-end 2018.

Investments and divestments
(€ million)

	2011	2012	2013	2014	2015	2016	2017	2018	Total
Acquisitions	81	111	104	103	164	76	38	49	**726**
Divestments	16	146	271	261	87	95	123	71	**1,070**
Total	**97**	**257**	**375**	**364**	**251**	**171**	**161**	**120**	**1,796**

Also in the area of the other two pillars of the strategy – organisation and financing – has major progress been made over the past few years, contributing to long-term value creation. By divesting relatively labour-intensive shopping centres and a large number of smaller mixed retail locations, the management structure and the staff complement could be streamlined and reduced. In addition, Vastned's loan portfolio was diversified further and the average maturity extended and the average interest rate of the loans reduced.

Our approach of sustainability

Vastned considers sustainability in the broadest sense as an integral part of its mission, strategy and organisation. The company has set itself the task of creating long-term value for its shareholders, tenants, employees and society as a whole. In this, Vastned wants to reduce its environmental impact as far as possible and act and report as transparently as possible.

To achieve these goals Vastned has set up a sustainability framework that links Vastned's financial and non-financial information. The framework explains how Vastned's mission and values jointly contribute to the realisation of both financial and non-financial goals. Vastned's mission and sustainability mission complement each other and lead to stable and predictable long-term results, as the functional lifespan of properties in historic city centres is extended and the liveability and safety are improved. Vastned's values reflect its working methods.

Using the materiality matrix presented on page 31, Vastned has formulated 'material topics' that are of great importance to Vastned and its stakeholders. The material topics are divided over three pillars: the liveability of city centres; minimising the property's footprint; and improving the satisfaction of investors and tenants. In this way, Vastned works in a sustainable way to maintain, expand and strengthen a high-quality portfolio.

Principles

- Vastned and its employees will comply with applicable laws and regulations at all times
- Vastned endorses the OECD guidelines for corporate social responsibility
- Vastned endorses the 17 principles of the United Nations Global Compact for human rights, working standards, the environment and the fight against corruption
- Vastned aims where possible to make positive contributions to the environment
- Vastned will strive to extend the (economic) life of its core city assets and improve their energy efficiency;
- Vastned is dedicated to preserving monuments and cultural heritage
- As a professional organisation Vastned continually invests in its staff, focusing on the health and wellbeing of its employees
- Vastned and its employees will act honestly and ethically at all times
- Vastned aims to continually contribute positively to society

Sustainability framework

Our mission

Generating long term stable and predictable results

Our sustainability mission

Investing in historical cities to extend the functional lifespan of properties and to contribute to the attractiveness and livability of city centres

Our values

Proactiveness	Sustainability	Quality	Entrepreneurship	Team spirit

Sustainability pillars and **Operationalisation**

Enhance the livability of cities	Minimise impact of buildings	Improve investor & tenant satisfaction
Expanding clusters of core city assets	Properties with an EPC	Tenant health & safety
Creating & renovating residential space above shops	Green and ethical clause for core city assets	Ensuring long-term economic performance
Maintaining monuments & cultural heritage	Energy saving programme	Transparency & communication

Foundation

Ethics, integrity & anti corruption	Environmental impact reduction	Promoting health & wellbeing of employees	Contributing to society

Our objectives and results

To realise its mission, Vastned has formulated objectives. The following table provides the objectives and results for the past two years.

	Objectives	Position at year-end 2018	Position at year-end 2017
Portfolio	Core city assets to grow to 80% of the total portfolio	82%	79%
	Divesting non-strategic property	€70.2 million	€26.5 million
	Increasing the number of properties with an EPC to 75%	70%	71%
	Raising the number of leases for core city assets with a green and ethical clause	85%	82%
	Creating and renovating apartments	15	14
	Energy saving programme in collaboration with Climate Neutral Group	✔	✔
	Installing 'smart meters'	✔	✔
Organisation	Strengthening the quality of the organisation	✔	✔
	Integrated reporting	✔	✘
	Vastned as a learning environment	1 intern	2 interns
Financing	Loan-to-value ratio between 35% and 45%	39.0%	38.8%
	Ratio of loans with fixed vs floating interest rate 2/3 - 1/3	87.1%	78.8%
	Share of non-bank financing at least 25%	52.3%	44.0%
Result	Direct result between €2.10 and €2.20 per share	€ 2.22	€ 2.22

Our business model

Letting and investing in core city assets is Vastned's core business. Vastned's result is comprised of the direct and the indirect result. The direct result mainly consists of gross rental income from retail properties less the costs associated with them, less financing costs. The indirect result is mostly comprised of the value movements in the portfolio, the result on divestments and any value movements of financial derivatives.

Key parameters for the rental income are the occupancy rate and like-for-like gross rent levels, which are dependent to a large extent on the location of the core city assets and on active asset management. Our results over the past few years show that the more attractive the location, the higher the occupancy rate and the rental income and the more stable the valuations.

Result			
	Direct result	**Rental income**	Size and quality of the portfolio
			Rent levels
			Occupancy rate
		Operating expenses	Size of the portfolio / organisation
			Non-recoverable service charge
			Share of core city assets
			Occupancy rate
		Financing costs	Interest rate
			Ratio of fixed vs floating interest rates
			Size of loan portfolio
			Average maturity of loan portfolio
	Indirect result	**Value movements in the portfolio**	Quality of the portfolio
			Investments
		Result on divestments	Total divestments
			Market demand and financing options

For an extensive breakdown of the direct and indirect result, see page 128 and 129

• Rue Montmartre 17, Paris

Delicious Utrecht

City of the Dom offers authentic backdrop to F&B concepts

Taco de Groot of Vastned was there only last week. In the glorious picturesque medieval centre of Utrecht he heard people talking from all over the world: Spanish, Italian, English, Dutch of course, and Japanese... 'it is truly becoming an international city.'

He feels that local governments should see tourism this way: 'Don't be afraid of it, embrace it. Just make sure you focus on the type of tourists who have some money to spend and behave themselves. That way you get a good mix of city residents, students and 'guests'.' The upward trend is already noticeable. Hoog Catharijne has been renovated, and a lot of floor area has been added, but De Groot feels it is lacking in dynamism. 'It is different from the old centre. If you walk along Oudegracht, past the flower stalls and terraces, also on the less busy part of the canal, you experience something far more authentic. Utrecht is the only city in Europe with an original, historic and still functioning street plan. That adds something to your visit, when you go exploring the city or go out for a meal.'

He mentions the German House, which is now the Karel V hotel, as one of his favourite destinations. 'Look at the history, that is what lifts it up over a standard F&B concept.' Café Orloff at Donkere Gaard 8 is his favourite coffee spot, along with the Coffeecompany outlet on Vismarkt.

On Drieharingstraat Vastned has quite a few properties, and they are very attractive in De Groot's view. 'There are so many great new concepts in the city. Take Bar Bistro Madeleine. It's one of the better restaurants in terms of food, atmosphere and service.'

Utrecht is not a city of top luxury brands, simply because there are so many students there, explains De Groot, who lives just down the road in Bilthoven. 'From the surrounding villages it is a bit difficult to get into the centre by car. It's far easier by bike or by public transport, certainly now the Dutch railways have built a new station on the route to Houten. But whichever way you look at it, Utrecht will always be a great crossroads in the Netherlands.'

In terms of retail concepts, he believes Utrecht still has the feel of a village: 'I mean that in a positive way. Amsterdam has lost it. You find more small-scale concepts here that are not luxury-focused.' To illustrate this, he mentions Massimo Dutti, the luxury brand of Inditex, which closed down because the concept didn't work there. 'There isn't a Cornelis Schuytstraat here (as in Amsterdam, ed.), the public is different, there are no Michelin-star restaurants. But you can find great affordable eateries with a lovely atmosphere. A degree of simplicity fans creativity, also in F&B, and that makes Utrecht with its historic ambiance also a "delicious city".'

Come enjoy yourself in the City of the Dom

Utrecht's atmospheric old city centre is a true retail paradise. There are popular department stores, but also small boutiques, trendy retail concepts and busy markets, as the municipality itself boasts. Add to that countless new F&B concepts, and you can't fail to have a good time.

You can find more information on: www.visit-utrecht.com/explore-utrecht/shopping

Utrecht Hotspots

THEY REALLY DO SERVE 100% FISH AND SHELL FISH

THE FISH RESTAURANT
Sea Salt Saloon

The motto 'Good fish, drinks and tall stories' graces the façade of fish bistro Sea Salt Saloon on the Wed, close to Dom Church. Actually, the stories told by the owners Rik de Jonge and Pieter Evers are not all that tall. As it says on the menu, they really do serve 100% fish and shell fish. Rather a gamble, for even though Dutch fishermen catch a fair bit of fish, the average inhabitant of the Netherlands only eats about 4.5 kilos of it a year. And not even half of that out of home. The men believe in this fresher than fresh product – and justly so, for the bistro is always busy – and have a very extensive menu. Actually, you will not find even the smallest morsel of meat in the Sea Salt Saloon. The way the interior is subtly inspired by fish is really clever. The walls and floor have a scale and fish net design, there are wooden tables and lots of blue details. The display showcases ship models. Of course, the staff are wearing blue and white striped shirts. Fun detail: the day special is written on the mirror. And in case you look forward to getting a sweet with the bill: at the fish bistro, they very aptly serve a Fisherman's Friend.
www.seasaltsaloon.nl

THE SURPRISE
Simple

If you expect Simple restaurant to serve simple fare, you're mistaken. The name is somewhat misleading for such a fine restaurant and hotel on the 18th-century premises that used to house the Podium. The young chef Rick Gresnigt invited his former employer to take the plunge together. They started Simple, which has since moved closer to Dom Church. After four years of success they needed a new challenge: new premises where they could accommodate a boutique hotel as well. The new dining room is decked out in hues of pale grey with mint green and light blue touches. In the middle of the rows of tables, you will find a long table containing glasses, wines and other drinks. Simple simply radiates enthusiasm for cooking and serving food. They are happy to explain what they are about to dish up for you – The service is excellent and the food is beautifully presented! – You can choose between a 4-, 5-, 6-, or 7-course menu that changes every month. That means that you must like surprises. You can pass on dietary preferences beforehand. At Simple, you are really made to feel you're a guest. If you prefer a small snack, you can go to the gastrobar. Simple is in the Dutch 'Lekker top 500' restaurant guide.
www.simpleutrecht.nl

THE INDIAN FOOD SPECIALIST
Taj Mahal

If you want to have an Indian meal, you're likely to head for Taj Mahal, the first Indian restaurant in the Netherlands. It has been a household word in the centre of Utrecht for 35 years. And it has been a success right from the start. At Taj Mahal, you would jostle each other while queuing for seats on one of the two storeys. Now, you no longer need to: a few doors further on, at Zadelstraat 26, you will find Taj Mahal Lounge, serving coffee, cakes and lunch by day, and acting as an alternative by night, if the restaurant itself is full up. Just as snug and equally scrumptious, cooked by the same chefs. According to Nazal Zulfiqar and his wife, the art of a good curry is mixing herbs and spices. And that art goes back centuries. Zulfiqar learnt it from his mum, who in turn learnt it from hers.
The interior of Taj Mahal is as colourful as the dishes on your plate. You can choose from curries with meat, fish or cheese and vegetables from the clay oven. Vegans can find a meal here, too. The small tapas-style entrees are a must. That way, you can sample everything. Equally convenient: Taj Mahal is a two-minute walk away from the parking garage. www.tajmahal.nl

THE FRENCHIE
Wilhelminapark

'Here, you dine every day among past and future in greenery, a delightful palette of smell and taste and the glisten of water, from milking parlour to pavilion – Built by Van der Gaast, many a guest has enjoyed a shaded rest. Now, those staying on will be royally surprised. Here, all senses are entertained.' Thus read a lyrical review by Els van Stalborch, one of Utrecht's former 'city poets'. It characterises Wilhelminapark, which has been accommodated under the thatched roof of a 1898 city pavilion for decades. A fine example of Amsterdam school architecture. The restaurant is more accommodating than ever. And none too soon, for Wilhelminapark had become a somewhat sluggish affair. The new owner made a clean sweep. – The chefs stayed on, alleluia – The menu has been converted to the French bistro cuisine and is still old-school tasty. The tables are grouped more snugly together, the rug-style table runners have gone, and waiters now serve you in their shirt-sleeves. The bar opposite the kitchen boasts a beautiful art-deco fireplace and creates a welcome sense of dynamism. That escargot stew is still to be recommended. An homage to the old chef!
www.wilhelminapark.nl

ESPECIALLY POPULAR: THE SMALL FUSION DISHES CALLED 'MEZZE'

THE ARAB
Badhu

Would you fancy having a meal or spending a night in a 1001 nights' setting? Then, book a table or a room at restaurant and design hotel Badhu in the Utrecht district of Tuinwijk. It's a sight for sore eyes, abounding in reds, pinks, oranges, blues and greens. Does wonders for your mood! The restaurant-hotel is located in a former bathhouse. The name of Badhu, which means 'hammam'. The restaurant's menu contains dishes for every occasion. Snacks from the Middle-East, cocktails and pastries. You can visit for breakfast, lunch, high tea Arab-style, drinks and dinner. Especially popular: the small fusion dishes called 'mezze'. Badhu overlooks the municipal park and has a modest outdoor terrace. The hotel rooms all have their own colour. Fancy a weekend in Utrecht with the family or with friends? Badhu has a wonderful loft, which can accommodate up to six people.
www.badhu.nl

Good coffee

COFFEECOMPANY'S MOTTO IS 'COFFEE IS NEVER JUST COFFEE'

THE FAST MOVERS
Bar Beton

Eric van Boven and Jeroen van der Hek are going like a rocket. Six years ago, they still held office jobs in the automotive sector, and did not have any catering experience whatsoever. In 2018, they opened the latest outlet at Utrecht Central Station. Bar Beton started out in the Korte Jansstraat. The former colleagues lacked a place where you can get excellent coffee in sympathetic surroundings. And well, there was nothing for it but to start their own business. Bar Beton turned out to be a hit. They had to pull out all the stops. A second, third and fourth outlet followed. A lunch menu, restaurant and meeting rooms, because business people likewise discovered Bar Beton's coffees and relaxed atmosphere. At Bar Beton the Bank, in a former bank building, and in the newest outlet at Central Station, you can have dinner. All outlets cater for meeting facilities, accommodating from 20 (Korte Jansstraat) to 200 people in Rijnsweerd, a high-end conference and meeting centre. Wherever you go, the atmosphere is the same. Really pleasant!
www.bar-beton.nl

THE FAIRTRADE COFFEE BAR
Coffeecompany

When Dutch coffee brand Jacobs Douwe Egberts took over Coffeecompany, it branched out into fair-trade. The wayward, independently operating coffee bar – that has 35 outlets, three of which are located in Utrecht – reminds one of a New York coffee place and totally belongs in the Utrecht Vismarkt. Art by local artists adorns the walls, the interior is trendy. And they are music-minded, too: Utrecht bands regularly perform there. Coffeecompany's motto is 'Coffee is never just coffee'. That is why they tell you stories about the farmers in Africa and South America. For instance, printed on the packaging for the bespoke coffee blends. Coffeecompany sells coffee beans produced by farmers they have become friends with and visit to taste coffees on the spot. They only work with partners that, like them, have the farmers' welfare in mind. 'Back home' at Coffeecompany, seasoned baristas make lovely coffee.
www.coffeecompany.nl

Report of the Executive Board

3

Review of the property portfolio

Introduction

At year-end 2018 the value of the property portfolio was € 1.6 billion (year-end 2017: € 1.6 billion), of which € 1.3 billion concerned core city assets (year-end 2017: € 1.3 billion) and € 290 million concerned mixed retail locations (year-end 2017: € 332 million).

10 largest tenants at year-end 2018	Theoretical gross rental income (€ million)	Theoretical gross rental income (%)	Number of units	GLA (sqm thousand)
1. H&M	8.8	11.7	9	17.3
2. Inditex	5.2	6.8	9	8.7
3. Fast Retailing	2.6	3.4	2	3.3
4. A.S. Watson	1.9	2.5	14	5.4
5. LVMH	1.8	2.4	4	1.5
6. GAP	1.5	1.9	1	0.9
7. FNG	1.4	1.9	7	3.7
8. Adidas	1.3	1.7	2	0.8
9. Nespresso	1.1	1.5	2	0.9
10. Ahold Delhaize	1.1	1.5	5	5.4
Total	**26.6**	**35.3**	**55**	**47.9**

10 largest portfolios at year-end 2018	Book value (€ million)	Theoretical gross rental income (€ million)	Occupancy rate (%)	Number of tenants	GLA (sqm thousand)
1. Amsterdam	332.0	12.1	100.0	48	14.7
2. Paris	235.7	9.2	99.9	19	6.8
3. Utrecht	111.8	5.4	100.0	46	16.3
4. Bordeaux	95.8	3.7	100.0	20	6.5
5. Antwerp	92.8	4.1	99.2	21	8.0
6. Madrid	86.5	3.0	100.0	7	2.5
7. Lille	60.2	3.0	96.0	27	6.2
8. Brussels	58.3	3.0	100.0	11	8.3
9. Ghent	44.9	2.3	90.2	4	7.4
10. Tielt-Winge	41.9	2.5	100.0	22	19.1
Total	**1.159.9**	**48.3**	**99.2**	**225**	**95.8**

Occupancy rate

Vastned considers the high occupancy rate as evidence of the quality and attractiveness of its property portfolio. At year-end 2018 the occupancy rate of the total portfolio was 98.6%. The occupancy rate of the core city assets was 99.3% as at year-end 2018 and the occupancy rate of the mixed retail locations was 96.7% at year-end 2018.

Occupancy rate (%)	Core city assets		Mixed retail locations		Total	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Netherlands	100.0	99.6	95.3	93.7	98.5	97.1
France	99.2	99.3	100.0	83.7	99.2	98.4
Belgium	97.7	99.9	98.3	98.4	98.0	99.1
Spain	100.0	100.0	100.0	100.0	100.0	100.0
Total	**99.3**	**99.6**	**96.7**	**95.1**	**98.6**	**98.1**

Leasing activity

In 2018, Vastned concluded 71 leases for a total annual amount of € 10.6 million, or 14.0% of the theoretical total annual gross rental income. In 2017, in comparison, Vastned concluded 97 leases for a total annual amount of € 7.4 million, or 9.4% of the total theoretical annual gross rental income.

Vastned concluded leases with tenants including UNIQLO, Hunkemöller and Usabilla in Amsterdam, Sessùn in Lille, NYX in Bordeaux, Zapa in Antwerp and Sephora in Madrid. Maje signed for the lease of the acquired property Rue des Francs Bourgeois 12 in Paris. Furthermore, renewed lease contracts were concluded with, amongst others, Zara in Den Bosch, A.S. Watson in Nijmegen, Jules in Bordeaux, Camaïeu in Paris, Zara and Carrefour in Brussels and Levi's in Liège.

Vastned realised a 1.4% rent increase on the 29 leases concluded for core city assets. The other 42 leases were concluded for mixed retail locations. On these leases, rents declined on average by 9.4%.

2018	Leasing activity			Rental change	
	Number of leases	€ million	% of theoretical annual rent	€ million	%
Core city assets	29	8.5	11.2	0.1	1.4
Mixed retail locations	42	2.1	2.8	(0.2)	(9.4)
Total	**71**	**10.6**	**14.0**	**(0.1)**	**(0.9)**

Like-for-like gross rental income

The like-for-like gross rental growth in 2018 was 0.8% positive, compared to 1.3% positive in 2017, 0.5% negative in 2016 and 0.9% negative in 2015.

The core city assets generated in 2018 a positive like-for-like gross rental growth of 1.6%. This result was driven by positive growth in the Netherlands, France and Belgium and was partly offset by the vacancy of Calle Serrano 36 in Madrid.

The mixed retail locations realised a like-for-like gross rental decline of 1.0%. The mixed retail locations in Belgium and Spain realised a positive like-for-like gross rental growth in 2018, just like in 2017. This result partly compensated the like-for-like gross rental decline of the mixed retail locations in the Netherlands and France.

Like-for-like gross rental growth 2018
(% of gross rental income)

	Netherlands	France	Belgium	Spain	Total
Core city assets	4.7	1.6	0.9	(17.2)	1.6
Mixed retail locations	(2.8)	(0.4)	1.2	1.1	(1.0)
Total	**2.0**	**1.5**	**1.1**	**(16.2)**	**0.8**

Lease incentives

Lease incentives, such as rent-free periods, lease discounts and other payments or contributions to tenants, averaged 2.7% of the gross rental income in 2018. This was higher than in 2017 (2.2%), driven by the tenant swap of Forever 21 to UNIQLO (Kalverstraat 11-17/ Rokin 12-16, Amsterdam).

The difference between the actual and the IFRS lease incentives is straightlining of lease incentives. In actual amounts the difference in lease incentives was € 0.4 million higher. Lease incentives amounted to € 2.2 million at year-end 2018 compared to € 1.7 million at year-end 2017.

Lease incentives
(% of gross rental income)

	2018		2017	
	Actual	IFRS	Actual	IFRS
Core city assets	5.6	2.9	2.6	2.2
Mixed retail locations	1.5	2.1	2.7	2.3
Total	**4.4**	**2.7**	**2.6**	**2.2**

Market rent

The market rent, also referred to as estimated rental value (ERV), of the various retail properties is determined based on appraisals carried out by independent appraisers acting on Vastned's instructions. The market rent is important for identifying reletting opportunities and threats. Relative to the market rent, the theoretical rental income (the gross annual rent of the existing leases plus the market rent of the vacancy) was 100.7% of the market rent at year-end 2018 (year-end 2017: 100.1%). For over- or underrent, it is important to check both actual amounts and ratios. In actual amounts, the overrent for the total portfolio was € 0.5 million, whereby the core city assets showed underrent of 2.0% or € 1.1 million.

Over/underrent at year-end 2018	Theoretical gross rent (€ million)	Market rent (€ million)	Over/underrent (%)
Core city assets	54.2	55.3	2.0
Mixed retail locations	21.5	19.9	(8.2)
Total portfolio	**75.7**	**75.2**	**(0.7)**

Lease expirations

The durations of the leases vary depending on specific agreements, statutory regulations and local customs. Vastned operates in four countries, with different types of leases in each of them.

Customary lease durations and indexations

	Term	Indexation
Netherlands	In the Netherlands virtually all leases are concluded for a period of five years, whereby the tenant has one or more options to renew the lease by another five years.	Based on CPI.
France	In France, leases are normally concluded for a period of at least nine years, whereby the tenant has the option of renewing or terminating the lease every three years.	Based on the construction cost index (ICC), or based on a weighted mix of the construction cost index, the cost of living index and retail trade prices (ILC) 1).
Belgium	In Belgium leases are normally concluded for a period of nine years, with early termination options after three and six years.	Based on the health index (derived from the CPI).
Spain	In Spain leases are normally concluded for a minimum period of five years.	Based on the cost of living index (CPI).

1) In France, less and less leases are subject to ICC indexation, because new legislation prescribes that as of September 2014 the indexation of the rent concluded in leases should be based on ILC indexation.

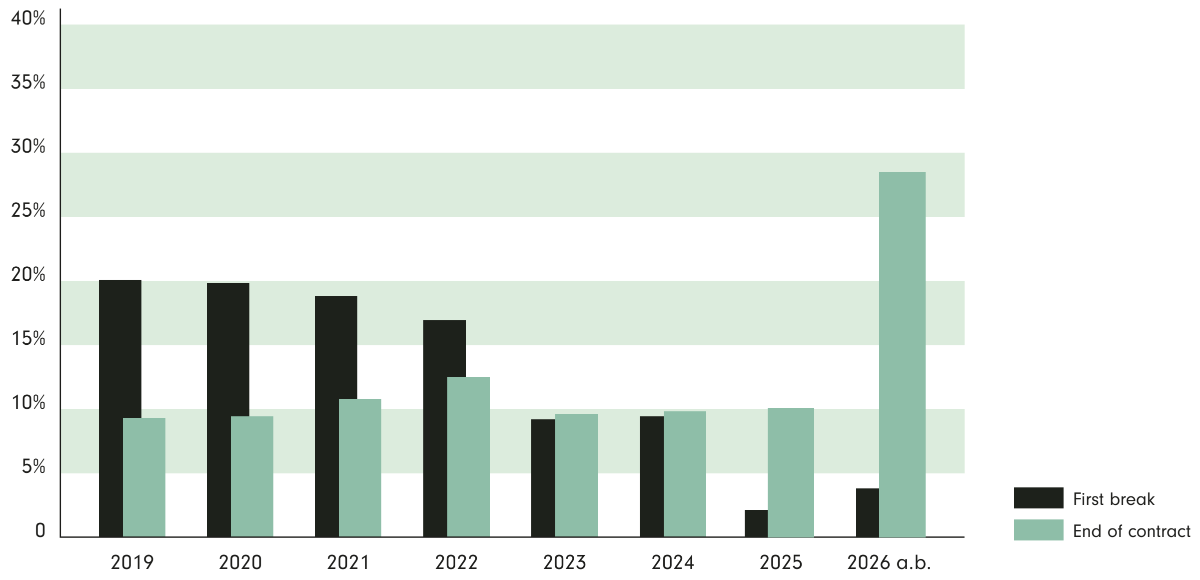
Average duration of leases

In the expirations, Vastned distinguishes between the next termination date for the tenant (first break) and the end of the lease (end of contract). The table below lists the expiry dates of the property portfolio by category.

Average duration of leases at year-end 2018 (years)

	First break	End of contract
Core city assets	2.8	6.1
Mixed retail locations	2.8	4.5
Total	**2.8**	**5.7**

Lease expiries at year-end 2018



In total, 20% of the leases, representing € 15.2 million in rental income, can be terminated or renewed in 2019.

Appraisal methodology

The larger properties, with an expected value of at least € 2.5 million, make up approximately 88% of Vastned's property portfolio and are appraised every six months by reputed international appraisers, except in Belgium, where they are appraised quarterly. Smaller properties, with an expected value of below € 2.5 million, are appraised externally once a year, spread evenly across the half years. As at 30 June 2018, 96% of the portfolio was appraised by an external appraiser; 95% was appraised as at year-end 2018.

Vastned ensures that the external appraisers have all the relevant information needed to arrive at a well-considered assessment. The appraisal methodology employed by the external appraisers is based on international appraisal guidelines (among which RICS Appraisal and Valuation Standards). This appraisal methodology is explained in more detail on page 153 of the financial statements.

Value movements

The value of the property portfolio excluding acquisitions and divestments rose in 2018 by € 5.9 million, or 0.4%, compared to year-end 2017. The increase was due to the value increase of the core city assets of € 12.1 million, or 1.0%, which amply compensated for the € 6.1 million decrease on the mixed retail locations.

Value movements 2018	Portfolio value (€ million)	Value movement (€ million)	Value movement (%)
Core city assets	1,290	12.1	1.0
Mixed retail locations	290	(6.2)	(2.1)
Total	**1,580**	**5.9**	**0.4**

Appraisers

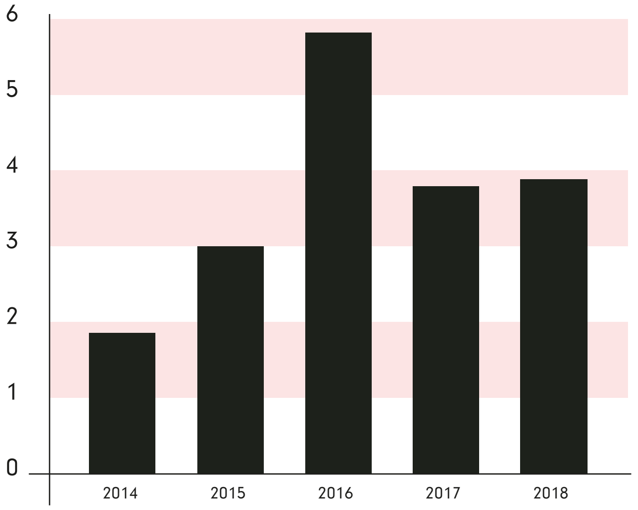
Vastned makes use of the services of the following internationally reputed appraisers:

- CBRE in Amsterdam, Brussels, Madrid and Paris
- Cushman & Wakefield in Amsterdam, Brussels, Madrid and Paris
- Crédit Foncier in Paris (residential property)

Capital expenditure

Capital expenditure in core city assets play only a relatively minor role. In contrast to shopping centres, high street shops do not need complete renovations every five years to keep them attractive for retailers and consumers. The capital expenditure for Vastned are limited to those that add value, such as, where possible, adding retail floor area and creating larger lettable areas by connecting adjoining retail properties and creating and renovating residential space above shops.

Capital expenditure (€ million)



Acquisitions

Vastned has expanded its core city asset portfolio further by making acquisitions for a total amount of € 48.8 million.

In Amsterdam Reguliersdwarsstraat 80-84 was bought for € 5.7 million including acquisition costs. This concerned three connected properties, of which the ground floor is leased to Italian restaurant Sale e Pepe. Above the restaurant are six apartments, of which one large apartment will be split into two and fully renovated.

In Utrecht, the purchase was finalised in early January of Vredenburg 1, which is leased long-term to Dunkin' Donuts. Also, Drieharingstraat 2-8, 14-18 and 22 in Utrecht were acquired for € 11.0 million including acquisition costs. Drieharingstraat connects Oudegracht with Vredenburg and is considered as Utrecht's new culinary high street.

In Paris Vastned expanded its cluster in the popular Le Marais district with two core city assets. The first property is the corner shop on Rue des Francs Bourgeois 12, which was bought for € 16.0 million including acquisition costs. The property was purchased without a tenant; prior to the acquisition Vastned signed a lease with Maje. The second property is Rue des Francs Bourgeois 10, which is leased to Guerlain. The purchase price was € 12.0 million including acquisition costs. Vastned now has seven retail properties in Le Marais with an approximate total value of € 90 million, making it one of the biggest retail property owners in this historic district.

In Madrid Calle de Fuencarral 27 was bought for € 4.2 million including acquisition costs. It is leased to Comptoir des Cotonniers. The property next door is also owned by Vastned; it is leased to Birkenstock.

Divestments

As part of its strategy to further reduce the risk profile of the portfolio, Vastned sold non-strategic property for € 70.7 million in the Netherlands and France in 2018.

In the Netherlands, Vastned sold its partial ownership of the Walburg shopping centre in Zwijndrecht for € 16.5 million, and in Harderwijk shopping centre Vuldersbrink was sold for € 6.1 million. The following mixed retail locations in the Netherlands were sold for € 8.4 million in total: Friesestraat 14 and Weeshuisstraat 9 in Coevorden, Nieuwstad 57-59 in Doetinchem, Voorstraat 262 in Dordrecht, Grote Bredeplaats 26 and Kleine Bredeplaats 8-10 in Harlingen, Schoutenstraat 6 and 8 and Kerkstraat 55 and 87 in Hilversum, Hoofdstraat 157 in Hoogeveen, Tolberterstraat 3-5 in Leek, Ruiterskwartier 127 and 135 in Leeuwarden, Lange Delft 59 in Middelburg, Arendshof 48-52 in Oosterhout, Schaapmarktplein 4 and Oosterdijk 58 in Sneek and Navolaan 9-12 in Stadskanaal.

In France, Vastned sold its properties Rue at Saint-Jean 44-45 in Nancy and Rue Saint-Ferréol 29 in Marseille for € 37.3 million in total. In addition, Vastned's interest in two shopping centres in Limoges, Centre Commercial Beaubreuil and Centre Commercial Limoges Corgnac, was divested for € 1.9 million in total.

• Calle José Ortega y Gasset 15, Madrid

Review of the financial results

Financial results (€ million)	2018	2017
Direct result	40.4	41.1
Indirect result	0.7	53.5
Result attributable to Vastned Retail shareholders	**41.1**	**94.6**
Result attributable to non-controlling interests	2.5	12.0
Result after taxes	**43.6**	**106.6**

Result attributable to Vastned Retail shareholders

The result attributable to Vastned shareholders, which comprises the direct and indirect results, was € 41.1 million in 2018 (2017: € 94.6 million). The main factor in this lower result was the fall of the indirect result from € 53.5 million in 2017 to € 0.7 million in 2018. This was caused mainly by lower positive value movements.

The direct result decreased from € 41.1 million in 2017 to € 40.4 million in 2018 mainly due to lower net rental income caused by divestments in the Netherlands and France. The decrease was partly offset by the buy-out payment received from Forever 21 for Kalverstraat 11-17/ Rokin 12-16 in Amsterdam and by lower operating expenses. In addition, interest expenses fell due to on average lower interest-bearing debts as a result of divestments and the refinancing in 2017 of the loan portfolio in Belgium.

The indirect result fell from € 53.5 million in 2017 to € 0.7 million in 2018. This decrease was mainly caused by lower positive property value movements compared to 2017. In 2018, the value of the total property portfolio, taking into account the write-off of acquisition costs, rose by € 4.1 million. The value of the core city assets increased by € 10.2 million, while the value of the mixed retail locations fell by € 6.1 million. As a result of the changed market interest rate the value movements of the interest rate derivatives were € 1.5 million negative. In 2018, an amount of € 2.3 million was allocated to the provision for deferred tax liabilities for the value increase of the property held by regularly taxed entities in the Netherlands and Spain. Abortive purchase costs relating to the takeover bid for the Vastned Retail Belgium shares were € 1.6 million. The portion of the investment result attributable to non-controlling interests in 2018 was € 2.5 million positive.

Result per share

In the fourth quarter of 2018, Vastned repurchased 292,208 shares for a total of € 9.8 million including costs. This share buyback, together with the share buyback completed in 2017, reduced the average number of Vastned shares outstanding from 18.5 million 2017 to 18.2 million in 2018.

The result per share attributable to Vastned shareholders was € 2.26 in 2018 (2017: € 5.11 per share). This result comprised the direct result per share of € 2.22 (2017: € 2.22 per share) and the indirect result per share of € 0.04 (2017: € 2.89 per share).

Development of direct result per share (€)

Direct result 2017	2.22
Like-for-like net rental income	0.03
Increase of net rental income due to non-recurring items	0.22
Increase in net rental income due to acquisitions	0.07
Decrease in net rental income due to divestments	(0.29)
Decrease in financing costs due to lower average interest-bearing debt	0.07
On balance decrease in financing costs due to lower average interest rate, changes in fixed/floating interest rates and working capital	0.07
Increase in general expenses	(0.01)
Increase in income tax	(0.09)
Decrease due to discontinued business operations	(0.09)
Increase of the result attributable to non-controlling interests	(0.02)
Increase due to share buyback	0.04
Direct result 2018	**2.22**

Development of net rental income 2018

Core city assets (€ thousand)	Netherlands	France	Belgium	Spain	Total continuing operations	Non-recurring items/ discontinued operations	Total
Gross rental income 2017	20,680	16,612	9,988	3,148	50,428	1,851	52,279
Acquisitions	792	333	131	15	1,271	-	1,271
Divestments	(117)	(1,629)	-	-	(1,746)	(1,851)	(3,597)
Like-for-like rental growth	977	233	92	(541)	761	4,041	4,802
Gross rental income 2018	**22,332**	**15,549**	**10,211**	**2,622**	**50,714**	**4,041**	**54,755**
Other income	-	346	-	-	346	-	346
Operating expenses 1)	(2,322)	(963)	(812)	(183)	(4,280)	-	(4,280)
Net rental income 2018	**20,010**	**14,932**	**9,399**	**2,439**	**46,780**	**4,041**	**50,821**
Net rental income 2017	18,148	15,999	9,192	2,930	46,269	1,811	48,080
Operating expenses as a % of gross rental income 2018	10.4	6.2	8.0	7.0	8.4	-	7.8
Operating expenses as a % of gross rental income 2017	12.2	5.9	8.0	6.9	9.0	-	8.7

1) Including ground rents paid and net service charge expenses

Mixed retail locations (€ thousand)	Netherlands	France	Belgium	Spain	Total continuing operations	Non-recurring items/ discontinued operations	Total
Gross rental income 2017	16,401	1,019	9,455	177	27,052	-	27,052
Acquisitions	-	-	-	-	-	-	-
Divestments	(4,247)	(274)	-	-	(4,521)	-	(4,521)
Like-for-like rental growth	(338)	(3)	113	2	(226)	-	(226)
Gross rental income 2018	**11,816**	**742**	**9,568**	**179**	**22,305**	**-**	**22,305**
Other income	-	22	-	-	22	-	22
Operating expenses 1)	(1,124)	(376)	(865)	(7)	(2,372)	-	(2,372)
Net rental income 2018	**10,692**	**388**	**8,703**	**172**	**19,955**	**-**	**19,955**
Net rental income 2017	14,423	689	8,671	170	23,953	-	23,953
Operating expenses as a % of gross rental income 2018	9.5	50.7	9.0	3.9	10.6	-	10.6
Operating expenses as a % of gross rental income 2017	12.1	34.8	8.3	4.0	11.5	-	11.5

1) Including ground rents paid and net service charge expenses

Total (€ thousand)	Netherlands	France	Belgium	Spain	Total continuing operations	Non-recurring items/ discontinued operations	Total
Gross rental income 2017	37,081	17,631	19,443	3,325	77,480	1,851	79,331
Acquisitions	792	333	131	15	1,271	-	1,271
Divestments	(4,364)	(1,903)	-	-	(6,267)	(1,851)	(8,118)
Like-for-like rental growth	639	230	205	(539)	535	4,041	4,576
Gross rental income 2018	**34,148**	**16,291**	**19,779**	**2,801**	**73,019**	**4,041**	**77,060**
Other income	-	368	-	-	368	-	368
Operating expenses 1)	(3,446)	(1,339)	(1,677)	(190)	(6,652)	-	(6,652)
Net rental income 2018	**30,702**	**15,320**	**18,102**	**2,611**	**66,735**	**4,041**	**70,776**
Net rental income 2017	32,571	16,688	17,863	3,100	70,222	1,811	72,033
Operating expenses as a % of gross rental income 2018	10.1	8.2	8.5	6.8	9.1	-	8.6
Operating expenses as a % of gross rental income 2017	12.2	7.5	8.1	6.8	9.9	-	9.7

1) Including ground rents paid and net service charge expenses

Net income from property

Gross rental income

The gross rental income including non-recurring items was € 77.1 million in 2018 against € 77.5 million in 2017. The table on page 60 and 61 presents a breakdown by country.

Acquisitions (€ 1.3 million increase)
Vastned expanded its portfolio in 2017 and 2018 by acquiring core city assets in its four core countries. This caused the gross rental income to rise in 2018 by € 1.3 million compared to 2017, of which € 0.8 million related to acquisitions made in 2017 and € 0.5 million to transactions completed in 2018.

In 2018, the core city assets Vredenburg 1 and Drieharingstraat 2-8, 14-18 and 22 in Utrecht and Reguliersdwarsstraat 80-84 in Amsterdam were purchased. These properties combined with a number of acquisitions in Amsterdam and Utrecht in 2017 led to an increase in gross rental income in the Netherlands of € 0.8 million.

In France the core city assets Rue des Francs Bourgeois 10 and 12 in Paris were acquired. These properties, combined with the properties Rue des Francs Bourgeois 29 and Rue des Rosiers 19 in Paris acquired in 2017 yielded a € 0.3 million increase in gross rental income in France.

Finally, the core city asset Calle de Fuencarral 27 in Madrid was bought, which together with the acquisition in 2017 of Steenhouwersvest 44-46-48 in Antwerp resulted in a € 0.2 million rise of the gross rental income.

Divestments (€ 6.2 million decrease)
In order to further improve the quality of the portfolio Vastned sold property for € 122.8 million in 2017 (€ 27.1 million excluding Turkey) and € 70.7 million in 2018. This caused a € 6.2 million fall in the gross rental income in 2018 compared to 2017. Of the decrease, property divestments in the Netherlands accounted for € 4.3 million, of which € 2.1 million was due to divestments in 2018 and € 2.2 million to divestments in 2017. In France, properties were sold in 2018 in Nancy, Marseille and Limoges resulting in a € 1.9 million decrease of the gross rental income.

Like-for-like gross rental growth (€ 0.5 million increase)
The like-for-like rental growth of the gross rental income was € 0.5 million positive (0.8%). The like-for-like rental growth of the core city assets was € 0.7 million positive (1.6%). The like-for-like gross rental growth of the mixed retail locations was € 0.2 million negative (-1.0%).

Non-recurring items (€ 4.0 million increase)
In 2018, a one-off buy-out payment of € 5.3 million was received from the former tenant of the property Kalverstraat 11-17/Rokin 12-16 in Amsterdam. Also, a € 0.5 million one-off buy-out payment was paid to a departing tenant of the property Kalverstraat 162-164 in Amsterdam in order to enable us to relet the property to a new tenant at far better conditions. These non-recurring items have been fully recognised in the direct result. In order to present a balanced view of the like-for-like gross rental growth, these non-recurring payments have been spread over the duration of the leases with the new tenants. As a result, the gross rental income in the financial statements is € 4.0 million higher than the gross rental income used in the calculation of the 2018 like-for-like gross rental growth.

Operating expenses (including ground rents paid and net service charge expenses)

The operating expenses in 2018 were € 6.6 million, € 1.0 million lower than in 2017, which was caused mainly by lower maintenance costs and local taxes, partly as a result of divestments of non-strategic property in the Netherlands and France. The operating expenses in 2018 expressed as a percentage of gross rental income equalled 9.1% (2017: 9.9%). Core city assets had lower operating expenses (8.4%) than mixed retail locations (10.6%).

Value movements in properties

The value movements, taking property acquisition costs into account, were € 4.1 million positive in 2018. The € 6.1 million value decrease of the mixed retail locations was comfortably set off by the value increase of the core city assets of € 10.2 million.

The value movements of the core city assets include value increases in the Dutch and Spanish property portfolios of € 21.5 million and € 1.6 million respectively, but also value decreases in the French and Belgian portfolios of € 8.5 million and € 4.4 million respectively.

The value movements of the mixed retail locations in the Dutch and Belgian property portfolios were € 3.4 million negative and € 2.7 million negative respectively.

Net result on divestments of property

In 2018, Vastned sold property for € 70.5 million (book value), of which € 31.5 million in the Netherlands and € 39.0 million in France. After deduction of sales costs, a positive net sales result of € 0.2 million was recognised on these divestments. The net proceeds of the divestments was therefore € 70.7 million.

Expenditure

Net financing costs

The net financing costs including value movements of financial derivatives increased from € 16.0 million in 2017 to € 17.2 million in 2018. The development of the net financing costs is explained in the table below.

Development of net financing costs (€ million)

Net financing costs 2017	16.0
Decrease due to net divestments	(1.3)
On balance decrease due to lower average interest rate and changes in fixed/floating interest and working capital	(1.2)
Value movements financial derivatives	3.7
Net financing costs 2018	**17.2**

The net financing costs fell by € 1.3 million due to lower average interest-bearing debts resulting from divestments. The average interest rate decreased by 20 basis points from 2.73% in 2017 to 2.53% in 2018, which drove down interest expenses by € 1,2 million. As a result of the changed market interest rate, the value movements of the interest rate derivatives were € 1.5 million negative compared to € 2.2 million positive in 2017.

General expenses

The general expenses were € 8.8 million in 2018 (2017: € 8.6 million). Lower personnel costs were cancelled out by higher consultancy and audit costs and IT costs.

Abortive purchase costs

Abortive purchase costs were € 1.6 million in 2018; they related to the takeover bid for the Vastned Retail Belgium shares that Vastned did not yet directly or indirectly hold. These costs were mainly for legal and financial advisers, but also included costs for commissioning an independent fairness opinion and marketing costs. The bid failed because the required minimum 90% acceptance threshold of the free float was not achieved.

Current income tax expense

The income tax payable on the reporting period for the regularly taxed entities in the Netherlands, Belgium and Spain was € 0.5 million in 2018 (2017: € 0.1 million). The € 0.4 increase was due to a higher tax expense, especially of the entities subject to taxation in the Netherlands.

Movement deferred tax assets and liabilities

The movements in deferred tax assets and liabilities in 2018 were € 3.4 million negative (2017: € 2.7 million negative). The allocation to the provision for deferred tax assets and liabilities in 2018 was due mainly to value increases of the core city assets in Spain and the value increase of one core city asset in the Netherlands that is held by a regularly taxed entity.

Result from discontinued operations

The result from discontinued operations in 2018 was nil. In 2017, the result from the discontinued Turkish operations was € 1.7 million.

Financing structure

Financing is one of the cornerstones of Vastned's strategy. Vastned aims for a conservative financing structure, with a loan-to-value ratio of between 35% and 45%, diversification of financing sources e.g. by placing long-term bond loans with institutional investors (such as 'private placements'). With these private placements, Vastned has extended the average maturity of the long-term loan portfolio and realised a better spreading of financings over lenders.

The existing interest rate policy to fix the interest rate of approximately two thirds of the loan portfolio was continued in 2018.

In 2018, Vastned lowered its syndicated credit facility from € 375 million to € 325 million and extended the maturity to September 2023.

Furthermore, a new 7-year € 50 million loan was placed through AXA Real Estate Investment Managers SGP, which acts on behalf of its clients.

As at year-end 2018, Vastned Retail's balance sheet showed a healthy financing structure with a loan-to-value ratio of 39.0% (year-end 2017: 38.8%) and a solvency ratio, being group equity plus deferred tax liabilities divided by the balance sheet total, of 59.0% (year-end 2017: 59.2%).

At year-end 2018, the loans structure had the following features:

- The outstanding interest-bearing loans totalled € 616.3 million (year-end 2017: € 615.9 million);
- Non-bank loans comprised € 322.2 million (52.3%) of the total outstanding interest-bearing loans;
- In 2023 long-term loans totalling € 253.4 million will expire. This amount is related to the syndicated credit facility and a number of Vastned Retail Belgium's credit facilities;
- 77.2% of the outstanding loans was long-term with an average maturity based on contract expiry dates of 4.7 years;
- 22.8% of the outstanding loans was short-term, including the € 25.0 million private placement that expired in January 2019 and the € 110.0 million convertible bond loan that matures in April 2019. In early January 2019, a new private placement was concluded of € 50 million with a 7-year maturity; the convertible bond loan will be redeemed;
- 87.1% of the outstanding loans had a fixed interest rate, principally due to the use of interest rate swaps, the private bond placements and the convertible bond loan;
- A good spread of rent review dates, with an average maturity of 3.5 years;
- The average interest rate in 2018, taking account of the agreed interest rate derivatives, the private bond placements and the convertible bond loan, was 2.5%. The average interest rate based on the outstanding interest-bearing debts as at year-end 2018 was 2.5% (spot);
- 12.9% of the outstanding loans had a floating interest rate;
- The negative value of the interest rate derivatives was € 5.0 million (year-end 2017: € 3.6 million negative). The increased negative value of the interest rate derivatives was mainly due to changes in the interest rate curve in 2018, and;
- The unused credit facilities totalled € 198.4 million.

With a solvency of 59.0% and an interest coverage ratio of 4.5, Vastned complies with all the loan covenants. All financing contracts stipulate a 45% minimum solvency rate and usually require a minimum 2.0 interest coverage ratio. Most financing agreements include a negative pledge clause, with a limited threshold for the provision of security.

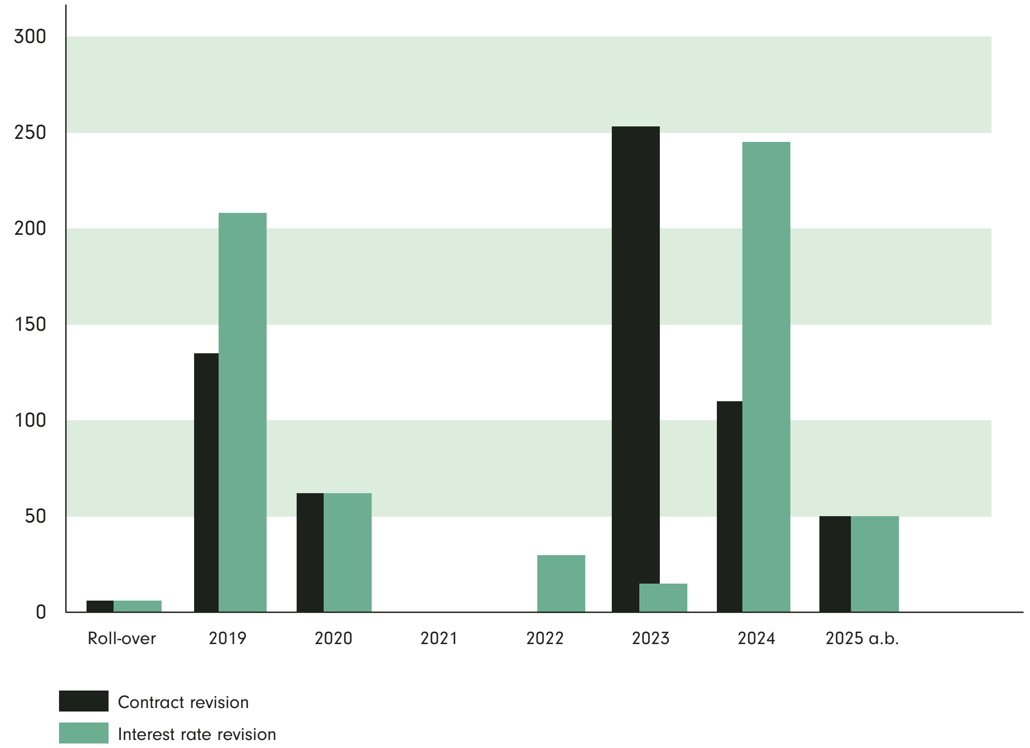
The unused credit facilities of € 198.4 million as at year-end 2018 provide sufficient liquidity to fulfil short-term payment obligations.

Loan portfolio at year-end 2018
(€ million)

	Fixed interest[1]	Floating interest	Total	% of total
Long-term debt	402.3	73.3	475.6	77.2
Short-term debt	134.7	6.0	140.7	22.8
Total	**537.0**	**79.3**	**616.3**	**100.0**
% of total	87.1	12.9	100.0	

1) Interest rate derivatives taken into account

Contract and interest-rate revision dates of the loan portfolio at year-end 2018
(€ million)



Dividend policy and proposal

Dividend policy

The dividend policy stipulates that Vastned will distribute at least 75% of the direct result per share as dividend. In principle, no stock dividend is distributed. The dividend policy thus prevents share dilution caused by stock dividend. The annual dividend distribution is effected by means of an interim and a final dividend. After the publication of the half-yearly results, an interim dividend is paid out of 60% of the direct result per share for the first half year.

Vastned believes that a dividend distribution of at least 75% of the direct result leaves sufficient room for acquisitions. At the same time, its dividend policy generates a stable return for its shareholders. In this way, the dividend policy contributes to long-term value creation by the Company.

In addition, Vastned declares its dividend taking account of the conditions attaching to the status of a fiscal investment institution within the meaning of Article 28 of the 1969 Corporation Tax Act.

Dividend distribution for 2017 and dividend proposal for 2018

The Annual General Meeting of 19 April 2018 declared a dividend for the 2017 financial year of € 2.05 per share, which was charged to the freely distributable reserves. In August 2017, an interim dividend of € 0.64 per share had already been distributed, so the final dividend for 2017 came to € 1.41 per share.

In accordance with the dividend policy, on 21 August 2018 60% of the direct result for the first half year of 2018, or € 0.71 per share, was distributed as interim dividend. In the Annual General Meeting of Shareholders of 18 April 2019, Vastned will propose to declare a dividend for the 2018 financial year of € 2.05 per share, unchanged from the three years before. Taking the interim dividend of € 0.71 that has already been distributed into account, a final dividend will be declared of € 1.34 per share. The final dividend will be made payable on 7 May 2019.

At a closing price of € 31.30 on the last day of trading in 2018, which was 31 December 2018, this equates to a dividend yield of 6.5%.

Events after balance sheet date

On 17 January 2019, Vastned placed a € 50 million long-term bond loan with Pricoa Capital Group. This bond loan has a 7-year maturity and a 2.73% coupon. The new loan will be used to refinance existing loans. Vastned's present financing structure, including the abovementioned new loan, provides sufficient financial room to redeem the convertible bond loan that matures in April 2019.

On 31 January 2019, Vastned sold the non-strategic property In de Cramer 140 in Heerlen for € 3.5 million.

In the context of the share buyback programme announced on 19 October 2018 Vastned purchased 217,670 shares for € 7.1 million in total in the period 1 January 2019 up to and including 7 February 2019.

Outlook 2019

Vastned remains cautious about market conditions in view of the limited investment opportunities and the transition in the retail landscape. Next to low unemployment, economic growth and high consumer confidence, income growth of consumers will be decisive for a healthy retail market in 2019. Points of attention in this context are the uncertainty around Brexit, international trade conflicts, the worldwide debt mountain and economic growth levelling off.

The changes in the retail market will come into sharper focus. Retailers will have to keep innovating and investing in their business models, shops and staff. Some retailers will be successful, while others will lose out and disappear from the retail landscape. Vastned will continue its strategy step by step and remains focused on active asset management and optimising the portfolio. The company must be alert to changing circumstances and will have to keep working hard to attract and retain successful retailers. In terms of acquisitions we will remain critical and cautious; quality of the portfolio is more important than growth. Vastned will make acquisitions only when they fit its strategy and add value to the portfolio.

In 2019, Vastned will focus on maintaining the high occupancy rate of the portfolio and especially on attracting a good tenant for Rue de Rivoli 118-120 in Paris, one of the larger assets of Vastned. The expected vacancy of this property, together with lower rental income as a result of having a smaller portfolio compared to 2018 and the absence of non-recurring income received in 2018, results in an expected direct result for 2019 of between € 2.00 and € 2.10 per share.

After the divestments made in 2018, the transformation of the property portfolio is complete which is expected to result in stable and predictable results and possibly growth in the future. Vastned expects capital expenditure to remain at a low level, similar to previous years. From 2019 onwards, Vastned will no longer distinguish between core city assets and mixed retail locations.

Sustainability

Introduction

Sustainability is an important core value for Vastned in creating long-term value for its stakeholders. Vastned believes that realising stable and predictable financial results goes hand in hand with non-financial goals, such as preservation of cultural heritage and improving the liveability and safety of city centres. In this, Vastned deems it important to limit its environmental impact as far as possible and to raise its contribution to society. An efficient and effective organisation is crucial for realising these objectives. For this reason, a high-quality organisation, a healthy work environment and the health and welfare of the employees are high on the company's agenda.

Vastned's value creation model, its stakeholders and how Vastned creates value are described in Chapter 2 of this annual report.

Results 2018

In 2018, Vastned achieved good results in the area of sustainability. All the objectives formulated in the table below were realised.

	Objectives 2018	Results 2018
Limit environmental impact	Increase the number of properties with an EPC to 75%	70% of the buildings had an EPC at the end of 2018. The slight decrease compared to the end of 2017 (71%) was caused by divestments of properties in the Netherlands and France with an EPC
	Energy saving programme in collaboration with Climate Neutral Group	Vastned started the energy saving programme in 2017, in which twenty retailers participated. In 2018, 3 retailers invested in energy-efficient lighting installations, resulting in an estimated annual energy savings of 30,000 kWh in total
	Use of green energy and compensating CO2 emissions	100% of Vastned's energy consumption in 2018 comes from wind energy generated in the Netherlands and from green gas 100% of all CO2 emissions caused by Vastned are compensated in collaboration with the Climate Neutral Group
Contribute to society	Raise the number of leases for core city assets with a green and ethical clause	85% of the contracts concluded in 2018 for core city assets contain a green and ethical clause
	Create or renovate residential space above shops	During 2018, eight new apartments have been created and seven apartments have been renovated in Amsterdam, Utrecht, Lille, Antwerp and Ghent
	Offer internships to students	One student did an internship with Vastned and then joined the company as a working student
Reporting	Publish 2018 Integrated Annual Report	The 2018 annual report is the first fully integrated annual report

Environmental impact

In 2018, Vastned again put into effect its objectives to limit its environmental impact where possible.

Energy Performance Certificate (EPC)

The share of properties with an EPC decreased slightly from 71% at year-end 2017 to 70%. This was caused by divestments of properties in the Netherlands and France with an EPC. In the Netherlands, France and Spain the proportion of properties with an EPC is 96%, 98% and 100% respectively. In Belgium it is not yet possible to get EPCs for commercial property. 86% of the residential properties in Belgium have an EPC.

Energy-saving programme

Vastned normally lets its properties as a shell, meaning that the tenant is responsible for energy connections and energy consumption. Vastned has only limited influence on the energy consumption of its tenants and is only responsible for a limited number of general areas in the portfolio and the energy consumption of its own offices.

In order to promote awareness among its tenants, Vastned in 2017 embarked on a pilot 'Energy Saving Programme' in collaboration with the Climate Neutral Group. Twenty retailers had an energy scan done at Vastned's expense in one of their shops, giving them insight into their energy consumption and received recommendations for energy-saving measures. In 2018, there was a follow-up and the retailers could make use of free additional tailored advice. As a result of this initiative, Burberry, Gant and De Sleutelkluis took measures and invested in low-energy light systems. These investments have resulted in an estimated total annual energy saving of 30,000 kWh.

Use of green energy and compensating CO_2 emissions

With respect to its own energy consumption, Vastned in 2018 made use of electricity from Dutch wind power and green gas. In addition, in collaboration with the Climate Neutral Group Vastned compensates all its CO_2 emissions from heating, electricity water and paper use of the Vastned offices, including emissions from air, train and car travel of its employees. This is done by purchasing CO_2 credits based on the Gold Standard, which supports projects that reduce CO_2 emissions, such as in the example in Uganda on the right of this page. In 2018, Vastned caused and compensated emissions totalling 205 CO_2e tonnes, compared to 253 CO_2e tonnes in 2017.

Efficient cookstoves in Uganda

Vastned invests in a project of the Climate Neutral Group in Uganda. 90 percent of the households in Uganda cook on open fire or with traditional inefficient charcoal cookstoves. This causes serious deforestation and threatens the biodiversity. On average 15 percent of the income of poor families goes to wood or charcoal for cooking. When they collect wood themselves, this costs on average 7 hours a day, time that can not be spent on paid work, education or work at home. To combat the serious consequences for the climate, poverty and health, the project invests in the local production and sale of efficient cookstoves.

Contribute to society

Vastned has included green and ethical clauses in new leases in order to make its tenants aware of their impact on the environment and on society. It addresses topics such as limiting the use of natural resources, circular economy, ILO, international codes and standards of conduct, human rights, child labour and animal welfare. In 2018, the company succeeded in adding the green and ethical clause to 70% of all newly concluded leases for core city assets.

Volunteer day

Vastned will give every employee one extra day off to do volunteer work. As a further stimulus Vastned itself also organises a volunteer day. On 6 and 19 December 2018 team Belgium and team The Netherlands did so.

6 December

The Dutch team has chosen to work one day in nature. In collaboration with Present Amsterdam, the Dutch team contributed to the biodiversity in nature reserve the Lange Bretten; the only remaining one piece of wild nature in Amsterdam. The Lange Bretten is located between the busy road N200 and Westpoort, a piece true Dutch nature on a surface larger than the Vondelpark, on a strip of green of ten by a half kilometers. Between the houses, port sites and factories flourishes a fresh, green wilderness full of special birds and plants. Because of the variation in height, soil type and humidity there is a lot of variation possible in the Lange Bretten. The conditions in this nature reserve are very favorable for the growth of willows which means that about 98% of the trees are willows. To promote the biodiversity, the Dutch team pruned willows to make room for other tree species.

19 December

The Belgian team has together with non-profit organisation Natuurwerk worked a day on maintaining the green areas and pond environment on estate Roosendael in Sint-Katelijne-Waver.

For the maintenance of this historical heritage of almost 800 years old, estate Roosendael relies on organisation Natuurwerk and the help of volunteers. Managing this park is labor-intensive and requires expertise. Castle domains and park landscapes are multifunctional and include several aspects, such as the preservation of cultural-historical values and heritage, nature conservation and maintenance of tourist recreation infrastructure.

To be able to do this qualitatively, Kempens Landschap, supported by the province of Antwerp, has asked Natuurwerk and the Belgian team of Vastned for their support.

Liveability of historic city centres

Most properties in the Vastned portfolio are in urban conservation areas and/or are listed monuments. Vastned feels a deep sense of responsibility for keeping this cultural heritage in a good condition. Regular maintenance is done on the properties, and the shops and houses are renovated if necessary and/or if this creates value. In such work, sustainable and recycled materials are used as far as possible.

Vastned also invests in creating new residential space above shops so as to add to the liveliness of the high streets after closing time. In this way, the company meets the rising demand for residential space in historic centres of major European cities. These investments contribute to preserving cultural heritage and improving the liveability and safety of the cities. At the same time, it extends the functional lifespan of the properties and increases the quality and lettability of the portfolio.

At year-end 2017, two renovations and one transformation project were scheduled for 2018; four apartments in total. However, eight apartments were created in the course of 2018 by conversion and seven apartments were renovated in Amsterdam, Utrecht, Lille, Antwerp and Ghent. When renovating and creating apartments Vastned endeavours to improve the residential space in terms of energy-efficiency, living comfort and safety. Energy-efficiency is measured by means of an energy label (EPC).

Amstel 8-3, Amsterdam

During the renovation, the outer walls and the roof were insulated and a HR central heating boiler was installed. The energy label was improved from G to D. The apartment was relet as of Q2 2018.

Herengracht 424-4, Amsterdam

In 2018, the office space on the fourth floor above the Amsterdam Cheese Company was converted into an apartment. During the conversion the façades were insulated, new secondary glazing was placed and a new HR central heating boiler was installed. The energy label was improved from G to B. The apartment was relet as of Q3 2018.

Van Baerlestraat 110-1, Amsterdam

The office space on the first floor above fashion retailer Immobiliare was converted into an apartment. During the conversion the single glazing windows were replaced by HR++ insulating glass and a HR central heating boiler was installed. The energy label is expected to improve from G to A. The apartment was relet as of Q4 2018.

Ferdinand Bolstraat 120-2, Amsterdam

The renovation of this home on the second floor above Specsavers was completed in Q4 2018. In this process the single glazing windows were replaced with HR++ insulation glass, the window frames were replaced, the floor and the ceiling were insulated and a HR central heating boiler was installed. The energy label was improved from G to A. The property is expected to be relet in Q1 2019.

Herengracht 424-2, Amsterdam

At the end of 2018, the office space on the second floor above the Amsterdam Cheese Company was converted into residential space. During the conversion the façades were insulated, new secondary glazing was placed and a new HR central heating boiler was installed.The energy label was improved from G to C. The conversion was completed at the end of Q4 2018, and the property is expected to be relet in Q1 2019.

Rue de la Grande Chaussée 29 – 1-3, Lille

Three apartments were created above the Louis Vuitton shop in spaces that were previously unused. This property is protected by the 'Architectes des Batiments de France' (French committee for heritage), which is why altering the inside and the outside of the building was not always possible. The focus was therefore on restoring and preserving the property's authentic style, thus contributing to the preservation of cultural heritage. Two apartments received energy label E and one received label D.

Leysstraat 28-32, Antwerp

In the impressive listed commercial property in neo-baroque style on the southern corner of Leysstraat and Kipdorpvest, four apartments were created in 2018 above the Giorgio Armani shop. This property was designated as architectural heritage, is a listed monument and also has protected status as cultural-historical landscape. For this reason, altering the inside and the outside of the building was not always possible. Also in this renovation, the focus was therefore on restoring and preserving the property's authentic style, thus contributing to the preservation of cultural heritage. Three apartments received energy label B and one received label D.

Leysstraat 17, Antwerp

In this retail property in neo-Flemish renaissance style occupied by Rituals one apartment was renovated in 2018. This property, too, was designated as architectural heritage, is a listed monument and has protected status as cultural-historical heritage. For this reason, altering the inside and the outside of the building was not always possible. Here, too, the focus was therefore on restoring and preserving the property's authentic style, thus contributing to the preservation of cultural heritage. The renovated apartment received energy label D.

Zonnestraat 12, Ghent

Above the Yaya shop in Ghent two apartments were created in the newly built property. The apartments were let in November 2018, and the energy label application is under way.

2019

The following residential projects are scheduled for 2019:

Ferdinand Bolstraat 49– 2-3, Amsterdam
This is a sustainable renovation and subdivision from one into two apartments, which will be sustainably renovated. Completion is expected in Q2 2019.

Ferdinand Bolstraat 81-1, Amsterdam
This apartment is being renovated in a sustainable way. Completion is expected in Q2 2019.

Ferdinand Bolstraat 88-3, Amsterdam
This is a limited sustainable renovation. Completion is expected in Q2 2019.

Bakkerstraat 16– 1-3, Utrecht
These three apartments will be sustainably renovated. Completion is expected in Q2 2019.

Vinkenburgstraat 2bis, Utrecht
A sustainable renovation of three studio apartments. Completion is expected in Q2 2019.

1e J. v.d. Heijdenstraat 90 I, Amsterdam
This apartment is being renovated in a sustainable way. Completion is expected in Q2 2019.

2e Buurkerksteeg 7, Utrecht
This is a limited sustainable renovation. Completion is expected in Q2 2019.

Rue Sainte Catherine 39, Bordeaux
Above the recently opened NYX store in Rue Sainte Catherine 39, four sustainable apartments will be created in previously unused space. Delivery expected in Q4 2019.

Taxes

All Vastned's companies comply with the tax rules of the country of establishment, whereby aggressive tax schemes are explicitly ruled out. Some countries have special tax regimes for property investments, such as the FII regime in the Netherlands, the B-REIT regime in Belgium, and the SIIC regime in France. More information on this is presented on page 166 and 167.

Vastned's renovation of Zonnestraat 6-8 in Ghent, which houses the AS Adventure shop, has won the Ghent Monument Prize 2018.

The renovation of Zonnestraat 6-8 in Ghent was completed in 2016. The property was let to AS Adventure. Vastned is proud that this renovation won the triennial Ghent Monument Prize at the end of 2018. This prize is awarded by the Ghent Vereniging voor Stad, Archeologie, Landschap en Monument (GVSALM) to successful property renovations, restorations and conversions or redevelopment of historic gardens, parks or squares. For years, its cultural heritage elements were obscured by the advertising signs of various smaller shops. But today, the former department store from the first half of the 20th century shines once more, with its imposing French limestone bell-shaped gable. The jury was especially pleased with the way in which the building was restored to its original state. The beautiful glass dome inside was taken down, cleaned and reinstalled after the renovation. The monumental quality and the spaciousness of the town house were highlighted by removing a mezzanine. The elegant banister and the parquet floor were retained.

Care for our employees

Vastned feels it is important to stimulate and engage its employees in order to realise the company's ambitions together and create long-term value. Vastned considers promoting the health and well-being of its employees as a fundamental part of a well-functioning organisation. This is why Vastned is investing in training, health and social engagement of its employees.

Employees are encouraged to regularly freshen up their knowledge and take relevant training. 25 employees took courses in 2018. In addition, Vastned offers the employees in its Dutch office a free healthy lunch consisting of organic products. Vastned also pays half of employees' gym memberships. 29% of the employees are currently making use of this.

In order to emphasise its social engagement, Vastned allows its employees to take one day off per year to do volunteer work. In this context, Vastned organises a volunteer day every year, which both contributes to society and strengthens the employees' team spirit.

Every year, a performance review and an assessment interview are held with every employee. During these meetings challenging targets are set in mutual consultation that are geared both towards Vastned's objectives and to the employee's competences. This aligns the employees' personal development with Vastned's interests. As an added incentive Vastned grants variable bonuses to its staff that are determined based on the degree to which targets are achieved.

All employees are also encouraged to buy Vastned shares by giving a 10% discount on the purchase price. Employees must retain these shares for at least one year. In this way, Vastned tries to further align the long-term interests of the employees and the shareholders.

Organisation

Personnel and organisation: a crucial pillar of the strategy

Expanding and actively managing a premium city high street shop portfolio requires a hands-on, proactive and pragmatic organisation. Good contacts and a strong local network are indispensable. Employees play a crucial role in this for Vastned and contribute to the long-term value creation. Short communication lines and a horizontal organisation ensure the right dynamics. Vastned is a small but ambitious organisation with employees dedicated to creating a high-quality sustainable portfolio leased to leading retailers.

One organisation with local knowledge and experience

Vastned works with local teams and has offices in Amsterdam, Antwerp, Paris and Madrid. The management team is based at the Amsterdam head office. Depending on their size, the country teams perform the following roles: management, asset management, property management, (technical) project management and finance & control. In addition, there are various staff positions in finance & control, IT and in secretarial, tax and legal affairs. Most of these staff positions are centralised at the Amsterdam head office. The teams have a high degree of independent responsibility, but they do adhere to a clear 'Vastned vision' and are supported intensively from the head office.

Sharing knowledge and experience strengthens the organisation

The various teams are in close contact with each other and share their knowledge and experience. This occurs partly informally, but also in formal meetings that are convened twice a year.

They are attended, in addition to the members of the management team, by many colleagues from the local teams. During these meetings experiences and contacts are exchanged in order to support one another in lettings, but also in acquisitions and divestments. This ensures that Vastned will be better able to assist retailers in their expansion plans. Vastned also invites external speakers to give their expert opinions on particular topics, for example developments in the retail market, expansion plans of retailers and developments in the area of sustainability.

Employees

At year-end 2018 41 FTEs, or 45 persons, were employed by Vastned.

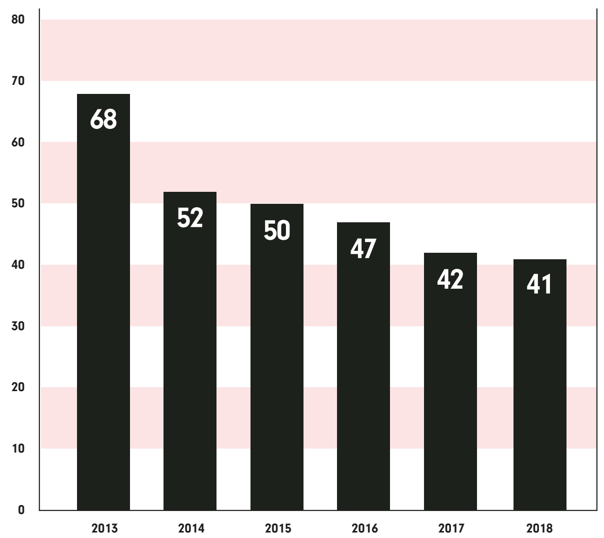
Vastned attaches great importance to diversity within the teams. Diversity ensures dynamism, different views and balance within teams, which is vital to achieving the best results. Diversity for Vastned means more than just gender ratio. Different backgrounds in terms of education, age and culture also play a key role.

Over the past few years Vastned has not only made big changes to the portfolio, but also to its staff complement. The number of FTEs has decreased in line with the smaller and more focused portfolio, from 68 at year-end 2013 to 41 at year-end 2018. This fall has mainly to do with the divestment of shopping centres and a large number of smaller properties. Furthermore, Vastned in 2017 further simplified the management structure cutting out the separate management layer between the Dutch portfolio managers and the CEO, as well as the position of Dutch country manager. This has made the organisation even more efficient.

Total number of employees (FTEs)

	2018	2017
Amsterdam, Netherlands		
• Executive Board / staff functions	12	14
• Country team	10	12
Paris, France	12	11
Antwerp, Belgium	7	7
Madrid, Spain	1	1
Average number of FTEs	**41**	**45**
Number of staff hired	4	6
Number of staff left	5	11
M/F at year-end	18 / 24	17 / 25
Total FTEs (at year-end)	**41**	**42**

Development of FTEs *(at year-end)*



Reporting

Vastned believes that its reporting must be consistent, frequent and transparent, and feels this is an important responsibility for a listed company.

Internal

In the biweekly management team meeting developments in the area of sustainability are discussed as necessary, but at least every quarter. Chaired by the CEO, the meeting deals with various topics, among which:

- Progress on the realisation of the current objectives;
- Potential objectives;
- Current sustainability issues;
- Developments in the area of reporting and communication; and
- Evaluation of the results.

As chairman, the CEO has the final say on any action to be taken. The sustainability task force consists of the CEO and two members of the management team.

External

Progress on the realisation of sustainability objectives is explained in the annual report every year.

Transparency benchmark

The Transparency Benchmark is a survey by the Dutch Ministry of Economic Affairs and Climate into the qualitative and quantitative development of social reporting by larger Dutch companies.

Vastned is committed to reporting in accordance with the Transparency Benchmark every year. The most recent survey was conducted in 2017; with 133 points, Vastned got the highest score in the property sector. The survey is done every two years since 2017, so the next edition will be in 2019.

Tax Transparency Benchmark

In late 2018, the Association of Investors for Sustainable Development (VBDO) presented the 'Tax Transparency Benchmark 2018', a report in which 76 Dutch listed companies are compared in the area of tax transparency. Here, too, Vastned came top in its sector. With a score of 20 points, Vastned claimed eighth position of the 76 companies surveyed. Vastned came top in the area of respecting the spirit of the law and knowing and managing tax-related risks.

EPRA Best Practices Recommendations

Vastned is committed to reporting in accordance with EPRA's financial (page 216) and sustainability guidelines (page 222).

For over ten years, Vastned has reported in accordance with EPRA's Best Practices Recommendations (BPR); the last eight years its reports won EPRA's BPR Gold Award. Since 2016, Vastned has also reported in its annual report in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR) for social reporting. Vastned's reporting on 2017 won EPRA's sBPR Gold Award, as it did in 2016.

Integrated Reporting and Global Reporting Initiative

The 2018 annual report is for the first time an integrated annual report. In 2018 the value creation model was further elaborated, the materiality matrix has been reassessed and the financial and non-financial goals and results were more explicitly connected with each other. Vastned also took initial steps to align the annual report with the Global Reporting Initiative. For the annual report 2019 Vastned aims to comply with all GRI guidelines.

Objectives 2019

For 2019, Vastned has formulated objectives aimed at reducing its environmental impact as far as possible and increasing its contribution to society, while at the same time increasing its value creation for all the company's stakeholders. In order to realise this, it is important that Vastned continues to invest in a sustainable way in its organisation and the property portfolio, in order to preserve cultural heritage and improve the liveability and safety in cities.

Objectives 2019

Annual report 2019 to comply with the guidelines of the Global Reporting Initiative
Invest in the creation and renovation of residential houses above retail stores
Expand the number of lease contracts with a green and ethical clause
Offer learning places to students
Expand the number of properties with an energy label (EPC)

Corporate Governance

It is Vastned's ambition to match European 'best in class' companies in the area of corporate governance. In this context Vastned has committed itself to striving for the highest standards on compliance with the provisions in the Dutch Corporate Governance Code ('Code') and the principles and best-practice provisions contained in it. The full text of the Code is available on:

www.mccg.nl/english

Compliance with the Code

Compliance with the Code and any changes to the governance structure of Vastned will be put on the agenda as separate items and explained during the Annual General Meeting of Shareholders. Vastned affirms that it complied with all principles and best-practice provisions of the Code throughout 2018.

Governance structure

The Main Points Corporate Governance can be found on the Company's website.

www.vastned.com/en/corporate-governance

In view of the number of its employees, Vastned does not qualify as a 'structuurvennootschap' in the Netherlands. A list of subsidiaries is included in the notes to the financial statements on page 195 and following.

Composition and duties of the Executive Board and the Supervisory Board

The Executive Board consists of the CEO and CFO. For an extensive description of the duties of the Executive Board and the Supervisory Board, the way appointments, suspensions and dismissals of the members of these Boards are effected, as well as the Articles of Association, the Regulations of the Executive Board and the Regulations of the Supervisory Board, please refer to Vastned's website.

www.vastned.com/articles_of_association
www.vastned.com/regulations_and_codes

The curricula vitae of the members of the Executive Board and the Supervisory Board are included in this annual report on page 248 and following.

Remuneration of the Executive Board and the Supervisory Board

The 2018 remuneration report for the Executive Board and the Supervisory Board can be downloaded from the Company's website.

www.vastned.com/remuneration_report_2018

Shareholding of the Executive Board and the Supervisory Board

An overview of the shareholdings of the Executive Board and the Supervisory Board is available on page 244 of the annual report.

Members of the Executive Board and the Supervisory Board will only hold shares in Vastned as a long-term investment and must purchase these shares at their own cost. When purchasing and selling shares, they will act in compliance with the Regulation Private Investment Transactions adopted by the Company.

The full text of the Regulation Private Investment Transactions is available on Vastned's website.

www.vastned.com/regulations_and_codes

As appropriate, transactions will also be reported to the Authority for the Financial Markets (AFM).

Executive Board retirement roster

The retirement roster of the members of the Executive Board is presented in the document Main Points Corporate Governance on the Company's website.

www.vastned.com/main_points_corporate_governance

Supervisory Board retirement roster

The retirement roster of the members of the Supervisory Board is available on Vastned's website.

www.vastned.com/sb

In 2015, Jeroen Hunfeld was reappointed to the Supervisory Board for a second time for a four-year term. This was a deviation from Vastned's Regulations of the Supervisory Board, which were adopted later (as of 1 December 2017) and which state that a supervisory director may only be reappointed once for a four-year term and twice for a two-year term. Since the appointment took place before the Code took effect and the total term of office of Mr. Hunfeld will not exceed the maximum term stated in the Code, this reappointment did not deviate from the Code.

Independence and conflicting interests

During the 2018 reporting year the members of the Executive Board and the Supervisory Board were independent and there were no conflicts of interest within the meaning of the Code or applicable laws and regulations.

Regulations

The Regulations of the Executive Board, the Regulations of the Supervisory Board, the Code of Conduct, Regulation on Incidents, the Whistleblower's Code and the Regulation Private Investment Transactions can be downloaded from Vastned's website.

www.vastned.com/regulations_and_codes

Diversity policy and objectives

Vastned has put in place a policy on diversity which can be downloaded from the Company's website. In the policy the concrete targets relating to diversity and the diversity aspects relevant to the company are being addressed, such as nationality, age, gender, and background in terms of education and professional experience.

www.vastned.com/regulations_and_codes

At year-end 2018, the composition of the Supervisory Board was 50% female, which is in accordance with the gender diversity objective of Vastned. The Executive Board, made up of two persons, was all male at year-end 2018, so does not have the appropriate balanced composition on this point. The two-member Executive Board is due to the size of Vastned's organisation. Vastned does not expect to expand or change the composition of the Executive Board in 2019. For this reason, no term can be given for when the make-up of the Executive Board will be brought in line with the policy. In new appointments, the aspect of gender diversity will be included, whereby selection of the most suitable candidate based on all selection criteria will be paramount at all times. In addition, the profile of the Supervisory Board states that knowledge of the property sector is indispensable for a balanced composition of the Board. The nomination of Jaap Blokhuis in 2018 as a new supervisory director will be a concrete implementation of the specific search profile and the diversity policy for the Supervisory Board. Blokhuis's extensive experience in the property sector, both in managerial and supervisory positions, guarantees the interests of Vastned's stakeholders and as such also the creation of long-term value for the company. In the context of the introduction program for new Supervisory Board members within Vastned, Jaap Blokhuis attended one Supervisory Board meeting as an observer. The profile of the Supervisory Board also states that experience with sustainability and corporate social responsibility is desirable for a balanced composition of the Supervisory Board.

Indemnity

The conditions attaching to the indemnity of the members of the Executive Board and the Supervisory Board from liability claims from third parties are laid down in the Articles of Association. In 2018, the members of the Executive Board and the Supervisory Board were adequately insured for directors' liability and external liability.

Tax Policy

Vastned complies with all relevant rules on transparency in the area of taxation. Vastned has a Tax Policy in place and reports quarterly to the Executive Board and the Supervisory Board on the execution of the policy. The full text of the Tax Policy is available on Vastned's website:

www.vastned.com/tax_policy

Annual General Meeting of Shareholders and voting rights

Vastned holds an Annual General Meeting of Shareholders at least once a year. In these meetings, the following issues are normally discussed:

- A detailed report of the Executive Board on the preceding financial year with an explanation of the long-term strategy, its vision on long-term value creation and the strategy to realise it, as well as the state of affairs;
- The dividend and reservation policy;
- Corporate governance developments within Vastned and compliance with the Code; and
- The remuneration report for the past financial year.

Important matters that require the approval of the General Meeting of Shareholders include:

- Substantial amendments to the Articles of Association;
- Adoption of the annual report of the preceding financial year;
- Proposals for the appointment of Executive Board and Supervisory Board members;
- The dividend and reservation policy;
- The dividend declaration proposal;
- The adoption of the remuneration policy;
- The issue or purchase of Vastned shares;
- Approval of the policy conducted by the Executive Board (discharge from liability of the members of the Executive Board);

- Approval of the supervision conducted by the Supervisory Board (discharge from liability of the members of the Supervisory Board);
- Any substantial change to the governance structure of the Company and to its compliance with the Code; and
- The engagement of the external auditor.

In this context the Annual General Meeting of Shareholders on 19 April 2018 conditionally authorised the Executive Board up to and including 19 October 2019 to:

1. Issue shares or grant rights to acquire shares up to a maximum of 10%, and in the event of mergers and takeovers an additional maximum of 10%, of the issued share capital on 19 April 2018;
2. Limit or exclude pre-emptive rights when issuing shares or granting rights to acquire shares; and
3. Acquiring shares in the capital of the Company, subject to approval from the Supervisory Board.

The purpose of this authority is to give the Executive Board the power to acquire the Company's own shares in order to reduce the capital and/or fulfil obligations arising from share schemes or for other purposes which are in the interests of the Company. Shares may be acquired on the stock exchange or otherwise, for a price between nominal value and 110% of the average closing price of the shares listed on Euronext Amsterdam, calculated over five trading days preceding the day of purchase.

In accordance with this authorisation and with the Supervisory Board's approval the Company acquired 292,208 shares its own capital in the last quarter of 2018. More information on this subject can be found on page 244 of this annual report.

Financial reports are drawn up in accordance with internal procedures. The Executive Board and the Supervisory Board are jointly responsible for ensuring that the financial reports are accurate and complete and are published on time. The external auditor is also involved in the contents and publication of the semi-annual figures, the annual financial statements and the associated press releases. The external auditor will attend the Annual General Meeting of Shareholders and may be asked to comment on his audit opinion concerning the fairness of the financial statements. The external auditor in all cases attends the meetings of the Supervisory Board and/or the audit and compliance committee in which the annual financial statements are discussed. For further details concerning the proposals that the Executive Board and/or the Supervisory Board may submit to the Annual General Meeting and the relevant procedure, reference is made to the Company's Articles of Association.

www.vastned.com/articles_of_association

Participation and votes

A high degree of shareholder participation in the Annual General Meeting of Shareholders is considered to be of the greatest importance. Vastned encourages shareholders to take part in the meetings and to use the opportunity to pose questions (in advance). They may vote in person or, if they cannot personally attend the meeting, (digitally) grant a voting proxy to an independent party. The meeting documents, minutes and presentations are placed on the website. Vastned has no shares with special controlling rights. Every share entitles the holder to one vote in the Annual General Meeting of Shareholders. More information about exercising voting rights can be found in the Articles of Association of the Company and in the convening notices for meetings which have been published on Vastned's website.

www.vastned.com/articles_of_association
www.vastned.com/agm

Overview of protection measures

Vastned has no outstanding or potentially available protection measures against any takeover of control of the Company.

Article 10, EU Takeover Directive

Pursuant to Article 10 of the EU Takeover Directive, companies whose securities are admitted to trading on a regulated market must include information in their annual reports concerning, amongst other things, the capital structure of the company and the existence of any shareholders with special rights. In this context, Vastned discloses the following information:

a) The Company's capital structure, the composition of the issued capital and the dividend policy are set out in the paragraph 'Shareholder Information' on page 242 of this annual report. The rights vested in these shares are laid down in the Company's Articles of Association, which can be downloaded from Vastned's website. In summary, the rights vested in ordinary shares consist of the right to attend the Annual General Meeting of Shareholders, to address the meeting and exercise the voting right, and the right to receive distributions from the Company's profits after reservations. As at year-end 2018, the issued capital consisted entirely of ordinary (bearer) shares;
b) The Company has not placed any restrictions on the transfer of ordinary shares;
c) For participations in the Company subject to a disclosure obligation under Articles 5:34, 5:35 and 5:43 of the Financial Supervision Act, reference is made to page 242 in the paragraph 'Shareholder Information' in this annual report. The section 'Share Ownership' lists shareholders holding an interest of 3% or more that were known to the Company at year-end 2018;
d) There are no shares in the Company that bear special controlling rights;
e) The Company does not have any arrangements in place granting employees the right to subscribe for or acquire new shares in the capital of the Company or any of its subsidiaries;
f) The voting rights vested in the shares in the Company nor the periods for exercising the voting rights are in any way restricted;
g) To the best of the Company's knowledge, there are no agreements with shareholders that could result in restrictions on the transfer of shares or on the voting right;
h) The provisions for appointing and dismissing members of the Executive Board and members of the Supervisory Board and for amending the Articles of Association are laid down in the Articles of Association and the Regulations of the Executive Board and the Regulations of the Supervisory Board;
i) The general powers of the Executive Board are laid down in the Articles of Association. The powers granted by the Annual General Meeting to the Executive Board to issue or purchase shares are set out on page 79 of this chapter;
j) The various loan agreements between the Company and external financers contain change of control clauses; and
k) The Company has made no agreements with members of the Executive Board or employees that provide for remuneration upon termination of employment resulting from a public bid within the meaning of Article 5:70 of the Financial Supervision Act.

Corporate Governance statement

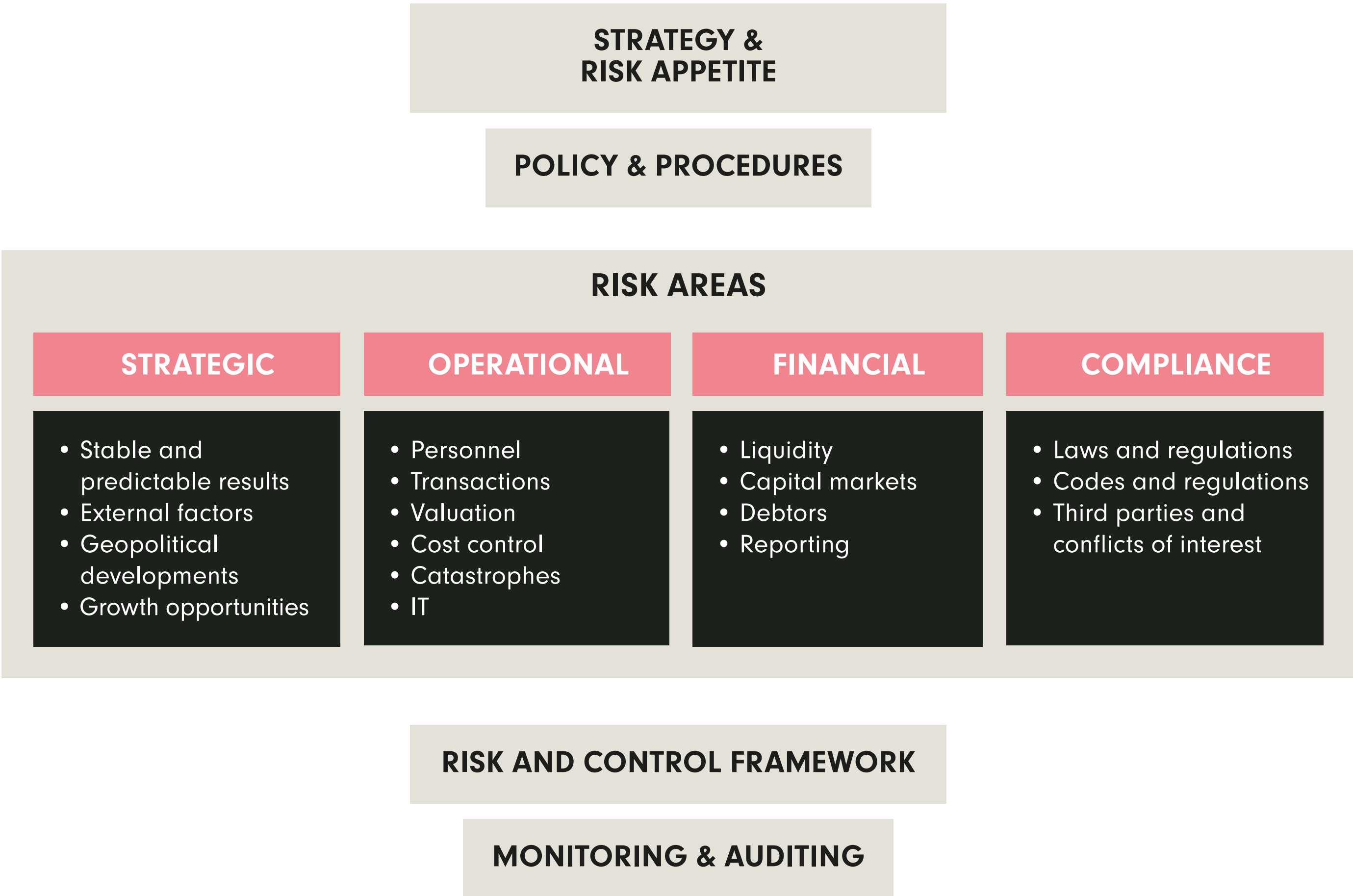
This is a statement pursuant to Article 2a of the Decree on additional requirements for annual reports ('Vaststellingsbesluit nadere voorschriften inhoud jaarverslag') dated 10 December 2009 ('Decree'). For the disclosures in this statement as defined in Articles 3, 3a and 3b of the Decree, please see the relevant sections of the 2018 annual report. The following announcements should be considered as having been included and repeated here:

- The disclosure concerning compliance with the principles and best-practice provisions of the Code as included in the section 'Corporate Governance' on page 76 of the annual report;
- The disclosure concerning the main features of the risk management and control system relating to the financial reporting process of the Company and the Group, as described in the section 'Risk Management' on page 82 of the annual report;
- The disclosure regarding the functioning of the shareholders' meeting and its main powers, and the rights of the shareholders and how they may be exercised, as included in the section 'Corporate Governance' on page 78 of the annual report;
- The disclosure regarding the composition and functioning of the Executive Board, as included on page 76 of the 'Report of the Executive Board' and in the section 'Composition of the management team' on page 248 of the annual report;
- The disclosure regarding the composition and the functioning of the Supervisory Board and its committees, as contained in the chapter 'Report of the Supervisory Board' and the section 'Composition of the Supervisory Board' on page 102 and page 250 respectively of the annual report;
- The disclosure on the (objectives of) the diversity policy and the way in which this policy was conducted, as included in the section 'Corporate Governance' on page 78 of the annual report; and
- The disclosure pursuant to Article 10 of the EU Takeover Directive, as included in the chapter 'Corporate Governance' on page 80 of the annual report.

Risk management

This chapter provides an overview of Vastned's risk management and control system. The risk management and control system forms an integral part of the business operations and the reporting and aim to ensure with a reasonable degree of certainty that the risks to which the company is exposed are identified adequately and controlled within the context of a conservative risk profile.

Risk management within Vastned



Strategy & risk appetite

Vastned's objective is to invest in retail property in the most popular high streets of big European cities with historic city centres in order to realise more predictable and stable long-term results and contribute to the liveability and safety of these historic city centres.

In pursuit of the realisation of these objectives, Vastned has put in place a strategy based on three pillars: (i) a portfolio that consists of at least 80% core city assets, (ii) a hands-on, proactive and pragmatic organisation and (iii) a conservative financing strategy. This strategy was set in 2011 and updated in 2014 and 2017 (see page 33 and 34).

The execution of the strategy inevitably involves risks. From a strategy perspective, however, the risk appetite is conservative, which is born out by the fact that the focus is fully on the very best retail property in selected core cities. Also, long-term value creation is strived for, rather than growth of the property portfolio per se. In operational terms the risks must be minimised, whereby Vastned's operational processes are based on best practices.

Vastned's financial policy may be characterised as conservative. This is evident inter alia from the conservative financing strategy set out in the Strategy paragraph on page 33 and 34. With respect to compliance, the risk appetite is zero: all laws and regulations must be fully complied with. Vastned has formulated clear principles in this area that have been laid down in various codes and regulations, and have been brought into line with the Code.

In conclusion, we can state that Vastned's total risk appetite is conservative, which is in line with its objective to generate stable and predictable long-term results.

'Tone at the top'
Vastned's Executive Board and management team consider good risk management as a critical factor in the Company's success, and this importance is emphasised internally.

Policy & procedures

Vastned has translated the main risk areas and processes into policy and procedures to serve as a framework for acting in accordance with internal and external requirements.

Corporate Governance
Corporate Governance is the way in which companies are managed and the way in which management is controlled. For Vastned proper Corporate Governance is one of the leading factors for successful execution of the strategy. As a listed company, Vastned translated the requirements of Corporate Governance into rules and standards within Vastned. For a detailed description of Vastned's Corporate Governance, reference is made to the chapter Corporate Governance.

Code of conduct and associated regulations
The code of conduct is a fundamental document for Vastned. This code of conduct contains the principles that Vastned considers fundamental: for the business, for employees, tenants, financers, business relations, shareholders, for society and for the interaction between these stakeholders. The code of conduct aims to make employees aware of fair, ethical and transparent conduct by laying down what is and what is not deemed to be desirable behaviour. In addition to the code of conduct Vastned has a regulation on incidents and a whistleblowers' code. These regulations are an extension of the code of conduct and facilitate reporting of (alleged) incidents, anonymously (whistleblowers' code) or otherwise. These regulations describe the steps that are followed when (alleged) incidents are reported by an employee. The regulations contribute to ethical awareness within Vastned's company culture.

The texts of these regulations and codes may be inspected on Vastned's website.

Risk areas

Below, the main risks are described to which Vastned is exposed in the execution of its strategy. In addition to these strategic risks, the financial risks, operational risks and compliance risks are also described.

Strategic risks

The strategic risks relate to the realisation of stable and predictable long-term results, timely anticipation of external events and ensuring that possibilities to increase the share of core city assets are not restricted.

Stable and predictable results

The objective of Vastned's strategy is to generate stable and predictable long-term results. There is a general strategic risk that the choice of investment country, type of investment, relative size and time of investment do not lead to stable and predictable results.

To mitigate this risk, Vastned only invests in the best properties in the popular high streets in a selected number of core cities. At year-end 2018, the share of core city assets was 82% of the total portfolio.

Additionally, Vastned follows a rigorous acquisition process in which it must be clear for every property how it fits into the portfolio and how it will contribute to the long-term results. The present portfolio is under constant scrutiny and properties that no longer fit the Vastned profile are sold.

In order to generate stable and predictable results, a strategic choice has been made for a conservative financing strategy, which aims to limit loan capital financing to between 35% to 45% of the market value of the property portfolio. In principle, no more than a third of the loan portfolio has a floating interest rate.

External factors

One strategic risk is that Vastned would be unable to adequately respond to external factors. There is an inherent risk that the choice of investment country, investment type and the relative size and time of investment is impacted by changes in inflation, consumer spending, tenancy legislation and permit policies. This may influence the expected rent developments and demand for retail locations and as a result the value development of the investments. External developments are followed closely in the annual strategy sessions and by monitoring developments as they happen, which enables Vastned to respond quickly and adequately.

Growth opportunities

As a listed company, Vastned wishes to realise an attractive return for its shareholders. It is Vastned's ambition to grow the core city asset clusters in a selected number of larger European cities. There is a risk that limited availability of suitable retail property hampers growth of the share of core city assets. This risk is explicitly part of the strategy discussions and the business plan that is detailed by the Executive Board and coordinated with the Supervisory Board. Progress on the execution of the strategy and the business plan is evaluated quarterly in consultation with the Supervisory Board.

Operational risks

Operational risks are risks that arise from possibly inadequate processes, people, systems and/or (external) events. The main operational risks facing Vastned are related to the quality of its staff and advisers, the execution of transactions, the quality of the property valuations, cost control, control of the IT environment and catastrophes.

Quality of employees and advisers

In the preparation of the strategy, having the right organisation was defined as one of the pillars. Recruiting and retaining the right employees is therefore of the greatest importance for Vastned. However, the size of the organisation, labour market scarcity, scarcity of qualified employees and geographical location may impede recruitment of the right employees. Working with inadequately qualified employees may hamper realising strategic objectives. The same applies to selecting the right advisers.

Vastned mitigates this risk through a proactive HR policy that contains standards for the appointment, training, evaluation and remuneration of employees. The Executive Board annually evaluates the HR policy and its implementation within Vastned for suitability and attractiveness in relation to Vastned's strategy. The HR policy is part of the risk and control framework and is discussed annually with the Supervisory Board.

Furthermore, Vastned works exclusively with internationally and nationally reputed advisers that have proven experience in the area for which they are engaged. Therefore, price is not a decisive factor for choosing one adviser over another.

Execution of transactions

Transactions involve various risks, such as risks arising from transactions and (external) events, incorrectly performed (divestment or) investment analyses and risk that a property due to its nature and location and/or tenant quality cannot be leased at the projected rent (resulting in vacancy) or that the rent cannot be collected.

Possible consequences of incomplete control of these risks are: incorrect assessment of the risk return profile, late investment or divestment, a negative impact on (future) net rental income inter alia as a result of vacancy and associated service charges that cannot be charged on, and unexpected negative value movements resulting in lower (than expected) direct and indirect results.

Vastned has careful acquisition and divestment procedures to mitigate the risks listed above, which consist of:

- An extensive due diligence investigation to assess the commercial, financial, legal, construction and tax aspects using a standardised due diligence checklist;
- Involvement of various disciplines in acquisitions and divestments;
- A standard format for investment and divestment proposals; and
- Internal authorisation procedures (investments and divestments exceeding € 25 million require Supervisory Board approval).

Quality of the property valuations

There is an inherent risk that the properties in Vastned's portfolio are incorrectly valued. This may result in a lower indirect result, reputation damage and potential claims for making misleading statements to stakeholders. This risk is mitigated by preparing all property valuations in accordance with an internal appraisal policy and by executing the appraisals by internationally reputed external appraisers, who are rotated every three years. In these appraisals, the bigger properties with an expected value of at least € 2.5 million are appraised every six months by internationally reputed appraisers, except in Belgium, where they are appraised quarterly. Smaller properties (< € 2.5 million) are appraised externally once a year.

Cost control

An unexpected rise of the operating expenses, general expenses or having to make unexpected additional investments can potentially lead to an incorrect assessment of the risk return profile and to a lower direct and indirect result.

For this reason Vastned has extensive procedures in place for budgeting and maintenance forecasts. In addition, there are authorisation procedures for entering into maintenance and investment obligations, and periodically reports (realisation - budget analysis) are drawn up and discussed within the management team and with the Supervisory Board.

Catastrophe risk

The catastrophe risk is the risk that a catastrophe causes extensive damage to one or more properties with the potential consequence of loss of rent, a lower direct and indirect result, and claims and legal proceedings from tenants. Vastned is insured on conditions as customary in the industry for damage to property, liability and loss of rent during the period until the property is rebuilt and relet.

Control of the IT environment

Effective control of the risks associated with the functioning and security of the internal IT infrastructure is of vital importance for Vastned. The impact of incomplete control of IT risks may comprise not being able to report promptly or correctly internally or externally, loss of relevant information including personal data, unauthorised access to information including personal data by third parties, and reputation damage.

Vastned mitigates this risk by putting in place internal procedures aimed at access security, backup and recovery procedures, periodic checks by external experts, digitisation of key documents, and hiring external knowledge and experience for a continuous update of developments in the area of IT.

Financial risks

The main financial risks are related to the company's liquidity, the financing market (both the (re)financing risk and the interest rate risk), debtors and financial reporting.

Liquidity risk

The liquidity risk is the risk that insufficient resources are available for daily payment obligations. The potential impact is that reputation damage is sustained or that additional financing costs must be incurred, which may result in a lower direct result. The treasurer monitors the cash flow policy and prepares daily cash flow forecasts. The principles of the cash flow policy are laid down in the treasury regulations, which are periodically reviewed by the treasurer and the Executive Board and approved by the Supervisory Board.

Financing market risks
The risks comprised under financing market risks are the (re)financing risk and the interest rate risk. The (re) financing risk is the risk that not enough equity or (long-term) loan capital can be attracted or only at unfavourable conditions, or that loan covenants are breached; creating a situation in which there is not enough financing room for investments, in which the company is forced to divest property or financing costs increase, which may potentially lead to a lower direct and indirect result and reputation damage.

Interest rate risks are caused by interest rate fluctuations that may result in rising financing costs, leading to a lower direct result.

In order to mitigate the above risks, Vastned has put in place the following control measures:

- Loan capital financing limited to a maximum of 45% of the market value of the property;
- Share of short-term loans limited to 25% of the loan portfolio;
- The company strives to spread its financing over multiple banks and other sources, such as private bond placements. The share of non-bank financing must be over 25%;
- No more than a third of the loan portfolio has a floating interest rate;
- Internal monitoring by means of periodic internal financial reports, which include sensitivity analyses, financing ratios, development of loan covenants and financing room and internal procedures such as those laid down in the treasury regulations; and
- Periodic board consultations on this matter and discussion of these reports with the audit and compliance committee and the Supervisory Board.

Debtor risk
The debtor risks relates to loss of rental income due to payment defaults and bankruptcies, leading to a lower than expected direct and indirect result. To mitigate the debtor risk, Vastned screens tenants before concluding leases. In addition, the financial position and payment behaviour of tenants are monitored through periodic meetings with tenants and examination of external sources. Tenants must also provide bank guarantees and/or make guarantee deposits. Vastned holds quarterly debtor meetings, in which decisions are made on provisions for doubtful debtors. The Executive Board monitors the debtor lists monthly.

Reporting risk
The reporting risk relates to the impact of incorrect, incomplete or late provision of information for internal decision-making or that of external parties, such as shareholders, banks and regulators, which may lead to reputation damage and potential claims for making misleading statements to stakeholders.

Vastned has a solid system of internal control measures and administrative organisational measures in place. These provide key checks and balances with respect to financial reports, such as:

- Involvement of different disciplines in the preparation of reports and proposals for investments and divestments;
- Budgeting, quarterly updated prognoses and analyses of financial results;
- Appraisal procedures (independent external appraisers who are periodically rotated, internal IRR analyses and internationally accepted appraisal guidelines);
- Periodic business report meetings in which the reports on the operational activities are discussed in detail with the country managers;
- Group instruction on accounting principles and report data, as well as internal training in the area of IFRS and similar; and
- Regular consultations on the Executive Board, discussion of the findings of external audits with the audit and compliance committee and the Supervisory Board.

Compliance risks
Compliance risks are risks related to failing to comply or inadequately complying with tax and other laws and regulations or unethical conduct with the potential consequences of reputation damage, tax and legal claims and proceedings or loss of tax status, leading to a lower direct and indirect result. Proper control of compliance risks is of crucial importance for a property company such as Vastned in view of the traditional general conduct risk in the property sector.

Tax laws and regulations risk
Tax risks relate to failing to comply or inadequately complying with tax laws and regulations, incorrect assessment of tax exposure or unethical conduct with the potential consequences of reputation damage, tax claims and proceedings and loss of REIT tax status, leading to a lower direct and indirect result.

Vastned has an internal tax policy in which the risk appetite and the general principles on tax are laid down. Control measures and administrative organisational measures have been put in place in various areas of taxation. Internal procedures comprise:

- Evaluation of contractual commitments by internal and, where necessary, external tax lawyers;
- Providing employees with relevant technical training;
- Continuous monitoring of the conditions for the application of the tax regime, including financing ratios, mandatory dividend distributions and the composition of the shareholder base, by internal and external tax experts;
- Careful analysis of tax risks involved in acquisitions and divestments, including turnover tax, transfer tax, deferred tax liabilities and related issues.

Around the French SIIC regime it has recently become known that another real estate company has a discussion with the French tax authorities on the application of the tax treaty between the Netherlands and France. Vastned is not aware of the content of this discussion but is of the opinion that Vastned is entitled to the benefits of the tax treaty between France and the Netherlands. We consider the risk that this discussion will result in additional tax for Vastned as unlikely.

Laws and regulations / Codes and regulations
As stated earlier, Vastned has several regulations in place. Deviations from the code of conduct and unethical behaviour may result in reputation damage and claims and legal proceedings, leading to higher costs and a lower direct result.

Vastned has internal procedures and training in place aimed at keeping knowledge of laws and regulations up to date. Compliance with the code of conduct is discussed with employees at least once a year and the employees are requested to sign a declaration that they have complied with the code.

Third parties and conflicting interests
Insufficient knowledge of tenants, sellers, buyers or parties acting on Vastned's instructions bears the risk that business is done with persons who harm Vastned's reputation. In addition, conflicts of interest of and between employees and third parties may give rise to reputation damage, claims and legal proceedings, leading to higher costs which may lower the direct result.

As part of the due diligence process, third parties must be screened in accordance with an internal customer due diligence policy. The findings are set out in the due diligence report which the Executive Board uses to base its decision on. Conflicts of interest are included in the code of conduct (see Code of conduct and associated regulations).

Risk and control framework

The comprehensive risk and control framework is subdivided into four risk areas: strategic, operational, financial and compliance risks. The framework identifies how big the chance is that a risk occurs and what its possible impact is. Finally, an owner has been appointed for each risk who is responsible for the implementation of control measures.

The Executive Board annually carries out an analysis of the potential risks for the achievement of the strategic and other objectives. This analysis forms part of the annual business plan and is discussed with the Supervisory Board. Based on the outcome of the discussions with the Supervisory Board, the risk and control framework is adjusted annually.

Every quarter, the Supervisory Board receives an update based on a dashboard on the progress of the control of possible improvement measures.

Supplementary to the risk and control framework, fraud risk factors have also been assessed. The identified risks relate to the following risk areas:

- Quality of employees and advisers;
- Execution of transactions;
- Quality of the property valuations;
- Cost control;
- Control of the IT environment;
- Reporting risks; and
- Third parties and conflicts of interest.

We consider the control measures taken to control the risks mentioned above as sufficient and adequate to control any fraud risks.

Monitoring & auditing

Monitoring

In 2018, the control measures implemented within Vastned were audited again and fully updated. This produced no material findings, but a number of adjustments were made to the control system in the context of the further streamlining of processes within Vastned.

As indicated, Vastned also has procedures in place to report incidents, either anonymously or otherwise. No incidents were reported in 2018.

Auditing

Every year the audit and compliance committee discusses how the audit function within Vastned should be given shape. In 2016 it was determined that the internal audit function will be outsourced to a high-quality independent external party. In 2016, the Executive Board in consultation with the audit and compliance committee after an extensive selection process hired BDO Consultants BV to perform the internal audit in the years 2016 through 2018.

BDO Consultants BV was instructed to test the functioning of the various internal procedures in the different countries in random checks. In addition, finance and accounting specialists from head office visit every country office at least twice a year.

Representation letters

At least once a year the country managers sign a representation letter in which they declare that to the best of their knowledge:

- They have taken all reasonable measures to ensure that both they and their subordinates have complied with Vastned's code of conduct and administrative organisational procedures and that there are no conflicts in this area;
- The system of intern controls functions adequately and effectively;
- The reports and financial accounts fully, fairly and accurately reflect the transactions and do not contain any material misstatements or are misleading in any other way;
- They have brought all events that may have a material impact on the annual financial statements to the attention of the Executive Board and have been included in the reports;
- That all contractual obligations that may impact present and future activities have been complied with;
- There are no outstanding claims of which their lawyer has advised them that they might be justified and should be explained;
- The country organisation has not in any way provided or guaranteed loans to employees or their families; and and
- There have not been any events after balance sheet date that would require adjustment to or explanation in the financial statements.

Sensitivity analysis

The table below sets out the sensitivity of the direct result, the indirect result and the loan-to-value ratio to a number of external conditions and variables, based on the position at year-end 2018 (ceteris paribus).

Movement	***Effect***
100 basis point interest rate increase	Direct result € 0.01 negative per share
Rise of net initial yield used in appraisals of 25 basis points	Indirect result € 4.68 negative per share, loan-to-value ratio 241 basis points negative
100 basis point decrease of the occupancy rate	Direct result € 0.03 negative per share

Responsibility statement

In line with best-practice provision 1.4.3. of the Dutch Corporate Governance Code and Article 5.25c of the Financial Supervision Act, the Executive Board states that to the best of its knowledge:

- The consolidated financial statements give a true and fair view of the assets and liabilities, the financial position and the result of Vastned and its consolidated subsidiaries; and
- The report of the Executive Board gives a true and fair view of the state of affairs at the balance sheet date and during the financial year 2018 of Vastned and its affiliated companies whose figures have been included in its annual financial statements, and that the material risks facing the issuing institution are described in the report of the Executive Board;
- The report of the Executive Board gives sufficient insight into shortcomings in the functioning of the internal risk management and control systems (see pages 82 to 89);
- These systems give a reasonable degree of certainty that the financial reporting does not contain any material inaccuracies (see pages 82 to 89);
- Based on the current state of affairs it is justified that the financial reporting has been drawn up on a going concern basis; and
- The material risks and uncertainties have been described in the report of the Executive Board that are relevant to the anticipation of the continuity of the company for a period of twelve months after the preparation of the report (see page 84 and following).

Amsterdam, 13 February 2019

The Executive Board of Vastned Retail N.V.
Taco de Groot, CEO
Reinier Walta, CFO

• Schuttershofstraat 30, Antwerp

Delicious Antwerp

Antwerp still great city for investments in great shops

'2018 was not too bad; we paid out a nice dividend', Rudi Taelemans confirms with a good sense for understatement. The Vastned Belgium country manager who manages the Antwerp portfolio highlights the turbulent market in which you have to be cautious with acquisitions.

For example, you don't want tenants of a property you have just bought asking for a lower rent. 'I expect this trend in retail to continue, with perhaps a bit more vacancy. Investing used to be easier. Take for example H&M, which is struggling all over Europe; no one could have predicted that. You can't take anything for granted anymore. The business is getting more delicate. We have to stay alert.'

How can you guard against these developments in 2019? Taelemans: 'First of all, Vastned is well covered by investing in the four Belgian top cities, and within those cities our assets are at premium locations. The focus is on Antwerp. And secondly by acting cautiously and with a broad view. People in the Netherlands often view Antwerp as the number 1 shopping city. In Belgium, many retailers put Brussels in the top spot, because there are many expats who spend their money there. Personally, I like Antwerp best.'

Vastned's country manager praises Antwerp because all facilities, shops and F&B concepts are within ten minutes' walking distance, which isn't the case in Brussels. 'Compact, voilà.'

While elsewhere in Belgium the retail crisis is hitting harder in secondary cities, Vastned Belgium's team is finding that the shops in Antwerp and Brussels are better anchored. 'In these top cities your shop or concept also acts like a figurehead.' The rise of F&B concepts is also noticeable in Antwerp. 'You see new F&B formulas emerging that offer something extra, either innovative food and/or a spectacular terrace. That is really the current trend.'

One spot where he likes to go out is Graanmarkt 13, a multi-purpose property with a concept store on the ground floor where you can also eat, and a luxury B&B apartment above. 'The chef's name is Seppe Nobels. He transforms fresh local ingredients and vegetables he grows on the roof into generous dishes, for which he does a lot of research.' Graanmarkt 13 was already declared Best Vegetable restaurant in Flanders by Gault&Millau. Other top restaurants he recommends are Manhattn's Burger, Le Pain Quotidien ('founded in Brussels in 1990; it now has 200 outlets all over the world') and Matterhorn. Felix Pakhuis on Godefriduskaai offers great food and an even better view. For a good cup of coffee, Taelemans recommends Butchers Coffee and Bar Basil.

'Antwerp will continue to be a wonderful place to shop, to have fun and to invest in.'

Rich culinary tradition

Antwerp reveals its tastiest side all year long: fries and beer – both often praised as the best in the world – are an integral part of Belgian gastronomy and the many local specialities are evidence of the city's rich culinary tradition, foremost among them being Antwerpse Handjes, Bolleke beer and the liqueur Elixir d'Anvers. On 'Atypical Antwerp' you find some nice suggestions for food and drinks.

You can find more information on: www.visitantwerpen.be/en/food-drinks

Antwerp Hotspots

GRAANMARKT 13 RADIATES ROBUST WARM CHIC

THE HOUSE OF SURPRISES
Graanmarkt 13

Ilse Cornelissens and Tim Van Geloven roamed the world and took the best they found home to Flanders. At Graanmarkt 13, they show you what they love: a high-end clothing and lifestyle store – where you can shop online as well – plus restaurant. Their own loft can be rented by tourists and business people. The architect, Vincent Van Duysen, renovated the premises sustainably. After all, the couple feels, we need to be careful with our world. Graanmarkt 13 radiates robust warm chic. The restaurant has an accessible bistro concept, with an honest and healthy cuisine. The chef behind the range is Seppe Nobels. Just like his employers, he takes the ecological footprint seriously. This Flemish pioneer aims to reduce his CO_2 emissions. Seppe Nobels sets about this by researching products and visiting local farmers. Really cool: the rooftop terrace boasts its own town garden consisting of 120 herb species and beehives. Their fresh mint tea is served with their own honey. At Graanmarkt 13, you can find a wide range of meat, fish or vegetarian dishes. In 2015, Gault&Millau proclaimed it 'Best vegetable restaurant of Flanders'. www.graanmarkt13.com

THE NEW YORKER
Manhattn's Burger

The twenty-something brothers Jerome and Philippe Vandermeulen simply love New York burgers. Jerome studied engineering there and had a part-time job at Little Italy in the Big Apple. When he came home to Belgium, he really missed those proper burgers, and what do you know: Philippe is a trained caterer. 1 plus 1 makes Manhattn's Burger. Jerome purloined the recipe of Little Italy's lovely brioche and discovered an American baker in Brussels. Currently, the number-one burger restaurant has four outlets, including one on the Antwerp Groenplaats seating no fewer than 120 guests. Thus, Manhattn's Burger is in for a smooth triumphal run to the top. Thanks to their dedication, grass-fed Irish Angus cattle and fresh meat. That fresh burger on your plate will remind you of New York. Obviously, it is accompanied by Belgian fries and sauces. Fortunately, you won't need to wait for you order long. Once your burger is ready, the buzzer on your table goes off. www.manhattns.com

THE OLD-FASHIONED BAKER'S
Le Pain Quotidien

Le Pain Quotidien emanates a sense of home-coming. Conviviality at long raw wooden tables. Good conversation and settling down at breakfast or lunch in a place that cherishes traditional simplicity. Loaves are baked by established tradition. That is, owner and chef Alain Coumont's tradition. When he was a young chef, he had trouble finding tasty bread, the way his grandmothers, mother and aunties used to bake bread back home. In that case, you might complain, or open your own baker's. Finding the name was easy. His father's motto: 'Moi, ce n'est pas mon pain quotidien.' The ultimate text to grace the façade. The tartines – Flemish sandwiches – are scrumptious. At Le Pain Quotidien on Steenhouwersvest, they serve hot chocolate as it should be served: piping hot. You can also order online and have things delivered to your home. Worldwide, Le Pain Quotidien has two hundred outlets. Whom do you come across at Le Pain Quotidien: locals, students and tourists from across the world. www.lepainquotidien.be

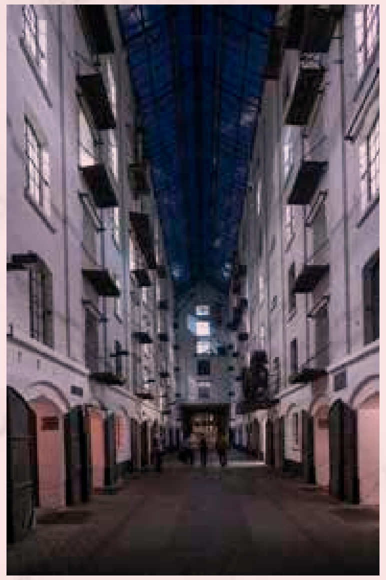
THE APRÈS SKI HUT
Matterhorn

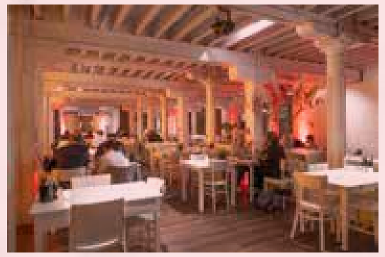
Miquel Dheedene managed to prevent a change of use from café to shop premises. The old Matterhorn had been bankrupted, and he felt like breathing new life into it. It was the only café in the Wilde Zee shopping area. He is convinced that retail needs to be flanked by Food & Beverage. Since Dheedene and family own seven clothing stores in the neighbourhood, he runs the premises. He stripped the place down – came across a hidden wine cellar in the process – and made something out of it: Matterhorn 2.0. A ski hut without the corny cuckoo clocks but radiating the familiar snug atmosphere. The café is connected to a restaurant. You can go there for breakfast, lunch and lovely tapas. In the winter: have that cup of coffee or drink by the fireside. In the weekends, DJs do their thing. Facebook.com/matterhornantwerpen

A QUALITY MARK FOR THE BETTER LIFE, THE GENTLEMEN CALL IT

THE WAREHOUSE
Felix Pakhuis

In 1860, Felix Pakhuis was a storage facility for coffee, grain and cheese. More than a century later, it was an empty protected monument in a former red-light district. The only catering facility was the infamous Café d'Anvers – otherwise you had no business there. In 2006, it accommodated the municipal archive, containing roughly thirty kilometres of records. And then, about ten years ago, Ivo De Beer and Tom Le Clef pounced on this historical building. They renovated it, with due respect for its history. The result: a restaurant and event venue. A trendy industrial retro location along the quay where you can eat, drink, listen to music and look at art. A quality mark for the better life, the gentlemen call it. At Felix Pakhuis, they have taken up shared dining. Chef Bart Huybrechts does his shopping in the early market and cooks with seasonal ingredients. On Saturdays, there is a wonderful breakfast buffet for you to tuck into! www.felixpakhuis.nu





Good coffee

BUTCHERS COFFEE IS THE RUGGED VARIANT OF THE MYRIAD COFFEE PLACES

THE BUTCHER'S
Butchers Coffee

What actually is a choice spot for a good coffee bar? Not entirely obvious: a former butcher's. The old details make for a robust atmosphere. Or is it that manly touch of the owners, Dave Haesen and Paolo Guffens? Anyhow: Butchers Coffee is the rugged variant of the myriad coffee places. Baristas Dave and Paolo learned their trade abroad and decided the time had come to start their own coffee business: Butchers Coffee in the south part of Antwerp. Featuring coffee from roasting-house Caffènation and a lunch – until 3 p.m. by the New-Zealand chef. Barista's Dave and Paolo 'meddle' with the coffee process to a great extent ranging from bean selection to the roasting method. Quite soon, Butchers will introduce a blend of its own. You don't know that much about coffee? This pair will tell you all the ins and outs in no-time! Do go and have a sample! www.butcherscoffee.be

WHEN IN DOUBT
Bar Basil

At Bar Basil, you don't need to choose. They serve the perfect coffee and a surprising cocktail. Manager Armando Rocchi opted for the smallest premises with the best outdoor seating on the Groenplaats, and it's always packed. Bar Basil is hip, informal and they play good music. The special coffees on the huge coffee menu are lovingly prepared by Armando and his team. You will never catch them in a foul mood: they are uber-cheerful. Maybe, you're no coffee lover, but you do enjoy cocktails. If you're up for a bit of shoving, you might ask for the house cocktail with gin, basil, lemon grass, prosecco and Martini Bianco. If you can find seats outside, you're on to a good thing. The outdoor seating at Bar Basil grants you the best possible view of Groenplaats. Another good thing: there are heaters for nippy summer and autumn days. Facebook.com/BarBasilAntwerp

Report of the Supervisory Board

4

Introduction

Dear shareholders, tenants, colleagues and other relations,

In 2018, the Supervisory Board again devoted particular attention to monitoring the developments in the retail landscape. To execute the strategy the Company set out on earlier, Vastned in 2018 again focused on growing in selected cities in Europe.

As a result of focused acquisitions and divestments made in 2018 the share of core city assets rose from 79% at year-end 2017 to 82% of the total portfolio at year-end 2018, attaining the target of at least 80%. Vastned also made good progress with respect to the second and third pillars of the strategy: financing and organisation. For example, the loan-to-value ratio at 39.0% remained within the desired range, the average interest rate was stable at 2.5% and the duration of the loan portfolio increased from 4.3 years at year-end 2017 to 4.7 years at year-end 2018.

The Supervisory Board is delighted with the results achieved in the area of Integrated Reporting, as demonstrated also in the present annual report 2018.

Also, the implementation of the Yardi property management system in the Netherlands was completed successfully in 2018. In 2019, this system will be implemented in France, Belgium and Spain.

Monitoring the implementation of the regulations aimed at protecting personal data (GDPR) also received particular attention from the Supervisory Board.

A share buyback programme was started in the fourth quarter of 2018. As at year-end 2018, 292,208 shares had been purchased by the Company.

Other major topics on the agenda of the Supervisory Board were the discussion on the composition of the portfolio, discussing and decision-making on the capital and financing structure, setting and detailing the strategy in consultation with the Executive Board, succession planning, and the risk and control framework.

A detailed account of the policy conducted and the objectives realised by the Company can be found in the Report of the Executive Board on page 49 and following.

Long-term value creation has been embedded in Vastned's prevailing company culture for many years: the managing directors and supervisory directors act sustainably and make considered choices on the viability of the strategy in the long term. Attention to long-term value creation and the weighing of the associated interests is therefore one of the recurring spearheads in the Executive Board's policy. Monitoring compliance with this is a recurring topic on the agenda of the Supervisory Board.

In the context of long-term value creation the Supervisory Board in early 2018 approved the voluntary public takeover offer issued by Vastned for the shares in Vastned Retail Belgium NV (VRB) that the Company did not yet hold. Integration of both companies would mean a reduction of costs and simplification of the total organisation and its governance and as such realise value for all stakeholders involved. Due to the fact that the required minimal acceptance threshold was not attained, the takeover offer was unsuccessful.

In the year ahead, the Supervisory Board will ensure that the existing culture of long-term value creation in the company will be maintained.

In this context fits the nomination of Jaap Blokhuis as a new member of the Supervisory Board. The Supervisory Board is pleased with this nomination, that was established after a search using a specific profile. Thanks to the extensive experience of Jaap Blokhuis within the real estate sector, in both managerial and supervisory functions, his nomination supports the Company's objective to create long-term value. The Supervisory Board is assured that Mr. Blokhuis is the ideal candidate to succeed Jeroen Hunfeld, given his years of experience in real estate. Jeroen Hunfeld will retire at the AGM on 18 April 2019 because he reached the maximum term of office. The Supervisory Board trusts that the nomination of Mr. Blokhuis will be supported at the General Meeting of Shareholders and that Mr. Blokhuis will be appointed at the AGM on 18 April 2019.

In accordance with the provisions in its Tax Policy, Vastned in 2018 again quarterly reported to the Supervisory Board on the execution of the tax policy and complied with all relevant rules regarding transparency in the area of taxation.

In this report, the Supervisory Board accounts for the way it has fulfilled its duties and responsibilities. This report on the 2018 financial year focuses on compliance with the Code.

Committee members and attendance

Supervisory Board meetings in 2018	Regular: 6	Ad hoc: 3
Marc C. van Gelder c)	5/6	3/3
Charlotte M. Insinger	5/6	3/3
Marieke Bax	5/6	3/3
Jeroen B.J.M. Hunfeld	6/6	2/3

c) chair

Other parties attending (parts of) meetings of the Supervisory Board were the CEO, the CFO, the Company Secretary, Jaap Blokhuis, external auditor EY and internal auditor BDO.

Highlights 2018

- Good progress on objectives of 2018-2020 business plan
- Share buyback
- Reappointment CFO
- Integrated reporting
- Further implementation of sustainability policy
- Review of Executive Board Remuneration Policy
- Supervisory Board succession planning: nomination of Jaap Blokhuis as new supervisory director

Priorities for 2019

- Reappointment CEO
- Supervisory Board succession planning: appointment of Jaap Blokhuis
- Further improving the quality of the organisation

Supervisory Board committees and tasks

The regulations of the Supervisory Board can be downloaded from Vastned's website.

www.vastned.com/regulations_sb

General and working methods

In 2018, the Supervisory Board met nine times in total. During these meetings, regular recurring subjects were discussed and evaluated, including the financial results and the operational state of affairs, as well as the reporting of these issues in press releases, financings, feedback on legal, tax and compliance related matters and risk management.

To ensure sound decision-making the Executive Board supplied information to the Supervisory Board promptly at all times. During the meetings, the Supervisory Board was informed about positive and negative developments concerning the business.

Between the regular meetings there was also frequent ad hoc contact between individual members of the Supervisory Board and the members of the Executive Board. The CEO and the chairman of the Supervisory Board periodically discussed recent events and the current state of affairs within the Company.

The chairman of the audit and compliance committee also had extensive contact with the CFO. Members of the Supervisory Board visited several of Vastned's retail locations both in the Netherlands and abroad (including a working visit to Paris, France) and talked to various members of staff.

The Supervisory Board is supported by the Company Secretary. Her duties include: (i) ensuring and monitoring that the correct procedures are followed and that the Company acts in compliance with legal obligations and the obligations under the articles of association; (ii) facilitating the information provision to the Executive Board and the Supervisory Board; and (iii) assisting the chairman of the Supervisory Board in the organisation of the Supervisory Board, including information provision, drafting meeting agendas, evaluations and training programmes.

Notes on agenda items and other information

Business plan

Every year, the Supervisory Board discusses the business plan for the next three years with the Executive Board, including a detailed financial plan, and subsequently approves it. Progress on the targets set in the business plan and progress on the strategy are monitored at least quarterly. The Supervisory Board notes that the Executive Board in 2018 realised excellent results in the execution of the business plan. The Supervisory Board shares the view of the Executive Board that caution, especially in the area of acquisitions, remains paramount in the present investment climate.

Progress was also made on entrepreneurship and raising the quality in the organisation, inter alia by the implementation of a new property management system, implementing personnel changes and attracting new employees, encouraging personal development through education and training, and promoting internal knowledge sharing, also between the various teams in the countries where Vastned is active.

Evaluation of Executive Board

In late 2018, the Supervisory Board carried out an extensive evaluation of the Executive Board based on 360 degree feedback from investors, analysts, staff, members of the management team and country managers. The findings of this evaluation were very positive.

Financial statements 2017 and management letter 2018

During 2018 the results of the 2017 financial year and the 2017 financial statements were discussed. At the end of 2018, EY's management letter for 2018 was discussed with the Supervisory Board. No issues were raised in the management letter which are important for this report.

(Re)appointments to the Executive Board and the Supervisory Board

In 2018, Reinier Walta was reappointed as CFO for a second four-year term. No (re)appointments took place on the Supervisory Board and the composition of the Board remained unchanged.

Risk management

The Company's risk management and risk appetite are key issues for the Supervisory Board. For this reason, during all regular meetings attention was devoted to the main risks involved in the business operations of the Company based on the risk and control framework implemented in 2016. In 2018, the risk and control framework was updated. The setup and functioning of the corresponding internal risk management and control systems were also periodically evaluated and discussed with the Supervisory Board. Risks were discussed in the areas of the valuation process, interest and financing, maintaining rent levels, occupancy rate and debtors (reported in more detail in the chapter Risk Management).

Evaluation external auditor

The chairman of the Supervisory Board and the chair of the audit and compliance committee consult at least once a year with the external auditor about its performance. In the opinion of the Supervisory Board the collaboration with Ernst & Young (EY) was satisfactory.

Investor relations activities

Throughout the year, the Supervisory Board received detailed information on investor relations. Updates were given in several meetings, and reports on Vastned by several analysts were sent to the Supervisory Board promptly. On a regular basis Vastned asks different analysts and investors for their opinion of Vastned's performance in a survey conducted anonymously by an external party. The report based on the survey is immediately shared and discussed with the Supervisory Board. This information ensures that the Supervisory Board keeps abreast of the focus of shareholders and analysts. In all regular meetings updates were provided on Vastned's performance development compared to the peer group.

Relations with shareholders

The Supervisory Board believes that contact between the Supervisory Board and shareholders should primarily take place in shareholders' meetings. Even so, the Supervisory Board feels that contacts between the Company and shareholders outside shareholders' meetings may be important, both to the Company and to shareholders. The CEO is the first point of contact for shareholders. The Supervisory Board ensures that in cases in which this is considered important, the Company will agree to speak to shareholders on request. In some cases one or more members of the Supervisory Board will also attend. For example, in 2018 the chairman of the Supervisory Board accompanied the CEO to an investors' meeting organised by J.P. Morgan. On certain issues, e.g. remuneration policy, the Supervisory Board itself will initiate contacts with shareholders.

Permanent education and induction

Members of the Supervisory Board take instructional courses on all topics relevant to exercising supervision. The need for training is evaluated annually. Based on this evaluation a training plan is drawn up every year. Throughout 2018, the Supervisory Board explored current international developments, also by inviting leading external experts, on international capital markets, the development of the interest rate, property markets and retail developments and discussed the impact of these developments on Vastned with the Executive Board. Additionally, the Supervisory Board is informed by Vastned about national and international property developments on a regular basis and frequently on developments in the area of corporate governance. In the context of permanent education, several members of the Supervisory Board took course modules on topics such as property valuation, corporate governance, risk management and reporting.

Self-evaluation by the Supervisory Board

The Supervisory Board annually evaluates its own performance in depth; every three years an external party is brought in to do so. At the end of 2018, an internal evaluation was done which concluded that the Supervisory Board functions independently and properly and is well equipped for its work. Collaboration in and with the committees was also positive. The preparations for meetings by the Executive Board and the collaboration with the members of the Executive Board are deemed to be constructive and adequate.

Report of the audit and compliance committee

Committee members and attendance

Audit and compliance committee meetings 2018	Regular: 4	Ad hoc: 0
Charlotte M. Insinger c)	3/4	0/0
Jeroen B.J.M. Hunfeld	4/4	0/0

c) chair

The audit and compliance committee has two members, Charlotte Insinger (chair) and Jeroen Hunfeld.

Charlotte Insinger may be qualified as a financial expert within the meaning of the Code.

Other parties attending (parts of) meetings of the audit and compliance committee were the CFO, the CEO, the Company Secretary, members of the Supervisory Board, external auditor EY and internal auditor BDO.

Highlights 2018

- Integrated reporting
- Monitoring of introduction of new property management system Yardi
- Approval of adjusted risk and control framework
- Monitoring of impact of tax plans on Vastned's tax status
- Monitoring of impact of IFRS revisions

Priorities for 2019

- Monitoring of risk and control framework
- Further implementation of Yardi and monitoring of tax affairs
- Evaluation of internal audit plan for 2019 and drafting of Internal audit plan for 2020
- Monitoring of impact of IFRS revisions

Duties

The audit and compliance committee is charged with supervising the Executive Board in particular on financial issues and with providing advice in this area to the Supervisory Board. The committee supervises inter alia:

- The financial reporting process;
- The statutory audit of the (consolidated) annual financial statements;
- The risk management of the Company; and
- Compliance with laws and regulations and the functioning of codes of conduct.

The audit and compliance committee reports quarterly on its deliberations and findings. It reports to the Supervisory Board at least once a year on developments in the relationship with the external auditor. Once every four years, the performance of the external auditor is assessed in detail.

The regulations of the audit and compliance committee can be downloaded from Vastned's website.

www.vastned.com/regulations_ac

Notes on agenda items and other information

The audit and compliance committee met four times in 2018. During the reporting year, one meeting was held with EY in the absence of the Executive Board. The committee also frequently consulted outside meetings with the Executive Board. In the various meetings many regular topics were discussed in detail, including:

- The 2017 annual financial statements;
- The (interim) financial reporting for the 2018 financial year;
- Various developments in IFRS, including the impact of IFRS 9 and IFRS 15 and the expected impact of IFRS 16;
- Letting risks;
- Financing, interest management and the Company's liquidity;
- Insurance issues;
- Catastrophe and liability risks;
- The Company's tax and legal position;
- Internal control and the administrative organisation;
- Integrity, publicity risks and requests from shareholders;
- Compliance;
- IT risks;
- Implementation of Yardi;
- Compliance with other relevant laws and regulations, including the GDPR and the Code;
- Risk management.

Internal audit function

Annually, the audit and compliance committee discusses how the internal audit function is set up. Effective as of 2016, Vastned has appointed BDO Advisory BV (BDO) as internal auditor for a period of three years and has committed itself to continue this cooperation for the coming three years. The internal auditfunction falls under the responsibility of the CFO and its goal is to evaluate the effectiveness of the internal control mechanisms as described in the Company's risk and control framework from a set-up, existence and operational point of view.
In 2018, BDO produced a number of reports: (i) the final report on a follow-up on an audit carried out in 2017 in France and the full review of capital expenditure (capex) and maintenance in France; (ii) an audit report on the acquisition process and the acquisitions made in Spain; and (iii) an audit report on the letting process and the audit of the ICT process in the Netherlands, including the migration to a new property management system (Yardi). None of these reports contained material findings and therefore did not raise any issues that warrant special mention here. An internal audit plan was drawn up for 2019 and approved by the Supervisory Board.

Report of the remuneration and nomination committee

Committee members and attendance

R&N meetings in 2018	Regular: 3	Ad hoc: 0
Marieke Bax c)	3/3	0/0
Marc C. van Gelder	3/3	0/0

c) chair

The remuneration and nomination committee has two members: Marieke Bax (chair) and Marc van Gelder.

The Company Secretary took minutes during the meetings of the remuneration and nomination committee.

Highlights 2018

Adjustment and monitoring of remuneration policy for the CEO and CFO

Reappointment CFO

Execution of 360 degree evaluation of Executive Board

Determination of LTI for the period 2015-2017

Priorities for 2019

Monitoring Business Health Test as part of LTI

Monitoring new HR staff assessment system

Execution of 360 degree evaluation of Executive Board

Duties

The duties of the remuneration and nomination committee include:

- Preparation of the decision-making on recruitment and selection including drawing up selection and appointment criteria;
- Periodic evaluation of the members of the Executive Board and the Supervisory Board;
- Periodic evaluation of the size of the Supervisory Board;
- Preparation of decision-making on the remuneration policy for the Executive Board and the Supervisory Board; and
- Annual accounting for the remuneration policy conducted in the remuneration report.

The regulations of the remuneration and nomination committee can be downloaded from Vastned's website.

www.vastned.com/regulations_rn

Notes on agenda items and other information

The remuneration and nomination met three times in 2018. The committee also consulted regularly outside meetings, and in late 2018 it carried out an extensive evaluation of the two members of the Executive Board based on feedback gained from extensive interviews.

Furthermore, there was extensive consultation with external advisers on the adjustment of the remuneration policy.

Other important meeting topics were:

- Preparation of the remuneration report and placing it on the agenda of the Annual General Meeting;
- Monitoring of the remuneration policy for the Executive Board;
- Monitoring of applicable laws and legislation, including the Code, and as necessary translating changes therein to the remuneration and nomination of the members of the Executive Board and the Supervisory Board;
- Determining the realisation of the targets of the Executive Board for the variable short-term incentive for 2018 and setting targets for 2019.

Profile of the Supervisory Board and diversity

The profile of the Supervisory Board ensures that its composition is appropriate. The full text of the profile is available on Vastned's website. In 2017, the text of the Regulations and the profile of the Supervisory Board was updated to bring it into full compliance with the provisions in the Code. On page 250 of the annual report the personal details of each of the members of the Supervisory Board are set out. The Supervisory Board believes that a mixed make-up of the Supervisory Board and the Executive Board in terms of gender, age, expertise, national and international work experience and background is a key condition for these bodies to function well. Vastned aims for the Supervisory Board and the Executive Board to be at least 30% female and at least 30% male.

The Supervisory Board concludes that the Supervisory Board and the Executive Board in their present composition are a good mix in terms of age, expertise, national and international experience and background. The Supervisory Board is informed regularly by Vastned about developments in property in the Netherlands and abroad. The Supervisory Board also closely followed relevant developments in a broader perspective, inter alia by taking course modules on Corporate Governance, privacy, risk management and reporting/compliance.

At year-end 2018, the Supervisory Board was 50% female, which is in accordance with the objectives. The Executive Board, made up of two persons, was all male at year-end 2018, so it does not have the appropriate balanced composition. In new appointments to the Executive Board this aspect will be taken into account.

The diversity profile for the Supervisory Board including specific expertise is set out below.

	Year of birth	Gender	International experience	Management experience	Real estate	Finance & investments	Retail marketing	Social/governance	Communication
Marc C. van Gelder	1961	M	X	X		X	X		X
Charlotte M. Insinger	1965	V	X	X	X	X			
Marieke Bax	1961	V	X	X		X	X	X	
Jeroen B.J.M Hunfeld	1950	M	X	X			X		X

Vastned's diversity policy can be downloaded from the website:

www.vastned.com/regulations_and_codes

Remuneration report

The 2018 remuneration report for the Executive Board and the Supervisory Board is included on page 122 and following of the annual report, and can also be downloaded from the Company's website.

www.vastned.com/remuneration_report_2018

Annual financial statements 2018 and dividend

Annual financial statements

The Supervisory Board is pleased to present the annual report of Vastned Retail N.V. for the 2018 financial year, as prepared by the Executive Board. The financial statements have been audited by Ernst & Young Accountants LLP, which issued an unqualified audit opinion. In accordance with the proposal of the Executive Board and the recommendations of the audit and compliance committee, the Supervisory Board advises the Annual General Meeting on 18 April 2019 to:

1) Adopt the financial statements for the 2018 financial year in the form as presented in accordance with Article 27 of the Company's Articles of Association;
2) Grant discharge to the members of the Executive Board for the performance of their duties during the 2018 financial year;
3) Grant discharge to the members of the Supervisory Board for the performance of their duties during the 2018 financial year.

Dividend policy

Vastned's dividend policy is to distribute at least 75% of the direct result per share as dividend. In principle, stock dividend will not be distributed. After the first half year, an interim dividend is distributed of 60% of the direct result per share from the first half year.

Dividend proposal

The Supervisory Board is in agreement with the Executive Board's proposal to distribute a dividend for the 2018 financial year of € 2.05 per share in cash. Taking the interim dividend of € 0.71 distributed on 21 August 2018 into account, a final dividend will be proposed of € 1.34 per share.

Acknowledgements

The Supervisory Board wishes to express its gratitude to the shareholders and other stakeholders for their confidence in Vastned. The Supervisory Board would like to take this opportunity to thank the Executive Board and all Vastned employees for their dedication over the past reporting year.

Amsterdam, 13 February 2019

The Supervisory Board,
Vastned Retail N.V.

Marc C. van Gelder, chairman
Charlotte M. Insinger
Marieke Bax
Jeroen B.J.M. Hunfeld

Delicious Paris

Continuing growth in Paris

'It's clear to me that the Paris retail market is pretty varied', says Thierry Fourez, Vastned country manager France and responsible for the Paris portfolio. Certain parts of the city are booming, other retail districts are doing just fine, but a 'premium avenue' like the Champs-Elysées is exceptionally profitable.

Fourez points out that the advent of the internet and e-commerce are indeed affecting business in Paris, but at the same time, just as in other Vastned cities growing tourism is having a positive impact on shops in the tourist areas.

Looking ahead, Fourez identifies challenges for large retail units of 1,500 to 2,000 square metres. Currently, Vastned finalized two major acquisitions in Le Marais. The focus in Paris will be retail property that draws an international audience and offers 'affordable luxury' or 'exceptional luxury'. Food & beverage concepts will get extra attention. The French team is constantly doing research into the best opportunities. 'We believe in a good match of retail and food. What fits best in which location can vary: on Boulevard Haussmann, Rue de Rivoli or in Le Marais, where Vastned manages property, we investigate what is the best match. F&B concepts are doing better now than they used to. Revenues from this category are interesting, but we have to remain realistic. Retail brands can often afford somewhat higher rents than many F&B formulas. And the Paris market is a little different from other cities. For example, I don't expect that in the near future 30% of our property will be restaurants, even though we are seeing that food initiatives are currently experiencing very strong growth.'

Fourez gives Le Beaupassage on Rue de Grenelle as an example: 'This is really a new destination in the 7th Arrondissement. Here, a number of famous Michelin-star restaurants are going to be grouped together, like those of Anne-Sophie Pic and Thierry Marx and a number of innovative concepts like the butchery restaurant of Alexandre Polmard.'

He sees the same dynamic on Rue de Rivoli. 'This development shows that new food concepts are very important to guests and shoppers alike. Where retail comes down a little, you see F&B concepts emerging.'

Monsieur Fourez himself is a 'gourmand' and likes to go out for lunch every working day. His personal favourite is Bistro des Halles, a classic bistro café very close to Vastned's Paris office. It has a charming sixties ambiance, a very welcoming owner and a group of customers who feel like a family. 'Great fresh food and the fact that I never have to book a table make this my perfect lunch spot.'

At night he likes to visit Artisan de la Truffe or the Thai restaurant Bambou, where you'll find excellent food and real authenticity. So he has a preference for 'real' places, the kinds of places that Vastned likes to invest in. For the next few years, Fourez and his team want to 'stay alert and not get too comfortable', continuing to generate good rental income and rising returns. 'Vastned has made its move in Le Marais at just the right time; I expect results to improve further there. We are a leading player in this district. Business in Paris keeps growing. I am positive about the future, but also cautious, because retailers are still under pressure.'

Website with tips for eating out in paris

Paris 'Capital of Gastronomy' invites travellers from all over the world to have a feast! Choose and book your restaurant via Parisinfo: https://en.parisinfo.com/where-to-eat-in-paris

Paris Hotspots

THE EMPEROR
Apicius

TO GET THAT COVETED TABLE, YOU WILL NEED TO BOOK ONE MONTH IN ADVANCE

If Napoleon were alive today, you might come across him at Apicius restaurant. That is how royal Apicius is, located in part of the historical 18th-century building near Elysées Palace and Rue du Faubourg St Honoré featuring exclusive shops. It is an estate with a park and sculptures smack in the middle of the city. A place where politicians, CEOs of billion-euro companies and acquaintances can still meet and eat incognito. Photographers and paparazzi are chased away! At Apicius, stylishly attired waiters welcome you with broad smiles. Mathieu Pacoud is in charge. With a modern twist and plenty of dash, he brings haute cuisine to a higher level. Within a few months, this young talented chef had made his mark on the famous starred restaurant. A real hit: lobster ragout with asparagus and caviar on soft-boiled egg. Apicius is the difference between a riveting thriller and a literary book. A restaurant for the nouveau riche. To get that coveted table, you will need to book one month in advance. If you cannot contain your curiosity and need to see that park, building and restaurant for yourself: you can simply enter the bar for a cocktail and some small snacks. Just put on your finest clothes!
www.restaurant-apicius.com

THE DELICATESSEN
La Grande Épicerie

This is heaven, you will think as you enter La Grande Épicerie in the Bon Marché. Many square metres fills with thousands of delicacies. A superb delicatessen where you really get everything in the world. Fish, meat, bread and pastries, cheese, tea and coffee, wines – in the wine cellar –, desserts, fresh ready-to-eat meals, displayed on beautifully spacious shelves. Also, more fruits and vegetables than you will ever have seen in one store. Time will fly at La Grande Épicerie, shopping for back home, or having something to eat at the corners or on the high stools by the window. Every foodie really should visit this delicatessen on Rue de Sèvres. The supply is so vast that you can hardly choose. La Grande Épicerie beats the food section at Harrods as a gourmet mecca. Tip for the ladies: that chocolate selection.
www.lagrandeepicerie.com

THE TREND
Le Food Market

Virginie Godard is nuts about the hip food markets in New York, Berlin and London. She brought their atmosphere to Paris, to her home base on the Boulevard de Belleville. A hip culinary event between the metro stations of Ménilmontant and Couronnes. One Tuesday a month, she brings street food into the limelight. And then, you can simply come across ricotta by La Buvette de Camille, or tacos by Café Chilango and brownies by the mobile café O Coffeeshop. Foods developed by top chefs. In the Food Market, you can dine from 6 p.m. until 10:30 p.m. A dinner consisting of dishes from all across the world need cost no more than 5 to 10 euros; a snack costs just a few euros. If you love Asian food, this is the place to be! You can eat standing next to the stalls or find a seat at the long picnic tables. Dinner here is a social affair, since Le Food Market is a meeting place for the entire neighbourhood. Every month, both well-known and starting Paris chefs take turns. In Le Food Market they demonstrate their cooking skills. Le Foodmarket is a hotspot to enter into your diary!
www.lefoodmarket.fr

FUNGI
Artisan de la Truffe

HE SELECTS THE BEST TRUFFLES: THE BLACK PÉRIGORD, WHITE, SUMMER AND AUSTRALIAN BLACK WINTER ONES

Either you like truffles or you don't. If you love them, you will fit right in at the latest Paris outlet of Artisan de la Truffe at Rue Rambuteau in Le Marais. With no more than thirty seats it is the small brother to the other two outlets in the city. Chef Arnaud Vachet, who worships fungi, had a dream: selling truffles. He selects the best truffles: the black Périgord, white, summer and Australian black winter ones. Vachet puts them in risotto, tagliatelle, scrambled eggs, croque monsieur and seasonal dishes. Ordering and taking them home or to work is also possible. Once you have been won over and are equally idolatrous of the truffle: one corner at Artisan de la truffe houses a tiny delicatessen that sells products to take home and start cooking with yourself. They make wonderful presents too. Artisan has a pleasant intimate atmosphere. The interior: lots of wood, black and greyish hues. There are outlets in Japan and Hong Kong as well. www.artisandelatruffeparis.com

THE TREASURE TROVE
Bambou

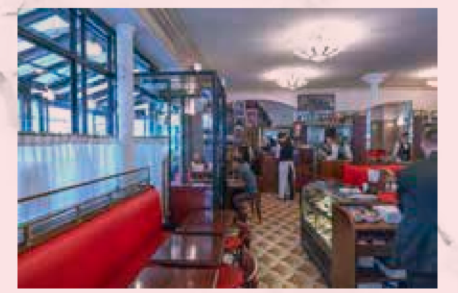
A visit to Bambou is sure to cheer you up no end. The 500m² that used to accommodate a workshop has been garnished with a touch of New York. Designed by Clémence and Clément Goutal; who designed Le Hibou and Professore. You can have your meal with your partner reclining on that comfortable sofa, when you're with friends, you pull up a hair at one of the XXL tables. Indoors – lovely light and fresh looking thanks to the colours and the high glass façade – may seem small at first, but beyond and below ground, there are hidden dining rooms in various styles. Colourful or in earth tones, lots of bamboo, bird cages and a magnificent dragon on a steel spiral staircase. Indoors and in the heated inner yard, you can enjoy the fusion snacks that chef Antonin Bonnet dishes out, ranging from mild to really spicy. And to your total surprise, there's that swimming pool in the garden. Bambou is one of the hippest and most affordable places to visit in Paris. www.bambouparis.fr

Good coffee

IT'S LIKE WALKING INTO A MOVIE

THE SWEET TOOTH
Ladurée

Ladurée and madness are synonymous. People are queuing – especially for their colourful macarons – for petit fours, chocolate and other sweet delicacies. They are crowned by that coffee. Their 18th-century premises are mouth-wateringly beautiful, featuring a sun room. Indoors, you will find beautiful high ceilings, bows and pillars in green and gold. It's like walking into a movie. In 1862, the family opened its first bakery. In the year 2018, they are world famous for their macarons, selling no fewer than 15,000 a day. Nowadays, Ladurée is part of Groupe Holder, the people behind Paul bakeries. You will find outlets of this sweet tooth magnet in all large towns in Europe and Asia. If Ladurée on the Champs Elysées is too crowded for you: you simply buy a croissant aux noix or that famous macaron and find a park. There is no need to go all the way to Paris, anyway. Ladurée has a tasty web shop selling their delicacies, gadgets and candles. Delivered within 48 hours!
www.laduree.fr



CAFÉ FLORE IS ALL ABOUT SEEING AND BEING SEEN

THE PHILOSOPHER
Café de Flore

Café de Flore on Boulevard St. Germain was the place to be for Simone de Beauvoir, Jean-Paul Sartre, Juliëtte Gréco, Roman Polanski, Simone Signoret, Yves Montand, Yves Saint Laurent, Brigitte Bardot, Zadkine, Picasso and many other philosophers, authors, artists, film stars and their muses. In Café de Flore, plans were concocted right from the start in 1887. In that café, surrealism and later dadaism were born, intellectuals philosophised and love affairs budded that would later be discussed in the media. Café de Flore is particularly known for its famous punters, and they still frequent the place. Even today, Café de Flore is still attractive as ever. Its art-deco style has hardly been changed since the Second World War. Indoors, you will find red couches and chairs, small tables, and waiters – albeit somewhat younger and fresher-looking – clad in waist-coats and bow tie. The tables still hold many well-known creative spirits. Café de Flore is all about seeing and being seen. It's a magical magnet for tourists. As are those good coffees, rolls and salads.
www.cafedeflore.fr

Remuneration report 2018

5

Remuneration report 2018

This remuneration report 2018 has two parts. The first part contains information on the remuneration awarded to the members of the Executive Board in 2018. The second part contains information on the remuneration awarded to the members of the Supervisory Board in 2018.

1. Remuneration of the Executive Board in 2018

Executive Board Remuneration Policy

Vastned's Executive Board Remuneration Policy was adopted by the Annual General Meeting of Shareholders on 19 April 2018 and took retrospective effect as of 1 January 2018. The full text of the Remuneration Policy is available on Vastned's website:

www.vastned.com/remuneration_policy

In formulating the Remuneration Policy and its implementation, the objectives for the strategy for implementing long-term value creation were taken into consideration (see also the chapter Long-term value creation in the annual report 2018). The total remuneration of Vastned's Executive Board was compared at year-end 2017 by independent consultancy Korn Ferry with the Employment Market Reference Group as described in the Remuneration Policy. As a double fairness test, the findings of this comparison were also compared with all the companies in the AScX index and with a group of fourteen Dutch companies of similar complexity and size. For the determination of the total remuneration of the Executive Board, the salary ratios within Vastned and the views of the of the members of the Executive Board on their own remuneration and the Remuneration Policy were also weighed. Members of the Executive Board are eligible for long-term variable remuneration (Long-Term Incentive or 'LTI'), as described in the Remuneration Policy. The LTI ranges from 0% up to a maximum of 60% of the fixed remuneration, and in each case covers a three-year period. The LTI scheme has the following three elements, each of which has a certain weight in the total LTI:

- A Relative Total Shareholder Return ('RTSR') test;
- An Absolute Total Shareholder Return ('ATSR') test;
- A Business Health Test.

The relative weight of these percentages of the LTI was adjusted based on the comparison mentioned above; the new weights as of 1 January 2018 will be:

- 40% RTSR test (previously: 50%);
- 30% ATSR test; and
- 30% Business Health Test (previously: 20%).

It was also decided to alter the award range based on the ATSR with retrospective effect until 1 January 2018 as follows:

- < 10% (previously: <45%): 0%
- < 15% (previously: <60%): 50%
- < 25% (previously: <75%): 100%

(The ATSR awarded between the threshold and the maximum is determined pro rata.)

Employment agreements of the Executive Board

Duration of the agreement

Taco T.J. de Groot (CEO) was appointed by the Annual General Meeting of 25 April 2015 for a four-year term. Reinier Walta (CFO) was appointed by the Annual General Meeting of 19 April 2018 for a four-year term. For members of the Executive Board, the Company must observe a notice period of six months, the members themselves three months.

Dismissal payments

Dismissal payments are limited to twelve months' fixed remuneration. Mr. De Groot's and Mr. Walta's employment agreements comply with the Code.

Share ownership guidelines

Based on the share ownership guidelines in the 2018 Remuneration Policy the members of the Executive Board must build up a position in Vastned shares equal to 300% of the most recently adopted fixed remuneration for the CEO and 150% for the CFO, whereby the Executive Board should strive to build up the minimum shareholding within five calendar years.

Position at year-end 2018

As at year-end 2018, at a closing price of € 31.30, the CEO met the minimum Vastned shareholding requirement of at least 300% of the CEO's fixed remuneration, with 69,851 shares purchased from his own means, or 475%.

At year-end 2018, Reinier Walta had built up a Vastned shareholding of 2,000 shares, of which 1,000 were purchased from his own means and 1,000 from the LTI paid out in 2018. At a closing price of € 31.30, this is 20% of his fixed remuneration as at 31 December 2018. Thus, the CFO has not yet met the requirement of the minimum shareholding of at least 150% of the fixed remuneration of the CFO.

Fixed remuneration 2018

Based on the Remuneration Policy, the fixed remuneration of the members of the Executive Board (including employer's social security contributions) for 2018 has been determined as follows:

Fixed remuneration (€)	2018	2017	Change
Taco T.J. de Groot (CEO)	470,551	450,000	4.6%
Reinier Walta (CFO)	318,551	297,000	7.3%
Total	**789,102**	**747,000**	**5.6%**

As mentioned earlier, in late 2017 the remuneration levels of the Executive Board were evaluated and readopted as of 1 January 2018, whereby the Executive Board's base salaries were set around the median of the Employment Market Reference Group and around the 20th percentile for the total remuneration, since Vastned is positioned near this percentile in terms of size.

Taco de Groot's fixed remuneration was € 460,000 as at 1 January 2018.

In view of the desirability of a balanced remuneration ratio between the CEO and the CFO, Vastned's Remuneration Policy states that the fixed remuneration of the CFO can grow to 70% of the fixed remuneration of the CEO. Furthermore, when the CFO was appointed, it was provided that over a period of three years starting on 1 January 2015 he could grow based on positive assessments to a fixed remuneration of 70% of the CEO's fixed remuneration at the time. In early 2018, this growth had been fully realised and the fixed remuneration of the CFO was € 308,000, or 70% of the fixed remuneration of the CEO as at 1 January 2015 (70% * € 440,000 = € 308,000).

Based on a positive assessment of the CFO in 2018, and taking account of the periodic test against the Employment Market Reference Group and the other provisions in the Remuneration Policy regarding the remuneration ratio between the members of the Executive Board, the Supervisory Board resolved to adjust the CFO's fixed remuneration as of 1 January 2019 to 70% of the fixed remuneration of the CEO (i.e. 70% * € 460,000 = € 322,000).

Before doing so, the Supervisory Board took note of the CFO's views concerning the level and structure of his own remuneration, whereby attention was given to the remuneration system within Vastned and the level of the fixed and variable remuneration components, the performance criteria used, the scenario analyses performed and the remuneration ratios within Vastned and the business associated with it.

Variable remuneration in 2018

Overview of the remuneration awarded to the Executive Board for 2018

The table below presents the remuneration awarded to the Executive Board in 2018 (€):

	Fixed remuneration 1)	Pension 2)	Other benefits 3)	STI	LTI	Total
Taco T.J. de Groot	470,551	84,775	32,785	161,460	162,289	911,860
Reinier Walta	318,551	57,533	26,554	108,108	108,663	619,409
Total	**789,102**	**142,308**	**59,339**	**269,568**	**270,952**	**1,531,269**

1) Including social security premiums
2) Including WIA excedent premium
3) Concerns expenses relating to company car.
Furthermore, in 2018 an amount of € 79,616 was paid out to Taco de Groot for holidays not taken in previous financial years.

The table below presents the different elements of the remuneration awarded to the Executive Board in 2018:

Remuneration split (%)	Fixed remuneration	Pension	Other benefits	STI	LTI	Total
Taco T.J. de Groot (CEO)	52	9	4	17	18	100
Reinier Walta (CFO)	52	9	4	17	18	100

Remuneration ratios within Vastned

In accordance with the best-practice provisions in the Code, Vastned reports on the remuneration ratios on the Executive Board and those of a 'representative reference group' identified by the Company. Vastned has elected to compare the remuneration of the CEO with that of the average employee. The total financial remuneration (i.e. excluding non-financial remuneration elements such as travel expenses) of all Vastned employees (excluding the remuneration of the CEO) for the relevant tax year was used as the reference point. To calculate the ratio, the salaries of employees who as at 31 December 2018 had not yet been employee for a full year were annualised as if the relevant employee had been employed throughout the year. Using this method the ratio between the CEO's remuneration and that of an average employee for the 2018 tax year was 7.10 : 1 (2017: 5.73 : 1). This increase is related to the optimization of the workforce in 2018 (streamlining and reduction management structure) and the realised reduction of total personnel costs.

Short-Term Incentives (STI) for 2018

Both members of the Executive Board were set three shared quantitative targets, as well as an individual qualitative target.

The first shared quantitative target related to the total occupancy rate of the portfolio as at year-end 2018. This target was realised for 21.75% out of the maximum of 25% of the STI.

The second shared quantitative target was the percentage core city assets as part of the total property portfolio. This target was realised for 23.20% out of the maximum of 25% of the STI.

The third shared quantitative target related to the like-for-like gross rental growth. This target was realised for 17.80% out of the maximum of 25% of the STI.

The objective of the qualitative STI-target for the CEO was focused on long-term value creation in determining the strategy for the company. The qualitative STI-target for the CFO had for 50% the same objective. The other 50% was related to the implementation of a new property management system throughout the organisation. Both the CEO and the CFO realised their qualitative STI-targets in full at year-end 2018 (25% of STI).

This took the total STI to 87.75% (21.75% + 23.20% + 17.80% + 25% realisation of STI targets) * 40% (weight of STI in total calculation) * annual salary (€ 460,000 for the CEO and € 308,000 for the CFO) = € 161,460 for the CEO and € 108,108 for the CFO.

Long-Term Incentives (LTI) for 2018

The LTI can range from 0% to a maximum of 60% of the fixed remuneration, and in each year covers a three-year period. The LTI scheme has the following three elements:

- A Relative Total Shareholder Return ('RTSR') test (40%);
- An Absolute Total Shareholder Return ('ATSR') test (30%);
- A Business Health Test (30%).

The maximum achievable LTI in 2018 for Taco De Groot was 60% of € 460,000 and for Reinier Walta 60% of € 308,000.

RTSR test

The RTSR test sets 40% of the total LTI. For a description of the test and the reference group, please refer to Paragraph 4.3.2.2 of the Remuneration Policy for the Executive Board, which can be consulted on the Vastned website. In the defined reference group Vastned came third based on the figures at year-end 2018, so 72% is awarded based on the RTSR test. As a result, 72% * 40% = 28,8% of the RTSR-based LTI is payable (equal to 28,8% (based on the RTSR test) * 60% (weight of LTI in total calculation) = 17,28% of the annual salary).

ATSR test

The ATSR test sets 30% of the total LTI. For a description of the test, please refer to Paragraph 4.3.2.3 of the Remuneration Policy for the Executive Board, which can be consulted on the Vastned website. As the ATSR for the period 1 January 2016 up to and including 31 December 2018 was not been above 10% as per 31 December 2018, 0% LTI will be payable based on the ATSR test.

Business Health Test

The Business Health Test determines 30% of the total LTI. The purpose of this test is to promote a long-term vision in the determination of the strategy and the policy conducted. As the principle in the assessment of this test, initially the impact of the annual STI targets is measured over a three-year period. But it also takes account of other, non-financial performance indicators. These may include strategic leadership, the 'tone at the top', employee satisfaction, implementation of the strategy and corporate social responsibility.

The Business Health Test was realised in 2018. The calculation of the LTI based on the realisation of the Business Health Test is as follows: 30% (weight of Business Health Test in LTI) * 60% (weight of LTI in total calculation) * annual salary = 18% * annual salary.

Reporting year 2018 is the second year in the three-year period over which the LTI is determined. The LTI for the period 2016 - 2018 will be: € 162.288 for the CEO (€ 79,488 (RTSR) + € 82,800 (Business Health Test)) and € 108,662 for the CFO (€ 53,222 (RTSR) + € 55,440 (Business Health Test).

The Supervisory Board has not availed itself of the right to adjust or reclaim the incentives awarded to the Executive Board on the 2018 reporting year or before.

Pension 2018

The members of the Executive Board do not pay own contributions to their pension schemes; these contributions are paid by the Company. Reinier Walta's pension is based on a career average scheme and Taco De Groot's is a defined-contribution scheme. The expected retirement age of the members of the Executive Board is 67.

Pension compensation CFO

Reinier Walta participates in Vastned's pension scheme. As of 1 January 2015, the tax relief on pension accrual was adjusted based on new tax legislation, and now the maximum pensionable salary in any year[1)] is limited. It has been agreed with Reinier Walta that he will be compensated for this adjustment up to the level of the pension contribution which Vastned no longer has to pay in. The same scheme has been agreed with other Vastned employees.

The pension payment for Reinier Walta in 2018 amounted to € 21,574 for the part up to the maximum pensionable salary in that year. For the part above the maximum pensionable salary Reinier Walta received a compensation of € 30,786 in 2018. This pension compensation does not qualify as part of the fixed remuneration. In total the compensation amounted to € 52,360 (17% * € 308,000 (fixed remuneration)). Based on tax legislation, the partner pension under the pension scheme that is in effect in Vastned is also limited. The Vastned pension scheme in which the CFO participates also includes an invalidity pension.

Loans 2018

Vastned did not provide any loans or guarantees to members of the Executive Board in 2018.

1) As of 1 January 2018: € 105,075

2. Remuneration of the Supervisory Board

The remuneration system for the Supervisory Board adopted by the Annual General Meeting of Shareholders on 20 April 2017 has remained unchanged, and is as follows:

Chair	**€ 48,000**
Member (not chairmanship)	**€ 36,000**
• Supplement chairmanship audit and compliance committee	€ 7,750
• Supplement membership (not chairmanship) audit and compliance committee	€ 5,500
• Supplement chairmanship remuneration and compliance committee	€ 6,750
• Supplement membership (not chairmanship) remuneration and compliance committee	€ 4,750

All members also receive a fixed expense allowance for travel and accommodation of € 1,250 per year, excluding turnover tax.

Overview of the remuneration awarded to the Supervisory Board in 2018

The table below presents the remuneration awarded to the Supervisory Board in 2018 (€):

Name	Supervisory Board	A&C committee	R&N committee	Expense allowance	Total
Marc C. van Gelder c)	48,000	-	4,750	1,250	54,000
Jeroen B.J.M. Hunfeld	36,000	5,500	-	1,250	42,750
Charlotte M. Insinger	36,000	7,750	-	1,250	45,000
Marieke Bax	36,000	-	6,750	1,250	44,000
Total 2018	**156,000**	**13,250**	**11,500**	**5,000**	**185,750**

c) Chairman

Direct and indirect result

6

Direct result

(€ thousand)

	2018	2017
Gross rental income	77,060	77,480
Other income	368	384
Ground rents paid	(124)	(143)
Net service charge expenses	(501)	(475)
Operating expenses	(6,027)	(7,024)
Net rental income	**70,776**	**70,222**
Financial income	40	21
Financial expenses	(15,035)	(17,608)
Net financing costs	**(14,995)**	**(17,587)**
General expenses	(8,753)	(8,545)
Direct result before taxes	**47,028**	**44,090**
Current income tax expense	(529)	(104)
Movement in deferred tax assets and liabilities	(1,110)	106
Direct result after taxes from continuing operations	**45,389**	**44,092**
Direct result after taxes from discontinued operations	-	1,656
Direct result after taxes	**45,389**	**45,748**
Direct result attributable to non-controlling interests	(5,035)	(4,614)
Direct result attributable to Vastned Retail shareholders	**40,354**	**41,134**

Indirect result

(€ thousand)

	2018	2017
Value movements in property in operation	4,345	64,058
Value movements in assets held for sale	(250)	-
Total value movements in property	**4,095**	**64,058**
Net result on divestments of property	201	(1,891)
Financial expenses	(816)	(817)
Value movements in financial derivatives	(1,473)	2,255
Reclassification of unrealised results on financial derivatives from equity	116	116
Abortive purchase costs	(1,599)	-
Indirect result before taxes	**524**	**63,721**
Movement in deferred tax assets and liabilities	(2,319)	(2,861)
Indirect result after taxes from continuing operations	**(1,795)**	**60,860**
Indirect result after taxes from discontinued operations	-	1
Indirect result after taxes	**(1,795)**	**60,861**
Indirect result attributable to non-controlling interests	2,536	(7,350)
Indirect result attributable to Vastned Retail shareholders	**741**	**53,511**
Direct result attributable to Vastned Retail shareholders	**40,354**	**41,134**
Indirect result attributable to Vastned Retail shareholders	**741**	**53,511**
Result attributable to Vastned Retail shareholders	**41,095**	**94,645**

Per share (€)

Direct result attributable to Vastned Retail shareholders	2.22	2.22
Indirect result attributable to Vastned Retail shareholders	0.04	2.89
	2.26	**5.11**

The direct result attributable to Vastned Retail shareholders consists of net rental income less net financing costs (excluding value movements in financial derivatives), general expenses, taxes on the abovementioned and the part of this income and expenditure attributable to non-controlling interests.

The indirect result attributable to Vastned Retail shareholders consists of the value movements and the net result on divestments of property, the non-cash portion of the interest on the convertible bond loan, value movements in financial derivatives, abortive purchase costs and the movements in deferred tax assets and/or deferred tax liabilities, less the part of these items attributable to non-controlling interests.

Delicious Madrid

Madrid's property market is hot

'In economic terms the Spanish retail market is in some difficulty', explains Luis Vila Barrón, who is country manager for Vastned in Madrid and manages the Spanish portfolio. 'We are up against e-commerce and changing consumer habits.'

According to 'our man in Madrid', retailers are unclear about the road that's ahead and therefore more cautious about expansion. The local Vastned team is trying to coach them and to help tenants look ahead and respond to expectations for the future. This development also means that tenants are more careful when choosing locations.

'Webshops are more flexible than real estate', Mr. Vila explains. 'Because of all these factors combined Vastned is right to invest in the most premium parts of the city. That is where we have to create a presence, in the high streets with flagshipstores and special F&B concepts. We will also continue this strategy in Madrid. Hopefully we will have more critical mass in 2019.'

The Madrid's property market is hot, and that makes making new acquisitions challenging. 'This is why it is interesting to give more attention to Food & Beverage, provided it's located in a premium district and close to major retail destinations.'

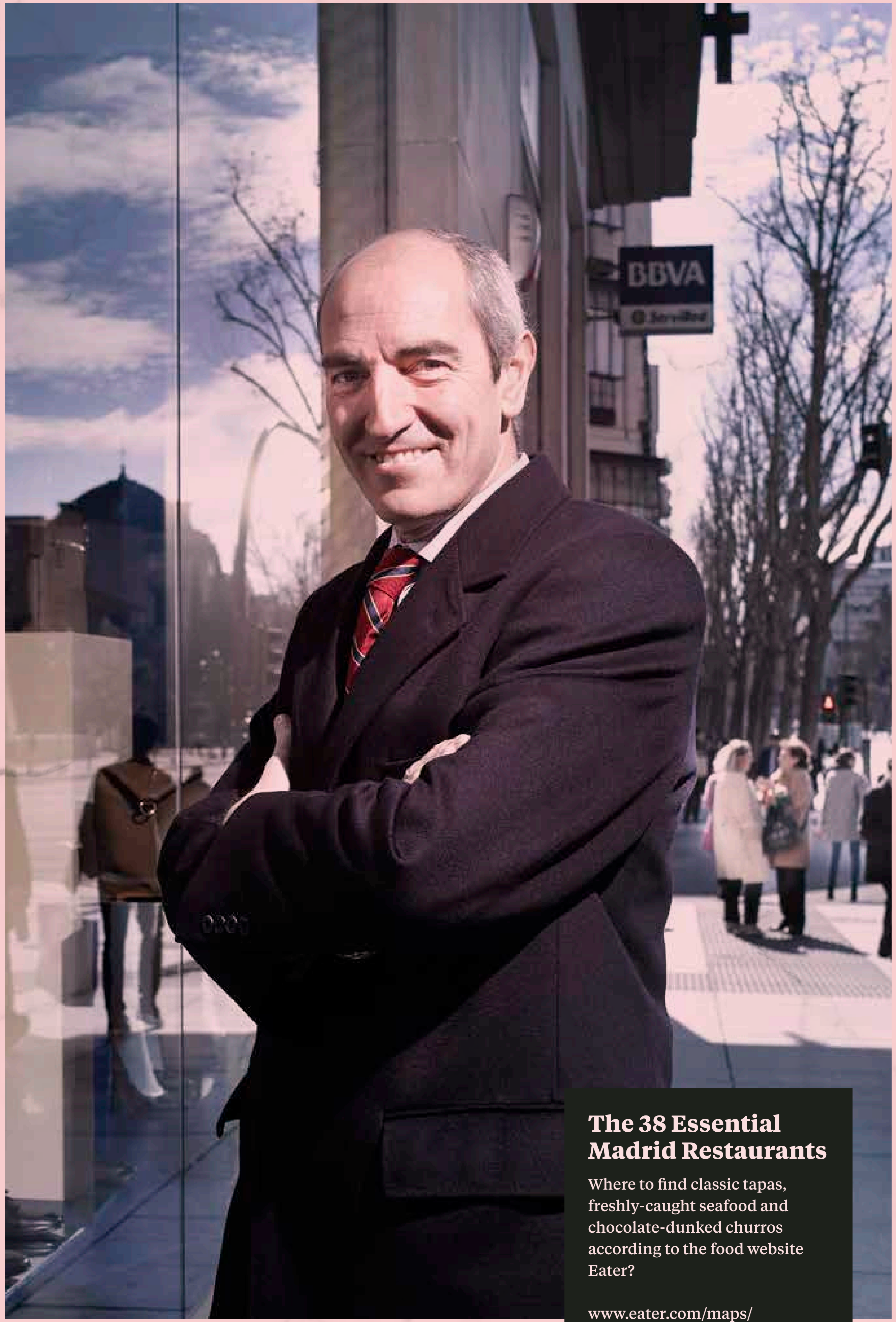
Vila confirms that F&B is growing in Madrid. But, he cautions, we must not forget that 'food culture' has been big and successful in Spain for centuries. 'Walking through town, watching people, being in the open air for experiences and events, eating tapas with a glass of wine in the sunshine and dining together later in the evening are established ways of life here. And nowadays interest in it is growing even more, providing Vastned opportunities for growth and expansion.'

When asked for the latest trends in food in Spain, Vila points to the size and variety of his country: 'Think of the famous cuisine from the Basque country, from Catalonia, Santander, Valencia, Asturias or Galicia and Andalusia. All these food styles are present in the food & beverage in Spain's capital. Traditional menus are 'souped up' in the capital and given a fancier and more modern twist. The various Latin and Spanish food styles mix in this cosmopolitan city, and you can also find top cuisine from Asia and Japan and from other European capitals.'

My personal favourite is Kabuki Wellington, 'where you find fusion food from Japan and Spain. The chef has lived in Japan and was trained by top chefs there. He has learned to make perfect sushi and cut sashimi properly and all these things, and then he combined this with products like Iberico ham. It's delicious!'

Luis Vila Barrón praises the Cava Baja as a food nirvana that is choc-a-block with little restaurants, perfect for a 'walking dinner'. There is a full range of cuisines and great tapas from all over Spain. The Quintín food market is another interesting concept worth visiting. And there is more F&B news to come, Vila knows.

'Vastned Madrid is looking forward to 2019 as a year in which this 'delicious city' will taste better than ever.'



The 38 Essential Madrid Restaurants

Where to find classic tapas, freshly-caught seafood and chocolate-dunked churros according to the food website Eater?

www.eater.com/maps/best-madrid-restaurants-38

Madrid Hotspots

THE COUNTRY ESTATE
Filandón

If you have no penchant for being sardined in a tiny snug city centre restaurant. And if you like having plenty of parking space for your car, then opt for Filandón. It is situated just out of town, on the road between Fuencarrral El-Pardo and Valverde. This modern farm has six rooms to have a meal in, a private room and three outdoor terraces skirting a large garden and lawn. They are all elegantly decorated in subdued colours – whites, greys and natural hues – and with lots of wood. Do look up to the beautiful wooden ridge. In the open kitchen farm-fresh fish or meat is roasting on a huge grill; in front of it, large tables groan under the weight of various vegetables and pumpkins. These tables are great for sharing tapas or having a drink with colleagues or friends after hours. Before dinner, you can find a seat by the fireplace. Filandón is busy, but spacious too! On your plate, you will find Mediterranean dishes, made of products that are freshy bought at local farms every day. Filandón can seat 400 guests. In spite of its size, it has a snug atmosphere, thanks to the various dining rooms and enhanced by all those lights in the trees. Filandón is child-proof.

www.filandon.es

THE SUSHI SPECIALIST
Kabuki Wellington

The flagship of the Kabuki Group – ten restaurants in three Spanish towns and on Tenerife – is located in five-star hotel Wellington. Master chef Ricardo Sanz used to live in Japan, where he learnt the ins and outs of carving sushi and sashimi. According to connoisseurs, Kabuki Wellington is the best sushi restaurant in Spain. Real haute cuisine. A meal at Kabuki Wellington is an unforgettable experience. With a little luck, you will see Sanz at work in the open kitchen. Kabuki Wellington has typically Japanese minimalist design. Apart from an impressive menu – which makes it next to impossible to make a choice – they serve a variety of wines, sakes, teas and beers. The restaurant has a Michelin star. Highly recommendable: ask for the chef's selection for the day.

www.grupokabuki.com

THE RESTAURANT HAS BEEN AWARDED MANY PRIZES

THE GROCER
Ultramarinos Quintín

Quintín is a grocery shop. In every corner, you will find counters offering cheese, meat and sliced cold meats, fruits and vegetables, breads and sweet delicacies. And in between, as well as by the window, there are seats and tables. That means you can have a nice meal there, but you can also do your shopping. This unique concept was conceived by the owner of the El Paraguas and Ten Con Ten restaurants. At Quintín's in the Salamanca district, you will be served an authentic Spanish meal. The way they used to serve food: old-fashioned top quality, in trendy surroundings. The chef buys his products in the market. The two-storey Quintín is a place where you are bound to feel at home. It's a fun place to meet friends, as it has a lively and cosy atmosphere. It is really popular among Madrilenians and tourists, and therefore busy. If you just want to have a snack, you can stand at the high tables by the bar, or outdoors. Do try their homemade Iberico ham!

www.ultramarinosquintin.es

THE HOUSE OF FAME
Casa Lucio

This is the most famous restaurant in Madrid, and not just because of its huevos estrellados and other authentic dishes. Film stars like Will Smith, Andy MacDowell, Pierce Brosnan, Penélope Cruz, and also Bill Clinton and former king Juan Carlos are popular guests in the restaurant on the Cava Baja, just like local politicians and authors. The royal family's favourite dish: Lucio's frites, dry-aged meat on fried egg with a glass of rioja. The now elderly Lucio is no longer in charge – his sons Fernando and Javier have taken his place – but regularly puts in an appearance. At the age of 12, Lucio Blázquez came to Madrid with his dad. Maria del Carmen hired them in the kitchen of what was then named Meson el Segoviano. Lucio learnt the trade, and many years later, Carmen sold her restaurant to Lucio. Their old guests, mostly students, still frequently visit Lucio's. The restaurant is always busy. Lunch time and the cocido on Wednesdays are very popular with the Madrilenians. Booking in advance is advisable!

www.casalucio.es

THE MOST FAMOUS RESTAURANT IN MADRID

Good coffee

THE MEETING PLACE
Café Comercial

Like Café Gijón, Café Comercial on the Glorieta de Bilbao was a pre- and post-war meeting place for artists and authors. At Café Comercial, you go back in time; the interior looks as if it hasn't changed beyond the occasional modern twist. Even decades ago, they loved a serving of churros at Comercial, and that hasn't changed. The premises were once the property of countess De La Romera. In the 1930s, it was a popular venue for performing marriage services. The author Camilo José Cela wrote a number of pages of the novel La Colmena here. And the upper storey housed the Madrid chess club for more than a century. In the 1950s, the café was fully renovated. Luckily, the ornamented ceilings were spared. Café Comercial was the first café in Madrid to hire women and to serve dishes next to a coffee or a cold drink: lovely tapas. Café Comercial regularly presents live music.
www.cafecomercialmadrid.com

THE LITERARY SOCIETY
Café Gijón

Paris has its famous Café de Flore; Madrid has Café Gijón – also known as Gran Café de Gijón – opposite the National Library. The café was established in 1888 by Gijón Don Gumersindo Garcia. A few years later, Isaac Albéniz wrote his first composition here, Asturias. During the Spanish Civil War, Café Gijón was the home base for Spanish authors, poets, playwrights and other artists known as the Generación del 36. Here, they held their tertulias (meetings), philosophised about life and vented dissenting opinions. In later years, Ernest Hemingway, Jorge Luis Borges and Salvador Dalí were spotted in the café. Café Gijón is one of the few still thriving literary cafés in the world. Paintings of deceased patrons adorn the walls. For film lovers and observant watchers: Café Gijón frequently features in movies. Moreover, this café still serves the best coffee and cocktails.
www.cafegijon.com

Good music

THE JAZZ LOVER
Café Central

Café Central, located in the Plaza del Ángel opposite the Plaza de Santa Ana and the popular Calle de las Huertas, presents live music every day. The jazz café has a musical past: musicians have performed here since the 1920s. The interior still harks back to those days. In the early 20th century, a group of friends decided to establish a place in the city where people could relax and enjoy music. The current owners are jazz lovers pur sang as well. They brought some real jazz legends to Café Central, such as George Adams and Lou Bennett. The prestigious American jazz magazine DownBeat named Café Central as one of the best places to listen to jazz. Nowadays, you can also hear fado and flamenco at Café Central. During the performance you can also have a bite to eat and a drink in intimate surroundings. Every musician/band plays three to seven nights in a row. Great, if you cannot make it that one night.
www.cafecentralmadrid.com

Financial statements 2018

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Consolidated profit and loss account

(€ thousand)

Net income from property	Notes	2018	2017
Gross rental income	4, 27	77,060	77,480
Other income	4	368	384
Ground rents paid	4	(124)	(143)
Net service charge expenses	4	(501)	(475)
Operating expenses	4	(6,027)	(7,024)
Net rental income		**70,776**	**70,222**
Value movements in property in operation	5	4,345	64,058
Value movements in assets held for sale	5	(250)	-
Total value movements in property		**4,095**	**64,058**
Net result on divestments of property	6	201	(1,891)
Total net income from property		**75,072**	**132,389**
Expenditure			
Financial income	7	40	21
Financial expenses	7	(15,851)	(18,425)
Value movements in financial derivatives	7	(1,473)	2,255
Reclassification of unrealised results on financial derivatives from equity	7	116	116
Net financing costs		**(17,168)**	**(16,033)**
General expenses	8	(8,753)	(8,545)
Abortive purchase costs	9	(1,599)	-
Total expenditure		**(27,520)**	**(24,578)**
Result after taxes		**47,552**	**107,811**
Current income tax expense	10	(529)	(104)
Movement deferred tax assets and liabilities	10,16	(3,429)	(2,755)
Total income tax		**(3,958)**	**(2,859)**
Result after taxes from continuing operations		**43,594**	**104,952**
Result after taxes from discontinued operations	11	**-**	**1,657**
Result after taxes		**43,594**	**106,609**
Result from continuing operations attributable to Vastned Retail shareholders		41,095	92,988
Result from discontinued operations attributable to Vastned Retail shareholders		-	1,657
Result attributable to non-controlling interests	30	2,499	11,964
		43,594	**106,609**
Per share (€)			
Result from continuing operations	12	2.26	5.02
Result from discontinued operations	12	-	0.09
Result		**2.26**	**5.11**
Diluted result from continuing operations	12	2.14	4.57
Diluted result from discontinued operations	12	-	0.08
Diluted result		**2.14**	**4.65**

Consolidated statement of comprehensive income

(€ thousand)

	Notes	2018	2017
Result after taxes from continuing operations		43,594	104,952
Result after taxes from discontinued operations		-	1,657
Result after taxes		**43,594**	**106,609**
Items not reclassified to the profit and loss account			
Remeasurement of defined benefit pension obligation	21	259	815
Taxes on items not reclassified to the profit and loss account		-	-
Items that have been or could be reclassified to the profit and loss account			
Reclassification of unrealised results on financial derivatives to profit and loss account		(116)	(116)
Reclassification of translation differences on net investments to the profit and loss account	11	-	5,728
Taxes on items that have been or could be reclassified to the profit and loss account		-	-
Other comprehensive income after taxes		**143**	**6,427**
Total comprehensive result		**43,737**	**113,036**
Attributable to:			
Vastned Retail shareholders		41,238	101,072
Non-controlling interests		2,499	11,964
		43,737	**113,036**

Consolidated balance sheet as at 31 December

(€ thousand)

Assets

	Notes	2018	2017
Property in operation	15	1,571,727	1,523,723
Other assets in respect of lease incentives	15	4,342	2,639
Total property		**1,576,069**	**1,526,362**
Tangible fixed assets		1,114	1,120
Total fixed assets		**1,577,183**	**1,527,482**
Assets held for sale	17	3,500	65,202
Debtors and other receivables	18,25	8,905	2,894
Income tax		116	155
Cash and cash equivalents	19	1,546	2,077
Total currents assets		**14,067**	**70,328**
Total assets		**1,591,250**	**1,597,810**

Equity and liabilities

	Notes	2018	2017
Paid-up and called-up capital	20	95,183	95,183
Share premium reserve		472,640	472,640
Hedging reserve in respect of financial derivatives		267	383
Other reserves		221,207	175,834
Result attributable to Vastned Retail shareholders	12	41,095	94,645
Equity Vastned Retail shareholders		**830,392**	**838,685**
Non-controlling interests	30	92,637	94,730
Total equity		**923,029**	**933,415**
Deferred tax liabilities	16	15,628	12,431
Provisions in respect of employee benefits	21	5,362	5,477
Long-term interest-bearing loans	22	475,638	608,609
Financial derivatives	25	5,031	3,558
Guarantee deposits and other long-term liabilities		3,698	3,835
Total long-term liabilities		**505,357**	**633,910**
Payable to banks	23	6,020	7,227
Redemption of long-term interest-bearing loans	22	134,661	18
Income tax		159	186
Other liabilities and accruals	24	22,024	23,054
Total short-term liabilities		**162,864**	**30,485**
Total equity and liabilities		**1,591,250**	**1,597,810**

Consolidated statement of movements in equity

(€ thousand)

	Paid up and called-up capital	Share premium reserve	Hedging reserve in respect of financial derivatives	Translation redserve	Other reserves	Result attributable to Vastned Retail shareholders	Equity Vastned Retail shareholders	Non-controlling interests	Total equity
Balance as at 1 January 2017	95,183	472,640	499	(5,728)	215,412	26,431	804,437	87,060	891,497
Result	-	-	-	-	-	94,645	94,645	11,964	106,609
Other comprehensive income	-	-	(116)	5,728	815	-	6,427	-	6,427
Comprehensive income	**-**	**-**	**(116)**	**5,728**	**815**	**94,645**	**101,072**	**11,964**	**113,036**
Final dividend previous financial year in cash	-	-	-	-	-	(25,126)	(25,126)	(4,294)	(29,420)
Interim dividend 2017 in cash	-	-	-	-	(11,639)	-	(11,639)	-	(11,639)
Contribution from profit appropriation	-	-	-	-	1,305	(1,305)	-	-	-
Share buyback	-	-	-	-	(30,059)	-	(30,059)	-	(30,059)
Balance as at 31 December 2017	**95,183**	**472,640**	**383**	**-**	**175,834**	**94,645**	**838,685**	**94,730**	**933,415**
Adjustment in respect of IFRS 9	-	-	-	-	(1,165)	-	(1,165)	-	(1,165)
Balance as at 1 January 2018	**95,183**	**472,640**	**383**	**-**	**174,669**	**94,645**	**837,520**	**94,730**	**932,250**
Result	-	-	-	-	-	41,095	41,095	2,499	43,594
Other comprehensive income	-	-	(116)	-	259	-	143		143
Total comprehensive income	**-**	**-**	**(116)**	**-**	**259**	**41,095**	**41,238**	**2,499**	**43,737**
Final dividend previous financial year in cash	-	-	-	-	-	(25,644)	(25,644)	(4,592)	(30,236)
Interim dividend 2018 in cash	-	-	-	-	(12,912)	-	(12,912)	-	(12,912)
Contribution from profit appropriation	-	-	-	-	69,001	(69,001)	-	-	-
Share buyback	-	-	-	-	(9,810)	-	(9,810)	-	(9,810)
Balance as at 31 December 2018	**95,183**	**472,640**	**267**	**-**	**221,207**	**41,095**	**830,392**	**92,637**	**923,029**

Consolidated cash flow statement

(€ thousand)

Cash flow from operating activities	Notes	2018	2017
Result after taxes		43,594	106,609
Adjustments for:			
Value movements in property	5	(4,095)	(64,058)
Net result on divestments of properties	6	(201)	1,891
Net financing costs	7, 11	17,168	16,045
Income tax	10,11	3,958	2,897
Cash flow from operating activities before changes in working capital and provisions		**60,424**	**63,384**
Movement in current assets		(7,431)	(492)
Movement in short-term liabilities		3,105	(798)
Movement in provisions		30	169
		56,128	**62,263**
Interest received		40	25
Interest paid		(14,190)	(16,695)
Income tax paid		(749)	(797)
Cash flow from operating activities		**41,229**	**44,796**
Cash flow from investing activities			
Property acquisitions		(52,730)	(32,682)
Capital expenditure on property		(3,646)	(4,479)
Divestments of property		70,141	29,145
Divestments of subsidiaries		-	95,167
Cash flow from property		**13,765**	**87,151**
Movement in tangible fixed assets		6	160
Cash flow from investing activities		**13,771**	**87,311**
Cash flow from financing activities			
Share buyback	20	(9,810)	(30,059)
Dividend paid	13	(38,556)	(36,765)
Dividend paid to non-controlling interests	30	(4,592)	(4,294)
Interest-bearing loans drawn down	22	49,805	95,067
Interest-bearing loans redeemed	22,23	(52,241)	(154,945)
Settlement of interest rate derivatives		-	(590)
Movements in guarantee deposits and other long-term liabilities		(137)	276
Cash flow from financing activities		**(55,531)**	**(131,310)**
Net increase/(decrease) in cash and cash equivalents		**(531)**	**797**
Cash and cash equivalents as at 1 January	19	2,077	1,280
Cash and cash equivalents as at 31 December		**1,546**	**2,077**

Notes on the consolidated financial statements

1 General information

Vastned Retail N.V. ('Company' or 'Vastned'), with its principal place of business in Amsterdam and its registered office in Rotterdam, the Netherlands, is a property company that invests sustainably in top quality retail property with a clear focus on the best retail property in the popular high streets of larger cities ('core city assets'). Investments are also made to a lesser extent in mixed retail locations, consisting of high street shops in other cities, Belgian 'baanwinkel' stores, a number of supermarkets and in (parts of) smaller shopping centres. The property is located in the Netherlands, France, Belgium and Spain.

Vastned is registered in the commercial register of the Chamber of Commerce under number 24262564.

Vastned is listed on the Euronext stock exchange in Amsterdam.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (jointly referred to as 'Group') and the interests the Group has in associates and entities over which it has joint control.

2 Significant principles for financial reporting

A Statement of compliance

The consolidated financial statements of the Company are presented in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union, and also complies with statutory provisions with respect to the financial statements as set out in Title 9 of Book 2 of the Dutch Civil Code. These standards comprise all new and revised Standards and Interpretations as published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), as far as they apply to the Group's activities, effective for financial years starting from 1 January 2018.

New or amended standards and interpretations that became effective on 1 January 2018

The amended standards and interpretations that came into effect in 2018 are listed below.

- **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and concerns (a) classification and measurement of financial assets and liabilities, (b) impairment of financial assets, (c) hedge accounting and (d) transition method.

(a) Classification and measurement of financial assets

The Group initially measures a financial asset at fair value, plus transaction costs if a financial asset is not measured at fair value through the profit and loss account.
Under IFRS 9 financial assets are subsequently measured at fair value through the profit and loss account (FVPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the business model of the group for asset management; and, whether the contractual cash flows of the instruments represent 'solely payments of principal and interest' for the outstanding principal (the 'SPPI criterion').

The classification and measurement of the financial assets of the Group are as follows:
- **Debt instruments measured at amortised cost**

This classification applies to financial assets held within a business model with the objective of holding the financial assets in order to receive contractual cash flows that fulfil the SPPI criterion. This class comprises the debtors and other receivables of the Group.
- **Financial assets measured at FVPL**

These assets comprise the financial derivatives.

The assessment of the business models of the Group was made on the date of first application, 1 January 2018, and was then applied with retrospective effect to the financial assets that were included in the balance sheet as at 1 January 2018. The assessment of whether the contractual cash flows comprise solely the principal and interest was made based on the facts and circumstances upon initial recognition of the assets. The application of IFRS 9 did not result in a change in classification of the financial assets of the Group.

In terms of the classification of financial liabilities IFRS 9 does not contain substantial changes from IAS 39. The application of IFRS 9 therefore did not result in change in the classification of financial liabilities.

Modification of long-term liabilities
The Group has identified three modifications that did not result in derecognition of the loans. In accordance with IAS 39 at the time of modification no result was reported. IFRS 9 prescribes that the gain or loss arising from a modification must be recognised directly in the profit and loss account.
In accordance with this prescription the adjustment as at 1 January 2018 as a result of the application of IFRS 9 has been taken directly to equity. The initial recognition of the adjustment of the modifications resulted in a reduction of shareholders' equity as at 1 January 2018 by an amount of € 1.2 million and an increase of the Long-term interest-bearing loans by the same amount.

(b) Impairment of financial assets
The application of IFRS 9 has fundamentally changed the recognition of impairment losses on financial assets by the Group as the 'incurred credit loss method', which was used under IAS 39, was replaced by a forward-looking 'expected credit loss method' (ECL).
IFRS 9 requires that the Group recognises a provision for ECLs for all financial assets that are not measured at FVPL.
For the debtors and other receivables the Group has applied a simplified approach of the standard and calculated ECLs based on lifetime expected credit losses. The Group has drawn up a provisions matrix that is based on the historical credit loss experience of the Group, corrected for forward-looking factors that are specific to the debtors and the economic environment. The introduction of the ECL resulted in a € 55 thousand lower provision. The decrease of the provision as at 1 January 2018 was taken directly to equity in accordance with IFRS 9.

(c) Hedge accounting
The Group does not apply hedge accounting.

(d) Transition method
The Group has applied IFRS 9 retrospectively without adjusting the comparative figures.
The total impact on shareholders' equity as at 1 January 2018 was € 1.2 million negative.

- **IFRS 15 Revenue from Contracts with Customers**
  IIFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue and concerns recognition of revenues from contracts with customers. The implementation of IFRS 15 has no consequences for the accounting of rental income since the rental income can be classified as lease revenues and does not fall within the scope of IFRS 15.

  In addition to rent, the following fees are charged to tenants:

  Service costs charged to tenants
  In a large number of cases the Group is responsible for supplying energy to tenants, cleaning general areas and window cleaning. The Group obtains these services from suppliers on behalf of the tenants and charges the costs on to tenants without any profit mark-up. The suppliers are principally responsible for providing the services, determining prices and supplying goods. The tenants determine the use of the services. The Group is of the opinion that based on the applicable IFRS 15 criteria and indicators it has no control over the services provided to the tenants, and that it acts as an agent. Implementation of the standard therefore does not impact the presentation of the service costs charged to tenants in the consolidated profit and loss account. They will continue to be presented net in net service charge expenses.

  Management of general areas
  In France, a number of leases stipulate a fee for the management of general areas. The fee is related to the rent charged to tenants and the floor area leased. The fee is not necessarily equal to the costs of the services. As a result, the Group receives the remaining benefits. The Group is also responsible for providing these services, so that based on this the Group has control of these services. The Group believes that based on the above it can be qualified as a principal. This means that this income can no longer be charged to general expenses, but must be recognised as revenue.
  As of 2018, these revenues are recognised in Other income in the consolidated profit and loss account. For the sake of comparability, the comparative figures for 2017 have been adjusted accordingly.

	2017 before adjustment	Impact of adjustment	2017 after adjustment
Other income	-	384	384
General expenses	(8,161)	(384)	(8,545)

  Since this is only a change in presentation, the impact on the Group's financial results is nil.

Sale of property
Under IAS 18 the time of accounting a property sale used to be based on the assessment of the time when the risks and rewards were transferred. In IFRS 15 the time of accounting is based on an assessment of the time when control is transferred. The Group believes that control is transferred when the property is transferred to the buyer and this party can therefore actually dispose of the property.
The implementation of IFRS 15 has not had any impact in this area. The modified retrospective approach is applied.

- **Clarifications to IFRS 15 Revenue from Contracts with Customers**
  The amendments involve several clarifications related to goods and services.
  The amendments do not have any impact on the presentation, notes or the financial results of the Group.

- **Amendments to IAS 40: Transfers of Investment Property**
  The amendment concerns a clarification of when property must be transferred to or from property in operation or under renovation. The amendment does not have any impact on the presentation, notes or the financial results of the Group.

New or amended standards and interpretations endorsed by the European Union and that will be effective for financial years starting on or after 1 January 2019 and are not yet being applied by the Group.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation** (effective for financial years starting on or after 1 January 2019)
  The amendments concern reporting of financial instruments with the option of early repayment at a lower amount than the contractual payments of the principal and interest. The amendment does not have any impact on the presentation, notes and the financial results of the Group.

- **IFRS 16 Leases** (effective for financial years starting on or after 1 January 2019)
  This standard describes how both financial and operating leases must be recognised. The standard mainly has consequences for lessees. Except in certain exempt situations, lessees must include all leases on the balance sheet. An exemption applies for leases for low-value assets and short-term leases. Tenants report a lease liability with a corresponding asset (right of use) and recognise interest and depreciation separately. Certain events necessitate a reassessment by the lessee of certain key elements (for example, lease period and variable rents based on an index).
  The Group operates almost exclusively as lessor. The recognition of leases by lessors remains largely unchanged, which means application of the new standard is not expected to have any material impact on the Group's financial results.
  In a limited number of cases the Group is a lessee. This concerns a number of ground rent agreements and a number of leases for offices that the Group leases for its organisation. For these cases the Group will include a right of use asset and a lease liability in its balance sheet. The right of use assets relating to the ground leases will be included under property. These right of use assets will be measured at fair value and therefore not be depreciated. The right of use assets relating to the leases of the offices used by the organisation will be depreciated straight-line. The depreciation of these right of use assets will be recognised in the general expenses. On first application of the standard the right of use assets will generally be measured at an amount equal to the lease liability. For the calculation of the lease liabilities a weighted average incremental borrowing rate of 2.2% was used.
  The group will apply the modified retrospective approach. The Group will apply the practical expedient that allows the Group to not reassess whether a contract is or contains a lease on the date of first application. In addition, the Group will make use of the recognition exemption for leases with a term shorter than one year and leases for which the underlying asset is of low value. In such cases the lease payments related to these contracts will be accounted for straight-line as costs in the profit and loss account.

The impact on the consolidated balance sheet as at 1 January 2019 is as follows:

Assets	31 December 2018	effect of IFRS 16 application	1 Januari 2019
Property in operation (including other assets in respect of lease incentives)	**1,576,069**	**3,478**	**1,579,547**
Tangible fixed assets	1,114	-	1,114
Right of use assets	-	857	857
Total fixed assets	**1,114**	**857**	**1,971**
Total currents assets	**14,067**	**-**	**14,067**
Total assets	**1,591,250**	**4,335**	**1,595,585**

Equity and liabilities

Equity Vastned Retail shareholders	830,392	–	830,392
Non-controlling interests	92,637	–	92,637
Total equity	**923,029**	**–**	**923,029**
Lease liabilities	–	4,037	4,037
Other long-term liabilities	505,357	–	505,357
Total long-term liabilities	**505,357**	**4,037**	**509,394**
Lease liabilities	–	358	358
Other liabilities and accruals	162,864	(60)	162,804
Total long-term liabilities	**162,864**	**298**	**163,162**
Total equity and liabilities	**1,591,250**	**4,335**	**1,595,585**

Due to the very limited impact on the solvency ratio no further agreements were made with the lenders.

The impact on the 2019 result is expected to be approx. € 0.1 million positive.

- **IFRIC Interpretation 23 Uncertainty over Income Tax Treatments** (effective for financial years starting on or after 1 January 2019)
  The interpretation clarifies the recognition of uncertain tax positions in the financial statements. The uncertainty in the amount reported and the assumptions used must be explained. The interpretation is not expected to have any material impact on the financial position and the results of the Group.

New or amended standards and interpretations not yet adopted by the European Union

The following standards, amended standards and interpretations that have not yet been adopted by the European Union are not yet being applied by the Group:

- **Improvements to IFRS Standards 2015 – 2017 Cycle** (effective for financial years starting on or after 1 January 2019)
  The changes are minor amendments to a number of standards.
  The amendments are not expected to have any impact on the presentation, notes or the financial results of the Group.

- **Amendments to IAS 1 and IAS 8: Definition of Material** (effective for financial years starting on or after 1 January 2020)
  The amendments clarify the definition of material and how it should be applied by including guidelines in the definition that were previously included elsewhere in the IFRS standards. Furthermore, the notes to the definition were improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS standards.
  The amendments are not expected to have any impact on the presentation and notes of the Group.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement** (effective for financial years starting on or after 1 January 2019)
  The amendments prescribe the accounting of service costs, net interest and the asset ceiling after changing plan, curtailment or settlement.
  The amendments are not expected to have any impact on the presentation, notes or financial results of the Group.

- **Amendments to IAS 28: Long-term interests in Associates and Joint Ventures** (effective for financial years starting on or after 1 January 2019)
  The amendments clarify that an entity must apply IFRS 9 to long-term interests in associated participating interests or joint ventures to which it does not apply the equity method.
  The amendments are not expected to have any impact on the presentation, notes or financial results of the Group.

- **Amendment to IFRS 3 Business Combinations** (effective for financial years starting on or after 1 January2020)
  The amendment aims to simplify the decision as to whether an acquisition of operations and assets should be qualified as a business combination or the acquisition of a group of assets.
  The amendment might be relevant for future acquisitions, and in such cases it will be applied by the Group.

B Principles applied in the preparation of the financial reporting

The financial statements are presented in euros; amounts are rounded off to thousands of euros, unless stated differently. Property and financial derivatives are valued at fair value.
The other items in the financial statements are valued at historical cost, unless stated otherwise.

Amortised cost

The amortised cost is the amount for which a financial asset or financial liability is recognised on the balance sheet at initial recognition less repayments on the principal, increased or decreased by the cumulative amortisation of the difference between that initial amount and the final maturity amount - determined via the effective interest method - less any write-downs (directly or by forming a provision) due to impairments or uncollectability.

Netting

An asset and an item in loan capital are reported net in the financial statements exclusively if and to the extent:

- a proper legal instrument is available for simultaneous, net settlement of the assets and item of the loan capital; and
- there is a firm intention to settle the netted item as such or the two items simultaneously.

Estimates and assumptions

In the presentation of the financial statements in compliance with IFRS the Executive Board has made judgements concerning estimates and assumptions which impact the figures included in the financial statements. The estimates and underlying assumptions concerning the future are based on historical experience and other relevant factors, given the circumstances on the balance sheet date. The actual results may deviate from these estimates.

The estimates and underlying assumptions are evaluated regularly. Any adjustments are recognised in the period in which the estimate was reviewed, or if the estimate also impacts future periods, also in these future periods. The principal estimates and assumptions concerning the future and other important sources of estimate uncertainties on the balance sheet date that have a material impact on the financial statements and which present a significant risk of material adjustment of book values in the subsequent financial year are included in *31 Accounting estimates and judgements*.

The accounting principles for financial reporting under IFRS set out below have been applied consistently within the Group and for all periods presented in these consolidated financial statements.

C Basis of consolidation

Subsidiaries
Subsidiaries are entities over which the Company has direct or indirect predominant control. The Company has predominant control if:

- it has power over the entity;
- it is exposed to or entitled to variable returns because of its involvement in the entity; and
- it has the possibility of using its predominant control over the entity to influence the size of these returns.

Every one of these three criteria must be satisfied before the Company is deemed to have predominant control over the entity in which it has an interest.
The financial statements of the subsidiaries are included in the consolidated statements from the date at which predominant control is first obtained until such time when control ceases. Once predominant control is obtained, all subsequent changes in ownership interests that do not involve the loss of that predominant control will be treated as transactions among shareholders. Goodwill is not recalculated or adjusted. Non-controlling interests are separately recognised in the balance sheet under equity. Non-controlling interests in the result of the Group are also recognised separately.

Transactions eliminated on consolidation
Balances within the Group and possible unrealised profits and losses on transactions within the Group, or income and expenditure from such transactions are eliminated in the presentation of the financial statements. Unrealised profits in respect of transactions with associates are eliminated proportionally to the interest that the Group has in the entity. Unrealised losses are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

Acquisitions of subsidiaries
The Group acquires subsidiaries that own property. At the time of acquisition, the Group assesses whether the acquisition must be designated as a business combination or as the purchase of an asset. The Group recognises the acquisition of a subsidiary as a business combination if the acquisition also involves acquiring an integrated series of activities. More specifically, account is taken of the degree to which significant processes are acquired and, in particular, the size of the services provided by the subsidiary. The costs of the acquisition of a business combination are valued at the fair value of the underlying assets, equity instruments issued and debts incurred or taken over at the time of transfer. Expenses incurred in realising a business combination (such as consultancy, legal and accountancy fees) are recognised in the profit and loss account. Acquired identifiable assets and (contingent) liabilities are initially recognised at fair value on the acquisition date. Goodwill is the amount by which upon its initial recognition the cost price of an acquired entity exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities. Changes in the purchase price after the acquisition date do not result in recalculation or adjustment of the goodwill.
After initial recognition, the goodwill is valued at cost less any cumulative impairment losses. Goodwill is attributed to cash generating entities and is not amortised. Annually, or earlier if circumstances give cause, goodwill is assessed for impairment.

Negative goodwill resulting from an acquisition is recognised directly in the profit and loss account.

For associates, the book value of the goodwill is included in the book value of the investments in the associate in question.

If the acquisition of a subsidiary does not qualify as an acquisition of a business combination, the acquisition is recognised as the acquisition of an asset. The expenses incurred in connection with the acquisition are capitalised in that case. Goodwill and deferred tax liabilities at the time of acquisition are not stated.

D Foreign currencies

The items in the annual accounts of the separate entities of the Group are recognised in the currency of the principal economic location in which the entity operates (the ‘functional currency’). The currency of the main cash flows of the entity is taken into account in the determination of the functional currency. As a result, the euro is used as the functional currency in all foreign entities where the Group operates.

The consolidated financial statements are presented in euros, the Group’s reporting currency. In the preparation of the financial statements of the separate entities, transactions in foreign currencies are recognised at the exchange rate effective on the transaction date. Foreign currency results arising from the settlement of these transactions are recognised in the profit and loss account.

On the balance sheet date, monetary assets and liabilities in foreign currency are translated at the exchange rate effective on that date. Non-monetary assets and liabilities that are valued at fair value are translated at the exchange rate on the date on which the fair value was determined. Non-monetary assets and equity and liabilities valued at historical cost are translated at the historical exchange rate.

E Property in operation and under renovation

Property is immoveable property held in order to realise rental income, value increases or both. Property is classified as property in operation if the property is available for letting.

Acquisitions and divestments of immoveable property available for letting are included in the balance sheet as property or designated as divested at the time when the property is transferred by the seller or to the buyer and the buyer or the seller therefore has the property at its disposal. Upon initial recognition, the property is recognised at acquisition price plus costs attributable to the acquisition, including property transfer tax, property agency fees, due diligence costs, legal costs and civil-law notary costs, and is recognised at fair value on subsequent balance sheet dates.

Property is classified as property under renovation at such time when it is decided that for continued future use, an existing property must first be renovated and as a consequence is no longer available for letting during renovation.

Both property in operation and property under renovation are stated at fair value, with an adjustment for any balance sheet items in respect of lease incentives (see *Q Gross rental income*). The fair value is based on market value (less the costs borne by the buyer, including property transfer tax and civil-law notary costs), i.e. the estimated value at which a property could be traded on the balance sheet date between well-informed and independent parties who are prepared to enter into a transaction, both parties acting prudently and without duress.
The independent, certified appraisers are instructed to appraise the property in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards as published by the International Valuation Standards Council (IVSC). These guidelines contain mandatory rules and best practice guidelines for all RICS members and appraisers.
The appraisers use the discounted cash flow method and/or the capitalisation method for determining the market value. In the event that both methods are applied, the respective outcomes are compared. The market value established according to the discounted cash flow method is determined as the present value of the forecast cash flow for the next ten years and the end value which is calculated by capitalising the market rental value at the beginning of the eleventh year at a certain yield (capitalisation factor). The market value established according to the capitalisation method is determined by capitalising the net market rents on the basis of a yield. The capitalisation factor is based on the yields of recent market transactions for comparable properties at comparable locations. Both methods take recent market transactions and differences between market rental value and contractual rental value, incentives provided to tenants, vacancy, operating expenses paid, the state of repair and future developments into account.
The valuation of the property is based on the most efficient and effective use.
In order to present the fair value on the balance sheet date in (interim) financial statements as accurately as possible the following system is used:

- Property in operation and under renovation with an expected individual value exceeding € 2.5 million is appraised externally every six months.
- External appraisals of property with an expected individual value of € 2.5 million or less are carried out at least once per year. For the periods that these properties are not appraised externally, the fair value of this property is determined internally.
- The external appraisers must be demonstrably properly certified and must have a good reputation and relevant experience pertaining to the location and the type of property. Furthermore, they must act independently, objectively and ethically.
- In principle, the external appraiser for a property is changed every three years.

Based on this method, approximately 90% of the total value of the property is effectively appraised externally every six months.

The remuneration of the external appraisers is based on a fixed fee per property and on the number of tenants per property.

Profits or losses resulting from a change in the fair value of a property in operation or under renovation are entered in the profit and loss account under 'Value movements property in operation/under renovation' in the period in which they occur.

Profits and losses resulting from divestments of property are determined as the difference between net income from divestment and the latest published book value of the property and are recognised in the period in which the divestment takes place, and entered under 'Net result on divestments of property'.

F Tangible fixed assets

Tangible fixed assets mainly comprise assets held by the Group in the context of ancillary business operations, such as office furniture, computer equipment and vehicles. Tangible fixed assets are valued at cost less cumulative depreciation and any cumulative impairment losses. Depreciation is recognised in the profit and loss account using the straight-line method, taking account of the expected useful life and residual value of the assets in question. The expected useful life is estimated as follows:

• Office furniture and suchlike	5 years
• Computer equipment	5 years
• Vehicles	5 years

G Financial derivatives

The Group uses financial interest rate derivatives for hedging interest rate risks resulting from its operating, financing and investing activities. In accordance with the treasury policy set by the Executive Board and the Supervisory Board, the Group neither holds nor issues derivatives for trading purposes. Financial derivatives are valued at fair value.

The fair value of financial interest rate derivatives is the amount the Group would expect to receive or to pay if the financial interest rate derivatives were to be terminated on the balance sheet date, taking into account the current interest rate and the actual credit risk of the particular counterparty or counterparties or the Group on the balance sheet date. The amount is determined on the basis of information from reputable market parties.

A derivative is classified as a current asset or short-term debt if the remaining term of the derivative is less than 12 months or the derivative is expected to be realised or settled within 12 months.

The value movements in the financial derivatives are reported in the profit and loss account.
The Group does not apply hedge accounting.

H Assets held for sale

Assets and groups of assets are recognised under 'Assets held for sale' if it is expected that the book value will principally be realised by the sale of the assets within one year after recognition under 'Assets held for sale' and not as the result of the continued use thereof. This condition is only satisfied if the sale is very likely, the assets are available for immediate sale in their present condition and the Executive Board has prepared a plan for this.

Assets held for sale are recognised at fair value.

Profits or losses resulting from a change in the fair value of assets held for sale are entered in the profit and loss account under 'Value movements in assets held for sale' in the period in which they occur.

I Debtors and other receivables

Debtors and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less impairment losses. The impairment losses on financial assets are determined on the basis of the expected credit loss method (ECL).
For the Debtors and other receivables the Group applies the simplified approach of calculation method for the ECLs on the basis of expected credit losses over the lifetime. The Group has drawn up a provisions matrix that is based on the historical credit loss experience of the Group, corrected for forward-looking factors that are specific to the debtors and the economic environment.

J Cash and cash equivalents

Cash and cash equivalents are defined as the positive balances in bank accounts.
Cash and cash equivalents which are not (expected to be) at the Group's disposal for a period of more than twelve months are classified as financial fixed assets.

K Capital paid-up and called, share premium reserve and other reserves

Shares are classified as equity Vastned Retail shareholders. External costs directly attributable to the issuing of new shares, such as issuing costs, are deducted from the proceeds and consequently recognised in the share premium reserve. In the issue price of shares, account is taken of the estimated result for the current financial year attributable to the shareholders of the Company up to the issuing date. The result included in the issue price is added to the share premium reserve.

When repurchasing the Company's own shares, the balance of the amount paid, including directly attributable costs, is charged to the other reserves.

No result is recognised in the profit and loss account upon the buyback, sale, issue or cancellation of the Company's own shares.

Dividends in cash are charged to the other reserves in the period in which the dividends are declared by the Company.

L Deferred tax assets and liabilities

Deferred tax assets are recognised for income tax to be reclaimed in future periods relating to offsettable temporary differences between the book value and the tax-based book value of assets and liabilities and for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses and tax credits can be utilised. Deferred tax assets are only recognised if it is likely that the temporary differences will be settled in the near future and sufficient taxable profit will be available for settlement.

Deferred tax liabilities are recognised for income tax payable in future periods on taxable temporary differences between the book value of assets and liabilities and their tax-based book value.

For the valuation of deferred tax assets and liabilities, the tax rates are taken into account that are expected to apply in the period in which the liability will be settled, based on tax rates (materially) enacted on the balance sheet date. For the deferred tax assets and liabilities in the Netherlands, the average tax rate for the next three years is applied due to the uncertainty of the realisation of the book value of the property.
Deferred tax assets and liabilities are not discounted.

No deferred tax asset or liability is recognised for taxable temporary differences upon the initial recognition of an asset or liability in a transaction which is not a business combination and which has no impact on the result at the time of the transaction.
Nor are any deferred tax liabilities recognised for taxable temporary differences arising from the initial recognition of goodwill.

M Provisions in respect of employee benefits

Defined benefit pension plans
The Group's net liability in respect of defined benefit pension plans is calculated separately for each plan by estimating the pension rights employees have built up in return for their service during the reporting period and preceding periods. The pension rights in respect of defined benefit pension plans are calculated at net present value at a discount rate less the fair value of the plan assets from which the liability is to be settled. The discount rate is the yield on the balance sheet date of high-quality corporate bonds with maturities approximating the liabilities of the Group. The certified external actuary employs the projected unit credit method for this calculation. This method takes into account, among other things, future employee salary increases and inflation.

If the pension entitlements based on a scheme are changed or if a scheme is curtailed, the ensuing change in entitlements in relation to past service or the gain or loss on that curtailment is recognised directly in the profit and loss account.

If the plan assets exceed the obligations, the recognition of the assets is limited to the present value of the economic benefits available in the form of any future refunds from the plan or lower future pension premiums.

The net interest is calculated by applying the discount rate to the net liability on the basis of defined benefit pension schemes. The interest is recognised in the profit and loss account under 'Financial expenses'. The service costs and administration costs are recognised in the profit and loss account under 'General expenses'.

Remeasurements, consisting of actuarial gains and losses, among other things, are reported in the Other comprehensive income.

Defined contribution pension plans
Commitments of the Group in respect of defined contribution pension plans are recognised as expenditure in the profit and loss account when the contributions become due.

Long-term personnel benefits
The liabilities based on long-term employee benefits are stated at the present value of the long-service bonuses to be paid to employees in the future.

N Other provisions
Provisions are recognised in the balance sheet if the Group has a legal or constructive obligation resulting from a past event and it is probable that the settlement of that liability requires an outflow of funds. If the effect is material, provisions are recognised at the present value of the expenditure that is expected to be required for the settlement of the liability.

O Interest-bearing debts
Upon initial recognition, interest-bearing debts are stated at fair value less the costs associated with the contracting of the interest-bearing debt. After their initial recognition, interest-bearing debts are stated at amortised cost, recognising any difference between the cost price and the debt to be repaid in the profit and loss account for the term of the debt based on the effective interest rate method. Interest-bearing debts with a term of more than one year are recognised under long-term liabilities. Any repayments on interest-bearing debts within one year are recognised under short-term liabilities.

Convertible bond loan
The convertible bond loan is a component of the interest-bearing debts. The fair value of the part of the convertible bond loan designated as long-term interest-bearing loan is determined by discounting an equivalent non-convertible loan at the market interest rate. This amount is included as a liability upon initial recognition and thereafter stated at amortised cost until the time the bond loan is converted or matures. The remainder is designated as the equity component of the bond loan and is recognised in the share premium reserve in equity.

Derecognition from the balance sheet
An interest-bearing debt is derecognised from the balance sheet when the interest-bearing debt is settled, annulled or cancelled. If an existing interest-bearing debt is replaced by another from the same lender at substantially different conditions, or the conditions of an existing interest-bearing debt are substantially changed, such a replacement or change is treated by derecognising the debt and recognising a new interest-bearing debt. The difference between the respective book values is reported in the profit and loss account.

In the event that the conditions of the interest-bearing debts are adjusted, but this does not result in the derecognition of the interest-bearing debt, the difference between the respective book values is reported in the profit and loss account. This difference is calculated as the difference between the original contractual cash flows and the amended cash flows discounted at the original effective interest rate.

P Other liabilities and accruals
Other liabilities and accruals are initially recognised at fair value and subsequently valued at amortised cost.

Q Gross rental income
Gross rental income from operating leases is recognised on a time-proportionate basis over the term of the leases. Rent-free periods, lease discounts and other lease incentives are recognised as an integral part of total gross rental income. The resulting accruals are recognised under ‘Accrued assets in respect of lease incentives’. These accruals are part of the fair value of the respective property in operation.
Benefits paid by tenants in relation to the premature termination of a lease are recognised in the period in which they occur.

R Other income
The other income concerns fees contractually agreed with tenants for the management of general areas for the property in France. The fees are related to the rent charged to tenants and the floor area leased. The fees are not necessarily equal to the costs of the services. As a result, the Group receives the remaining benefits. The Group is also responsible for providing these services, so that based on this the Group has control of these services. As a result, the Group can be regarded as a principal.

S Net service charge expenses
Service charges are the expenses for power, doormen, garden maintenance, etc., which can be charged on to the tenant under the terms of the lease. The part of the service costs that cannot be charged on relates largely to vacant (units in) properties. The Group can be regarded as an agent. For this reason, the expenses and amounts charged on are not specified in the profit and loss account.

T Operating expenses
Operating expenses paid are the costs directly related to the operation of the property, such as maintenance, management costs, insurance, allocation to the provision for doubtful debtors and local taxes. These costs are attributed to the period to which they relate. Expenses incurred when concluding operating leases, such as commissions, are recognised in the period in which they are incurred.

U Net financing costs
Net financing costs consist of interest expenses paid on loans and debts attributable to the period, calculated on the basis of the effective interest rate method less capitalised financing costs on property and interest income on outstanding loans and receivables. Net financing costs also include gains and losses resulting from changes in the fair value of the financial derivatives. These gains and losses are recognised immediately in the profit and loss account.

V General expenses
General expenses include personnel costs, housing costs, IT costs, publicity costs and the costs of external consultants and are recognised in the period in which they are incurred. Costs relating to the internal commercial, technical and administrative management of the property are attributed to operating costs paid.

W Income tax
Income tax comprises taxes currently payable and recoverable attributable to the reporting period and the movements in deferred tax assets and deferred tax liabilities (see under *L Deferred tax assets and liabilities*). Income tax is recognised in the profit and loss account, except to the extent that it concerns items that are included directly in equity, in which case the taxes are recognised under equity.

The taxes payable and offsettable for the reporting period are the taxes that are expected to be payable on taxable profit in the financial year, calculated on the basis of tax rates and tax legislation enacted or substantively enacted on the balance sheet date, and corrections to taxes payable for previous years.

Additional income tax on dividend payments by subsidiaries is recognised as a liability when it is probable that the dividend in question will be distributed.

X Discontinued operations
A discontinued operation is a component of the Group that has been divested and which:

- represents a separate major business operation or geographical business area; and
- constitutes part of a single coordinated plan to divest a separate, important business operation or geographical business area; or
- is a subsidiary which has been acquired solely for the purpose of being sold on.

The result from discontinued operations is presented separately from the result from continuing operations in the profit and loss account, and as a total amount after taxes.

Y Cash flow statement
The cash flow statement is prepared based on the indirect method. The funds in the cash flow statement consist of cash and cash equivalents. Income and expenditure in respect of interest are recognised under cash flow from operating activities. Expenditure in respect of dividend is recognised under cash flow from financing activities.

Z Segmented information
A segment is a part of the Group that carries out business operations that result in income and expenses. The operating results of the separate segments are assessed periodically by the Executive Board on the basis of confidential financial information; following this the Executive Board decides on the allocation of resources to the segments.
The segmented information is presented on the basis of the countries where the property is located and on the basis of the type of property. These reporting segments are consistent with the segments used in the internal reports.

3 Segmented information

	Netherlands 2018	Netherlands 2017	France 2018	France 2017	Belgium 2018	Belgium 2017	Spain 2018	Spain 2017	Turkey 2018	Turkey 2017	Total 2018	Total 2017
Net rental income	34,743	32,571	15,320	16,688	18,102	17,863	2,611	3,100	-	-	70,776	70,222
Value movements in property in operation	18,395	8,154	(8,487)	31,184	(7,114)	20,751	1,551	3,969	-	-	4,345	64,058
Value movements in assets held for sale	(250)	-	-	-	-	-	-	-	-	-	(250)	-
Net result on divestments of property	(12)	(1,986)	213	116	-	(21)	-	-	-	-	201	(1,891)
Total net income from property	**52,876**	**38,739**	**7,046**	**47,988**	**10,988**	**38,593**	**4,162**	**7,069**	**-**	**-**	**75,072**	**132,389**
Net financing costs											(17,168)	(16,033)
General expenses											(8,753)	(8,545)
Abortive purchase costs											(1,599)	-
Income tax											(3,958)	(2,859)
Result after taxes from continuing operations											**43,594**	**104,952**
Result after taxes from discontinued operations									**-**	**1,657**	**-**	**1,657**
Result after taxes											**43,594**	**106,609**

Property in operation	Netherlands 2018	Netherlands 2017	France 2018	France 2017	Belgium 2018	Belgium 2017	Spain 2018	Spain 2017	Turkey 2018	Turkey 2017	Total 2018	Total 2017
Balance as at 1 January	**648,742**	**682,335**	**395,580**	**381,848**	**388,025**	**360,503**	**91,376**	**87,409**	**-**	**99,630**	**1,523,723**	**1,611,725**
Acquisitions	16,635	11,436	28,005	19,759	-	6,448	4,172	-	-	-	48,812	37,643
Capital expenditure	1,532	2,456	889	455	1,516	884	-	(2)	-	-	3,937	3,793
Transferred from Assets held for sale	3,000	-	-	-	-	-	-	-	-	-	3,000	-
Transferred to Assets held for sale	(3,500)	(27,190)	-	(37,683)	-	-	-	-	-	-	(3,500)	(64,873)
Divestments	(7,320)	(28,449)	(1,270)	17	-	(561)	-	-	-	(99,630)	(8,590)	(128,623)
	659,089	640,588	423,204	364,396	389,541	367,274	95,548	87,407	-	-	1,567,382	1,459,665
Value movements	18,395	8,154	(8,487)	31,184	(7,114)	20,751	1,551	3,969	-	-	4,345	64,058
Balance as at 31 December	**677,484**	**648,742**	**414,717**	**395,580**	**382,427**	**388,025**	**97,099**	**91,376**	**-**	**-**	**1,571,727**	**1,523,723**
Other assets in respect of lease incentives	3,426	1,317	619	668	216	535	81	119	-	-	4,342	2,639
Appraisal value as at 31 December	**680,910**	**650,059**	**415,336**	**396,248**	**382,643**	**388,560**	**97,180**	**91,495**	**-**	**-**	**1,576,069**	**1,526,362**
Other assets 1)	7,748	29,055	631	38,178	1,074	1,279	120	166	-	-	9,573	68,678
Not allocated to segments 2)											5,608	2,770
Total assets	**688,658**	**679,114**	**415,967**	**434,426**	**383,717**	**389,839**	**97,300**	**91,661**	**-**	**-**	**1,591,250**	**1,597,810**
Liabilities	19,033	18,914	4,443	5,810	1,823	2,285	11,073	10,616	-	-	36,372	37,625
Not allocated to segments 3)											631,849	626,770
Total liabilities											**668,221**	**664,395**

1) The Assets held for sale are included in the Other assets.
2) The other assets not allocated to segments are primarily cash and cash equivalents and other receivables.
3) The liabilities not allocated to segments virtually all concern the financing of the property portfolios in the different countries. The financing of the property portfolios is managed at the holding level. For this reason, segmenting this financing by country is not relevant.

	Core city assets		Mixed retail locations		Total	
	2018	2017	2018	2017	2018	2017
Net rental income	50,821	46,269	19,955	23,953	70,776	70,222
Value movements in property in operation	10,150	77,809	(5,805)	(13,751)	4,345	64,058
Value movements in assets held for sale	-	-	(250)	-	(250)	-
Net result on divestments of property	(347)	206	548	(2,097)	201	(1,891)
Total net income from property	**60,624**	**124,284**	**14,448**	**8,105**	**75,072**	**132,389**
Net financing costs					(17,168)	(16,033)
General expenses					(8,753)	(8,545)
Abortive purchase costs					(1,599)	-
Income tax					(3,958)	(2,859)
Result after taxes from continuing operations					**43,594**	**104,952**
Result after taxes from discontinued operations		**1,657**			**-**	**1,657**
Result after taxes					**43,594**	**106,609**

Property in operation

	Core city assets		Mixed retail locations		Toal	
	2018	2017	2018	2017	2018	2017
Balance as at 1 January	**1,221,413**	**1,241,405**	**302,310**	**370,320**	**1,523,723**	**1,611,725**
Acquisitions	48,812	37,643	-	-	48,812	37,643
Capital expenditure	3,681	3,543	256	250	3,937	3,793
Transferred from Assets held for sale	1,750	-	1,250	-	3,000	-
Transferred to Assets held for sale	-	(36,267)	(3,500)	(28,606)	(3,500)	(64,873)
Divestments	-	(102,720)	(8,590)	(25,903)	(8,590)	(128,623)
	1,275,656	1,143,604	291,726	316,061	1,567,382	1,459,665
Value movements	10,150	77,809	(5,805)	(13,751)	4,345	64,058
Balance as at 31 December	**1,285,806**	**1,221,413**	**285,921**	**302,310**	**1,571,727**	**1,523,723**
Accrued assets in respect of lease incentives	3,758	1,906	584	733	4,342	2,639
Appraisal value as at 31 December	**1,289,564**	**1,223,319**	**286,505**	**303,043**	**1,576,069**	**1,526,362**
Other assets	2,306	37,411	5,281	28,926	7,587	66,337
Not allocated to segments					7,594	5,111
Total assets					**1,591,250**	**1,597,810**

4 Net rental income

	Gross rental income		Other income		Ground rents paid		Net service charge expenses		Operating expenses		Net rental income	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Netherlands	38,189	37,081	-	-	(8)	(30)	(82)	(119)	(3,356)	(4,361)	34,743	32,571
France	16,291	17,631	368	384	-	-	(322)	(261)	(1,017)	(1,066)	15,320	16,688
Belgium	19,779	19,443	-	-	(116)	(113)	(90)	(95)	(1,471)	(1,372)	18,102	17,863
Spain	2,801	3,325	-	-	-	-	(7)	-	(183)	(225)	2,611	3,100
	77,060	**77,480**	**368**	**384**	**(124)**	**(143)**	**(501)**	**(475)**	**(6,027)**	**(7,024)**	**70,776**	**70,222**

The gross rental income in the Netherlands includes a € 5.3 million buy-out payment received from a departing tenant.

Ground rents paid	2018	2017
Attributable to leased properties	121	140
Attributable to vacant properties	3	3
	124	**143**

Net service charge expenses	2018	2017
Attributable to leased properties	21	23
Attributable to vacant properties	480	452
	501	**475**

Operating expenses	2018	2017
Attributable to leased properties	5,834	6,797
Attributable to vacant properties	193	227
	6,027	**7,024**

Operating expenses	2018	2017
Maintenance	980	1,841
Administrative and commercial management [1]	3,082	3,099
Insurance	257	302
Local taxes	1,279	1,703
Letting costs	254	239
Allocation to the provision for doubtful debtors (on balance)	(90)	(729)
Other operating expenses	265	569
	6,027	**7,024**

1) 4% of gross rental income, consisting of external and general expenses, which are attributed to operating expenses.

5 Value movements in property

	2018			2017		
	Positive	Negative	Total	Positive	Negative	Total
Property in operation	40,042	(35,697)	4,345	106,839	(42,781)	64,058
Assets held for sale	-	(250)	(250)	-	-	-
	40,042	**(35,947)**	**4,095**	**106,839**	**(42,781)**	**64,058**

6 Net result on divestments of property

	2018	2017
Sale price	71,265	27,055
Book value at time of divestment	(70,543)	(28,993)
	722	**(1,938)**
Sales costs	(569)	(3)
	153	**(1,941)**
Other	48	50
	201	**(1,891)**

For further explanation, see 15 *Property* and 17 *Assets held for sale*.

7 Net financing costs

Interest income	2018	2017
Other interest income	(40)	(21)
Interest expense		
Long-term interest-bearing loans	15,535	18,103
Short-term credits and cash loans	144	154
Other interest payable	172	168
	15,851	**18,425**
Total interest	**15,811**	**18,404**
Value movements in financial derivatives	1,473	(2,255)
Reclassification of unrealised results on financial derivatives from equity	(116)	(116)
	17,168	**16,033**

8 General expenses

	2018	2017
Personnel costs	6,634	7,728
Remuneration of Supervisory Board	181	181
Consultancy and audit costs	1,223	815
Appraisal costs	550	560
Accommodation and office costs	1,042	1,084
Other expenses	1,798	907
	11,428	**11,275**
Attributed to operating expenses	(2,675)	(2,730)
	8,753	**8,545**

Personnel costs

During 2018, an average of 41 employees (full-time equivalents) were employed by Vastned (2017: 45), of whom 22 in the Netherlands and 19 abroad (2017: 26 in the Netherlands and 19 abroad).

In the year under review, Vastned was accountable for € 4.6 million in wages and salaries (2017: € 5.4 million), € 0.7 million in social security charges (2017: € 0.7 million) and € 0.5 million in pension premiums (2017: € 0.6 million).

The other personnel costs were € 0.8 million (2017: € 1.0 million).

Audit costs

The consultancy and audit costs include the costs shown below, which were charged by Ernst & Young Accountants LLP for work carried out for Vastned Retail N.V. and its subsidiaries.

	2018	2017
Audit fees	325	289
Audit-related fees	-	-
Other non-audit-related fees	8	9
	333	**298**

The fees stated above for auditing the financial statements are based on the costs reported in the profit and loss account. The audit costs include a sum of € 0.2 million (2017: € 0.2 million) for Ernst & Young accountants LLP in the Netherlands. In addition to the statutory audit of the financial statements, Ernst & Young Accountants LLP performed the following non-prohibited services in 2018:

	2018
Reporting to the remuneration committee on the realisation of the bonus performance targets of the Executive Board – Short-term incentive	3
Reporting to the remuneration committee on the realisation of the bonus performance targets of the Executive Board – Long-term incentive	3
Reporting on compliance with bank covenants	2
	8

Other expenses

Other expenses include, inter alia, publicity costs and IT costs.

9 *Abortive purchase costs*

These costs concern the costs incurred for the unsuccessful takeover bid on all shares in Vastned Retail Belgium NV that the company did not yet hold.

10 *Income tax*

Current income tax expense	2018	2017
Current financial year	529	104
Movement in deferred tax assets and liabilities		
In respect of:		
Value movements in property	2,319	2,861
Movements in offsettable losses/other temporary differences	1,110	(106)
	3,429	**2,755**
	3,958	**2,859**

The geographic distribution of the income tax is as follows:

	2018			2017		
	Current income tax expense	Movement in deferred tax assets and liabilities	Total	Current income tax expense	Movement in deferred tax assets and liabilities	Total
Netherlands	352	2,965	3,317	(211)	1,519	1,308
France	41	-	41	29	-	29
Belgium	51	(46)	5	255	168	423
Spain	85	510	595	31	1,068	1,099
	529	**3,429**	**3,958**	**104**	**2,755**	**2,859**

Reconciliation of effective tax rate	2018		2017	
Result after taxes		**47.552**		**107.811**
Income tax at Dutch tax rate	0.0%	-	0.0%	-
Effect of tax rates of subsidiaries operating in other jurisdictions	7.7%	3,654	3.0%	3,256
Changes in tax rates	0.0%	-	0.0%	(30)
Adjustment previous financial years	0.6%	304	(0.3%)	(367)
	8.3%	**3,958**	**2.7%**	**2,859**

The companies within the Group are taxed according to the tax regulations in the country in which they are established; a few countries have special tax regimes for property investments.

Dutch FII regime

In the Netherlands, Vastned and several subsidiaries constitute a tax entity which qualifies as a fiscal investment institution ('FII') for corporate income tax. As long as this tax entity continues to satisfy the conditions for qualifying as an FII, the tax entity's tax result is taxed at a corporate income tax rate of 0%. The majority of the Dutch property portfolio is held by this tax entity. The conditions of the FII regime mainly concern the investment character of the activities, the tax-based financing ratios, the composition of the shareholder base and the cash dividend distribution of the tax result within 8 months after the close of the financial year. Two Dutch companies that hold Dutch property are subject to the regular tax regime, which means that the income less interest, management fees and other expenses is taxed at the nominal corporate income tax rate of 25.00%.

Belgian GVV regime

In Belgium, virtually the entire property portfolio is held by the regulated property company ('GVV') Vastned Retail Belgium NV. A GVV essentially has tax-exempt status, so that no tax is payable in Belgium on the net rental income and capital gains realised there. The requirements for applying for regulated real estate company status are largely comparable to those for the Dutch FII regime. One property is held by a company that is subject to the regular tax regime, which means that the income less interest, depreciation, management fees and other expenses is taxed at the nominal tax rate of 29.58% (as of 2019: 25.50%).

French SIIC regime (Société d'Investissements Immobiliers Cotée)

In France, the entire property portfolio is held by various French companies that are subject to the French SIIC regime. Under this tax regime no tax is owed on the net rental income and capital gains realised. The requirements of the SIIC regime are largely comparable to those for the Dutch FII regime.
The French management company is subject to the regular tax regime, which means that the taxable result, consisting of income less depreciation, interest and other expenses, is taxed at a nominal tax rate of 33.33% (as of 2019: 31.00%).

Spain

The property in Spain is held by regularly taxed companies. Depreciation, interest, management fees and other expenses are deducted from the taxable net rental income realised in these companies and the nominal tax rate of 25.00% is then applied.

11 Result after taxes from discontinued operations

In 2018, no operations were discontinued. In 2017, the result after tax from discontinued operations comprised the result of the operations in Turkey, which were sold in April 2017.

The result after tax from discontinued operations can be specified as follows:

	2018	2017
Net rental income	-	1,811
General expenses	-	(105)
Operating result	**-**	**1,706**
Net financing costs	-	(5,740)
Net result on divestments	-	5,729
Result before taxes from discontinued operations	**-**	**1,695**
Current income tax expense	-	(38)
Result after taxes from discontinued operations	**-**	**1,657**

The net financing costs in 2017 included an amount of € 5.7 million relating to the reclassification of the translation differences on net investments from equity.

The cash flow statement includes the following amounts relating to the discontinued operations: operating activities nil (2017: € 2.2 million), investing activities nil (2017: € 95.2 million) and financing activities nil (2017: nil).

The proceeds from the sale of the Turkish activities were € 95.6 million, including € 0.4 million in cash and cash equivalents, and are reported under cash flow from investing activities.

12 Result per share

	2018		2017	
	Basic	Diluted	Basic	Diluted
Result after taxes from continuing operations	41,095	41,095	92,988	92,988
Adjustment for effect of convertible bond loan	-	3,311	-	3,312
Result after taxes from continuing operations adjusted for effect of convertible bond loan	**41,095**	**44,406**	**92,988**	**96,300**
Result after taxes from discontinued operations	-	-	1,657	1,657
Result adjusted for effect of convertible bond loan	**41,095**	**44,406**	**94,645**	**97,957**

Average number of ordinary shares in issue	2018		2017	
	Basic	Diluted	Basic	Diluted
Balance as at 1 January	**18,186,800**	**18,186,800**	**19,036,646**	**19,036,646**
Effect of share buyback	(34,838)	(34,838)	(530,863)	(530,863)
Adjustment for effect of convertible bond loan	-	2,627,179	-	2,577,924
Average number of ordinary shares in issue	**18,151,962**	**20,779,141**	**18,505,783**	**21,083,707**

Per share (€)	2018		2017	
	Basic	Diluted	Basic	Diluted
Result after taxes from continuing operations	2.26	2.14	5.02	4.57
Result after taxes from discontinued operations	-	-	0.09	0.08
	2.26	**2.14**	**5.11**	**4.65**

In the period between the balance sheet date up to and including 7 February 2019 217,670 shares were repurchased.

13 Dividend

On 8 May 2018, the final dividend for the 2017 financial year was made payable. The dividend was € 1.41 per share in cash. This dividend payment totalled € 25.6 million.

On 21 August 2018, the interim dividend for the 2018 financial year was made payable. The interim dividend was € 0.71 per share in cash (total payout: € 12.9 million).

Based on the dividend policy and with due consideration for the conditions associated with the fiscal investment institution status within the meaning of Section 28 of the 1969 Dutch Corporate Income Tax Act and for the interim dividend already distributed, the Executive Board proposes that a final dividend be distributed for the 2018 financial year of € 1.34 per share in cash.

If the Annual General Meeting of Shareholders of 18 April 2019 approves the dividend proposal, the dividend will be made payable to shareholders on 7 May 2019. The dividend to be distributed has not been entered in the balance sheet as a liability.

14 Fair value

The fair value is the amount the Group would expect to receive on the balance sheet date if an asset is sold or to pay if a liability is transferred in an orderly transaction between market parties.

The assets and liabilities valued at fair value on the balance sheet are divided into a hierarchy of three levels:

- **Level 1:**
  The fair value is determined based on published listings in an active market
- **Level 2:**
  Valuation methods based on information observable in the market
- **Level 3:**
  Valuation methods based on information that is not observable in the market, which has a more than significant impact on the fair value of the asset or liability

The table below shows according to which level the assets and liabilities of the Group valued at fair value are valued:

Assets valued at fair value	Level	2018 Book value	2018 Fair value	2017 Book value	2017 Fair value
Property					
Property in operation (including accrued assets in respect of lease incentives)	3	1,576,069	1,576,069	1,526,362	1,526,362
Assets held for sale	3	3,500	3,500	65,202	65,202

Liabilities valued at fair value

Long-term liabilities	Level	2018 Book value	2018 Fair value	2017 Book value	2017 Fair value
Long-term interest-bearing loans	2	475,638	477,523	608,609	619,457
Financial derivatives	2	5,031	5,031	3,558	3,558

All assets and liabilities valued at fair value were valued as of 31 December.

No assets or liabilities were reclassified with respect to level in 2018 and 2017.

The fair value of the ‘Long-term interest-bearing loans’ is calculated as the present value of the cash flows based on the swap yield curve and credit spreads in effect at year-end 2018.

The fair value of the ‘Debtors and other receivables’, ‘Cash and cash equivalents’, ‘Guarantee deposits and other long-term liabilities’, ‘Payable to banks’, ‘Redemption of long-term interest-bearing loans’ and ‘Other liabilities and accruals’ is considered to be equal to the carrying amount because of the short-term nature of these assets and liabilities or the fact that they are subject to a floating interest rate. For this reason these items are not included in the table.

For an explanation of the valuation principles for the property in operation and the financial derivatives, reference is made to 2E *Property in operation and under renovation* and 2G *Financial derivatives*.

The value of the Assets held for sale is determined on the basis of expected sales prices, which are based on draft contracts of sale or letters of intent.

15 Property

The property in operation valued at fair value falls under ‘level 3’ in terms of valuation method.

Valuation of property

Key principles and assumptions used in determining the appraisal values of the property in operation are as follows:

	Netherlands		France		Belgium		Spain		Total	
	Core city assets	Mixed retail locations	Core city assets	Mixed retail locations	Core city assets	Mixed retail locations	Core city assets	Mixed retail locations	Core city assets	Mixed retail locations
2018										
Appraisal value as at 31 December	548,995	131,915	415,297	39	231,442	151,201	93,830	3,350	1,289,564	286,505
Lease incentives still to be granted as at the balance sheet	923	116	108	-	105	111	558	-	1,684	237
Market rent per sqm (€)	527	143	835	82	382	142	1,272	305	576	143
Theoretical annual rent per sqm (€)	513	156	794	82	407	153	1,190	302	565	155
Vacancy rate at end of reporting year	-	5.5	0.8	-	2.5	1.8	-	-	0.7	3.7
Weighted average lease term in years (until first break)	3.8	3.6	2.1	2.3	1.9	1.9	3.1	3.0	2.8	2.8
The appraisal values established on the basis of these principles and assumptions produce the following net yields (all-in basis):	**3.5**	**6.3**	**3.6**	**3.2**	**4.1**	**5.8**	**3.3**	**4.8**	**3.6**	**6.0**
2017										
Appraisal value as at 31 December	505,553	144,506	394,918	1,330	234,653	153,907	88,195	3,300	1,223,319	303,043
Lease incentives still to be granted as at the balance sheet	96	133	116	-	414	168	4	-	630	301
Market rent per sqm (€)	557	149	787	47	372	144	1,307	305	578	141
Theoretical annual rent per sqm (€)	522	161	726	92	390	151	1,194	299	550	153
Vacancy rate at end of reporting year	0.4	6.5	0.5	39.5	0.2	1.7	-	-	0.4	5.0
Weighted average lease term in years (until first break)	3.9	3.7	2.1	1.7	1.9	1.9	2.5	4.0	2.8	2.9
The appraisal values established on the basis of these principles and assumptions produce the following net yields (all-in basis):	**3.5**	**6.2**	**3.4**	**19.8**	**4.0**	**5.6**	**3.3**	**5.0**	**3.6**	**6.0**

The market rental value is the estimated amount for which a particular space can be let at a certain point in time by well-informed and independent parties who are prepared to enter into a transaction, both parties acting prudently and without duress.

The theoretical annual rental value is the gross annual rent exclusive of the effects of straightlining lease incentives, increased by the annual market rental value of any vacant spaces.

The vacancy rate is calculated by dividing the estimated market rental value of the vacant spaces by the estimated market rental value of the total property portfolio.

The net yield is calculated by dividing the contractual gross rental income less the non-recoverable operating expenses by the market value of the property on an all-in basis.

A 25 basis point increase in the net initial yields used in the appraisal values would result in a € 91.9 million, or 5.8% fall in the value of the property (31 December 2017: € 87.3 million or 5.7%) and a 241 basis point (31 December 2017: 226 basis point) increase in the loan-to-value-ratio.

A decrease in the market rental values used in the appraised values of € 10 per sqm would result in a € 42.4 million, or 2.7% fall in the value of the property portfolio (31 December 2017: € 42.7 million or 2.8%) and an 108 basis point (31 December 2017: 107 basis point) increase in the loan-to-value-ratio.

Property in operation

As at 31 December 2018, 93% of the property in operation was appraised by independent certified appraisers.

The independent certified appraisers who appraised the property in 2017 and 2018 are: CBRE and Cushman & Wakefield in Amsterdam, Brussels, Madrid and Paris, and Crédit Foncier Expertise in Paris.

Property in operation	2018	2017
Balance as at 1 January	1,523,723	1,611,725
Acquisitions	48,812	37,643
Capital expenditure	3,937	3,793
Transferred from Assets held for sale	3,000	-
Transferred to Assets held for sale	(3,500)	(64,873)
Divestments	(8,590)	(128,623)
	1,567,382	**1,459,665**
Value movements	4,345	64,058
Balance as at 31 December	**1,571,727**	**1,523,723**
Accrued assets in respect of lease incentives	4,342	2,639
Appraisal value as at 31 December	**1,576,069**	**1,526,362**

The acquisitions in the Netherlands in 2018 concerned core city assets in Amsterdam and Utrecht for € 16.6 million (2017: € 11.4 million). In France core city assets in Paris were acquired for € 28.0 million (2017: € 19,8 million). In Belgium, no property was purchased in 2018 (2017: € 6.4 million). In Spain, one core city asset in Madrid was acquired in 2018 for an amount of € 4.2 million (2017: nil).

The capital expenditure in 2018 involved improvements to a number of properties in the various countries.

The divestments in 2018 concerned mixed retail locations in the Netherlands (€ 7.3 million) and France (€ 1.3 million). No core city assets were divested in 2018 (2017: € 3.3 million).

A positive sales result was realised on these divestments compared to the most recent book value of € 0.2 million (2017: € 1.9 million negative). See also 6 *Net result on divestments of property*.

In 2017, the Turkish portfolio was divested. The net proceeds totalled € 95.8 million. The € 5.7 million positive result realised on this sale was recognised in 2017 in the result after taxes from discontinued operations.

Thanks to strong value increases in the core city assets in the Netherlands, the value movements in the Netherlands in 2018 were € 18.4 million positive. In France the value movements of the core city assets were € 8.5 million negative. In Belgium the value movements of the core city assets came to € 4.4 million negative and the value movements of the mixed retail locations came to € 2.7 million negative. In Spain the value of the property portfolio increased by € 1.5 million.

Accrued assets in respect of lease incentives	2018	2017
Balance as at 1 January	2,639	3,068
Lease incentives granted	3,903	2,082
Charged to the profit and loss account	(2,200)	(1,812)
Transferred to Assets held for sale	-	(329)
Divestments	-	(370)
Balance as at 31 December	**4,342**	**2,639**

The property does not serve as security for loans obtained (31 December 2017: property of a value of € 0.8 million).

For further details on the property in operation, reference is made to 3 *Segmented information* and the the overview *Property portfolio* included in the annual report.

16 Deferred tax assets and liabilities

	1 January 2018 Liabilities	Movement in profit and loss account	Sale of subsidiaries	Transferred to short-term liabilities	Other movements	31 December 2018 Liabilities
Valuation differences in property	12,812	2,319	-	(232)	-	14,899
Offsettable losses	(381)	85	-	-	-	(296)
Other temporary differences	-	1,025	-	-	-	1,025
	12,431	**3,429**	**-**	**(232)**	**-**	**15,628**

	1 January 2017 Liabilities	Movement in profit and loss account	Sale of subsidiaries	Transferred to short-term liabilities	Other movements	31 December 2017 Liabilities
Valuation differences in property	19.598	2.861	(9.934)	-	287	12.812
Offsettable losses	(275)	(106)	-	-	-	(381)
	19.323	**2.755**	**(9.934)**	**-**	**287**	**12.431**

The deferred tax assets and liabilities as per 31 December 2018 concern the Netherlands, Spain and Belgium.

The offsettable losses relate to the Netherlands and Spain. The offsettable losses in Spain can be carried forward indefinitely. The offsettable losses in the Netherlands can be set off against taxable profits up to the end of 2024.

The deferred tax assets and tax liabilities are related to the difference between the balance sheet value and the tax-based book value of the property.
Due to uncertainty about the time of realisation of the book value of the property, for the determination of the deferred tax liabilities the average tax rate for the next three years is used.

As at the balance sheet date, there is another € 8.9 million (2017: € 9.1 million) in unused tax losses in France (€ 8.0 million) and Belgium (€ 0.9 million). In view of the expectation that based on the present structure these unused tax losses cannot be set off against taxable profits in the near future, no deferred tax asset was recognised.

The tax losses can be carried forward in time indefinitely.

17 Assets held for sale

	2018	2017
Balance as at 1 January	65,202	-
Transferred from Properties in operation	3,500	64,873
Transferred to Property in operation	(3,000)	-
Transferred from Accrued assets in respect of lease incentives	-	329
Divestments	(61,952)	-
	3,750	**65,202**
Value movements	(250)	-
Balance as at 31 December	**3,500**	**65,202**

In 2018, four properties in the Netherlands and two properties in France were sold and two properties in the Netherlands were taken into operation, due to the fact that they were not sold within twelve months, as originally expected. As at 31 December, one property in the Netherlands (2017: six in the Netherlands, two in France) were included under Assets held for sale; at the end of 2018 the Executive Board decided to sell it. It was sold in late January 2019.

For further details on the Assets held for sale, reference is made to the overview ‘Property portfolio’ included in the annual report.

18 Debtors and other receivables

	2018	2017
Debtors	4,129	2,139
Provision for expected credit losses [1)]	(1,284)	(1,613)
	2,845	**526**
Indirect taxes	757	576
Receivable from divestments	554	-
Service charges	-	125
Prepayments	419	185
Other receivables	4,330	1,482
	8,905	**2,894**

1) In 2017, the provision was determined based on losses actually incurred.

The other receivables include items with a term in excess of one year with a total of € 0.2 million (2017: € 0.1 million).

19 Cash and cash equivalents

Cash and cash equivalents concern bank account credit balances with a term of less than three months. The cash and cash equivalents are freely available to the Company.

20 Shareholders’ equity

The authorised share capital is € 375.0 million, divided into 75,000,000 ordinary shares of € 5 par value.

Vastned Retail shareholders’ equity was € 46.40 per share as at 31 December 2018 (31 December 2017: € 46.12 per share).

The shareholders are entitled to receive the dividend declared by the Company and are entitled to cast one vote per share at the shareholders’ meetings. In the event of a share buyback by Vastned in which the shares are not cancelled, these rights are suspended until such time when the shares are reissued.

Number of shares in issue	Shares in issue	Treasury shares	Total
Balance as at 1 January 2017	19,036,646	-	19,036,646
Share buyback	(849,846)	849,846	-
Balance as at 31 December 2017	**18,186,800**	**849,846**	**19,036,646**
Share buyback	(292,208)	292,208	-
Balance as at 31 December 2018	**17,894,592**	**1,142,054**	**19,036,646**

Share buyback

On 19 October 2018, the Company announced it would repurchase own shares for a maximum of € 40.0 million. The buyback programme will be executed in the period between 19 October 2018 up to and including 31 March 2019, or until € 40.0 million in shares has been purchased. Up to and including 31 December 2018, the company repurchased 292,208 shares. This involved a total sum, including costs, of € 9.8 million. In the period between the balance sheet date up to and including 7 February 2019, the Company bought back 217,670 shares for a total sum, including costs, of € 7.1 million. The repurchased shares will not be cancelled, but held as a temporary investment.

In 2017, Vastned made a tender offer to buy back its own shares for a maximum of € 50.0 million. In this context, 849,846 shares were repurchased in 2017 for a price of € 35.19 per share. This involved a total sum, including costs, of € 30.1 million. The repurchased shares will not be cancelled, but held as a temporary investment.

21 Provisions in respect of employee benefits

Vastned has a pension plan in place for its employees in the Netherlands, which qualifies as a defined benefit pension plan. The pension plan is fully re-insured with Nationale-Nederlanden Levensverzekering Maatschappij N.V. The pension plan is a conditionally indexed career-average scheme. An unconditional indexation of a maximum of 2% per year applies to a small group of employees.
The pension plans for the employees in other countries where Vastned has branches may be qualified as defined contribution pension plans.

Mercer (Nederland) B.V. has made the following assumptions for the actuarial developments concerning the defined benefit pension plans:

	31/12/2018	31/12/2017
Discount rate	2.30%	2.20%
Expected rate of salary increases (dependent on age and including inflation correction)	1.00% - 5.00%	1.00% - 5.00%
Future pension increases	0.00% - 1.80%	0.00% - 1.80%

Movements in the present value of defined benefit pension obligation were as follows:

	Present value of defined benefit pension obligation		Fair value of plan assets		Net obligation in respect of employee benefits	
	2018	2017	2018	2017	2018	2017
Balance as at 1 January	24,359	25,064	18,944	19,132	5,415	5,932
Reported in the profit and loss account						
Service cost	392	510	-	-	392	510
Past service cost	-	16	-	-	-	16
Interest	531	497	417	383	114	114
Administrative costs	-	-	(40)	(40)	40	40
Total reported in the profit and loss account	**923**	**1,023**	**377**	**343**	**546**	**680**
Reported in other comprehensive income						
Effect of adjustment to demographic assumptions	(269)	3	-	-	(269)	3
Effect of adjustment to discount rate	(517)	(1,099)	-	-	(517)	(1,099)
Effect of experience adjustment	-	(271)	-	-	-	(271)
Effect of changes in financial assumptions	-	-	(527)	(552)	527	552
Total reported in other comprehensive income	**(786)**	**(1,367)**	**(527)**	**(552)**	**(259)**	**(815)**
Contributions and benefits paid						
Contribution paid by employer	-	-	415	382	(415)	(382)
Contribution paid by employees	39	46	39	46	-	-
Benefits paid	(415)	(407)	(415)	(407)	-	-
Total contributions and benefits	**(376)**	**(361)**	**39**	**21**	**(415)**	**(382)**
Balance as at 31 December	**24,120**	**24,359**	**18,833**	**18,944**	**5,287**	**5,415**
Long-term personnel benefits					75	62
Total					**5,362**	**5,477**

As stated earlier, the pension plan is fully re-insured with Nationale-Nederlanden Levensverzekering Maatschappij N.V. For this reason, the fund investments consist entirely of insurance contracts.

The amounts recognised in the profit and loss account in respect of the defined benefit plans and the defined contribution plans are as follows:

	2018	2017
Service cost	392	510
Past service cost	-	16
Net interest	114	114
Administrative costs	40	40
	546	**680**
Defined contribution pension plans	124	118
	670	**798**

Vastned expects to contribute a total of € 0.5 million to the defined benefit pension plans in 2019. Vastned expects to contribute a total of € 0.1 million to the defined contribution pension plans in 2019.

Sensitivity analysis

The table below contains the sensitivity analysis for the effect of a 25-basis-point change in the discount rate:

	Minus 25 basis points	Discount rate used	Plus 25 basis points
	2.05%	2.30%	2.55%
Present value of defined benefit pension obligations	25,443	24,120	22,891
Service cost	446	412	381

Because of the lack of materiality, it was decided not to provide sensitivity analyses of changes in future salary increases (dependent on age and including inflation correction) and future pension increases.

22 *Long-term interest-bearing loans*

Movements in the long-term interest-bearing loans were as follows:

	2018		2017	
Balance as at 1 January		608,609		601,610
Adjustment in respect of IFRS 9		1,220		-
		609,829		**601,610**
Short-term portion as at 1 January		18		57,518
Remaining principal as at 1 January		**609,847**		**659,128**
Cash entries:				
Drawn down on new long-term credit facilities	49,805		95,067	
Drawn down/(repaid) on existing long-term credit facilities	(50,874)		(30,000)	
Repayments	(160)		(117,518)	
	(1,229)		**(52,451)**	
Non-cash entries				
Application of effective interest method	1,681		1,950	
		452		**(50,501)**
Remaining principal 31 December		**610,299**		**608,627**
Short-term portion at year-end		(134,661)		(18)
Balance as at 31 December		**475,638**		**608,609**

As at 31 December, the interest-bearing debts consisted of:

	2018				2017			
	Remaining term				Remaining term			
	1-5 years	More than 5 years	Total	Average interest rate at year-end	1-5 years	More than 5 years	Total	Average interest rate at year-end
Secured loans:								
• fixed interest 1)	-	-	-	-	74	68	142	1.50
• floating interest	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**74**	**68**	**142**	**1.50**
Unsecured loans:								
• fixed interest 1)	242,133	160,126	402,259	2.63	225,448	259,457	484,905	2.75
• floating interest	73,379	-	73,379	1.29	15,625	107,937	123,562	1.37
	315,512	**160,126**	**475,638**	**2.42**	**241,073**	**367,394**	**608,467**	**2.47**
Total:								
• fixed interest 1)	242,133	160,126	402,259	2.63	225,522	259,525	485,047	2.75
• floating interest	73,379	-	73,379	1.29	15,625	107,937	123,562	1.37
	315,512	**160,126**	**475,638**	**2.42**	**241,147**	**367,462**	**608,609**	**2.47**

1) Including the part that was fixed by means of interest derivatives,

In 2018, Vastned reduced its existing syndicated credit facility from € 375.0 million to € 325.0 million, and at the same time extended its maturity to 12 September 2023. Furthermore, two extension options were agreed to possibly extend the maturity to 12 September 2024 and 12 September 2025 respectively.
In September 2018, a new € 50.0 million private placement was agreed with AXA Real Estate Investment Managers SGP with a seven-year term.
In Belgium in the third quarter of 2018 the extension options for the Revolving Credit Facilities totalling € 65.0 million were exercised, so that the terms of these credit facilities were extended by one year at the same conditions.

For the floating interest rate loans, Vastned pays an interest consisting of the Euribor-based market interest plus an agreed margin, on the understanding that the Euribor market interest rate may not be negative.

A positive/negative mortgage covenant was issued for the unsecured loans. In addition, a number of lenders have set conditions regarding the solvency and interest coverage, as well as changes in the control of the Company and/or its subsidiaries. Vastned satisfied these conditions as at 31 December 2018. Please see *25 Financial instruments* for more details on the conditions set by the lenders.

The part of the long-term interest-bearing loans due within one year is € 134.7 million (31 December 2017: less than € 0.1 million), which is recognised under short-term liabilities.

As at 31 December 2018, the total credit facility of the long-term interest-bearing loans, including the part due within one year, was € 760.1 million (31 December 2017: € 758.0 million).
The unused credit facility of the long-term interest-bearing mortgages was € 149.8 million as at 31 December 2018 (2017: € 149.4 million).

The convertible bond loan below is included in the long-term interest-bearing loans:

Year of issue	Term	Nominal value	Interest rate 1)	Conversion price	Maximum number of shares
2014	5 years	110,000	1.875%	€ 41.87	2,627,179

1) Vaste rente

	2018	2017
Balance as at 1 January	108,413	107,164
Application of effective interest method	1,248	1,249
Balance as at 31 December	**109,661**	**108,413**
Short-term portion at year-end	**(109,661)**	**-**
Long-term portion at year-end	**-**	**108,413**

The bonds are ‘senior’, ‘unsecured’ and convertible into ordinary Vastned shares, subject to Vastned’s discretion in opting for a payment in cash instead of in partial or full delivery in shares. The conversion price was initially € 46.19 and was adjusted to € 41.87 after the dividend distributions in the years 2014 to 2018 inclusive. Since 8 May 2017, Vastned has the option of redeeming all outstanding bonds by paying the principal plus the interest incurred, in cash, if the volume-weighted average price of the Vastned share is more than 130% of the conversion price for a certain period of time, or at any time that the principal of the bonds outstanding at that moment is less than 15% of the issued bonds. The convertible bonds are listed on the Frankfurt Stock Exchange.

Since there is no active trade in these bonds, the fair value of the bond loan is determined in accordance with level 2.

The average term of the long-term interest-bearing loans was 4.7 years (31 December 2017: 4.3 years).

The average interest rate in 2018 was 2.56% (2017: € 2.77%)

23 Payable to banks

	2018	2017
Credit facility	54,583	54,509
Drawn down as at 1 January	7,227	14,654
On balance drawn down/(repaid) in cash in the financial year	(1,207)	(7,427)
Drawn down as at 31 December	**6,020**	**7,227**
Unused credit facility as at 31 December	**48,563**	**47,282**

The item 'Payable to banks' concerns short-term credits and cash loans.
By way of security for the credit facilities, it has been agreed with the lenders that, subject to an agreed threshold, property will only be mortgaged on behalf of third parties subject to the lender's approval.

The amounts payable to banks are payable at the lenders request within one year.

Vastned pays an interest consisting of the market interest plus an agreed margin, on the understanding that the Euribor market interest rate may not be negative.

The average interest rate in 2018 was 1.35% (2017: 1.38%)

Where the Company operates a cash pooling arrangement, the cash and amounts payable to banks are set off against each other.

24 Other liabilities and accruals

	2018	2017
Accounts payable	1,615	1,218
Investment creditors	626	862
Dividend	24	24
Indirect taxes	2,089	1,560
Prepaid and pre-invoiced rent	6,189	6,008
Service charges	240	-
Interest	2,828	2,962
Operating expenses	745	2,106
Payable in respect of acquisitions	-	3,918
Other liabilities and accruals	7,668	4,396
	22,024	**23,054**

25 Financial instruments

A Management of financial risks

For the realisation of its targets and the exercise of its day-to-day activities, Vastned has defined a number of financial conditions to mitigate the financing and financing risk, liquidity risk, interest rate risk and currency risk. These conditions have been laid down inter alia in the financing and interest rate policy memorandum, which is updated annually, and in the treasury regulations. Quarterly reports on these risks are submitted to the Audit and Compliance Committee and the Supervisory Board.

A summary is given below of the main conditions aimed at mitigating these risks.

Credit risk
Vastned's principal financial assets consist of cash and cash equivalents, debtors and other receivables, and receivables related to financial derivatives entered into.

The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks with at least an investment grade rating.

The credit risk associated with the financial derivatives entered into is limited by only concluding transactions with reputable financial institutions with at least an investment grade rating.

The credit risk attributable to the debtors is limited by carefully screening potential tenants in advance. Security is also required from tenants in the form of guarantee deposits or bank guarantees and rents are paid in advance.

On every reporting date the provision for expected credit losses is determined based on a provisions matrix. The provision rates are applied per country and per age category, and are based on the historical credit loss experience of the Group, corrected for forward-looking factors that are specific to the debtors and the economic environment. Account is also taken of the bank guarantees provided by the tenants and the guarantee deposits paid by tenants. Receivables are generally written off when an insolvency practitioner or a lawyer charged with collecting the receivable has confirmed in writing that the receivable is irrecoverable.

The table below presents the amounts for which the Group runs a credit risk on debtors, as well as the provision for expected credit losses as at 31 December:

	2018			2017		
	Gross amounts	Provision for expected credit losses	Net amounts	Gross amounts	Provision [1]	Net amounts
Not yet due	2,340	-	2,340	-	-	-
Overdue by less than 30 days	198	26	172	199	-	199
Overdue by between 31 and 90 days	25	15	10	68	6	62
Overdue by between 91 days and one year	290	105	185	87	105	(18)
Overdue by more than one year	1,276	1,138	138	1,785	1,502	283
	4,129	**1,284**	**2,845**	**2,139**	**1,613**	**526**

1) In 2017, the provision was determined based on losses actually incurred.

Movements in the provision for doubtful debtors were as follows:

	2018	2017
Balance as at 1 January	1,613	2,657
Adjustment in respect of IFRS 9	(55)	-
Allocation to the provision	(90)	(729)
Write-off for doubtful debtors	(184)	(315)
Balance as at 31 December	**1,284**	**1,613**

Receivables are recognised after a deduction of a provision for expected credit losses.

Since the tenant base consists of a large number of different parties, there is no credit risk concentration.

Financing and refinancing risks
Investing in property is a capital-intensive activity. The property portfolio is financed partly with equity and partly with loan capital. If loan capital accounts for a large proportion of the financing, there is a risk when returns are less than expected or the property decreases in value that the interest and repayment obligations on the loans and other payment obligations can no longer be met. This would make loan capital or refinancing more difficult to arrange, with a possibility that more unfavourable conditions may have to be agreed to. To limit this risk, Vastned's starting point is to limit loan capital financing of the property portfolio to approximately 35%-45% (2017: 35%-45%) of the market value of the property. At the end of 2018, this ratio was 39.0% (year-end 2017: 38.8%). In line with these targets, solvency ratios and interest coverage ratios have been agreed in virtually all of the credit agreements with lenders.
In addition, Vastned Retail aims to secure access to the capital market through transparent information provision, regular contacts with financiers and (potential) shareholders, and by increasing the liquidity of the Vastned share. Finally, the aim with regard to long-term financing is to have a balanced spread of refinancing dates and a weighted average term of at least 3.0 years.

At year-end 2018, the weighted average term of the long-term interest-bearing loans was 4.7 years (31 December 2017: 4.3 years).

At year-end 2018, the solvency ratio, calculated by taking equity plus the provision for deferred tax liabilities divided by the balance sheet total, was 59.0% (31 December 2017: 59.2%), which is within the solvency ratios of at least 45% as agreed with lenders.

The interest coverage ratio is calculated by taking net rental income and dividing by net financing costs (excluding value movements in financial derivatives). The interest coverage ratio for 2018 was 4.5 (2017: 3.9), which was well above the ratio of 2.0 agreed with lenders.

Liquidity risk
Vastned must generate sufficient cash flows in order to be able to meet its day-to-day payment obligations. On the one hand, this is realised by taking measures aimed at high occupancy rates and by preventing financial loss caused by tenants going out of business. On the other hand, Vastned aims for sufficient credit room to absorb fluctuations in liquidity needs. Liquidity management is centralised in the Netherlands, where most of the foreign subsidiaries' bank accounts have been placed in cash pooling schemes.

At year-end 2018, Vastned had € 54.6 million (31 December 2017: € 54.5 million) in short-term credit facilities available, of which it had drawn down € 6.0 million (31 December 2017: € 7.2 million). The unused credit facility of the long-term interest-bearing loans was € 149.8 million as at 31 December 2018 (31 December 2017: € 149.4 million). The total unused credit facility as at 31 December 2018 therefore was € 198.4 million (31 December 2017: € 196.7 million).

The table below shows the financial equity and liabilities, including the estimated interest benefit paid [1]:

2018	Balance sheet value	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Long-term interest-bearing loans	475,638	514,538	9,242	342,053	163,243
Financial derivatives (long-term liabilities)	5,031	9,263	1,893	7,111	259
Payable to banks [2]	6,020	6,025	6,025	-	-
Redemption of long-term interest-bearing loans [2]	134,661	136,641	136,641	-	-
Other liabilities and accruals	22,024	22,024	22,024	-	-
	643,374	**688,491**	**175,825**	**349,164**	**163,502**

1) The interest rate for the long-term interest-bearing loans with a floating interest rate is based on the Euribor market rates in effect on 1 January 2019 or 1 January 2018 respectively.
2) Including interest up to the next due date or interest revision date.

2017	Balance sheet value	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Long-term interest-bearing loans	608,609	656,998	12,237	270,997	373,764
Financial derivatives (long-term liabilities)	3,558	11,322	1,920	7,567	1,835
Payable to banks [2]	7,227	7,191	7,191	-	-
Redemption of long-term interest-bearing loans [2]	18	18	18	-	-
Other liabilities and accruals	23,054	23,054	23,054	-	-
	642,466	**698,583**	**44,420**	**278,564**	**375,599**

2) Including interest up to the next due date or interest revision date.

Interest rate risk
The interest rate risk policy aims to mitigate the interest rate risks arising from the financing of the property portfolio while optimising net interest expenses paid. This policy translates into a loan portfolio composition in which in principle at least two thirds of the loans have fixed interest rates. There may be temporary deviations from this principle depending on the developments in interest rates. Furthermore, the aim is to have a balanced spread of the interest rate revision dates within the long-term loan capital portfolio and a typical minimum interest rate term of 3 years. At least once per quarter, a report on the interest rate and financing and refinancing risks is submitted to the Audit and Compliance Committee and the Supervisory Board.

Vastned mitigates its interest rate risk on the one hand by raising fixed-interest long-term loans, like the convertible bond loan, and on the other by making use of financial derivatives (interest rate swaps), swapping the floating interest rate it pays on part of its loans for a fixed interest rate.

The Group does not apply any hedge accounting and recognises the value movements in all interest rate derivatives entered into by the Group in the profit and loss account.

At year-end 2018, the interest rate risk on loans with a nominal value of € 205.0 million (31 December 2017: € 205.0) was hedged by means of interest rate swaps. To this end, contracts have been concluded with fixed interest rates ranging from 0.485% to 1.094% (31 December 2017: 0.485% to 1.094%) (excluding margins) and expiry dates ranging from 29 July 2022 to 31 July 2024 (31 December 2017: 29 July 2022 to 31 July 2024).

The market value of the interest rate swaps was € 5.0 million negative at year-end 2018 (31 December 2017: € 3.6 million negative). This negative market value, which on the expiry date will be nil, will be charged to the consolidated profit and loss account for the remaining term of these interest rate swaps, unless it is decided to settle these interest rate swaps before the expiry dates.

Taking into account the interest rate swaps mentioned above, of the total long-term interest-bearing loans in the amount of € 475.6 million (31 December 2017: € 608.6 million), € 402.3 million (31 December 2017: € 480.0 million) was at a fixed interest rate at year-end 2018 (see 25B *Summary of expiry dates and fixed interest rates on long-term interest-bearing loans*).

The interest rate swaps are settled on a quarterly basis. The floating interest rate is based on the 3-month Euribor rate. The differences between the floating rate and the agreed fixed interest rate are settled at the same time.

The average term of the long-term interest-bearing loans calculated in fixed interest periods was 3.5 years (31 December 2017: 4.1).

Interest rate sensitivity
As at 31 December 2018, the impact on the interest expense of a hypothetical 100-basis-point increase in interest rates - all other factors remaining equal - would be € 0.1 million negative (31 December 2017: € 0.4 million negative). Should interest rates decrease by 50 basis points as at this date - all other factors remaining equal - the impact on the interest expense would be € 0.7 million negative (31 December 2017: € 0.7 million negative). As several loans contain a clause stipulating that the interest rate may not be negative, a 50-basis-point decrease in interest rates would have a negative impact on the interest expense. The developments take into account the financial derivatives entered into.

Currency risk
All Vastned's investments are located in the eurozone countries. Consequently, the company is not exposed to a currency risk.

B Summary of expiry dates and fixed interest rates on long-term interest-bearing loans

	2018			2017		
	Contract revision	Interest rate revision	Average interest rate[1]	Contract revision	Interest rate revision	Average interest rate[1]
2019	-	-	-	133,412	133,412	2.79
2020	62,133	62,133	5.41	62,036	62,036	5.42
2021	-	-	-	-	-	-
2022	-	30,000	1.94	45,625	30,000	1.94
2023	253,379	15,000	1.85	122,937	150,000	2.25
2024 and beyond	160,126	295,126	2.15	244,599	109,599	2.10
Total long-term interest-bearing loans with a fixed interest rate	**475,638**	**402,259**	**2.63**	**608,609**	**485,047**	**2.75**
Long-term interest-bearing loans with a floating interest rate	-	73,379	1.29	-	123,562	1.37
Total long-term interest-bearing loans	**475,638**	**475,638**	**2.42**	**608,609**	**608,609**	**2.47**

1) Including interest rate swaps and credit spreads in effect at year-end 2018 and 2017.

C Overview of fair value interest rate derivatives

	2018		2017	
	Receivable	Liability	Receivable	Liability
Interest rate swaps	**-**	**5,031**	**-**	**3,558**

Fair value of interest rate derivatives, compared to the nominal value of the loans for which the interest rate risk has been hedged:

	2018		2017	
	Fair value interest rate derivatives	Carrying amount loans	Fair value interest rate derivatives	Carrying amount loans
Interest rate swaps < 1 year	-	-	-	-
Interest rate swaps 1-2 years	-	-	-	-
Interest rate swaps 2-5 years	(1,263)	45,000	(792)	30,000
Interest rate swaps > 5 years	(3,768)	160,000	(2,766)	175,000
	(5,031)	**205,000**	**(3,558)**	**205,000**

For the purposes of the valuation method, the interest rate derivatives are classed under 'level 2'. The fair value of the derivatives is determined with reference to information from reputable financial institutions, which is also based on directly and indirectly observable market data. For verification purposes, this information is compared to internal calculations made by discounting cash flows based on the market interest rate for comparable financial derivatives on the balance sheet date. When determining the fair value of financial derivatives the credit risk of the Group or counterparty is taken into account.

26 Rights and obligations not recorded in the balance sheet

In the past companies have been acquired that owned property. These acquisitions were recognised as a takeover of assets. The provisions for deferred tax liabilities not recorded on the balance sheet totalled € 13.3 million (2017: € 14.8 million).

In 2016, Vastned Projecten, a subsidiary of Vastned, sold the company Vastned Lusitania Investimentos Imobiliários, S.A. (Lusitania), the owner of the property located in Portugal, to Prowinko Portugal S.A. The buyer was given not only the guarantees customary for such transactions, but also indemnities for particular amounts Lusitania had not paid to the owners' associations and some tax positions. As the parent company, Vastned Retail has stood as guarantor to the parent companies of the buyer for the payment obligations of Vastned Projecten under this purchase agreement. The customary guarantees will expire on 2 June 2019. The tax indemnifications will expire upon expiry of the statutory periods for additional assessments for the particular year. The longest running term still outstanding is the 2016 calendar year, which will expire on 31 December 2020. Vastned does not expect any impact to be significant.

In 2017, Vastned transferred all shares in the company Vastned Emlak Yatırım ve İnşaat Ticaret A.Ş., owner of the property located in Istanbul, Turkey, to a group of local private investors. The guarantees customary in such transactions were given to the buyer. The customary guarantees expired on 10 April 2018 without the buyer having invoked them. The tax indemnifications will expire upon expiry of the statutory periods for additional assessments for the particular year. The longest running term still outstanding is the 2017 calendar year, which will expire on 31 December 2022. Vastned does not expect any impact to be significant.

27 Operating leases

The Group as lessor

Vastned lets its property in the form of operating leases.

Based on the current contract rent, the future minimum income from non-cancellable operating leases is as follows:

	2018	2017
Within one year	66,823	69,448
One to five years	127,779	116,084
More than five years	15,774	20,571
	210,376	**206,103**

In the Netherlands leases are usually concluded for a period of five years, the tenant having one or more options to extend the lease for five years. Annual rent increases are based on the cost-of-living index.

In France, lease contracts are normally concluded for a period of at least nine years, whereby the tenant has the option of renewing or terminating the lease every three years. Depending on the contract, rents are adjusted annually based on the cost-of-construction index (CCI) or based on a mix of the construction cost index, the cost-of-living index and retail prices (ILC).

In Belgium leases are normally concluded for a period of nine years, with early termination options after three and six years. Annual rent adjustments are based on the cost-of-living index.

In Spain leases are normally concluded for a minimum period of five years. Annual rent adjustments are based on the cost-of-living index.

The Group as lessee

In a limited number of cases the Group is a lessee. This concerns a number of ground rent agreements and a number of leases for offices that the Group leases for its organisation.

Based on the current contract rent, the future minimum lease payments from non-cancellable operating leases are as follows:

	2018		
	Ground rents	Rent	Total
Within one year	124	265	389
One to five years	495	593	1,088
More than five years 1)	6,996	85	7,081
	7,615	**943**	**8,558**

1) The ground rent agreements include an agreement for a parcel of land in Amsterdam whose term is infinite. The annual ground rent is € 63 thousand, and has been bought off until 16 August 2032. In the payment obligations of more than five years, a 100-year period has been assumed.

28 Events after balance sheet date

In January 2019, Vastned placed a € 50.0 million long-term bond loan with Pricoa Capital Group. The bond loan has a 7-year term and a 2.73% coupon.

In January 2019, the property In de Cramer 140 in Heerlen was sold at book value. The net sales proceeds came to € 3.5 million.

29 Related party transactions

The following are designated as related parties: controlling shareholders, subsidiaries, Supervisory Board members and members of the Executive Board.

To the Company's best knowledge, no property transactions were effected during the year under review involving persons or institutions that could be regarded as related parties.

Interests of major investors

At at year-end 2018, the Netherlands Authority for the Financial Markets (AFM) had received the following reports from shareholders with an interest in the Company's share capital exceeding three percent:

Van Herk Investments B.V.	24.98%
M. Ohayon	7.14%
BlackRock, Inc.	4.67%
Baillie Gifford & Co	3.04%
Société Fédérale de Participations et d'Investissements (SFPI)	3.02%

Subsidiaries

Please see *30 Subsidiaries* and the chapter *Corporate Governance* in the *Report of the Executive Board* for an overview of the subsidiaries and participating interests.

Transactions as well as internal balances and income and expenditure between the Company and its subsidiaries are eliminated in the consolidation and not disclosed in the notes.

Supervisory Board members and members of the Executive Board

During the 2018 financial year none of the members of the Supervisory Board and Executive Board had a personal interest in the investments of the Company.

Remuneration and shareholding of the Supervisory Board

	Remuneration 2018	Share ownership year-end 2018	Remuneration 2017	Share ownership year-end 2017
M.C. van Gelder	53	7,100	53	7,100
M. Bax	43	-	43	-
J.B.J.M. Hunfeld	41	1,400	41	1,400
C.M. Insinger	44	-	44	-
	181	**8,500**	**181**	**8,500**

Remuneration and shareholding of the Executive Board

2018

	Salary (including social security charges)	Bonus for 2018 payable in 2019	Pension costs	Total	Share ownership year-end 2018
T.T.J. de Groot	471	324	85	880	69,851
R. Walta	319	217	58	594	2,000
	790	**541**	**143**	**1,474**	**71,851**

2017

	Salary (including social security charges)	Bonus for 2017 payable in 2018	Pension costs	Total	Share ownership year-end 2017
T.T.J. de Groot	450	258	81	789	66,851
R. Walta	297	169	54	520	1,000
	747	**427**	**135**	**1,309**	**67,851**

Taco de Groot achieved 87.75% of his Short-Term Incentive targets in 2018, for which he has been granted a bonus of € 162 thousand, which will be paid out in 2019. In addition, a bonus of € 162 thousand will be paid to Taco de Groot based on his 58.8% achievement of the targets for the Long-Term Incentive for the period 2016-2018.

Reinier Walta achieved 87.75% of his Short-Term Incentive targets, for which he has been granted a bonus of € 108 thousand, which will be paid out in 2019. In addition, a bonus of € 109 thousand will be paid to Reinier Walta based on his 58.8% realisation of the targets for the Long-Term Incentive for the period 2016-2018.

In 2018, an amount of € 80 thousand was paid to Taco de Groot for holidays not taken in previous financial years. This sum had already been included in the provision for holidays not taken.

Both Taco de Groot and Reinier Walta have acquired Vastned shares at their own expense.
Vastned has not provided any guarantees related to these shares.

No option rights have been granted to the Executive Board or Supervisory Board members.
Nor have any loans or advances been provided, or guarantees on their behalf.

The members of the Supervisory Board and the Executive Board have been designated as managers in key positions.

For further details of the remuneration, see chapter *5 Remuneration report 2018* included elsewhere in this annual report.

30 *Subsidiaries*

The subsidiaries are:

	Country of establishment	Interest and voting right in % 2018	2017
Vastned Retail Nederland B.V.	Netherlands	100	100
Vastned Retail Nederland Projectontwikkeling B.V.	Netherlands	100	100
- Rocking Plaza B.V.	Netherlands	100	100
- MH Real Estate B.V.	Netherlands	100	100
Vastned Retail Monumenten B.V.	Netherlands	100	100
Vastned Management B.V.	Netherlands	100	100
Vastned Projecten B.V.	Netherlands	100	100
Vastned France Holding S.A.R.L.	France	100	100
- Jeancy S.A.R.L.	France	100	100
- Lenepveu S.A.R.L.	France	100	100
- S.C.I. 21 rue des Archives	France	100	100
- S.C.I. Limoges Corgnac	France	100	100
- Palocaux S.A.R.L.	France	100	100
- Parivolis S.A.R.L.	France	100	100
- Plaisimmo S.A.R.L.	France	100	100
Vastned Management France S.A.R.L.	France	100	100
Vastned Retail Belgium NV	Belgium	65	65
- EuroInvest Retail Properties NV	Belgium	65	65
- RR Developments NV	Belgium	-	65
Korte Gasthuisstraat 17 NV	Belgium	100	100
Compagnie Financière du Benelux (Belgique) NV	Belgium	100	100
Vastned Retail Spain S.L.	Spain	100	100
-Vastned Retail Spain 2 S.L.	Spain	100	100

Scope of consolidation
The main changes to the scope of the consolidation were:

- On 17 December 2018, Vastned Retail Belgium NV's subsidiary RR Developments NV merged with Vastned Retail Belgium NV.

The non-controlling interest recognised in the balance sheet as at 31 December 2018 was the share of the non-controlling shareholders of the Belgium-based subsidiary Vastned Retail Belgium NV and its subsidiary EuroInvest Retail Properties NV.

The summarised financial data of the subsidiary as at 31 December 2018 are:

	2018		2017	
	100%	Non-controlling interests	100%	Non-controlling interests
Balance sheet				
Property	372,278	128,471	378,195	130,513
Other assets	1,624	560	1,822	629
	373,902	**129,031**	**380,017**	**131,142**
Equity	268,442	92,637	274,508	94,730
Long-term liabilities	97,294	33,576	97,817	33,756
Short-term liabilities	8,166	2,818	7,692	2,656
	373,902	**129,031**	**380,017**	**131,142**
Profit and loss account				
Net rental income	18,487	6,380	18,226	6,290
Value movements in property	(7,114)	(2,455)	21,467	7,408
Net financing costs	(1,963)	(677)	(2,596)	(896)
General expenses	(2,124)	(733)	(2,009)	(693)
Abortive purchase costs	(72)	(25)	-	-
Income tax	27	9	(419)	(145)
Comprehensive income	**7,241**	**2,499**	**34,669**	**11,964**
Cash flow statement				
Cash flow from operating activities	15,367	5,303	12,727	4,392
Cash flow from investing activities	(1,871)	(646)	(3,766)	(1,300)
Cash flow from financing activities	(13,350)	(4,607)	(8,914)	(3,076)
Total cash flow	**146**	**50**	**47**	**16**

A sum of € 4.6 million (2017: 4.3 million) in dividend was made payable to non-controlling shareholders of Vastned Retail Belgium NV in 2018.

31 Accounting estimates and judgements

In consultation with the Audit and Compliance Committee, the Executive Board has applied the following essential estimates and judgements that have a material effect on the amounts included in the financial statements.

Key sources of estimate uncertainty

Assumption regarding pending legal proceedings
As of 31 December 2018, there were no legal proceedings whose final outcome the Executive Board expects to result in a significant outflow of cash and cash equivalents and that as such would have a negative impact on the result. If the outcome of these legal proceedings should differ from the Executive Board's estimates, this might have a negative impact on the result.

Critical judgements in applying the company's accounting policies

Assumptions concerning property in operation
As described in *2 Significant principles for financial reporting*, all property in operation is valued at least once a year by independent certified appraisers. These appraisals are based on assumptions including the estimated rental value of the property in operation, net rental income, future capital expenditure and the net market yield of the property. As a result, the value of the property in operation is subject to a degree of uncertainty. The actual outcomes may therefore differ from the assumptions, and this may have a positive or negative effect on the value of the property in operation and, as a consequence, on the result.

32 Approval of the consolidated financial statements

The consolidated financial statements were drawn up by the Executive Board and authorised for publication by the Supervisory Board on 13 February 2019.

Company balance sheet as at 31 December
(Before profit appropriation)

(€ thousand)

Assets	Notes	2018	2017
Property in operation	3	5,140	8,286
Participations in group companies	4	1,324,087	1,287,564
Total fixed assets		**1,329,227**	**1,295,850**
Receivables from group companies	5	148,338	159,902
Debtors and other receivables		1,071	917
Cash and cash equivalents		269	54
Total current assets		**149,678**	**160,873**
Total assets		**1,478,905**	**1,456,723**

Equity and liabilities	Notes	2018	2017
Paid-up and called-up capital	6	95,183	95,183
Share premium reserve	6	472,640	472,640
Hedging reserve in respect of financial derivatives	6	267	383
Revaluation reserve	6	464,623	466,713
Other reserves	6	(243,416)	(290,879)
Result attributable to Vastned Retail shareholders	6	41,095	94,645
Equity Vastned Retail shareholders		**830,392**	**838,685**
Long-term interest-bearing loans	7	380,767	513,170
Financial derivatives	8	2,941	1,678
Guarantee deposits		56	111
Total long-term liabilities		**383,764**	**514,959**
Payable to banks	9	1,230	1,120
Redemption long-term interest-bearing loans	7	134,661	-
Payable to group companies	10	125,363	98,413
Other liabilities and accruals		3,495	3,546
Total short-term liabilities		**264,749**	**103,079**
Total equity and liabilities		**1,478,905**	**1,456,723**

Company profit and loss account

(€ thousand)

Net turnover	Notes	2018	2017
Net rental income	11	235	1,170
General management expenses	11	(2,485)	(2,026)
Abortive purchase costs	11	(1,526)	-
Net turnover result		**(3,776)**	**(856)**
Other income from participations in group companies	11	1,784	1,535
Net result on divestments	11	(98)	5,729
Value movements in property in operation	11	36	(17)
Total other operating income		**1,722**	**7,247**
Other interest income and similar income	11	3,350	4,576
Interest charges and similar expenses	11	(15,046)	(19,893)
Total interest income and expenditure		**(11,696)**	**(15,317)**
Result before taxes		**(13,750)**	**(8,926)**
Current income tax expense		(28)	148
Share in result from participations in group companies	4	54,873	103,423
Result after taxes		**41,095**	**94,645**

Notes to the company financial statements

1 General information

The company financial statements are part of the 2018 financial statements, which also include the consolidated financial statements.
The company has availed itself of the provisions in Section 379(5) of Book 2 of the Dutch Civil Code. The list as referred to in this article has been filed with the offices of the Commercial Register in Rotterdam.

2 Principles for the valuation of assets and liabilities and the determination of the result

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. In the preparation of the company financial statements, the provisions in Section 362(8) of Book 2 of the Dutch Civil Code have been used.

New or amended standards and interpretations that became effective on 1 January 2018

IFRS 9 Financial Instruments
The introduction of IFRS 9 has not impacted the classification of the financial assets and liabilities.

Under IFRS 9, the recognition and determination of impairments takes place in a foreward-looking manner on the basis of an expected credit loss model (ECL) instead of the incurred loss model used to date. The ECL model applies to financial assets valued at amortised cost or at fair value through other comprehensive income. Due to the fact that participations in group companies are considered as a combination of assets and liabilities, this means in general that expected credit losses on receivables from group companies are eliminated. The elimination is recognised in the carrying amount of the receivables from group companies. The effect of the expected credit losses on debtors and other receivables is not material.

IFRS 15 Revenue from Contracts with Customers
The introduction of IFRS 15 has not impacted the recognition and presentation of other income from participations and group companies.

Principles for the valuation of assets and liabilities and the determination of the result
The valuation principles for assets and liabilities and the method of determining the result are identical to those used in the consolidated financial statements. Reference is therefore made to the notes thereto.

Participations in group companies
The participating interests in group companies have been stated at net asset value.

Receivables from group companies
The recognition and determination of impairments takes place in a foreward-looking manner based on the expected credit loss model (ECL). The ECL model applies to the receivables from group companies. Due to the fact that participations in group companies are considered as a combination of assets and liabilities, this means in general that expected credit losses on receivables from group companies are eliminated. The elimination is recognised in the carrying amount of the receivables from group companies.

Other income from participations in group companies
The other income from participations in group companies concerns agreed fees for property management in France. The fee is related to the appraisal value of the property. The fee is not necessarily equal to the costs of the services. The Company is responsible for providing services, so that on this basis the Company has control of these services. As a result, the Company can be regarded as a principal.

3 Property in operation

	2018	2017
Balance as at 1 January	8,243	8,260
Value movements	36	(17)
Divestments	(3,166)	-
Balance as at 31 December	**5,113**	**8,243**
Accrued assets in respect of lease incentives	27	43
Appraisal value as at 31 December	**5,140**	**8,286**

In 2018, the property Rue Saint Ferréol 29 in Marseille was divested.

4 Participations in group companies

	2018	2017
Balance as at 1 January	1,287,564	1,089,942
Adjustment in respect of IFRS 9	55	-
Acquisitions and capital contributions	-	159,129
Share in result	54,873	103,423
Direct changes in equity	259	815
Distributions received	(18,664)	(17,419)
Sale of participations in group companies	-	(48,326)
Balance as at 31 December	**1,324,087**	**1,287,564**

As at 31 December 2018, Vastned together with its subsidiaries held 3,325,960 Vastned Retail Belgium shares (31 December 2017: 3,325,960 shares). The net asset value per share on 31 December 2018 was € 52.86 (31 December 2017: € 54.05 per share).

The share price of Vastned Retail Belgium shares was € 40.90 per share as at 31 December 2018 (31 December 2017: € 45.00 per share).

See 30 *Subsidiaries* in the consolidated financial statements for more details on the participations in group companies.

5 Receivables from group companies

	2018	2017
Balance as at 1 January	159,902	331,703
Provided to group companies	7,903	12,569
Repaid by group companies	(19,467)	(142,825)
Divestments	-	(41,545)
Balance as at 31 December	**148,338**	**159,902**

The receivables from group companies consist of € 115.6 million in loans provided with interest rates ranging from 2.984% to 3.730% and expiring in the years 2020 to 2026 inclusive and € 32.7 million in current account relationships at a floating interest rate and without fixed repayment date.

6 *Shareholders' equity*

	Paid-up and called-up capital	Share premium reserve	Hedging reserve in respect of financial derivatives	Translation reserve	Revaluation reserve	Other reserves	Result attributable to Vastned Retail shareholders	Equity Vastned Retail shareholders
Balance as at 1 January 2017	95,183	472,640	499	(5,728)	406,087	(190,675)	26,431	804,437
Result	-	-	-	-	-	-	94,645	94,645
Remeasurement of defined benefit pension obligation	-	-	-	-	-	815	-	815
Reclassification of unrealised results on financial derivatives to profit and loss account	-	-	(116)	-	-	-	-	(116)
Reclassification of translation differences on net investments to the profit and loss account	-	-	-	5,728	-	-	-	5,728
Final dividend previous financial year in cash	-	-	-	-	-	-	(25,126)	(25,126)
Interim dividend 2017 in cash	-	-	-	-	-	(11,639)	-	(11,639)
Contribution from profit appropriation	-	-	-	-	-	1,305	(1,305)	-
Allocation to revaluation reserve	-	-	-	-	60,626	(60,626)	-	-
Share buyback	-	-	-	-	-	(30,059)	-	(30,059)
Balance as at 31 December 2017	**95,183**	**472,640**	**383**	**-**	**466,713**	**(290,879)**	**94,645**	**838,685**
Adjustment relating to IFRS 9	-	-	-	-	-	(1,165)	-	(1,165)
Balance as at 1 January 2018	**95,183**	**472,640**	**383**	**-**	**466,713**	**(292,044)**	**94,645**	**837,520**
Result	-	-	-	-	-	-	41,095	41,095
Remeasurement of defined benefit pension obligation	-	-	-	-	-	259	-	259
Reclassification of unrealised results on financial derivatives to profit and loss account	-	-	(116)	-	-	-	-	(116)
Final dividend previous financial year in cash	-	-	-	-	-	-	(25,644)	(25,644)
Interim dividend 2018 in cash	-	-	-	-	-	(12,912)	-	(12,912)
Contribution from profit appropriation	-	-	-	-	-	69,001	(69,001)	-
Allocation to revaluation reserve	-	-	-	-	(2,090)	2,090	-	-
Share buyback	-	-	-	-	-	(9,810)	-	(9,810)
Balance as at 31 December 2018	**95,183**	**472,640**	**267**	**-**	**464,623**	**(243,416)**	**41,095**	**830,392**

The authorised share capital is € 375.0 million, divided into 75,000,000 ordinary shares of € 5 par value. For further explanation on the equity, see 20 *Shareholders' equity* in the consolidated financial statements.

Share buyback
On 19 October 2018, the Company announced it would repurchase own shares for a maximum of € 40.0 million. The buyback programme will be executed in the period between 19 October 2018 up to and including 31 March 2019, or until € 40.0 million in shares has been purchased. Up to and including 31 December 2018, the Company has repurchased 292,208 shares. This involved a total sum, including costs, of € 9.8 million. In the period between the balance sheet date up to and including 7 February 2019, the Company bought back 217,670 shares for a total sum, including costs, of € 7.1 million. The repurchased shares will not be cancelled, but held as a temporary investment.

In 2017, Vastned made a tender offer to buy back its own shares for a maximum of € 50.0 million. In this context, 849,846 shares were repurchased in 2017 at a price of € 35.19 per share. This involved a total sum, including costs, of € 30.1 million. The repurchased shares will not be cancelled, but held as a temporary investment.

The statutory reserves comprise:

- **Hedging reserve in respect of financial derivatives**
  This reserve contains the gains and losses in respect of the effective portion of the derivatives which were designated and qualified as cash flow hedges.

- **Revaluation reserve**
  The revaluation reserve concerns the property and comprises the cumulative positive unrealised value movements of the property. The revaluation reserve is determined at the level of the individual property.

The statutory reserves are not available for dividend distributions.

7 Long-term interest-bearing loans

	2018				2017			
	Remaining term				Remaining term			
	1-5 years	More than 5 years	Total	Average interest rate at year-end	1-5 years	More than 5 years	Total	Average interest rate at year-end
Unsecured loans:								
• fixed interest 1)	197,423	125,126	322,549	2.47	195,777	209,456	405,233	2.92
• floating interest	58,218	-	58,218	1.36	-	107,937	107,937	1.42
	255,641	**125,126**	**380,767**	**2.30**	**195,777**	**317,393**	**513,170**	**2.60**

1) Including the part that was fixed by means of interest derivatives.

A positive/negative mortgage covenant was issued for the loans. In addition, a number of lenders have set conditions regarding the solvency and interest coverage, as well as changes in the control of the Company and/or its subsidiaries. Vastned satisfied these conditions as at 31 December 2018.

The part of the long-term interest-bearing loans due within one year is € 134.7 million (31 December 2017: nil), which is recognised under short-term liabilities.

The convertible bond loan below is included in the Long-term interest-bearing loans:

Year of issue	Term	Nominal value	Interest rate 1)	Conversion price	Maximum number of shares
2014	5 years	110,000	1.875%	€ 41.87	2,627,179

1) Fixed interest

The average term of the long-term interest-bearing loans was 3.8 years (31 December 2017: 4.0).

See *22 Long-term interest-bearing loans* in the consolidated financial statements for more details on the long-term interest-bearing loans.

8 Financial derivatives

	2018		2017	
	Receivable	Liability	Receivable	Liability
Interest rate swaps	-	**2,941**	-	**1,678**

Fair value of interest rate derivatives, compared to the nominal value of the loans for which the interest rate risk has been hedged:

	2018		2017	
	Fair value interest rate derivatives	Carrying amount loans	Fair value interest rate derivatives	Carrying amount loans
Interest rate swaps < 1 year	-	-	-	-
Interest rate swaps 1-2 years	-	-	-	-
Interest rate swaps 2-5 years	-	-	-	-
Interest rate swaps < 5 years	(2,941)	135,000	(1,678)	135,000
	(2,941)	**135,000**	**(1,678)**	**135,000**

9 Payable to banks

The Company has a facility which allows offsetting, which the Company and its Dutch subsidiaries avail themselves of.
This means that the current account balances at the level of the Company determine the interest charges and the earned interest arising from this, in the amount of € 0.1 million (2017: € 0.1 million), accrues to the Company.

10 Payable to group companies

The amounts payable to group companies are current account relationships at a floating interest rate and without fixed repayment date.

11 Notes to the profit and loss account

The net rental income consists of the amounts charged to tenants in accordance with the operating leases less the costs directly related to operating the property.

The general management expenses include € 1.8 million in asset and property management fees charged by the group companies (2017: € 1.5 million) and other general expenses in the amount of € 0.7 million (2017: € 0.5 million), which mainly concern consultancy and audit costs, publicity costs and costs in connection with the stock exchange listing.

The abortive purchase costs are the costs incurred for the unsuccessful takeover bid on all shares in Vastned Retail Belgium NV that the company did not yet hold.

The other operating income includes the other income from participations in group companies in the amount of € 1.8 million (2017: € 1.5 million), which consists of fees charged to the group companies.
Also included here are the value movements in property in the amount of nil (2017: nil) and the net result on the divestment of property in the amount of € 0.1 million negative (2017: net result on divestment of a group company of € 5.7 million positive).

The other interest income and similar income in the amount of € 3.4 million (2017: € 4.6 million) mostly relates to the financing provided to the group companies.
The interest charges and similar expenses in the amount of € 15.0 million (2017: € 19.9 million) consist of the interest paid on the long-term interest-bearing loans and amounts payable to banks, which totalled € 13.9 million (2017: € 15.7 million), the value movements in financial derivatives of € 1.1 million negative (2017: € 1.5 million positive) and the reclassification of translation differences on net investments from equity in the amount of nil (2017: € 5.7 million).

12 Rights and obligations not recorded in the balance sheet

The Company has issued a certificate of guarantee for a group company in accordance with Section 403 of Book 2 of the Dutch Civil Code.

The company heads a tax entity for the purposes of Dutch corporate income tax and a tax entity for the purposes of turnover tax, and is consequently jointly and severally liable for the tax liability of the tax entities as a whole.

13 Events after the balance sheet date

See *28 Events after balance sheet date* in the consolidated financial statements.

14 Profit appropriation

The Executive Board proposes to distribute the result as follows:

Result attributable to Vastned Retail shareholders	41,095
To be added/charged to the reserves	(741)
Available for dividend distribution	**40,354**
Distributed earlier as interim dividend	(12,912)
Available for final dividend distribution	**27,442**

Based on the dividend policy and with due consideration for the conditions associated with the fiscal investment institution status within the meaning of Section 28 of the 1969 Netherlands Corporate Income Tax Act, the Executive Board proposes that a final dividend of € 1.34 per share be distributed in cash for the 2018 financial year. This dividend distribution will total € 23.7 million.

15 Approval of the company financial statements

The company financial statements were drawn up by the Executive Board and authorised for publication by the Supervisory Board on 13 February 2019.

Other information

Profit distribution

In accordance with the Company's articles of association, the profit is placed at the disposal of the General Meeting of Shareholders. The Company may only make distributions to shareholders insofar as Vastned Retail shareholders' equity exceeds the sum of the paid-up and called-up capital plus the reserves required to be maintained by law.

In order to retain its tax status as a fiscal investment institution, the Company must distribute the taxable profit, after making permitted reservations, within eight months after the end of the year under review.

Independent auditor's report

To: the shareholders and supervisory board of Vastned Retail N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion
We have audited the financial statements 2018 of Vastned Retail N.V., based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Vastned Retail N.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Vastned Retail N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The following statements for 2018: the consolidated profit and loss account, the consolidated statement of comprehensive income, consolidated statement of movement in equity and consolidated cash flow statement;
- The consolidated statement of financial position as at 31 December 2018;
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2018;
- The company profit and loss account for 2018;
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Vastned Retail N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics). We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 7.9 million (2017: € 7.9 million)
Benchmark applied	0.5% for the total assets
Explanation	We consider total assets the best benchmark for materiality taking into account the nature and size of the business operations. For financial statement accounts with direct result impact we assume that a lower possible misstatement could influence economic decisions of the users of the financial statements. We therefore set the materiality for this at € 2.0 million (5% of the direct result, 2017: € 2.0 million).

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 100.000 for accounts with direct result impact and in excess of € 398,000 for other accounts, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Vastned Retail N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Vastned Retail N.V.

Our group audit has mainly focused on significant group entities; in addition to Vastned Netherlands, these concern the countries of France and Belgium ('Full scope'). We have performed audit procedures ourselves at entities in the Netherlands. We have used the work of other EY auditors in auditing France and Belgium. For Spain we have performed review procedures ('Review scope').

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Compared to prior year we have addressed revenue cut off as new key audit matter and we no longer include the credit risk to debtors as a key audit matter as a result of the reduced risk profile and limited outstanding debtor amounts.

Risk	*Our audit approach*	*Key observations*
Valuation of property, note 15 Property of Vastned Retail N.V. amounts to 99% of the consolidated balance sheet total as per 31 December 2018. Property is valued at fair value as per 31 December 2018, in accordance with the Vastned Retail N.V. valuation policy that the value of all significant objects is determined by external appraisers periodically. Parameters, assumptions and estimates by management are used in determining fair value of property. Because the valuation is impacted to an inherent great extent by the subjectivity of estimates, valuation of property is a significant risk in our audit.	We have tested the design and implementation effectiveness of internal controls relating to the valuation of property, including internal assessment of reports from appraisers. We have assessed the competence and independence of external appraisers. We have determined the correctness of source data as used in calculating the valuation. We have employed our real estate valuation specialists in the review and testing of models, parameters, assumptions and estimated as used in the valuation. We audited a sample of the calculations by recalculation. In our audit we have specifically considered significant valuation results, the fair value of property as determined by external appraisers and management opinion on these valuations. We also reviewed the disclosures as included in the financial statement relating to the valuation of property.	We agree with the assumptions used by the external appraisers and management, the valuation of the property and the disclosures as included in the financial statements.
Recognition of sale and acquisition of property, note 15 In 2018 Vastned Retail N.V. acquired and sold multiple properties. Accurate and complete recognition of these transactions is an important area of emphasis in our audit. We pay special attention to fraud risks in acquiring and selling properties, such as ABC transactions and kickback fees. In addition, complex accounting recognition considerations can be applicable (reviewing proper classification as business combination under IFRS 3 or asset acquisition under IAS 40), which could impact the recognition and the disclosures in the financial statements.	We have tested the design and implementation effectiveness of internal controls relating to sales and acquisitions of property investments, including proper authorization of transactions and background checks of buyers and sellers. We have audited a sample of the acquisition and sales transactions of property investments. We have reconciled the recognized transactions to relevant supporting documentation, determined the presentation and classification and determined accurate and complete recognition of transaction result in the fiscal year. In addition, we have analyzed the sales price of property transactions in relation to the most recent valuation value as determined by the external appraiser. If applicable we have assessed the reasonableness of considerations paid to intermediaries. We also reviewed the disclosures as included in the financial statements relating to the recognition of sale and acquisition of property.	We agree with the accounting used by management regarding the recognition of sale and acquisition of property and the disclosures as included in the financial statements. We have noted no indications of fraud relating sales and acquisitions of property investments.

Risk	*Our audit approach*	*Key observations*
Financial reporting fraud We identify the risk that financial information is intentionally misrepresented or that required disclosures are not or not completely included in the financial statements, which causes users of the financial statements to be misled. This can originate from a desire to present stable and results as predicted or the desired development in (in)direct result. This risk specifically focuses on recognition of incidental transactions like redemption payments and one-off costs.	We have audited the recognition of direct and indirect result and performed targeted checks on management remuneration and manual journal entries. We have performed these procedures using data analytics such as analyzing correlation between different data streams with particular attention to incidental transactions such as redemption payments and one-off costs.	We have noted no indications of financial reporting fraud.
Financing and bank covenants, note 25 Considering the importance and relative size of external financing at Vastned Retail N.V., compliance with bank covenants and the related disclosures in the financial statements are considered as an important area of emphasis in our audit.	We have tested the design and implementation effectiveness of internal controls relating to the monitoring of bank covenants. We have audited calculations of bank covenants as prepared by Vastned Retail N.V. and reconciled these with relevant financing conditions. We also reviewed the disclosures as included in the financial statements relating to financing and bank covenants.	Wij hebben vastgesteld dat per 31 december 2018 wordt voldaan aan de vereiste bank-convenanten en dat vorenstaande correct is toegelicht in de jaarrekening.
Compliance with fiscal laws and regulations, note 10 Within Vastned Retail N.V. multiple entities qualify as fiscal investment entity (Netherlands, France and Belgium). In the Netherlands, France and Belgium Vastned Retail N.V. utilizes the fiscal and legal facilities for investment entities, causing the tax rate to be 0%. Compliance with the conditions for application of the tax regime for investment entities is essential for the correct accounting treatment in the financial statements and is therefore an area of emphasis in our audit.	We have reviewed the internal assessment regarding compliance with key conditions of the fiscal regime for investment entities as prepared by the external fiscal specialist of Vastned Retail N.V. We have used our fiscal specialists in the performance of this review in the Netherlands, Belgium and France.	We have assessed that Vastned Retail N.V. complies with the key conditions of the fiscal regime for investment entities.
Revenue cut off, note 4 There is a risk that the invoicing of the rent is not in accordance with the rental contract, as a result of which the revenue recognition does not take place or takes place in the incorrect year.	We have tested the design and implementation effectiveness of internal controls relating to the invoicing and recognition of revenue. By performing a test of detail we have verified that the contract register is correct. We have agreed the revenue, as recorded in the financial statements, with the contract register. Through detailed analytics we have verified the completeness of the recognized revenue.	We have verified the completeness of the revenue recognized in the financial statements.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Vastned at a glance;
- Long-term value creation;
- Report of the Executive Board;
- Report of the Supervisory Board;
- Remuneration report 2018
- Direct and indirect results
- EPRA performance measures;
- Appendix;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Vastned Retail N.V. as of the audit for the year 2016 and have operated as statutory auditor since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Utrecht, February 13, 2019

Ernst & Young Accountants LLP

Signed by:
W.H. Kerst RA

EPRA Performance Measures

Financial reporting / Sustainability reporting

8

EPRA best practices recommendations

The EPRA Best Practices Recommendations (BPRs) published by EPRA's Reporting and Accounting Committee contain recommendations concerning the determination of key performance indicators for measuring the turnover of the property portfolio. Vastned endorses the importance of standardising the reporting of performance measures from the perspective of comparability and improving the quality of information provided to investors and other users of the annual report. For this reason, Vastned has decided to include the key performance measures in a separate chapter of the annual report.

The statements included in this chapter are presented in euros; amounts are rounded off to thousands of euros, unless stated differently.

The EPRA BPR Checklist is available on Vastned's website:

www.vastned.com/annual_report

EPRA performance measures

			(€ thousand)		per share (€)	
EPRA performance measure[1]	Page	Table	2018	2017	2018	2017
EPRA Earnings	217	1	40,354	41,134	2.22	2.22
EPRA NAV	217	2	849,526	854,337	47.47	46.98
EPRA NNNAV	217	3	831,906	830,301	46.49	45.66
EPRA Net Initial Yield (NIY)	218	4 (i)	3.8%	4.1%		
EPRA 'topped-up' NIY	218	4 (ii)	4.1%	4.2%		
EPRA Vacancy Rate	220	5	1.5%	2.0%		
EPRA Cost Ratio (including direct vacancy costs)	221	6 (i)	19.8%	20.6%		
EPRA Cost Ratio (excluding direct vacancy costs)	221	6 (ii)	18.9%	19.8%		
Capital expenditure	221	7				

1) The EPRA Performance Measures are calculated on the basis of the definitions published by the EPRA and are included in the list of definitions on page 252

1. EPRA earnings

	2018	2017
Result according to consolidated IFRS profit and loss account	**43,594**	**106,609**
Value movements in property	(4,095)	(64,058)
Net result on divestments of property	(201)	1,891
Financial expenses	816	817
Value movements in financial derivatives	1,357	(2,371)
Movement in deferred tax assets and liabilities	2,319	2,861
Results from discontinued operations with respect to the hereforementioned items	-	(1)
Attributable to non-controlling interests	(5,035)	(4,614)
EPRA Earnings	**38,755**	**41,134**
Company specific adjustments		
Abortive purchase costsn	1,599	-
Company specific adjusted earnings	**40,354**	**41,134**
EPRA Earnings per share (EPS)	**2.14**	**2.22**
Company specific adjustments		
Abortive purchase costs	0.08	-
Company specific adjusted earnings per share	**2.22**	**2.22**

2. & 3. EPRA NAV & EPRA NNNAV

	31/12/2018	Per share (€)	31/12/2017	Per share (€)
Equity Vastned Retail shareholders	830,392	46.40	838,685	46.12
Adjustment for effect of convertible bond loan	-	-	-	-
Diluted equity of Vastned Retail shareholders	830,392	46.40	838,685	46.12
Fair value of financial derivatives	4,310	0.24	2,909	0.16
Deferred tax	14,824	0.83	12,743	0.70
EPRA NAV	**849,526**	**47.47**	**854,337**	**46.98**
Fair value of financial derivatives	(4,310)	(0.24)	(2,909)	(0.16)
Fair value of interest-bearing loans [1]	(3,893)	(0.21)	(11,316)	(0.62)
Deferred tax	(9,417)	(0.53)	(9,811)	(0.54)
EPRA NNNAV	**831,906**	**46.49**	**830,301**	**45.66**

1) The calculation of the fair value is based on the swap yield curve at year-end 2018 and the credit spreads in effect at year-end 2018

4. EPRA Net Initial Yield & EPRA Topped-up Net Initial Yield as at 31 December

	Netherlands		France		Belgium		Spain		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Property	684,410	677,514	415,336	433,995	382,643	388,560	97,180	91,495	1,579,569	1,591,564
addition:										
Estimated transaction fees	47,909	47,426	30,048	33,603	9,566	9,715	2,634	2,489	90,157	93,233
Investment value of property (B)	**732,319**	**724,940**	**445,384**	**467,598**	**392,209**	**398,275**	**99,814**	**93,984**	**1,669,726**	**1,684,797**
Annualised gross rental income	31,207	35,656	16,413	17,613	20,251	19,926	2,531	3,374	70,402	76,569
Non-recoverable operating expenses	(4,151)	(4,594)	(674)	(1,120)	(1,808)	(1,855)	(230)	(225)	(6,863)	(7,794)
Annualised net rental income (A)	**27,056**	**31,062**	**15,739**	**16,493**	**18,443**	**18,071**	**2,301**	**3,149**	**63,539**	**68,775**
Effect of rent-free periods and other lease incentives	2,688	457	213	419	221	279	1,000	25	4,122	1,180
Topped-up annualised net rental income (C)	**29,744**	**31,519**	**15,952**	**16,912**	**18,664**	**18,350**	**3,301**	**3,174**	**67,661**	**69,955**
(i) EPRA Net Initial Yield (A/B)	3.7%	4.3%	3.5%	3.5%	4.7%	4.5%	2.3%	3.4%	3.8%	4.1%
(ii) EPRA Topped-up Net Initial Yield (C/B)	4.1%	4.3%	3.6%	3.6%	4.8%	4.6%	3.3%	3.4%	4.1%	4.2%

	Core city assets		Mixed retail locations		Total	
	2018	2017	2018	2017	2018	2017
Property	1,289,564	1,259,650	290,005	331,914	1,579,569	1,591,564
addition:						
Estimated transaction fees	76,781	77,024	13,376	16,208	90,157	93,232
Investment value of property (B)	**1,366,345**	**1,336,674**	**303,381**	**348,122**	**1,669,726**	**1,684,796**
Annualised gross rental income	49,802	51,366	20,600	25,203	70,402	76,569
Non-recoverable operating expenses	(4,407)	(4,302)	(2,456)	(3,492)	(6,863)	(7,794)
Annualised net rental income (A)	**45,395**	**47,064**	**18,144**	**21,711**	**63,539**	**68,775**
Effect of rent-free periods and other lease incentives	3,983	963	139	217	4,122	1,180
Topped-up annualised net rental income (C)	**49,378**	**48,027**	**18,283**	**21,928**	**67,661**	**69,955**
(i) EPRA Net Initial Yield (A/B)	3.3%	3.5%	6.0%	6.2%	3.8%	4.1%
(ii) EPRA Topped-up Net Initial Yield (C/B)	3.6%	3.6%	6.0%	6.3%	4.1%	4.2%

5. EPRA Vacancy Rate

31/12/2018

	Gross rental income	Net rental income	Lettable floor area (sqm)	Annualised cash passing rental income	Estimated rental value (ERV) of vacant properties	Estimated rental value (ERV)	EPRA Vacancy Rate
Netherlands	38,189	34,743	117,617	31,207	569	34,273	1.7%
France	16,291	15,320	21,151	16,413	133	17,629	0.8%
Belgium	19,779	18,102	92,637	20,251	419	19,574	2.1%
Spain	2,801	2,611	3,419	2,531	-	3,776	-
Total property	**77,060**	**70,776**	**234,824**	**70,402**	**1,121**	**75,252**	**1.5%**
Core city assets	54,755	50,821	96,065	49,802	385	55,340	0.7%
Mixed retail locations	22,305	19,955	138,759	20,600	736	19,912	3.7%
Total property	**77,060**	**70,776**	**234,824**	**70,402**	**1,121**	**75,252**	**1.5%**

31/12/2017

	Gross rental income	Net rental income	Lettable floor area (sqm)	Annualised cash passing rental income	Estimated rental value (ERV) of vacant properties	Estimated rental value (ERV)	EPRA Vacancy Rate
Netherlands	37,081	32,571	139,675	35,656	1,072	37,249	2.9%
France	17,631	16,688	36,103	17,613	335	18,760	1.8%
Belgium	19,443	17,863	92,646	19,926	175	19,459	0.9%
Spain	3,325	3,100	3,291	3,374	-	3,710	-
Turkey	1,851	1,811	-	-	-	-	-
Total property	**79,331**	**72,033**	**271,715**	**76,569**	**1,582**	**79,178**	**2.0%**
Core city assets	52,279	48,080	97,025	51,366	264	54,774	0.5%
Mixed retail locations	27,052	23,953	174,690	25,203	1,318	24,404	5.4%
Total property	**79,331**	**72,033**	**271,715**	**76,569**	**1,582**	**79,178**	**2.0%**

6. EPRA Cost Ratios

	2018	2017
General expenses	8,753	8,545
Ground rents paid	124	143
Operating expenses	6,027	7,024
Net service charge expenses	501	475
less: Ground rents paid	(124)	(143)
EPRA costs (including vacancy costs) (A)	**15,281**	**16,044**
Vacancy costs	(676)	(679)
EPRA costs (excluding vacancy costs) (B)	**14,605**	**15,365**
Gross rental income less ground rents paid (C) 1)	**77,304**	**77,721**
(i) EPRA Cost Ratio (including vacancy costs) (A/C)	19.8%	20.6%
(ii) EPRA Cost Ratio (excluding vacancy costs) (B/C)	18.9%	19.8%

1) Including other income of € 368 thousand (2017: € 384 thousand)

No operating expenses were capitalized in 2018 (2017: < € 0.1 million). Vastned capitalizes the operating expenses directly attributable to property in renovation during the period that the property in renovation is not available for letting. General expenses (overhead) are not capitalized.

7. Capital Expenditure

	2018	2017
Acquisitions 1)	48,812	37,643
Development	-	-
Like-for-like portfolio 2)	3,937	3,858
Other	-	(65)
Total	**52,749**	**41,436**

1) Concerns acquisitions of core city assets in Amsterdam, Utrecht, Paris and Madrid.
2) Concerns improvements to various properties already owned throughout the various countries.

Vastned has no interests in joint ventures.

Sustainability reporting

Introduction

We report on our environmental, social and governance impacts in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR). Our reporting response has been split into 2 sections:

1. Overarching recommendations
2. Sustainability performance measures

Overarching recommendations

Organisational boundaries

We use the operational control approach for our data boundary.

Coverage

Please see our EPRA performance tables below for individual coverage of each performance measure. We report common areas utilities consumption data (where we have landlord control) for all applicable assets in our portfolio. This therefore excludes the majority of the 269 high street and 30 shopping centre assets in our portfolio, which often do not have common areas and where the tenant is responsible for utilities consumption (for more information, see Boundaries and Normalisation below).

Estimation of landlord-obtained utility consumption

The following table provides the amount of estimated environmental data for our portfolio in 2017 and 2018. 26% of the data for the environmental performance measures for our own offices is estimated.

Estimated portfolio data	2018	2017
Elec-Abs	45%	38%
Elec-LfL	32%	39%
Fuel-Abs	45%	54%
Fuel-LfL	38%	49%

Third party assurance

No third party assurance is available.

Boundaries – Reporting on landlord and tenant consumption

The consumption reported includes only energy, which we purchase as landlords. Tenant data is excluded.

Analysis – Normalisation

Intensity indicators are calculated using floor area (sqm) for whole buildings, including tenant areas. We are aware there is a mismatch between the nominator and denominator in our methodology for calculating intensities. Tenants receive bills for the major part of each building, we only receive bills for common areas in the Netherlands, for which data has been given (see table 'EPRA portfolio' on page 224 and 225).

Analysis – Segmental analysis (by property type, geography)

All the assets for which we are responsible for energy consumption are located in the Netherlands. We have carried out segmental analysis on two kinds of assets: shopping centres and high street stores (see table 'EPRA portfolio' on page 224 and 225).

Disclosure on own offices

Our own occupied offices are reported separately to our portfolio. Please see 'EPRA own offices' on page 226 and 227.

Narrative on performance

Elec-Abs – shopping centre: the increase in the absolute electricity consumption of shopping centers was caused by Walburg shopping center in Zwijndrecht, where significantly more data was available in 2018 due to changes in tenants. This despite the fact that the property was sold in 2018.

Elec-LfL – shopping centre: the increase in the LfL electricity consumption of shopping centers was caused by an increase in energy consumption in 2018 in the Eckart shopping center in Eindhoven and De Weerd shopping center in Doorwerth.

Elec-Abs – high street: the increase in the absolute electricity consumption of high street units was mostly caused by changes in tenants, renovations carried out in 2018 and an increase in the availability of data.

Fuels-Abs – shopping centre: the decrease in the absolute natural gas consumption of shopping centers is related to a decrease in natural gas consumption in the Westermarkt shopping center in Tilburg and the sale of shopping centers during 2018.

Fuels-LfL – high street: the increase in the LfL natural gas consumption of high street units can largely be explained by the letting of Koningstraat 13A in Arnhem and an increase in the natural gas consumption in this property.

Where actual consumption data for the reporting year could not be obtained, Vastned used estimated data based on comparable periods from 2017, if available.

Narrative on the remuneration of men and women

Vastned does not disclose the Diversity pay for 'other direct employees'. Because Vastned at the end of 2018 only employed 41 FTEs, the number of male and female employees with the same job is limited. The only function with both male and female employees is Asset Manager, but the income is not comparable because this is largely determined by the seniority and the number of years of service at the company.

Narrative on performance appraisals

Every year, a performance review and an assessment interview are held with every employee. During these meetings challenging targets are set in mutual consultation that are geared both towards Vastned's objectives and to the employee's competences. This aligns the employees' personal development with Vastned's interests. As an added incentive Vastned grants variable bonuses to its staff that are determined based on the degree to which targets are achieved. All employees are also encouraged to buy Vastned shares by giving a 10% discount on the share price on the date the shares were bought. Employees must retain these shares for at least one year. In this way, Vastned tries to further align the long-term interests of the employees and the shareholders.

The remuneration and nomination committee has the task to evaluate the Executive Board and the Supervisory Board. This committee is also responsible for the annual accountability of the remuneration policy.

Location of EPRA sustainability performance measures in companies' reports

EPRA environmental sustainability performance measures can be found in the table 'EPRA Portfolio' on page 224 and 225, and 'EPRA Offices' on page 226 and 227 of this report. EPRA governance and social performance measures can be found in the table 'EPRA Social & Governance' on page 228 and 229 of this report.

Reporting period

We provide two years of performance data covering the 2017 and 2018 calendar years for all performance measures (where material).

Materiality

We report on all environmental performance measures that we are responsible for across our portfolio. Performance measures relating to DH&C, Water and Waste are not applicable as we are not responsible for these utilities across our portfolio. We do not report H&S-Assets, H&S-Comp and Comty-Eng as we have not identified them as material given the fact that our portfolio consists primarily of high street assets let on a core and shell basis meaning there are few common areas. Likewise, our shopping centre portfolio consists of shared ownership of shopping centres and retail warehouses meaning we are not responsible for the common areas. Emp-Training is not reported as we do not currently have formal systems to collect this data. We will seek to report this performance measure in future reports.

Sustainability performance measures

EPRA portfolio

Indicator	EPRA	Asset type	Unit of measure	2018	2017	Coverage	Change
Total electricity consumption	Elec-Abs	Shopping centre	kWh	204,458	147,324	9 out of 9	39%
		(% from renewable sources)		100	100		
		High street		571,193	461,578	66 out of 66	24%
		(% from renewable sources)		100	100		
		Total		**775,651**	**608,902**	**75 out of 75**	**27%**
		(% from renewable sources)		**100**	**100**		
Like-for-like electricity consumption	Elec-LfL	Shopping centre	kWh	101,160	89,327	2 out of 2	13%
		High street		302,787	298,104	25 out of 25	2%
		Total		**403,947**	**387,431**	**27 out of 27**	**4%**
Total energy consumption from district heating and cooling	DH&C-Abs [1]	n/a	kWh	n/a	n/a	n/a	n/a
Like-for-like consumption from district heating and cooling	DH&C-LfL [1]	n/a	kWh	n/a	n/a	n/a	n/a
Total energy consumption from fuel	Fuels-Abs	Shopping centre	kWh	3,171	10,662	5 out of 5	-70%
		(% from renewable sources)		0	0		
		High street		81,943	137,299	46 out of 46	-40%
		(% from renewable sources)		0	0		
		Total		**85,114**	**147,961**	**51 out of 51**	**-42%**
		(% from renewable sources)		**0**	**0**		
Like-for-like consumption from fuel	Fuels-LfL	Shopping centre	kWh	n/a	n/a	n/a	n/a
		High street		65,371	58,557	16 out of 16	12%
		Total		**65,371**	**58,557**	**16 out of 16**	**12%**
Building energy intensity	Energy-Int	Shopping centre	kWh/m^2	6	5	9 out of 9	31%
		High street		15	13	66 out of 66	9%
Direct GHG emission (total) Scope 1	GHG-Dir-Abs	Shopping centre	tCO_2e	6	20	5 out of 5	-70%
		High street		155	259	46 out of 46	-40%
		Total		**161**	**280**	**51 out of 51**	**-42%**
Indirect GHG emission (total) Scope 2	GHG-Indir-Abs	Shopping centre (location based)	tCO_2e	100	59	9 out of 9	71%
		High street (location based)		281	184	66 out of 66	52%
		Total (location based)		**381**	**243**	**75 out of 75**	**57%**
Building GHG emissions intensity	GHG-Int (from fuels)	Shopping centre	kgCO_2e/m^2	0.003	0.002		35%
		High street		0.010	0.010		-2%
Total water consumption	Water-Abs [2]		m^3	n/a	n/a	n/a	n/a
Like-for-like water consumption	Water-LfL [2]		m^3	n/a	n/a	n/a	n/a
Building water consumption intensity	Water-Int [2]		m^3/m^2	n/a	n/a	n/a	n/a
Weight of waste by disposal route (total)	Waste-Abs [3]		kg	n/a	n/a	n/a	n/a
			% recycled	n/a	n/a	n/a	n/a
			% sent to landfill	n/a	n/a	n/a	n/a
Weight of waste by disposal route (Like-for-like)	Waste-LfL [3]		kg	n/a	n/a	n/a	n/a
			% recycled	n/a	n/a	n/a	n/a
			% sent to landfill	n/a	n/a	n/a	n/a
Type and number of assets certifies	Cert-Tot [4]	Shopping centre	% of portfolio certified or	37%	56%	30 out of 30	
		High street	number of certified assets	76%	74%	269 out of 269	

1) DH&C-Abs and DH&C-LfL are not applicable as Vastned is not responsible for district heating and cooling across its portfolio.
2) Water-Abs and Water-LfL are not applicable as Vastned is not responsible for water and waste across its portfolio.
3) Waste-Abs and Waste-LfL are not applicable as Vastned is not responsible for water and waste across its portfolio.
4) Cert-Tot: the percentage refers to the proportion of portfolio that has an EPC (Energy Performance Certificate). The breakdown of our EPCs is as follows:

A+	1%
A	10%
B	8%
C	11%
D	24%
E	15%
F	6%
G	14%
H	0%
I	3%
Unknown	8%

Portfolio GHG emission have been calculated using 2017 and 2018 conversion factors provided by IEA (for electricity) and www.co2emissiefactoren.nl for fuels. Scope 1 emissions include fuel consumption while Scope 2 emissions include electricity consumption.

EPRA own offices

Indicator	EPRA	Unit of measure	2018	2017	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	109,442	97,545	4 out of 4	12%
Total energy consumption from fuel	Fuels-Abs	kWh	36,037	31,552	3 out of 3	14%
Total energy from district heating and cooling	DH&C-Abs	kWh	22,242	71,000	1 out of 1	-69%
Building energy intensity	Energy-Int	kWh/FTE	4,007	4,780	4 out of 4	-16%
Direct GHG emission (total) Scope 1	GHG-Dir-Abs	tCO_2*	8	10	3 out of 3	-23%
Indirect GHG emission (total) Scope 2	GHG-Indir-Abs	tCO_2* (location based)	71	51	4 out of 4	38%
Building GHG emissions intensity	GHG-Int	$kgCO_2$*/FTE	1.89	1.48	4 out of 4	28%
Total water consumption	Water-Abs	m³	227	231	4 out of 4	-2%
Building water consumption intensity	Water-Int	m³/FTE	5	6	4 out of 4	-2%
Weight of waste by disposal route (total) 1)	Waste-Abs	tonnes recycled kg	n/a 1,244	n/a 1,513	n/a 4 out of 4	
Type and number of assets certified	Cert-Tot	% of portfolio certified or number of certified assets	70%	71%	4 out of 4	

1) Waste-Abs and Waste-LfL: Vastned only has data regarding paper waste.

- Own office CO_2e conversion factors are based on data provided by the Climate Neutral Group in the Netherlands. All own offices are leased by Vastned and are therefore not part of the investment portfolio. That is why the environment sustainability performance measures are separately reported. This data relates to offices of Vastned in the Netherlands, Belgium, France and Spain.

EPRA social governance

Indicator	EPRA	Asset type	Units of measure	2018	2017	Coverage
Gender diversity	Diversity-Emp	Corporate operations	% of employees	50% Male, 50% Female	50% Male, 50% Female	Supervisory Board
				100% Male	100% Male	Executive Board
				38% Male, 62% Female	45% Male, 55% Female	Other direct employees
Gender pay	Diversity-Pay	Corporate operations	Ratio	1.0	1.0	Supervisory Board 1)
				n/a	n/a	Executive Board
				-	-	Other direct employees 2)
Performance appraisals	Emp-Dev	Corporate operations	% of total workforce	100%	100%	Direct employees
New hires	Emp-Turnover	Corporate operations	Total number	4	6	Direct employees
			Rate	10%	13%	
Turnover			Total number	5	11	
			Rate	13%	25%	
Number of injuries 3)	H&S-Emp	Corporate operations	Total number	0	0	Direct employees
Lost day rate			n/a	n/a	n/a	
Absentee rate			Percentage of absentee hours	3.3	1.8	
Fatalities			Total number	0	0	
Health and safety assessments	H&S-Asset	Corporate operations	n/a 4)	n/a	n/a	n/a
Health and safety compliance	H&S-Comp	Corporate operations	n/a 4)	n/a	n/a	n/a
Board composition	Gov-Board	Corporate operations	Total number of Executive Board	2	2	Supervisory Board and Executive Board
			Total number of Supervisory Board (Independent)	4	4	
			Average tenure (years) for Supervisory Board 5)	5.75	4.75	
			Total number with competencies relating to environmental and social topics 6)	1	1	
Independent / Non-executive board members with competencies relating to environmental and social topics	Gov-Select	Corporate operations	Description	The members of the Supervisory Board are appointed by the Annual General Meeting of Shareholders. The Supervisory Board draws up binding nominations for the appointment of new members to the Supervisory Board. The Supervisory Board aims to have experience with sustainability and corporate social responsibility among its members.		Supervisory Board
Conflicts of interest	Gov-Col	Corporate operations	Description	Vastned considers it very important for the members of the Executive Board and the Supervisory Board to act independently, without any conflicting interests. It has adopted a number of regulations and codes to ensure this. During the 2018 reporting year the members of the Executive Board and the Supervisory Board were independent and there were no conflicts of interest within the meaning of the Code or applicable laws and regulations. As a result, Vastned complies with principle 2.7 of the Code. For more information on our compliance with the Dutch Corporate Governance Code, see page 76 of our Annual Report.		Supervisory Board and Executive Board

n/a = Not applicable
1) The ratio represents the remuneration awarded to Supervisory Board members of equal position. As such it excludes the Chairman.
2) Vastned is currently not able to report this performance measure.
3) Given the number of staff employed by Vastned we report the total number of injuries rather than injury rate.
4) Vastned ensures that all mandatory 'Health & safety assessments' are fully complied with. For most buildings Vastned has a technical building manager who is responsible for ensuring that all compulsory assessments are fully complied with. However, reporting on these figures does not fall under the scope of operational control by Vastned.
5) A Supervisory Board member steps down no later than after the Annual General Meeting of Shareholders held in the fourth financial year following the financial year in which he was appointed. A Supervisory Board member who has stepped down can be reappointed, but with a maximum of twelve years in office.
6) Marieke Bax is the Founder of 'Talent naar de Top'.

Appendix

9

Property in operation

The Netherlands

City Location		Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Almelo							
Grotestraat 32 / Hof van Gülick 10		Mixed retail locations	1993	1920	210	1	1
Grotestraat 36		Mixed retail locations	1996	1920	430	-	-
Grotestraat 83-85		Mixed retail locations	1994	1850	255	1	-
Grotestraat 97a / Koornmarkt 3-5 and 9-11 / Werfstraat 1		Mixed retail locations	1993	1920	1,132	6	-
Amersfoort							
Langestraat 8		Mixed retail locations	1990	1900	409	1	1
Utrechtsestraat 13 / Hellestraat 3		Mixed retail locations	2008	1900	97	1	1
Amsterdam							
Ferdinand Bolstraat 47-49		Core city assets	2017	1885	316	1	5
Ferdinand Bolstraat 65		Core city assets	1989	1883	113	1	3
Ferdinand Bolstraat 79-81		Core city assets	1987	1905	160	1	6
Ferdinand Bolstraat 88		Core city assets	1987	1883	85	1	3
Ferdinand Bolstraat 92 / G. Flinckstraat 118		Core city assets	1987	1882	81	1	6
Ferdinand Bolstraat 95-97 / 1e Jan v.d. Heijdenstraat 88a-90		Core city assets	1987	1892	194	1	9
Ferdinand Bolstraat 101		Core city assets	1989	1892	118	1	3
Ferdinand Bolstraat 109		Core city assets	1989	1882	76	1	3
Ferdinand Bolstraat 120 / 1e Jan v.d. Heijdenstraat 88		Core city assets	1993	1893	130	1	6
Ferdinand Bolstraat 122		Core city assets	1987	1893	95	1	3
Ferdinand Bolstraat 124		Core city assets	1987	1893	75	1	3
Ferdinand Bolstraat 126		Core city assets	1989	1893	80	1	3
Heiligeweg 37		Core city assets	2014	1907	114	1	-
Heiligeweg 47		Core city assets	1989	1899	60	1	-
Kalverstraat 9		Core city assets	1990	1900	253	1	-
Kalverstraat 11-17 / Rokin 12-16	1)	Core city assets	2015	2014	6,000	3	-
Kalverstraat 132		Core city assets	2014	1894	118	2	-
Kalverstraat 162-164		Core city assets	1988	1800	328	1	-
Kalverstraat 182		Core city assets	1987	1900	95	1	-
Kalverstraat 208		Core city assets	1991	1850	160	1	-
Keizersgracht 504		Core city assets	2012	1686	200	1	1
Leidsestraat 2 / Herengracht 424		Core city assets	2016	1900	431	2	3
Leidsestraat 5		Core city assets	1990	1905	380	1	-
Leidsestraat 23		Core city assets	2013	1700	160	1	-
Leidsestraat 46		Core city assets	2012	1900	190	1	-
Leidsestraat 60-62		Core city assets	2014	1750	82	1	4
Leidsestraat 64-66 / Kerkstraat 44		Core city assets	1986	1912	790	3	-
P.C. Hooftstraat 35		Core city assets	2015	1904	225	1	-
P.C. Hooftstraat 37		Core city assets	2015	1897	112	1	-
P.C. Hooftstraat 46-50		Core city assets	2014	1885	684	2	4
P.C. Hooftstraat 49-51		Core city assets	2013	1905	380	1	5
P.C. Hooftstraat 78, 78-I-II-III		Core city assets	2013	1905	465	2	-
Reguliersbreestraat 9 / Amstel 8		Core city assets	1987	1905	277	2	3
Reguliersdwarsstraat 80-84		Core city assets	2018	1832	803	1	7
Rembrandtplein 7	1)	Core city assets	2007	1897	285	1	1

1) Land (partly) on long lease

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Spuistraat 3E and 3F	Core city assets	2017	1900	189	1	-
Van Baerlestraat 86	Core city assets	1994	1800	90	1	2
Van Baerlestraat 108-110	Core city assets	1990	1800	265	2	4
Apeldoorn						
Deventerstraat 6	Mixed retail locations	1990	1930	70	1	-
Deventerstraat 14 and 14a	Mixed retail locations	1994	1900	295	2	-
Arnhem						
Bakkerstraat 3a and 4 / Wielakkerstraat 8	Mixed retail locations	1990	1600	188	2	1
Bakkerstraat 5 and 6 / Wielakkerstraat 10	Mixed retail locations	94/14	1950	971	3	-
Koningstraat 12-13 / Beekstraat 105-107 and 108	Mixed retail locations	1988	1890	1,052	5	3
Vijzelstraat 24	Mixed retail locations	1994	1800	161	1	-
Bergen op Zoom						
Wouwsestraat 48	Mixed retail locations	1994	1900	80	1	-
Beverwijk						
Nieuwstraat 9 -11 / Breestraat 65, 67 and 69	Mixed retail locations	1989	1910	2,630	3	-
Boxmeer						
Hoogkoorpassage 14-18 and 22	Mixed retail locations	1990	1989	566	5	-
Steenstraat 110 / d'n Entrepot	Mixed retail locations	1997	1992	135	1	1
Boxtel						
Stationsstraat 18-20	Mixed retail locations	1997	1920	750	1	1
Breda						
Eindstraat 14-16	Core city assets	1988	1924	260	1	-
Ginnekenstraat 19	Core city assets	1993	1980	150	1	-
Ginnekenstraat 80-80a	Core city assets	1998	1905	165	1	1
Grote Markt 29 / Korte Brugstraat 2	Core city assets	1991	1953	102	2	-
Karrestraat 25	Core city assets	1994	1920	268	1	2
Ridderstraat 19	Core city assets	1994	1800	225	1	-
Torenstraat 2 / Korte Brugstraat 14	Core city assets	1992	1953	90	1	-
Veemarktstraat 30	Core city assets	1991	1920	555	1	-
Veemarktstraat 32	Core city assets	1992	1800	70	1	1
Brunssum						
Kerkstraat 45 / Schiffelerstraat 1	Mixed retail locations	1997	1970	620	3	-
Dedemsvaart						
Julianastraat 13-19	Mixed retail locations	1997	1922	1,190	4	-
Deventer						
Lange Bisschopstraat 34	Mixed retail locations	1991	1900	278	-	-
Lange Bisschopstraat 50	Mixed retail locations	1993	1800	210	1	1
Doetinchem						
Dr. Huber Noodstraat 2	Mixed retail locations	1997	1968	1,840	2	-
Korte Heezenstraat 6 / Heezenpoort 13-15 and 21	Mixed retail locations	1994	1985	310	4	-
Doorwerth						
Mozartlaan 52-66 / Van der Molenallee 107-125	Mixed retail locations	1997	2007	3,395	13	-
Eerbeek						
Stuyvenburchstraat 44	Mixed retail locations	1997	1965	350	2	2
Eindhoven						
Orionstraat 137-159	Mixed retail locations	1993	1973	3,102	6	-
Rechtestraat 25	Core city assets	1992	1930	100	1	-
Rechtestraat 44-48	Core city assets	1988	1966	3,273	2	-

The Netherlands cont.

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Emmeloord						
Lange Nering 65	Mixed retail locations	1993	1960	275	1	1
Enschede						
Kalanderstraat 6	Mixed retail locations	1993	1950	124	1	-
Goes						
Lange Kerkstraat 9	Mixed retail locations	1994	1920	65	-	-
Goor						
Grotestraat 57-59 and 63	Mixed retail locations	1994	1910	859	1	1
Haaksbergen						
Spoorstraat 45	Mixed retail locations	1997	1986	800	1	1
Haarlem						
Grote Houtstraat 90	Mixed retail locations	1988	1850	96	1	-
Hardenberg						
Fortuinstraat 21	Mixed retail locations	1997	1985	300	-	-
Voorstraat 10	Mixed retail locations	1997	1930	1,173	1	-
Harderwijk						
Markt 14	Mixed retail locations	1991	1875	470	1	-
Heerlen						
Saroleastraat 38	Mixed retail locations	1994	1930	225	1	1
Helmond						
Veestraat 1	Mixed retail locations	1994	1950	240	1	-
Veestraat 39	Mixed retail locations	1994	1960	136	1	-
Hengelo						
Wegtersweg 4	Mixed retail locations	2006	2006	4,622	1	-
's-Hertogenbosch						
Hinthamerstraat 48	Core city assets	1988	1900	130	1	2
Markt 27	Core city assets	2012	1648	225	1	-
Schapenmarkt 17-19	Core city assets	2014	1930	1,254	1	-
Houten						
Onderdoor 4, 4a	Mixed retail locations	2010	2010	2,105	2	-
Joure						
Midstraat 153 - 163	Mixed retail locations	2006	1981	2,519	5	5
Leeuwarden						
Wirdumerdijk 7 / Weaze 16	Mixed retail locations	1994	1920	520	2	1
Maastricht						
Grote Staat 59	Core city assets	2014	1742	240	1	2
Muntstraat 16-18	Core city assets	1989	1897	135	1	-
Muntstraat 20	Core city assets	1987	1891	110	1	-
Muntstraat 21-23	Core city assets	2014	1920	311	1	-
Wolfstraat 8 / Minckelersstraat 1	Core city assets	1992	1883	789	2	-
Wolfstraat 27-29	Core city assets	2013	1752	455	1	1
Middelharnis						
Westdijk 22-24	Mixed retail locations	1997	1990	325	1	-
Nijmegen						
Broerstraat 26 / Scheidemakershof 37	Mixed retail locations	1993	1960	161	1	1
Broerstraat 70 / Plein 1944 nr. 151	Mixed retail locations	1989	1951	1,033	1	-
Plein 1944 nr. 2	Mixed retail locations	1988	1957	164	1	1
Oosterhout						
Arendstraat 9-11	Mixed retail locations	1994	1982	889	1	-
Arendstraat 13	Mixed retail locations	1994	1989	440	2	1
Oss						
Heschepad 49-51 / Molenstraat 21-25	Mixed retail locations	1986	1983	2,803	3	-
Renkum						
Dorpsstraat 21-23	Mixed retail locations	1997	1907	520	2	-

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Ridderkerk						
St. Jorisplein 30	Mixed retail locations	1994	1970	478	3	-
Roermond						
Steenweg 1C / Schoenmakersstraat 2, 10-16A, 18	Mixed retail locations	86/94	1900/1980	2,497	6	-
Roosendaal						
Nieuwe Markt 51	Mixed retail locations	1994	1960	200	1	-
Rotterdam						
Keizerswaard 73 [1]	Mixed retail locations	1996	1992	280	1	-
Winkelcentrum Zuidplein [2]	Mixed retail locations	94/95/10	1972	1,315	7	-
Schiedam						
Winkelcentrum Hof van Spaland [1] [2]	Mixed retail locations	96/97	70/78	347	2	-
The Hague						
Korte Poten 10	Core city assets	1989	1916	56	1	-
Korte Poten 13	Core city assets	1990	1916	120	1	2
Korte Poten 42	Core city assets	1987	1900	55	1	4
Lange Poten 7	Core city assets	1989	1937	112	1	-
Lange Poten 21	Core city assets	1989	1916	204	1	2
Plaats 17 and 21	Core city assets	1990	1916	415	2	-
Plaats 25	Core city assets	1987	1920	517	1	-
Spuistraat 13	Core city assets	1988	1930	662	1	-
Vlamingstraat 43	Core city assets	1995	1916	163	1	-
Wagenstraat 3-5 / Weverplaats	Core city assets	2012	2012	3.176	1	-
Tiel						
Waterstraat 29 / Kerkstraat 2b	Mixed retail locations	1994	1850	70	1	1
Waterstraat 51a	Mixed retail locations	1994	1920	65	1	-
Tilburg						
Winkelcentrum Westermarkt [2]	Mixed retail locations	93/94/08	61/62/63	7,614	12	-
Uden						
Marktstraat 32	Mixed retail locations	1994	1958	420	1	1
Utrecht						
Achter Clarenburg 19	Core city assets	1987	1975	91	1	-
Bakkerstraat 16	Core city assets	2013	1900	642	1	2
Choorstraat 13	Core city assets	1987	1900	139	1	1
Drieharingstraat 2-8, 14-18 and 22	Core city assets	2018	1900	3,048	8	-
Lange Elisabethstraat 6	Core city assets	1987	1850	113	1	-
Lange Elisabethstraat 36	Core city assets	1993	1850	188	1	-
Nachtegaalstraat 55	Core city assets	1994	1904	2,116	2	2
Oudegracht 124-128	Core city assets	1990	1930	393	2	2
Oudegracht 134-136 / Vinkenburgstraat 8 and 12-14	Core city assets	1987	1900	2,482	11	5
Oudegracht 153 - 159	Core city assets	97/13	1904	1,616	6	2
Oudegracht 161	Core city assets	1997	1900	1,963	2	10
Steenweg 9 / Choorstraat 9-9bis	Core city assets	1990	1900	578	2	3
Steenweg 22-28	Core city assets	2014	1800	288	3	3
Steenweg 31-33 / Hekelsteeg 7	Core city assets	2013	1450	790	1	1
Vismarkt 4	Core city assets	2017	1900	308	1	-
Vredenburg 1	Core city assets	2018	1900	264	1	-
Vredenburg 9, 9a, 9b	Core city assets	2016	1900	1,308	2	4
Veenendaal						
Hoofdstraat 25	Mixed retail locations	1990	1930	260	1	1
Veghel						
Kalverstraat 8-16	Mixed retail locations	1993	1988	446	1	3

1) Land (partly) on long lease
2) Concerns partial ownership

The Netherlands cont.

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Venlo						
Lomstraat 30-32	Mixed retail locations	1993	1960	465	1	-
Lomstraat 33	Mixed retail locations	1994	1970	50	1	-
Venray						
Grotestraat 2-4 / Grote Markt 2a-4	Mixed retail locations	1986	1946	1,166	4	-
Vriezenveen						
Westeinde 21-29	Mixed retail locations	1993	1938	2,611	9	-
Winschoten						
Langestraat 22 / Venne 109	Mixed retail locations	1994	1900	70	1	-
Langestraat 24	Mixed retail locations	1991	1960	430	2	-
Winterswijk						
Dingstraat 1-3	Mixed retail locations	1998	1900	2,335	1	-
Misterstraat 8-10 / Torenstraat 5a and 5c	Mixed retail locations	1996	1900	441	1	2
Misterstraat 12 / Torenstraat 5b	Mixed retail locations	1991	1939	135	1	1
Misterstraat 14	Mixed retail locations	1991	1989	377	2	-
Misterstraat 33	Mixed retail locations	1999	1900	550	1	-
Weurden 2-4	Mixed retail locations	1998	1977	278	1	3
Wooldstraat 26	Mixed retail locations	1999	1900	603	2	-
Zutphen						
Beukerstraat 28	Mixed retail locations	1989	1800	296	1	-
Beukerstraat 40	Mixed retail locations	1989	1838	335	1	-
Zwolle						
Diezerstraat 62	Mixed retail locations	1996	1910	95	1	-
Diezerstraat 74 and 74a	Mixed retail locations	2012	1800	315	1	1
Diezerstraat 78	Mixed retail locations	1990	1832	140	1	-
Luttekestraat 26 / Ossenmarkt 1a	Mixed retail locations	1990	1930	78	1	1
Roggenstraat 6	Mixed retail locations	1987	1900	106	1	-
TOTAL PROPERTY IN OPERATION NETHERLANDS				**111,831**	**301**	**178**

France

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Bordeaux						
Cours de l'Intendance 12	Core city assets	2011	1900	390	1	-
Cours de l'Intendance 47	Core city assets	2011	1900	262	1	-
Cours de l'Intendance 56	Core city assets	2013	1900	310	1	-
Cours de l'Intendance 58	Core city assets	2013	1900	115	1	-
Cours de l'Intendance 60	Core city assets	2013	1900	508	1	-
Cours de l'Intendance 61	Core city assets	2012	1900	720	2	2
Cours de l'Intendance 62	Core city assets	2013	1900	660	1	-
Cours de l'Intendance 64-66	Core city assets	2013	1900	240	1	-
Cours Georges Clémenceau 12	Core city assets	2011	1900	360	1	2
Rue de la Porte Dijeaux 73	Core city assets	2012	1950	138	1	-
Rue Sainte Catherine 20	Core city assets	2011	1900	592	1	13
Rue Sainte Catherine 27-31	Core city assets	2011	1900	1,013	4	3
Rue Sainte Catherine 35-37	Core city assets	2011	1900	343	1	-
Rue Sainte Catherine 39	Core city assets	2011	1900	328	1	-
Rue Sainte Catherine 66	Core city assets	2012	1950	133	1	-
Rue Sainte Catherine 131	Core city assets	2012	1900	346	1	-
Cannes						
Rue d'Antibes 40	Core city assets	2000	1950	819	1	-
Lille						
Place de la Gare 8	Core city assets	2007	1945	156	2	-
Place des Patiniers 1 bis	Core city assets	2007	1900	112	1	-
Place des Patiniers 2	Core city assets	2007	1945	56	1	-
Place du Lion d'Or 9	Core city assets	2007	1870	152	1	-
Place Louise de Bettignies 15-17	Core city assets	2007	1870	352	1	-
Rue Basse 8	Core city assets	2007	1930	148	1	-
Rue de la Grande Chaussée 25	Core city assets	2007	1870	200	1	-
Rue de la Grande Chaussée 29	Core city assets	2007	1870	476	1	3
Rue de la Grande Chaussée 33-35	Core city assets	2007	1870	429	1	-
Rue de la Monnaie 2	Core city assets	2007	1870	468	-	4
Rue de la Monnaie 2 / Place Louise de Bettignies 11-14	Core city assets	2007	1870	240	1	-
Rue de la Monnaie 4	Core city assets	2007	1870	103	1	-
Rue de la Monnaie 6	Core city assets	2007	1870	123	1	-
Rue de la Monnaie 6 bis	Core city assets	2007	1870	82	1	-
Rue de la Monnaie 12	Core city assets	2007	1870	172	1	-
Rue de la Monnaie 13	Core city assets	2007	1870	85	1	-
Rue des Chats Bossus 13	Core city assets	2007	1870	454	1	-
Rue des Chats Bossus 21	Core city assets	2007	1870	168	1	-
Rue des Ponts de Comines 30	Core city assets	2007	1945	197	1	-
Rue des Ponts de Comines 32	Core city assets	2007	1945	267	1	-
Rue du Curé Saint-Etienne 6	Core city assets	2007	1950	153	1	-
Rue du Curé Saint-Etienne 17	Core city assets	2007	1870	172	1	-
Rue Faidherbe 28-30	Core city assets	2007	1945	102	1	-
Rue Faidherbe 32-34	Core city assets	2007	1945	598	1	-
Rue Faidherbe 38-44	Core city assets	2007	1945	200	1	-
Rue Faidherbe 48	Core city assets	2007	1945	135	1	-
Rue Faidherbe 50	Core city assets	2007	2015	235	-	-
Rue Faidherbe 54	Core city assets	2007	2015	139	1	-
Lyon						
Rue Édouard Herriot 70	Core city assets	2014	1900	388	2	-
Rue Victor Hugo 5	Core city assets	2001	1950	90	1	-

France cont.

City / Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Nice						
Avenue Jean Médecin 8 bis / Rue Gustave Deloye 5	Core city assets	2001	1950	362	1	-
Paris						
Rue d'Alésia 123	Core city assets	2006	1956	420	1	-
Rue de Rennes146	Core city assets	2016	1900	195	1	-
Rue de Rivoli 102	Core city assets	2012	1900	1,107	3	-
Rue de Rivoli 118-120, Rue du Plat d'Etain 19 and Rue Pernelle 5	Core city assets	1998	1997	3,500	6	9
Rue des Archives 21	Core city assets	2016	1900	163	1	-
Rue des Francs Bourgeois 10	Core city assets	2018	1900	141	1	-
Rue des Francs Bourgeois 12	Core city assets	2018	1900	154	1	-
Rue des Francs Bourgeois 29	Core city assets	2017	1900	229	1	-
Rue des Rosiers 3ter	Core city assets	2015	1900	383	1	-
Rue des Rosiers 19	Core city assets	2017	1900	58	1	-
Rue du Vieille du Temple 26	Core city assets	2016	1900	213	1	-
Rue Montmartre 17	Core city assets	2006	2003	246	1	-
Saint-Étienne						
Rue Saint-Jean 27	Mixed retail locations	2001	1950	51	1	-
TOTAL PROPERTY IN OPERATION FRANCE				**21,151**	**72**	**36**

Belgium [2]

City / Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Aalst						
Albrechtlaan 56 [1]	Mixed retail locations	2000	> 1980	1,000	1	-
Brusselsesteenweg 41	Mixed retail locations	2007	> 1980	770	1	-
Nieuwstraat 10	Mixed retail locations	1998	< 1950	151	1	-
Aartselaar						
Antwerpsesteenweg 13 / 4	Mixed retail locations	2000	> 1980	1,334	1	-
Ans						
Rue des Français 393	Mixed retail locations	1999	> 1980	3,980	11	-
Antwerp						
Armeduivelstraat 6	Core city assets	2015	< 1950	198	1	-
De Keyserlei 47	Core city assets	2000	< 1950	62	1	-
De Keyserlei 49	Core city assets	2000	< 1950	102	1	-
Graanmarkt 13	Core city assets	2015	< 1950	886	2	-
Groendalstraat 11	Core city assets	2000	< 1950	39	1	-
Huidevettersstraat 12	Core city assets	1994	< 1950	684	1	-
Korte Gasthuisstraat 17	Core city assets	2015	< 1950	1,534	1	-
Korte Gasthuisstraat 27	Core city assets	2000	< 1950	145	1	-
Leysstraat 17	Core city assets	2000	< 1950	325	1	2
Leysstraat 28-30	Core city assets	1997	< 1950	1,646	2	5
Meir 99	Core city assets	1996	< 1950	583	1	-
Schuttershofstraat 22	Core city assets	2015	< 1950	342	1	-
Schuttershofstraat 24	Core city assets	2000	< 1950	180	1	-
Schuttershofstraat 30	Core city assets	2000	< 1950	50	1	-
Schuttershofstraat 32 / Arme Duivelstraat 2	Core city assets	2000	< 1950	54	1	-
Schuttershofstraat 55	Core city assets	2015	< 1950	139	1	-
Steenhouwersvest 44-46-48	Core city assets	2017	1950–1980	1,030	3	4
Balen						
Molsesteenweg 56	Mixed retail locations	1999	> 1980	1,871	2	-
Bergen						
Grand Rue 19	Mixed retail locations	2000	< 1950	185	1	-
Boechout						
Hovesesteenweg 123-127	Mixed retail locations	2002	> 1980	1,230	1	-
Bruges						
Steenstraat 38	Core city assets	2013	< 1950	941	1	-
Steenstraat 80	Core city assets	1998	< 1950	2,058	1	-
Brussels						
Elsensesteenweg 16	Core city assets	1996	< 1950	1,222	2	-
Elsensesteenweg 41-43	Core city assets	1998	< 1950	6,604	7	-
Louizalaan 7	Core city assets	2000	< 1950	370	1	-
Nieuwstraat 98	Core city assets	2001	< 1950	150	1	-
Drogenbos						
Nieuwe Stallestraat 217	Mixed retail locations	2007	> 1980	530	1	-
Genk						
Hasseltweg 74	Mixed retail locations	2002	> 1980	2,331	3	-
Ghent						
Veldstraat 23-27	Core city assets	2014	< 1950	2,690	1	-
Veldstraat 81	Core city assets	1998	< 1950	265	-	-
Volderstraat 15	Core city assets	1993	< 1950	279	1	-
Zonnestraat 10-12	Core city assets	1998	< 1950	702	1	2
Zonnestraat 6-8	Core city assets	1998	< 1950	3,484	1	-

1) Land (partly) on long lease
2) All Belgian properties (excluding Korte Gasthuisstraat 17 in Antwerp) are held directly by Vastned Retail Belgium, in which Vastned has a 65.5% interest at year-end 2018

Belgium cont.

City Location		Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Grivegnée							
Rue Servais Malaise		Mixed retail locations	2002	> 1980	2,000	1	-
Huy							
Rue Joseph Wauters 3	1)	Mixed retail locations	2007	> 1980	1,000	2	-
Jemappes							
Avenue Wilson 510		Mixed retail locations	2007	> 1980	900	2	-
Kampenhout							
Mechelsesteenweg 38-42		Mixed retail locations	1999	> 1980	3,322	3	-
Korbeek-Lo							
Tiensesteenweg 378	1)	Mixed retail locations	2007	> 1980	990	2	-
Leopoldsburg							
Lidostraat 7		Mixed retail locations	1999	> 1980	1,850	1	-
Leuven							
Bondgenotenlaan 69-73		Mixed retail locations	2001	< 1950	1,495	2	-
Liège							
Rue Pont d'Ile 35		Mixed retail locations	1998	< 1950	80	1	-
Rue Pont d'Ile 45		Mixed retail locations	1998	< 1950	55	1	-
Rue Pont d'Ile 49		Mixed retail locations	1998	< 1950	375	1	-
Mechelen							
Bruul 39-41		Mixed retail locations	2000	< 1950	361	2	-
Bruul 42-44		Mixed retail locations	2001	< 1950	2,948	1	-
Borzestraat 5		Mixed retail locations	2001	< 1950	283	-	-
Moeskroen							
Petite Rue 18		Mixed retail locations	1998	< 1950	235	1	-
Montignies-sur-Sambre							
Rue de la Persévérance 14		Mixed retail locations	2007	> 1980	750	1	-
Namur							
Place de l'Ange 42		Mixed retail locations	2011	1950–1980	2,270	10	-
Philippeville							
Rue de France		Mixed retail locations	1999	> 1980	3,689	6	-
Schaarbeek							
Leuvensesteenweg 610-640		Mixed retail locations	1999	> 1980	2,964	4	-
Tielt-Winge							
Retailpark 't Gouden Kruispunt		Mixed retail locations	99-02	> 1980	19,096	22	-
Turnhout							
Gasthuisstraat 32		Mixed retail locations	1996	< 1950	1,523	1	-
Wavre							
Boulevard de l'Europe 41		Mixed retail locations	2007	> 1980	860	1	-
Rue du Commerce 26		Mixed retail locations	1998	< 1950	242	1	-
Rue du Pont du Christ 46 / Rue Barbier 15		Mixed retail locations	1998	< 1950	319	1	-
Wilrijk							
Boomsesteenweg 666-672		Mixed retail locations	2000	> 1980	4,884	4	-
TOTAL PROPERTY IN OPERATION BELGIUM					92,637	132	13

1) Land (partly) on long lease

Spain

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
Leon						
Avenida Ordoño II 18	Mixed retail locations	2001	< 1950	591	1	-
Madrid						
Calle de Fuencarral 23	Core city assets	2006	< 1950	256	1	-
Calle de Fuencarral 25	Core city assets	2006	< 1950	120	1	-
Calle de Fuencarral 27	Core city assets	2018	< 1950	128	1	-
Calle de Fuencarral 37	Core city assets	2016	< 1950	611	1	-
Calle José Ortega y Gasset 15	Core city assets	2016	< 1950	396	1	-
Calle Serrano 36	Core city assets	1999	< 1950	615	1	-
Calle Tetuán 19 / Calle Carmen 3	Core city assets	2002	< 1950	429	1	-
Málaga						
Plaza de la Constitución 9	Core city assets	2010	< 1950	273	1	-
TOTAL PROPERTY IN OPERATION SPAIN				3,419	9	-

Assets held for sale

City Location	Type of property	Year of acquisition	Year of construction/ renovation	Lettable floor space (sqm)	Number of tenants	Number of apartments
The Netherlands						
Heerlen						
In de Cramer 140	Mixed retail locations	2007	2007	6,000	1	-
TOTAL ASSETS HELD FOR SALE				6,000	1	-
TOTAL PROPERTY				235,038	515	227

Shareholder information

ISIN code NL0000288918
Reuters VASN.AS
Bloomberg VASTN.NA

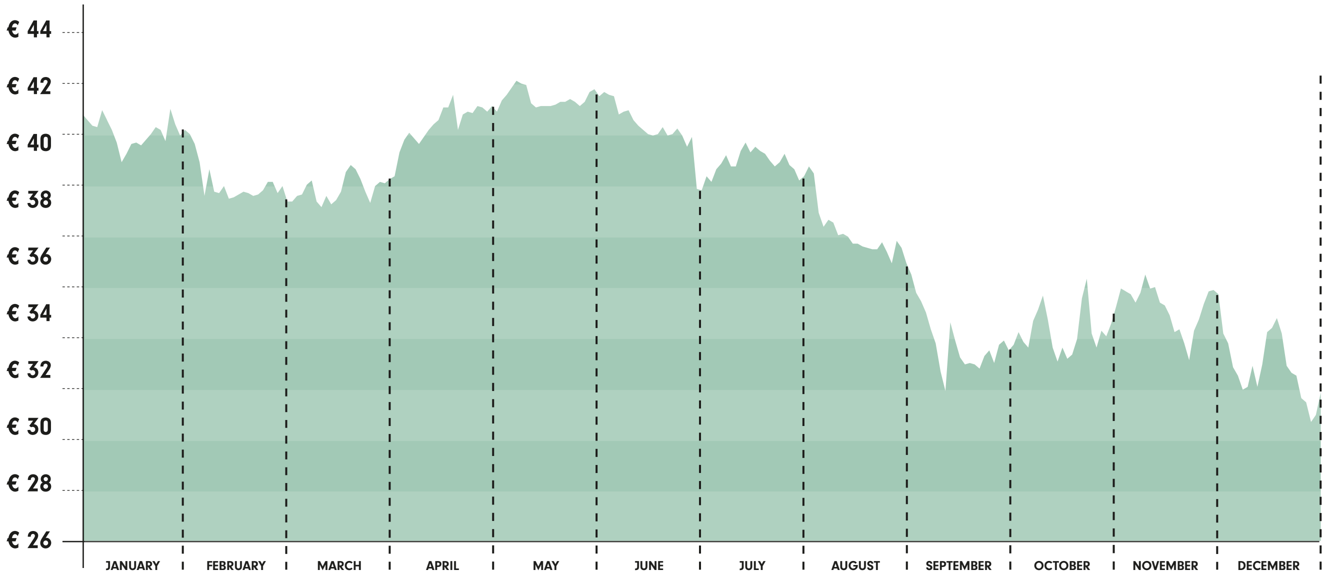
Shares in Vastned Retail N.V. (Vastned) have been listed on Euronext Amsterdam since 9 November 1987. Vastned has been part of the Small Cap Index (ASxC) since 18 September 2017.

The share's nominal value is € 5. The total number of shares in issue was 19,036,646 at year-end 2018. Due to the repurchasing of shares in 2017 and 2018, which are held as treasury shares, the total number of shares in issue was 17,894,592 at year-end 2018. No shares were issued in 2018.

At year-end 2018, Vastned's market capitalisation, being the number of shares in issue multiplied by the share price, was € 560 million. The average daily trading volume in 2018 was € 1.3 million or approximately 34,000 shares. Vastned has engaged Kempen & Co as a paid liquidity provider to ensure continuous liquidity of the share.

The larger part of the trade in the Vastned share, being 69%, took place on Euronext Amsterdam. Other trading platforms that were used: BATS (13%), Turquoise (8%), Chi-X (7%), Aquis Exchange (2%) and Equiduct (1%).

Movement Vastned share price in 2018



Share price information

	2018	2017	2016	2015	2014
Market capitalisation at year-end (€ million)	560	786	702	806	713
Lowest closing price	€ 30.25	€ 32.98	€ 33.90	€ 36.40	€ 32.89
Highest closing price	€ 42.40	€ 41.90	€ 42.60	€ 48.99	€ 39.30
Closing price (year-end)	€ 31.30	€ 41.30	€ 36.86	€ 42.35	€ 37.45
Average daily trading volume on Euronext (shares)	34,000	47,000	31,000	43,000	46,000

Key data per share

	2018	2017	2016	2015	2014
Direct result	€ 2.22	€ 2.22	€ 2.42	€ 2.58	€ 2.44
Indirect result	€ 0.04	€ 2.89	€ (1.03)	€ 0.86	€ (0.77)
Dividend	€ 2.05 [1]	€ 2.05	€ 2.05	€ 2.05	€ 2.00
Net asset value	€ 46.40	€ 46.12	€ 42.26	€ 42.90	€ 41.09

1) Subject to approval from the Annual General Meeting of Shareholders on 18 April 2019

Dividend

Following approval from the Annual General Meeting of Shareholders on 19 April 2018, Vastned on 8 May 2018 paid out a final dividend for 2017 of € 1.41. The total dividend for 2017 was € 2.05 per share, just as in the preceding two years. In line with Vastned's dividend policy of paying out 60% of the direct result for the first half year of 2014, an interim dividend of € 0.71 was paid out on 21 August 2018.

Vastned proposes to the Annual General Meeting of Shareholders once again to declare a total dividend of € 2.05 per share for the full year 2018. This equates to 92% of the direct result and is in line with the dividend policy to distribute a dividend of at least 75% of the annual direct result.

Shareholder return

Vastned's 2018 opening price was € 41.60. Over the year the share price ranged between € 30.25 and € 42.40 and closed at € 31.30 at year-end 2018. Vastned distributed a final dividend of € 1.41 per share for 2017, and an interim dividend for 2018 of € 0.71 per share, taking the total dividend yield (price movement and dividend payment) for 2018 to 19.7% negative, from 17.1% positive in 2017.

Share ownership

In compliance with the Financial Supervision Act and the Act on the Disclosure of Major Holdings in Listed Companies (WMZ), the following parties are known to Vastned as shareholders holding a capital interest of 3% or more of the shares in issue at year-end 2018:

	Interest	AFM reporting date
Van Herk Investments B.V.	24.98%	21 Aug 2018
M. Ohayon	7.14%	16 Mrch 2016
BlackRock Inc.	4.67%	21 Sept 2018
Baillie Gifford & Co	3.04%	24 Aug 2018
Société Fédérale de Participations et d'Investissements (SFPI)	3.02%	21 Jan 2016

There have been no transactions with major shareholders, being parties holding an interest of over 10%.

The Executive Board and two members of the Supervisory Board hold interests in Vastned in order to emphasise their involvement with the company and their belief in the strategy.

	Number of shares at year-end 2018
Taco T.J. de Groot (CEO)	69,851
Reinier Walta (CFO)	2,000
Marc C. van Gelder (Chairman of the Supervisory Board)	7,100
Jeroen B.J.M. Hunfeld (Vice-chairman of the Supervisory Board)	1,400

Share buyback

On 19 October 2018, Vastned announced a share buyback programme of a maximum of € 40 million. The execution of the share buyback programme was dependent on market conditions, for which reason it may be possible that not the full amount will be repurchased. The programme started on 19 October 2018 and will run up to and including 31 March 2019 and will be funded from Vastned's available credit facilities. In 2018, 292,208 shares were purchased for a total amount of € 9.8 million (including costs). The purchased shares will be held as treasury shares.

Treasury shares

	2018
Balance as at 1 January	849,846
Repurchased	292,208
Balance as at 31 December	**1,142,054**

Convertible bonds

In 2014, Vastned placed € 110 million in convertible bonds with institutional investors that will mature on 10 April 2019. These bonds will be convertible into Vastned shares, subject to Vastned opting for payment in cash instead of partial or full transfer of the shares. The bonds have an annual coupon of 1.875% and an initial conversion price of € 46.19. After the final dividend distributions for 2013, 2014, 2014 and 2015, 2016 and 2017 and the interim dividend distributions in 2014, 2015, 2016, 2017 and 2018, the rights of the bondholders were adjusted. As of 6 August 2018, the conversion price was changed from € 42.67 to € 41.87. The bonds are listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange (ISIN code: XS1054643983).

Investor relations

Information provision

Vastned is committed to communicating developments in the company promptly, clearly and unambiguously to all stakeholders. This is done by publishing press releases, interim reports and annual reports, trading updates, the Vastned website and its LinkedIn page. On the date of publication of the half-yearly and annual figures, Vastned publishes its presentation on its website, where visitors can also watch a live webcast of the presentation.

Furthermore, the CEO, CFO and/or the Investor Relations Manager have frequent contacts with current and potential shareholders and other market parties. Such contacts usually take place during roadshows, in broker conferences, during property viewings and in telephone calls. These contacts take place with (large) groups of current and potential shareholders, or bilaterally. Vastned has drawn up a 'policy on bilateral contacts with shareholders', which has been published on the website.

Vastned regularly asks different analysts and investors for their opinion of Vastned's performance in an anonymous survey conducted by an external party. The report based on the survey is immediately shared and discussed in full with the Supervisory Board.

Price-sensitive information

Vastned complies with its statutory obligations with respect to confidentiality, disclosure of inside information and equal treatment of shareholders. Price-sensitive information is always disclosed in press releases, reported to the financial authorities (AFM) and placed on Vastned's website. Periodic financial reports and other press releases are published in the same way. In contacts with the press, individual investors and analysts, only previously published information is commented upon.

Closed periods

In the 30-day period preceding the publication of the annual results and interim results, Vastned observes a 'closed period'. There are no closed periods ahead of the publication of the first and third quarter trading updates.

Vastned in principle does not hold discussions or conversations with current or potential shareholders or other market parties during closed period. The Executive Board may deviate from this if it is in the interests of the Company.

Annual report

In its annual reports Vastned endeavours to present the clearest and most transparent possible account of its activities and the developments throughout the past year, and of its plans for the year ahead. The annual report is also an important medium to further explain the company's value creation and strategy.

Vastned's 2017 annual report won in 2018 the company its eighth 'Gold Award' from the European Public Real Estate Association (EPRA). This award is presented to companies that have best implemented EPRA's Best Practices Recommendations (BPR). The BPR aim to raise the transparency and consistency of the financial reporting of listed property companies.

In addition, Vastned has set itself the objective of creating long-term value for its stakeholders, and in light of this Vastned believes it is important to report transparently on both financial and non-financial results. On the year 2017, Vastned reported in accordance with EPRA's Sustainability Best Practices Recommendations' (sBPR). In 2018, Vastned received its second consecutive Gold Award from EPRA as the highest recognition in this area.

Sell-side analysts

Vastned's developments are followed by seven parties, who regularly publish reports on the company. Analysts' reports and valuations sent to Vastned prior to publication are not checked, commented on or corrected, other than for factual inaccuracies. Nor does Vastned pay any fees to parties for preparing analysts' reports.

Bank	Recommendation	Target price
ABN AMRO	Buy	€ 43.00
Berenberg	Hold	€ 41.50
Degroof Petercam	Hold	€ 40.00
Green Street Advisors	Buy	€ 36.00
ING	Hold	€ 34.00
J.P.Morgan Cazenove	Neutral	€ 34.00
Kempen & Co	Neutral	€ 41.00

Recommendations and share price targets as at 31 January 2019

Contact information

For further information on Vastned and/or the Vastned share, please contact the Investor Relations Manager on +31 20 2424300.

Financial calendar 2019

18 April
Annual General Meeting of Shareholders

24 April
Ex final dividend date 2018

25 April
Final dividend record date 2018

7 May
Payment date final dividend 2018
Q1 trading update 2019 *after trading*

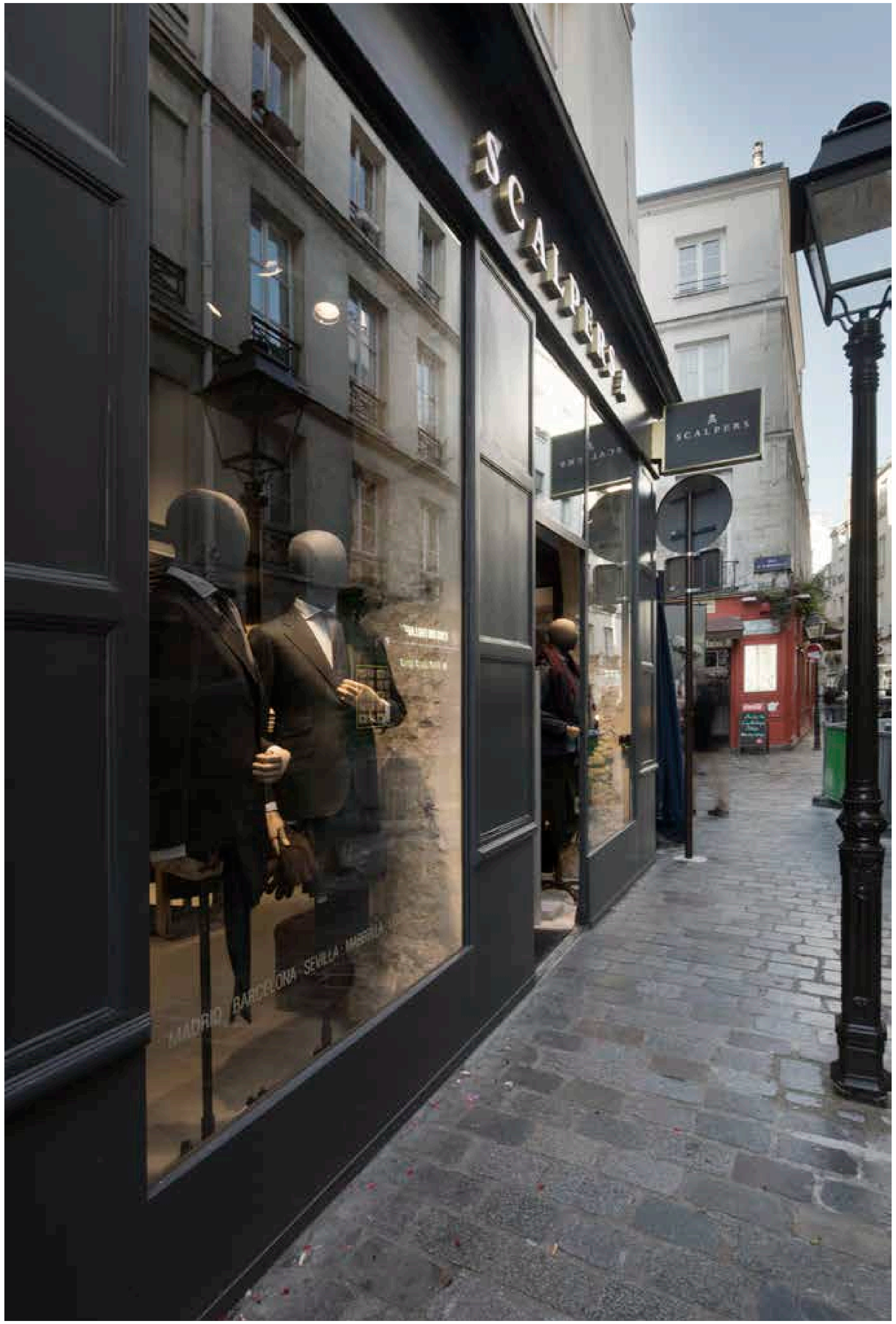
31 July
Interim results 2019 *after trading*

5 August
Ex interim dividend date 2019

6 August
Interim dividend record date 2019

20 August
Interim dividend payment date 2019

29 October
9M trading update 2019 *after trading*



• Rue des Rosiers 19, Paris

Composition of the management team

Taco T.J. de Groot LLM MRE MRICS (1963/M)

CEO and Statutory Director,
Chairman of the management team

Nationality
Dutch

Appointments
2011, 2015 (Current term ends 2019)

Committees
Sustainability task force

Other positions as at 31 December 2018
Co-CEO Vastned Retail Belgium NV, Non-Executive Director Tritax EuroBox Plc

Relevant experience
Eurindustrial NV (SB, interim), MSeven LLP Real Estate & Fund Management (Partner), GPT Halverton LLP (CIO), Habion (SB), Cortona Holdings (CEO), DTZ Zadelhoff

Vastned shares
69,851

Reinier Walta LLM MSRE (1974/M)

CFO and Statutory Director,
Member of the management team

Nationality
Dutch

Appointments
2014, 2018 (Current term ends 2022)

Committees
–

Other positions as at 31 December 2018
CFO Vastned Retail Belgium NV, Treasurer at Association for the representation of the joint interests of listed real estate investment institutions

Relevant experience
ADIA (Senior Transaction Manager), ING Real Estate Investment Management (Director), ING Real Estate (Senior Tax Manager), PwC (property tax lawyer)

Vastned shares
2,000

Ronald C. Beemsterboer MSc (1982/M)

Investor Relations Manager,
Member of the management team

Nationality
Dutch

In current position since
1 April 2018

Committees
Sustainability task force

Other positions as at 31 December 2018
–

Relevant experience
Wolters Kluwer (Investor Relations Associate), EY (Mergers & Acquisitions Manager), Sanoma (Business controller), KPMG (Mergers & Acquisitions Consultant)

Vastned shares
100

Peggy G. Deraedt (1970/F)

Company Lawyer,
Member of the management team

Nationality
Belgian

In current position since
1 April 2004

Committees
–

Other positions as at 31 December 2018
Member of the board of directors Vastned Retail Belgium NV

Relevant experience
NautaDutilh (Lawyer)

Vastned shares
61

Nathanaël P. van Twillert MSc (1987/M)

Investment Director,
Member of the management team

Nationality
Dutch

In current position since
1 October 2017

Committees
Sustainability task force

Other positions as at 31 December 2018
–

Relevant experience
Vastned (Business Analyst, Investment Analyst)

Vastned shares
0

Ingeborg W. van 't Woud (1978/F)

Company Secretary,
Member of the management team

Nationality
Dutch

In current position since
4 December 2017

Committees
–

Other positions as at 31 December 2018
–

Relevant experience
Nielsen (Director Corporate Legal), Allen & Overy LLP (Junior Civil-Law Notary)

Vastned shares
1,000

Composition of the Supervisory Board

Marc C. van Gelder
(1961/M)

Chairman of the Supervisory Board

Nationality
Dutch
Appointment
2015 (Current term ends 2019)
Committees
Remuneration and Nomination Committee
Other positions as at 31 December 2018
Hans Anders (SB, chairman), Action (SB), JP Morgan European smaller companies trust plc (SB), Diabetes Fonds (BoT, chairman), Paleis Het Loo (BoT), MedEye (SB)
Relevant experience
Mediq (CEO), Peapod (CEO), Ahold, McKinsey, Drexel Burnham Lambert, MIP Venture Capital Fund, GIMV (SB), Maxeda (SB)
Vastned shares
7,100

Marieke Bax LLM MBA
(1961/F)

Member of the Supervisory Board

Nationality
Dutch
Appointments
2012, 2016 (Current term ends 2020)
Committees
Remuneration and Nomination Committee (Chair)
Other positions as at 31 December 2018
EESA Euroclear (NED), Vion Food Group (SB), Credit Lyonnais Securities Asia (BoD), UvA Amsterdam Law School (Advisory Council), Governance University (BoG), Professional Boards Forum (Adviser to the Board), Fonds Podiumkunsten (BoT)
Relevant experience
KPMG Nederland (Adviser to the Board), Founder of 'Talent to the Top', ASR Verzekeringen (SB), Gooseberry Amsterdam (MP), Hot-Orange Amsterdam (CFO), Sara Lee (Head of M&A & Strategy Europe), Linklaters & Paines London (Associate), Securities and Investments Board London (Assistant Director)
Vastned shares
0

Jeroen B.J.M. Hunfeld
(1950/M)

Vice-chairman of the Supervisory Board

Nationality
Dutch
Appointments
2007, 2011, 2015 (Current term ends 2019)
Committees
Audit and Compliance Committee
Other positions as at 31 December 2018
Vroegop en Ruhe (SB), Faber Vlaggen (SB)
Relevant experience
BBDO Nederland (CEO), Royal Vendex KBB (COO), Ahold, Albert Heijn
Vastned shares
1,400

Charlotte M. Insinger LLM MBA
(1965/F)

Member of the Supervisory Board

Nationality
Dutch
Appointment
2015 (Current term ends 2019)
Committees
Audit and Compliance Committee (Chair)
Other positions as at 31 December 2018
Eneco (SB, chair), LVNL (BoT), Stichting Nederlands Filmfonds (BoT), Hogeschool Rotterdam (BoT), Cerberus Global Investments (Managing Director), HAYA Real Estate S.A.U. (Non-Executive Director), Staatsbosbeheer (BoT, chair)
Relevant experience
PZEM (SB), De Volksbank (SB), Erasmus Medisch Centrum (CFO), Shell, Robeco, Vesteda Residential Fund (SB)
Vastned shares
0

Abbreviations

AFM Authority for the Financial Markets
ATSR Absolute Total Shareholder Return
CEO Chief Executive Officer
CFO Chief Financial Officer
Code Dutch corporate governance code
CPI Consumer Price Index
EPRA European Public Real Estate Association
IAS International Accounting Standards
IFRS International Financial Reporting Standards
ILO International Labour Organization
REIT Real Estate Investment Trust
RTSR Relative Total Shareholder Return
SIIC Société d'Investissements Immobiliers Cotées

Definitions

ATSR
The total shareholder return (share price movements plus dividends) of the Vastned share over a period of three financial years.

Average (financial) occupancy rate
100% less the average (financial) vacancy rate.

Average (financial) vacancy rate
The market rent applicable for a particular period of vacant properties, expressed as a percentage of the theoretical rental income for the same period.

Cert-Tot *(Type and number of sustainably certified assets)*
Cert-Tot refers to the total number of assets within a portfolio that have formally obtained sustainability certification, rating or labelling at the end of a reporting year.

DH&C-Abs *(Total district heating & cooling consumption)*
DH&C-Abs refers to the total amount of indirect energy consumed from district heating or cooling systems over a full reporting year. In this instance 'indirect' means energy generated off site and typically bought from an external energy supplier.

DH&C-LfL *(Like-for-like total district heating & cooling consumption)*
DH&C-LfL refers to the district heating & cooling consumption of a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years (this like-for-like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth reporting).

Direct result
Consist of Net rental income less net financing costs (excluding value movements financial derivatives), general expenses, current income tax expense and the part of this income and expenditure attributable to non-controlling interests.

Elec-Abs *(Total electricity consumption)*
Elec-Abs refers to the total amount of electricity consumed. It includes electricity from renewable and non-renewable sources, whether imported and generated onsite.

Elec-LfL *(Like-for-like total electricity consumption)*
Elec-LfL refers to the electricity consumption of a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years (this like-for-like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth reporting).

Embedded energy
Embedded energy is the sum of all the energy required to produce any goods or services, considered as if that energy was incorporated or 'embodied' in the product itself.

Energy-Int *(Building energy intensity)*
Energy-Int refers to the total amount of direct and indirect energy used by renewable and non-renewable sources in a building over a full reporting year, normalised by an appropriate denominator.

EPRA Earnings [1)]
Recurring earnings from core operational activities. In practice this is reflected by the direct result.

EPRA NAV [1)]
Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA NNNAV [1)]
EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

EPRA Net Initial Yield (NIY) [1)]
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. Annualised rental income includes any CPI indexation and estimated turnover rents or other recurring operational income but does not include any provisions for doubtful debtors and letting and marketing fees.

EPRA 'topped-up' NIY [1)]
This yield is calculated by making an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

EPRA Vacancy Rate [1)]
Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

Estimated Market Rental Value (ERV)/ Market rent
The rental value estimated by external valuers for which a particular property may be leased at a given time by well-informed parties who are prepared to make a transaction, who are independent and who act prudently and free from duress.

1) In the event of differences in the EPRA definitions as published by EPRA the English language version will prevail.

FSC-certified timber
FSC-certified timber is harvested from forests that are responsibly managed. Responsibly means that ecological, economic and social issues of the present and the future are taken into account. FSC stands for Forest Steward Ship Council.

Fuels-Abs *(Total fuel consumption)*
Fuels-Abs refers to the total amount of fuel used from direct (renewable and non-renewable) sources ('direct' meaning that the fuel is combusted onsite) over a full reporting year.

Fuels-LfL *(Like-for-like total fuel consumption)*
Fuels-LfL refers to the fuel consumption of a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years (this like-for-like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth reporting).

GHG-Dir-Abs *(Total direct greenhouse gas (GHG) emissions)*
GHG-Dir-Abs refers to the total amount of direct greenhouse gas emissions ('direct' meaning that GHG emissions are generated onsite through combustion of the energy source / fuel) over a full reporting year

GHG-Dir-LfL *(Like-for-like total direct greenhouse gas (GHG) emissions)*
GHG-Dir-LfL refers to the direct emissions of a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years, this like-for-like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth reporting.

GHG-Indir-Abs *(Total indirect greenhouse gas (GHG) emissions)*
GHG-Indir-Abs refers to the total amount of indirect greenhouse gas emissions ('indirect' meaning that GHG emissions are generated offsite during combustion of the energy source) over a full reporting year.

GHG-Indir-LfL *(Like-for-like total indirect greenhouse gas (GHG) emissions)*
GHG-Indir-LfL refers to the indirect emissions of a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years (this like-for-like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth reporting).

GHG-Int *(Greenhouse gas (GHG) intensity from building energy consumption)*
GHG-Int refers to the total amount of direct and indirect GHG emissions generated from energy consumption in a building over a full reporting year, normalised by an appropriate denominator.

Gross rent
Contractually agreed rent for a particular property, taking the effect of straightlining of lease incentives into account.

Gross rental income
The gross rent recognised for a certain period after deduction of the effects of straightlining of lease incentives.

Indirect result
Consists of the value movements and the net result on disposal of property, movements in deferred tax assets and deferred tax liabilities and the value movements of financial derivatives that do not qualify as effective hedges, less the part of these items attributable to non-controlling interests.

Lease incentives
Any compensation, temporary lease discount or expense for a tenant upon the conclusion or renewal of a lease agreement.

Loan-to-value ratio
The interest-bearing debts divided by the value of the property (including assets held for sale).

Market value
The estimated amount for which a particular property might be traded between well-informed parties who are prepared to make a transaction, who are independent and who act prudently and free from duress.

Net Asset Value (NAV)
Represents the equity attributable to Vastned Retail shareholders as shown in the consolidated financial statements of Vastned Retail prepared in accordance with IFRS.

Net initial yield (NIY)
Net rental income expressed as a percentage of the acquisition price (including transaction costs) of the respective investment property.

Net rental income
Gross rental income less ground rents paid, less net service charge expenses and operating expenses attributable to the respective period, such as maintenance costs, property management expenses, insurance, letting costs and local taxes.

Occupancy rate
100% less the vacancy rate.

OECD guidelines
The OECD Guidelines are recommendations addressed by 46 governments to multinational enterprises operating in or from adhering countries. They provide voluntary principles and standards for responsible business conduct, in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology.

RTSR
The total shareholder return (share price movements plus dividends) of the Vastned share over a period of three financial years compared to the total shareholder return of the peer group of direct competitors.

Straightlining
Phasing the costs of lease discounts, rent-free periods and lease incentives over the duration of the lease contract.

Theoretical annual rent
The annual gross rent at a given time, excluding the effects of straightlining of lease incentives and such, plus the annual market rent of any vacant properties.

Theoretical rental income
The gross rent attributable to a particular period excluding the effects of straightlining of lease incentives and such, plus the market rent of any vacant properties applicable to the same period.

Transparency Benchmark
Annual survey conducted by the Dutch Ministry of Economic Affairs concerning the content and quality of CSR reporting of the larger Dutch companies.

United Nations Global Compact
A voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.

Vacancy rate
The annual market rent of unleased properties at a certain point in time expressed as a percentage of the theoretical annual rent at the same point in time.

Waste-Abs *(Total weight of waste by disposal route)*
Waste-Abs refers to the total amount of waste produced and disposed of via various disposal routes, over a full reporting year.

Waste-LfL *(Like-for-like total weight of waste by disposal route)*
Waste-LfL refers to the waste arising from a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years (this like-for-like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth)

Water-Abs *(Total water consumption)*
Water-Abs refers to the total amount of water consumed within a portfolio, over a full reporting year.

Water-Int *(Building water intensity)*
Water-Int refers to the total amount of water consumption within a building over a full reporting year, normalised by an appropriate denominator.

Water-LfL *(Like-for-like total water consumption)*
Water-LfL refers to the water consumption of a portfolio that has been consistently in operation, and not under development, during the most recent two full reporting years. This like-for like definition is aligned with the EPRA Financial BPR like-for-like definition for rental growth reporting.

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